

## Chapter 5

### Representation of levy payers and addressing flaws in the current structure

5.1 This chapter focuses on the bodies that represent the grass-fed cattle sector. It explores the extent to which grass-fed cattle levy payers can influence the quantum and investment of the levy through their representative bodies. The chapter also considers suggested reforms to the current levy structure.

5.2 Evidence to the committee suggested that the effectiveness of CCA and RMAC as the bodies responsible to oversee the expenditure of levy funds and direct the industry has been compromised by the conflicting interests of different industry sectors and lack of resources on the part of CCA. According to NTCA, CCA's lack of resources and funding has made it impossible to effectively manage MLA and develop sound industry policy.<sup>1</sup>

5.3 These dynamics came to the fore in the context of the 2011 suspension of the live cattle export trade to Indonesia. The event brought to light not only the volatility of the trading environment but also raised serious questions about industry representation, preparedness and capacity to defend and promote the industry's interests in an effective and coordinated manner.<sup>2</sup> The need to respond to the ban brought with it confusion regarding the roles and responsibilities of MLA, CCA and RMAC. CCA argued that the ban revealed the extent of scope creep by MLA which had overreached into a 'strategic policy void' largely because CCA had been unable to effectively develop and manage strategic policy.<sup>3</sup>

5.4 For many producers, the event was confirmation of their view that the current bodies and structures did not work, because they were unable to draw on them to take control of the situation and represent producers' interests effectively. It demonstrated to them that RMAC was incapable of giving advice to the Minister because of the conflicting views of processors and producers. At the same time, the argument was made that a conflict of interest between producers and processors, as described above, characterises MLA governance, rendering it incapable of effectively serving the interests of producers.<sup>4</sup>

#### Cattle Council of Australia

5.5 Under the MOU, which was outlined in chapter 2, the red meat corporations, PICs and producers are charged with the responsibility of setting policy for MLA,

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1 Ms Tracey Hayes, Northern Territory Cattlemen's Association, *Committee Hansard*, 7 May 2014, p. 1.

2 Tasmanian Farmers and Graziers Association, *Submission 156*, p. 9.

3 Cattle Council of Australia, *Submission 142*, p. 19.

4 Mr Markus Rathsmann, *Committee Hansard*, 7 May 2014, p. 21; Mrs Kylie Camp, *Committee Hansard*, 7 May 2014, p. 31 .

while MLA's role is that of service provider. CCA faces two primary challenges to fulfil its functions under the MOU and to represent the needs of the grass-fed cattle sector. First, the MOU is a legally unenforceable industry agreement. Second, by its own admission, CCA is underfunded as a consequence of declining SFO membership. This has left it with a diminished budget and five staff to carry out its charter to represent the multibillion dollar grass-fed sector's interests. At the same time, CCA is expected to oversee and direct the operations of MLA which, through levy raising activities, has an annual budget of over \$170 million and almost 250 staff.<sup>5</sup>

5.6 Heytesbury Cattle Company argued that the inherent structural governance and consultative flaws in the current grass-fed cattle organisational structure do not appear to exist in other red meat levy funding corporations such as AMPC and LiveCorp, where the majority of board members are elected directly by, and therefore accountable to, levy payers without any PIC intervention.<sup>6</sup>

5.7 Concerns were raised with the committee that under the current cattle and sheepmeat council organisational structure, membership of PICs is five-times removed from the membership of SFOs. That is, the structure of many PICs, including CCA, is based on 1950s branch, district, regional, state and national committees. This leaves PIC representatives who interface with government, far removed from the rank and file. According to AMPG/CCP, this has led to the widespread view amongst levy payers that they are disenfranchised from their peak body, RMAC and MLA.<sup>7</sup>

5.8 In light of the complexities and challenges for grass-fed cattle levy payers to influence the quantum and investment of the levy through representation and voting rights, the role of CCA as the industry PIC was a key focus of the inquiry.

5.9 In 2012, in response to the 2011 suspension of live exports, and in an effort to strengthen its representative function, CCA initiated the development of a new strategy for the grass-fed cattle sector.<sup>8</sup> CCA's subsequent restructure and direct membership reforms represent its attempt to meet representative obligations to the sector in the face of declining SFO membership. Issues raised during the inquiry in relation to CCA focused on its representative basis. The committee also examined CCA's ability to fulfil its advocacy role as well as its responsibilities under the MOU – to oversight MLA and set levy payer policy for MLA to deliver.

