SENATE RURAL & REGIONAL AFFAIRS & TRANSPORT REFERENCES COMMITTEE

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

Wednesday, 21 May 2014
Rockhampton

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FUNDING							
Utilise Direct membership Fees							
Budget	$3m	$3m	$3m		$2.5m	all	
Utilise RMAC Fees					$500k	$500k	$500k
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Tony McCormack
Cameron McINTYRE

Cattle Council of Australia.

Draft Broad Framework Suggestions to CCA Writing Group

Prepared by

Cameron McIntyre and Tony McCormack

15 August 2012.

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Introduction.

We have considered the task of "preparing broad framework suggestions for the future structure and funding of the Cattle Council of Australia (CCA)" consistent with the subsequently agreed Ground Rules, Articulation Requirements and Agreed Principles for the working group.

Our initial suggestion for a possible solution to satisfy the needs of the industry and fit within the scope of the assigned task is described in Proposal 1.

Our deliberations necessarily included consideration of the current functions of the key bodies MLA RMAC and CCA. Their current roles are set out on Attachments 1, 2 and 3 respectively.

The Red Meat Advisory Council Limited (RMAC) was **"formed in 1998 as a single industry touch-point for the Federal Government <u>when dealing with cross-sectoral matters</u>."**

The MLA Memorandum of Association lists the objects for which MLA was established as:

a) to market and promote the industry in Australia and overseas;
b) to improve the production and quality of meat and livestock in Australia;
c) to improve the methods of production, handling, storage, transport and marketing of Australian meat and livestock and to encourage the production of livestock and the marketing of meat and livestock to be more efficient;
d) to represent, promote, protect and further the interests of the industry overseas in relation to the export of meat and livestock from Australia and in relation to the sale and distribution of Australian meat and livestock and the consumption of Australian meat in countries other than Australia;
e) to investigate and evaluate the needs of the industry for meat and livestock research and development and to encourage and facilitate the exploitation and commercialisation of the results of meat and livestock research and development;
f) to undertake, co-ordinate and fund meat and livestock research and development activities;
g) to undertake and carry out the joint functions and to consult, collaborate and co-operate with producers of livestock, meat processors and meat and livestock exporters and their representatives for the benefit of industry in the performance of the joint functions;
h) to collect information and statistics relating to the industry and to prepare, analyse and distribute information and statistics relating to the industry for the benefit of the industry;
i) to collaborate with government and with government departments and agencies, both Federal and State, in relation to animal health and welfare, meat safety and hygiene, crisis and issues management, regulatory activities and any other activities which may be necessary or convenient for the improvement of the productivity or the market performance of the industry; and
j) generally to do all other things that may appear to the company to be incidental or conducive to the attainment of the objects or any of them for the benefit of the industry.

An independent reader could be excused for thinking the MLA was set up to be the Industry Peak Body.

Compare these objects with the role of CCA as expressed on their website which simply states:

"The mission of the Cattle Council is to represent and progress the interests of Australian beef cattle producers."

In the CCA Consultation Paper: Draft Funding and Structural Reform Proposal CCA state:
"Currently, in undertaking the Cattle Council's daily business, the Directors (*unpaid volunteers*) and the 5 permanent staff:

- Participate in over 60 industry and government committees;
- Provide oversight of the annual expenditure of $72 million (grassfed levy) by meat & livestock Australia, National Residue Survey and Animal Health Australia which includes monitoring over 200 key initiatives and programs;
- Providing a voice for producers in the media on all issues relating to national beef industry policy and strategic direction; and
- Manage the corporate governance and administrative duties that are associated with maintaining a national organisation to perform these functions."

It is little wonder that with hundreds of staff and hundreds of millions of dollars at their disposal annually and the public profile they choose to take, that MLA was viewed in the recent CCA/MLA Computer Assisted Telephone Interviews exercise as being the organisation best placed to act as the single coordinated voice of the beef industry, scoring 53% with respondents as compared to CCA'S 18%. The only problem is that MLA is legally precluded from doing so.

In addition we considered other existing structural issues associated with CCA's current situation as outlined in Attachment 4. This includes the impact of MLA having the dominant industry profile.

One view is that MLA is using levy monies to be the de-facto whole of industry leader and Peak Body (that is using levy monies to do what CCA should do) without appropriate elected representation, transparency or accountability with a legal barrier preventing them from advocacy. And they are doing it with the legal protection and countenance of the Government.

The comments by the MLA Managing Director, the MLA Chairmen and the CCA President at the recent Brisbane Stakeholder meeting stating that the relationship between MLA and CCA is excellent are at odds with previous meeting comments with the CCA executive and, to a certain extent, with the recent public comments of the immediate CCA Past President and AgForce Cattle Past President who have both joined with calls from the NTCA and the West Australians for an industry wide review.

The CCA restructure process provides an opportunity to effect change because the idea of using some of the levy funds to do tasks presently undertaken by MLA should allow CCA and MLA to discuss roles, responsibilities and structures and if CCA does not get what it wants it should then have the moral, if not legal right to formally take it up with the Minister. That is, the CCA restructure process maybe openly used to resolve issues with MLA with the involvement and agreement of the Minister.

If a future CCA structure is to meet the Agreed Principals associated with one voice, and value for money, it needs to consider MLA's role going forward and formally negotiate its future with MLA, as we have noted in Proposal 1. MLA has a major budget and range of activities which CCA needs to understand and to represent on behalf of industry. However, due to MLA's past treatment of CCA it now appears necessary to build a system to independently monitor MLA's activities. Strategically this is a waste of industry funds. Going forward the CCA / MLA relationship needs to share facilities, resources etc where practical and be friendly, inclusive, cooperative and effective. **Even if this is possible, will MLA allow CCA to be rebadged as the policy maker and spokesmen for the producers in the industry?**

In considering the situation we also considered the likelihood of Proposal 1 being acceptable to Government for funding of policy development aspects from the transaction levy. We understand that the preliminary indications from Government on CCA's initial discussion paper were not favourable. Hopefully this may be due to a failure by Government to understand the intended clear separation between industry research, analysis and policy development activity much of which is currently undertaken by MLA and policy advocacy. If not, then hopefully to be successful the proposal could include an "opt out" provision that would enable any producer a choice to leave all their levy funds in the marketing budget.

In any event, the Government administers many similar industry R&D arrangements and while such a change maybe necessary for the future as a response to changes in society since the existing structures were put in place, it seems very unlikely to gather the bureaucratic and political support required to be adopted, particularly in the time available to this Government.

Alternatives.

Therefore, we then considered a variety of alternative funding models involving voluntary direct membership of CCA requiring membership fees to fund representation but we could not see a situation where the additional financial support would not have compromised or weakened the rights of the remaining members who collectively (though indirectly) are providing the overall funds for industry structures to operate. The added complication is that in the face of the indisputable failure of SFO CCA model it is highly unlikely, for the reasons set out in Proposal 1 that industry will agree to fund CCA, if SFOs are to maintain control of CCA.

Contrary to recent newspaper reports that, the Minister supports an industry wide review, the Minister apparently advised RMAC he sees the need for a review of producer organisations but he is happy with MLA and the RDC model. RMAC then decided that since CCA were in the middle of a restructure process, they would wait for the outcome of that before considering the Minister's advice further.

It should be noted that the Minister and DAFF are both on record with several groups and organisations as favouring the Pork and Dairy representation models which both combine representation and R&D to operate within the existing the Government legislative framework, albeit under heavily prescriptive Statutory Funding Agreements (SFAs).

This appears to provide the producer organisations with a quite unique opportunity which leads us to Proposal 2. This Proposal does not conform strictly to the writing group guidelines because although it considers all the issues required it proposes to solve them with a broader industry solution.

The CCA Agreed Principles can be condensed into five (5) organisational issues:

1. The inability for the cattle industry to speak to Government with a single voice;
2. CCA inability to obtain adequate funding to carry out its objectives.
3. The concern that levy payers do not receive value for money.
4. The need for a focussed national body which clearly recognises that while there are many opportunities to work effectively together with State Bodies there are differences between the management of State and National issues and the approach to management of some State issues that may have implications across state boundaries by a truly National body.
5. The majority of producers feel disenfranchised under current structures. MLA's claim that its membership represents 80% of the industry may or may not be true, however, it is misleading when you consider the manner in which it operates, which deny true representation, transparency and accountability.

The diverse nature of the industry (its geography, climate, producer circumstances, producer attitudes, available time and resources) together with the impact of the haphazard, part time and volunteer nature of industry leadership and participation levels have significant negative impacts on industry decision making. This creates confusion in producer messages to leaders and to government and it also perpetuates the inadequacies of the existing structures. The best solution requires persistent, consistent concentration of resources, knowledge, policy and action which we feel Proposal 2 would provide.

We feel that any attempts to fund or restructure industry representation will only be a stop gap measure until we deal with the dysfunctional divide between policy setting and policy delivery. This issue is briefly touched on in some of the CCA Agreed Principles. This is highlighted in CCA's failure to deliver their Strategic Plan on time (over two years late) while MLA proceed with their review and refocus of the 2010-2015 Strategic Plan effectively, without significant regard to the recent extensive efforts and inputs to the R&D process from NABRAC or the CCA Strategic Planning process.

This divide between policy setting and policy implementation would be substantially narrowed if one industry producer body was in charge of both tasks. This structure is contemplated under Proposal 2. The Government sanctioned Pork industry and Dairy industry models which involve directly elected boards, set their own Marketing and R&D direction and lobby government from one organisation.

This proposal would provide significant financial efficiencies, policy focus, deliver a sense of ownership to industry (if clearly accountable), greatly streamline and improve communication with members, would likely lead to involvement of greater numbers of producers in policy development and R&D adoption would be more effective.

The Minister has said on many occasions that he will legislate to support changes in industry structures, if, broad industry support can be demonstrated.

The industry collectively knows where the issues are and how best to solve them, far better than the likely outcome of an industry review, particularly after the bureaucrats have adapted a review recommendation to their thinking. There is a real opportunity here, for the producers and MLA to consider the issues, develop an agreed solution and take it to the Minister for implementation.

It would require real leadership from across the industry. That is, CCA, MLA, ALFA and ALEC. <u>But it would have to start with CCA</u>. It would be very, very easy to say the task would be too difficult. This opportunity will not present itself again and we think it should be taken.

Proposal 1.

This proposal involves the following features:

1. producer membership who would elect a Board of ten Councillors and two SFO nominated Board members.
2. acknowledgement that the time for SFO control of CCA has passed because:
   - their membership is not appropriately representative of producers;
   - their membership and activities are increasing covering issues that are far broader than cattle production. This increases the likelihood that they will be unable to provide adequate human resources to a national body. More importantly cattle industry decisions at some SFO levels are not being taken by cattle producers;
   - SFOs are increasingly required to deal with State specific matters and need to focus on these to be effective, but also need assistance from time to time at the national level;
   - SFOs can provide excellent assistance to a national organisation on state matters of national or potential national consequence including economics and infrastructure, they can also be instrumental in State Government relationship building regarding state implementation of national policy and they can also be instrumental in producer adoption of best practice and R&D initiatives.
   - As currently demonstrated by the existing SFO model a national body will not be sustainable without access to additional funding and such funding will not be accessible while SFOs have control.
   - Consequently Proposal 1 involves SFO board representation and Committee involvement and the focus of Economics & Infrastructure Committee to include representatives from each SFO.
   - It is acknowledged that this is a radical approach and it would have been easier to propose the current MLA model where the Peak Industry Councils are provided with a separate membership class from where they are ignored on industry policy and decision making when it suites MLA to do so.
3. an Industry and Policy Research, Analysis and Development function involving five core standing committees (Market; Economics & Infrastructure; Member; Animal Health Biosecurity and Welfare; Research Development and Adoption). These committees would be Chaired and Deputy Chaired by a Councillor and would perform and/or manage their functions reporting to the Board. The centre piece of the Committee structure is the Member Committee established to create member dialogue, communication, education, development and support using modern IT and social media style communications capability. This approach should significantly inform policy formation and enhance and validate policy and development adoption.
4. formal incorporation of NABRAC and SAMRC into an RD&A Committee to enhance the policy and strategy development and the validation and the adoption of R&D. It is expected that this would raise producer knowledge of and possibly involvement with their regional NABRAC / SAMRC network. This would consolidate existing structures in a more worthwhile way for the industry;
5. a separate policy advocacy function involving two streams, Strategic advocacy undertaken by Councillors and Operational advocacy primarily undertaken by paid staff.
6. the policy advocacy would have two standing committees one to formally engage with Lot feeders and Live Exports and associated stakeholders and one to engage with Processors.
7. it is intended revenue for the Industry and Policy Research, Analysis and Development function would be sourced from the transaction levy and revenue for the Advocacy would be sourced from The Fund managed by RMAC.
8. membership would be based on transaction levy payments using the current MLA system. Strategically it would be beneficial for long term industry if transaction levy payment information was made available, however, this maybe considered too problematic and a

