

The Senate

Rural and Regional Affairs
and Transport
References Committee

Industry structures and systems governing
levies on grass-fed cattle

September 2014

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Abbreviations

ABA	Australian Beef Association
ABARE	Australian Bureau of Agricultural and Resource Economics
ABIF	Australian Beef Industry Foundation
AGM	Annual General Meeting
AHA	Animal Health Australia
ALEC	Australian Live Exporters' Council
ALFA	Australian Lot Feeders' Association
AMIC	Australian Meat Industry Council
AMLC	Australian Meat and Livestock Corporation
AMPC	Australian Meat Processor Corporation
AMPG/CCP	Australian Meat Producers Group and Concerned Cattle Producers
ARCBA	Australian Registered Cattle Breeders' Association Inc.
AWI	Australian Wool Innovation
CCA	Cattle Council of Australia
CDCF	Cattle Disease Contingency Fund
CTL	Cattle Transaction Levy
Department	Department of Agriculture
FLAG	Food Producers Landowners Action Group Australia
GICA	Goat Industry Council of Australia
LiveCorp	Australian Livestock Export Corporation Ltd
LPA	Livestock Production Assurance
MDC	MLA Donor Company Ltd
MISP	Meat Industry Strategic Plan
MLA	Meat and Livestock Australia
MOU	Memorandum of Understanding
MSA	Meat Standards Australia
NFF	National Farmers Federation
NLIS	National Livestock Identification System
NRS	National Residue Survey
NTCA	Northern Territory Cattlemen's Association

PC	Productivity Commission
PGA	Pastoralists and Graziers Association of Western Australia
PIC	Peak Industry Council
RDC	Research and Development Corporation
R&D	Research and development
R&D&E	Research and development and extension
RFID	Radio Frequency Identification Device
RMAC	Red Meat Advisory Council
SCA	Sheepmeat Council of Australia
SFO	State Farming Organisation
TFGA	Tasmanian Farmers and Graziers Association
USA	United Stockowners of Australia
VFF	Victorian Farmers Federation
WAFF	Western Australian Farmers Federation

Foreword

1.1 This inquiry has brought to the fore frustrations felt by many grass-fed cattle levy payers with MLA's management of levy funds, investment decisions, as well as with the levy system and underpinning structures. For levy payers, the levy system is complex and difficult to understand while mechanisms available to influence investment decisions regarding levy revenue are almost impenetrable.

1.2 The committee was therefore pleased to note MLA's announcement on 18 August 2014 that it was restructuring its R&D investment consultation model in an effort to provide all levy payers with an opportunity to have their say. MLA noted that the restructure addressed the recommendations of the 2013 review of MLA's Livestock Production Innovation unit and responded to concerns raised by levy payers raised during the committee inquiry. As part of the proposed restructure, producers would be invited to provide input at the local level on Research, Development and Extension (RD&E) priorities which then feed into the regional RD&E investment plans. These plans would then be provided to the Northern Australian Beef Research Council (NABRC), a reinvigorated Southern Australia Meat Research Council (SAMRC) and a new regional group encompassing southern Western Australia. The chairs of these groups, together with representatives from the peak industry councils and MLA, would then develop the national RD&E investment plan which would also be informed by the National RD&E Framework and the Meat Industry Strategic Plan.

1.3 MLA stated that it expected the full efficiency and effectiveness review to be completed within weeks of the announcement, while the new restructure would be operational by October 2014. According to MLA, its review will inform decisions that are required to achieve a 10 per cent reduction in fixed costs (or \$6 million) over the next 12 months. At the same time, MLA announced that it has taken steps to initiate the development of a full assessment of the automation of levy payments to voting entitlements. MLA also flagged the prospect of a resolution at its 2014 annual general meeting to amend the composition of the MLA board selection committee.

1.4 To the extent that the proposed reforms seek to provide levy payers with a greater say in how their levy funds are invested, MLA's announcement is a step in the right direction.

1.5 In light of the substantial changes that have taken place to the industry since the current systems were put in place, the committee has identified in this report a series of gaps and flaws within the existing system. These shortcomings require structural reforms that go well beyond MLA's announced changes. In detailing the mechanisms available to levy payers to influence the quantum and investment of the levy, the committee has raised serious questions about accountability and transparency in relation to the both the current levy system and red meat industry structures. Issues of contestability, transparency and efficacy within the red meat industry structures and levy system has led the committee to the conclusion that serious reform is required to ensure the future viability of the Australian cattle industry.

1.6 In this report, the committee has formulated seven recommendations to achieve this reform. The recommendations are directed at providing levy-paying

producers with the opportunity to represent themselves, manage levy investment decision processes and to enjoy the resultant benefits. The objective underpinning the committee's recommendations is to maximise the benefits and opportunities for Australian cattle producers into the future.

1.7 The principle that levy payers have greater control over their levies underpins both MLA's announced changes and the committee's recommendations. Both sets of reform are therefore necessary and complementary. MLA's reforms simply provides a starting point from which the wider structural reforms recommended by the committee will flow.

1.8 Finally, on 25 August, an online article reported that a draft of this report had been leaked prior to being tabled in the Senate and authorised for publication. The article provided some detail of the contents of the draft report. The committee is extremely disappointed that the draft report was disclosed and notes the disquiet brought about by speculation regarding the contents of the draft and its implications for the Australian cattle industry, particularly when the industry is already at crisis point. However, the unauthorised disclosure cannot undermine the importance of this report to cattle producers, many of whom provided valuable evidence to the committee. To this end, securing the future livelihood of Australian cattle producers is the central tenet of this report of the committee.

List of recommendations

Recommendation 1

7.25 The committee recommends that a producer-owned body be established by legislation. The body should have the authority to receive and disperse the research and development, as well as marketing component, of the cattle transaction levy funds. The producer-owned body should also be authorised to receive matching government research and development funds. Reforming the Cattle Council of Australia to achieve these outcomes should be examined as part of this process.

Recommendation 2

7.30 The committee recommends the establishment of a cost-effective, automated cattle transaction levy system. The system should identify levy payers against levies paid. The automated system should provide for more immediate settlement of levy fees paid and the allocation of voting entitlements. It should be subject to regular independent auditing and verification.

Recommendation 3

7.35 The committee recommends that the *Primary Industries (Excise) Levies Act 1999* be amended to ensure that levies paid by processors are recognised as processor (or slaughter) levies and not as producer (or cattle transaction) levies.

Recommendation 4

7.39 The committee recommends that the Australian National Audit Office conduct an audit of the cattle transaction levy system, tracing the levy from inception and focusing on the revenue from, and expenditure of, the respective components of the levy.

Recommendation 5

7.41 The committee recommends that the Minister for Agriculture dissolve the Red Meat Advisory Council. The committee further recommends that the Minister for Agriculture establish a new system to manage and disperse earnings from the Red Meat Industry Reserve Fund, in consultation with the industry.

Recommendation 6

7.44 The committee recommends that the Minister for Agriculture revoke the status of the MLA Donor Company as an approved donor under the *Australian Meat and Live-stock Industry Act 1997*.

Recommendation 7

7.46 The committee recommends that the Department of Agriculture, in consultation with the cattle industry, conduct an analysis of the benefits, costs and consequences of introducing legislation akin to the *Packers and Stockyards Act 1921* and *Livestock Mandatory Price Reporting Act 1999*.

Chapter 1

Introduction and background

Referral of inquiry

1.1 On 12 December 2013, the Senate referred the following matter to the Rural and Regional Affairs and Transport References Committee (committee) for inquiry and report by 28 March 2014:

The industry structures and systems governing the collection and disbursement of marketing and research and development levies pertaining to the sale of grass-fed cattle set out in subsections 6(1)(a), 6(1)(b), 6(2)(a) and 6(2)(b) of Schedule 3 (Cattle transactions) of the *Primary Industries (Excise) Levies Act 1999*, including:

- a. the basis on which levies are collected and used;
- b. the opportunities levy payers have to influence the quantum and investment of the levies;
- c. industry governance arrangements, consultation and reporting frameworks; and
- d. recommendations to maximise the ability of grass-fed cattle producers to respond to challenges and capture opportunities in marketing and research and development.

1.2 On 15 May 2014, the Senate granted an extension of time for reporting. The committee was required to report by 16 July 2014. Then on 10 July, the Senate granted a further extension to the committee, requiring it to report on 23 September 2014.

Conduct of inquiry

1.3 The inquiry was advertised in *The Australian* and on the committee webpage. The committee also wrote to government departments, organisations and individuals to invite submissions. Details of the inquiry and associated documents are available on the committee's webpage at

http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport

1.4 The committee received 188 public and 4 confidential submissions which are listed at Appendix 1. The public submissions are also published on the committee's webpage.

1.5 The committee held public hearings in Canberra on 7 March, 20 June and 23 June, Broome and Katherine on 6 and 7 May respectively, Rockhampton on 21 May, and Albury on 10 June. A list of witnesses who appeared at the hearings is at Appendix 2.

Acknowledgement

1.6 The committee acknowledges the organisations and individuals that made contributions to the inquiry through submission and appearances at the hearings.

Australian red meat industry

1.7 Australia's red meat industry includes cattle, sheep, lamb and goats. It is a multi-sector industry represented by cattle and sheep producers, processors, lot feeders and live exporters. There is significant diversity of interest as well as structure within each sector. Producers themselves range from large extensive to small intensive systems and cover interests which range from large corporate enterprises with foreign ownership involvement to that of the small family farm. The diverse nature of the red meat industry, which encompasses a wide range of interests, has remained a contributing factor to the lack of full industry consensus on reforms.¹

1.8 Australia's cattle herd, which comprises more than 40 different cattle breeds, is estimated to be between 26 million and 28.5 million head. Of that, 13.6 million comprises beef cows and heifers.

1.9 The grass-fed cattle industry is one of Australia's largest rural industries. The 2011–12 census revealed that of 135,692 businesses with agricultural activity across the country, 38,752 were specialised beef farms (including feedlots), 6,526 mixed beef cattle and sheep farms and 11,552 mixed grain-sheep or grain-beef farms.²

1.10 The industry covers approximately 45 per cent of Australia's land mass.³ Queensland hosts approximately half of Australia's cattle herd (12.6 million).⁴

1.11 The red meat industry employs approximately 200,000 workers across the farm, processing and retail sector. In 2011–12 Australia produced around 2.1 million tonnes of beef and veal with grain-fed cattle accounting for approximately one-third of all adult cattle slaughtered.⁵ In 2012–13, Australia produced about 2.2 million tonnes

1 Steering Committee and Task Force, *Australian Meat and Livestock Reform for the Future*, October 1996, Australian National Audit Office, *Restructuring of Meat and Livestock Statutory Organisations*, June 1998.

2 Australian Bureau of Statistics, Number of businesses with agricultural activity, By industry (a), 2011. 127106.0—Australian Farming in Brief, 2013, <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/7106.0Main+Features22013> (accessed 12 May 2014).

3 Cattle Council of Australia, *Submission 14*, p. 14; Meat and Livestock Australia, Australia's beef industry, Fast facts, <http://www.mla.com.au/Cattle-sheep-and-goat-industries/Industry-overview/Cattle> (accessed 12 May 2014).

4 AgForce Queensland, *Submission 151*, pp 1–2; Victorian Farmers Federation, *Submission 121*, p. [1].

5 Cattle Council of Australia, *Beef 2015 and Beyond*, February 2013, p. 5, <http://www.cattlecouncil.com.au/assets/documents/Beef%202015%20and%20beyond.pdf> (accessed 6 June 2014).

of beef and veal. The estimated value of red meat production in Australia in 2012–13 was around \$16.2 billion.⁶

1.12 Australia is the world's seventh largest beef exporter. In 2011–12, it exported \$4.7 billion worth of beef (amounting to 65 per cent of domestic production) to more than 100 countries which contributed 15 per cent of Australia's total farm exports.⁷ In 2012–13, the value of live exports rose to \$5.06 billion, reaching 67 per cent of domestic production.⁸

Regional differences

1.13 There are considerable variations in cattle production across the country. Northern Australia is predominantly focused on live export while the majority of processors (such as abattoirs) are located in the eastern states. There is wide variation in industry dynamics both within and between the northern states and the south.⁹

Northern cattle production

1.14 Northern cattle producers account for approximately 75 per cent of farming land in Australia (dedicated to beef) and make up just under 50 per cent of the national herd. Typically, cattle grown in the northern region forage for feed across very large properties, which means that the beef is generally of lower quality than southern-produced beef. Whilst the primary market for northern beef is the Asian live export market, a small percentage of cattle are sent south where they are grain fed before slaughter. This beef is then boxed and sent to countries such as the United States – generally as hamburger meat.¹⁰

1.15 Northern Queensland cattle production is oriented towards breeding with many corporate pastoral companies and larger private producers having a semi-integrated supply chain involving multiple properties from the north to the south of the state, where most of the processing capacity is concentrated.¹¹ In the absence of a regional abattoir, slaughter-ready cattle from northern Queensland are transported to coastal and south-east Queensland abattoirs. Regional Queensland producers bear substantial live cattle transport costs and carcass shrink losses resulting in

6 Meat and Livestock Australia, *Annual Report 2012–13*, p. 3.

7 Cattle Council of Australia, *Beef 2015 and Beyond*, February 2013, p. 5, <http://www.cattlecouncil.com.au/assets/documents/Beef%202015%20and%20beyond.pdf> (accessed 6 June 2014).

8 Meat and Livestock Australia, *Meat and Livestock Australia, Australia's beef industry, Fast facts*.

9 Meat and Livestock Australia, *The Northern beef report: Northern 2013 situation analysis*, April 2014, p. 10.

10 PricewaterhouseCoopers, *The Australian Beef Industry, From family farm to international markets*, 2001, p. 2.

11 Queensland Government Department of Agriculture, Fisheries and Forestry, *Evaluating the commercial viability of a northern outback Queensland meat processing facility*, 2012, p. i, http://www.northbeef.com.au/downloads/NQ_abattoir-study.pdf (accessed 29 May 2014).

significantly reduced net returns.¹² The high associated cost also places the Queensland beef industry at a global competitive disadvantage.

Western Australian cattle production

1.16 Western Australian cattle producers are heavily reliant on the local Western Australian market to sell boxed beef. They are also reliant on already established live export markets – primarily to Indonesia and the Middle East.¹³

1.17 The committee was told that a proposed upgrade of the Harvey Beef abattoir – particularly if the upgrade meets European Union (EU) accredited export standards – would improve export opportunities for Western Australian producers. Cattle producers are also keen to see the Chinese market open its import cattle protocols to include feeder and slaughter cattle exports.¹⁴

1.18 A reduction in the distances live cattle are transported (across the supply chain) would also benefit Western Australian producers – particularly those wanting to sell their cattle into global meat markets. Reduced live transport distances would also enhance meat quality and the possibilities of producers qualifying for Meat Standards Australia (MSA) premiums.¹⁵

Southern cattle production

1.19 Farms in southern areas of Australia are usually more intensive than those in the north, and producers typically run European and British cattle breeds. New South Wales produces the second largest number of beef cattle, after Queensland, with 5.3 million head, or 21 per cent of Australia's cattle and calves. Whilst beef cattle are raised throughout all the state's agricultural areas, they are mainly concentrated in the Upper Hunter, North West Slopes and the Northern and Central Tablelands.

1.20 Most of the state's beef cattle are grazed, with only around 3 per cent held on feedlots at any one time. Cattle on feedlots are grain fed, leading to the majority of feedlots being located throughout the grain belt – from the Riverina to Moree.¹⁶

1.21 In 2010–11 there were just over 16,000 properties across Victoria, carrying just over 2.36 million beef cattle. Of these, 8,029 were specialised beef cattle farms and 1,645 were mixed beef and sheep farms. The number of beef cattle in Victoria has fluctuated between two and three million over the past 30 years. In 2011–12, the value

12 Queensland Government Department of Agriculture, Fisheries and Forestry, *Evaluating the commercial viability of a northern outback Queensland meat processing facility*, 2012, p. i.

13 James Nason, 'Cattle Council needs more 'grunt', Senate inquiry told', *Beef Central*, 8 May 2014, p. 1, www.beefcentral.com/p/news/article/4620 (accessed 15 May 2014).

14 James Nason, 'Cattle Council needs more 'grunt', Senate inquiry told', *Beef Central*, 8 May 2014, p. 1.

15 Queensland Government Department of Agriculture, Fisheries and Forestry, *Evaluating the commercial viability of a northern outback Queensland meat processing facility*, 2012, p. ii.