### **Relationship between MLA and CCA**

5.10 The relationship between MLA as service provider and CCA as sector peak council was central to the inquiry. In particular, concerns were raised about CCA's responsibilities under the MOU to advise and oversight MLA's investment of levy funding, while at the same time, entering into service agreements with MLA. In 2012–13, CCA funding from service agreements with MLA, AHA and Australian

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5 Heytesbury Cattle Company, *Submission 145*, p. 2.

6 Heytesbury Cattle Company, *Submission 145*, p. 2.

7 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, pp 17–19.

8 Tasmanian Farmers and Graziers Association, *Submission 156*, p. 9.

Government amounted to \$502,000 or approximately 33 per cent of CCA's annual funding.<sup>9</sup>

5.11 At the strategic level, PICs are required to maintain arm's-length oversight of the apportionment and efficacy of levy investment.<sup>10</sup> The MOU requires CCA to develop – jointly with MLA – goals for achieving MISP strategic imperatives, and assess the performance of services delivered by MLA towards achievement of the MISP. However, ABA and a number of producers made the point that the requirement to consult did not imply that MLA had to take notice of CCA's concerns or directions.<sup>11</sup>

5.12 CCA itself raised as a concern the level of consultation MLA must undertake with the PICs under the red meat structure arrangements. It argued that when undertaking levy expenditure, MLA should not only be required to consult – but also receive approval from – organisations that represent levy payers, before it can act.<sup>12</sup>

5.13 MLA confirmed that it has a service agreement with CCA amounting to \$484,250 over 12 months, of which \$75,467 is R&D funding.<sup>13</sup> Under the service agreement, CCA is required to conduct stakeholder consultations through a number of grass-fed cattle producer consultative processes. MLA noted that these consultation processes provide strategic output to assist MLA to develop its long-term business plans and develop MLA's annual operating plan.

5.14 Many submitters raised concerns about CCA's independence in light of its reliance on MLA funding.<sup>14</sup> Bindaree Beef raised an important question of independent oversight:

Reliant on these payments to continue to operate, how can CCA possibly provide effective oversight? This is a classic and obvious conflict of interest that greatly exacerbates the already uneven playing field that CCA occupies.<sup>15</sup>

5.15 CCA stated that the use of service agreements has allowed it to be more responsive to the demands of the industry. In its original submission to the inquiry, CCA argued that by improving its financial capacity, service agreements had improved its ability to scrutinise MLA.<sup>16</sup> However, at a hearing, Mr Jed Matz, CEO of

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9 Cattle Council of Australia, *Supplementary Submission 142*, Appendix 1; Mr Jed Matz, Cattle Council of Australia, *Committee Hansard*, 7 March 2014, p. 39.

10 Red Meat Advisory Council, *Submission 165*, p. 9.

11 Mr David Byard, Australian Beef Association, *Committee Hansard*, 7 March 2014, p. 52.

12 Cattle Council of Australia, *Supplementary Submission 142*, p. [3].

13 Meat and Livestock Australia, *Submission 154*, p. 37; Dr Michele Allan, Meat and Livestock Australia, *Committee Hansard*, 7 March 2014, p. 25.

14 For example, Mr Markus Rathsmann stated that CCA cannot provide proper oversight of R&D and the MLA if it is dependent on the MLA for its funding. *Submission 97*, p. [3].

15 Bindaree Beef Australia, *Submission 155*, p. 11.

16 Cattle Council of Australia, *Submission 142*, p. 17.

CCA recognised that service agreements are a stop-gap measure and not the most appropriate way of funding those functions.<sup>17</sup> In this sense, CCA acknowledged that service agreements have been inhibitive as CCA cannot work with complete autonomy or flexibility.<sup>18</sup>

### Adequacy of CCA funding

5.16 The extent to which CCA has the financial capacity to undertake its responsibilities under the MOU was repeatedly raised in evidence. The following diagram sets out CCA's funding in 2012–13.

