

**SENATE RURAL & REGIONAL AFFAIRS & TRANSPORT
REFERENCES COMMITTEE**

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**Inquiry into the Industry structures and systems governing levies on
grass-fed cattle**

**Friday, 20 June 2014
Canberra**

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Australian Beef Association
Opening statement
20 June 2014 - hearing

Good Morning Senators, and thank you for having ABA appear before you again at these Hearings.

Bearing in mind all the problems and inconsistencies you have heard about said levy, we wish to strongly emphasize that the future of the grass fed cattle industry rests with you, Senators, and this Inquiry.

ABA noted you were asking for people's views how to fix the situation. ABA, the AMPG, and the initial 'Writing Group' for the restructure of the Cattle Council, have all had similar suggestions for a fully representational, democratic, accountable "New Cattle Board"

ABA would like to offer a solution. You will note that we are not talking about tearing anything down, merely that the grass fed cattle producers have a robust, democratic process in which they can choose their own representative and advocacy Boards, manage their own business, advise on and fund relevant research, and give clear and consistent advice to the government.

We also suggest that there can be a continuance of the relationship with MLA, the SFOs and other red meat industry boards, none of whom should feel threatened by the proposed change.

MLA represents more than just the grass fed sector. Listed below is the levy \$ breakdown, and consequently the level of representation that we producers have under the present structure.

| <u>INDUSTRY</u> | <u>COLLECTS (\$M)</u> | <u>PAYS TO MLA</u> | <u>% OF MLA BUDGET</u> | <u>% OF LEVY</u> | <u>SEATS ON RMAC</u> |
|-------------------|----------------------------------|--------------------|------------------------|------------------|----------------------|
| Grass fed | \$54.2 | \$54.2 | 34.0% | 100% | 1 |
| Lotfeeders | \$ 7.8 | \$ 7.8 | 5.0% | 100% | 1 |
| Sheepmeats | \$31.0 | \$31.0 | 19.0% | 100% | 1 |
| LiveCorp/other | \$ 10.7 | unconfirmed | 6.6% | ? | 1 |
| Goat Meats | \$ 0.8 | \$ 0.8 | 0.05% | 100% | Observer |
| Processors | \$18.0 & retains \$9m | \$ 9.4 | 6.0% | 50% | 2 |
| Donor Coy | \$9.1 | \$ 9.1 | 5.6% | | |
| Government | \$39.2 | \$39.2 | 24.0% | | |

The processors, well resourced with their own funds; contributing 6 times less in budgetary support than the grass fed industry; and with the ability to control prices/income over the grassfed sector; have 2 seats on the Board, and ultimately affect much of the decision making.

Under the current structure, processors, supermarkets and retailers have flourished. It should be noted that the processors and the supermarkets benefit the most from MLAs marketing and research, but do not contribute towards the upkeep of MLA. Red meat is bringing record prices, and exports are booming in volume and price, but domestic cattle prices are the lowest experienced for a long time.

MLA was initially designed to stop market failure. What we have now is market failure.

Cattle producers have paid more than \$600 million into MLA in the past 15 years. This year's grass fed levy cheque will be even larger, due to drought sell off and financial stress.

This is increased income for MLA, while producers receive low prices with no decrease in the levy.

When Cattle Council goes to the MLA or RMAC for a project, and this has been confirmed to you at these Hearings, the grass fed group have to ask ALFA (lotfeeders), ALEC (live exporters), SMC (sheepmeats), and the AMPC (processors) for support. Even if CCA was better resourced, it is still stifled by the current system.

The reality is that we have 2 bodies purporting to represent us – CCA and MLA. CCA is underfunded, undemocratic, and unable to provide maximum advocacy on behalf of producers. CCA admitted this themselves, and called for a restructure in 2011, only to ignore the producers' researched requirements. They instigated the same 'State Farm Organisation' controlled Board, added two seats for independents and offered memberships to producers. This will fail to reap significant finances to help CCA, and based on falling membership for SFOs, will most likely meet the same fate, placing the grass fed industry on the back foot again. Most telling of all: under the MoU, MLA has no agreement with CCA that CCA is to be consulted about industry issues. (

MLA undertakes limited interaction with the grass fed industry, eg: at sponsored forums and the AGM, thus generating limited value in consultation. MLA hesitates to make itself accountable, and also represents conflicting sectorial interests within their Board, hence we have the situation we have today.