16 New South Wales Government, *Atlas of New South Wales, Agriculture – Livestock*, www.atlas.nsw.gov.au/public/nsw/home/topic/article/agriculture-livestock (accessed 20 June 2014).

of Victorian fresh, chilled and frozen beef and veal exports was \$606 million, which represents 12.3 per cent of the Australian total of \$4.94 billion.

1.22 Whilst most of Victoria's cattle are kept on managed pastures, a small percentage of the beef cattle herd is grown out in feedlots. Victorian feedlots are largely geared to produce beef for the domestic market – with shorter feeding regimes and higher turnover rates compared to feedlots in Queensland and New South Wales. Victoria's major export markets are the high value markets such as Japan, the Republic of Korea and the United States.¹⁷

Grass-fed cattle industry

1.23 Evidence to the committee upheld the view that the Australian grass-fed cattle industry is currently at a crossroads, if not in crisis. Producers argued the current situation (particularly in relation to the industry's declining profitability) has come about for a number of reasons, including; declining real term export sale prices, rising input costs, and the live cattle bans to Egypt between 2006 and 2010 and to Indonesia in 2011. Other challenges include the high Australian dollar, high government-influenced compliance costs and charges, as well as droughts which have impacted grass-fed cattle country.¹⁸

1.24 The expectation of grass-fed cattle producers within this context is that industry structures and systems already in place should provide the necessary assistance and support for it to survive and prosper. Low returns to grass-fed cattle producers and high costs of production (as well as the challenges of drought) have brought questions about the effectiveness of grass-fed cattle levy investment in research and development (R&D) and marketing, into sharp focus.

1.25 The committee received considerable evidence from grass-fed cattle producers who raised concerns regarding the return for their levy investment, representation of their sector and their ability to influence the decision making process in regard to levy investments. While the committee was mindful of focusing on the grass-fed cattle component of the cattle transaction levy, evidence provided by many submitters revealed problems and constraints which went beyond the grass-fed cattle component of the cattle transaction levy and implicated the entire red meat structure.

1.26 In many ways, the concerns expressed about effective management and representation of the grass-fed cattle industry also highlighted the need for a fair return at the farm gate. The concerns raised in relation to the levy were also symptomatic of a wider belief that the industry structures underpinning the levy system are too complicated to provide for adequate transparency and coherence, particularly in relation to roles and responsibilities. At the same time, the industry has been through substantial changes since the structures were established in 1997–98. In light of these dynamics, the inquiry has brought to the fore what is growing

17 Victorian Department of Environment and Primary Industries, *Victoria's Beef Cattle Industry*, www.depi.vic.gov.au/agriculture-and-food/livestock/beef/victorias-beef-cattle-industry, (accessed 19 June 2014).

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

momentum for a holistic, independent examination of the red meat industry structures with a view to substantial reform.¹⁹

19 Bindaree Beef Australia, *Submission 155*, p. 2.

Chapter 2

The basis on which levies are collected and used

2.1 This chapter considers the collection of the cattle transaction levy and its use. It explores the components of the levy and their allocation with focus on the R&D and marketing components.

2.2 The rural sector includes a wide range of industries which largely comprise small family businesses. The incentive and capacity for businesses such as these to invest in marketing and R&D is low, resulting in potential under-investment in relation to these functions for the sector.¹ As a means of overcoming this, Commonwealth taxing powers are used to facilitate marketing and R&D services for rural industries through the imposition of levies. Industry levies are statutory, production-based payments which are often matched by government and then used to fund marketing and R&D.

2.3 Levies are collected by the Department of Agriculture (department) on behalf of the red meat sector and distributed to recipient bodies as set out in the legislation. Schedule 3 of the *Primary Industries (Excise) Levies Act 1999* (Levies Act) and Section 8 of the *Primary Industries (Customs) Charges Act 1999* impose levies in relation to cattle transactions.

Red meat and livestock industry structure

2.4 The *Australian Meat and Live-stock Industry Act 1997* (AMLI Act) provides the legislative framework for the structural and funding arrangements of the red meat industry and its marketing and R&D activities. A Memorandum of Understanding (MOU) between the red meat industry and Commonwealth sets out the roles, responsibilities and funding arrangements in relation to the red meat industry. Agreed on 27 April 1998, the MOU serves as a statement of principles between industry bodies and the Commonwealth.

2.5 The red meat industry structure comprises the following bodies under the MOU together with the Commonwealth Government:

- Red Meat Advisory Council (RMAC);
- six peak industry councils² (PICs): Cattle Council of Australia (CCA), Sheepmeat Council of Australia (SCA), Australian Lot Feeders' Association (ALFA), Australian Meat Industry Council (AMIC), the Australian Livestock Exporters' Council (ALEC), and the Goat Industry Council of Australia (GICA); and

1 Department of Agriculture, *Submission 28*, p. 4.

2 See below for an explanation of Peak Industry Councils (PICs).

- three service providers: Meat and Livestock Australia (MLA), the Australian Meat Processor Corporation (AMPC), and the Australian Livestock Export Corporation (LiveCorp).

2.6 Responsibilities and functions under the MOU are divided between RMAC and the PICs which serve as policy and strategy bodies while MLA, AMPC and LiveCorp are service delivery companies.

2.7 Please note that, while this chapter provides background information about the role and nature of the relevant bodies, more substantive discussion of their performance is contained in later chapters.

Custodian of MOU—Red Meat Advisory Council

2.8 As part of the 1997–98 restructure, RMAC was formed by the PICs to provide a 'single industry touch-point' for the Australian Government when dealing with cross-sectoral and whole-of-industry matters. It comprises members of five PICs:

- CCA representing the grass-fed cattle production sector;
- SCA representing the sheepmeat production sector;
- ALFA representing the grain-fed cattle production sector;
- AMIC representing red meat processors, retailers, wholesalers and smallgoods operators; and
- ALEC representing the livestock export sector.³

2.9 RMAC has five principal functions including the provision of advice to the Minister for Agriculture (Minister) on cross-sector or whole-of-industry matters. RMAC is responsible to develop and monitor the Meat Industry Strategic Plan (MISP) which provides the industry's overarching strategic framework while serving as the custodian of the MOU.

2.10 RMAC is also charged with managing the investment reserves (the Industry Reserve Fund) to generate income to support RMAC and its members to fulfil their MOU obligations and provide capital funding if and as needed for multi-sector crisis management. As a representative body, RMAC is also responsible to facilitate a forum for its members (PICs) to discuss multi-sector and whole-of-industry policy issues.⁴

Peak industry councils

2.11 A PIC is recognised as a prescribed industry body for the purposes of section 59 of the AMLI Act and is a signatory to the MOU.

2.12 Under the terms of the MOU, PICs are responsible to develop the strategic objectives, give direction and set policy for their respective industry sector. PICs are also required to give policy advice to the Minister in respect of the industry sector they represent. For the purposes of this inquiry, the CCA is the key PIC.

3 GICA holds an observer/Associate Member status with RMAC.

4 Red Meat Advisory Council, *Submission 165*, p. 7.

Cattle Council of Australia

2.13 CCA is the prescribed peak representative body for Australian grass-fed cattle producers under the MOU. CCA's membership includes 15,000 cattle producer members through state farming organisations (SFOs) as well as 152 direct members.⁵

2.14 Under the *Primary Industries (Excise) Levies Act 1999* and the *Primary Industries (Customs) Charges Act 1999*, the Minister has declared CCA and ALFA to be bodies whose recommendations must be taken into consideration in determining levy amounts for the grass-fed and grain-fed cattle sectors respectively. MLA's constitution reflects this requirement and stipulates that the peak councils have the exclusive right to propose resolutions regarding adjustment of the CTL.

2.15 Under the MOU, CCA is responsible to represent and progress the interests of Australian grass-fed cattle producers. Clause 5 of the MOU details the roles of CCA and other PICs which includes oversight of levy expenditure.⁶ MLA noted that CCA is closely consulted for direction on all MLA's marketing and R&D programs relating to the grass-fed industry.⁷

2.16 The four core functions of CCA include advocacy (which is funded from members' voluntary contributions), as well as strategic direction and planning (which draws on RMAC funding) and industry oversight and strategic policy development.⁸

Service providers

2.17 Through the investment of levies, service providers offer marketing and R&D services to their respective industry sector. There are three service providers under the MOU which are all corporations limited by guarantee under the *Corporations Act 2001*.

2.18 Under the MOU:

- MLA serves CCA, SCA, ALFA and GICA⁹;
- AMPC serves AMIC; and
- LiveCorp serves ALEC.

2.19 The three service providers are responsible under the MOU to provide management, funding and administrative arrangements for industry activities to be undertaken. For the purposes of this inquiry, MLA is the key service provider. It undertakes research and marketing on behalf of over 48,787 beef, sheep and goat

5 Mr Andrew Ogilvie, Cattle Council of Australia, *Committee Hansard*, 7 March 2014, pp 35–36.

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

7 Meat and Livestock Australia, *Submission 154*, p. 28.

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

9 MLA also provides services to the other PICs, described immediately below.

producer members of whom 41,460 are engaged in the raising, finishing or trading of grass-fed cattle, including 22,809 specialist grass-fed cattle producers.¹⁰

CCA, SCA, ALFA and GICA and relationship with MLA

2.20 The four PICs which represent producers are responsible to develop the strategic objectives for their respective industry sector in collaboration with MLA. They are also responsible for developing jointly with MLA the goals for achieving the vision and strategic imperatives for the industry sector each represents.¹¹

2.21 In 1998, CCA, SCA, ALFA and GICA established MLA as a producer-owned service company to deliver marketing, promotion, R&D and other agreed functions for the whole of industry.

2.22 Having regard to their relationship to MLA, the roles and responsibilities of the four PICs under the MOU are to:

- assess performance of services delivered by MLA or arranged by MLA to be delivered by other persons towards achieving the goals identified in MISP; and
- propose levy motions at general meetings of MLA, make recommendations to the Minister on the operating level of levies required to fund MLA's activities and consult widely within its industry sector on MLA's funding requirements.¹²

2.23 Along with activities on behalf of producers, MLA is required to undertake joint functions, core functions and services for AMIC and ALEC as stipulated under the MOU.

2.24 MLA is both the declared marketing and declared research body in accordance with sections 60(1) and (2) respectively of the AMLI Act. As the industry research body, MLA undertakes services for the processing sector and livestock exporters sector. Under the MOU, this role requires MLA to jointly develop with AMPC and LiveCorp and their respective PICs, goals for achieving the vision and strategic imperatives for the industry sectors they represent.

2.25 Under section 66 of the AMLI Act, matching Commonwealth funding for industry research is paid to MLA as the declared industry research body. The two other service providers, AMPC and LiveCorp are recognised as 'approved donors' under section 61(1) of the AMLI Act for the purposes of matching Commonwealth R&D funding.

2.26 A Statutory Funding Agreement between MLA and the Australian Government facilitates matching Commonwealth R&D funding and the management of levy monies. Therefore, it is only the R&D projects undertaken by AMPC and

10 Meat and Livestock Australia, *Submission 154*, pp 7–8.

11 Memorandum of Understanding, 24 April 1998, p. 8.

12 Memorandum of Understanding, Clause 5.1: Role and responsibilities of CCA, SCA, ALFA and GICA and their relationship with MLA, p. 8.

LiveCorp *with* MLA that are eligible for matching Commonwealth R&D funding, while AMPC and LiveCorp both operate independently, and in conjunction with MLA.

ALEC and relationship with LiveCorp and MLA

2.27 The roles and responsibilities of ALEC are similar to those of the other PICs. Amongst other things, ALEC is responsible to develop jointly with LiveCorp (and MLA where services are provided by MLA) goals for achieving the vision and strategic imperatives for the industry sector it represents. ALEC is also required to assess the performance of services delivered by MLA (or arranged by MLA to be delivered by others) towards achieving the goals identified in the MISP.

2.28 LiveCorp serves as the service provider to ALEC and has roles and responsibilities to its PIC consistent with that of other service providers. Where services are provided by or through MLA, ALEC is required to develop jointly with MLA and ALEC goals for achieving the vision and strategic imperatives of the industry sector it represents. ALEC must also consider and agree with LiveCorp the amounts of money required to fund LiveCorp and MLA pursuant to the MOU and support LiveCorp in securing its funding requirements.¹³

AMIC and relationship with AMPC and MLA

2.29 AMIC serves as the PIC for retailers, processors and smallgoods manufacturers. It has the same roles and responsibilities as other PICs under the MOU. AMIC develops jointly with AMPC and MLA (where services are provided by MLA), goals to achieve the vision and strategic imperative for the processing sector.

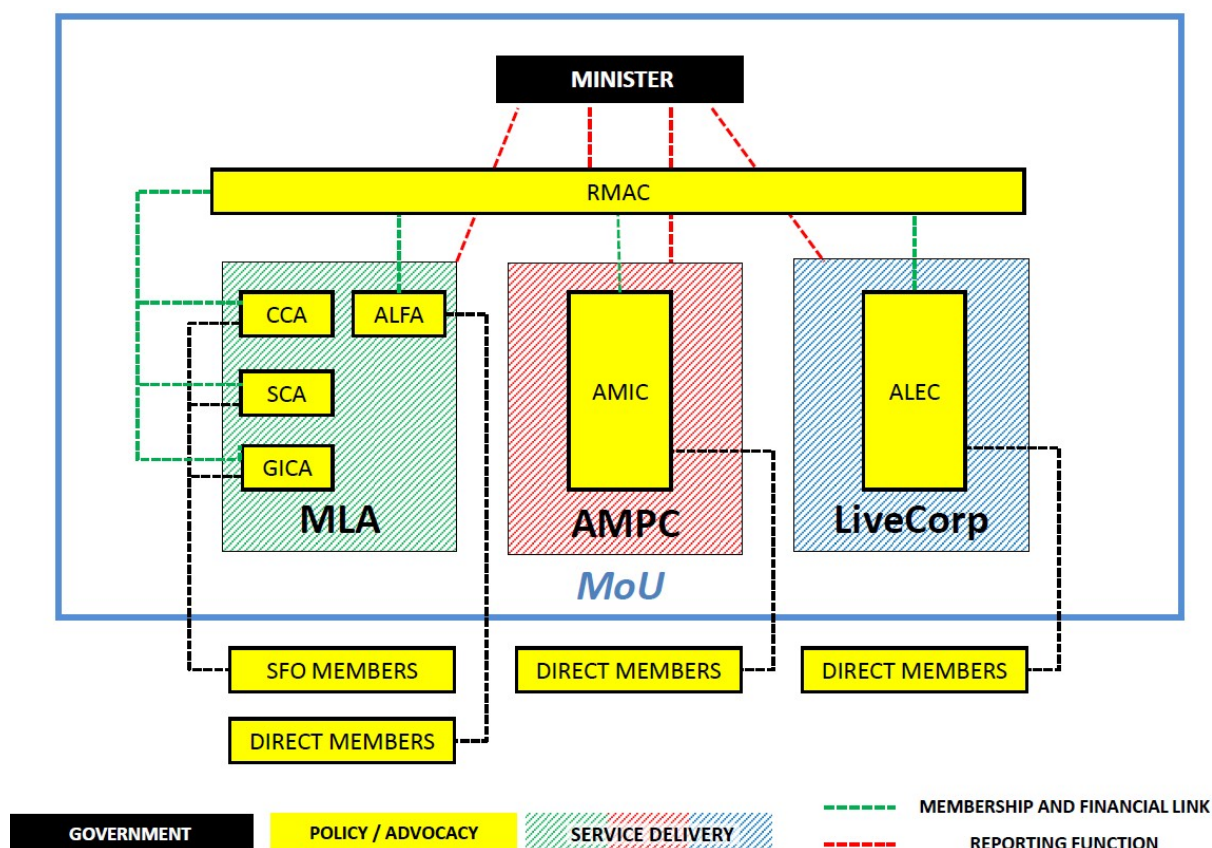
2.30 AMPC is the processing sector service company responsible to provide management, funding and administrative arrangements for the meat processing industry.¹⁴ It conducts marketing and R&D on behalf of the processor sector or directs these funds to MLA to carry out agreed projects as requested in accordance with the MOU.