**Diagram 5.1: Cattle Council of Australia funding 2012–13**<sup>19</sup>

Funding Source	Funding 2012–13	Funding Use
Voluntary contributions from SFOs, direct members and associate members	\$416,000	Advocacy
Service Agreements with MLA, AHA and Australian Government through Department of Agriculture	\$502,000	Stakeholder engagement
Red Meat Advisory Fund	\$583,000	Strategic direction
Other income	\$253,000	Sponsorship, pasture-fed cattle assurance system, rural awareness tour

5.17 Bindaree Beef Australia argued that the combination of issues associated with funding and the representative capacity of MLA and CCA amount to a market failure in the administration and management of industry structures. Compared to MLA's capacity with 248 full-time staff and 2012–13 revenue amounting to \$168 million, CCA's average income over the past five years was approximately \$1.39 million and it has five full-time equivalent personnel.<sup>20</sup> Bindaree Beef noted in this regard that:

This simple exercise shows how unreasonable it is to expect that very small, poorly funded industry peak councils will be able to effectively provide oversight and direction to an organisation hundreds of times their size. This is compounded by a long standing cultural attitude within MLA that it is above direction. During the live export suspension the

17 Mr Jed Matz, Cattle Council of Australia, *Committee Hansard*, 7 March 2014, p. 39.

18 Cattle Council of Australia, *Submission 142*, p. 14.

19 Cattle Council of Australia, *Supplementary Submission 142*, p. [4]; Mr Jed Matz, Cattle Council of Australia, *Committee Hansard*, 7 March 2014, pp 37–40.

20 Mr Jed Matz, Cattle Council of Australia, *Committee Hansard*, 7 March 2014, p. 37.

Government's efforts to direct MLA to support the industry during the aftermath were loudly and publicly ignored. If they can ignore the Government what hope does a poorly funded, poorly staffed industry council have?<sup>21</sup>

5.18 CCA acknowledged that it is grossly under-resourced to represent a \$12 billion industry.<sup>22</sup> Mr Greg Brown argued that during its 35 years of existence, CCA had delivered a valuable service to the beef industry. However, he argued that there is little opportunity for CCA to exert any authority, let alone independent supervision, over levy expenditure. He noted that CCA's declining financial position and reliance on service agreements had made this situation worse, by seriously weakening CCA's independence. He maintained that a dedicated source of income would enable CCA to supervise levy expenditure and governance issues with authority.<sup>23</sup>

5.19 In 2014, it is anticipated that membership subscriptions will raise \$436,000 (from SFOs, direct members and associate members) while approximately \$500,000 is expected from the Red Meat Advisory Fund.<sup>24</sup> Given its estimated requirement of \$4 million to carry out advocacy and other core functions, CCA utilises service agreements to overcome its funding limitations.<sup>25</sup>

5.20 A 2012 report by Inovact Consulting commissioned by CCA highlighted that CCA required funding that was adequate to deliver on its obligations. It noted that the disparity in resourcing levels between it and MLA brought into question the ability of CCA to deliver its functions under the MOU in a meaningful and influential way.<sup>26</sup>

5.21 In terms of other sources of funding, CCA explained that RMAC funding was adequate to allow it to fulfil its strategic planning function, put in place a strategic plan and contribute to the wider meat industry strategic plan. However, it falls short of meeting the funding required for CCA to fulfil two of its core functions – industry oversight and strategic policy development. According to CCA, voluntary contributions earmarked to lobby government are currently being utilised for other functions, with industry oversight and strategic policy development 'completely forgotten'.<sup>27</sup>

5.22 CCA argued that if it had adequate funding, it would be able to engage in well-researched policy development to identify the challenges facing grass-fed cattle

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21 Bindaree Beef Australia, *Submission 155*, p. 11.

22 Cattle Council of Australia, *Submission 142*, p. 8.

23 Mr Greg Brown, *Submission 123*, p. 3.

24 Mr Jed Matz, Cattle Council of Australia, *Committee Hansard*, 7 March 2014, p. 37.

25 Cattle Council of Australia, *Submission 142*, pp 12–13.

26 Inovact Consulting, *Strengthening policy services in the grass-fed cattle industry*, Report for the Cattle Council of Australia, 8 October 2012, p. 48 available in Cattle Council of Australia, *Submission 142*, Attachment 1.

27 Mr Jed Matz, Cattle Council of Australia, *Committee Hansard*, 7 March 2014, p. 40.

producers and thereby achieve some gains for them.<sup>28</sup> Mr Andrew Ogilvie, President of CCA, pointed out that research was required to identify the competitiveness problems within the supply chain as 'we are one of the most efficient industries in the world, behind the farm gate' but thereafter things are falling down badly.<sup>29</sup>