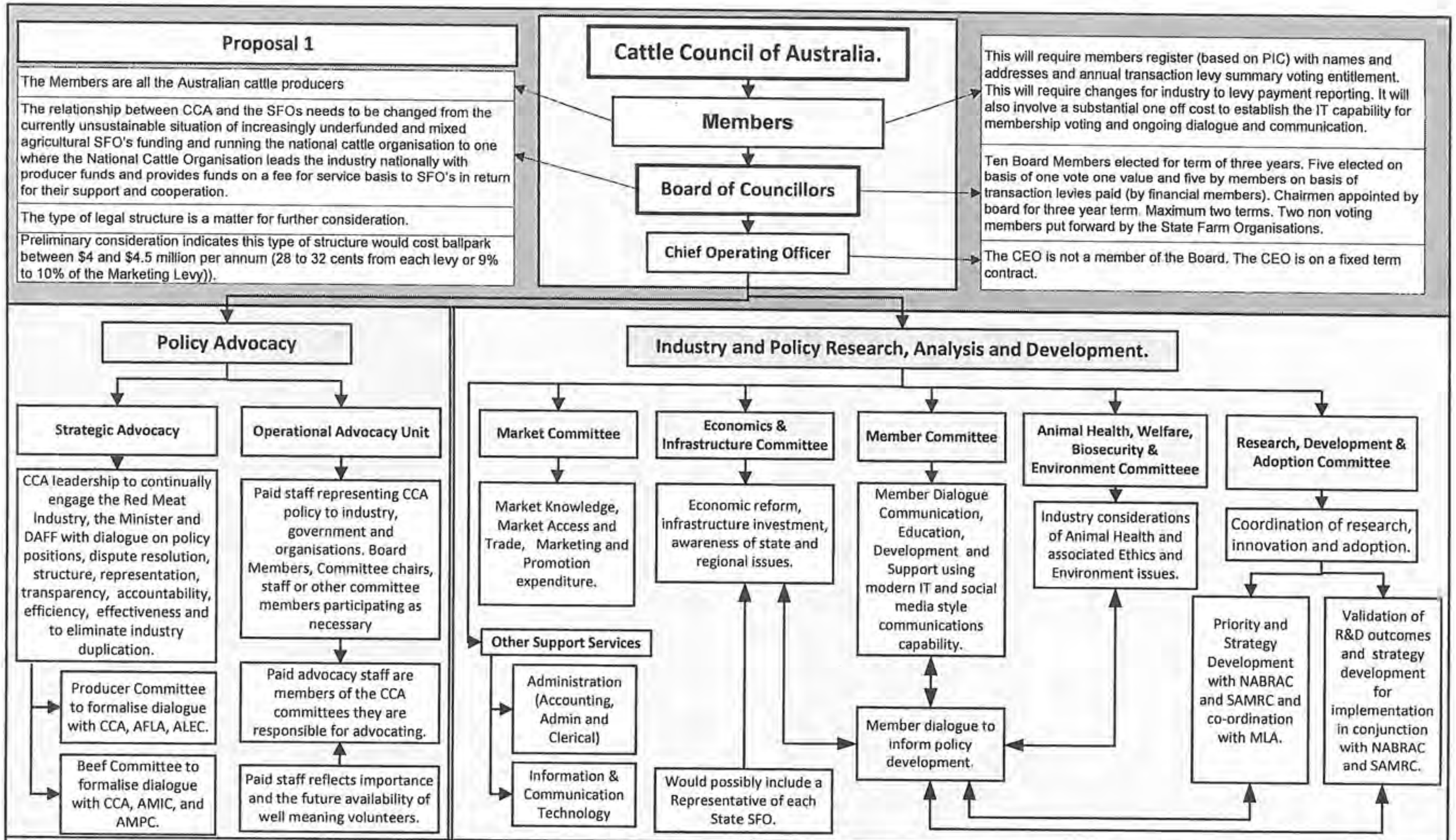
Statutory Declaration system maybe preferred. Voting would be either two tiered with some candidates elected by one vote per person and some on the basis of levies paid or alternatively it could also be based on the current MLA member voting model. Regardless, the current MLA system would need to be enhanced to enable CCA to proactively issue voting entitlements to members. Proxies would be permitted;

Extract from Meat & Livestock Australia Limited Memorandum and Articles of Association.

(5) the amount of Company Levies paid by a Producer during a financial year, as determined or estimated by the company, is to determine the voting rights of the Producer in the period from the Return Date for the financial year until the Return Date for the following financial year, in accordance with the following scale:

Levies paid	Votes
$Nil - $14,400	One vote for each $1.00 paid
$14,401 - $43,200	14,400 votes plus 0.75 votes for each $1.00 paid in excess of $14,400
$43,201 or more	36,000 votes plus 0.5 votes for each $1.00 paid in excess of $43,200

9. members would be entitled to attend annual general meetings, nominate and vote for the election of Directors, receive an annual audited financial report and an annual operational report and to vote on the adoption of both the financial report and the operational report, attend and contribute to the bi-annual CCA Producer Forum, contribute to policy and strategy development deliberations, join CCA Committees, and attend CCA Committee meetings as observers;
10. the Board Chairmen would be determined by a vote of the Board Members. Board members would be elected for three year terms. As the Board would be required to be independent and operate in the best interests of Industry as a whole, there would be no special regional representation considerations. All board members would be required to attend appropriate independently run short courses to inform them of the Board's activities and their board responsibilities;
11. this proposal would require CCA to revisit its relationship with Meat & Livestock Australia in order to agree on who the Producer Peak Body is, to reshape responsibilities and some day to day processes and eliminate duplication and to rekindle a genuinely cordial, cooperative and inclusive but professional relationship.
12. it is difficult to roughly estimate the required budget for this proposal without further information from CCA regarding the breadth of the task. However, we would anticipate about $2 million to run the Policy Development particularly if synergies were achieved with MLA. The advocacy budget would need to come from the Fund and would be limited by it.
13. animal Health Australia, National Residue Survey, Safemeat and AUSMEAT would be industry owned and funded in the most appropriate manner and their activities operated in a transparent, accountable, efficient, effective manner and so as to eliminate industry duplication of effort and supervision.
14. the Red Meat Advisory Council (RMAC) is functionally defective as was regrettably evidenced during the 2011 Live Export debacle. Industry needs to either require Government to rectify the RMAC function by including a dispute resolution mechanism and/ or permitting the Chairmen to advise Government even in the absence of agreement between sectors or dissolve it completely. In addressing this issue industry needs to insist that the objects or charter state that all industry sectors including live export have a right to exist free from media attack from other sectors.
15. the relationship with the National Farmers Federation (NFF) needs to reflect mutual understanding and cooperation without in any way providing NFF any rights to independently represent CCA or its views, unless they promote a literal communication of an advised position.



Each Committee involves direct participation of producers, SFOs and staff advocates. The Chair and deputy of each committee would be required to be Councillors. The Committee would meet via teleconferences, skype and with some face to face meetings. Develops policy and communication and education information for approval by the Board. Each committee has a permanent support officer and paid assistance who liaise with other CCA and industry peak body staff and MLA staff, provide the research information and prepare committee papers and implement actions. Emphasis on active daily involvement with all stakeholders including other peak bodies.

CCA Annual AGM with producer forum. National Producer Conference each two years with presentation sessions from each committee and also including presentations from ALFA, ALEC, AMIC and MLA.

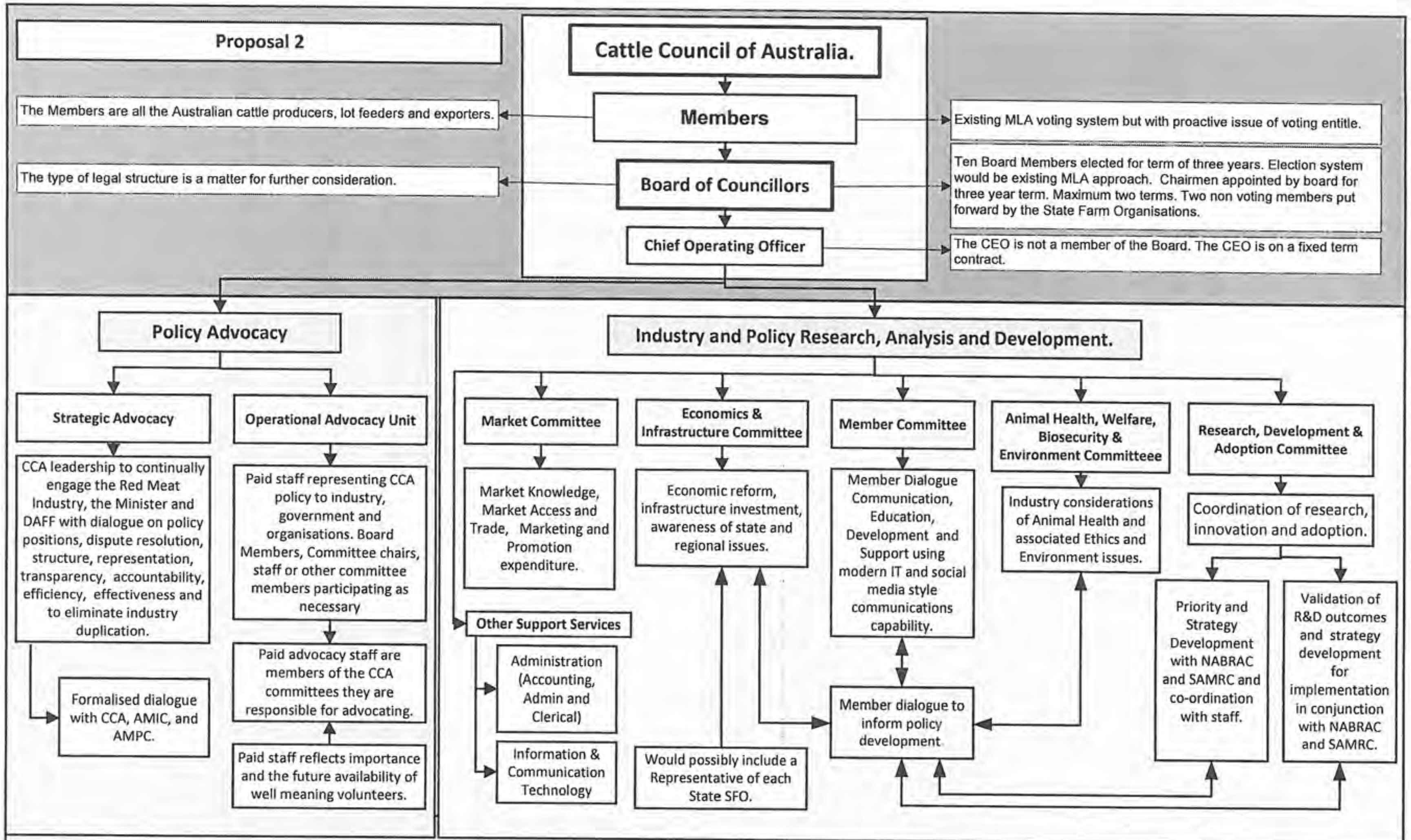
Relationships: CCA members produce all the cattle but have the same peak body status and vote as ALFA and ALEC. Ideally ALFA and ALEC should exist as Committees of CCA with appropriate considerations to membership and Board representation. However, that would require industry restructure not just the CCA restructure at hand. The relationship with MLA needs to be revisited now to agree on who the peak producer body is, avoid duplication and agree that all MLA work is done on a fee for service basis and CCA is ultimately responsible for all outcomes and therefore validates, adopts (or does not adopt) and badges all adopted outcomes. Consider flexibility of not having to use MLA for levy funds, otherwise the ongoing MLA relationship needs to share facilities, resources etc where practical and be friendly, cooperative and effective. RMAC needs to either be made into an effective industry mechanism or be dissolved, again an industry restructure issue.