2.31 AMPC invests its R&D and marketing revenue into three programs on behalf of the processing sector. These include a joint program with MLA as defined in the MOU, a core R&D program, and the Plant Initiated Projects (PIP) program. In 2013, processors paid \$18.06 million in levies with half of project expenditure directed towards joint investment with MLA.¹⁵

13 Memorandum of Understanding, Clause 5.3: Role and responsibilities of ALEC and its relationship with Livecorp, p. 9.

14 The MOU defines a processor as a proprietor of a processing establishment.

15 Australian Meat Processor Corporation, *Annual Report 2012–13*, p. 6.

Diagram 2.1: Memorandum of Understanding arrangements¹⁶

Cattle transaction levy

2.32 The cattle transaction levy (CTL) is collected under the *Primary Industries Levies and Charges Collection Act 1991* which enables collection through intermediaries. The CTL is composed of a number of different levies including grass-fed cattle at \$5.00 per head; lot-fed cattle (grain-fed) at \$5.00 per head; and bobby calves at \$0.90 per head.¹⁷

2.33 The CTL is imposed on grass-fed cattle and bobby calves defined as follows:

- 'cattle' are bovine animals other than buffalo; and
- 'bobby calves' are bovine animals other than buffalo or lot-fed cattle, with a live-weight of less than 80 kg or, if slaughtered, a dressed weight of less than 40 kg.¹⁸

2.34 The separate components of the \$5 grass-fed cattle transaction levy relate to:

16 Department of Agriculture, *Submission 28*, p. 19. It should be noted that under the CCA's new model, it has independent direct membership as well as SFO membership.

17 Department of Agriculture, Information on cattle and livestock transaction levy, March 2012, http://www.daff.gov.au/_data/assets/pdf_file/0008/2135582/livestock-cattle-transaction-levy.pdf (accessed 23 January 2014).

18 Department of Agriculture, *Submission 28*, p. 10.

- marketing (\$3.66) and R&D (\$0.92) distributed to MLA;
- animal health (\$0.13) distributed to Animal Health Australia (AHA);¹⁹ and
- residue testing (\$0.29) distributed to the National Residue Survey (NRS).²⁰

2.35 All lot-fed cattle and grass-fed cattle producers are required to pay the levy on transactions involving cattle. The CTL is imposed on each of the following actions:

- each transaction by which ownership of cattle is transferred from one person to another—the levy is payable by the person who owned the cattle immediately before the transaction was entered into;
- the delivery of cattle to a processor other than because of a sale to a processor—the levy is payable by the person who owned the cattle immediately prior to delivery;
- the slaughter of cattle by a processor where the cattle were purchased by the processor and held for more than 60 days before slaughter—the levy is payable by the person who owned the cattle at the time of slaughter; and
- the slaughter of cattle by a processor where the levy would not be payable under any of the three preceding actions—the levy is payable by the person who owned the cattle at the time of slaughter.²¹

2.36 The committee inquiry is focused on the marketing and R&D components in relation to grass-fed cattle and bobby calves. The research and R&D components of the levy are distributed under Part 3 of the AMLI Act to MLA as the declared industry marketing body for marketing levies and industry research body for research and development levies.²²

Background to the cattle transaction levy

2.37 In January 1997, the 12 Levy Principles were introduced. Any proposal to amend an existing statutory levy or introduce a new levy must comply with the principles.²³ A framework was established to manage the red meat marketing and R&D levies with a view to enabling industry to manage its own affairs. This involved privatising the marketing and R&D statutory authorities and removing government involvement in the day-to-day management of levy funds.

19 \$0.13 is prescribed for animal health programs including emergency animal disease preparedness, market assurance and biosecurity programs. Animal Health Australia, *Submission 115*, p. 5.

20 Department of Agriculture, *Submission 28*, p. 4.

21 Department of Agriculture, *Submission 28*, p. 10.

22 Department of Agriculture, *Submission 28*, p. 8.

23 Department of Agriculture, Fisheries and Forestry, Levies Revenue Service, *Levy Principles and Guidelines*, January 2009, http://www.daff.gov.au/data/assets/pdf_file/0003/253353/levy-principles-guidelines.pdf (accessed 23 January 2014).

2.38 As part of the levy governance arrangements, MLA and the other service providers are responsible and accountable to company members (levy payers) through the *Corporations Act 2001*, while the government has responsibility to establish the tax and set minimum standards for accountability to Parliament and levy payers.

2.39 The role of government in these arrangements was confined to powers of intervention and mechanisms to guarantee appropriate standards of governance. This is achieved through the combination of legislation, appropriation, deeds of grant and an industry MOU.²⁴

2.40 The MLA Memorandum and Articles of Association (or constitution) that relate to levies recognise two classes of members: peak councils and producers. Eligibility to become a peak council member is available to bodies which are:

- prescribed industry bodies for the purpose of section 59 of the AMLI Act;
- declared by the Minister to be a body whose recommendations about amounts to be prescribed under the levy Acts are to be taken into consideration; and
- signatory to the MOU (except the GICA).²⁵

2.41 The four classes of producer recognised under the MLA Memorandum and Articles of Association include cattle producers, lot feeders, sheep producers and goat producers. A person is eligible to be a producer member if they produce livestock and pay levies.

2.42 In 1998 the CTL was set at \$3.50 a head.²⁶ In 2005 the government, through the Minister, accepted recommendations from industry to increase the CTL from \$3.50 to \$5 with the additional \$1.50 to be channelled into marketing.²⁷

2.43 The increased levy was implemented in January 2006 with a sunset clause under the Primary Industries (Excise) Levies Amendment Regulations 2005. The sunset clause stipulated the need for an independent review of the increased levy and prescribed that the levy would return to \$3.50 in January 2011 without demonstrated industry support for retaining it at \$5.²⁸

2.44 In 2009 an independent Beef Marketing Funding Committee (review committee) conducted a beef levy review. The purpose of the review was to evaluate

24 Department of Agriculture, *Submission 28*, p. 4.

25 Department of Agriculture, *Submission 28*, p. 16.

26 Beef Marketing Funding Committee, *Beef Levy Review 2009*, p. 9.

27 CCA, ALFA, Beef Marketing Funding Committee and MLA, *Beef Levy Review 2009–Report to the Minister*, p. 3.

28 Australian Minister for Agriculture, Fisheries and Forestry, Peter McGauran and Parliamentary Secretary for Agriculture, Fisheries and Forestry, Senator Richard Colbeck, Cattle levy increase approved, *Joint Statement*, 8 September 2005, http://parlinfo.aph.gov.au/parlInfo/download/media/pressrel/VG9H6/upload_binary/vg9h63.pdf;fileType=application%2Fpdf#search=%22beef%20levy%20review%22 (accessed 23 January 2014).

the effectiveness of the increased marketing component of the cattle levy and to determine the most appropriate level of funding for beef marketing and trade development.

2.45 The review committee found that the additional \$1.50 per head of cattle had delivered five times the investment back to producers and concluded that the \$5 levy per head of cattle was a modest but appropriate investment in the future of the industry and should be retained.²⁹ The review committee also recommended that the performance yardstick in future reviews be a minimum return on investment to producers of three times the overall marketing levy.

2.46 It also recommended that any future reviews of the levy be undertaken as a result of industry need, triggered by the peak councils, and not according to a pre-determined timeframe.³⁰

2.47 On the recommendations of the review committee, a vote at the MLA annual general meeting (AGM) and via a non-member poll was conducted to establish whether levy payers wanted to retain the levy at \$5. Of the levy payers who voted, 72.5 per cent supported retention of the levy at \$5 a head. The \$5 levy was allocated into components. Of the \$4.58 provided to MLA, \$0.92 was allocated for R&D purposes and \$3.66 for marketing activities on behalf of the industry.

Management and investment of marketing and R&D levy components

2.48 In 2012–13, grass-fed cattle levies amounted to \$53.9 million as detailed below.

Diagram 2.2: Marketing and R&D levy components 2012–13³¹

Levy	Amount per head	Collected
Grass-fed cattle marketing – subsection 6(1)(a) of the Act	\$3.66	\$42,818,000
Bobby calves marketing – subsection 6(2)(a) of the Act	\$0.48	\$204,000
Grass-fed cattle R&D – subsection 6(1)(b) of the Act	\$0.92	\$10,763,000
Bobby calves R&D – subsection 6(2)(b) of the Act	\$0.16	\$68,000

2.49 The marketing and R&D components of the grass-fed cattle levies are distributed to MLA under sections 63 and 64 respectively of the AMLI Act as a declared industry marketing body and declared industry research body.

29 Beef Marketing Funding Committee, *Beef levy review 2009*, <http://www.mla.com.au/About-MLA/Who-we-are/How-MLA-is-funded/Beef-levy-review-2009> (accessed 23 January 2014).

30 Beef Marketing Funding Committee, *Beef levy review 2009*, p. 5.

31 Department of Agriculture, *Submission 28*, p. 9.

2.50 MLA is a company limited by guarantee under the *Corporations Act 2001*.³² Its Memorandum and Articles of Association have effect as a contract between the company and each member, between the company and each director and company secretary, as well as between members.

2.51 The roles and responsibilities of MLA are set out in Clause 6 of the MOU. It is required to undertake activities on behalf of producers and to prepare both a business plan for a three year period and an operating plan setting out the proposed activities of MLA in consultation with PICs.

2.52 As a service company, MLA's five-year corporate planning is informed by and flows from the MISP, industry strategic plans and national R&D priorities. MLA's five-year corporate plan is translated into annual operating plans that define MLA's marketing and R&D strategies and programs.³³

2.53 MLA's governance, strategy and funding responsibilities are specified in its Deed of Agreement with the Australian Government. MLA's governance arrangements are set out in its Memorandum and Articles of Association, or constitution. Article 4 of MLA's Articles of Association details the appointment, duties and remuneration of MLA's governing board of directors.

2.54 The \$4.58 of the levy received by MLA (for marketing and R&D) is directed by MLA into its four strategic imperatives. The funding of those imperatives is as follows:

- Maintaining and improving market access—\$0.62
- Growing demand—\$2.74
- Increasing productivity across the supply chain—\$0.73
- Supporting industry integrity and sustainability—\$0.37.³⁴

Imperative 1: Maintaining and improving market access

2.55 With the objective of developing and delivering industry systems that underpin product integrity, MLA focuses on assisting industry to better integrate and sustainably deliver its on-farm risk management systems which include Livestock Production Assurance (LPA) and National Livestock Identification System (NLIS). MLA is also engaged in assisting government and PICs to secure free trade agreements to eliminate the current tariffs on red meat exports to Korea and Japan, while identifying as a high priority the technical trade barriers that impede red meat export sales.³⁵

32 Department of Agriculture, *Submission 28*, p. 14.

33 Meat and Livestock Australia, *Submission 154*, p. 27.

34 Meat and Livestock Australia, *Submission 154*, p. 13.

35 Meat and Livestock Australia, *Submission 154*, p. 9.

Imperative 2: Growing demand

2.56 As part of growing demand, MLA is engaged in developing practices and programs that help industry deliver consistent and optimal eating quality. Initiatives in this regard include enhancing the nutritional reputation of red meat, developing new products, the aggressive promotion of beef in the domestic market and aggressive promotion of beef in export markets.³⁶

Imperative 3: Increasing productivity across the supply chain

2.57 The objective of increasing productivity across the supply chain is to identify and deliver opportunities to increase on-farm and off-farm productivity and capability, deliver valued supply chain and market information and support industry to improve animal health and biosecurity.³⁷

Imperative 4: Supporting industry integrity and sustainability

2.58 The objective of imperative four is to support both on-farm and off-farm environmental sustainability while providing solutions to meet high standards of animal welfare without reducing productivity levels.³⁸

MLA funding and revenue

2.59 In 2012–13, MLA reported total revenue of \$162.2 million to invest in marketing and R&D programs.³⁹ MLA funding comes from a number of sources including:

- transaction levies on livestock sales;
- Commonwealth dollar-for-dollar matched funding for R&D investments;
- co-investments by processors, livestock exporters, wholesalers, food service and retailers; and
- commercial investments by individual businesses along the supply chain.⁴⁰

2.60 The component of MLA's revenue derived from grass-fed cattle levies over the past three years was \$56.2 million in 2010–11, \$52.5 million in 2011–12 and \$54.2 million in 2012–13. In 2012–13, this levy contribution amounted to approximately 33 per cent of the MLA's total revenue of \$162.2 million.⁴¹

2.61 MLA invests more than \$50 million of grass-fed cattle levies each year in marketing and R&D programs.⁴² In 2012–13, MLA invested \$56.4 million of the

36 Meat and Livestock Australia, *Submission 154*, p. 10.

37 Meat and Livestock Australia, *Submission 154*, p. 10.

38 Meat and Livestock Australia, *Submission 154*, p. 11.

39 Department of Agriculture, *Submission 28*, p. 14.

40 Meat and Livestock Australia, *Submission 154*, p. 7.

41 MLA, *Annual Report 2012–13*, p. 41, <http://www.mla.com.au/About-MLA/Planning-and-reporting/Annual-reporting/Annual-report-2012-13> (accessed 24 January 2014).

42 Meat and Livestock Australia, *Submission 154*, p. 4.

grass-fed cattle levy funds on marketing (\$44.9 million) and R&D (\$11.5 million) while retaining a surplus of \$12 million in grass-fed cattle levies. MLA noted that it had been deliberately running small deficits for several years to maintain reserves at an appropriate level in line with the MLA board's levy reserving policy.⁴³

2.62 The Australian Government matches eligible R&D expenditure by most rural R&D corporations on a dollar-for-dollar basis up to a cap of 0.5 per cent of an industry's gross value of production. Eligible expenditure for MLA is made up of R&D industry levies as well as funds received from the declared approved donors, AMPC and LiveCorp, as well as the MLA subsidiary, MLA Donor Company.⁴⁴

2.63 As part of its role to engage in joint functions, one of the key programs of MLA is a core RD& extension (RD&E) program for the red meat industry. The RD&E program is administered by AMPC and delivered by AMPC and MLA. Using producer and processor levies as well as matching government funding, the program is delivered under the red meat industry MOU. The joint program is designed to address issues that affect the entire red meat industry such as climatic and environmental changes, sustainability, technology, livestock management and capability. In 2012–13 the joint program received the following funding:

Diagram 2.3: Core RD&E program 2012–13⁴⁵

MLA producer levies contribution	AMPC processor levies contribution	Australian Government contribution	Total expenditure 2012–13
\$39.8 million	\$8.8 million	\$2.27 million	\$50.9 million

43 Meat and Livestock Australia, *Submission 154*, p. 8.

44 Department of Agriculture, *Submission 28*, p. 15.

45 Mr Stephen Kelly, Australian Meat Processor Corporation, *Committee Hansard*, 7 March 2014, p. 17.

Chapter 3

Industry changes and support for reform

3.1 The red meat industry, and in particular the grass-fed cattle sector, has undergone significant change since the original 1997–98 reforms upon which the current levy systems and red meat industry structures are based. This chapter considers whether the structures that underpin the grass-fed cattle levy, and wider red meat industry, continue to serve the purpose for which they were originally intended in light of these substantial changes.

Context of the inquiry

3.2 This inquiry was established in the context of continuing and significant falls in real cattle prices and producer profitability. Evidence to the committee highlighted the importance of the inquiry to the grass-fed cattle sector, given the increasing challenges both the sector and wider red meat industry are currently facing.

3.3 Many such challenges were not evident when the current levy structures were put in place. These challenges include the appreciation of the Australian dollar, consolidation of the agricultural industry (with increasing domestic concentration of supermarket and processing power), declining farmer populations and SFO memberships, increasing reliance on feed-lot production, and the unsustainable fall in cattle prices and profitability resulting in increased farm debt.¹

3.4 The industry is faced with these challenges while also operating in an increasingly globally competitive environment which continues to experience declining terms of trade. These challenges brought into sharp focus the importance of effective grass-fed cattle industry organisational structures. These structures should meet the collective needs of the sector in the current economic environment, enable it to address the problem of farm gate return, and capture opportunities in marketing and R&D.

Intent of the 1997–98 reforms

3.5 The 1997–98 industry structure arrangements were designed to provide industry with greater responsibility to run its affairs and to move it towards a less government regulated environment. The key elements of the reforms were designed to enable collectively funded meat and livestock industry programs to be delivered more effectively, and to facilitate a more internationally competitive red meat industry in Australia.

3.6 The 1996 steering committee and task force, established to advise the government on the 1997–98 reforms, found that market and industry circumstances had changed since the establishment of the then *Meat and Live-stock Industry Act*

1 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*; Red Meat Advisory Council, *Submission 165*; Meat and Livestock Australia, *Submission 154*.