5.23 It is clear that a divide has emerged between policy settings and delivery whereby an underfunded CCA is charged with the responsibility of setting levy payer policy, while a well-resourced MLA is charged with delivering that policy.<sup>30</sup> Although MLA enjoys guaranteed levy revenue, CCA is finding it harder to sustain itself in the face of shrinking resources and loss of membership. AMPG/CCP argued that the way to address the current divided structure was to provide for a levy-funded cattle producer corporation, which combines policy setting, policy delivery and advocacy. Under this model, the separate cattle and sheep producers, live export and processor corporations would be combined with their relevant PIC to carry out policy direction, marketing, R&D and lobbying functions. AMPG/CCP identified the pork industry model under Australian Pork Limited as an example in point.<sup>31</sup>

### **State farming organisations**

5.24 CCA membership is comprised of 152 direct members and 15,000 cattle producer members through SFOs.<sup>32</sup> SFOs provide a system to ensure that all cattle producers have a say on how the levies are spent and have to account to their members regarding any decision they make.<sup>33</sup>

5.25 However, the continuing decline of SFOs and their membership funds is impacting on CCA's financial resourcing, and hence its ability to represent the interests of grass-fed cattle producers.<sup>34</sup> It was put to the committee that 15 or 20 per cent of grass-fed cattle producers are members of SFOs while approximately 15 per cent of MLA levy payers are members of an SFO.<sup>35</sup> A number of submitters argued that declining membership reflected the view of cattle producers that there is no value in contributing to an organisation which has no influence over MLA decisions and is so underfunded that it cannot function efficiently or represent the grassroots producer

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28 Mr Andrew Ogilvie, Cattle Council of Australia, *Committee Hansard*, 7 March 2014, p. 42.

29 Mr Andrew Ogilvie, Cattle Council of Australia, *Committee Hansard*, 7 March 2014, p. 43.

30 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, p. 11.

31 Mr Norman Hunt, Concerned Cattle Producers and Australian Meat Producers Group, *Committee Hansard*, 10 June 2014, p. 25.

32 Mr Andrew Ogilvie, Cattle Council of Australia, *Committee Hansard*, 7 March 2014, p. 36; Mr Jed Matz, Cattle Council of Australia, *Committee Hansard*, 20 June 2014, p. 32.

33 Mr Angus Atkinson, *Submission 159*.

34 Bindaree Beef Australia, *Submission 155*, p. 4.; Mr J.B. Carpenter, *Submission 5*, p.[9]; Richmond River Beef Producers Association, *Submission 9*, p. [1].

35 Mr Ernie and Mrs Kylie Camp, *Submission 129*, p. [4]; Mr J. Ashley McKay, *Submission 99*, p. 3; Mr J.B. Carpenter, *Submission 5*, p. [9]; Mr Rod Barrett, *Submission 45*, p. [2].

effectively.<sup>36</sup> Notwithstanding this point, it was noted that at least 50 per cent of cattle producers are not members of any organisation at all.<sup>37</sup>

5.26 The 2012 report by Inovact Consulting commissioned by CCA (referred to above) found that low (and declining) SFOs membership was undermining CCA's ability to represent a substantial portion of the industry, which is critical to maintaining its role as the sector's PIC under the MOU.<sup>38</sup>

5.27 These concerns were reflected in evidence to the committee. FLAG argued that CCA only represents a minority of producers.<sup>39</sup> The Heytesbury Cattle Company put the view that with the falling membership of its SFO base, CCA had become disconnected from grassroots producers and does not represent the majority view of industry participants.<sup>40</sup>

5.28 Under the CCA's recent restructure, the board will comprise eight SFO representatives and up to four producers elected directly from a voluntary membership.<sup>41</sup> Some submitters argued that the while CCA's structural reforms are a constructive step; they are undermined by continued SFO control over CCA.<sup>42</sup>

5.29 Furthermore, in light of the low level of producer representation in both CCA and SFOs, some argued that it was difficult to see how MLA can fulfil its statutory obligations for consultation with levy payers.<sup>43</sup> Drawing on the governance structure of the NTCA and ALFA which are based on direct membership, it was argued that CCA's governance would be improved if it introduced 100 per cent direct membership and direct elections for board positions.<sup>44</sup>

5.30 However, CCA's response was that, if producers supported their new structure and got involved, they would receive greater control of their representative body, and consequently, both their service provider and levy expenditure.<sup>45</sup>

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36 Richmond River Beef Producers Association, *Submission 9*, p. [1]; Councillor Maggie Creedy, *Submission 135*; Mr Peter Joliffe, *Submission 153*; Mr J.B. Carpenter, *Submission 5*, p. [9]; Mr Rod Barrett, *Submission 45*, p. [2]; Mr Wayne and Ms Sandra Birchmore, *Submission 7*; Ms Joanne Rea, *Submission 138*, p. 2.