Please note Senators, that in 2002, industry was told that the national herd would increase to over 30 million head by 2009. So 7 years ahead, a \$1.50 increase in the levy was said to be vital to allow for marketing the increased beef, and to maintain markets. In reality, the herd has remained static, home consumption has declined markedly, exports and their prices have risen due to a world population and wealth explosion - not marketing,.....and all the while grass fed cattle producers' returns have declined – and industry is still paying that extra \$1.50 !!

THE SOLUTION

The Board

Design a New Cattle Board, based on self management, democracy, accountability, transparency, governance, KPIs and reporting. As well as using a government advisor in the delivery of the new Board, please utilise those within the industry who have consistently recognised the problems, and asked for change.

A New Cattle Board (NCB) should have no conflict of interest with the other sectors of the cattle or beef or red meat industries, but rather work in conjunction using a service provider such as MLA. This would negate the need for the unconstitutional and unworkable RMAC.

A constitutional recognition of the expectation that the NCB will represent the grass fed industry to government and to the producers.

Board Members

The NCB is to be made up of eleven (11) Board Members.

The NCB be designed on: either state boundaries, with 11 Board members based on state's herd size - NSW 2 (6m head); Victoria 1; Sth Aust 1; West Aust 1; NT 1; Tas 1; and Qld 4 (12m head), OR

designed on: 11 regions based on approx. 3 million head of cattle per region (as ABA is elected) which recognises that this is a national industry, and not a state by state industry. However either structure will work closely with the SFOs to deal with state based cattle issues.

Membership

Currently over \$54million is collected in grass fed levies. There is NO record of who pays what amount in that levy, and no auditing of the whole system.

In effect, levies are taxes, collected without an identifying marker. The grass fed industry has the PIC code (Property of Identification Code) to identify payers. No cattle in Australia can be sold without this PIC code.

There are over 10million people paying personal tax who can be identified, while approximately 200,000 producers paying a levy apparently cannot be !!

The number of cattle producers in Australia is unknown, and MLA seems to be unable to organise the agents, saleyards, butchers, and processors to use the recorded and computerized levies associated with the PICs !!

Logically, following proper recording and reporting, the NCB should be able to then provide every grass fed producer with an automatic membership, and an automatic vote in their industry.

The Collection and Distribution of Levies

All grass fed cattle levies collected are to come directly to the NCB from DAFF.

The levy is to be a percentage of the gross value of cattle sold, with a ceiling on the levy. This is to be investigated to replace the current flat rate system.

The NCB be given the constitutional authority for levy payers to vote in a referendum concerning the amount of levy they feel should be paying.

The NCB must have full decision-making capabilities on the expenditure of the levy – where, on what, how, and when that expenditure is to be carried out.

Voting

A two tiered voting system is to be investigated, instead of the present system which is based wholly on cattle sale numbers and amount of levies paid.

The two tiers are: 1/. One vote per levy payer who sold cattle in the last financial year; and 2/. Votes calculated on the number of cattle sold in the last financial year.

This will give fairness to the system between large and small producers. Votes to be calculated and automatically sent to all levy payers who operated in the last financial year.

Finally

Suggestions that the NCB be managed by the government because the industry is not capable of managing itself is not considered prudent by ABA or by AMPG. There are many good operators, large and small who run effective cattle businesses. Those who understand the industry must manage it.

Having a 'skills based board' also defies business logic. An effective business hires the required 'skill set' when necessary, allowing freedom to hire other specialized skills as needed.

We ask for your support Senators, to develop a strong industry board, with the right legislation and funds. We offer you our support in making ourselves and our office available to you for clarifying issues and answering queries.

Thank you for your attention and interest. We can now answer your questions.