1995 and that there was need for adjustment to deliver what industry required for the future.²

3.7 The task force recognised the growing sense of distance amongst stakeholders who were disengaged. It emphasised that 'representation and involved ownership is necessary to achieve the essential participation of the industry itself'. It also suggested that significant savings could be achieved by changing the current structures and levy-funded functions and making the provision of services fully contestable and transparent to industry stakeholders. To address this and other industry challenges, it made a series of recommendations including the provision of separate sheep and beef levy funded marketing and R&D corporations, which included both producers and processors. It also recommended that the corporations adopt a two-register voting and direct election system.

3.8 However, ultimately three corporations were established with the red meat levy funded producer marketing and R&D corporation (MLA), a separate processor corporation (AMPC) and live export corporation (LiveCorp). Under this structure, MLA, AMPC and LiveCorp were incorporated as companies limited by guarantee and linked under the current red meat industry structure along with the various sector PICs, CCA, SCA, ALFA and AMIC under the MOU.

3.9 It was argued in evidence that when the task force recommendations pertaining to accountability (including voting and board selection, as well as the structural division between industry sectors) were not implemented, the accountability and transparency aspirations underpinning the reforms were lost.³

3.10 The task force noted how the red meat industry levy funded structures had evolved over the decades and that each stage in the process had been preceded by a review. Australian Meat Producers Group and Concerned Cattle Producers (AMPG/CCP) emphasised the point that each review had been triggered by changing market, industry and policy circumstances which tended to demonstrate that non-profit statutory structures with multiple stakeholders do not adapt on their own accord. The task force had noted that, by their nature, each stage of reform tended to be reactive. In the absence of free market operations, it recognised that the challenge was to develop the most flexible and responsive levy based structure to meet industry and market circumstances.⁴

3.11 During the second reading speech on the AMLI bill, then Minister for Primary Industries and Energy, the Hon Mr John Anderson, made the point that the arrangements under the legislation would increase efficiency and competitiveness in structuring the industry to continue as a world leader. He noted that the AMLI legislation was the final step towards empowering the industry by providing it with a structure that offers ownership and management of its own affairs.

2 Australian Meat and Livestock Industry Reform Steering Committee and Task Force, *Australian Meat and Livestock—Reform for the Future*, October 1996.

3 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, pp 12–18.

4 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, p. 17.

3.12 While recognising that full consensus was not possible across an industry as diverse as the red meat industry, Mr Anderson identified the issues upon which there was broad agreement, namely:

- need for a non-government, commercially based organisation;
- necessity for industry to manage its own affairs;
- a more hard-headed approach to how levy-payer moneys are spent; and
- separately accountable beef and sheep-meat marketing and promotion divisions and separately accountable research and development divisions within a commercially based organisation.⁵

3.13 Mr Anderson also noted that the bill was designed to free the industry from legislative constraints imposed upon statutory bodies and provide for a new, privately owned structure that would allow industry to take steps towards:

- enhancing industry's capacity to determine and address areas of market failure;
- progressive implementation and facilitation of future industry agreed structural and other reforms;
- minimising government intervention while at the same time ensuring continuing and appropriate representation, governance, accountability and crises management arrangements; and
- providing clear ownership by levy payers and non-statutory contributors, and appropriate participation in decision making processes and resultant benefits.

3.14 Furthermore, the Minister noted that the arrangements proposed in the legislation would empower the industry peak councils to take a leadership role. He highlighted that PICs carry responsibility for decisions on levels of levies and non-statutory funding for the new service delivery company. He also argued that to be able to effectively carry out the new responsibilities, PICs would need to be 'adequately funded' so that they have access to the professional expertise required.

3.15 Many submitters to the inquiry expressed the view that the current structures and systems – including MLA and industry bodies – were due for review and reform in order to effectively provide the collectively commercial outcomes required by the red meat industry in the current decade.⁶

Changes effecting the industry since the 1997–98 reforms

3.16 It is fifteen years since the current red meat industry structures and systems were put in place. Since that time, the environment in which the industry – and in particular the grass-fed cattle sector – operates has changed enormously. This is a

5 Second reading speech, Australian Meat and Live-stock Industry Bill 1997, *House Hansard*, 1 October 1997, p. 8846.

6 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, p. 39.

consequence of several factors, including vertical integration, market share and extended feed-lotting.⁷ Furthermore:

Economic uncertainty associated with the global financial crisis, rising competition from other protein sources and from overseas beef exporters, along with environmental and animal welfare challenges have collectively placed intense pressure on industry organisations, levy payers and value chain firms to adapt.⁸

3.17 Increased challenges faced by the industry include the declining number of farmers (a fall of 11 per cent from 176,700 in 2006 to 157,000 in 2011) and an even faster decline in SFO membership.⁹ RMAC noted that the dramatic physical, social, economic and environmental changes that had taken place since 1997–98 amounted to significant transformation to the sectors that the structures were designed to serve. In the context of these changes and challenges, RMAC observed that:

It would be very rare that any representative (or even corporate) structure that was designed nearly 20 years ago could – in the absence of some level of reform – continue to serve its customers with optimal efficiency.¹⁰

3.18 The structures and systems pertaining to other rural industries such as pork, wool, grain, dairy and horticulture were reformed from the late 1990s in response to the changing economic and market environment.¹¹ However, no such reform has taken place in the red meat industry.

Concentration and consolidation

3.19 In a five year period between 1987 and 1992, the percentage of beef sold on the domestic market through supermarkets rose from 20 per cent to 35 per cent.¹² Today, the four supermarket chains, Woolworths, Coles, IGA and ALDI, along with other minor supermarkets, control up to 78.6 per cent of Australia's domestic beef sales.¹³

3.20 Noting that cattle producers are price takers rather than price setters, the point was made that the beef industry is massively concentrated, with these few

7 Mr Alan Thompson, Department of Agriculture, *Committee Hansard*, 7 March 2014, p. 11; Dr Brian Creedy, Richmond River Beef Producers Association, *Committee Hansard*, 7 March 2014, p. 60; Bindaree Beef Australia, *Submission 155*, p. 4. Vertical integration is defined as an undertaking by a single firm of successive stages in the process of production and supply of a particular good.

8 Tasmanian Farmers and Graziers Association, *Submission 156*, p. 4.

9 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, p. 28.

10 Red Meat Advisory Council, *Submission 165*, pp 12–14.

11 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, p. 9.

12 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, p. 23.

13 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, p. 23.

corporations setting the terms and conditions for the domestic market.¹⁴ Under these circumstances, the options for selling into the retail sector have contracted markedly while the power of the supermarkets has consolidated the retail channels for red meat sales.¹⁵ It was noted that retailers can be 'relied upon to resist anything that would lead to higher cattle prices, their main input cost'.¹⁶

3.21 The trend towards greater concentration in the retail sector is mirrored in the processing sector. The future of single plant processors such as Primo at Scone and the Northern Co-operative at Casino remain uncertain, with the real prospect of a future form of amalgamation.¹⁷ In 1998, there were 215 meat processing facilities (abattoirs) around the country whereas now there are no more than 157.

3.22 The 157 meat processing facilities represent more than 97 per cent of Australia's red meat processing capacity.¹⁸ The five largest processors now account for some 54 per cent of the national sheep and cattle killed compared to 28 per cent of the national cattle killed in 1996.¹⁹ The top 25 processors contribute 80 per cent of the processor levy and of them, the top five would contribute up to 60 per cent.²⁰ It should be noted, moreover, that up to 80 per cent of the beef product that the AMPC membership process is grass-fed.²¹

3.23 Australian Beef Association (ABA) explained that the industry is characterised by 200,000 producers, 23 million consumers, two retailers with 50 per cent control of the domestic market and five processors (at least three of which are foreign owned) controlling over 50 per cent of the processing.²² Bindaree Beef Australia added that 60 per cent of the export market is controlled by the world's three largest meat companies, namely JBS, Teys/Cargill and Nippon.²³ Mr J.B. Carpenter noted the consequences of this trend:

14 Mr J.B. Carpenter, *Submission 5*, p. [3]; Mr James Ramsay, *Submission 8*, p. [2]; Mr Ryan and Ms Tracey Hacon, *Submission 20*, p. [2]; Mr J. Ashley McKay, *Submission 99*, p. 5.

15 Bindaree Beef Australia, *Submission 155*, p. 8.

16 Mr J.B. Carpenter, *Submission 5*, p. [3]

17 Mr J.B. Carpenter, *Submission 5*, p. [3]; Mr Joe Moore, *Submission 18*, p. [1]; Australian Beef Association, *Submission 164*, p. 6.

18 Mr David Lind, Australian Meat Processor Corporation, *Committee Hansard*, 7 March 2014, pp 13–14.

19 Mr J. Ashley McKay, *Submission 99*, p. 5; Ms Joanne Rea, *Submission 138*, p. 1; Bindaree Beef Australia, *Submission 155*, p. 8.

20 Mr David Lind, Australian Meat Processor Corporation, *Committee Hansard*, 7 March 2014, pp 13–14.

21 Mr Stephen Kelly, Australian Meat Processor Corporation, *Committee Hansard*, 7 March 2014, p. 15.

22 Mr Athol Economou, Australian Beef Association, *Committee Hansard*, 7 March 2014, p. 51; Mr Brad Bellinger, Australian Beef Association, *Committee Hansard*, 20 June 2014, p. 17.

23 Bindaree Beef Australia, *Supplementary Submission 155*, p.1.

Every time a processor or retailer is amalgamated, it knocks out yet another bidder from the market for cattle.²⁴

3.24 The end result is that there is inadequate competition in the marketplace.²⁵

Diversity of cattle sector

3.25 In contrast to the beef (or processor) sector, the cattle (producer) sector is highly fragmented, comprising thousands of cattle producer families geographically dispersed across the country. MLA noted that a major contributor to the prevalence of market failure in the sector was the scale of cattle enterprises. CCA highlighted the diversity of product coming out of the farm gate including local trade, the grass-fed cattle market and burger (patties) animal market. This makes the challenge of establishing a unified approach at the farm gate, to put pressure on the supply chain, extremely difficult.²⁶

3.26 The current industry dynamics, and in particular the concentration of ownership and consolidation within the industry (which has concentrated buying power in the sale yards and resulted in a lack of competition) were not characteristic of the industry when MLA was first established.²⁷

3.27 In contrast to industries such as manufacturing or mining, where large scale enterprises are of adequate size to realise benefits from investment in brand marketing and other innovations, the cattle industry has a structure dominated by small and medium enterprises, particularly in southern Australia. MLA noted that the enterprise scale presented various challenges for R&D including investment scale, free-rider, information failure and risk aversion issues.²⁸ Free-riding is recognised as a form of market failure because it enables those who do not contribute to raising revenue for the benefit of the industry to enjoy the contribution of those who do.

3.28 The diversity of scale within the cattle production sector brought to light the importance of collective cattle transaction levy investments which provide for long-term strategic industry planning to give Australian beef the competitive advantage it needs in global markets.²⁹

Return at the farm gate and the costs of production

3.29 Evidence provided to the committee from producers across the country indicated that, in addition to the margin of return at the farm gate remaining stagnant over time, the percentage of return to the producer in the value chain has remained relatively low. According to recent research conducted by Bush AgriBusiness Pty Ltd,

24 Mr J.B. Carpenter, *Submission 5*, p. [3]

25 Mr Bradley Bellinger, Australian Beef Association, *Committee Hansard*, 7 March 2014, p. 52.

26 Mr Peter Hall, Cattle Council of Australia, *Committee Hansard*, 7 March 2014, p. 43.

27 Mr Brad Bellinger, Australian Beef Association, *Committee Hansard*, 20 June 2014, p. 17.

28 Meat and Livestock Australia, *Submission 154*, p. 15.

29 Beef Marketing Fund Committee 2009 cited in Meat and Livestock Australia, *Submission 154*, p. 19.

Queensland cattle prices have declined by 40 per cent in real terms since 2001.³⁰ The recent Northern beef report found that the majority of northern beef producers are 'not generating sufficient profits to fund current and future liabilities'. The report noted that the situation over the last three years was on average similar to the performance over the previous 12 years.³¹

3.30 A substantial number of cattle producers emphasised the point that the price that they receive for their cattle, in light of the costs of production, have placed the cattle industry in crisis.³² According to ABA, while cattle prices have declined by 30 per cent over the past decade, producer costs have risen by at least 30 per cent. Producers now receive about 30 per cent of the consumer dollar spent on beef (compared to 50 per cent for US farmers and 40 per cent for New Zealand farmers).³³ Put another way, for every \$10 spent by a consumer in Australia, the producer gets back \$3, while in the US, the producer receives \$5.³⁴

3.31 According to Keough Cattle Company, grass-fed cattle prices have declined every year by approximately 40 per cent from 1998 to January 2014.³⁵ Mrs Lasca Greenhill argued that MLA has spent \$1.6 million in levies on initiatives like advertising campaigns, which have benefited the supermarkets and multinationals, while domestic beef consumption continues to fall, and cattle prices are the same as 30 years ago.³⁶ Mrs Greenhill's observations, and the views of Keough Cattle

30 Bush AgriBusiness Pty Ltd cited in Ms Dixie Nott, *Submission 92*, p. [3]

31 Meat and Livestock Australia, *The Northern beef report: Northern 2013 situation analysis*, April 2014, p. 66.

32 Mr J. Ashley McKay, *Submission 99*, p. 1.

33 Mr Athol Economou, Australian Beef Association, *Committee Hansard*, 7 March 2014, p. 49; Australian Beef Association, *Submission 164*, p. 5.

34 Australian Beef Association, *Submission 164*, p. 5.

35 Keough Cattle Company, *Submission 124*, p. 2.

36 Mrs Lasca Greenhill, *Submission 104*.

Company, captured the sentiment of many producers who gave evidence to the inquiry.³⁷

3.32 Mr Joe Moore observed that producers were getting \$1 per kilogram in 1978 and that while cattle numbers have remained steady since then (at around 28 million), cattle was sold all over Queensland in 2013 at well under \$1 per kilogram.³⁸

3.33 Producer Mr David Gregory made the point that across major international beef producing nations, Australian beef producers receive among the lowest farm gate prices for their product. He argued that Australian farm gate prices are similar to some South American beef producing nations which generally have a lower quality product.³⁹

3.34 Estimates suggest that the cattle producers' share of the average retail price for beef in Australia is approximately 26.5 per cent.⁴⁰ By way of comparison, cattle producers' share of the average retail price in the US was 49.4 per cent over 2010–12.⁴¹ ABA held that the low return to the producer suggests that every dollar spent on the cattle transaction levy is delivering less than a third its value to the producer.⁴²

3.35 It was highlighted in evidence that in Australia, competition is disproportionately in favour of the beef sector rather than cattle sector.⁴³ The point was made that once a beast is sold by a primary producer, its purchase price rises dramatically. Producer Mrs Dale Knuth explained:

We breed, feed and keep healthy these cattle from anywhere from two to four years before they are marketed and within a short space of time their

37 Mr Don, Ms Cathy and Mr Scott Bates, *Submission 12*; Mr Mike Kena, *Submission 16*; Mr Christopher Walton, *Submission 27*, p. [1]; Mr Mark Lucas, *Submission 91*; Ms Rachel Weston, *Submission 94*; Mr Chris Kirk, *Submission 96*; Mr J. Ashley McKay, *Submission 99*, p. 2; Mr Tom and Ms Robyn Aisbett, *Submission 100*; Mr Peter Mahony, *Submission 101*; Food Producers Landowners Action Group Australia Inc, *Submission 103*, p. [2]; Mr David Corr, *Submission 105*; Mr Viv and Ms Caralyn Caspani, *Submission 106*, p. [1]; Mr Ken Cameron and Mr Richard Belfield, *Submission 109*; Ms Tracey and Mr Alan Hewitt, *Submission 111*; Ms Aneeta Hafemeister, *Submission 113*, p. [1]; Mr Barry and Ms Marella Green, *Submission 118*; Ms Lorraine Rhodes-Roberts and Mr Des Roberts, *Submission 122*; Mr Richard Phillips, *Submission 125*; Mr Ernie and Ms Kylie Camp, *Submission 129*, p. [3]; Yammatee Family Trust, *Submission 133*; Councillor Maggie Creedy, *Submission 135*; Ms Marion Jarratt, *Submission 137*; Mr Alex Munro, *Submission 140*, p. [1]; Mr Sergio Beani, *Submission 146*; Mr Darryl and Ms Karen Smith, *Submission 147*; Mr Jim O'Neill, *Submission 148*; Mrs Dale Knuth, *Submission 152*; Mr Gary and Ms Melina Ryan, *Submission 158*; Dr Brian Creedy, Richmond River Beef Producers Association, *Committee Hansard*, 7 March 2014, p. 60.