37 Mr Ian Tincknell, *Submission 34*, p. [1].

38 Inovact Consulting, *Strengthening policy services in the grass-fed cattle industry*, Report for the Cattle Council of Australia, 8 October 2012, p. 48 available in Cattle Council of Australia, *Submission 142*, Attachment 1.

39 Food Producers Landowners Action Group Australia Inc., *Submission 102*, p. [2].

40 Heytesbury Cattle Company, *Submission 145*, p. 1.

41 Cattle Council of Australia, *Submission 142*, p. 9.

42 Bindaree Beef Australia, *Submission 155*, p. 12.

43 Bindaree Beef Australia, *Submission 155*, p. 12.

44 Australian Lot Feeders' Association, *Submission 6*, pp. [1] & [7].

45 Cattle Council of Australia, *Submission 142*, p. 4.

## **Red Meat Advisory Council**

5.31 The primary role of RMAC is to 'provide advice to government on issues affecting the whole of industry'.<sup>46</sup> However, one of the key issues of concern to cattle producers was RMAC's current requirement that decisions be made only by consensus. As RMAC is made up of cattle producers, lot-feeders, sheep producers, live exporters and meat processors whose commercial interests are frequently in direct conflict, constituents are often unable to establish a consensus position and therefore unable to fulfil their advisory role to government.<sup>47</sup> The lack of leadership during the 2011 live export ban was repeatedly drawn on by witnesses to demonstrate this concern.<sup>48</sup> RMAC was also unable to come to an agreed position because of competing single sectoral interests with regard to the allocation of European Union and US beef quotas.<sup>49</sup> As the original intent of RMAC was to 'provide an interface for resolving sectoral differences in a way that 'does not adversely affect industry but in a way which promotes the image and purpose of the industry', evidence to the committee suggested the need for reform.<sup>50</sup>

5.32 The 2002 Senate legislation committee report on the meat industry consultative structure found that the existing RMAC structure inhibited its capacity to effectively represent the whole of industry. It recommended that the Minister engage the industry in open consultation on options for a reformed or alternative industry advisory structure.<sup>51</sup> The recommendation was accepted and the government emphasised that it was willing to participate in industry discussions. However, it clarified that the main impetus for change should come from industry, given that the principles of industry ownership and self-determination underpin the existing institutional arrangements.<sup>52</sup>

## **Red Meat Industry Reserve Fund**

5.33 The Red Meat Industry Reserve Fund was established from reserve monies accrued after the industry restructure in 1997–98 and has three primary purposes:

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46 Second reading speech, Australian Meat and Live-stock Industry Bill 1997, *House Hansard*, 1 October 1997, p. 8848.

47 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, p. 13.

48 Ms Tracey Hayes, Northern Territory Cattlemen's Association, *Committee Hansard*, 7 May 2014, p. 1.

49 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, p. 22.

50 Second reading speech, Australian Meat and Live-stock Industry Bill 1997, *House Hansard*, 1 October 1997, p. 8848.

51 Senate Rural and Regional Affairs and Transport Legislation Committee, *The Australian meat industry consultative structure and quota allocation. Second report: Existing government advisory structures in the Australian meat industry*, December 2002, p. 21.

52 Government Response to Senate Rural and Regional Affairs and Transport Legislation Committee, *The Australian meat industry consultative structure and quota allocation. Second report: Existing government advisory structures in the Australian meat industry*, p. 3.

- a source of one-off transitional / start-up monies for the then new industry structure;
- a source of as-needs contingency and crisis management funding; and
- a source of capital, the investment yield from which provides ongoing financial support to RMAC and PICs.<sup>53</sup>

5.34 In 2002, the Senate legislation committee found that the formula for dispersing proceeds from the Red Meat Industry Reserve Fund to PICs was rigid and did not take into account actual expenditure of funds by the beneficiary organisations. It noted that the funds were not allocated in response to budget submissions by the PICs but were determined by the success or failure of the fund's investment strategies for that year. The committee recognised that a more competitive and responsive allocation formula would deliver greater benefits to the industry and should be considered as part of negotiations for a reformed or alternative advisory model. To this end the committee recommended that:

- the Minister negotiate with MOU signatories on alternative arrangements for the disbursement of earnings of the Red Meat Industry Reserve Fund; and
- RMAC or an alternative advisory body develop a detailed industry strategic plan, and that the use of competitive contracts to deliver elements of the strategic plan should be considered.<sup>54</sup>

