

A R C B A

Australian Registered Cattle Breeders' Association Inc
ABN: 45 106 820 208

President: M. Foster

Vice-President: J. Croaker & A. McDonald

Executive Director: S. Skinner

National Secretariat:

Agricultural Business Research Institute, University of New England, Armidale NSW 2351

Tel: (02) 6773 3555 Fax: (02) 6772 5376 Email: arcba@abri.une.edu.au

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Mr Stephen Palethorpe
Committee Secretary
Senate Rural and Regional Affairs and Transport References Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Mr Palethorpe

**Senate Inquiry into Industry Structures and Systems Governing Levies on
Grass-fed Cattle**

The Australian Registered Cattle Breeders Association (ARCBA) provides the following submission to the Committee's inquiry into the collection and disbursement of the levies raised on grass-fed cattle.

ARCBA is the peak industry body for the Australian beef cattle seedstock industry and currently represents 40 breed associations and just over 8,000 stud members.

The ARCBA is available to discuss any aspect of our submission further with the Senate committee

Yours sincerely,

Steve Skinner
Executive Director

Submission to the Senate Standing Committee's on Rural Affairs and Transport Inquiry into Industry Structures and Systems Governing Levies on Grass-Fed Cattle

Background to ARCBA

The Australian Registered Cattle Breeders Association (ARCBA) is the peak industry body for the Australian beef cattle seedstock industry. As such it provides leadership, direction and education to its members, the individual breed associations. Also it works to improve the Australian seedstock industry environment and Australia's international beef cattle seedstock image.

ARCBA currently represents 40 breed associations and just over 8,000 stud members. ARCBA provides a range of services and opportunities for its members including policy issues, representation, operational services, new concepts, information services, member education, a national forum and awards. Many services, such as registration and membership statistics and financial benchmarking, can only be provided with the industry-wide co-operation of ARCBA members. ARCBA has provided an environment in which breed societies, which compete vigorously with each other for market share, can still work constructively together to achieve common objectives.

Essentially, ARCBA represents the beef cattle seedstock industry in issues that are of industry-wide concern such as research priorities, how to handle new technologies (e.g. genomics), how to handle animal diseases that may affect registered herds, quality assurance protocols for cattle exports for breeding, breeder education and financial benchmarking. While the scope of activity is broad ARCBA runs on a very small budget derived mainly from membership fees. ARCBA is an initiator of activities that assist the registered beef cattle industry – it does not seek to be an organisation that provides research services, beef breeding extension etc. in its own right.

The ARCBA Constitution requires that the President be appointed by the ARCBA Executive and be independent of any breed organisation. The current President is Malcolm Foster, a highly respected figure in the beef industry who is still closely involved in many industry bodies including ALFA.

ARCBA is an Associate member of the Cattle Council of Australia and is represented on a number of important livestock industry organisations:

- Agricultural Business Research Institute - Board
- National JD MAP Reference Group
- Animal Health, Welfare and Biosecurity Consultative Committee, Cattle Council
- Research, Development, Extension and Sustainability Committee, Cattle Council
- International Livestock Resource and Information Centre - Management Committee

Further information about ARCBA may be sourced at <http://arcba.une.edu.au/> and a list of members is provided in Attachment 1.

Terms of Reference

(a) The basis on which levies are collected and used.

ARCBA supports the current cattle transaction levy collection system by Government under the *Primary Industries (Excise) Levies Act 1999* as efficient, fair and equitable.

(b) The opportunities levy payers have to influence the quantum and investment of levies

ARCBA supports the current process whereby a minimum of 75 per cent approval of levy payers is required for any change to the quantum of the Cattle Transaction Levy (CTL). ARCBA also supports the current system of allocating the number of votes a levy payer can cast based on the total amount of levies paid by the levy payer in the previous 12 months.

ARCBA does not support the requirement for a minimum 75% approval of levy payers' support for the break-up of the CTL between Marketing, Research and Development, and Animal Health (which includes the National Residue Survey (NRS), Animal Health Australia (AHA) and the Cattle Disease Contingency Fund (CDCF)). ARCBA believes that the allocation of the grass-fed levies should be determined by the Board of the Cattle Council of Australia (CCA).

The contribution from the CTL to "animal health" appears to have been 42 cents since 1998. The CCA and the Australian Lot Feeders Association (ALFA) have been able to determine the allocation of the 42 cents between the NRS, the CDCF and AHA since 1998. During that time the amount allocated to the NRS has increased from 12 cents to 29 cents, the amount allocated to the CDCF was 17 cents in 2002, declined to 7 cents in 2005/06 and has been zero since then and the allocation to AHA has been constant at 13 cents.

There is now something of a crisis because the NRS is consuming the bulk of the 42 cents and is running at annual deficits, the CDCF has fallen below the Government directed minimum of \$18 million and AHA is also using up reserves. CCA and ALFA have no ability to change the total allocation to "animal health" without a complicated process of seeking a producer mandate at a Meat and Livestock Australia (MLA) AGM and then seeking Parliamentary approval to change the regulations. This process can take up to 2 years and renders the industry powerless to react to urgent demands for funding in this important area. ARCBA believes that the CCA should have the ability to change the allocation between Marketing, Research and Development, and Animal Health as priorities change within appropriate time frames for forward planning and budgeting.

(c) Industry governance arrangements, consultation and reporting frameworks

Governance

ARCBA believes that industry governance over the expenditure of grass-fed levies should continue to be through the Cattle Council of Australia.

It is acknowledged, however that only about 20 percent of cattle breeders are members of State Farmer Organisations (SFO) which currently appoint all of the of CCA councillors.