Proposal 2.

Combine Representation, Policy, Marketing and R&D into one single organisation. That is, take MLA a little further to where it tries to be now, by having it become the combined Livestock Peak Body and service organisation.

1. Processors, Sheep Meats and Goats <u>would not be members</u> but could either continue to use MLA as their R&D provider or not. Except that, processors would be included if they are producers or lot feeders. A formalised processor relationship group would exist to deal principally Market Technical and R&D matters and to discuss cross sectoral differences.
2. CCA, ALFA and ALEC would no longer be required.
3. Members would elect 12 Directors. Directors elect the Chairmen Board members (3 year term). All Board members would be paid about $40,000 each p.a. (in line with Government recommendations) and the Chairman would receive more.
4. Member voting based on a Statutory Declaration of the levy paid in the previous year (when starting) renewed each three years. The organisation would have the right to validate the declaration. The Australian Electoral Commission Voting Registry services are available.
5. Board Meetings 5 per year.
6. The activities would be quite tightly controlled by a Statutory Funding Agreement (SFA) which is very prescriptive. There are different versions for different industries. The Pork and Dairy industry should be reviewed to avoid issues (e.g. Pork have a compulsory split between Marketing and R&D, whereas Dairy do not).
7. This model would not permit party political activity.
8. Independent review each three years and the report is published on their website.
9. One structure would provide efficiencies, focus and ability to communicate more efficiently and effectively with members. (For example, if Policy or Marketing need research, it is done by R & D with a $1 for $1 contribution from Government - any grey areas are confirmed with DAFF). Detail

It would have most of the features of Proposal 1 except it would require an R&D sub committee or similar to accommodate Lot Feeders and possibly 2 Directors elected by Lot Feeders and 1 Director elected by Live Exporters and a Live Export Sub Committee.



Each Committee involves direct participation of producers, SFOs and staff advocates. The Chair and deputy of each committee would be required to be Councillors. The Committee would meet via teleconferences, skype and with some face to face meetings. Develops policy and communication and education information for approval by the Board. Each committee has a permanent support officer and paid assistance who liaise with other CCA and industry peak body staff, provide the research information and prepare committee papers and implement actions. Emphasis on active daily involvement with all stakeholders including other peak bodies. Structure would have formally recognise each sector (producer, lot feeders and live exporters) and include a standing Live Export Sub Committee of the Economics and infrastructure Committee and a Lot Feeders sub committee of the Research Development and Adoption Committee.

CCA Annual AGM with producer forum. National Producer Conference each two years with presentation sessions from each committee and also including presentations from AMIC..

Attachment 1. The Role of MLA.

The following extracts (font changes and effects added) have been taken from a recent MLA publication the **MLA and LiveCorp Joint Submission Independent Review into Australia's Livestock Export Trade 20 July 2011**. They reflect the MLA's public position on their role and relationship with the industry.

2 The role and charter of MLA.

2.1 Overarching objectives of MLA

Meat & Livestock Australia Limited (MLA) is a producer-owned public company that was incorporated in February 1998. Predecessor organisations to MLA can be traced as far back as 1936. Those immediately preceding MLA's incorporation included the Meat Research Corporation and the Australian Meat & Live-Stock Corporation (AMLC).

MLA provides marketing and research and development services and solutions to Australia's red meat and livestock industry including livestock producers, lot feeders, wholesalers, foodservice operators, retailers of red meat, and, in conjunction with Australian Livestock Export Corporation (LiveCorp) and Australian Meat Processor Corporation (AMPC), livestock exporters and meat processors. Unlike the AMLC previously (which was a statutory Government authority), MLA possesses no powers to regulate Australia's red meat and livestock export trade.

2.1.1 MLA membership

Over 47,000 Australian cattle, sheep and goat producers are members of MLA, estimated to represent over 80 per cent of Australia's red meat production in 2009-10.

MLA aims to ensure all levy payers and stakeholders are aware of its role in the red meat and livestock industry and the benefits and costs of MLA's programs.

2.1.2 How MLA is funded

MLA is funded by:

- Transaction levies paid on livestock sales of sheep, goats and cattle
- Australian Government dollar-for-dollar matching funds for investment in research and development
- Co-operative contributions from individual processors, wholesalers, foodservice operators and retailers, and other partners in the innovation value chain
- Contributions from processor and livestock export industry bodies (see figure 2.1)

At the time of writing, with financial data for 2010/11 still being finalised. MLA's forecast revenue for 2010/11 is $168 million.

Figure 2.1
Forecast expenditure across a broad range of portfolios for 2010/11 is $167 million, of which $89 million is to be spent on marketing programs and $78 million spent on research and development. MLA expenditure on livestock exports is expected to account for 4.2% of total expenditure (see figure 2.2). Figure 2.1 converted to table format:

Market access	8.3%
Live export	4.2%
Growing demand	38.9%
Increasing	12.3%
Promoting integrity	9.3%
Increasing industry	5.7%
Communications	2.4%
Corporate services	6.5%
Other	0.4%
R&D Partnership	12.1%
Total	100.1%

Figure 2.2 MLA forecast expenditure 2010-11 Figure 2.2 converted to table format:

Growing demand	38.9%
Increasing productivity	12.3%
Promoting integrity & sustainability	9.3%
Market access	8.3%
Increasing industry capability	5.7%
Communications	2.4%
Live export	4.2%
Corporate services	6.5%
R&D partnership	12.1%
Other	0.4%
Total	100.1

2.1.3 MLA's corporate and organisational structure
MLA is an unlisted public company limited by guarantee. It is incorporated under the Corporations Act 2001 and is required to meet the obligations of this Act.

Programs and services are delivered within the context of the Memorandum of Understanding (MoU) between MLA, Peak Industry Councils (see 2.1.4), ALEC, AMIC, the Australian Government and the service providers representing the meat processors, namely AMPC, and the livestock export sector, through LiveCorp.

2.1.4 Peak Industry Councils
The Industry/Government MoU has enabled the establishment of an effective industry consultation process. **Key stakeholders are routinely consulted and provided with an opportunity to contribute to MLA strategy and programs.**

MLA places considerable focus on interacting with industry organisations, including the Peak Industry Council (PIC) members of the company. This effort is both formal and informal and spans

the business from Chair, Directors and Managing Director to General Managers and senior program staff across the company.

The following PICs **contribute to** policy direction, strategic imperatives, the Strategic Plan, Annual Operating Plans, budget oversight and monitor MLA's performance in accordance with the MoU:

- Australian Lot Feeders' Association
- Cattle Council of Australia
- Goat Industry Council of Australia
- Sheepmeat Council of Australia

While not a PIC, the Red Meat Advisory Council Limited is the red meat and livestock industry's peak national body for matters associated with cross-sectoral policy development and implementation.

2.1.5 MLA's governance structure

MLA's governance structure is regularly reviewed and updated to ensure it remains effective and relevant. In describing MLA's governance systems, it is necessary to take into account the following arrangements and documents specific to MLA's operating environment, together with the broader legal frameworks under which it operates. These include:

- The Commonwealth Deed of Agreement (Deed) between MLA and the Commonwealth Government (AMLI Act)
- Australian Meat and Live-stock Industry Act 1997 (AMLI Act)
- MLA Memorandum & Articles of Association (Constitution)
- Statutory obligations under the Corporations Act 2001
- MLA Code of business conduct and ethics
- Expectations of MLA members
- Meat & livestock industry memorandum of understanding (MoU)

2.1.6 The Deed of Agreement

The Deed between MLA and the Australian Government sets out the obligations of the parties and a governance framework covering a consultative, review, reporting and accountability process. The Australian Government (via the Department of Agriculture Fisheries and Forestry - DAFF) is able to monitor and influence MLA's governance arrangements through a range of mechanisms, but particularly through the Deed.

The Deed requires MLA and DAFF to meet regularly to discuss progress on programs. The Strategic Plan, Annual Operating Plan (AOP), AOP final report and Annual Report must be lodged and reviewed with DAFF. **The Deed requires MLA to gain Peak Council approval for the Strategic Plan and AOP**. In addition, and in accordance with the requirements of the Deed, **MLA completed an independent performance review in 2010**. The terms of reference for this review focussed on an assessment of **MLA's performance against its strategic and operational plans and MLA was required to consult with DAFF in developing the terms of reference.**

The Deed recognises the role and obligations of the parties under the Australian Meat and Live-stock Industry Livestock Act 1997 (Clth) and the MoU.

2.1.7 Australian Meat and Live-stock Industry Act 1997 (AMLI Act)

The aim of this legislation, when introduced into Parliament in 1997, was to significantly reduce the overall regulatory control of meat and live-stock industry management, and to provide industry with appropriate authority and support to manage its future development. It was intended that industry leadership and management would be based on a co-operative relationship between industry sectors developed in a commercial environment focused on key industry issues and national development requirements sensitive to areas of industry market failure. 1

Some of the key provisions of the Act are:

- Section 60: MLA is declared to be the industry marketing body and the industry research and development body.
- Sections 63 and 64: Levies received by the Commonwealth from producers are to be paid to MLA.
- Section 66: The Commonwealth pays MLA an amount equal to one half of amounts paid by MLA for the purpose of research and development.
- Section 67: Requires MLA to only apply marketing levies received for marketing purposes and R&D levies for R&D.

The Deed and the MoU require MLA to account for all levy income and expenditure by specie and levy type. For example, the grassfed cattle levy for Marketing can only be applied to grassfed cattle marketing activities. All levy reserves must be accounted for by specie and levy type.

2.1.8 MLA's role and objects

MLA's objects are set out in its Constitution. The objects for which MLA is established are:

k) to market and promote the industry in Australia and overseas;
l) to improve the production and quality of meat and livestock in Australia;
m) to improve the methods of production, handling, storage, transport and marketing of Australian meat and livestock and to encourage the production of livestock and the marketing of meat and livestock to be more efficient;
n) to represent, promote, protect and further the interests of the industry overseas in relation to the export of meat and livestock from Australia and in relation to the sale and distribution of Australian meat and livestock and the consumption of Australian meat in countries other than Australia;
o) to investigate and evaluate the needs of the industry for meat and livestock research and development and to encourage and facilitate the exploitation and commercialisation of the results of meat and livestock research and development;
p) to undertake, co-ordinate and fund meat and livestock research and development activities;
q) to undertake and carry out the joint functions and to consult, collaborate and co-operate with producers of livestock, meat processors and meat and livestock exporters and their representatives for the benefit of industry in the performance of the joint functions;
r) to collect information and statistics relating to the industry and to prepare, analyse and distribute information and statistics relating to the industry for the benefit of the industry;
s) to collaborate with government and with government departments and agencies, both Federal and State, in relation to animal health and welfare, meat safety and hygiene, crisis and issues management, regulatory activities and any other activities which may be necessary or convenient for the improvement of the productivity or the market performance of the industry; and
t) generally to do all other things that may appear to the company to be incidental or conducive to the attainment of the objects or any of them for the benefit of the industry.

The MoU records the broad policies formulated jointly by prescribed industry bodies for the purposes of s.59 of the AMLI Act and sets out the roles, responsibilities and obligations of the signatories to the MoU.

2.1.9 MLA's strategy

MLA's planning process aligns the objectives of the Constitution and MoU, with the direction provided by the Peak Industry Councils' Meat Industry Strategic Plan 2010–2015 (MISP), and the Australian Government's national and rural research priorities to form the basis of the MLA Strategic Plan.