5.35 The government accepted the recommendations and noted that RMAC was reviewing its existing industry strategic plan. Ultimately, the government took the view that any changes to the existing arrangements, both in relation to the fund and wider advisory structures, were primarily a matter for industry consideration.<sup>55</sup>

5.36 Evidence to the committee suggested that little had changed despite the 2002 recommendations. CCA noted in evidence that the industry fund did not provide sufficient resources to fund strategic planning, strategic policy development and industry management to the level and quality demanded by industry.<sup>56</sup> It explained that the current RMAC contribution represents 0.0002 per cent of the gross value of Australian beef and calf production (including live cattle exports) estimated at \$7.4 billion.<sup>57</sup>

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53 Red Meat Advisory Council, *Submission 165*, p. 8.

54 Senate Rural and Regional Affairs and Transport Legislation Committee, *The Australian meat industry consultative structure and quota allocation. Second report: Existing government advisory structures in the Australian meat industry*, December 2002, Recommendations 5 and 6, p. 23.

55 Government Response to Senate Rural and Regional Affairs and Transport Legislation Committee, *The Australian meat industry consultative structure and quota allocation. Second report: Existing government advisory structures in the Australian meat industry*, p. 4.

56 Cattle Council of Australia, *Submission 142*, p. 4.

57 Cattle Council of Australia, *Submission 142*, p. 4.

### **Addressing the flaws within the current structure**

5.37 The need to strengthen representation of, and service to, the grass-fed cattle sector is fundamental to achieving any greater accountability to levy payers. Ultimately, what is required is a system that enables the levy to be spent on activities that enhance the position of cattle producers.<sup>58</sup>

5.38 Some of the suggested alternatives to the current system included providing a portion of the CTL to CCA to undertake non-political activities, including strategic planning, strategic policy development, and industry management.<sup>59</sup> While the need for adequate funding for the grass-fed cattle sector PIC was highlighted in some evidence, other witnesses recognised the need for structural reform. There were also a variety of suggestions regarding the form any such reform should take. Some submitters argued that MLA should be dissolved, while others argued in favour of establishing a producer-owned body to represent the interests of cattle producers.<sup>60</sup> Alternative models included the establishment of a peak council equivalent in structure and function to AMIC and ALEC.<sup>61</sup> Another model proposed was the establishment of a company with responsibility for representing producers and delivering research, development and marketing on their behalf.<sup>62</sup>

#### ***Provision of levy portion to CCA***

5.39 Strengthening CCA's financial status, and with it the PIC's ability to carry out its core MOU functions fully and effectively, were discussed in many submissions to the inquiry. CCA itself advocated amendment of the red meat MOU to ensure that MLA must not only consult with CCA but also seek formal approval on annual expenditure of the grass-fed cattle levy component.<sup>63</sup> Noting that the MOU is a non-legally binding industry agreement, and that PICs are responsible to advise the Minister through RMAC, such a suggestion demonstrates the extent to which the current industry structures underpinning the levy system are not functioning as originally envisaged.

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58 Mr David Warriner, Northern Territory Cattlemen's Association, *Committee Hansard*, 7 May 2014, p. 1.

59 Cattle Council of Australia, *Submission 142*, p. 1.

60 Mr John Andison, *Submission 1*; Richmond River Beef Producers Association, *Submission 9*; Mr Vince Ptolemy, *Submission 14*; Mr Mike Kena, *Submission 16*; Mr G Schmidt, *Submission 19*; Mr Ryan and Ms Tracey Hacon, *Submission 20*; Mr R Prestage, *Submission 21*; Mr Colin and Ms Jocelyn Gordon, *Submission 23*; Mr Scott and Ms Ronda Conkey, *Submission 24*; Mr Mike and Ms Maureen Borello, *Submission 26*; Ms Rachel Weston, *Submission 94*; Mr David Conachan, *Submission 127*; Mr J. Ashley McKay, *Submission 99*, p. 3; Food Producers Landowners Action Group Australia Inc., *Submission 103*, p. [2]; Mr Edgar Burnett, *Submission 108*, p. [2].

61 Australian Beef Association, *Submission 164*, p. 9.

62 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, pp 13–14.

