

Mr Tim Wattling

Committee Secretary

Senate Standing Committees on Rural and Regional Affairs and Transport

PO Box 6100

Parliament House

Canberra ACT 2600

## **SUBMISSION INTO INDUSTRY STRUCTURES AND SYSTEMS** **GOVERNING LEVIES ON GRASS FED CATTLE**

We would like to thank the Joint Select Committees on Rural and Regional Affairs and Transport for the opportunity to make a submission on the industry structures and systems governing levies on grass-fed cattle.

We are third generation cattle producers with a fourth generation eager to be on the land following the completion of their schooling. We run 8 500 head on a breeding/fattening property in the Southern Gulf of Carpentaria.

It is our belief that beef grassfed producers in order to remain sustainable as individuals and as an industry need to be represented by a stand alone organisation comprised of a democratically elected board representing grassroots producers for the benefits of grassroots producers.

The Senate in its Terms of Reference noted the following as matters on which they seek input and we address our comments accordingly:

### **LEVY COLLECTION AND UTILISATION**

Currently levies are collected by an intermediary party, in the majority of cases, who can hold the funds in trust for a period of time before sending all levies collected as a single amount to the Levies Collection Unit. From there funds are transferred into the Commonwealth's Consolidated Revenue Fund. The collective funds are then dispersed to appropriate parties by the Commonwealth.

Due to the current structure of the levy the same flat rate is payable whether you have a 200kg weaner or a 600kg ox. Due to varying production systems one beast may be sold several times – breeder, backgrounder, feedlot, meatworks- with the levy being paid each time. As many of the larger agricultural businesses are vertically integrated this potentially means they could claim multiple votes at MLA AGM for the same beast.

According to MLA it is unable, due to the current collection system, able to identify who pays what levy and therefore allocate automatic voting entitlements. This results in individuals or companies having to declare the amount of cattle sold each year to MLA in

order to “claim” their votes. MLA has no way to ascertain if the values put forward are correct and simply accepts them as is. This could potentially lead to rorting of the system.

As a levy payer it is reasonable to expect allocation of automatic voting entitlements. When looking at any potential revision or replacement of the existing system the ability to identify and allocate votes according to levies paid must occur.

At the MLA AGM limited documentation is provided regarding disbursement of levies allocated by the Commonwealth. Many funds, particularly in regard to R&D, are not transparently accounted for and when questioned are told that they cannot be disclosed due to “commercial in confidence” agreements. Surely any R&D undertaken by MLA should be for the benefit of all producers/members and not be confidential in nature. Additionally given that it is grass fed producers’ money being used to fund these activities there should be full and frank disclosure to members on funds spent.

#### THE OPPORTUNITIES OF LEVY PAYERS TO INFLUENCE THE QUANTUM AND INVESTMENT OF LEVIES

According to MLA’s 2012-2013 Annual Report Grass fed beef producers contributed \$54.2million dollars through the compulsory levy. Producers- grass/grain fed beef, lamb/mutton and goat -contribute in total to 58% of their total funding. Despite this massive investment grass-roots producers have no real opportunity to influence the utilisation of the levies both in terms of determining and prioritizing the significance and relevance of projects undertaken by either MLA or R&D recipients. They are also unable to influence the investment made into these projects.

As noted previously in many cases producers are unable to obtain qualitative and quantitative data related to many of the R&D projects funded by MLA.

The only real engagement opportunity is at the MLA AGM where discussion is limited both in terms of time allocation and subject matter. Reports are sent to MLA members but are collective in the nature of supplied data and again much data is not supplied due to “commercial in confidence” arrangements. This means that not only can a levy payer not know the amounts funded and their utilisation he most likely is not able to see any acquittal documents nor know the outcomes of the R&D.

Over \$79 million dollars was spent on R&D in 2012-13 according to the Annual Report. It is reasonable to expect with that level of financial outlay that there would be transparent, robust and accountable reporting not only of funds expended but results achieved and that such information would be available to all the levy payers whose financial contributions funded such research.

It is not reasonable to expect, or accept, that levy payers’ contributions are used for commercial advantage by the party/ies undertaking the research and any knowledge gained would not be the property of the suppliers of the funding. Any future R&D funding must be

transparent in its expenditure and outcomes must be reportable, and reported to levy payers.

