

RICHMOND RIVER BEEF PRODUCERS ASSOCIATION

23rd January 2014



SUBMISSION TO SENATE ENQUIRY INTO THE BEEF INDUSTRY

This submission is from the Richmond River Beef Producers Association which represents small beef producers in the Northern Rivers District of NSW.

1. BEEF INDUSTRY STRUCTURES & SYSTEMS

Meat & Livestock Australia is the body which was set up to provide Research & Development & Marketing services to the grassfed cattle industry.

More than 50% of MLA income is provided by a compulsory \$5 per head levy deducted at point of sale & forwarded to the government which then distributes this money to MLA. Producers have no say in how this money is spent. There is complete lack of accountability as to where the money comes from & as to how the activities carried out by MLA benefit the producer.

The success of MLA can be judged by how this body contributes towards improved returns to cattle producers. Since 1998 producers have funded MLA with more than \$1billion & the results are a continuing reduction in returns to the producer. In real dollar terms cattle prices are now about 40% below 2000 prices.

Although the \$5 levy is compulsory, membership of MLA has to be applied for & many small producers do not bother as they have no real voice with the current un-democratic voting system based on producers own assessment of how much they paid in levies. There is no accountability regarding who paid the levies.

In any case the voting power is of no consequence as new MLA directors are selected by the board & members then asked to approve the boards' selection. At the last AGM there were more than ninety nominations for the three available board positions. MLA eliminated all but three of these candidates so the election was a farce as the voters were then asked to vote for these three candidates to fill the three vacancies.

Cattle Council of Australia is supposed to represent the interests of producers but in fact only represents the State Farming Organisations. The representatives of SFO's who make up Cattle Council need not even be cattle producers. Only a

minority of cattle producers are members of SFO's as they do not see the value of contributing to an organisation which has no influence over MLA decisions & is so underfunded that it cannot function effectively.

2. LEVIES

Currently a \$5 levy is deducted from the producers return at the point of sale. As many cattle change hands several times during their lifetime & the levy is not related to the sale price this is a huge impost on producers who already bear the cost of yard fees, agents commission, transport & an expensive & ineffective livestock identification system.

Once levies are collected at the saleyards this money is passed on to the government in a system without any accountability as to who paid the levies. When MLA need to use the amount of levies paid as their basis for producers votes they depend on an honesty system where the producer is asked to state how much was paid in levies for that year. These levies are supposed to be used by MLA to improve the return to producers but more than \$1 billion collected since 1998 has been wasted by MLA as returns to producers have gone backwards.

Cattle Council of Australia is supposed to direct MLA as to how the levies are spent but is underfunded & unrepresentative & has also proven to be ineffective.

3. OPPORTUNITIES FOR LEVY PAYERS

Levy payers have no rights or opportunities to influence the quantum & investment of the levies. Most levy payers are not members of SFO's or MLA as they realise they are disenfranchised & so do not bother to join.

CCA does not direct MLA as to how to act in the producers' interests & even MLA members have no practical influence over board decisions because of the undemocratic voting system.

Other bodies who contribute lesser amounts to MLA, such as the Meat Processors & Live Export organisations, are able to collect & manage their own levies & instruct MLA as to how the money must be spent.

4. INDUSTRY GOVERNANCE

The current system is over complicated & bureaucratic. The red meat industry structure includes cattle producers, sheep producers, lot feeders, live exporters, domestic processors, export processors & trade & various committees made up of combinations of these bodies. Cattle producers pay the largest amount of levies & have the least influence over how the money is spent.

5. RECOMMENDATIONS

The current system has been in operation since 1998 & by any standard must be judged as a complete failure. The millions of dollars spent by MLA on marketing have resulted in lower returns to producers who have not been represented effectively by the peak council CCA.

Both MLA & CCA must be abolished & replaced by a new body which is elected by & responsible to the levy payers. It must have a democratic voting system & be transparent & accountable.

A two-tiered voting system would balance the interests of both large & small producers. There should be one voting register based on "one man one vote" & a second register based on the amount of levies paid.

This new body would have an income of around \$60M per year & would be directed to work in the interests of the levy payers.

Replacing MLA & CCA with a single body would avoid much duplication & therefore result in lower administration costs. The levy system should be overhauled with a slaughter levy replacing the current transaction levy.

Levy payers should be able to be identified & automatically given the right to vote, as occurs in other organisations. State Farming Organisations would still be able to lobby their members to support SFO representatives for election to the new board.

The Beef Industry is at crisis point. We cannot continue to be led down the garden path to oblivion under the stewardship of MLA & CCA. Australian beef producers have higher costs & lower returns than any of our competitors. The industry is currently structured to benefit those who contribute least. The time for change is now.

Yours Sincerely,

Dr. Brian Creedy,
Chairman,
Richmond River Beef Producers Association.