



Response to the Senate inquiry into industry structures and systems governing levies on grass-fed cattle

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Executive summary

There are close complementarities between the grass and grain fed cattle sectors with many shared issues, members and jointly funded programs.

ALFA believes that Cattle Council's governance, consultation and reporting frameworks could be improved if it implements a structure which removes State Farming Organisation membership and board election capability in favour of 100% direct membership and direct election of grass fed cattle producers. A direct membership orientated model would lead to improved linkages, transparency, accountability, services and financial options for the organisation. There are currently several examples in the cattle industry where PIC structures have direct membership models (eg the Northern Territory Cattlemen's Association and ALFA).

ALFA is opposed to the use of levies for strategic policy development activities as they stymie long term structural change, are not predicated by market failure, create transparency and accountability concerns, lead to conflicts of interest issues, raise questions regarding the validity of the marketing levy and there are better options available.

ALFA believes that there needs to be a dedicated grass and grain fed cattle levy allocation for key industry programs such as NLIS, NVD and LPA. This would eliminate the need for multiple funding sources and would provide a more sustainable funding model and in turn more investment and program certainty into the future.

ALFA also believes that the Federal Government needs to provide the legislative flexibility to more easily adjust grass and grain fed cattle levy allocations between AHA, NRS and MLA (R&D and Marketing) to better reflect the dynamic nature of livestock production. One possible solution to allow this to occur is to permit the grass and grain fed cattle MLA, AHA and NRS levy allocations to increase or decrease within a set range (provided the total \$5 amount is never exceeded). Another option is to allow the transfer of funds between each of the grass and grain fed levy streams (again whilst continuing to maintain the \$5 levy total).

ALFA additionally supports legislative amendment to provide more clarity surrounding the payment of 'grain fed' cattle transaction levies by requiring grain fed cattle transaction levies to be paid for all cattle exiting NFAS accredited feedlots. This amendment we believe would provide increased transparency, understanding and rigour surrounding grass fed vs grain fed cattle transaction levy payments.

Recommendations

ALFA supports the following recommendations in relation to the inquiry;

- 1. Support Cattle Councils transition to a direct membership model without state farming organisation membership and board election capability.**
- 2. Oppose the direct use of levies by Peak Industry Councils for 'strategic policy development' activities.**
- 3. Support the implementation of a dedicated grass and grain fed cattle levy allocation for key industry programs (such as the NLIS, NVD and LPA programs).**
- 4. Provide the legislative flexibility to more easily adjust grass and grain fed cattle levy allocations between AHA, NRS and MLA (R&D and Marketing) to better reflect the dynamic nature of livestock production via;**

- a. Allowing the grass and grain fed cattle MLA, AHA and NRS levy allocations to increase or decrease within a set range (provided the total \$5 amount is never exceeded); and/or;
 - b. Allowing the transfer of funds between each of the grass and grain fed levy streams (provided the total \$5 amount is never exceeded).
5. Provide more clarity surrounding the payment of 'grass fed' vs 'grain fed' cattle transaction levies by requiring grain fed cattle transaction levies to be paid for all cattle exiting NFAS accredited feedlots.

