



AgForce Queensland Industrial Union of Employers

ABN 21 241 679 171

Web: www.agforceqld.org.au

Saturday 1 March 2014

Mr Stephen Palethorpe, Committee Secretary
Senate and Rural Regional Affairs and Transport References Committee
PO Box 6100, Parliament House
Canberra ACT 2600
Via email: rrat.sen@aph.gov.au

Dear Mr Palethorpe,

RE: INDUSTRY STRUCTURES AND SYSTEMS GOVERNING LEVIES ON GRASS-FED CATTLE

AgForce Queensland wishes to thank the Parliamentary Committee (the Committee) for the opportunity to contribute to the Parliamentary Inquiry into 'Industry structures and systems governing levies on grass-fed cattle' (the Inquiry).

The five dollar Cattle Transaction Levy (CTL) represents a significant investment by AgForce producer members of all business sizes. It is important that returns are delivered on this investment by the relevant industry systems and structures; and that producers understand these benefits.

It is of equal importance that industry takes ownership of this process to deliver positive outcomes to move the Australian beef and cattle sector forward. AgForce therefore welcomes this Inquiry as an opportunity to address various organisational structural realignments to achieve these outcomes for grass fed cattle levy payers.

To this end, AgForce offers the following key recommendations:

- AgForce supports the position of the Cattle Council of Australia (CCA) as the premier peak industry body for grass fed cattle. AgForce is pleased to endorse the nine recommendations made in their contribution to this Inquiry and encourages the Committee to accept them.
- AgForce urges the Committees to consider integrating levy collection and distribution mechanisms to include the *Queensland Cattle Industry Biosecurity Fund*.
- The Committee consider various suggestions for improvements within red meat industry organisations, such as Aus-Meat, Meat and Livestock Australia (MLA) and the Red Meat Advisory Council (RMAC), to modernise industry structures in line with an evolving beef industry.

About AgForce Queensland

AgForce is the peak representative body for broad acre primary producers in the cattle, grain, sheep and wool industries of Queensland and AgForce members collectively manage more than 50 per cent of Queensland's land mass. The role of AgForce is to provide government policy advice and advocacy as well as community, government and membership communication on a State level.

AgForce Cattle Limited (AgForce Cattle) is the cattle-specific commodity board within AgForce, and has oversight of all cattle industry policy related issues. Given that Queensland hosts around

half of Australia's cattle herd (12.6 million), AgForce Cattle has always been of the view that a responsive and functioning national red meat industry is absolutely imperative to a strong and profitable state based industry.

AgForce Cattle participates in national representation through membership of CCA and all cattle commodity specific regulatory and industry issues at a Federal level are referred to CCA. AgForce Cattle recognises the importance of and supports CCA in undertaking their key roles of advocacy, strategic planning, industry management and strategic policy development nationally which is detailed at length in the CCA Submission.

Terms of Reference of the Inquiry

AgForce understand the purpose of the Inquiry is to:

“Examine 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:

- *The basis on which levies are collected and used;*
- *The opportunities levy payers have to influence the quantum and investment of the levies;*
- *Industry governance arrangements, consultation and reporting frameworks; and*
- *Recommendations to maximise the ability of grass-fed cattle producers to respond to challenges and capture opportunities in marketing and research and development.”*

AgForce has the following specific comments relevant to the Inquiry.

Background

AgForce Cattle has long been of the view that a cohesive, transparent and dynamic red meat industry on a federal level is critical to a profitable and functional beef industry in Queensland.

There is significant angst with the industry structure and CTL by some cattle producers. Given the current seasonal conditions and market there is a (perceived or actual) serious dissatisfaction with red meat industry structures and the benefits of paying the CTL.

This being said, the supply of grass fed cattle is an extremely complex supply chain with a range of players; and regulatory and technical industry issues are at times shared by a range of peak industry organisations, commercial stakeholders, industry committees, service providers and statutory authorities.

To this end, AgForce Cattle has both initiated and supported industry moves to significantly improve the status quo and address levy payer dissatisfaction through activities such as:

- The two year CCA restructure process resulting in the subsequent direct membership model (2011 – 2013).
- Strategic Review of the Red Meat Advisory Council (RMAC) as part of the Meat Industry Strategic Plan Three process (2013).
- Review into Meat and Livestock Australia's (MLA) Livestock Production Innovation (LPI) Program (2012 – 2013).
- Ongoing Safe Meat review (since 2011).

AgForce Cattle believes these issues, whilst focussed internally on operational and policy matters within individual organisations, do recognise various gaps within the current grass fed cattle framework and seeks to address these to an extent.

However, AgForce Cattle is of the view that these activities simply do not go far enough and as there are significant systemic issues with various organisations across the red meat industry that need addressing.