38 Mr Joe Moore, *Submission 18*, p. [1].

39 Mr David Gregory, *Submission 150*, p. 3.

40 Mr J.B. Carpenter, *Submission 5*, p. [3]. ABA noted that it was between 25 and 30 per cent. Mr David Byard, Australian Beef Association, *Committee Hansard*, 7 March 2014, p. 57.

41 Mr J.B. Carpenter, *Submission 5*, p. [4].

42 Mr David Byard, Australian Beef Association, *Committee Hansard*, 7 March 2014, p. 57.

43 Mr J.B. Carpenter, *Submission 5*, p. [3].

purchase price goes from approximately \$1.60/80 (if you strike a good sale) to the very high amount we see on the meat in the retailers displays in Australia.⁴⁴

3.36 The majority of grass-fed cattle producers who provided evidence to the inquiry emphasised the difficult financial situation that they currently face. Mr Peter and Ms Catherine White posed the question of how it was possible to stay viable in the industry when running costs have doubled in the last ten years while cattle prices have halved.⁴⁵ Mr Rob Atkinson noted that while farm-gate returns in Australia have been poor over the past decade, they have been woeful for the last two years despite the fact that the world beef price has been very strong and most recently, at record levels.⁴⁶ Ms Jacqueline Curley noted that 2013 racked up both the highest meat export figures and some of the lowest producer returns.⁴⁷

Domestic consumption of beef

3.37 According to the Keough Cattle Company, beef consumption has declined by 1.4 per cent annually for the past 13 years.⁴⁸ At 41.3 kg per person in 1997, domestic consumption of beef on a per capita basis fell to 32.8 kg per person in 2012–13.⁴⁹

3.38 It was argued that the investment of \$210 million in Meat Standards Australia (MSA) has not halted the decline in domestic consumption.⁵⁰ Producers asked where this money was going, and why they were not seeing improvements in farm-gate prices as a flow on effect of MLA's marketing and R&D investments.⁵¹

3.39 CCA argued that the decline in domestic consumption in Australia was a trend consistent with the rest of the developing world.⁵² One of the reasons for this trend is that the Australian domestic market encompasses an ageing population and people who have migrated from countries with low red meat consumption rates. For these reasons, CCA argued that the growth and opportunity to increase the value of the Australian beef industry is in the international market.⁵³

44 Mrs Dale Knuth, *Submission 152*.

45 Mr Peter and Ms Catherine White, *Submission 33*. This evidence was supported by Mr Rod Barrett, *Submission 45*, p. [1].

46 Mr Rob Atkinson, *Submission 35*.

47 Ms Jacqueline Curley, *Submission 42*, p. [1].

48 Keough Cattle Company, *Submission 124*, p. 3.

49 Mr J. Ashley McKay, *Submission 99*, p. 1.

50 Mr J. Ashley McKay, *Submission 99*, p. 2.

51 Mr Ian and Ms Nina Batt, *Submission 141*.

52 Mr Andrew Ogilvie, Cattle Council of Australia, *Committee Hansard*, 20 June 2014, p. 37.

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

3.40 MLA confirmed that domestic beef consumption amounted to 32.5 kg per person in 2012–13.⁵⁴ However, it argued that the total value of the domestic market – which remains the largest single global market for Australian beef – has been relatively stable in recent years, with approximately \$6.6 billion in annual retail sales.⁵⁵

3.41 MLA's domestic marketing initiatives are aimed at maintaining strong consumer perceptions and preference for beef and to promote the nutritional value of beef. Most of the MLA marketing spend in the domestic market is focused on generic advertising.⁵⁶ During 2012–13, MLA invested \$10.2 million in beef domestic marketing, including \$9.2 million in producer levy funds and \$1 million in processor contributions.⁵⁷

3.42 MLA noted that the domestic market had been sluggish for the past five years commencing with the tightening of household spending in 2007 resulting from rises in other household costs and the impact on consumer confidence of the global financial crisis from the second half of 2008. According to MLA's 2012–13 annual report, the volume of beef consumed domestically had increased to 743,750 tonnes (cents per kilogram carcass weight or cwt) from 705,630 tonnes cwt in 2011–12 and 742,230 tonnes cwt in 2010–11.⁵⁸

3.43 Evidence to the committee in relation to MLA domestic marketing highlighted the disparate views of MLA compared to those of producers. The fundamental challenge for producers is that of increasing returns at the farm gate. The view of many producers who gave evidence to the committee was that the focus of levy investment had shifted away from achieving this outcome and the profitability of levy payers more generally.⁵⁹ These matters are considered in the next chapter of this report.

Export sale of beef and opening and expanding markets

3.44 MLA noted that while domestic consumers still make up Australia's single largest market, more than two-thirds of all beef production is exported to approximately 100 countries. However, maintaining international competitiveness is a critical challenge.⁶⁰ MLA argued that despite a high Australian dollar and global

54 Meat and Livestock Australia, Australia's beef industry, <http://www.mla.com.au/Cattle-sheep-and-goat-industries/Industry-overview/Cattle> (accessed 29 July 2014).

55 Meat and Livestock Australia, *Submission 154*, pp 6 and 26. Domestic expenditure on beef in 2010–11 was \$6.7 billion. Meat and Livestock Australia, *Annual Report 2010–11*, p. 12.

56 Dr Peter Barnard, Meat and Livestock Australia, *Committee Hansard*, 7 March 2014, p. 33.

57 Meat and Livestock Australia, *Annual Report 2012–13*, p. 21. However, Dr Allan informed the committee that MLA invested only \$5 million on all marketing in Australia per year. Dr Michele Allan, Meat and Livestock Australia, *Committee Hansard*, 20 June 2014, p. 50.

58 Meat and Livestock Australia, *Annual Report 2011–12*, p. 9; *Annual Report 2010–11*, p. 2.

59 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, p. 38.

60 Meat and Livestock Australia, *Submission 154*, p. 6.

economic challenges in major developed economies, international demand for Australian beef has grown significantly in recent years, with total beef export values of \$5.1 billion in 2012–13.⁶¹ Over the past ten years, Australia's beef exports have grown from 840,000 tonnes to 1.1 million tonnes.⁶²

3.45 MLA also explained that Australia is a relatively high cost beef producer. Input costs (including labour) as well as off-farm costs in processing and transport remain significantly higher than those of other exporting nations including Brazil, the United States (US) and India.⁶³ Mr Geoff Pearson, Meat Council Representative, Western Australian Farmers Federation (WAFF) detailed the slaughtering and processing costs per animal in Indonesia, America, Brazil and Australia:

The cost...in Indonesia for a kill and bone is \$5 to \$8. The cost of production in Australia for a process and bone is around \$180. In America it would be more like about \$80. In Brazil it would be more like about \$40 to \$50.⁶⁴

3.46 MLA explained that sustaining growth in sales in overseas markets requires differentiating Australian beef amongst consumers and retailers as a high quality, safe and delicious product and, just as importantly, maintaining trade access to Australia's main overseas customers.⁶⁵ WAFF's Mr Pearson explained that as the WA market was heavily domestically driven, overseas markets were fundamental to sustainability in WA and would provide producers with choices beyond the two multinationals.⁶⁶

3.47 The question that arose in this context is the extent to which the expansion of markets will actually provide a greater return for the producer at the farm gate. Mr Stephen Kelly, Chairman of AMPC, argued that market access was one of the most critical aspects of generating returns back to the producer sector. He stated that the more markets 'we can sell into, the greater the chance we can extract the best return'.⁶⁷

3.48 However, many producers disagreed. Mr Sergio Beani noted that 2013 was a record year for beef exports from Australia. He argued that new markets in China and Russia, along with the free trade agreements with Korea, will increase the profits of processors and exporters. However, there is currently no mechanism to ensure that any further expansion (and therefore profits) will be passed on to the producer.⁶⁸

61 Meat and Livestock Australia, *Submission 154*, p. 6.

62 Dr Michele Allan, Meat and Livestock Australia, *Committee Hansard*, 7 March 2014, p. 22.

63 Meat and Livestock Australia, *Submission 154*, p. 19.

64 Mr Geoff Pearson, Western Australian Farmers Federation, *Committee Hansard*, 6 May 2014, p. 5.

65 Meat and Livestock Australia, *Submission 154*, p. 19.

66 Mr Geoff Pearson, WA Farmers Federation, *Committee Hansard*, 6 May 2014, p. 3.

67 Mr Stephen Kelly, Australian Meat Processor Corporation, *Committee Hansard*, 7 March 2014, p. 15.

68 Mr Sergio Beani, *Submission 146*.

Concerns with the current structure and levy system

3.49 The significant structural changes that have occurred in the industry since the 1997–98 reforms brought into question the effectiveness of the current levy system in meeting the collective needs of the cattle industry. It was noted in evidence that the lack of competition brought about by the concentration and consolidation of industry sectors were not issues of concern when the levy system and respective structures came into effect, but that this had changed over time.⁶⁹

3.50 Vertical integration is one such significant change which the current system does not take account of. The concentration of retailers and processors is contrasted by the diverse and disparate nature of the producer sector which is characterised by declining numbers and disproportionately low returns at the farm gate.

3.51 Many producers made the point that they were led to believe that by paying the CTL they could reasonably expect some return on their investment in the future. Yet, as detailed in this chapter, since the compulsory levy was increased to \$5 per head, farm gate prices have remained stagnant or have dropped.⁷⁰

3.52 Mr Rod Dunbar argued that low cattle prices are the result, not of market failure, but rather system failure. He argued that the regulation and control regime (which is enforced by a system dominated by the processor sector) is destroying the grass-fed cattle industry.⁷¹ Noting that processors contribute six per cent of MLA's revenue, together with 50 per cent of the processor industry levy, ABA argued that under the current structure, processors and retailers benefit the most from MLA marketing and research but don't contribute to MLA's upkeep.⁷²

3.53 The committee received considerable evidence about the low return to cattle producers, the need to achieve a fairer return in the value chain and the extent to which movements in farm-gate prices are set by supply and demand in competitive markets. Underlying these concerns rests the issue of whether the levy systems and industry structures in place, have actually caused the distortion in relation to the return to producers, or have reinforced it.

3.54 Pastoralists and Graziers Association of Western Australia (PGA) explained that while there is a diversity of views regarding the CTL, the root cause of the dissonance is the ongoing reduction in industry profitability. Indeed, some submitters argued that the measure of whether MLA research and marketing had yielded commercial benefit to cattle producers was whether domestic consumption had

69 Mr J. Ashley McKay, *Submission 99*, p. 5.

70 Mr Wayne and Ms Sandra Birchmore, *Submission 7*; Mr Michael and Ms Maureen Borello, *Submission 26*, p. [2]; Mr David Conachan, *Submission 127*; Mr Ryan and Ms Tracey Hacon, *Submission 20*, p. [1]; Mr Damien Jensen, *Submission 22*.

71 Mr Rod Dunbar, *Submission 107*, p. 1.

72 Mrs Linda Hewitt, Australian Beef Association, *Committee Hansard*, 20 June 2014, p. 13.

increased along with returns at the farm gate.⁷³ PGA confirmed that input costs have gradually risen over the last 30 years, leading to an erosion of profit margins for those who do not adopt new technology and adapt to changing market conditions. It argued that given such circumstances, there is little wonder that some producers are seeking to further reduce input costs by reviewing beef levies.⁷⁴

3.55 MLA raised the point that the additional \$1.50 levy for marketing introduced in 2009, resulted in an increase in cattle prices by 1.8 per cent.⁷⁵ However, a number of submitters argued that since 1998, producers have provided more than \$1 billion to MLA in levy revenue, while returns to producers continue to decline. Yet, MLA emphasised that it has no control over farm-gate prices. While MLA's marketing and R&D programs are 'designed to deliver strong returns back to the farm gate', MLA Chair, Dr Michele Allan explained that:

Through our R&D we can affect the cost on farm, the productivity of animals and the pastures. What we cannot control is the kill numbers...last year was the biggest kill of beef cattle in this country since 1975. If all those animals are lined up at the processor door, the processor can call the price. That is supply and demand.⁷⁶

3.56 The disparate views put to the committee were representative of the growing division between MLA as service provider and producers brought about by a lack of producer engagement in relation to marketing as well as more generally in relation to levy investment decisions. A 2010 review of MLA recommended that it consider revising its approach to planning domestic marketing activities. Suggestions included longer term marketing plans for each species, an examination of how stakeholders are involved in the planning process and opportunities to streamline annual planning activities.⁷⁷

3.57 Evidence to the committee also highlighted the inflexibility of the CTL which stands at a set rate of \$5 regardless of the sale price of a beast. For example, it was pointed out that the \$5 levy amounted to 25 per cent of what some producers have received for their cattle.⁷⁸ A number of submitters argued that they could see no visible return for the levy cost to grass-fed cattle producers and voiced frustration that during periods of difficulty (such as drought when cattle is transacted at below production costs), it still attracts the \$5 CTL.⁷⁹ As an alternative, some submitters

73 Mr J.B. Carpenter, *Submission 5*, p. [6]; Richmond River Beef Producers Association, *Submission 9*, p. [3]; Mr Mike Kena, *Submission 16*; Mr G Schmidt, *Submission 19*; Mrs Lasca Greenhill, *Submission 104*.

74 Pastoralists and Graziers Association of WA, *Submission 112*.

75 Dr Peter Barnard, Meat and Livestock Australia, *Committee Hansard*, 7 March 2014, p. 34.

76 Dr Michele Allan, Meat and Livestock Australia, *Committee Hansard*, 20 June 2014, p. 59.

77 Archer Consulting, *Meat and Livestock Australia 3 Year Review of Performance—Final Report*, June 2010, p. 16.

78 Mr Alex Munro, *Submission 140*, p. [3].

79 Keough Cattle Company, *Submission 124*, p. 3; Mrs Dale Knuth, *Submission 152*.

argued that the levy rate should be a percentage of the value of the beast at the point of sale with a minimum price set for each beast.⁸⁰ A rate of 0.05 per cent of the gross price – which would be \$5 for every \$1000 – was suggested as one such option.⁸¹ Victorian Farmers Federation (VFF) argued that an investigation should be considered into a more dynamic fee structure which could be based on a percentage of the animal value, similar to the current sheep and lamb levy structure.⁸²

3.58 MLA noted that the drought that affected most cattle production areas had forced many producers to sell in an overstocked marketplace, which had resulted in the highest turnoff of cattle since 1998. MLA stated that, for these reasons, the current conditions are difficult for producers. However, the fundamentals of the industry were strong.⁸³ It emphasised that prices are determined by the relative forces of supply and demand.⁸⁴ Yet, it also acknowledged that the producer's share of the retail dollar – of 25 to 30 per cent – was low, and considerably less than in the US.⁸⁵

3.59 The changing industry dynamics detailed in this chapter have placed pressures on its institutional arrangements and the structures upon which the levy system is based. Such changes have brought to the fore questions regarding the imposition, objective and use of the CTL and the efficacy of the organisations and bodies responsible to invest levy funds on behalf of producers and represent their collective needs both now and into the future. The extent to which decision-making processes within MLA and its voting structure have resulted in levy payers becoming disconnected from levy investment decisions is the subject of the following chapter.

80 Mr James Ramsay, *Submission 8*; Mr Peter and Ms Catherine White, *Submission 33*; Ms Jacqueline Curley, *Submission 42*; Mr Gib and Ms Sue Muller, *Submission 128*.

81 Mr Ernest and Mrs Kylie Camp, *Committee Hansard*, 7 May 2014, p. 28.

82 Victorian Farmers Federation, *Submission 121*, p. [2].

83 Dr Michele Allan, Meat and Livestock Australia, *Committee Hansard*, 7 March 2014, p. 22.

84 Dr Michele Allan, Meat and Livestock Australia, *Committee Hansard*, 7 March 2014, p. 22.

85 Dr Peter Barnard, Meat and Livestock Australia, *Committee Hansard*, 7 March 2014, p. 32.

Chapter 4

Payer influence over quantum and investment of the levy

4.1 Evidence to the committee focused on a number of key problems with the current levy structures, many of which are closely interrelated, including:

- the strongly held view of many grass-fed cattle producer levy payers that they are disenfranchised under the current system, which doesn't represent them or serve their interests;
- a dysfunctional divide between peak council policy settings and service provider policy delivery which has contributed to transparency and accountability concerns in relation to levy collection and investment;
- the fact that MLA operates as both fund holder and funding provider for producers while also being required to provide services to both live exporters and meat processors;
- the impact of CCA's shrinking resources and falling membership coupled with its inability to obtain adequate funding to carry out its mandate under the MOU and effectively represent the grass-fed cattle sector; and
- misunderstanding and lack of clarity about the current organisational structures, including roles and responsibilities, as well as confusion about which bodies represent the cattle industry.