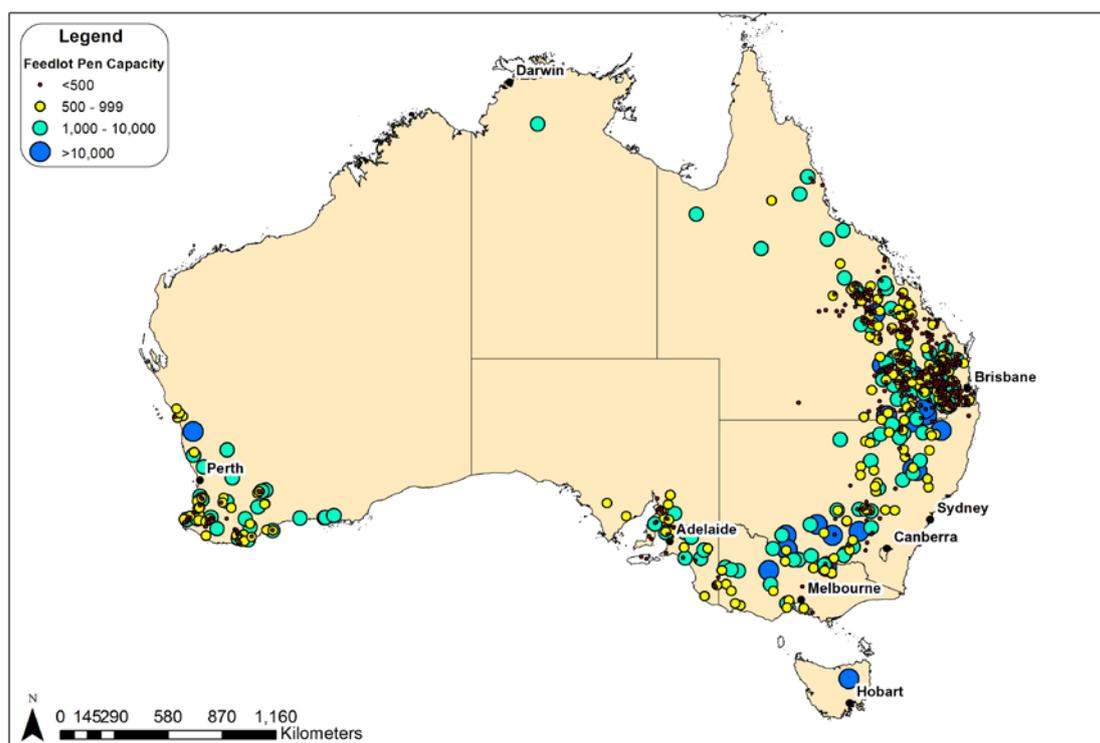
Background

The Australian Lot Feeders' Association (ALFA) appreciates the opportunity to respond to the Senate inquiry into industry structures and systems governing levies on grass-fed cattle.

The grain fed cattle industry has a value of production of approximately \$2.7 billion and employs some 9000 people directly and indirectly. Approximately 25% of Australia's total beef supply, 80% of beef sold in domestic supermarkets and the majority of beef industry growth over the last 15 years has been due to the expanding feedlot sector.

There are approximately 400 accredited feedlots in Australia located in areas that are in close proximity to cattle, grain, water and beef processing facilities. The majority of feedlots are located in Queensland followed by NSW, WA and then Victoria and South Australia.

The location, number and size of feedlots throughout Australia



Around 98% of feedlots are owned and managed by Australian families. A large number are vertically integrated with mixed broadacre grazing and cropping with a small number vertically integrated with the processing sector.

All feedlot cattle spend between 85-90% of their lives in a grass fed environment prior to feedlot entry and as such there is a strong interdependence between the grass and grain fed production system. There are also many shared issues between the two production systems whilst ALFA and Cattle Council additionally share a large number of members. Moreover, the NRS levy is amalgamated between grass and grain fed whilst there are numerous jointly funded programs within the NRS, AHA, MLA R&D and MLA Marketing levy streams. Given the complementarities and close relationship between the two sectors, ALFA is accordingly well placed to comment in relation to this inquiry.

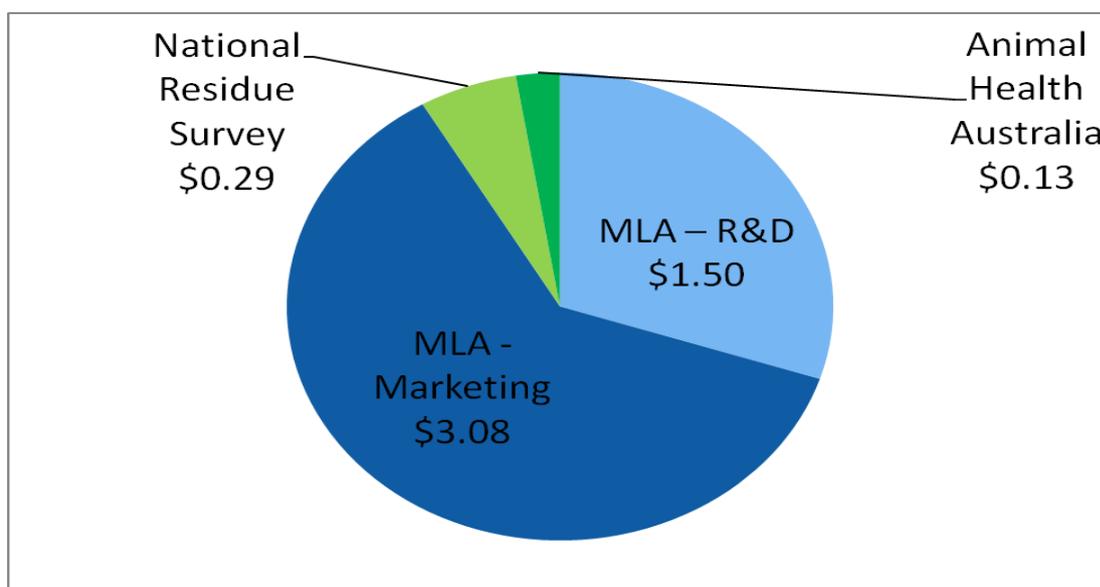
ALFA is the peak representative body for the cattle feedlot industry. It incorporates a direct membership model and receives the majority of its funding from membership and event related activities. A brief breakdown of ALFA's 2012/13 funding sources is detailed in the table below;

Membership	30%
Events	47%
Red Meat Advisory Council	13%
Other	10%

Membership subscriptions are based on a formula whereby fees are charged on the basis of feedlot capacity. Feedlot members are allocated one vote each for matters that require their consideration at ALFA Annual General Meetings.

