



## **Cattle Council Supplementary Submission Senate Inquiry into Grassfed Beef Levies**

Cattle Council wishes to make this supplementary submission to Senate Inquiry into 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.

Cattle Council notes that the evidence presented to the Senate Committee is consistent with the feedback received by Cattle Council during our consultations with producers and as presented in our initial submission.

During the hearings we have heard there is little appetite for increasing the quantum of the levy, however, there was a strong view that they levy be maintained and there was an expectation that a portion of that levy fund representation. There is an appetite for **change**.

Cattle Council has undertaken significant efforts to broaden its membership to all producers through direct membership. These efforts are documented in appendix 3. While Cattle Council will continue to seek greater uptake of direct membership, we must be patient about the rate at which direct membership uptake will occur.

### **Change to Better Fund Representation**

We have also heard that market failure does exist in that producers will not voluntarily fund the non-political industry oversight (strategic planning, strategic policy development and industry management) functions currently required to be undertaken by Cattle Council as a prescribed body.

We have heard that the Red Meat Industry Fund does not provide sufficient resources to fund strategic planning, strategic policy development and industry management to the level and quality demanded by industry.

Cattle Council supports, with the appropriate governance and reporting requirements, a portion of the Cattle Transaction Levy being used by Cattle Council to undertake strategic planning, strategic policy development and industry management functions on behalf of all beef producers.

It is important to draw clear definitions about what is appropriate use of levy funds and what is not. Cattle Council does not want the levy for and will not use the levy for *Agripolitical activity*<sup>1</sup>. Precedent has been established at *Australian Pork Ltd*<sup>2</sup> that Agripolitical activity does not include strategic policy development, including the advocacy of that policy.

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<sup>1</sup> Agripolitical activity is defined in the Deed of Agreement between the Australian Government and Meat and Livestock Australia (MLA) as engaging in or financing any form of external or internal political campaigning, but does not include activity required or authorised under the Corporations Act 2001 (Cth) or another law.

<sup>2</sup> The APL Constitution goes further to stipulate that Agripolitical Activity does not include activities such as Strategic Policy Development and then defines Strategic Policy Development as:

- (a) the collection of information from a range of sources (including consultation within the Australian Pig Industry, and with other industries, government, other stakeholders or the public);
- (b) the balanced analysis of that information in the context of the Australian Pig Industry environment;
- (c) the development of a strategic policy position within the Australian Pig Industry; and
- (d) the advocacy of that position (including within the Australian Pig Industry, and with other industries, government, other stakeholders or the public).

As is allowed in the Pork industry, Cattle Council would utilise any receipt of socialised funds to (also see draft budget in appendix 1):

1. Implement an improved grassfed beef producer consultation process by undertaking regular and widespread producer forums that would enable beef producers to engage directly with Cattle Council. This engagement would include information dissemination and innovation input. Cattle Council would better inform producers of how their levy has been spent and what issues are facing the industry. Cattle Council would seek input from producers on how to spend their levy in future and how to manage issues facing the industry. Improved consultation will give producers a greater sense of control over their levy expenditure.
2. Properly resource and support Cattle Council's sub-committee process, bringing together grassfed beef producers and industry experts to discuss and develop robust policy recommendations for the consideration of Cattle Council board. Improved support would include expert staff providing advice and discussion papers to the committees.
3. Allow Cattle Council to better fulfil our intended role of ensuring grassfed beef producers are well represented on the 90+ technical industry committees in the red meat industry that require producer input and perspective. Funds would be used to up-skill producers on those committees to make better informed decisions.
4. Undertake significant investment in independent critical analysis of the major strategic issues currently limiting the profitability of grassfed beef producers to assist Cattle Council in policy formulation and implementation e.g. research into how best to reduce costs in the beef supply chain and improve the producers share of the total value in the supply chain.

It is important to note that Cattle Council does not support receiving all of the levy. This would impinge on the oversight of levy expenditure and Cattle Council's ability to manage broader industry affairs.

The Senate committee has also experienced through the evidence heard, there is significant diversity within the beef industry. Mostly, there is strong agreement on the problems, but significant variation on the best solution. Cattle Council believes we should focus on the areas where there is strong agreement and the Senates recommendations must:

- Provide producers with greater access to Cattle Council and MLA which in turn will allow them to determine how the levy is spent.
- Improve the grassfed beef representation on MLA board and provide the prescribed body (Cattle Council) with more grassfed beef producer influence over MLA.
- Ensure more flexibility to reprioritise funds between levy streams.
- Better identify levy payers, the amount of levies each business pays and review the collection mechanism to ensure we have the most equitable system.

