

21st February, 2014.

Mr. Tim Watling,
Committee Secretary,
Senate Rural & Regional Affairs & Transport
References Committee,
P.O. Box 6100
Parliament House,
CANBERRA. ACT. 2600
Email rrt.sen@aph.gov.au

SUBMISSION TO THE SENATE INQUIRY INTO THE GRASSFED CATTLE LEVY.

1. Firstly I am a true believer in two basic principles:-
 - If it ain't broke, don't fix it!!
 - Change just for the sake of change is a waste of time and futile.
2. So the questions to be answered are:-
 - Is the M.L.A. model broke?
 - Is fundamental change necessary?
3. A reasonable, objective analysis of the performance of the M.L.A. and it's supposed overseer, the C.C.A., to the grassfed cattle producers of Australia can only conclude that the M.L.A./C.C.A. model is irretrievably broke and hopelessly dysfunctional, as is demonstrated by fundamental and basic failures on key critical points since it's formation in 1998.
4. The critical areas for Cattle Producers are:-
 - Domestic consumption of Beef.
 - Export sales of Beef.
 - Opening of new markets.
 - Expanding of existing markets.
 - The price we receive for our cattle.
 - The costs of production.

It is difficult to find any evidence that the M.L.A./C.C.A. model has done anything but fail on all of the above points.

- A. The domestic consumption of beef, on a per capita basis, has been falling since the M.L.A. was formed. In 1997 domestic consumption was 41.3kg per person and fell to 32.8kg in 2012/13.
- B. Export sales have been mainly in the 900,000 tonne range for virtually the whole of M.L.A.'s life, with the past drought inspired "cheap meat flood" lifting the tonnage to just over a million tonnes in 2013, a tonnage which had been reached in the early 1990's.

- C. While China and the Middle East increased their import tonnages substantially in 2013, that gain was almost entirely offset by failures in the U.S.A. and Russian tonnage.
- D. Most of our established markets have contracted. For instance the U.S.A. used to vary from about 320,000 to 360,000 tonnes per annum, but now languishes around the 220,000 tonnes and lower.
The E.U. Hilton quota has not moved for some 15 years and it was actually the U.S.A. that negotiated the E.U. Grainfed Market of 40,000 tonnes of which Australia has a small share.
- E. **The price we receive for our cattle is placing the Australian Cattle Industry in crisis.**
 - **We first received one dollar a kg live weight for our cattle back in 1972 and today some 42 years later Sale Yards in Queensland are still recording sales @ 60/80 cents kg up to \$1.80 kg.**
 - **A recent published study by Bush Agribusiness Pty. Ltd. concluded that Cattle Prices in Queensland had declined by 40% in real terms since 2001.**
- F. The M.L.A/C.C.A. team has succeeded in introducing schemes and policies that have increased production costs and regulations which are out of step with our major Export Competitors.
Examples:
 - The N.L.I.S. Tags, which we were told the World was embracing and were essential to trade, which now years later, the rest of the World has ignored.
 - The L.P.A. Scheme.
 - The E.U. Regulations – 2 tooth provisions for Grainfed Cattle which do not apply to other Countries supplying E.U. Cattle.
 - The flirtation with the World Wildlife Fund in the Global Sustainable Roundtable for Beef.
 - The \$210M invested in the M.S.A. Programme which has not halted the decline in domestic consumption.

But perhaps the most damning point of the performance of M.L.A. is the admission that in 2014 they predict that Australian domestic consumption will fall to 28.8 kg per person.

This astounding fact means that the M.L.A. has managed a decline of some 12.7 kgs per person since 1998. This is the equivalent of some 288,000 tonnes of meat consumption which we have lost at home and is more than the amount we exported to China and the E.U. this past year.

This monstrous documented failure by the M.L.A./C.C.A. model currently costs \$170M per year and employs some 250 staff. In 1998 there was only 100 staff and the old A.M.L.C. cost \$96M to run. Today there are several staff based overseas and are labelled as “managers” to promote our beef and increase sales.

Yet despite more than doubling the staff numbers and spending an extra \$74M annually on export sales, domestic sales and prices received for cattle, we are in trouble.

Clearly the model DOES NOT WORK.