ALFA's mission is to lead the industry in a manner that fosters excellence and integrity; improves the feedlot business environment; and ensures its community standing. ALFA was set up in December 1970 following the formation of state bodies in Queensland (in 1963), NSW (early 1970) and in Victoria (later in 1970). It became a legislated peak body in 1998. ALFA has four main roles;

1. **Advocacy.** Representing the cattle feedlot industry to Government, industry and other stakeholders;
2. **Allocating and prioritizing the \$5.00 grain fed cattle transaction levy.** This is a legislated responsibility in accordance with the *Australian Meat & Livestock Industry Act 1997*. The allocation of the grain fed cattle transaction levy is detailed in the following graph.



Notably, given the smaller size of the cattle feedlot sector, ALFA is more able to adjust the allocation of the R&D and marketing portions of grain fed transaction levy within the \$4.58 total provided to Meat & Livestock Australia (MLA). ALFA sees R&D as vital to the feedlot industry and as such the amount directed to R&D is higher than that apportioned within the grass fed cattle transaction levy;

	Grain fed cattle transaction levy	Grass fed cattle transaction levy
R&D	\$1.50	\$0.92
Marketing	\$3.08	\$3.66
NRS	\$0.29	\$0.29
AHA	\$0.13	\$0.13

Notably, the grass and grain fed levy directed towards National Residue Survey (NRS) is amalgamated. Accordingly, any levy change for NRS (and Animal Health Australia (AHA) if the overall \$5 levy total is to remain unaltered) requires a far more exhaustive and onerous consultation process with the larger and more disparate grass fed cattle industry.

3. **Industry development.** ALFA undertakes a range of industry development activities;
 - Industry education (eg organizing BeefEx/ BeefWorks, workshops, developing guidance material),
 - Training (eg developing/ updating the Certificate III in feedlot management course, workshops),
 - Awareness (eg BeefEx/ BeefWorks, workshops, ALFA e-newsletter, Journal, traditional and social media),
 - Fostering industry leadership (eg Young Lot Feeder Achiever award, sponsoring the Australian Rural Leadership Program),
 - Career development (eg speaking at schools and Universities, scholarships to BeefEx/ BeefWorks, Young Lot Feeder Achiever award, Pfizer medal, sponsoring the Australian Rural Leadership Program),
 - Developing and improving standards/ programs (eg Environmental Code of practice/ guidelines, the National Feedlot Accreditation Scheme (NFAS), Commodity Vendor Declarations (CVD), Meat Standards Australia (MSA), National Livestock identification System (NLIS)); and
 - Encouraging industry excellence (eg Feedlot of the Year award, Outstanding Service to the industry award, Education medal, Safework award, Innovation of the year award);
4. **Individual membership services.** Given ALFA's direct membership model, the provision of membership services that are considered valuable to the sector is considered paramount.

More detail regarding the Australian red meat agri-political and service provider structure can be found in the appendix.

Whilst Cattle Council has recently amended its constitution to allow grass fed producers to be direct members of the organisation, the majority of its members (and membership income) is still derived from state farming organisations. This we believe is an inherent weakness as will be discussed in greater detail later in this submission.

Specific comments in relation to the inquiry

The terms of reference for the inquiry are set as follows;

The industry structures and systems governing the collection and disbursement of marketing and research and development levies pertaining to the sale of grass-fed cattle set out in subsections 6(1)(a), 6(1)(b), 6(2)(a) and 6(2)(b) of Schedule 3 (Cattle transactions) of the Primary Industries (Excise) Levies Act 1999, including:

- (a) the basis on which levies are collected and used;*
- (b) the opportunities levy payers have to influence the quantum and investment of the levies;*
- (c) industry governance arrangements, consultation and reporting frameworks; and*
- (d) recommendations to maximise the ability of grass-fed cattle producers to respond to challenges and capture opportunities in marketing and research and development.*

ALFA will respond to each of these areas as follows;

a. The basis on which grass fed levies are collected and used;

ALFA is comfortable with the current cattle transactional levy collection mechanism. It however has concerns with the potential direct use of levies by Peak Industry Councils (PIC's) for so called 'strategic policy development' activities for the following reasons;

Such action stymies long term structural change

It is clear that the rationale for securing access to levies is to financially support PIC's. Many PIC's are financially struggling due to the fact that their structures provide limited revenue generating options. In addition, such options are generating declines in funding over time (eg state farming organisation membership along with the Red Meat Advisory Council fund). However, the ability to access levies only serves to encourage PIC's to defer addressing the admittedly difficult but core structural and funding problems that has led to their financial predicament. Government can play a major role in securing much needed long term positive structural change among PIC's by opposing the direct use of levies for such organisations.