4.2 This chapter considers the problems which have contributed to a disconnection between levy payer producers and the bodies that are supposed to represent them. In light of these flaws, evidence to the committee suggested that the current levy structures and systems fail to meet the current collective representational needs of the grass-fed cattle sector. This chapter considers these issues from the viewpoint of levy payers and focuses on the MLA voting system as one of two primary mechanisms available to them to influence the quantum and investment of the levy. Chapter 5 addresses sectoral representation as the second primary mechanism.

Grass-fed cattle producer contribution to the CTL

4.3 The grass-fed cattle sector generates the greatest proportion of levies to MLA.¹ Of MLA's total revenue of \$162 million in 2012–13, the grass-fed cattle sector's contribution of 33 per cent was by far the largest.

1 Mr David Pietsch, Meat and Livestock Australia, *Committee Hansard*, 7 March 2014, p. 24.

Diagram 4.1: Levy contribution of MLA revenue 2012–13²

Sector	Contribution amount	Percentage of total revenue
Grass-fed cattle	\$54 million	33%
Lamb and sheep	\$31 million	19%
Processors	\$9.4 million	5.8%
Grain-fed cattle	\$7.8 million	4.8%
Goat	\$0.8 million	0.5%

Diagram 4.2: MLA grass-fed cattle levy income and membership

Year	MA levies income	Grass-fed cattle levy portion of total levies income (as % of total levies income)	MLA membership	Grass-fed cattle producer members (as % of MLA membership)
2008–09 ³	\$98.1 m	\$59.5 m (60%)	46,156	39,062 (84.6%)
2010–11 ⁴	\$96.1 m	\$56.2 m (58%)	47,556	40,450 (85%)
2012–13 ⁵	\$93.8 m	\$54.2 m (57%)	48,608	41,334 (85%)

4.4 While grass-fed cattle producers pay the largest proportion of the levies, many who gave evidence to the inquiry held the view that they have little influence over how the levy funds are spent.⁶

2 Dr Peter Barnard, Meat and Livestock Australia, *Committee Hansard*, 7 March 2014, pp 30–31. These contributions together with the government contribution of \$39 million, \$9 million in private investment and \$10.07 million 'others' make up the outstanding amount.

3 Meat and Livestock Australia, *Annual Report 2008–09*, p.12, <http://www.mla.com.au/CustomControls/PaymentGateway/ViewFile.aspx?DzPGHp5ainem5G12zOhGHBZ7A7TxZzRZWqW1hM2uU5vtaknVw60N7Uhl2fUA8HEi3EYMKKAfsh7d1Tnt3BqiA> (accessed 22 May 2014).

4 Meat and Livestock Australia, *Annual Report 2010–11*, p. 31, <http://www.beefcentral.com/u/lib/cms/mla296-mla-ar-2011-lr-v2.pdf> (accessed 22 May 2014).

5 During this period, producer levies made up 58 per cent of the MLA's total revenue for 2012–12 of which the \$54.2 million revenue from the grass-fed cattle levy comprised the substantial bulk. Meat and Livestock Australia, *Annual Report 2012–13*, p. 8, <http://www.mla.com.au/About-MLA/Planning-and-reporting/Annual-reporting/Annual-report-2012-13> (accessed 22 May 2014).

6 Richmond River Beef Producers Association, *Submission 9*, p. [2]; Mr Ernie and Ms Kylie Camp, *Submission 129*, p. [2].

4.5 A primary mechanism for levy payers to engage in decisions about levy fund investment is through MLA membership and participation at the MLA AGMs. However, estimates suggest that only about one-third of levy payers become MLA members, and of those, only about one-fifth vote at MLA AGMs.⁷ The reasons given in evidence for the declining engagement of levy payers included the MLA voting structure, board composition and election process as well as the capacity of CCA to serve as the sector's PIC. It is to these matters that the committee now turns.

MLA membership

4.6 While payment of the levy is compulsory, levy payers must register to become members of MLA. All levy paying cattle producers, lot feeders, sheep producers and goat producers are eligible to apply for and receive MLA membership.

4.7 Evidence to the committee revealed that only one-third of levy payers secure MLA membership.⁸ It was suggested that many small producers do not apply for membership because they feel that they have no voice or voting power within the current voting system.

4.8 Some producers argued that payment of the levy should entitle them to automatic membership.⁹ However, MLA informed the committee that automatic membership for levy payers was not possible because 'imposing membership obligations without consent upon producers is not allowed under corporations law'.¹⁰

MLA voting structure

4.9 While MLA highlighted that its membership has consistently grown over a decade – from 30,011 in June 2004 to 48,608 in June 2013 – evidence to the committee revealed that the number of members who have sought their full voting entitlements has remained consistently low, while the level of membership participation in MLA's AGM is even lower.¹¹

Diagram 4.3: Membership participation at MLA AGMs 2007–2009¹²

Membership participation in AGMs	2007	2008	2009
% MLA members registered for voting entitlements	23.8%	23.6%	21.5%
Estimated % production covered by votes cast	18%	19%	20%

7 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, p. 19.

8 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, p. 19.

9 Ms Dixie Nott, *Submission 92*, p. [4]; Mr Doug O'Neill and Ms Zoe O'Neill, *Submission 95*.

10 Meat and Livestock Australia, *Submission 154*, p. 43.

11 Meat and Livestock Australia, *Submission 154*, p. 9.

12 Estimate provided by MLA. Archer Consulting, *Meat and Livestock Australia 3 Year Review of Performance—Final Report*, June 2010, p. 38.

4.10 MLA does not, as a matter of course, release official figures on the number of levy payers who register for their full entitlement to vote. However, of the figures publicly available, they reveal consistently low registration rates. In 2005, there were 39,086 MLA members, of whom 8,838 members (or 22 per cent) registered for full voting entitlements.¹³ That year, an increase in the levy from \$3.50 to \$5 was supported by 57.8 per cent of AGM voters.¹⁴

4.11 In 2009, of 46,785 levy payers, 10,091 secured their full vote entitlement while only 5,058 cattle producer members cast their vote to maintain the levy at \$5. The 5,085 cattle producers represented 12.5 per cent of MLA members and 25 percent of Australian cattle production.¹⁵

4.12 At the 2013 AGM, MLA confirmed that only 8,963 of 48,575 members registered for their full voting entitlement while only 3,282 levy payers actually voted.¹⁶ Those who voted at the 2013 AGM represented 6.7 per cent of MLA members and less than 2 per cent of levy payers.¹⁷ By way of comparison, Australian Wool Innovation (AWI) which provides automatic voting entitlements for its members, achieved 36 per cent voter representation.¹⁸

4.13 These figures are important, as a key mechanism for levy payers to influence the MLA constitution, levy quantum and investment decisions, is through special resolutions for voter consideration at the MLA AGM. Amending the MLA constitution requires a special resolution, which is defined in section 9 of the Corporations Act as one that is passed by at least 75 per cent of the votes cast by members entitled to vote on the resolution.¹⁹

Disconnection between membership and voting rights

4.14 Upon receipt of membership, levy payers are entitled to vote at the MLA AGM.²⁰ However, applying for full voting entitlements is a separate action.²¹ Some levy payers argued that while payment of the levies is compulsory, the fact that such payment does not automatically entitle them to their (full) vote is undemocratic and

13 Meat and Livestock Australia, *Annual Report 2005–06*, pp 3 & 45.

14 Meat and Livestock Australia, *Submission 154*, p. 24.

15 Beef Levy Review 2009 Report to the Minister, CCA, ALFA, BMFC and MLA, p. 3, www.mla.com.au/files/f29cf47c.../BLRfinalreportfortheminister (accessed 22 May 2014).

16 Mr Brad Bellinger, Australian Beef Association, *Committee Hansard*, 20 June 2014, p. 21; Dr Michele Allen, Meat and Livestock Australia, *Committee Hansard*, 20 June 2014, p. 44.

17 Meat and Livestock Australia, Answer to question on notice at 20 June 2014 hearing; Mr Brad Bellinger, Australian Beef Association, *Committee Hansard*, 20 June 2014, p. 23.

18 Mr Brad Bellinger, Australian Beef Association, *Committee Hansard*, 20 June 2014, p. 23.

19 *The Agriculture, Fisheries and Forestry (2007 Measures No 1) Act 2007* removes the term 'memorandum and articles of association' in section 61(2)(b) and substitutes 'constitution' to reflect the term used in the *Corporations Act 2001*.

20 Meat and Livestock Australia, *Submission 154*, p. 8.

21 Mr Colin and Ms Jocelyn Gordon, *Submission 23*.

amounts to 'taxation without representation'.²² Mr Derek Schoen, Cattle Committee Chair, NSW Farmers' Association, suggested that the need to separately register for voting entitlements every year had contributed to producer disengagement from the MLA voting system.²³

4.15 Members' full voting entitlements for the purposes of the MLA AGM are determined according to the amount of their levy contribution during the financial year immediately prior to the AGM.²⁴ As a first step in allocating voting entitlements, MLA sends out a levies notice to producers each year requesting details of the amount of levies paid over the previous financial year.²⁵ As voting entitlements are allocated on submission of the levies notice, producer members who do not return a levy notice are entitled to a single vote. The MLA voting structure is based, therefore, on the dollars paid as levies by the producer.²⁶ Individuals or companies have to declare the amount of cattle sold each year to MLA to claim their full vote. The scale of voting allocations is described in the next section in this chapter.

4.16 In 2005 an external review of MLA membership conducted by McGrath Nicol Corporate Advisory recommended the development of a new system to automate the issuing of voting entitlements. It also recommended the establishment of an independent audit of MLA's member register and vote allocation.²⁷ However, the costs involved in establishing and maintaining an automatic voting entitlement system were considered prohibitive. The total amount for an automated system was estimated at 3.8 per cent of the levies collected in 2005–06 or approximately 2.5 times more than established levy collection costs.²⁸ As MLA would have had to divert these funds from R&D and marketing programs, the decision was made by the board (with PIC agreement) to retain the voluntary levies notice system.²⁹

22 Mr Colin and Ms Jocelyn Gordon, *Submission 23*; Ms Jacqueline Curley, *Submission 42*, p. [3]; Mr John Carter, *Submission 93*, p. [1]; Mrs Kylie Camp, *Committee Hansard*, 7 May 2014, p. 32.

23 Mr Derek Schoen, NSW Farmers' Association, *Committee Hansard*, 10 June 2014, p. 14.

24 Meat and Livestock Australia, *Submission 154*, p. 44.

25 Mr David Pietsch, Meat and Livestock Australia, *Committee Hansard*, 7 March 2014, p. 28.

26 Mr David Pietsch, Meat and Livestock Australia, *Committee Hansard*, 7 March 2014, p. 24.

27 Meat and Livestock Australia, *Submission 154*, p. 46; Archer Consulting, *Meat and Livestock Australia 3 Year Review of Performance—Final Report*, June 2010, p. 36.

28 Meat and Livestock Australia, *Submission 154*, p. 46; Archer Consulting, *Meat and Livestock Australia 3 Year Review of Performance—Final Report*, June 2010, p. 37.

29 Archer Consulting, *Meat and Livestock Australia 3 Year Review of Performance—Final Report*, June 2010, p. 37.

4.17 In 2007 an industry committee was established to re-assess the cost-benefit implications of establishing automatic voting entitlements.³⁰ Of the industry committee's findings, MLA noted that such a system was:

Seen as an unnecessary cost burden on levies received, with no guarantee of greater involvement of levy payers. Therefore it was concluded and supported by peak councils and industry bodies that resources would be better spent on marketing and R&D programs, however this may be revisited in the future.³¹

4.18 Noting substantial technological advances since 2007, a number of submitters suggested various means by which an automated system could be established. Mr Edgar Burnett suggested the introduction of a levy collection and voting system based on existing Property Identification Codes (PI codes). The PI code system is already in place and the number of cattle sold off each PI code is determined from the National Vendor Declaration system.³² Similarly, ABA argued that, as cattle in Australia cannot be sold without a PI code, the levy collection system could easily be linked to it.³³

4.19 However, CCA raised concern with PI codes as the preferred levy collection method on the grounds that the PI code databases are managed by state and territory governments. Regulations regarding the management and use of the databases, including privacy restrictions, differ from one state to another.³⁴ As an alternative, United Stockowners of Australia (USA) recommended the establishment of a National Livestock Producer Register mirrored on the National Grower Register which serves as a centralised, national registration system to provide grain growers with access to multiple grain handlers and marketers across the country using a single delivery card.³⁵

Vote allocation

4.20 If a vote at the AGM is decided on a show of hands, every producer present (or proxy) at the AGM has one vote. If a vote is to be decided on a poll, full voting entitlements apply in accordance with the following scale:

30 The committee comprised MLA, AMIC, Australian Livestock and Property Agents Association, ALFA, SCA, CCA and GICA. Meat and Livestock Australia, *Submission 154*, p. 46.

31 Meat and Livestock Australia, *Submission 154*, p. 46.

32 Mr Edgar Burnett, *Submission 108*, p. [3].

33 Mrs Linda Hewitt, Australian Beef Association, *Committee Hansard*, 20 June 2014, p. 14.

34 Cattle Council of Australia, Answer to question on notice taken at 20 June 2014 hearing.

35 United Stockowners of Australia, *A Model for the Restructure of the Grass Fed Cattle production sector and for the facilitation and Introduction of a Trading Entity Identification scheme or device*, June 2012, http://unitedstockowners.com.au/wp-content/uploads/2014/02/Proposed-Restructure.USA_.17.02.2014.pdf (accessed 15 July 2014). National Grower Register, <http://www.ngr.com.au/Site/index.php/about/faq/> (accessed 15 July 2014).

Diagram 4.4: Levy contribution and full voting entitlement³⁶

Levies paid	Voting entitlement
\$0 to \$29,088	One vote for each \$1 paid
\$29,089 to \$87,263	29,088 votes plus 0.75 votes for each \$1 paid in excess of \$29,088
\$87,264 or more	72,719 votes plus 0.5 votes for each \$1 paid in excess of \$87,263

4.21 The committee heard that the current system for allocating voting entitlements was not democratic because it allowed the biggest levy payers to dominate smaller levy payers and thereby control the direction and decisions of MLA.³⁷ The committee noted newspaper report on the 2008 MLA AGM revealed that a cattle farmer with an average 350 head of cattle had less than 1600 votes compared to the Australian Agricultural Company with 555,533 votes and JBS with 504,045 votes. It was noted that at the AGM, the top 50 levy payers could out-vote the rest of the industry.³⁸

4.22 Many other submitters argued that the 'undemocratic' voting system had contributed to the disenfranchisement of grass-fed cattle producers.³⁹ Mr David Gregory expressed the view that while smaller cattle producers make up the vast bulk of beef industry businesses, they have little or no say in MLA's direction or priorities and therefore take little or no interest.⁴⁰ Former CCA chair, Mr Greg Brown argued that if CCA, as the sector PIC, is to deliver on the expectations of levy payers, the grass-fed cattle sector should have voting influence commensurate with the proportion of levies contributed rather than have to share the vote with the grain-fed cattle sector and sheepmeat industry.⁴¹

4.23 However, some witnesses supported the current vote allocation system including AgForce Queensland, which argued that the level of representation should be proportionate to the amount of levies paid. Agforce's Ms Smith contended that 'if

36 Meat and Livestock Australia, *Submission 154*, p. 44.

37 Mr Peter Joliffe, *Submission 153*; Mr Vince Ptolemy, *Submission 14*, p. 3; Mr Sergio Beani, *Submission 146*; Mr B.A. and D.E. Miller, *Submission 25*, p. [1]; Mr Michael and Ms Maureen Borello, *Submission 26*, p. [2]; Richmond River Beef Producers Association, *Submission 9*, p.[1]; Mr Ryan and Ms Tracey Hacon, *Submission 20*, p. [1]; Mr Mal and Ms Anne Peters, *Submission 181*; Ms Rachel Weston, *Submission 94*, p. [1]; Mr Tom and Ms Robyn Aisbett, *Submission 100*; Mr Graeme Acton, *Submission 116*; Ms Thelma and Mr Brendan Seed, *Submission 149*.