Support of the CCA Submission

It is important to note AgForce Cattle supports the Submission of CCA in its entirety and its nine recommendations, particularly:

- AgForce Cattle supports the continuation of the grass fed CTL in its current scope and form, with the opportunity for CCA to access a portion of the levy.
- AgForce Cattle continues to support matching research and development contributions by the Federal Government.
- AgForce Cattle believes improved transparent industry reporting is imperative.
- The *Levy Principles and Guidelines* should be able to be allocated more flexibly according to industry need to the various recipients according to policy and operational requirements, for example, the National Residue Survey, Animal Health Australia and the MLA marketing spend.

Other Comments

State Based Issues

In January 2013, Premier Campbell Newman announced the establishment of the *Queensland Cattle Industry Biosecurity Fund* (the Fund) and provided two million dollars in seed funding for this Fund as well as an additional 3 million dollar loan. The intent of this Fund was for industry to fund it through a 50 – 70 cent biosecurity transaction levy for cattle sold within Queensland.

In early 2013, the former Federal administration indicated there may be a feasibility of using the CTL administration to collect or ‘piggy-back’ a state based levy for the Fund. No formal advice has been received from the Federal Government as to whether this is possible however AgForce Cattle understands this may not be the case.

AgForce Cattle therefore recommends to the Inquiry that a ‘piggy-back’ mechanism on top of the CTL is created for the Fund levy in Queensland.

The collection and disbursement of any industry levies should be as efficient as possible. This Fund is imperative to the future planning for the Queensland beef industry and is a clear outcome that this Inquiry can deliver.

Federal Issues

AgForce Cattle wishes to table a range of other structural and organisational issues for the consideration by the Committee which require significant changes. AgForce Cattle is of the view that this would help improve the overall operational efficiency of the grass fed beef industry structures and systems, and subsequently the effectiveness of the levy.

These include but are not limited to:

- **Aus-Meat Structure, Governance and Technical Issues** – There are a range of issues associated with the value Aus-Meat is delivering to grass fed levy payers, such as:
 - *Standards setting* – Standards setting must evolve based on the current meat science within market access specifications, for example, ossification versus dentition. The description languages of Aus-Meat are not in line with current Meat Science Australia and AgForce recommends that industry languages are

brought into line to reflect the current science.

- *Institutional arrangements* – Governance and financial transparency are ongoing issue of Aus-Meat. Significantly, there is no opportunity for grass fed levy payers to influence this process and understands Board management is composed of representatives from MLA and the Australian Meat Processor Corporation (AMPC).

This could be reviewed to more accurately reflect levy funding contributions and relevant industry input. AgForce believes the Board should comprise of industry representatives for sufficient technical input or management of grass fed levy income streams.

- **MLA Governance and Organisational Issues –**

- *Organisational culture* – There has long been a perceived cultural issue with MLA and their attitude to MLA members. Concerns raised with MLA management on strategic and operational issues can be met with resistance and are often deflected with arguments of corporate responsibilities.
- *MLA Constitution and opportunity for member feedback* – MLA membership currently finds it very difficult to get Resolutions before the Board which is largely discretionary. AgForce Cattle recommends that the MLA Constitution needs to be amended to reflect a simpler process.
- *Board Selection and Structure* – AgForce Cattle is concerned by the current regime of composition and recruitment the Board of MLA. AgForce Cattle is of the view that this is unbalanced in terms of amount of grass fed levy compared to other levy contributors.

AgForce Cattle therefore believes that the Board Selection Committee should only be composed of Peak Industry Councils (PICs) and reflect proportion of levies that they pay.

In terms of Board composition, AgForce Cattle is supportive of a concept of skills based Board however is of the view Board composition should be more producer oriented. This should include an additional Board Director selected from the northern beef industry in order to provide more sufficient oversight of the MLA portion of the grass fed levy. AgForce Cattle recommends that the feasibility of this be examined by the Committee.

- *Engagement with PICs* – CCA cannot currently provide oversight to MLA effectively relative to the grass fed levy income stream. For this reason AgForce Cattle supports CCA being allocated a portion of the grass fed levy to provide oversight and performance management of MLA as outlined in their Submission.

- **Red Meat Advisory Council (RMAC) Structure and Governance Issues –**

- *Organisational limitations* – RMAC is limited in its ability to be effective as it could and provide overall leadership to the red meat industry. AgForce Cattle understands this is because it is comprised of six peak industry councils with various competing interests and it is therefore difficult to achieve outcomes under the current consensus voting arrangements. AgForce recommends that this is examined to see if any efficiency can be created.

AgForce Cattle thanks the Inquiry for the opportunity to participate in this process and looks forward to improved outcomes for grass fed levy payers and the red meat industry as whole.

Yours Faithfully,

Howard Smith
AgForce Cattle President