There is not market failure

The first requirement within the Levies Principles and Guidelines to secure a new levy is that; *The proposed levy must relate to a function for which there is a **market failure***. As stated above, the problems with the current financial position of many PIC's is not 'market' failure but 'structural' failure with the latter able to be addressed through the efforts of the peak industry council itself. It is clear that some PIC's need to develop structures that provide improved linkages, transparency, accountability and services for the constituents that they represent. Achievement of this will deliver a more financially viable and effective model. There are examples where PIC structures have delivered upon this goal (the Northern Territory Cattlemen's Association and ALFA are examples) so this challenge is not insurmountable.

They create transparency and accountability concerns

ALFA is concerned that PIC's would be able to access levies without sufficient transparency and accountability to levy payers. For instance, ALFA is concerned that such levies will either be used for industry activities for which they already receive monies via the RMAC fund or that the funds will be utilised for matters outside their primary purpose eg agri-political activities. In addition, given that the members of many PIC's are State Farming Organisations rather than levy payers themselves, levy payers may be financially contributing to such PIC's without their knowledge, without supporting their policies and without being a member. In short, ALFA believes this may create an environment which may encourage potential inappropriate expenditure of levy funds

and consequential problems for the wider industry and Government in future. ALFA also understands that the precedential examples regarding the direct use of levies by PIC's have been problematic and not necessarily a model which should be replicated. For example, Australian citrus and avocado growers along with US cattle producers have either voiced concerns or are pursuing legal action regarding the use of levy funds by their peak bodies.

They lead to conflicts of interest issues

The ability of PIC's to access levies directly places them in major perceived or actual conflicts of interest. For instance, PIC's have a legislative responsibility to allocate levy funds to programs and activities which provide the most benefit to levy payers. However, PIC directors also have a legislative responsibility to prevent insolvency within their organisation. These matters may not necessarily be aligned thereby placing such directors in a potential conflict of interest.

The use of levies raises questions regarding the validity of the marketing levy

It is understood that should Cattle Council access the \$5 levy, it would be sourced from within the current grass fed beef marketing levy allocation. However, utilising this allocation suggests that the marketing levy has been in excess of the needs of the sector. This is a direct contradiction to the public statements issued by PIC's and MLA at both the time the levy was raised from \$3.50/head to \$5.00/head in January 2006, and following an industry wide review in 2010 that the levy be maintained at \$5/head.

There are better options

There are other funding options which provide more transparency, better linkages, levy payer accountability and are more sustainable into the longer term. For example, a direct membership model for PICs and potential industry consolidation need to be considered and explored before levies are directly allocated to PIC's.

b. The opportunities levy payers have to influence the quantum and investment of the levies;

Rather than a federated state based membership model, ALFA incorporates direct membership with its core constituency – cattle lot feeders. This structure allows two way communications between ALFA and levy payers regarding levy and other issues. For example, every year ALFA surveys grain fed levy payers regarding their views on the MLA marketing and R&D programs for the following year. This process provides levy payers the opportunity to have direct input into the priorities and amounts allocated to key these programs and projects. ALFA also holds an Annual General Meeting which involves a presentation on all grain fed levy funded programs for the current and upcoming financial year.

ALFA's structure also means that feedlot members are more likely to communicate directly with the organisation. As a result, ALFA is more directly accountable to the feedlot industry with the provision of services which are considered of value an extended consequence.

Importantly, ALFA's members comprise the vast majority of feedlot capacity and cattle numbers on feed in the industry so the organisation is not only representative of the sector but is readily able to conduct a two way dialogue on feedlot related matters.

Cattle Council of Australia (CCA) has historically been criticised for having only State Farming Organisations (SFO's) as members given the fact that SFO's have experienced declining membership and as such are seen by some to be arguably not representing the cattle industry.

The recent decision to allow grass fed cattle producers as members of Cattle Council is a positive step but needs to be a transitional strategy to 100% of CCA members being such producers.

Notably, apart from communication benefits, direct membership can also lead to greater financial opportunities. For example, it provides the ability to attract sponsorship, undertake events and sell other relevant goods and services to the sector.

ALFA fully supports Cattle Council's recent restructure to allow grass fed cattle producers to be direct members. However, the current model requires further refinement given that Cattle Council's Board and membership are still inextricably tied to State Farming Organisations. This creates funding, representation and communication issues. For example, if Government requests feedback from Cattle Council regarding a legislative matter, Cattle Council is constitutionally obliged to consult with its state farming organisation members who then in turn consult with its producer membership. A direct membership model allows this middle step to be removed thereby allowing the body to be more representative of cattle producer's views whilst enabling more effective and nimble response times on policy and industry matters. ALFA believes that Cattle Council can further improve its structure by completely relinquishing its ties with SFO's and relying solely on cattle producers for its membership and Board elections.