### **Changes to MLA**

To ensure improved representation of grassfed beef producers and to provide producers with a democratic vote on MLA board members we recommend 3 changes (below) to MLA Constitution (Article 5 – Selection Committee).

### **MLA Change 1**

Amend Article 5.2 of the MLA Constitution to ensure greater grassfed beef producer representation (as they pay the most levy) on MLA Board Selection Committee:

Current Selection Committee (total 9) <ul style="list-style-type: none"><li>- 3 MLA Directors</li><li>- 1 CCA, 1 SCA, 1 ALFA</li><li>- 1 elected sheep producer</li><li>- 1 elected grassfed producer</li><li>- 1 elected feedlot producer</li><li>- Chair is MLA Chair or Director</li></ul>	Proposed Selection Committee (total 8 or 9) <ul style="list-style-type: none"><li>- 0 or 1 MLA Director</li><li>- 2 CCA, 1 SCA, 1 ALFA</li><li>- 1 elected sheep producer</li><li>- 2 elected grassfed producers</li><li>- 1 elected feedlot producer</li><li>- Chair chosen by the committee</li></ul>
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### **MLA Change 2**

Amend Article 5.4(c) of the MLA Constitution to ensure that greater emphasis is placed on grassfed beef production as a required skill amongst the board.

### **MLA Change 3**

Amend Article 5.4(d) of the MLA Constitution to allow the Selection Committee to endorse more than 1 candidate for each position on the board.

The Cattle Council is also concerned about the level of consultation MLA must undertake with its Peak Bodies under red meat structure arrangements. Cattle Council is firmly of the view that when undertaking its levy expenditure, MLA must not only consult but receive approval from the organisations that represent levy payers before it can act.

### **Changes to the Levy**

The Cattle Council believes there are significant opportunities to increase the efficiency of the levy collection and to utilise levy collection data to inform strategic planning and other functions for the industry. During Cattle Council's consultation with producers, many have expressed two major issues with our current levy system:

1. The current system is not able to identify exactly who paid the levy and how much they paid.
2. Some producers have argued that the \$5.00 transaction levy as a percentage of animal value is not equitable between breeders, traders/backgrounders and feedlots.

In being able to identify all levy payers we could streamline communications for industry and Government, streamline any industry voting (e.g. MLA or Cattle Council AGM) and it would improve disease management planning (especially for exotic disease incursions). We could also better target extension of R&D.

Cattle Council's submission supports a process/project to assess the various possible levy collection mechanisms and possible systems available to better identify levy payers, bringing recommendations for change (if any) back to the Minister.

It is currently very difficult to shift funds between services providers (MLA, AHA & NRS), which limits our ability to easily respond to changing needs within the sector.

Currently, should industry wish to adjust the direction of each levy to various service providers within the \$5.00 without increasing or decreasing the total \$5.00 paid by a producer we must undergo a costly (\$350,000+) consultation process.

The Cattle Council believes that the industry as a whole would benefit from a more flexible approach to adjusting the apportionment within the \$5.00 levy. Having the capacity to adjust levy rates using an appropriate, but less onerous, process would allow the industry to be more responsive to its changing needs.

## Appendix 1

### Cattle Council Funding

Evidence has been provided that Cattle Council is reliant on Service Agreements. This is not the case. Service Agreements are only tools being used to, in part, try to better engage producers and to allow them to better understand industry structures and how their levy is being spent.

To ensure complete transparency below is the Cattle Council income & expenses for the past two full financial years and how we propose to expend the levy funds should we receive it:

	2011/2012	2012/2013	Proposed	
<b>Income</b>				
- Membership	\$ 403,000	\$ 416,000	\$ 416,000	- Used for Advocacy
- Service Agreements (AHA + DAFF + MLA)	\$ 352,000	\$ 502,000	\$ -	- No longer required
- RMAC Fund	\$ 575,000	\$ 583,000	\$ 583,000	- Used for Strategic Direction
- Other income	\$ 87,000	\$ 253,000	\$ 253,000	- Sponsorship, PCAS, RAT etc.
<b>Levy Funds (non-advocacy functions)</b>				
- Improved Grassfed Producer Consultation	\$ -	\$ -	\$ 425,000	- Forums, Online tools, National Conference
- Industry Management	\$ -	\$ -	\$ 1,675,000	- Policy Committees, Industry Committees, Expert Staff & Advice
- Strategic Policy Development	\$ -	\$ -	\$ 2,000,000	- Investment in resolving problems facing this industry
<b>Total Income</b>	<b>\$ 1,417,000</b>	<b>\$ 1,754,000</b>	<b>\$ 5,352,000</b>	
<b>Expenses</b>				
- Salaries	\$ 591,000	\$ 604,000	\$ 1,600,000	- skilled staff providing advice and communication
- Meeting Expenses	\$ 105,000	\$ 208,000	\$ 719,000	- increased forums & consultation
- Travel	\$ 232,000	\$ 150,000	\$ 563,000	- increased market research, forums & consultation
- Office Expenses	\$ 120,000	\$ 110,000	\$ 200,000	- increased office support
- Legal & Consultancy	\$ 283,000	\$ 372,000	\$ 1,800,000	- strategic research & analysis
- Other Expenses (NFF, RAT, Rising Champs etc.)	\$ 316,000	\$ 328,000	\$ 388,000	- continued investment in industry programs
<b>Total Expenses</b>	<b>\$ 1,647,000</b>	<b>\$ 1,772,000</b>	<b>\$ 5,270,000</b>	
<b>Profit / Loss</b>	<b>-\$ 230,000</b>	<b>-\$ 18,000</b>	<b>\$ 82,000</b>	

## Appendix 2

### Cattle Council Representation

During the hearings, many people have stated that Cattle Council and SFO's are not representative of industry. To be as transparent as possible, we provide the following information:

	<b>Beef Business*</b>	<b>Approx. SFO Members</b>	<b>%</b>	<b>Meat Cattle</b>	<b>SFO Cattle</b>	<b>%</b>
NSW & ACT	27,217	4,800	18%	5,392,738	2,891,000	54%
VIC	16,020	3,000	18%	2,365,850	2,107,000	89%
QLD	19,226	3,000	16%	12,449,625	6,000,000	48%
SA	4,629	1,055	23%	1,109,640	637,000	57%
WA	4,528	2,137	47%	1,954,382	1,274,660	65%
TAS	2,603	1,867	72%	466,583	343,000	74%
NT	254	250	98%	2,197,359	1,900,000	86%
<b>Total</b>	<b>74,477</b>	<b>14,242</b>	<b>19%</b>	<b>25,936,177</b>	<b>15,152,660</b>	<b>58%</b>

\* 2011 ABS Statistics

With 19% of industry voluntarily funding representation we believe this is consistent with membership organisations throughout Australia. Cattle Council is far more representative than any other group in the beef industry and we are the only group willing to submit our membership details for scrutiny.

## **Appendix 3**

### **Cattle Council Promotion of Direct Membership**

#### Direct Producer Engagement

- Cattle Council has raised Direct membership at all Consultative Producer forums (2013 - 4 forums, 2014 - 3 forums) approximately 2000 producers across Australia.
- Cattle Council has mentioned at all discussions on restructure and also information regarding direct membership (in 2014).

#### Advertising

- Cattle Council advertised on Beef Central
  - (Jan and Feb 2014 - four weeks, numbers on readership below).
  - Beef Central has +46,000 unique browsers (that's different readers) per month.
  - The daily Beef Central email news alert goes out currently to 8000+ industry stakeholders.

#### Media

- Media releases:
  - 12 June 2013: Cattle Council considers restructure
  - 2 September 2013: CCA adopts Direct approach to Membership
  - 2 December 2013: Cattle Council restructure overwhelmingly approved by members
  - 30 January 2014: Beef producers, take control!
  - 4 February 2014: Participation from those who know industry best
- Multiple Media Articles in Beef Central, FarmOnline and all Rural Newspapers.

#### Promotion via Industry Bodies

- Utilise SFO Membership Base
  - CCA membership free for SFO members
  - Advertised through SFO publications
  - Also in process of making this option easier through direct sign up on SFO member form.
- MLA engagement
  - Advertising through Friday feedback
  - Friday feedback goes to 24,000+ email addresses
  - Friday feedback gets around 10,000 total opens each week

*Cattle Council is continuing to explore low cost options for advertising membership options under significant budget constraints.*