Every aspect of MLA's work is geared to delivering world-class services and solutions for a profitable and sustainable red meat and livestock industry. Pursuant to MLA's Strategic Plan, MLA carries out these services to support five strategic imperatives:

Imperative 1: Improving market access

1.1 Enhancing product integrity
1.2 Ensuring a whole of industry approach to maintaining and liberalising access to world meat markets
1.3 Maximising market options for producers and exporters in the livestock export trade

Imperative 2: Growing demand

2.1 Achieving consistent eating quality
2.2 Enhancing the nutritional reputation of red meat
2.3 Developing new products
2.4 Aggressive promotion in the domestic market
2.5 Aggressive promotion in export markets – beef
2.6 Aggressive promotion in export markets – sheep

Imperative 3: Increasing productivity across the supply chain

3.1 Increasing productivity on-farm
3.2 Increasing productivity off-farm
3.3 Improving supply chain and market information
3.4 Improving animal health and biosecurity

Imperative 4: Promoting industry integrity and sustainability

4.1 Ensuring sustainability and demonstrating environmental stewardship
4.2 Responding to climate change
4.3 Continued improvement in animal welfare
4.4 Community communications

Imperative 5: Increasing industry and people capability

5.1 Increasing adoption of innovation
5.2 Working with industry to attract, develop and retain world-class people
5.3 Building innovation capability
5.4 Supporting industry with policy research

Attachment 2. The Role of RMAC.

The Red Meat Advisory Council website advises:
Red Meat Advisory Council Limited (RMAC) was formed in 1998 as a single industry touch-point for the Federal Government when dealing with cross-sectoral matters. RMAC comprises a membership of five Peak Industry Councils: Cattle Council of Australia, Sheepmeat Council of Australia, Australian Lot Feeders' Association, Australian Livestock Exporters' Council and Australian Meat Industry Council. The Goat Industry Council of Australia also maintains a link, but not as a member.

RMAC has four principal functions:

- provide advice to the Minister on cross-sectoral or whole-of-industry matters;
- act as custodian of the Meat Industry Strategic Plan that is used as a guide for industry programs;
- ensure responsible management of a parcel of industry investments, known collectively as 'The Fund', in a manner consistent with an established industry/Government agreement; and
- allow a forum for the five Peak Industry Councils to discuss multi-sectoral policy issues.

Attachment 3. The Role of CCA.

The Cattle Council of Australia website advises:
Cattle Council of Australia was established in July 1979, bringing together for the first time in a single organisation all farmer organisations whose members had beef cattle enterprises.

The mission of the Cattle Council is to represent and progress the interests of Australian beef cattle producers.

Any organisation representing the interests of Australia's beef cattle producers is entitled to apply for membership to Cattle Council. The Council has seven member organisations:

- NSW Farmers' Association
- AgForce
- Victorian Farmers' Federation
- Western Australian Farmers' Federation
- Pastoralists' & Graziers' Association of WA
- Tasmanian Farmers' & Graziers Association
- Northern Territory Cattlemen's Association
- South Australian Farmers Federation

Strategic Imperative

A sustainable, profitable and progressive environment for Australian beef cattle producers.
The mission of the Council is to represent and progress the interests of Australian beef cattle producers.

We achieve this through wide and regular consultation with, and policy advice to, key industry organisations, relevant Federal Government Departments and other bodies regarding issues of national and international importance.

Attachment 4. Current Industry Issues.

Issues that adversely affect the effectiveness of the Australian Beef Industry leadership include:

1. the industry structure implemented in 1998 inadvertently created structural problems:
   a. the Red Meat Advisory Council (RMAC) does not have an effective dispute resolution mechanism to enable the industry to speak with one voice to Government and Industry or to enable the RMAC Chairman to provide advice to Government in the absence of agreement;
   b. the RMAC structure fragments the leadership of the production sector in that cattle producers who produce all cattle in Australia only have the same voting power in RMAC as lot feeders and live exporters;
   c. the transaction levy funds are vested in MLA and though "producer owned" the MLA does not have has appropriate legislative requirements to ensure it is accountable, transparent, efficient and effective;
   d. the Peak Bodies have insufficient funds and as a consequence inadequate semi permanent intellectual resources to provide the appropriate industry functions required to lead and support the operation and development of the industry and to provide oversight of MLA;
   e. the producers believe the $5 transaction levy, which effectively generates over $150 million per annum, should meet the industry's needs if MLA delivers value for money;
   f. the RMAC structure further fragments the leadership of the production sector by the inclusion of Sheep Meat and Goats.

2. The Arche Consulting 3 Year Review of Performance Report on MLA issued in June 2010 states that "Meat and Livestock Australia (MLA) was established as a research, development and marketing **service company** for the meat and livestock industry in 1998. MLA **provides marketing and research services** to the Australian red meat industry, including livestock producers and lot feeders, meat processors, wholesalers, foodservice operators, retailers and exporters of red meat and livestock. MLA's mission is to deliver world-class services and solutions **in partnership with industry and government**."

   We do not consider there is a proper or accurate measure of the effectiveness of the MLA's Marketing and R&D campaigns. Some of the CCA Councillors who Chair Marketing Groups advised the Canberra CCA Strategic Planning Meeting that there do not know whether the marketing strategies and expenditure are appropriate or not.

   It is beyond the scope of this assignment to review or comment the Arche Consulting report. However, it is worth noting:
   - The review of MLA was arranged by MLA after consulting with DAFF on the Terms of Reference.
   - The then President of CCA has since publicly stated that CCA was interviewed as part of their review and CCA's criticisms of MLA's performance were not acknowledged in the report and CCA's subsequent enquiries Arche Consulting for an explanation for this were ignored.
   - If MLA were genuine they would have had RMAC review their terms of reference and oversee the Review
3. Over the past twelve months the new MLA manager publically admitted that MLA had previously overstepped its role and that he will now lead MLA back to its core business.
4. The recently updated draft MLA Strategic Plan includes the following:
   Vision: Respected provider of marketing and R&D services to the Australian cattle, sheep and goat industries.
   Mission: Create opportunities across the cattle, sheep and goat supply chains by optimising the return on collective investment in marketing and R&D.
   Values: Act with integrity; Respect where the money comes from; Deliver quality; Collaborate with stakeholders; Work as a team.
5. Not unlike trends in other volunteer organisations in society the traditional producer State Farm Organisation model no longer attracts sufficient funds or human resources to represent producers appropriately. The CCA is believed to represent less than 30% of producers. Other industry peak bodies have much smaller numbers of stakeholders and are relatively easier to obtain membership.

6. The situation is further compounded by the fragmented nature of the producer communication and the part time and relatively short appointment terms and the necessary overlapping periods of industry leaders.
7. As a direct result of 1 above MLA has effectively taken the industry producer leadership role in dealings with Producers, Peak Bodies and Government. MLA is effectively owned by over 160,000 producers who effectively have no power to make MLA accountable even given the legal right to do so. If MLA was owned by a peak bodies it would be accountable.

   This appears to have occurred as a result of a proactive decision taken by MLA that they need to lead, rather than, support the industry presumably because at some point they thought MLA either needed to or wanted to and because they decided they were permitted to do it. The MLA Board has previously formally considered their corporate responsibility compared to their responsibilities under the Agreement and decided their corporate responsibilities come first;
   MLA management have previously considered the role of the board in their business and as a result, in the MLA structure, the Board is positioned to the side as an advisory Board to their CEO (also the Managing Director). The selection of Board members has been contentious for many years and the MLA advise they have previously moved motions to change it that have been rejected.

   Theses issues did not of themselves cause the problems the industry experiences. MLA could have actively supported the industry shortcomings through their intended role of providing service and support without taking the decision making position and the public profile position which effectively undermined the industry as the MLA is legally precluded from lobbying Government and the role it adopted reduced the integration and effectiveness of the industry structures, lead to duplication and financial waste in the industry structures and lead to MLA's failure to effectively manage its own core responsibilities regarding R&D and Marketing.

Supporters of MLA are inclined to believe that producers cannot be relied on to recognise strategically important initiatives that will lead to long term growth and profitability, that they are happy to be early adopters of developments but prefer that industry wide adoption is not pursued and that their sometimes ill considered or uninformed comments at industry gatherings provide MLA with the scope it needs to ignore criticism.

MLA's critics would argue that MLA has developed into a quasi government bureaucracy where the industry partnership involves industry providing the funds, MLA essentially doing what it likes and the Government maintaining the status quo.

The recent producer survey by CCA confirms the producer confusion regarding MLA and CCA regarding industry leadership. Nevertheless, there is general industry agreement that CCA (and other industry structures) operated very poorly during the recent Live Export debacle in Indonesia where we had MLA taking over as spokesmen for our Industry but failing to do so effectively, despite their historical project leadership to address known concerns in this area and with prior warning and knowledge of the content and screening time of the Four Corners programme. CCA lacked the resources to counteract the many forces (including bad media, unions and processors calling for cessation of the trade) at work during this period. This situation was seen as a complete failure of the whole national representative and support structure and the consequences were highly regrettable for all concerned.

CCA Re-structure

Recap why we are here:

Several SFOs are no longer able to fully fund affiliation fees, and so CCA is now in breach of it's own Constitution with respect to membership eligibility. There is no resolution to this situation likely, rather it may get worse.

It is not about the past, or current performance of CCA, which has worked well since 1979 until recently.

However, there has always been an issue about relating to the stakeholders, and the lack of direct ownership by the producers for whom CCA works. The SFOs in the past have provided the focus of membership participation, to the detriment of widespread industry acknowledgement and support for CCA.

A further issue is the same one that plagues all farmer organisations, in that any gains, benefits or improvements that a producer organisation achieves cannot be restricted to the membership, and all producers share the benefit, whether they are paid up members or not. The leads to an attitude of "why should we join and pay – we get the benefit anyway?". The arm's length arrangement with SFOs exacerbates this issue for CCA.

Prior to 1998, this fact was partly addressed by AMLC providing "consultation funding" to PCs out of the levy stream. This was viewed negatively by various Governments, who saw this as possibly a misuse of the mandatory levy. However, Minister John Anderson alleviated this somewhat in the transition from AMLC to MLA, by making the reserves of the AMLC available for PC funding in recognition of all the general work that PCs do on behalf of the whole industry. (RMAC funding).This came with conditions, and the Coalition Government at the time also laid down a series of conditions governing mandatory levies in general.

It was generally agreed at the time, that a mix of funding between "industry" money and funds raised by the membership was desirable, so that CCA could carry out both general industry work, and lobbying on behalf of its members. In fact, NSWFarmers had a policy at the time that membership funds should always be at least 50%. However, history has shown that most of the work of CCA is on behalf of the whole industry, and very little on what might be termed "political". It remains a factor, though, that too much reliance on the levy, or reserve funds, is unhealthy, and an organisation needs to be independent in its policy development, oversight role, and its relationship with the Government of the day. Many believe this can only be achieved by generating its own strong support base, and funding stream.

This occasion of wrestling with the current funding problem, presents an opportunity to address this whole issue of ownership and communication and CCA's relationship with grass roots producers.

Some basic factors.

Pool of talent for Committee contribution.

Regardless of the structure, CCA has a role in many activities, which require dedicated members to participate in numerous committees. This requires that a pool of people, with differing range of interests, experiences and skills is available to draw on. This pool of people need to know that they have the support of the membership, and that they are there to represent member's interests.
In the past, the full CCA of around 23 councillors has been seen to be appropriate to provide a big enough pool and range of skills.
More recently, this pool has diminished as SFOs have become unable to fund full membership, and more work has fallen on less people. Corporate memory and experience is being lost. This must be addressed.

There are several ways around this, but the point worth noting, is that worthwhile participation is only achieved by having members on committees with some skill and experience in particular fields. In other words, it takes time to learn the skills required – some are ready immediately, others need experience and time to learn. A fair assessment of performance can only be made by their peers. In other words, to elect all committees at a large AGM, on an annual basis, would work against the development of skilled people to serve the industry.
The two tier arrangement might be better, where there is election annually of half a Council, of say, 20 to 30, from which to train and draw committee members, and then an executive to meet regularly to run CCA during the year. These are issues that need some discussion.

Geography.

It is also healthy for the organisation to have elected representatives spread across the country, to bring the widest possible views to the table, and as points of contact. It is also important, that whilst we wish to be as flexible as possible, some account must be taken of geography. A national organisation will not be supported if regions have no representatives, or whole regions have no input. State boundaries create issues, but they are an easily accepted way of generating representation. There may be better ways, but they always take time to explain, and in a big change, which will require a lot of selling, too much complication might make it too difficult. Any new ways of creating a spread of representation, therefore, needs have big benefits and to be simple.