Overall, direct membership structures provide improved linkages, transparency, representativeness, accountability, services and financial options for Peak Industry Council's (PIC's). There are currently several examples in the cattle industry where PIC structures have direct membership models (eg the Northern Territory Cattlemen's Association and ALFA).

c. Industry governance arrangements, consultation and reporting frameworks;

ALFA is supportive of the current red meat industry structural arrangements in terms of Meat & Livestock Australia, Animal Health Australia and the National Residue Survey. MLA has publicly stated that in future it will focus solely on R&D and marketing matters, and this approach is applauded by ALFA. It is not the role of service providers to be involved in agri-political matters or be the peak body for the sector as this is the remit of peak industry councils. More detail regarding the current Australian red meat agri-political and service provider structure can be found in the appendix.

ALFA believes that Cattle Council can address concerns surrounding its financial ability to undertake its memorandum of understanding obligations through transitioning to a 100% direct membership model as this provides the opportunity to;

- Attract sponsorship;
- Undertake events such as conferences and workshops in accordance with member needs;
- Sell other goods and services of relevance to producers;
- Increase membership fees over time (notably CCA charges a token and flat \$100 fee under its new structural arrangements).

ALFA prides itself on its ability to thoroughly scrutinise the levies under its jurisdiction and respond expeditiously on matters within its bailiwick. This is possible due to its direct membership model and a more direct and streamlined Committee structure. For example, the ALFA R&D Committee provides direct input into R&D projects and programs. Conversely, the R&D program funded by grass fed cattle levies is overseen not by Cattle Council but by Committee's such as the North Australia Beef Research Council and Southern Australia Meat Research Committee. While not disputing the role and performance of such groups, the structure is far more convoluted and

disconnected from Cattle Council who has the legislative obligation to oversee the grass fed cattle R&D levy.

In addition, and as stated in our response to the previous point, ALFA believes that Cattle Council’s governance, consultation and reporting frameworks could be improved if it implements a structure which removes SFO membership and board election capability in favour of direct membership and election of grass fed cattle producers.

d. Recommendations to maximise the ability of grass-fed cattle producers to respond to challenges and capture opportunities in marketing and research and development

There are several recommendations that ALFA would like to advocate that would improve the administration and allocation of the grass and grain fed transaction levy across all funding streams (ie MLA, NRS and AHA).

1. Provide a dedicated levy allocation towards key industry programs

There are a range of key industry food safety programs such as the National Livestock Identification System (NLIS), the Livestock Production Assurance (LPA) program and the National Vendor Declaration (NVD) that require a dedicated levy allocation to provide a more sustainable funding model. Programs such as these are critical for the delivery of safe red meat to consumers and hence have had the support of industry, state and Federal Government for over a decade.

Whilst ALFA does not believe this dedicated allocation should be confined to these programs, these are the most important at this point in time. A quick snapshot of these programs is detailed in the following table. Of particular note is the fact that the vital NLIS program is currently funded through 4 funding sources, a less than ideal arrangement.

	NLIS	LPA	NVD
Role	NLIS is a system for the identification and tracing of livestock. In the cattle industry, radio frequency ear tags are used to provide permanent lifetime identification for the purposes of disease control, biosecurity, food safety, market access and other industry related purposes.	LPA is an on-farm program that provides food safety assurances to domestic and export markets regarding Australian beef, lamb and goat meat.	The NVD is a document which cattle, sheep and goat producers complete to provide information about the food safety status of livestock being sold. It is a key element of the LPA program.
Funding	MLA Marketing levies MLA R&D levies NRS levies Cattle Disease Contingency Fund	MLA Marketing levies MLA R&D levies NRS levies	MLA Marketing levies MLA R&D levies NRS levies

Unfortunately the funding towards these key programs has become ad hoc, inconsistent, multifaceted and in decline. This is due to the following;

- The inability to transfer grass and grain fed cattle transaction levies between levy streams;
- The gradual decline in state and federal Government grant, compliance, enforcement and R&D funding towards these programs over time (despite the clear public benefits in terms of safe food production). From an R&D perspective, this is a reflection of the

mature status of these programs which has meant that R&D requirements (and hence matching federal Government funding) have reduced accordingly;

- The increasing demands of these programs as a result of market access and customer requirements. The Australian beef industry is highly export orientated with around two thirds of production exported each year. As multi lateral, plurilateral and bilateral trade agreements have reduced tariffs and subsidies over time, our beef markets have introduced increasingly demanding non-tariff related requirements which effectively serve as technical barriers to trade. Many of these requirements relate to food safety assurances which are delivered via our industry programs. In addition, customers around the world are becoming more interested in how food is produced and its attributes beyond price. Such requests may relate to provenance or other issues such as GM, HGP's, antibiotics etc. Such information is managed predominantly through the beef industry's key industry programs.

As a result of these factors, industry has had to bear a larger portion of funding towards these key programs using existing levies and reserves. Given the large existing demands for such levy revenue, industry has been forced to seek funding from other areas such as the NRS and the Cattle Disease Contingency Fund (CDCF). Unsurprisingly, this has in turn led to declines in reserves for both, a problem which has been aggravated by the recent reduction in grass fed income due to drought and the consequential decline in the cattle herd. The decline in NRS reserves is readily demonstrated in previous graph.