63 Mr Andrew Ogilvie, Cattle Council of Australia, *Committee Hansard*, 20 June 2014, p. 26.

5.40 While the recent restructure of CCA will permit non-SFO members to secure membership, it is likely that the CCA will remain underfunded, and consequently unable to properly oversight MLA. A number of submitters argued that CCA should be provided with adequate funding to carry out its charter under the MOU as it is the appropriate body to represent the interests of grass-fed cattle producers.<sup>64</sup> To that end, the suggestion was made that a percentage or portion of the levy should be redirected to CCA. This would provide it adequate resources to fulfil this role and direct MLA to deliver outcomes that better reflect the aspirations of producers.<sup>65</sup>

5.41 CCA advocated in favour of receiving seven per cent of the levy to fund strategic planning, strategic policy development and industry management.<sup>66</sup> It further noted that amendment to the MOU and levy principles and guidelines to require MLA to receive formal approval from CCA on the development of its annual operating plan would provide CCA with the means to oversight and control MLA expenditure and fulfil its obligations to the grass-fed cattle sector. While this proposition was supported by some SFOs such as AgForce Queensland, it was rejected by others, notably the NSW Farmers' Association.<sup>67</sup>

5.42 Some submitters rejected the proposal that CCA receive levy funding either directly or indirectly, on the grounds that it would compromise its independence to oversight the allocation of the levy.<sup>68</sup> TFGA highlighted the importance of maintaining a separation between the producer representation and policy functions and the levy funded service provider functions. It argued that the separation 'provides significant advantages in terms of ensuring accountability, setting strategic directions and clearly delineating agri-political activities from the levy-funded organisations'.<sup>69</sup>

5.43 According to the Australian Registered Cattle Breeders' Association (ARCBA), CCA should be funded from fees, service to members and the RMAC reserve fund contribution, rather than relying upon levy funding.<sup>70</sup> While acknowledging the recent reform process undertaken by CCA, ARCBA also held that the growing divergence between levy payers and CCA could be rectified if a fully direct membership model were introduced. It advocated that under this model, CCA would be more accountable to its levy payers as its funding would be directly

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64 Mr Malcolm Foster, Australian Registered Cattle Breeders' Association, *Committee Hansard*, 7 March 2014, p. 45; Mr Tom Stockwell, Northern Territory Cattlemen's Association, *Committee Hansard*, 7 May 2014, p. 2.

65 Mr Greg McNamara, *Submission 98*; Mr John Paine, *Submission 125*, p. 1.

66 Mr Andrew Ogilvie, Cattle Council of Australia, *Committee Hansard*, 20 June 2014, p. 26.

67 Mr Howard Smith, AgForce Queensland, *Committee Hansard*, 21 May 2014, p. 1; NSW Farmers' Association, *Submission 168*, p. 2.

68 Mr Malcolm Foster, Australian Registered Cattle Breeders' Association, *Committee Hansard*, 7 March 2014, p. 45.

69 Tasmanian Farmers and Graziers Association, *Submission 156*, p. 5.

70 Mr Malcolm Foster, Australian Registered Cattle Breeders' Association, *Committee Hansard*, 7 March 2014, p. 45.

dependent upon its performance. It was argued that under an alternate system, whereby CCA takes levies funds and receives service agreement funding, there would not be the same degree of oversight and accountability to levy payers.<sup>71</sup> Mr Malcolm Foster, President of ARCBA continued:

We are just very fearful that if they move down the route of touching part of the levies that they then put themselves into a serious conflict of interest in fulfilling their duties.<sup>72</sup>

5.44 Alternative views were put that CCA should be removed as a prescribed body with funding sourced from private membership.<sup>73</sup> Others argued that as the current system is unfair to levy payers and the relationship between MLA and CCA is dysfunctional, an entirely new body should be formed; by combining MLA into CCA or dissolving MLA, with CCA receiving its remaining assets.<sup>74</sup>

### *Alternative models*

5.45 Some submitters argued in favour of the creation of a new peak body to replace CCA, which is directly elected by grass-fed cattle levy payers equivalent to AMIC and ALEC. Under this structure, levy funds would be directed to the peak body which has authority to select marketing and R&D service providers, including MLA.<sup>75</sup>

5.46 ABA argued that this model would bring grass-fed cattle producer representation into line with other meat industry structures.<sup>76</sup> Under this model, the grass-fed cattle sector peak body would operate like AMIC and ALEC and make decisions through a directly-elected board on levy priorities and investment.

5.47 These ideas were presented at the Roma Beef the Future Forum in 2013. Cattle producers who attended the forum voted in favour of the following two resolutions:

- to support the establishment of a new cattle corporation funded by the existing grass-fed transaction levy with the board directly elected by levy payers to perform representative, policy setting and control policy delivery functions on behalf of the grass-fed sector of the cattle industry. i.e. take over functions of Cattle Council Australia (and 'liaise with' MLA); and
- to call on the Australian Government to establish an independent task force forthwith to inquire into the organisational structures required to meet the

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71 Mr Malcolm Foster, Australian Registered Cattle Breeders' Association, *Committee Hansard*, 7 March 2014, pp 45–46.