38 Peter Weekes, 'Top dog ruling our beef industry', *Northern Star*, 30 March 2011 available as AMPG/CCP, *Submission 184*, Attachment 1.

39 Mr Damien Jensen, *Submission 22*; Mr Mike and Ms Maureen Borello, *Submission 26*.

40 Mr David Gregory, *Submission 150*, p. 4.

41 Mr Greg Brown, *Submission 123*, p. 2.

you pay 75 per cent of the levy, you should have 75 per cent of the say'.⁴² Likewise, MLA noted that grass-fed cattle producers who pay the most levies and then go on to secure their full voting entitlement will have the most say in matters that go before the AGM.⁴³

4.24 However, MLA's argument was put into perspective by Mrs Jo-Anne Bloomfield who made the point that under the voting system, smaller producers have little opportunity to influence voting outcomes. She explained that out-voting a mid-range levy payer who has 150,000 votes would require the joint efforts of 60 smaller levy payers (all of whom sell 500 cattle and receive 2500 votes in return) to match that one person or company.⁴⁴ This illustrates to the committee the large disparity between the voting entitlements of smaller producers in relation to larger ones. In this way, it can be argued that the current voting system magnifies the disparity between larger and smaller producers.

4.25 It was put to the committee that a viable alternative to the current system is that of the AMPC model whereby AMPC directors are directly elected by levy payers.⁴⁵ Under its two-tiered structure, the first tier provides for one vote, one value, and the second tier is a vote on the value of levies paid. For resolutions to be binding, they have to be passed by both tiers. According to AMPG/CCP, when the two-tiered or two-register voting system was not adopted in the MLA constitution, the ownership and accountability principles that underpinned the 1996 steering committee recommendations were lost.⁴⁶

4.26 The two-tiered system was supported by a number of producers and sector bodies on the basis that it enabled all parties' interests to be addressed.⁴⁷ Noting the need for a fair and inexpensive voting system that delivers equitable representation for grass-fed cattle producers, CCA voiced interest in a two-tiered model.⁴⁸ Mr J. Ashley McKay who advocated for this system noted its advantages:

It prevents the big boys dominating the little guys, and it also prevents the big guys being outvoted by the little blokes on things. There are totally competing differences between a bloke with 10,000 cattle and a bloke with

42 Mr Howard Smith, AgForce, *Committee Hansard*, 21 May 2014, p. 6.

43 Mr David Pietsch, Meat and Livestock Australia, *Committee Hansard*, 7 March 2014, p. 24.

44 Mrs Jo-Anne Bloomfield, *Committee Hansard*, 7 May 2014, pp 15–16.

45 Mr Norman Hunt, Concerned Cattle Producers; and Australian Meat Producers Group *Committee Hansard*, 10 June 2013, p. 27.

46 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, p. 19.

47 Mr J. Ashley McKay, *Submission 99*, p. 4; Mr Bradley Bellinger, Australian Beef Association, *Committee Hansard*, 7 March 2014, p. 53; Mr Jed Matz, Cattle Council of Australia, *Committee Hansard*, 20 June 2014, p. 28; Mr J. Ashley McKay, *Submission 99*, p. 4; Ms Joanne Rea, Property Rights Council, *Committee Hansard*, 21 May 2014, p. 13; Mrs Rachel Weston, *Committee Hansard*, 21 May 2014, p. 45; Mrs Kylie Camp, *Committee Hansard*, 7 May 2014, p. 29; Richmond River Beef Producers, *Submission 9*, p. 3.

48 Cattle Council of Australia, Answer to question on notice taken from 20 June 2014 hearing.

100 cattle, but they both have a right to be represented. They both need representation.⁴⁹

4.27 ABA argued in favour of a two-tiered system on the grounds that it would bring equilibrium between the small and large cattle producer in a sector populated by operators of varying size and scope. ABA Director, Mr Brad Bellinger clarified that for the election of directors to the board, the first tier (one vote per levy payer) should be applied, while matters including constitutional change would require the majority vote of both tiers.⁵⁰

Identification of CTL payers

4.28 Further concerns regarding the veracity of the voting entitlement structure stem from the fact that producers who actually pay the levy are not identified against their levy payments.⁵¹ USA noted that:

The majority of cattle transaction levies are collected from grass-fed livestock producers whose real identity and actual levy payments are not recordable by the time the levies collection unit receives the collected tax (levy). This levy money, now consolidated revenue, is transferred to recipient organisations, including Meat and Livestock Australia (MLA), Australian Lot Feeders Association (ALFA), etc, and is further distributed in relation to marketing and other functions.⁵²

4.29 Therefore, MLA does not receive information about what levies each producer has paid from the levies section of the department (formerly Levies Revenue Service) through collection agents. The department's levies unit uses an intermediary system which largely comprises stock agents (selling agents) and abattoirs (processors) to collect the levy. The levy is held in trust for one month and 28 days before transfer as a bulk payment to the levies collection unit.⁵³ The levy is payable by:

- (a) the buying agent, selling agent or first purchaser who buys or sells cattle or livestock in a month;
- (b) the processor who slaughters cattle or livestock or takes delivery of the cattle or livestock; or

49 Mr J. Ashley McKay, *Committee Hansard*, 21 May 2014, p. 63.

50 Mr Brad Bellinger, Australian Beef Association, *Committee Hansard*, 20 June 2014, p. 20.

51 Mr Robert Wass, United Stockowners of Australia, *Committee Hansard*, 10 June 2014, p. 32; Mrs Linda Hewitt, Australian Beef Association, *Committee Hansard*, 20 June 2014, p. 14.

52 United Stockowners of Australia, *Submission 182*, p. 6.

53 Department of Agriculture, *Information on Cattle and Livestock Transaction Levy*, http://www.daff.gov.au/data/assets/pdf_file/0008/2135582/cattle-livestock-levy.pdf (accessed 10 April 2014).

(c) the processor on whose behalf cattle or livestock are slaughtered by, or delivered to, another processor in a month.⁵⁴

4.30 When an intermediary deducts the levy from the proceeds of sale or recovers the levy from the producer, the producer must be provided with a receipt or written statement acknowledging payment of the levy. The department noted that in 2012–13, there were 702 intermediaries for the CTL on grass-fed cattle and 254 intermediaries for the cattle transaction levy on bobby calves. Levy agents are subject to compliance checks through a risk-based inspection program, with approximately 600 levy agents subject to inspection each year.⁵⁵

An auditable system

4.31 The fact that members must self-declare their levy payment to MLA raised questions about the accuracy of declarations and the transparency of the voting entitlement allocation system. MLA informed the committee that there are thresholds beyond which votes are subject to verification. For example, where a producer claims a significantly different voting entitlement when compared to the previous year.⁵⁶ However, the system lacks accountability, not least because a producer has no right to challenge or dispute a determination, estimate or adjustment made by MLA in relation to the number of votes the producer may cast.⁵⁷

4.32 Notwithstanding the levy agent inspection program and verification of levy payments above a certain threshold, the transparency and efficacy of the system remains limited by the fact that the identity of levy payers is not established for verification against levy payments and voting entitlements. The department confirmed that the system does not require the identity of the levy payer to be recorded:

The department does not systematically collect nor is aware of who the actual levy payers are beyond the provision of the annual returns from direct producer to producer sales.⁵⁸

4.33 The Food Producers Landowners Action Group (FLAG) Australia and USA noted that it is at the very beginning of the process, when the levy is collected, that the first major problem in the levy system occurs. That is, as discussed in the previous section, the levy payer is not identified and hence the identity of the levy payer is not recorded against the actual levies paid.⁵⁹

4.34 Without an accountable, regularly audited system to ensure what is advised by a producer is accurate, legitimate and can be verified against the amount of levies

54 Department of Agriculture, *Information on Cattle and Livestock Transaction Levy*; Mr Robert Wass, United Stockowners of Australia, *Committee Hansard*, 10 June 2014, p. 32.

55 Department of Agriculture, *Submission 28*, p. 13.

56 Mr George Scott, Meat and Livestock Australia, *Committee Hansard*, 7 March 2014, p. 28.

57 Paragraph 2.6(b)(9) of the Meat and Livestock Australia Articles of Association.

58 Department of Agriculture, *Submission 28*, p. 13.

59 Food Producers Landowners Action Group Australia Inc., *Submission 103*, p. [2]; Mr Robert Wass, United Stockowners of Australia, *Committee Hansard*, 10 June 2014, p. 32.

paid, the current system lacks transparency.⁶⁰ The point was made that without checks and balances within the system to confirm that the values put forward are correct, the system could be rorted.⁶¹

4.35 As matching Commonwealth R&D funding is provided to MLA, transparency in relation to the levy collection system is important for the industry, Australian Government and the tax payer. This is a matter of some importance to MLA, given that under the present system, accountability to its members is necessarily limited. As noted by the Northern Territory Cattlemen's Association (NTCA), when the service provider does not know who is supplying the income, 'it is hard to justify where it is going'.⁶²

4.36 Southern Director of USA, Mr John Michelmore argued that:

Many grass-fed producers see the dire need for levy payer identification and levy payment records that lead to automated allocation of voting rights and democratic representation from our sector, including a democratic levy-setting mechanism. To continue under the current processes and structure will result in further discontent and potential problems.⁶³

MLA board and selection committee

4.37 The composition of the MLA board selection committee and its impact on the accountability of the board were issues of particular contention amongst many submitters. They argued that, despite grass-fed cattle producers contributing the majority of the levies received by MLA, they have no greater say over MLA board selection decisions or voting rights than the other sectors which contribute a far smaller share of the levy.⁶⁴

4.38 The selection committee is responsible for nominating members of the MLA board. It comprises nine people including three producer-elected representatives, three PICs representatives (one each from CCA, SCA, and ALFA) and three MLA board directors. Board directors and the producer representatives on the selection committee are appointed at MLA AGMs.⁶⁵ Producer Mrs Rachel Weston explained that:

The selection committee comprises nine people. Three are current board members so that is one-third of the selection committee. Three people are industry-body representatives. There is one person from ALFA, the lot feeders, one person from the Sheepmeat Council and one person from the

60 Ms Jo-Anne Bloomfield, *Submission 102*, p. [2].

61 Mr Ernie and Ms Kylie Camp, *Submission 129*, pp [1–2].

62 Mr Tom Stockwell, Northern Territory Cattlemen's Association, *Committee Hansard*, 7 May 2014, p. 3.

63 Mr John Michelmore, United Stockowners of Australia, *Committee Hansard*, 10 June 2014, p. 30.

64 Mr Malcolm and Ms Colleen Reid, *Submission 179*; Mrs Rachel Weston, *Committee Hansard*, 21 May 2014, p. 46; Mr Rod Barrett, *Submission 45*, p. [1].

65 Meat and Livestock Australia, *Submission 154*, p. 36.

Cattle Council of Australia. If you are not a member of the state farm organisations—and I guess now with new members paying \$100 to the Cattle Council you can join in here—that is the only chance you are represented by the Cattle Council of Australia. It is if you are already a member of them or state farm organisations. That leaves 80 to 90 per cent of producers, who are not those members, now only having one chance of a bit of a say from the three producer elected representatives.⁶⁶

4.39 The view was put to the committee that the presence of three MLA board members on the selection committee enabled MLA to concentrate power at the expense of levy payers.⁶⁷

4.40 Mr Greg Brown made the point that there was no reason why the MLA board should have any positions on the selection committee at all, let alone the greatest number. He argued that the selection process for the MLA board is 'totally distorted' by the fact that MLA representatives dominate it. Furthermore, he noted that CCA, which represents the largest portion of revenue, is relegated to having two members on the selection panel, along with the SCA and ALFA, while MLA has three.⁶⁸

4.41 The committee heard that there had been various attempts to increase the direct influence of producers over MLA governance and board selection composition. At the 2001 AGM, a resolution was introduced to remove two directors from the selection committee and replace them with two additional producer members (a grass-fed cattle producer and a sheep producer member). The resolution achieved 69 per cent support and was defeated as a majority of 75 per cent of votes is required.⁶⁹

2002 Senate Legislation Committee recommendations and attempts at reform

4.42 Noting the 'undemocratic' process by which MLA board members were appointed, in 2002, the Senate Rural and Regional Affairs and Transport Legislation Committee (Senate committee) recommended that the MLA board consult with its membership on democratic reform of the MLA's Articles of Association.⁷⁰ The committee underscored concerns raised in evidence regarding the selection committee charter set out in section 5 of the MLA Articles of Association. According to Article 5.4(d), the selection committee cannot endorse more candidates than the number of vacancies to be filled at an AGM. It was put to the Senate committee at the time that

66 Mrs Rachel Weston, *Committee Hansard*, 21 May 2014, p. 45.

67 Mr Ronald and Ms Gabriele Bown, *Submission 178*.

68 Mr Greg Brown, *Committee Hansard*, 21 May 2014, p. 32.

69 Meat and Livestock Australia, *Submission 154*, p. 41.

70 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. 23.

this process was undemocratic because it effectively removes the right of the AGM to elect candidates to the board.⁷¹

4.43 As part of its recommendations, the Senate committee noted that if progress on democratic reform of the Articles of Association did not proceed, then the Minister should 'engage in detailed and open consultation with levy payers on reform options for a more democratic board selection process'.⁷² The committee took the view that changes to the appointment process could be accomplished by way of amendment to MLA's Articles of Association or by the 'replacement of MLA with another company, identical in all respects except for the omission of these articles from any new company's Articles of Association'.⁷³

4.44 In its response, the Australian Government noted that, while it had no power to intervene in such matters (as MLA is a company formed under the Corporations Act), it nonetheless had 'encouraged MLA to consider making the board selection process more democratic and open to participation by MLA members'.⁷⁴

4.45 In response to the committee's recommendation, MLA proposed amendments designed to provide greater producer representation in the board election process to its membership at its 2003 AGM. While the 75 per cent of votes required was not met, a substantial 73 per cent of votes were cast in favour of the change.⁷⁵ In 2004, MLA members considered a special resolution proposed by a group of members that the constitution be amended to provide for the direct election of up to six directors (including one processor) and four specialist board members chosen by the selection committee. The resolution received 31.2 per cent of votes and in 2005 the same resolution was put to the membership, of whom 24.2 per cent voted in favour of the change.⁷⁶

4.46 MLA informed the committee that the board had offered to step down from all selection committees. Noting that MLA had not been able to achieve the required 75 per cent vote to change the composition of the committee or the MLA constitution, MLA Chair, Dr Michele Allan explained that the board would continue to work with industry on 'developing a consensus view' on greater industry representation on the

71 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. 12.

72 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. 23.

73 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. 23.

74 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.