It is expected that state and federal Government's are highly unlikely to reinstate funding and resources to these programs. Instead it is expected that such declines in funding and resources will continue over time. Accordingly, the demands for industry levies will continue to grow. As a result, it is imperative that flexibility be provided to allow industry to better manage the peaks and troughs in levy revenues and expenditures.

The funding issue has been a key catalyst for the recently completed 'Safemeat Initiatives review'. This has been a beneficial exercise which (among other things) has precipitated industry to determine opportunities for cost recovery, identification of potential savings, better leveraging of current levy funding; and the potential for the delivery of a more sustainable funding model.

Given the funding challenges associated with these key areas, ALFA believes that there needs to be modernisation of the levy arrangements to allow a dedicated grass and grain fed cattle levy allocation to key industry programs such as the NLIS, NVD and LPA programs. This would eliminate the need for multiple funding sources and would provide a more sustainable funding model and in turn more investment and program certainty into the future.

2. Provide the legislative flexibility to more easily adjust grass and grain fed cattle levy allocations between AHA, NRS and MLA (R&D and Marketing).

Unfortunately, the currently legislative framework makes it extremely difficult to adjust and transfer levies between one or more of the four grass or grain fed cattle levy streams. This is because each levy is enshrined in several pieces of regulation and hence any adjustment or transfer requires regulatory change. For any regulatory amendment process to be successful, peak industry councils must embark on an arduous, exhaustive and expensive consultation process as set out in the Levies Revenue Service's Levy Principles and Guidelines document.

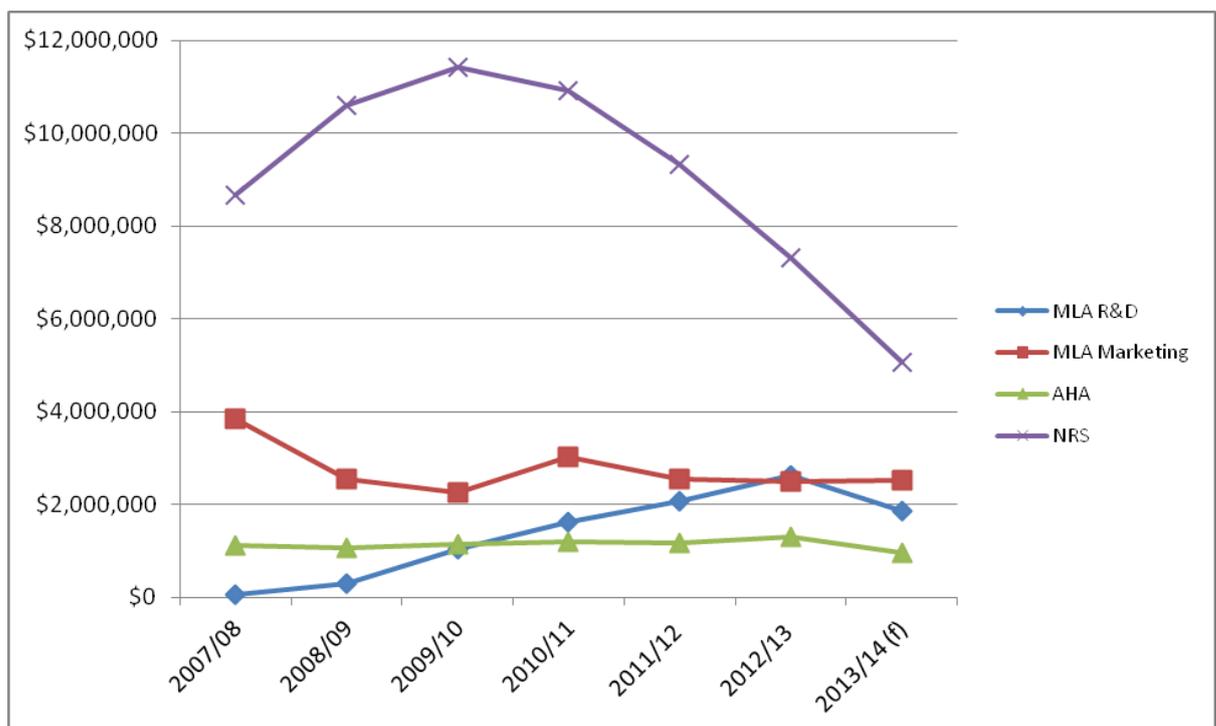
Legislation is a blunt instrument and as such there is extremely limited flexibility that would otherwise allow levies to be more effectively managed. This lack of flexibility is readily demonstrated when one levy stream has imprudently high reserves whilst another has dangerously low levy reserve levels, yet funds cannot be readily transferred between them (even when the 'purpose' or use of funds is extremely similar or identical).

