

Mr Tim Watling, Committee Secretary  
Senate Rural and Regional Affairs and Transport References Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Australia  
14/02/2014

**For the Attention of the Senators of the RRAT Committee,**

Please accept my submission to the Senate Inquiry into the Collection and Disbursement of the Grass-fed Cattle Levy, due for review on 7<sup>th</sup> March 2014.

Jacqueline Curley,

Re: Terms of reference

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

My husband and I are third generation beef producers and co-directors of Gipsy Plains Cattle co, which runs approximately 6,000 stud and commercial cattle. Our adult children work within this structure, and the 5<sup>th</sup> generation babies have arrived. We hope this inquiry will lay the groundwork for recreating a viable beef cattle farm industry within Australia.

The beef industry is still receiving 1990's product price in many cases, with a massive increase in overhead costs. Australia is receiving some of the lowest producer beef prices in the developed world – a direct result of reduced competition in the meat-processing sector. 2013 racked up the highest meat export figures and some of the lowest producer returns. With any form of realistic competition this would not have occurred to such a non-viable level, even with the higher supply caused by the drought situation.

Beef Market forces have been distorted in Australia for a long time and intervention is now necessary.

Currently Australia is not a business friendly place for cattle producers in the beef industry, even though we produce excellent animals and beef at world's best practice.

The Beef industry is in a state of severe crisis without any way forward for cattle producers. There may be a short price rally with lower supply after this drought but unless major changes are made to ensure a satisfactory product price for the industry, it will be short lived as the current problems come back into play.

Unfortunately the "economic rationale" government policy does not work when we are not operating on a global or domestic level playing field without adequate competition. Australian beef producers are in the second lowest subsidized country in the world at 3% and NZ at 1%. Regardless of the 'tests' carried out by our "watchdogs" the proof remains clear to see – high numbers of producer suicides.

**A 2013 bank survey carried out on a number of north-west beef businesses, showed an average 5 year operating loss of -3%. I reiterate** – for every \$100 earned - \$103 was being paid out in overhead and direct operating costs. This was

- before the massive 2012/2013/2014 drought losses (this current drought has caused additional expenses of approximately 1 million dollars to keep our stud herd alive), of which Drought Rebates are also taxable.
- before the 2013 over-supply crash in beef prices, it has taken at least 40% off our annual sales income
- before the 2013/2014 ongoing Bovine Johne's Disease policy - creating production losses which caused a \$700,000 loss to our business alone in 2013. Our allowable compensation now being approximately \$20,000 maximum. Up to 211 other QLD producers have been affected by the largely uncompensated state BJD quarantine policy since November 2012. The supposed export benefit from this policy is not supported by evidence. This policy is playing Russian roulette with producers lives.

The average industry cannot all be bad managers. There is something seriously wrong here. A substantial proportion of these costs and losses appear to be created via government policies of one form or another. Therefore, all of the policies that may be causing these losses need to be addressed, in areas additional to the MLA inquiry, being market competition, biosecurity, tax incentives, and bank reconstruction.

As these family farms close, the industry is losing valuable expertise, which will not be returned any time soon. The agriculture industry has systemically lost the education facilities it once had and experience is now mostly gained on farm.

Our young farmers are well-educated, innovative and passionate Australians, but far too smart to stay in an industry without a future. Is corporate farming meant to be Australia's future?

If appropriate recommendations from the Senate enquiry into grass fed beef are taken into consideration and acted upon, hopefully some form of financial stability may begin to happen for producers within the beef industry.

Opportunities for the grass fed beef cattle producer to retake ownership of the Levy and its application should be implemented. A clear distinction between the livestock production industry and the meat processing and packaging industries need to be made.

In relation to the present structure of the MLA, whilst it was set up to represent the red meat industry, it is both inefficient and unworkable in its present form.

It is not possible for one organisation - MLA - to act for competing interests within the beef industry.

#### Problems to be rectified

- Grass-fed cattlemen have taxation without representation. This must change!
- Paying a compulsory levy means grass-fed producer representation must be foremost in any new Board or restructure of Cattle Council
- Paying a compulsory levy must mean that grass-fed producers have management of their own funds for their own industry.
- Democracy, and grass-fed producers' election of their own Board members must be implemented. This is non-negotiable.
- Our new Peak Council, (a restructured CCA?) and the MLA Board, has to be answerable to the grass-fed levy payers.
- It must be a transparent, accountable organisation, that grass-fed producers select and elect (or sack) themselves.
- MLA was set up to be a service provider. What we see now is MLA using producer funds for the benefit of Multinationals and Supermarkets.

#### Solution for democratic restructure – Board Members

- Board members to be 1 per state except where states exceed 3 million cattle when there will be 1 board member per 3 million cattle. ie
- TAS - 1; VIC - 1; SA - 1; WA - 1; NT - 1; NSW - 2 (6,000,000 cattle) and QLD - 4 (12,000,000 cattle)
- There is also a consideration that state boundaries could be ignored, and producers establish regions based on numbers of cattle.

Membership

- All grass-fed levy payers would automatically become members of the new restructured Cattle Council, and automatically receive their votes.

The collection of Levies

- All grass-fed levies to be paid into the new organisation, as is the case with some other Peak Councils..
- The grass-fed levy is to be a percentage of the gross value of cattle sold, with a ceiling on the levy. This is to be investigated to replace the current flat rate system.

Distribution of Levies

- The new restructured and democratic grass-fed cattle representative Board is to decide where, when and on what, the \$50m+ grass-fed levy income should be spent.

Voting

- A two tiered voting system to be investigated instead of the present system which is based wholly on cattle sales. This will give fairness to the system between large and small producers. Votes are to be calculated by the new board and automatically sent to all grass-fed levy payers.

As a grass-fed producer in Australia I welcome the opportunity to review the collection and disbursement of the grass-fed levy through the establishment of this Senate Inquiry.

Yours sincerely

Jacqueline Curley.