Funds and budgets

Ideally, CCA should be funded mainly by its own members, with some industry funds for "industry good" activities.
An idea of the total dollar requirements as a target has to be made. The principle that we decide what we would like to do, and then set a budget, is correct in theory, but we need some practical boundaries.
Current CCA budget is around $1.2M, but is considered inadequate. If we target $3M, it gives us a base to work towards for the purpose of juggling with figures, as a start.

Option 1:

Membership

Four classes of membership:

1. State Farmer Organisations
2. Individual Australian Beef Producers
3. Other related Groups i.e.
    a. Northern Pastoral Group,
    b. Angus Society, etc
    c. Australian Cattle Vets
    d. ALFA?? etc.
4. Supporters

Funding

SFOs
RMAC
Direct Membership Fees & Others
MLA project funding

SFOs, 1 seat per State, with 1 extra for Queensland, cost $25,000 each
Related Groups, cap on numbers, possibly 6, cost up to $10,000 (?) each
Individual Members, $400 base fee, plus 50(?) cents per transaction levy paid previous year
Supporters – non-voting, access to certain information and meetings, $200(?) registration per annum

Cattle Council governing body:

Legal structure TBA,

Full Council:

AgForce 2, NSWF,VFF,TFGA,SAFF,WAFF*,NTCA	8 votes		8
Related bodies	3 votes	max	6
Elected from membership, North/South/West?	9 votes		9
President elected at AGM, or by Executive?	Only casting vote		1
Vice President	1 vote		1
Treasurer	No vote		1
Total			26

(*not sure of status of PGA?)

At AGM (separate from MLA AGM), elections held for direct member representatives on the Council, President and Treasurer. President, Vice President and Treasurer eligible for 3 years. All other elected positions for 2 year alternate terms.

AGM to be a major event, gaining sponsorship etc. Might think about a BeefEx type bi-annual event in the opposite year to ALFA.

Voting to be based on member's subscription, but with a cap (TBA). The principle being to encourage participation. (Comment:– "not to be run by hobby farmers, or dominated by 2 or 3 big players")

Issues.

The principle of having direct membership may well be opposed by SFOs generally. It will be seen as having a negative impact on SFO membership and support. CCA's policy is that all producers should be members of their SFO.
However, the structure which has served us well in the period 1979 to the mid 2000s, has now failed owing to a loss of membership of SFOs, and their consequent failure of some to pay their affiliation fees, despite there being no change in CCA fees over a very long period. Several SFOs are now in arrears, or have been in the past.
The ever present issue of a lack of ownership and inclusion of CCA by the grass roots producer is now even more acute, and those producers in States where the SFO is no longer a paid up member of CCA, are totally disenfranchised, despite continuing to pay their membership fees to their SFO. This is unsustainable, and will only lead to further erosion of SFO membership if not addressed.
It is not certain that all SFOs will survive, and CCA needs to be sustainable despite these State problems.
One option is to offer direct membership of CCA only in those States where the SFO is not a fully paid up member of CCA, but I suspect that this will present confusion. However, it may be a tool to get something up and running, and "road test" the principle, and provide an opportunity to see if we can generate grass roots membership.

Some thought needs to be given as to whether we use State boundaries to determine where the directly elected Councillors come from, or use broader North/South delineations. We cannot have a structure that misses some big areas – i.e. the West. If we go with State boundaries, and, for example, Tasmania only had 10 paid up members, and NSW had 500, why should Tasmania get 1 member and NSW the same? My own preference is that we need to be broader, but also recognise the differences between the North and South, and that we need to have the West represented.

As a <u>suggestion</u>, we could split off the North, which would include Queensland, NT, Kimberley and Pilbara – 5 seats. The South could be split between the Eastern States (NSW, Vic, Tas, SA) - 3 seats and the Southern half of the West – 1 seat. This means 3 distinct regions for the election of 9 Councillors. Cattle numbers need to be checked, but the number of paid up members in each region would also need to be considered, and may vary over time. Numbers alone are only part of the story, actual meat production is another, but a lot of cattle cross State borders to be processed, so arguments about numbers can be frustrating and endless. We need to agree to a fair division, and go with it. A review of the organisation after a set period of operation may be a good idea.

MLA membership might be a condition of becoming a member of CCA. This needs some thought – if it is seen to inhibit CCA membership, then clearly should not be proceeded with.

The idea of "supporters" came from Alison. This works within political parties, where they have $500 clubs, $200 clubs and $100 clubs etc. Being a supporter for a fee, entitles the supporter to certain, defined benefits. In a political party, it may be a Budget breakfast with the Treasurer the day of the budget, or access to senior figures etc.
For CCA we would have to be creative – circulation of material, opinions canvassed on MLA plans, access to AGMs, etc. However, we would need to clearly define the benefits of full membership as being <u>superior</u> to that of being a supporter. However, it may be better to introduce the concept of

supporters after the new organisation is up and running, as it may prove a distraction to selling the idea. We need a solid membership first and foremost.

The internet provides the cheap medium for much of this, whereas back in 1979, mail-outs were very expensive. The email network should be a powerful tool for CCA, but does require an extensive network of members, or supporters, to be really useful. We desperately need to marshal our use of the internet to counteract the continuing negative publicity - about livestock production in particular. This is where access to, and communication with, our own members is critical. Traditionally, SFOs have jealously guarded their membership from PCs.

Funding

RMAC	$500,000
SFOs	$200,000
Related Groups	$ 30,000
Direct Members, supporters	$2,000,000
MLA Policy funding	$70,000
Total	$2,840,000

The big question-mark, is whether the $2M from direct members is realistic. It translates into a national pool of 2,000 producers paying an average of $1,000 each, or 4,000 paying $500. This seems feasible, but will need a big effort by all concerned, and a significant budget to make this a reality. History shows that a dedicated effort can work, as with the NFF Fighting Fund, which raised $10M by a telephone campaign.

At the above membership rates, a producer selling 1500 cattle per year, based on transaction levies paid, it would cost $1150 to be a member. We can play with the numbers, but it is highly desirable not to have to increase fees in the first few years – it is better to be realistic in the first place.

At 50c per transaction, a producer selling 300 cattle, would pay $550, a producer selling 20,000 would pay $10,400, but I believe we need to cap the membership fee required – possibly $10,000. (Votes would go with transaction levies paid, not cattle claimed to be owned. In cases of dispute, transaction levies can be audited). We need to think about how we handle corporates, and producers with multiple properties.

The fee structure requires some work, and possibly some surveys to find out what might be acceptable. The key is what do we offer in return? It has to be tangible – access to decisions, being kept in the loop with regular reports, press releases etc. Timely information when things are happening, and what CCA is doing. Contact with office bearers. Opportunities to have a say on MLA plans, etc. We can learn a lot from ALFA.

I think ALFA's base membership is $300. It has been this for a number of years.

The principle of having direct members, may mean that into the future, it may evolve to become the only form of membership, but the hybrid is a good model if it is sustainable with SFOs. We need sound, financial SFOs to handle State issues.

As direct membership grows, CCA would need to think about the balance between SFO seats, and direct member seats.

However, the new CCA needs to deal with NFF and the SFOs on a professional, objective basis, to negotiate a mutually beneficial relationship, with respect for the roles that all play in representing the best interests of producers.

<u>Option 2:</u>

Similar to the first option, but with direct members only, and without the SFOs and their input.

It would be totally reliant on direct membership.

Most of the same issues apply regarding the regions, and need some thought, but basically, the 20+ councillors would all be elected by members from the regions, possibly for the same 2 year terms.

The issues with this model:

Likely loss of affiliation fees from SFOs

Currently, CCA is legally owned by the SFOs.
So both legally and politically, it would be very difficult to achieve agreement for this change without SFO support.

If opposed by SFOs, it would be easier to start a new organisation than try to win, but this would be counter-productive, in that the only body recognised under the MoU with the Government, and therefore eligible to receive RMAC funds, oversight MLA etc., is CCA. It is imperative that the new CCA is accepted by the Federal Government as meeting the requirements of the MoU, and thereby enjoying its status and responsibilities.

It also may lead to direct confrontation. Having 2 organisations is a situation that we must avoid at all costs – "disunity is death". The current structure has worked well because it is recognised and accepted as being the national voice of the cattle sector, not only by Governments, but by other industry sectors.

If CCA is not a part of the SFO structure, then the SFOs would take their concerns directly to Canberra (which, unfortunately, has happened occasionally in the past), and the Federal Government would be obliged to listen to a plethora of differing views, with the likely result that they would take notice of none. CCA would not work in this scenario.

This option is high risk, with limited prospect of success.

Option 3.

The easiest option to deliver would be to have directly elected councillors, similarly to Option 1, but without the need to become a direct member of CCA.

To conduct a ballot, the MLA register of members could be used, on either a State by State process, or using the North/South/West type option described earlier.

This option was almost brought to life in 1998, in fact, a variant was agreed, but not proceeded with. It was felt desirable in 1998, so that CCA could meet the conditions laid down by Minister John Anderson to receive the RMAC funding.

With the run down of the SFOs since then, we would need more directly elected members than in 1998, but the principle is the same.

Of course, the issue with this Option, is that no new money is tapped into, and a call on the $5 levy would be required to provide the funding necessary to run CCA. (20 cents?? or 5.5%?? of marketing levy)
As stated before, this puts CCA in a vulnerable position regarding its independence, and its future is tied to the on-going receival of part of a mandatory levy. This is not necessarily impossible with the current Government, but may be more challenging if there is a change and the Coalition form a Government. Many producers would also oppose this use of the $5 levy.

There is also an Initiatives Review under way by Safemeat, which is also considering changing the division of the levy, to fund other industry systems, such as LPA, NVDs, NLIS etc. If CCA decides to go down the track of seeking a portion of the levy, then some consultation with the Review Committee would be required, so that any final package would include such plans.

John Wyld
July 26 2012

Athol's submission

Design for a New *Empowered and Fully Accountable* Cattle Producer Organisation

By Athol Economou

Objective

To create an organisational structure that facilitates collective action by Grass Fed Cattle Producers.

This new organisation must have a mandate, the authority and resources to:

- Develop policies that relate specifically to the collective needs of Grass Fed Cattle Producers and the wider meat industry
- Participate in and represent GFCP on existing and new government meat and livestock industry organisations and structures
- Lobby governments at all levels
- Raise collective funds from cattle producers, if and when required
- Disperse collective funds as required

And be fully accountable to and controlled by GFCP via an equitable and transparent democratic process.

Immediate issues

In the current discussion regarding reform of the Meat Industry Structure (in order of importance) Grass Fed Cattle Producers need to:

1) Develop a representative and fully accountable, democratic organisation to represent their interests

This new organisation will then need to:

2) Represent GFCP within the existing Red Meat industry Structure

3) Advocate on behalf of GFCP in reforms of the Red Meat industry Structure

GFCP are starting one step behind the other parties in the Red Meat Industry Structure. Processors, Retailers, Lot Feeders and Live Exporters already have elected and accountable representative organisations.

Background

Meat Industry Landscape 2012

The red meat industry is now dominated by monopolies. While this trend was apparent in 1998, the power and interests of these organisations was not as aggressively exercised in marketing, commercial and political spheres.

Dominant players in the Australian Meat Industry

These corporations have a common characteristic. Typically they hold a dominant market share in the Australian beef industry but their investment in Australian beef is a very small part of their overall business.

- Wesfarmers: via Coles, 25% of all retail meat sales
- Woolworths: via its supermarket business, 25% of retail sales
- Cargill: Privately owned global food trader. 25% of Australian slaughter capacity. Global sales US$100billion. Meat processing in Australian represent 1% of its global business
- JBS: Brazil based meat processor. 25% of Australian slaughter capacity. Biggest processor in the world. Australia represent less than 10% of its global business
- Japanese meat importers: anonymous; they control access to Australia's main beef export destination - Japan.

Other participants

These businesses are mainly Australian owned small to medium enterprises. Their respective livestock and/or meat businesses are typically 100% of their commercial activities.

- About 100 abattoirs that account for 50% of Australia's 8 million pa cattle slaughterings
- About 3,500 meat retail businesses that account for about 50% of retail sales
- About 200,000 cattle farmers

Discussion

The corporations above are in fact the major players in the current meat industry structure. Under the current arrangement they pay little or no levies and have the ear of the Minister as they have huge PR capabilities and are major donors of all political parties.