5. One of the major problems with the current M.L.A./C.C.A. Model is that it is a creature controlled by the State Farm Organisations (S.F.O.'s) and the M.L.A. bureaucrats.

The major problems are that the S.F.O.'s provide all of the members of the C.C.A. (Cattle Council of Australia), yet it is estimated that only about 10% to 15% of M.L.A. levy payers are members of an S.F.O.

This means that the massive majority of M.L.A. Levy Payers who fund the M.L.A., have absolutely no power to influence policy, performance, elections or economic management of the M.L.A., despite providing some \$54.5M in funding.

The S.F.O.'s currently are suffering both membership and financial difficulties, mainly because ordinary cattle producers have grave reservations about the policies and performances they witness and refuse to become members.

This means that when the Cattle Council of Australia is advising the M.L.A. on policy that some 85% of the levy payers have absolutely no input and no power to suggest or scrutinize anything.

The other major problem with the current M.L.A. structure is the "advice to Government" pipeline via the M.L.A./C.C.A. and R.M.A.C. (The Red Meat Advisory Committee).

R.M.A.C. includes the Processor arm of M.L.A. and obviously conflicts arise when differences between producers and processors over policy arise. Probably the most dramatic and farcical example of failure was when the Government banned live export of cattle to Indonesia. When the Minister asked R.M.A.C. for advice, none could be given, as processors backed the ban which was crippling the producers. No consensus meant no advice could be given.

6. As there is little evidence to support the retention of the current M.L.A./C.C.A. Model of Stewardship for the Grassfed Cattle Industry the focus must shift to a replacement model.
 - A. **Surely the lesson that everyone has learned is that a "one stop shop" which is in control of funding, policy, performance, economic management and represents all Grassfed levy payers has to be a preferred option.**
 - B. To achieve this, the M.L.A. should be disbanded and replaced by a single autonomous Grassfed Cattle Organisation to represent the Grassfed Cattle Industry.
 - C. **The foundation and function of that new Cattle Organisation should be based on basic principles of justice and fairness and include:-**

- (i) Every M.L.A. Levy Payer is automatically granted membership of the new Organisation.
- (ii) Every member has fundamental rights to exercise, which include:-
 - The right to stand for election to the Board of Management.
 - The right to nominate another member for election.
 - The right to vote to elect the Board.
 - The right to move resolutions and vote on Policy directions.
 - The right to move resolutions and vote on Financial matters.

I submit that these basic principles are essential to ensure democratic processes and to empower the Levy Payers to control the funds that they contribute via the mandatory Transaction Levies.

Even if my model is not ultimately adopted at least these seven fundamental principles should be built into the new model.

7. NEW STRUCTURES.

A model structure suitable for the new Grassfed Cattle Organisation is already in place and successfully works as demonstrated by the following levy funded Organisations.

- The Australian Meat Producers Corporation.
- LiveCorp.
- Australian Wool Innovations.
- Australian Pork Limited.

All of these groups actually run as a “one stop shop” as previously mentioned and are solely responsible for their own policy direction, economic management, performance and finance.

In this regard I am promoting a model that actually works not some unproven hybrid or untested ideal.

All of the levy payers can and will be represented under this model which is light years ahead of the current model.

8. One of the greatest fears among Cattle Producers is that the little guys feel the “Big Boys” will walk over them and the big guys feel the “Little Boys” will outvote them.

These fears are often manifested by the themes that – “Most of the hands that vote are in N.S.W. and Victoria, while most of the cattle are in Queensland”.

These fears are allayed by the Two Register Voting System present in the A.M.P.C. model.

Register One is a one vote, one value, Register.

Register Two is a vote on the value of levies paid.

For resolutions to be binding they have to be approved in both Registers.

Thus all parties’ interests have to be reasonably addressed to gain the support of the membership at large.

9. THE BOARD AND ITS MEMBERS.

To ensure across the Board acceptance and comfort, normally all States should have at least one Board Member.

Obviously there are arguments that can support Board Members being elected on a cattle numbers State by State basis and another to elect on the basis of levy payers per State.

Yet another electoral basis is for regional elections that ignore State boundaries as occurs in the Australian Beef Association.

Perhaps the answer is to ignore State Boundaries and regions and to elect the Board members via the Two Register voting system, from the nominations received.