ARCBA welcomes the recently announced changes to the structure of CCA to reduce the number of SFO appointed councillors from 23 to eight and to allow up to four directly elected board members. Providing sufficient beef producers become direct members of CCA and an adequate funding mechanism can be achieved for CCA ARCBA believes that CCA should move further towards a totally directly elected board of directors.

This would ensure that the CCA was truly representative of the extensive cattle producing sectors and remove much of the criticism that surrounds the organisation today.

Consultation

ARCBA is comfortable with the level of consultation on prioritisation of Research and Development and Marketing which is largely conducted by the MLA and AHA.

Consultation on the prioritisation of Research, Development and Extension expenditure is carried out through the North Australia Beef Research Council (NABRC) and the Southern Australia Beef Research Council (SABRC).

The AHA also consults widely with stakeholders on the programs they run.

Reporting frameworks

ARCBA is comfortable with the reporting frameworks which are largely through MLA and AHA. Both provide comprehensive Annual Reports which detail sources of income and individual project expenditure as well as detailed progress reports on funded projects.

(d) Recommendations to maximise the ability of grass-fed cattle producers to respond to challenges and capture opportunities in marketing and research and development.

ARCBA supports the current structure where the MLA, AHA, and NRS are the service delivery organisations which receive funds from the CTL and employ professional staff to deliver appropriate programs with the oversight of Cattle Council Australia.

Additional observations and comments

Funding of Cattle Council of Australia

ARCBA believes that the CCA should not be funded from the Cattle Transaction Levy as this would compromise their independence in overseeing the allocation and expenditure of the Levy. ARCBA recommends that ultimately the CCA should be funded by direct membership fees alone and in this way it will become truly accountable to those producers interested and committed enough to fund it. For this reason ARCBA also rejects any indirect levy funding of the CCA via service agreements with the service provider organisations who are funded by the CTL.

Direct membership fees and voting rights for the election of directors of CCA could be scaled according to the amount of CTL paid by each member. A system similar to that employed by the MLA would seem appropriate.

Cattle Disease Contingency Fund

Under a Government directive, the CDCF is required to be maintained at \$20 million plus or minus 10 percent, except in the event of a major disease event. This event could be an endemic disease or the introduction of an exotic disease which is a threat to export market access. Having been built to \$22 million in 2007 and with earnings from interest of over \$1 million per year, the excess above \$22 million provided a source of funds for a range of projects including the National Livestock Identification Scheme (NLIS), the Bovine Johne's Disease Research and Development and Financial Assistance program, and the newly established Livestock Biosecurity Network.

The allocation of excess funds from the CDCF appears to have been somewhat ad hoc with a lack of definition as to what usage can be made these funds.

ARCBA believes that:

1. Clarification should be sought on the circumstances under which the Government directive (given in about 2007) that the CDCF should be maintained between \$18 million and \$22 million will not apply. For example, can the fund be allowed to drop below \$18 million to deal with an endemic disease which is a threat to beef exports?
2. Clear guidelines should be established as to what use can be made of any excess funds (above \$20 million) in the CDCF.

Summary

ARCBA believes that industry restructure put in place in 1998 by the then Agriculture Minister, the Hon. John Anderson, has served the industry well and has been a big improvement on the situation that existed before the change. A key feature of the restructuring was the appointment of peak industry councils who provide the oversight of the expenditure of the transaction levies, which is then carried out by professional service provider bodies such as the MLA and AHA.

In this regard, ARCBA considers that the current review should concentrate solely on governance issues surrounding the grass-fed cattle transaction levy and not delve into the other areas of the industry's structures.

Attachment 1: ARCBA Members

Full Members

The Angus Society of Australia
Australian Bazadais Cattle Society Inc
Australian Braford Society Inc
Australian Brahman Breeders' Association
Australian Brangus Cattle Association
Australian Galloway Association
Australian Gelbvieh Association Inc
The Australian Limousin Breeders' Society
Australian Lowline Cattle Association
Australian Nguni Breeders Inc
Australian Piedmontese Cattle Association Inc
Australian Red Poll Cattle Breeders Inc
Australian Senepol Cattle Breeders Association
Australian Salers Association
The Australian Simmental Breeders' Association
Australian Wagyu Association
Bazadaise Breeders of Australia Inc
Belmont Red Association of Australia
The Blonde d'Aquitaine Society of Australia
Bonsmara Cattle Breeders Society of Australia
Boran Association of Australia Inc
The British White Society of Australia Ltd
Charbray Society of Australia
The Charolais Society of Australia
Chianina Society of Australia
Devon Cattle Breeders Society of Australia
Droughtmaster Breeders Society Ltd
Fleckvieh Society of Australia
Herefords Australia
Lincoln Red Cattle Society
Mandalong Specials Cattle Association
Murray Grey Beef Cattle Society
Red Angus Society of Australia
Romagnola Breeders' Society Ltd
Santa Gertrudis Breeders (Australia) Association
The Shorthorn Society of Australia
South Devon Cattle Society of Australia
Southern Hemisphere Pinzgauer Cattle Organization
Speckle Park International
Tuli Association of Australia Inc

Corporate Members

Zoetis Australia
Performance Beef Breeders New Zealand

Associate Members

United Beef Breeders Association of WA Inc
Breedlink Cattle Services
Norfolk Blue

Overseas

The National Pedigreed Livestock Council, North America. The NPLC represents breed associations for beef, dairy, horse, sheep, goat and swine species

On April 10, 2000 Honorary Membership of ARCBA was offered to and accepted by the Federation of Cattle Raisers' Associations of the Philippines