Current regulations provide the opportunity to increase or decrease a levy for a defined period before it reverts to its previous level. However, this does not provide an effective solution to this issue given;

- The dynamic nature of livestock production over time. For example, the vagaries of seasons and markets makes it difficult to accurately predict levy income whilst changing market access, residue, disease or Government policy requirements makes it difficult to accurately predict levy expenditure. In addition, if unforeseen changes in Government policy or market access occur after such an increase or decrease is implemented, then there is limited ability to make further levy adjustments to ensure reserves are not deleteriously affected;
- The 3 month lag period before levy adjustments begin impacting upon levy collections (as this further complicates levy collection estimates).

As the below graph demonstrates, it would have been advantageous to divert imprudent grass and grain fed cattle NRS reserves to MLA Marketing in 2009/10, yet this option was not available. Instead ALFA and CCA had to reduce NRS reserve levels by expending levies on programs such as the Livestock Production Assurance Program and the National Livestock Identification System, a strategy which has since caused other issues as will be explained in greater detail later in this submission.

Grain fed cattle levy reserves since 2007/08



Accordingly, the current rigid levy framework needs more flexibility to better reflect the dynamic nature of livestock production.

One possible solution to allow this to occur is to permit the grass and grain fed cattle MLA, AHA and NRS levy allocations to increase or decrease within a set range (provided the total \$5 amount is never exceeded). This range may be based on a percentage or cent amount and be calculated after taking into account the fluctuations in levy income generated over time. This would allow sufficient flexibility to cope with the fluctuating nature of levy income and expenditure along with potential changes in Government policy both here and overseas.

Another option is to allow the transfer of funds between each of the grass and grain fed levy streams without exceeding the \$5 levy total. Notably, the levy Principles and Guidelines process would be first undertaken to allow such flexibility to occur. Importantly however, the regulatory framework must also allow such flexibility.

3. Provide regulatory clarification regarding the payment of 'grain fed' cattle transaction levies

ALFA supports legislative amendment within the *Primary Industries (Excise Levies) Act 1999* to provide more clarity surrounding the payment of 'grain fed' cattle transaction levies given that the current arrangements are ambiguous, confusing, inconsistent with industry practice and inequitable. This issue has been previously highlighted by ALFA to the Levies Revenue Service who also has acknowledged the flaws in the current statute.

This matter is relevant to the review, as such ambiguity results in confusion and potential misallocation of grass versus grain fed cattle transaction levies (given levies not directed to 'grain fed' default to grass fed).

Specifically, the payment of 'grain fed' cattle transaction levies is managed through the definition of 'lot fed' as per Clause 1 of Schedule 3 to the *Primary Industries (Excise Levies) Act 1999* ie those cattle "that are, or are likely to be, used in the production of grain fed beef".

Notably, there is no legislative definition of "grain fed beef" or any reference to NFAS, AUS-MEAT or any other particular requirements. The current arrangement also allows cattle 'that are **likely** to be used in the production of grain fed beef' to be classified as 'grain fed' despite the fact that they have not yet entered a feedlot.

ALFA supports legislative amendment to require the payment of 'grain fed' cattle transaction levies for all cattle that have exited a National Feedlot Accreditation Scheme (NFAS) accredited feedlot. This amendment we believe would provide increased transparency, understanding and rigour surrounding grass fed vs grain fed cattle transaction levy payments.

We also believe that this option is preferable to a legislative definition of 'grain fed' through reference to the minimum standards within NFAS. This is because it would provide for the first time recognition that the grain fed levy should be paid for all cattle that exit an NFAS feedlot. Previously, lot feeders could direct their cattle transaction levy to the 'grass fed' pool if the cattle in their feedlot did not meet the minimum standards required for 'grain fed' under NFAS.

NFAS is the quality assurance program for the cattle lot feeding industry. The program is independently owned, managed and audited to the industry and covers animal welfare, environment and food safety matters. AUS-MEAT owns, administers and audits the scheme on behalf of the sector. Given its credibility and integrity it is highly respected by both industry and Government with some states enshrining the program within regulations.

ALFA believes that our proposal would have a negligible impact upon the amount of grain fed cattle transaction levies collected. This is because any levy collection gains obtained by including all cattle exiting NFAS feedlots would be offset by the losses from removing the ability to recoup grain fed levies for cattle that 'may' in future be used to produce grain fed beef along with the fact that the proposal is limited to only NFAS accredited feedlots.

Accordingly, ALFA believes that this proposal would be supported by both grass and grain fed cattle levy payers.