On the other hand, Grass fed Cattle Producers provide most of the mandatory meat industry levy funds paid directly to MLA.

Meanwhile MLA has little choice but to act in the interests of the monopoly processors and retailers while government has turned a blind eye to the waste, misuse of funds and damage done to cattle producers.

The current meat industry structure annually absorbs $100m in farmers' levy revenue and controls the $40million in levy reserves and spends almost $180m pa of industry and taxpayers' funds.

Grass Fed Cattle Producers, the biggest single funders, providing about a third of the total funds have receive little benefit.

The decade of the 2000s saw the greatest economic boom with record commodity prices in the history of western society. Never before have consumers worldwide spend so much on everything including food. Furthermore, the BSE disaster in North America was a once in a lifetime windfall for Australian beef.

During this time cattle producers entrusted more than $0.5billion to Meat and Livestock Australia to invest in beef promotion and industry productivity. In total, MLA has spent more than $1.7billion of industry and taxpayer's funds sine 1998.

Uniquely in Australia, farm gate cattle prices languished.

In the 2000s:

- Average retail beef prices in Australia increased from $10/kg to $16/kg
- Australian Consumers' expenditure on beef increased from $4billion to $7billion pa
- Per capita domestic beef consumption declined 10%
- The volume of Australian beef exports remained unchanged (around 900,000 t)*
- The value of Australian beef exports remained unchanged (around A$4billion)*
- The unit value of Australian beef exports remained unchanged (around A$4.50/kg)
  *This is despite the North Asians ban on N American beef imports, effective in 2004, and record cattle prices in the USA in the years 2004 to 2007
- Australian farm costs increased about 35%
- There is no evidence of on-farm productivity gains

And:

- Cattle prices remained unchanged (around A$2.75/kg CW)

Not one dollar of Australian consumers' additional $3billion of annual expenditure found its way back to the farm gate. Nor did the record prices paid in Japan and the US, in the mid 2000s for cattle and beef, flow back to cattle producers.

In summary, the expenditure of $1.7billion, dozens of committees, hundreds of board members and countless visions, mission statements and strategic imperatives have delivered nothing to Australian cattle producers.

Terms such as: building demand, increasing productivity, delivering tangible benefits, industry integrity and sustainability, rigorous process and a "return of $8 for every dollar invested by industry" are a triumph of public relations over reality.

Grass Fed Cattle Producers must demand reform that allows them to use their collective resources to address the growing political and commercial inequities in the domestic and international beef chain.

Existing Arrangements

The current structure has worked well for Lot Feeders, Processors and Live Exporters.

These organisations have directly elected representatives on their Peak Councils and exercise control of their own levy contributions through their associated levy collection and management organisations (Livecorp/AMPC)

The current structure has been a disaster for Grass Fed Cattle Producers. Despite providing the bulk of the levies ($50-$60m pa), GFCP are not represented by an elected, well-resourced or accountable Peak Council. Further their, levy funds by-pass their Peak Council and are paid directly to MLA, an organisation controlled by the government and federal bureaucracy.

Grass Fed Cattle Producers should demand no-less than the power and accountability afforded to Lot Feeder, Processor and Live Exporters.

A Plan

From a Grass Fed Cattle Producer's perspective we need to:

Reform Grass Fed Cattle Producers

1) Representation

2) Levy funds raising, management and expenditure

This is a key point. The responsibility for determining the levy, if any, and determining how it is spent and accounting for its expenditure must be transferred from MLA to the fully elected Grass Fed Cattle Producers organisation.

Then in the context of the immediate discussion of reform of the whole Red Meat Industry Structure.

i) Consider the role of a Grass Fed Producers Organisation, if any, in a Red Meat Industry Structure.

ii) Consider the relevance, role and usefulness of a Red Meat Industry Structure.

Given Grass Fed Cattle Producers provide most of the funds for the Red Meat Industry Structure, GFCP should have a big say in how the structure is designed and operates.

What needs to be done?

Cattle producers need an exclusive organisation that represents their interests. The following is a list of board essential capabilities. This list is not exhaustive.

- This organisation must have a mandate to speak and act on behalf of producers.

This mandate can only come with a fully elected and accountable board.

- This new elected GFCP organisation have the resources - financial and intellectual - to prosecute the case on behalf of GFCP.

It will need to match the capabilities of the supermarkets and multinationals in local political and legal forums. It may also need to advocate for Australian GFCP in international forums such as WTO, Free Trade Negotiations, OIE, WHO, Climate Conferences etc.

- This new organisation must have the capacity to determine the amount needed and raise funds from cattle producers and fully control those funds, and absolutely determine the amount, if any, is spent to:

Organise and/or operate ongoing programs for cattle producers that need collective action (ie fund R&D, biosecurity activity etc)

Organise and/or operate and or contribute funds to ongoing wider meat industry programs that need collective action (ie fund Ausmeat, export marketing etc)

- This new organisation must have the capacity to raise funds - and determine the amount, if any - from cattle producers that can be used for unrestricted political lobbying

- This new organisation must have the capacity to raise funds - and determine the amount, if any - from cattle producers that can be used for lobbying at international forums that have a bearing on the lives of Australian GFCP.

• This new elected GFCP organisation must have the capacity to influence the design of any Red Meat Industry Structure created by the Minister.

• This new GFCP organisation must have the capacity to function effectively in any Red Meat Industry Structure created by the Minister.

In summary the new AGFP organisation will:

- Determine what needs to be done on a collective basis for cattle producers
- Determine the need and quantum of a levy, that may be mandatory and/or in-part voluntary
- Collect and hold a levy on behalf of cattle producers
- Determine where and how the funds are spent
- Forcefully advocate, on all issues, on behalf of Cattle Producers

Design of New Grass Fed Producer Organisation

Definition of Members and Selection of the Board

The MLA membership database has about 40,000 beef producer names and includes producers motivated enough to register to vote their levy entitlement at MLA AGMs. This list is possibly the best current industry list for initial eligibility to vote for the new GFCP organisation.

Weighting the Votes

There is a tension between "one person- one vote" and "votes allocated according to cattle inventory or sales".

A democratic/government model uses the former. A corporate model the latter, but many corporate models have various classes of equity including non-voting shares.

Board seats on the GFCP organisation can be allocated according to the turnoff in each state. This provides a good correlation between cattle numbers, size holdings and environmental variables.

This table shows the State cattle inventory and the proportion of the inventory in each State and a state quota for a 15 member board based on cattle numbers.

STATE	CATTLE COUNT	% Nat count	Board Number	State Quota
NSW	5,827,000	20%	15	3
Vic	4,038,000	14%	15	2
Qld	12,829,000	45%	15	6*
SA	1,291,000	4%	15	1
WA	2,102,000	7%	15	1
Tas	693,000	2%	15	1*
NT	2,020,000	7%	15	1
TOTAL	28,800,000			15

Based on ABARES data Includes dairy cattle

The GFCP organisation would have board members allocated to each State based on cattle numbers. Eg NSW with 20% of the cattle would have 20% of the board members. In this example for a board of 15, NSW would have 3 members. Cattle producers in NSW would elect 3 members for the board positions allocated to NSW.

*In the above table 1 member from Qld has been allocated to Tasmania.

Discussion of Board Structure

This approach provides fair representation for larger operators, while still reflecting the distribution of tropical/semi arid/temperate producers and smaller producers.

The above model does not exclude State Farm Organisations. SFO can endorse board candidates. SFO endorsed candidates would have above-average prospects for election given the resources of SFO compared to those of independent candidates.

The above proposal creates new opportunities and great commercial flexibility for MLA.

MLA employs more than 230 people. Cattle producers and taxpayers have a responsibility to these employees. MLA has a long track record of successfully marketing red meat and providing R&D management services.

MLA should be derestricted and allowed to restructure as an independent corporate entity.

MLA would have little difficulty winning commissions from domestic and international companies to market food and agri products or to manage R&D portfolios.

Without political constraints, combined with the experience and skills of its board and senior management, MLA has the potential to grow into a multi-national marketing and services company in the agri-food sector.

The Company would clearly be in a favorable position to win work from the new GFCP Organisation and other Peak Councils.

Individuals who choose to leave MLA have very good employment prospects given their individual skills and MLA's record.

END

CCA STRUCTURAL WRITING GROUP

Submission by Athol Economou Pt 2, August 2012

Steps and Timetable Chart

Notes for Table

The table sets-out a sequential plan for the development of a Grass Fed Cattle Producers Organisation.

The left hand column shows the evolution of the process. It sets out what has to be done and which body is responsible for each step.

The message from the consultation was that cattle producers want reform of their organisation.

CCA has committed to reform the organisation.

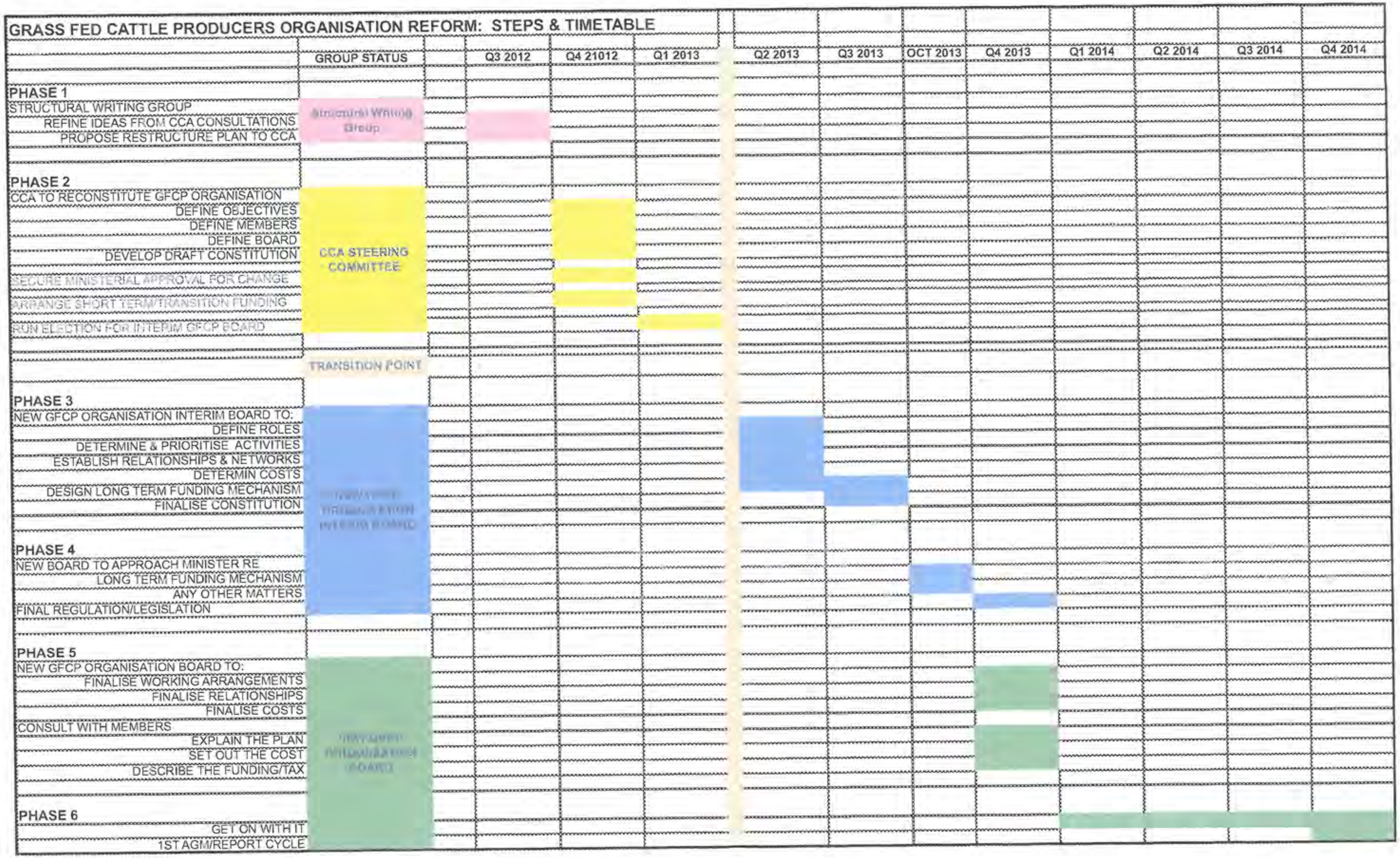
The consultations did not provide a blue print of policies, activities or priorities. These issues are clearly the responsibility of the new organisation to evaluate prioritise and resolve.