Levies paid by grass fed producers are also used for marketing on domestic and international level. This marketing has limited benefit to the farm gate price received by producers. The majority of the benefit flows to processors and retailers in the form of increased production and sales and who by and large do not pass those benefits down the chain to producers. The majority of grassfed beef producers are still receiving the same price for their cattle as they were over 20 years ago. Given the cost of production has in many cases tripled producers need any benefit from marketing to directly influence farm gate price in order to remain a sustainable enterprise.

### INDUSTRY GOVERNANCE, CONSULTATION AND REPORTING FRAMEWORKS

Given the current state of the cattle industry, at best at a crossroads and at worse in real danger of collapse in many regions it is apparent that the current bodies charged with responsibility for advocating and assisting producers are no longer achieving their aims and have disconnected from the groups they purport to represent.

One initiative that could start to turn around confidence in, and within, the beef industry and at little cost to government is a complete, transparent and democratic restructure of MLA and CCA starting with democratic elections. This would allow grassroots producers to directly control their destiny by controlling the use of levies compulsorily acquired from sales of their cattle. At the moment we have minimal control.

No doubt a reinvigorated CCA will be better placed to meet the specific needs of producers with more direct producer input and control. However it will not be perfect and mistakes will be made but unlike the current scenario where mistakes are made and we have minimal knowledge, control and input into their resolution producers will be in control of their own destiny. Rather than suffering the consequences due to the mistakes of others we will have ownership of our mistakes and control the resolutions.

The recent Live Export debacle highlights this. Even though the previous Federal government is responsible for the aftereffects, it only partially to blame. Those bodies supposedly representing our industry were caught napping and deserve equal criticism for their paucity of proactive and reactive responses. No one in either of these organisations was prepared to accept responsibility for their failings and in doing so failed the industry further.

As part of the current MLA structure producers are aligned with processors, many of whom are large multinationals with controlling interests outside this country, actively trying to increase their profits, well supported by marketing efforts by MLA utilising funding which comes largely from producer levies, whilst appearing prepared to pay minimum dollar to producers and it could be said that some seem to be actively seeking to, and supporting

efforts to, close down alternative marketing options such as live export. You don't see the iron ore industry funding the car industry – yet that is what happens with MLA.

It is vital that action be taken on this issue, for the sake of industry, and that outcomes going forward not be swayed by the influence of some of those who mistakenly support the current structures. Many pastoral companies, especially those who are vertically integrated, have been able to derive benefits from accessing R&D funding and through sheer numbers influence outcomes – opportunities that many private and/ or smaller scale pastoralists have been unable to do.

The current MLA and CCA board as well as SFO's do not want real change. Many SFO's represent less than a third of farmers in their respective states. Currently far less than 15% of levypayers actively engage at MLA AGM's and CCA is controlled by SFO's many of whom have not paid their membership fees to CCA, in part or in full, for many years. This can hardly be called democratic and it can clearly be seen there is a disconnect between levypayers and their ability to influence the use of their funds. Additionally the good intentions of some on the boards and their supporters do not always translate to good policy. Nor do they tend to actively pursue opportunities for meaningful change to industry bodies to enable grassfed producers to take back control for the representation of their industry.

SFO's should not have an automatic entitlement to seats on any organisation advocating for industry. They should have the same entitlements as individuals – that is an equal opportunity to nominate members to sit on the Board. If they have the influence and representation that they purport to have their candidate should easily receive the votes required. Those who often represent only 15% of their industry players should not have the right to determine policy for 100% of industry given they are not engaged with up to 85% of industry in their State.

MLA should evolve to become a fee for service provider who tenders their services as would any other commercial provider.

## CONCLUSION

In conclusion, given the recent announcement by Barnaby Joyce of the government's desire to have agricultural production double by 2050 there is much to do to ensure this becomes a reality. Agriculture is at a crossroads. Spiralling costs over which there is little control, farm gate prices over which they have no control but which have not increased in line with input costs nor retail pricing, increasing red/green tape, zealots with extreme ideologues and an unsympathetic mainstream media and urban disconnect are all threatening the future of farming. It is make or break time for the industry and government MUST take visionary leadership and ensure the survival of the nation's food sources. A truly transparent democratically elected board to best represent the grassfed beef industry is one of the steps vital towards that survival.

Ernie & Kylie Camp