Appendix

The Australian red meat industry agripolitical structure

The Australian red meat industry agri-political structure is complex and consequently poorly understood by industry and Government alike. Accordingly, Peak Industry Councils (PIC's) find it difficult to explain and justify their role and function to the very stakeholders that are their constituents. This briefing note attempts to explain the role and responsibility of these agri-political organisations, the companies that provide services to the industry and their respective relationship with each other and various levels of Government. A précis of the red meat industry agripolitical structure is as follows;

	Red Meat Advisory Council (RMAC)	Australian Livestock Exporters Council (ALEC)	Australian Lot Feeders' Association (ALFA)	Australian Meat Industry Council (AMIC)	Cattle Council of Australia (CCA)	Goat Industry Council of Australia (GICA)	Sheepmeat Council of Australia (SCA)
Represents	Red meat Peak Industry Councils (PIC's)	Live exporters	Cattle lot feeders	Meat processors and independent butchers	Grass fed cattle producers	Goat producers	Sheepmeat producers
Funded by:	The RMAC fund	<ul style="list-style-type: none"> The RMAC fund Membership Levies 	<ul style="list-style-type: none"> The RMAC fund Membership Sponsorship Events 	<ul style="list-style-type: none"> The RMAC fund Membership Sponsorship Events Reserves 	<ul style="list-style-type: none"> The RMAC fund SFO's Levies Direct membership 	<ul style="list-style-type: none"> The RMAC fund SFO's Breeding societies 	<ul style="list-style-type: none"> The RMAC fund SFO's Levies
Members	Red meat PIC's	Live exporters	Cattle lot feeders	Meat processors & independent butchers	State Farming Organisations (SFO's)	State Farming Organisations (SFO's) and breed societies	State Farming Organisations (SFO's)
Main roles	<ul style="list-style-type: none"> Advises Government on red meat issues Fund Peak Industry Councils 	<ul style="list-style-type: none"> Advocacy Decides where live export levy spent. Resolves export certification issues 	<ul style="list-style-type: none"> Advocacy Decides where grain fed beef levy spent. Industry development 	<ul style="list-style-type: none"> Advocacy Decides where beef processing levy spent. 	<ul style="list-style-type: none"> Advocacy Decides where grass fed beef levy spent. 	<ul style="list-style-type: none"> Advocacy Decides where goat levy spent. 	<ul style="list-style-type: none"> Advocacy Decides where sheepmeat levy spent.
Key relationships	<ul style="list-style-type: none"> PIC's Federal Government 	<ul style="list-style-type: none"> PIC's Federal Government NFF 	<ul style="list-style-type: none"> Lot feeders PIC's Federal/ State Governments MLA, AHA, NRS, SAFEMEAT, AUS-MEAT 	<ul style="list-style-type: none"> Processors, butchers PIC's Federal/ State Governments AMPC, MLA, NRS, SAFEMEAT, AUS-MEAT 	<ul style="list-style-type: none"> SFO's NFF PIC's Federal Government MLA, AHA, NRS, SAFEMEAT, AUS-MEAT 	<ul style="list-style-type: none"> SFO's Federal Government MLA, AHA, SAFEMEAT 	<ul style="list-style-type: none"> PIC's SFO's Federal Government MLA, AHA, NRS, SAFEMEAT, AUS-MEAT

State Farming Organisations (SFO's) include NSW Farmers' Association, AgForce, Victorian Farmers' Federation, Primary Producers South Australia and Western Australia Farmers' Federation. The main difference between SFO's and the PIC's are that SFO's represent their members on a broad suite of state agricultural and commodity issues whilst the PIC's focus on national commodity issues. The other major distinction is that SFO's have direct membership with producers while the PIC's (CCA, GICA and SCA) do not.

The National Farmers' Federation (NFF) is the peak agripolitical body in Australia. NFF focuses on general agricultural issues that impact on all farmers such as water, climate change, rural services, industrial relations, native vegetation laws, taxes etc. It does not focus on commodity specific issues as these are managed by peak industry councils. NFF members comprise the PIC's (CCA, SCA and ALEC), SFO's and other agribusinesses.

The Australian red meat industry service provider structure

	Meat & Livestock Australia (MLA)	Animal Health Australia (AHA)	National Residue Survey (NRS)	Australian Meat Processor Corporation (AMPC)	LiveCorp
Provides services for:	Red meat producers ie cattle, sheepmeat and goats	Major livestock industries ie cattle, sheep, dairy, wool, goat, horse, pork, egg, honey, alpaca.	Animal and plant industries	Meat processors and independent butchers	Live export cattle, sheepmeat and goat producers
Funded by:	<ul style="list-style-type: none"> • Grass and grain fed cattle, sheepmeat and goat levies. • Federal Government 	<ul style="list-style-type: none"> • Industry levies • Federal/ state Government's 	Animal (meat, egg, honey and fish) and plant (grain, oilseed and horticulture) levies and the Federal Government	Meat slaughter levies	Customs charges on live animal exports
Role	Conducts R&D and marketing for the red meat industry	Conducts programs to improve animal health, welfare and biosecurity.	Undertakes residue testing programs to facilitate domestic/ export market access	Conducts R&D for the meat processing industry	Conducts R&D, education, training, quality assurance and communications for live export industry.