The horizontal scale provides a timeline for the process. It allows 6 months for the CCA steering committee to draw-up up the new organisation and run the first election.

It then allows 9 months for the new elected organisation to develop and make key policy, operational and funding decisions, before becoming fully operational in by Q4 2013.

To be read in conjunction with: RESTRUCTURE TIMETABLE V1.pdf

END



GRASS FED CATTLE PRODUCERS ORGANISATION REFORM: STEPS & TIMETABLE
GROUP STATUS
Q3 2012
Q4 21012
Q1 2013
Q2 2013
Q3 2013
OCT 2013
Q4 2013
Q1 2014
Q2 2014
Q3 2014
Q4 2014
PHASE 1
STRUCTURAL WRITING GROUP
REFINE IDEAS FROM CCA CONSULTATIONS
PROPOSE RESTRUCTURE PLAN TO CCA
Structural Writing Group
PHASE 2
CCA TO RECONSTITUTE GFCP ORGANISATION
DEFINE OBJECTIVES
DEFINE MEMBERS
DEFINE BOARD
DEVELOP DRAFT CONSTITUTION
SECURE MINISTERIAL APPROVAL FOR CHANGE
ARRANGE SHORT TERM/TRANSITION FUNDING
RUN ELECTION FOR INTERIM GFCP BOARD
CCA STEERING COMMITTEE
TRANSITION POINT
PHASE 3
NEW GFCP ORGANISATION INTERIM BOARD TO:
DEFINE ROLES
DETERMINE & PRIORITISE ACTIVITIES
ESTABLISH RELATIONSHIPS & NETWORKS
DETERMIN COSTS
DESIGN LONG TERM FUNDING MECHANISM
FINALISE CONSTITUTION
PHASE 4
NEW BOARD TO APPROACH MINISTER RE
LONG TERM FUNDING MECHANISM
ANY OTHER MATTERS
FINAL REGULATION/LEGISLATION
PHASE 5
NEW GFCP ORGANISATION BOARD TO:
FINALISE WORKING ARRANGEMENTS
FINALISE RELATIONSHIPS
FINALISE COSTS
CONSULT WITH MEMBERS
EXPLAIN THE PLAN
SET OUT THE COST
DESCRIBE THE FUNDING/TAX
PHASE 6
GET ON WITH IT
1ST AGM/REPORT CYCLE

NATIONAL REPRESENTATION

OF THE

AUSTRALIAN GRASSFED BEEF INDUSTRY

CONSULTATION PAPER:

DRAFT FUNDING AND STRUCTURAL

REFORM PROPOSAL

PREPARED BY
CATTLE COUNCIL OF AUSTRALIA INC

16 JANUARY 2012

CONTENTS

NATIONAL REPRESENTATION OF THE AUSTRALIAN GRASSFED BEEF INDUSTRY

EXECUTIVE SUMMARY

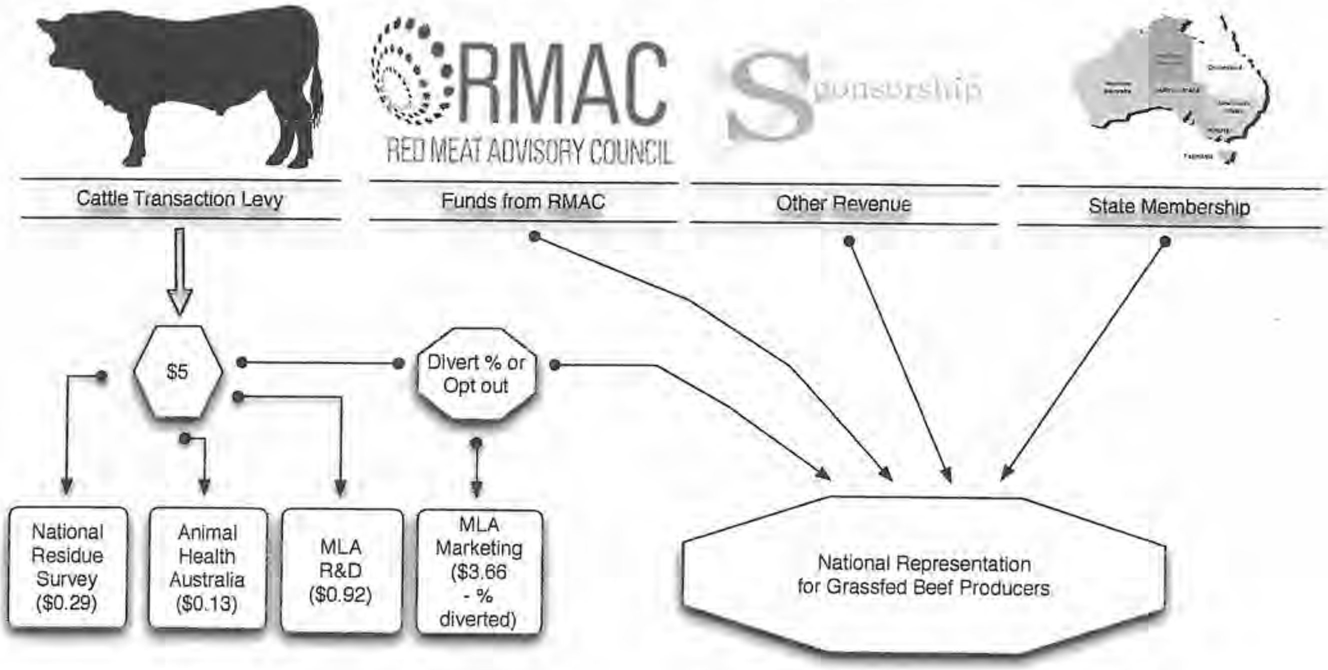
The Cattle Council of Australia Inc. was formed in 1979; this was a pivotal year for Australian agriculture. In July 1979, the commodity council members of the National Farmers' Federation (NFF) elected their nominees to sit alongside existing State Farmer Organisation (SFO) councillors to form a complete NFF. It is important to recognise that SFOs were the foundation of this structure by providing funding, producer representation and policy direction. This fascinating history of farmer representation was superbly represented in the 1996 book by Tom Connors, *'To speak with one voice: The quest by Australian farmers for federal unity'.*

In more recent years, Cattle Council has found itself under increased funding pressure. SFOs have been suffering perennial drops in membership numbers and hence genuine subscription income pressure was felt by those organisations who have traditionally formed the pillars of Cattle Council. Juxtaposed to reductions in Cattle Council's membership subscription income was the rapidly increasing expectation from the beef production sector that Cattle Council must deliver a more comprehensive service to all of Australia's grassfed levy payers. The rapid, global uptake of electronic communications has merely served to cement the expectation that Cattle Council must speak with all grassfed levy payers.

Outlined below is a DRAFT funding and structural reform proposal for a national organisation with the object of representing the Australian grassfed beef producers. This model has been developed as a discussion prompter for the purposes of consultation with industry stakeholders.

It is recommended that the new national representative body derive funding from the following sources:

1. Membership income from SFOs;
2. The Red Meat Advisory Council "Fund";
3. Sponsorship & Government funding agreements; and
4. Opt-out contribution of **a percentage of the cattle transaction levy** (potentially derived from the $3.66 marketing component of the levy.)

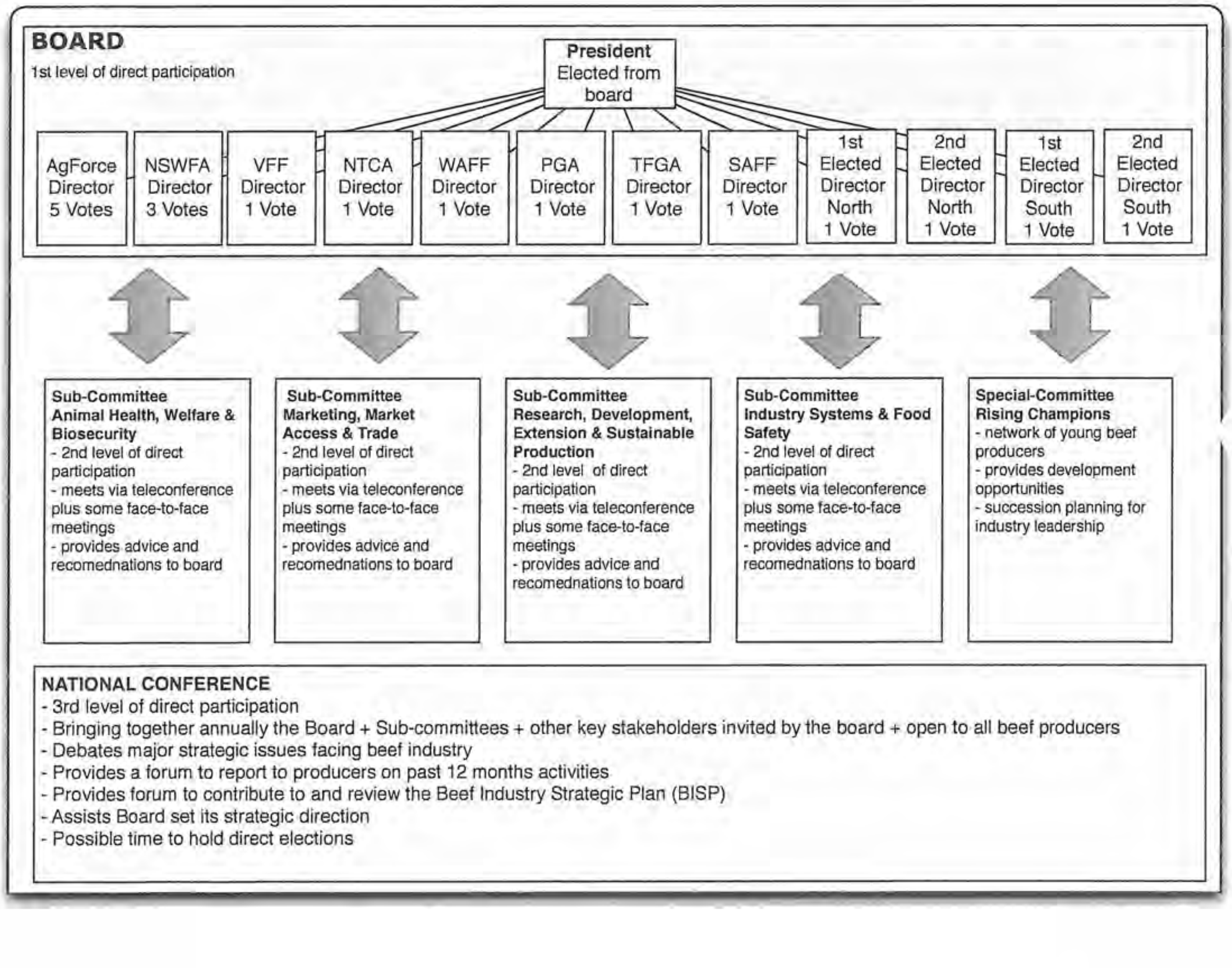


All grassfed beef producers will be given **three levels of opportunity for direct involvement** in their national organisation.

The **first level** of opportunity for direct involvement will be through the Board which would be a hybrid of directors nominated by SFOs mixed with directly elected members. *It is yet to be determined exactly how the direct elections will be conducted and if votes will be based on levies paid or a 'one person, one vote' system.* It is important to note that SFOs have been the mainstay of national organisations like the Cattle Council since their inception in 1979, hence they must retain a primary role in this organisation into the future.

The **second level** of opportunity for direct involvement will be through the sub-committees of the Board. Sub-committees will be responsible for recommending to the Board industry policy on specific issues and will be made up of SFO representatives and have a process for producers or other technical experts to apply to become a sub-committee member.