72 Mr Malcolm Foster, Australian Registered Cattle Breeders' Association, *Committee Hansard*, 7 March 2014, p. 47.

73 Mr Rod Dunbar, *Submission 107*, p. 6.

74 Mr Michael and Ms Gaylene Reardon, *Submission 132*, p. [2]; Mr David Conachan, *Submission 127*.

75 Mr David Byard, Australian Beef Association, *Committee Hansard*, 20 June 2014, p. 18.

76 Australian Beef Association, *Submission 164*, p. 9.

needs of the grass-fed cattle industry over the next decade and report back to industry and government within three months.<sup>77</sup>

5.48 Other submitters supported structural reform by way of the establishment of a democratically-elected producer organisation that controls funding and policy and represents all livestock producers.<sup>78</sup>

5.49 Under a 'one stop shop' proposition, a new grass-fed cattle producer corporation would be established by combining the current CCA policy setting role with that of the MLA service provider function under one authority. AMPG/CCP argued in favour of combining the advocacy, representation, policy settings and policy delivery levy funded functions in one industry body. This proposal is based on the precedent of the combined policy settings and service delivery found in the egg, wool and pork industries and rural industry models in New Zealand and America.<sup>79</sup> Some submitters argued in favour of a structure based specifically on the AWI model.<sup>80</sup>

5.50 The pork industry levy funded company, Australian Pork Limited (APL) was established under the *Pig Industry Act 2001* which amalgamated three separate bodies – the pork industry PIC, industry statutory marketing corporation and separate statutory R&D corporation – within a single company. APL is the peak national representative body for Australian pig producers. It serves as a producer-owned, not-for-profit company combining marketing, export development, research and innovation and strategic policy development.<sup>81</sup>

5.51 APL operates differently from other industry service bodies in that the *Pig Industry Act 2001* enables APL to use marketing levies to fund strategic policy development.<sup>82</sup> Under the statutory funding agreement between APL and Australian Government, APL is prevented from engaging in agri-political activity which is defined as 'engaging in or financing any form of external or internal political

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77 Australians Beef Association, Roma Resolutions, <http://austbeef.com.au/goals-history/> (accessed 13 July 2014); HuntBlog Newsletter 23 July 2013, Beef Industry Forum and the Roma–Beef the Future Forum, [http://www.huntblog.com.au/2013/07/beef-industry-reform-and-roma-beef\\_22.html](http://www.huntblog.com.au/2013/07/beef-industry-reform-and-roma-beef_22.html) (accessed 13 July 2014).

78 Mr Greg Varcoe, *Submission 13*; Mr J. Ashley McKay, *Submission 99*; Food Producers Landowners Action Group Australia Inc., *Submission 103*; Mr John Webster, *Submission 110*; Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, pp 39–40.

79 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, pp 39–40.

80 Mr Greg Varcoe, *Submission 13*; Food Producers Landowners Action Group, *Submission 103*.

81 Australian Pork Limited, About us, <http://australianpork.com.au/about-us/australian-pork-limited/> (accessed 15 July 2014).

82 Australian Pork Limited, Company Structure, <http://australianpork.com.au/about-us/company-structure/> (accessed 15 July 2014).

campaigning'. However, the funding agreement specifically states that agri-political activity does not include strategic policy development.<sup>83</sup>

5.52 The egg industry levy funded corporation and the AWI operate in a similar way to that of APL. Both corporations have a role in setting the levies for their own industry. Under the *Wool Services Privatisation Act 2000* and its statutory funding agreement, AWI must conduct an independent poll of levy payers every three years to determine the amount of levy to be collected from woolgrowers.<sup>84</sup>

5.53 The committee considered these reform options throughout the inquiry. Its views and recommendations are detailed in chapter 7 of this report.

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83 Agreement between the Commonwealth of Australia and Australian Pork Limited, <http://australianpork.com.au/wp-content/uploads/2013/09/Statutory-Funding-Agreement-SFA-202011-15.pdf> (accessed 15 July 2014).

84 Australian Wool Innovation Limited, Woolpoll, <http://www.wool.com/mp/about-AWI/how-we-consult/woolpoll> (accessed 15 July 2014).