Each Register could elect four Board Members, with a ninth member to be the candidate who polls the most votes in each Register.

If extra comfort was needed to gain wider acceptance, then a condition would limit any one State to a maximum of three Board Members.

10. There are other areas of concern that need to be recognised and addressed.

- In 1998 there were 215 abattoirs in Australia.
- Currently there are about 150 abattoirs.
- The five largest processors now kill some 54% of the cattle processed, up from 28% in 1996.
- In 1987 Supermarkets sold about 20% of domestic beef.
- According to the Neilsen Homescan Survey published in Beef Central, Coles and Woolworths sell 57% of domestic meat with I.G.A. – Aldi and other minor supermarkets selling another 21.6%.
- All up, the Supermarkets now control the sales of some 78.6% of the domestic meat sold in Australia and the family butcher has been flogged out of the once prominent position held in the early 1990's.
- On both fronts, export and domestic meats, healthy competition for slaughter stock has been virtually crushed.
- In Queensland there are only really three operators competing for mainstream export slaughter cattle – J.B.S. – Teys/Cargill - Nippon – while Coles and Woolworths are the two major domestic players.
- This lack of competition, and the associated inherent problems, was not such a pressing issue some 20 years ago, but it must now be recognised and suitable legislative changes made to ensure that the cattle and beef industry has a future.
- **Some 80 years ago the U.S.A. enacted the Stockyards and Meat Packers Act, which gave cattle producers some protection against anti-competition, anti-monopoly and anti-trust activities of the Meat Packers. This Act was successful in ensuring fair competition, fought against monopolies and gave some fairness and transparency to the Meat Trade.**

- **Importantly that Act is still alive and well in the U.S.A. and was given further powers when the Clinton Administration legislated for Mandatory Price Disclosures Reporting of meat sales by the Packers. This Act allowed Ranchers to not only know the price of cattle into the Packers front door, but also to know the price of meat out the back door. Another plank in transparency was therefore placed into market intelligence.**
- **It is without doubt that safeguards to combat the dramatic reduction in competition, the use of monopolistic buying and selling programmes, vertical integration of processors per virtue of being both the biggest feedlot owners and the biggest processors and captive market activities, that an Australian equivalent of the U.S.A. Stock Yards and Meat Packers Act and the Mandatory Price Disclosure Reporting is urgently required.**
- Some will argue that these Acts are “anti free market” and will stifle innovation and capital movements. However it is a cold hard fact that these Acts are the LAW in the land of the free and the home of free enterprise and capitalism. As well the multi Nationals in Australia have to comply with those laws in their U.S.A. plants, cattle prices in the U.S.A. are much higher than in Australia, plus they out compete us in International markets.
- All this evidence points to the obvious conclusion that the only result of such legislative change would be a more transparent, more competitive system, with strong safeguards to protect the interests of Cattle Producers from collusion, supply control monopolistic practices and other corporate misdemeanours.
- Another major issue is the area of Meat Inspection and its costs to the Processors. Our international competitors have the cost of Meat Inspection in processing plants provided by the Federal or State Governments via trained independent inspectors, paid for by Government as a Public Health issue. Currently in Australia, the Meat Processors are required to employ their own inspectors and or graders which immediately places them at a competitive disadvantage against other meat exporting Nations.
- As well the independence of the processor employed inspectors and graders is fatally compromised as a highly visible conflict of interest is self evident in the inspectors auditing the same people who pay their wages.

CONCLUSION.

- **Virtually everyone including the Cattle Council all agree that change is absolutely necessary.**
- **The Cattle Council supports a “claytons” change, that enables them access to levy payers funds, but C.C.A. would still have the seats to control any vote and the good old ship will just sail on regardless.**
- **A few fundamental changes are necessary.**

- **The levy payers provide the \$54+M that fund the Grassfed Cattle Industry part of M.L.A.**
- **Therefore those same levy payers that fund the organisation must also control the elections, the policies, the management and the financial activities of the Organisation.**
- **To suggest that the 15% of levy payers in the S.F.O.'s should control the other 85% of Levy Payers is an insult to both democracy and decency and should be rejected out of hand.**

This submission is from Cattle Breeder and M.L.A. Levy Payer
J. Ashley Mc Kay,