A **third level** of opportunity for direct involvement will be at an annual conference where the Board, sub-committees and other key stakeholders will be brought together to discuss strategic industry issues. The conference will be designed as an open forum where all levy paying beef producers are given opportunity to contribute.



BACKGROUND

Leading up to and during the MLA AGM in Longreach on 17 November 2011, Cattle Council heard strong statements from producers that their national body is underfunded and that it needed to be more accessible and more representative of the industry. This is a view that Cattle Council has been advocating for some time.

Australia has 2.8% of the world cattle inventory, is the 8th biggest beef producer and the value of Australian cattle and calf production (including live export) is approximately $7.6 billion. We are the 2nd largest exporter of beef in the world and the value of total beef and veal exports in 2009-10 was $4.1 billion.

The beef industry accounts for 44% of all farms with agricultural activity covering a total area of 332 million ha (75% of all agricultural area). The industry employs 121,000 workers and contributes 18% of the total farm value of $41 billion. It directly contributed a total of 1% to Australia's gross domestic product. Beef is the most popular fresh meat at retail in Australia.

Despite the massive value of the industry, grassfed beef producers only contribute a total of $230,000 annually to national representation. The total budget for national representation has been stagnant at $1.3 million for over 10 years.

Significant declines in membership of State Farming Organisations (SFOs) has led to income pressure for national representation. Reduced state and federal Government budgets for Agriculture is resulting in an increased need for industry to manage and regulate its own activities.

Cattle Council's role is to represent and progress the interests of Australian beef cattle producers through wide and regular consultation with, and policy advice to, key industry organisations, relevant Federal Government Departments and other bodies regarding issues of national and international importance.

Currently, in undertaking the Cattle Council's daily business, the Directors *(unpaid volunteers)* and the 5 permanent staff:

- Participate in over 60 industry and government committees;
- Provide oversight of the annual expenditure of $72m (grassfed levy) by Meat & Livestock Australia, National Residue Survey and Animal Health Australia which includes monitoring over 200 key initiatives and programs;
- Providing a voice for producers in the media on all issues relating to national beef industry policy and strategic direction; and
- Manage the corporate governance and administrative duties that are associated with maintaining a national organisation to perform these functions.

Funding for Cattle Council is currently provided from the following sources:

1. Membership income from SFOs;
2. The Red Meat Advisory Council "Fund"; and
3. Sponsorship & Government funding agreements;

Based on Cattle Council's current workload and the rapidly increasing expectation from the beef production sector that Cattle Council must deliver a more comprehensive service to all of Australia's grassfed levy payers, the current funding is not adequate.

PROCESS OF PROPOSAL DEVELOPMENT

Cattle Council has held meetings with key industry groups and has reviewed various proposed industry models. Based on this preliminary consultation and in consideration of the models already presented, Cattle Council has prepared this DRAFT funding and structural model (as a discussion leader for the industry consultation process), for a national organisation with the object of representing the Australian grassfed beef producers.

Three main issues associated with the development of a national beef industry representation model have been raised with Cattle Council. Based on consultation thus far the following is consistent:

1. *Funding*
   - National beef industry representation is underfunded and an improved funding model is required.
   - There is general support for a form of socialised funding if producers can "opt out".
   - Any new funding model must be sustainable, equitable, transparent and most of all adequate.

2. Representation
   - Consideration must be given to the important role of state farming organisations as part of any new model.
   - Producers must feel they have access to the organisation and its representatives.
   - Participation on the board must be open to those producers funding the organisation. Therefore, if a form of socialised funding is part of the model then direct elections should also be part of that model.
   - The producers on the national beef industry body board must be accountable back to all producers.

3. Structure
   - The use of sub-committees to manage the vast number of various issues and roles that a national body undertakes should be maintained.
   - An annual conference for policy and strategic direction of the industry would be a positive step.
   - The structure must allow for ample two-way communication with grassroots producers.
   - The structure must ensure the organisation is able to achieve its organisational objects as determined by the constitution.

FUNDING OPTIONS CONSIDERED

Various models and concepts have been put to Cattle Council for consideration. The suggested funding alternatives we have considered in forming our model include:

- **NLIS Tag Levy**
  A set levy on the sale of all NLIS Cattle tags that would be collected by authorised supplier of the tags
- **NLIS Tag Registration Fee**
  Charging all authorised manufactures of approved NLIS cattle pays an annual fee to do so.
- **National NLIS Tag Tender**
  Running a national tender process for NLIS cattle tags (like Victorian Government) and keeping part of savings produced for national representation.
- **Property Identification Code Registration Fee**
  Charge each producer an extra annual fee on their property identification code registration for national representation.

- **Divert part of $5 Cattle Transaction Levy**
  Divert part of one or more of the current levies and allocate it to national representation.
- **Increase the Cattle Transaction Levy**
  Create an additional levy allocated for national representation.
- **Direct Membership**
  Allow producers to join their national body directly and charge each a membership fee.

Precedent does exist for an 'opt out' levy to fund producer representation. In South Australia grain producers pay the DAFF Levy plus a voluntary South Australian Grains Industry Trust and South Australian Farmers Federation (SAFF) Levy. The voluntary payment is on an 'opt-out' basis rather than an 'opt-in' basis under the Wheat Marketing Act 1989. 21 cents per tonne is paid and 16 cents goes to grains research and development in South Australia and 5 cents goes to the activities of the SAFF Grains Council. If they wish to 'opt out' they must do so in writing to the Minister.

REPRESENTATION OPTIONS CONSIDERED

The four variations for representation considered included:

1. **State Farming Organisation Representatives Only**
   No change to the current system where the only way to be appointed to the national board or participate in the organisation is to be nominated by a State Farming Organisation.
2. **SFO & Direct Election (Hybrid)**
   A hybrid of directors nominated by state member organisations and directly elected directors.
3. **SFO Board with more open participation on sub-committees**
   The only way to be appointed to the national board is to be nominated by a State Farming Organisation, however, participation in the sub-committees and annual conference is open to direct participation.
4. **Direct Election Only**
   The only way to be appointed to the national board is to be directly elected.

Proponents of change believe that direct election must be part of any new model. If levy funds are directed to a national body then it logically follows that all producers paying the levy should have the ability to vote and stand for election.

In the process of the development of this model, Cattle Council has learnt that in 1998 it was intended that membership of CCA would be expanded beyond the State Producer Organisations, and include a limited number of directly elected members. The Constitutional amendments to enact these changes were not prepared in time for the May 1998 AGM and the changes were never made.

CURRENT OBJECTS OF THE CATTLE COUNCIL OF AUSTRALIAN INC

Below are Cattle Council's current objects as stated in the Cattle Council of Australian Inc constitution. Under a new model it is unlikely that the objects would change significantly, however, the organisation would be better funded to meet them:

The objects of Cattle Council are -

a) *to represent and promote the interests of all Australian cattle producers;*
b) *to function as a specialist cattle industry organisation with concern for the livelihood of all cattle producers;*
c) *to carry out activities necessary for the betterment of the cattle industry;*
d) *to collect and disseminate information concerning the cattle industry;*
e) *to co-operate with appropriate organisations at the State level and overseas;*

f) to maintain a high level of liaison and co-operation as may be necessary for the fulfilment of the other objects of the CCA with Federal and State Government departments, agencies and authorities, with local government, and with other industry organisations;

g) to promote the development of the agricultural and pastoral industry and resources of Australia;

h) to act as the peak body for the red meat industry in Australia and in so doing to act in any role specified for this purpose; and

i) to maintain the CCA's membership of the Federation or, if the Federation ceases to exist, a like body with the same or similar objects as the Federation during its existence.

PROPOSED NEW STRUCTURE

In developing this model Cattle Council has taken the preceding information into consideration and believes this model will ensure long term sustainable funding, be representative of industry, allow multiple avenues for participation and will best enable the organisation to achieve its organisational objects.

After careful consideration of the various options it is recommended that the new national representative body derive funding from the following sources:

1. Membership income from SFOs;
2. The Red Meat Advisory Council "Fund";
3. Sponsorship & Government funding agreements; and
4. Opt-out contribution of **a percentage of the cattle transaction levy** (potentially derived from the $3.66 marketing component of the levy.)

This would most likely require changes to legislation and regulations associated with the Primary Industries [Excise] Levies Act 1999 and the Australian Meat and Live-stock Industry Act 1997. The intention of the changes would be to vary the purpose of the levy from being for 'Marketing' to being for 'Marketing and Representation' or similar.

Producers would be given an option to "opt out" of having a % diverted for national representation. If a producer did choose to "opt out" their funds would be re-diverted back to MLA and used for marketing. This funding model should be cost effective as it uses the current collection methods, however, there would be an increased administrative cost to mange the "opt out" process.

It is important to provide an "opt out" option as producers must not be forced to pay for national representation (compulsory unionism). Producers must also take on the responsibility of actually joining the national representative organisation as a 'member' before they can vote or stand for direct election. This must occur in all member organisations to ensure freedom of association is maintained.

A diversion of the currently levy is preferred over an increase to the levy, as it will not increase the overall $5.00 burden on producers making it virtually seamless on farm.

A diversion of the marketing levy will diminish the grassfed beef industries marketing capacity, however, MLA has considerable marketing reserves. These reserves could be used to soften any reduction in funding by slowly lowering the marketing budgets over time. If the majority of producers determine that a reprioritisation of funds towards representation over marketing is appropriate then MLA will need to re-prioritise their programs in response.

By diverting a percentage of the marketing levy (not a set number of cents), the national representative body need not vary the amount into the future. The amount of funding it receives will be pegged to the rises (or falls) of the overall marketing levy.

It has not yet been determined the exact percentage required. Cattle Council is currently developing a Beef Industry Strategic Plan (BISP), which will involve an all of industry consultation process. Once industry has determined its strategic imperatives and which of these will fall to the national representative body, it will be possible to estimate the funds the national representative body will require.

To facilitate discussion, the current Cattle Council budget is $1.3 million and the following percentages of the $3.66 grassfed beef levy for marketing would provide an approximate income of:

Marketing Levy (Avg 2006 – 2011)	**2%**	**4%**	**6%**	**8%**	**10%**
$45,204,008	*$904,080*	*$1,808,160*	*$2,712,240*	*$3,616,321*	*$4,520,401*

Under this model the Board would be a hybrid of directors nominated by state member organisations and directly elected directors.

It is proposed that each state member organisation would nominate 1 representative and that 4 representatives would be directly elected from all grassfed levy payers. Of the 4 directly elected grassfed levy payers 2 would be elected from the North (QLD, NT & Northern WA) and 2 would be elected from the South (NSW, VIC, SA, TAS & Southern WA).

Northern WA producers will be those located in the "Mining & Pastoral" Region and Southern WA producers will be those located in the "Agricultural" and "South West" Regions, *as defined by the Western Australian Office of the Electoral Distribution Commissioners found at http://www.boundaries.wa.gov.au/upload/Proposed_Boundaries_Country.pdf.*

The AgForce director would have 5 votes, the NSWFarmers director would have 3 votes and all other directors would have one vote. This recognises both the financial contribution (membership fee) and the percentage of the industry each organisation is responsible for. It is important to note that SFOs have been the mainstay of national organisations like the Cattle Council since their inception in 1979, hence they must retain a primary role in this organisation into the future.

This model would provide a manageable board of 12 directors, recognises the SFOs, covers all states and also provides regional representation for producers who choose not to be a member of their state organisation. It is yet to be determined exactly how the direct elections will be conducted or if votes will be based on levies paid or a 'one person, one vote' system.

To ensure the national representative model is truly representative of all producers, the new model offers three levels of opportunity for participation that will be open to all grassfed producers. The first level of opportunity for direct involvement will be through direct election to the Board as described above.

The second level of opportunity for direct involvement will be through the sub-committees of the Board. Sub-committees will be responsible for recommending to the Board industry policy on specific issues and will be made up of SFO representatives and have a process for producers or other technical experts to apply to become a sub-committee member.

A third level of opportunity for direct involvement will be at an annual conference where the Board, sub-committees and other key stakeholders will be brought together to discuss strategic industry issues. The conference will be designed as an open forum where all levy paying beef producers are given opportunity to contribute. The national conference may also prove to be an ideal occasion to undertake elections and hold the organisations AGM although this is open for consideration.