75 Meat and Livestock Australia, *Submission 154*, p. 41.

76 Meat and Livestock Australia, *Submission 154*, p. 41.

selection committee.⁷⁷ However, she clarified that it was up to PICs to propose special resolutions at AGMs, including any proposal that the selection committee should no longer include board members.⁷⁸

Article 5.4(d) of the MLA Articles of Association

4.47 Another concern raised in relation to the current arrangements was Article 5.4(d) of the Articles of Association. Under this provision, when there are vacancies on the board, the selection committee will endorse enough candidates to fill only the number of placements available. If there are two vacancies, only two applications will be endorsed for members to vote on. Producers argued that under this system, their votes are of no consequence. As Mrs Weston explained, producers have one small chance to vote on people who are already preselected so 'we really do not get a chance to choose'.⁷⁹

4.48 At the 2013 AGM, there were more than 90 nominations for three available board positions. The selection committee eliminated all but three of the nominated candidates. As voters were then asked to vote for the three candidates to fill three vacancies, the election was declared a 'farce'.⁸⁰ Dr Brian Creedy from the Richmond River Beef Producers Association stated that it was 'just three out of three or waste your vote'.⁸¹ Similarly, Mr Schoen from the NSW Farmers' Association expressed the view that it 'looked far from democratic to have three nominations for three positions'.⁸²

Meeting producer and processor needs

Of the \$5 levy, \$3.66 goes to marketing – marketing a product we do not sell. We sell cattle, not beef.⁸³

4.49 Under the current red meat structure, MLA is required to deliver policy for, and report to, grass-fed cattle producers, lot feeders and sheep producers, live exporters and meat processors. However, central to the concerns raised by grass-fed cattle producers regarding the current structures was the contention that the needs of both producers and processors are divergent (if not conflicting) in regard to marketing and R&D, and that one industry service body cannot represent both (competing) sets

77 Dr Michele Allan, Meat and Livestock Australia, *Committee Hansard*, 20 June 2014, p. 39.

78 Dr Michele Allan, Meat and Livestock Australia, *Committee Hansard*, 20 June 2014, p. 53.

79 Mrs Rachel Weston, *Committee Hansard*, 21 May 2014, p. 45.

80 Richmond River Beef Producers Association, *Submission 9*, p. [1].

81 Dr Brian Creedy, Richmond River Beef Producers Association, *Committee Hansard*, 7 March 2014, p. 61.

82 Mr Derek Schoen, NSW Farmers' Association, *Committee Hansard*, 10 June 2014, p. 14.

83 Mr Brad Bellinger, Australian Beef Association, *Committee Hansard*, 20 June 2014, p. 23.

of interests.⁸⁴ While both are involved in the meat industry, producers want to sell at the highest possible price while processors want to buy at the lowest price.⁸⁵ CCA argued that the interests of processors and the interests of producers are never the same.⁸⁶ AMPG/CCP observed that:

In theory, MLA has three divisional masters, CCA, SCA and ALFA and is also meant to act co-operatively with the abattoir owners and live exporters to provide "willing partnership" services to those sectors of the red meat industry.⁸⁷

4.50 In a similar vein, Ms Juliane Cowan put the argument that meat processors would not support the expenditure of significant funding on opening up more live export markets, as this would create more competition in the live cattle market and therefore potentially drive up the price that they pay for meat. However, such markets are a vital area for growth if grass-fed cattle producers are to be profitable.⁸⁸

4.51 Mr Ryan and Ms Tracey Hacon and others drew on the role of MLA in relation to the 2011 live cattle export ban, noting that the situation benefited the processors who were able to make substantial monetary gains from the oversupply of cattle brought about by the ban.⁸⁹

4.52 Citing the same event, Mr Peter Mahony argued that the cattle export ban served as an example of how control of MLA policy delivers poor returns to those stakeholders who pay the lion's share of the levies.⁹⁰ The fact that many grass-fed cattle producers are undergoing financial hardship contributed to the poignancy of their evidence regarding the need for a fair and efficient levy system, which provides an equitable return to producers.⁹¹

84 Mr Vince Ptolemy, *Submission 14*, p. 3; Ms Juliane Cowan, *Submission 15*, p. [1]; Mr Christopher Walton, *Submission 27*, p. [1]; Mr Philip and Tania Curr, *Submission 31*, p. [1]; Ms Sue Campbell, *Submission 37*; Ms Jacqueline Curley, *Submission 42*, p. [3]; Ms Dixie Nott, *Submission 92*, p.[3]; Mr Markus Rathsmann, *Submission 97*, pp [2–3]; Mr J. Ashley McKay, *Submission 99*, p. 3; Mr Peter Mahony, *Submission 101*; Mr Rod Dunbar, *Submission 107*, p. 9; Mr Barry and Ms Marella Green, *Submission 118*; Mr Gordon and Ms Gwen Moore, *Submission 119*; Mr Ernie and Kylie Camp, *Submission 129*, p.[3]; Mr G and Mrs R Gibbins, *Submission 136*; Mr Darryl and Ms Karen Smith, *Submission 147*; Mr Jim O'Neill, *Submission 148*; Mr Gary and Ms Melina Ryan, *Submission 158*; Mr Ian and Ms Judy Duly, *Submission 163*; Ms Emma Robinson, *Submission 176*, p. [1].

85 Mr Ryan and Ms Tracey Hacon, *Submission 20*, p. [1].

86 Mr Andrew Ogilvie, Cattle Council of Australia, *Committee Hansard*, 7 March 2014, p. 44.

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

88 Ms Juliane Cowan, *Submission 15*, pp [1–2].

89 Mr Ryan and Ms Tracey Hacon, *Submission 20*, p. [1].

90 Mr Peter Mahony, *Submission 101*.

91 Mr B and A McCullough, *Submission 29*; Mr RI and DA McCullough, *Submission 30*;

Dominance of beef processors

4.53 Through their feedlots, processors are entitled to apply for full voting entitlements if they pay the levy.⁹² Under the *Primary Industries (Excise) Levies Act 1999*, processors are required to pay the CTL if they keep cattle in their yards for 60 days. Furthermore, as the levy is paid as a flat rate, due to varying production systems, one beast may be sold several times to breeder, backgrounder, feedlot and meatworks with the levy being paid for each transaction.

4.54 In June 2011, newspaper reports revealed that representatives of four of the country's largest meat processors – JBS-Swift Australia, Nippon, Rockdale and Teys sat on the MLA board. The committee was informed by CCP that now four of the five biggest MLA vote holders are beef processors.⁹³ The view that beef processors are able to use their voting dominance and position on the MLA board to influence the distribution and expenditure of the levy was shared by many grass-fed cattle producers who gave evidence to the committee.⁹⁴

4.55 Producer Ms Jo-Anne Bloomfield argued that there is a distinct conflict of interest, given that retailers and processors can influence the spending of producer levy payments through the current voting system.⁹⁵ Similarly, Mr Norman Hunt, Convenor of AMPG/CCP stated that processors and producers with directly competing interests are members of the same corporation where processors 'hold sway because of the predominance of the levies they pay'.⁹⁶

4.56 These concerns also came to light in evidence regarding the processing sector's contribution to levy funding when compared to the other sectors. The committee was informed that processors contributed approximately 10 per cent to MLA, while enjoying a return of about 33 per cent in terms of levy investments.⁹⁷

4.57 The original intent of the AMLI Act was to provide for clear sectoral ownership.⁹⁸ While noting that the 1997–98 red meat restructure had originally sought to separate the producer service provider (MLA) from the processor service provider

92 Mr David Pietsch, Meat and Livestock Australia, *Committee Hansard*, 7 March 2014, p. 27.

93 Mr Mark Driscoll, Concerned Cattle Producers, *Committee Hansard*, 21 May 2014, p. 38.

94 Mr J.B. Carpenter, *Submission 5*, p. [6]; Ms Juliane Cowan, *Submission 15*, p. [1]; Mr Mike Kena, *Submission 16*; Mr Ryan and Tracey Hacon, *Submission 20*, p. [1]; Mr Rob Moore, *Submission 32*, p. [1]; Mr Markus Rathsmann, *Submission 97*, p. [2]; Mrs Lasca Greenhill, *Submission 104*; Ms Tracey and Mr Alan Hewitt, *Submission 111*; Mr Michael and Ms Gaylene Reardon, *Submission 132*, p. 1; Mr Peter and Ms Catherine White, *Submission 33*; Mr Ian Tincknell, *Submission 34*, p. [1].

95 Ms Jo-Anne Bloomfield, *Submission 102*, p. [3].

96 Mr Norman Hunt, AMPG/CCP, *Committee Hansard*, 20 June 2014, p. 25.

97 Mr Stephen Kelly, Australian Meat Processor Corporation, *Committee Hansard*, 7 March 2014, pp 18–19; Dr Peter Barnard, Meat and Livestock Australia, *Committee Hansard*, 7 March 2014, p. 31.

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

(AMPC) because the interests of processors and producers were often in conflict, AMPG/CCP argued that the evolution in integration over the past decade resulted in significant voting entitlements vested in the hands of large processors. According to AMPG/CCP, in 2010–11, eleven meat processors were amongst the top seventeen MLA levy payers.⁹⁹ Similarly, Mr Rod Dunbar noted that since the 1997–98 reforms, unprecedented wealth transfer to the secondary sector (registered feedlots and processors) has taken place, enabling it to effectively control the levy structure and grass-fed cattle sector.¹⁰⁰

4.58 AMPC noted in a submission to the 2011 Productivity Commission (PC) review that as vertically integrated processors operate feedlots and some have pastoral properties, 'they pay substantial levies on livestock transaction, often a number of payments along the chain'.¹⁰¹ According to MLA, on average, a beast is traded 1.7 times during its lifetime.¹⁰² As many of the larger agricultural businesses are now vertically integrated, this potentially means that they could claim multiple votes at the MLA AGM for the same beast by moving that beast within their properties several times.¹⁰³

4.59 When faced with the question of whether the contention regarding processor voting dominance was well-founded, MLA's Dr Allan informed the committee that MLA simply didn't know whether the number of non-farmer (processors) voting members outweighed that of farmer (producer) members.¹⁰⁴

Disparity in interests between producers and processors

4.60 It was also highlighted that meat is a different commodity to livestock and when livestock are converted into meat, the livestock producer has no further interest in its marketing.¹⁰⁵ In other words, cattle producers supply the beef industry but are not involved in the production or distribution of saleable meat products.¹⁰⁶ Many grass-fed cattle producers supported the separation of the livestock industry from the meat processing industry for these reasons, arguing that the former should raise a levy solely for its own purposes.¹⁰⁷

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

100 Mr Rod Dunbar, *Submission 107*, p. 4.

101 Australian Meat Processor Corporation, Submission to Productivity Commission, June 2010, *Submission 111*, p. 17.

102 Ms Lucinda Corrigan, Meat and Livestock Australia, *Committee Hansard*, 20 June 2014, p. 47.

103 Mr Ernie and Ms Kylie Camp, *Submission 129*, p. [1]; Mrs Kylie Camp, *Committee Hansard*, 7 May 2014, p. 32.

104 Dr Michele Allan, Meat and Livestock Australia, *Committee Hansard*, 7 March 2014, p. 27.

105 Mr James Ramsay, *Submission 7*, p. [2].

106 Mr Greg Northover, *Submission 2*, p. [7]; Mr J.B. Carpenter, *Submission 5*, p. [2].

107 Mr James Ramsay, *Submission 8*, p. [2].

4.61 Furthermore, processors did not support many of the collective funding activities proposed by the producers. However, according to AMPG/CCP:

Those implementing the restructure did not, however, realise the full extent of integrated backgrounding and feedlot interests of processors, and the evolution of that integration over the following decade. The result has been very significant voting entitlements vesting in the hands of the larger meat processors. 18% of all MLA levies are now paid by abattoirs and at least half of the top MLA levy payers are abattoirs; JBS Swifts, Australia's and the world's largest meat processor, is MLA's largest levy payer.¹⁰⁸

4.62 Mr Alex Munro stated that the levy is a producer rather than industry levy as only the producer pays it. 'Therefore the majority of this levy should be helping the producer, not processors and retailers who are paying producers the same prices as 20 years ago'.¹⁰⁹ Mr Smith from AgForce Queensland noted that the bulk of the grass-fed cattle levy marketing funds are used to market boxed beef (or dressed meat).¹¹⁰

4.63 Many submitters argued of the need for a producer-only body for these reasons.¹¹¹ Mr Norman Hunt informed the committee that the processors themselves may prefer to have their levies directed to AMPC rather than MLA as ultimately 'their interests are directly competing'.¹¹²

4.64 In a submission to the 2011 PC review of rural research and development corporations (RDCs), AMPC suggested that it receive all levy funds paid by its members. It argued that:

In the event of any restructuring, the AMPC would look to receive and manage all statutory levy funds paid by members, including \$4-6m a year of transaction levies from red meat processing firms with feedlot and grazing activities. The case for this closer alignment with sector structures is outlined in this paper. Processors, working through the AMPC, and in collaboration with a range of skilled providers, are best positioned to secure returns for the sector, the industry and the wider economy from these funds.¹¹³

4.65 Under the current red meat structure, processors retain half of their own levy fund revenue and contribute only six per cent to MLA and RMAC while retaining two

108 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, p. 20.

109 Mr Alex Munro, *Submission 140*, p. [3].

110 Mr Howard Smith, AgForce, *Committee Hansard*, 21 May 2014, p. 4.

111 Mr Ronald and Ms Gabriele Bown, *Submission 178*; Mr Malcolm and Ms Colleen Reid, *Submission 179*;

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

113 Australian Meat Processor Corporation, Submission to Productivity Commission Review of Rural Research and Development Organisations, June 2010, p. 52.
http://www.pc.gov.au/data/assets/pdf_file/0008/99422/sub111.pdf (accessed

seats on the MLA board.¹¹⁴ Through their influence on the board and in relation to the voting system, it was put to the committee that vertically integrated entities had become the largest recipients of marketing funding while the grass-fed cattle sector receives little return and is peripheral in relation to R&D investment.¹¹⁵

114 Mrs Linda Hewitt, Australian Beef Association, *Committee Hansard*, 20 June 2014, p. 13.

115 Mr Rod Dunbar, *Submission 107*, p. 9.

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.¹

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.² 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.³

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.⁴

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,

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.⁵

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.⁶

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.⁷

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.⁸ 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

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.⁹

5.11 At the strategic level, PICs are required to maintain arm's-length oversight of the apportionment and efficacy of levy investment.¹⁰ 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.¹¹

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.¹²

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.¹³ 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.¹⁴ 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.¹⁵

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.¹⁶ However, at a hearing, Mr Jed Matz, CEO of

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.¹⁷ In this sense, CCA acknowledged that service agreements have been inhibitive as CCA cannot work with complete autonomy or flexibility.¹⁸

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 2012–13¹⁹

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.²⁰ 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?²¹

5.18 CCA acknowledged that it is grossly under-resourced to represent a \$12 billion industry.²² 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.²³

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.²⁴ Given its estimated requirement of \$4 million to carry out advocacy and other core functions, CCA utilises service agreements to overcome its funding limitations.²⁵

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.²⁶

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'.²⁷

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

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.²⁸ 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.²⁹

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.³⁰ 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.³¹

State farming organisations

5.24 CCA membership is comprised of 152 direct members and 15,000 cattle producer members through SFOs.³² 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.³³

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.³⁴ 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.³⁵ 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

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

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.³⁸

5.27 These concerns were reflected in evidence to the committee. FLAG argued that CCA only represents a minority of producers.³⁹ 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.⁴⁰

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.⁴¹ Some submitters argued that the while CCA's structural reforms are a constructive step; they are undermined by continued SFO control over CCA.⁴²

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.⁴³ 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.⁴⁴

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.⁴⁵

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'.⁴⁶ 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.⁴⁷ The lack of leadership during the 2011 live export ban was repeatedly drawn on by witnesses to demonstrate this concern.⁴⁸ 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.⁴⁹ 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.⁵⁰

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.⁵¹ 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.⁵²

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:

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.⁵³

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.⁵⁴

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.⁵⁵

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.⁵⁶ 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.⁵⁷

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.⁵⁸

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.⁵⁹ 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.⁶⁰ Alternative models included the establishment of a peak council equivalent in structure and function to AMIC and ALEC.⁶¹ Another model proposed was the establishment of a company with responsibility for representing producers and delivering research, development and marketing on their behalf.⁶²

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.⁶³ 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.

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.⁶⁴ 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.⁶⁵

5.41 CCA advocated in favour of receiving seven per cent of the levy to fund strategic planning, strategic policy development and industry management.⁶⁶ 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.⁶⁷

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.⁶⁸ 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'.⁶⁹

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.⁷⁰ 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

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.⁷¹ 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.⁷²

5.44 Alternative views were put that CCA should be removed as a prescribed body with funding sourced from private membership.⁷³ 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.⁷⁴

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.⁷⁵

5.46 ABA argued that this model would bring grass-fed cattle producer representation into line with other meat industry structures.⁷⁶ 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

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.⁷⁷

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.⁷⁸

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.⁷⁹ Some submitters argued in favour of a structure based specifically on the AWI model.⁸⁰

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.⁸¹

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.⁸² 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

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 (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.⁸³

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.⁸⁴

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

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).

Chapter 6

Contestability, flexibility and transparency

6.1 This chapter considers contestability and efficacy within the red meat industry levy system, flexibility in relation to cattle transaction levy allocations as well as transparency in pricing and trade practices.

MLA Donor Company

6.2 An MLA wholly-owned subsidiary, the MLA Donor Company Limited (MDC) facilitates private investments in R&D innovations across the red meat industry.

6.3 From 1998, the processing sector and live exporters funded their own marketing and R&D through a voluntary contribution, which was directed to MLA as the industry marketing and R&D body. Under the AMLI Act, these two sectoral bodies, along with the MDC, were recognised as 'approved donor bodies' for the purposes of attracting matching Commonwealth funding for R&D. The explanatory memorandum to the legislation noted that declaration of the MDC as an approved donor (from 1 July 1998) would allow it to act as a 'conduit for independent funding of approved industry research and development activities eligible for R&D matching of expenditure'.¹

6.4 The department explained that:

Section 61 of the *Australian Meat and Livestock Industry Act 1997* (the Act) enables the minister to declare donor bodies. Section 66 (1)(b) enables approved donors to have their R&D contributions to MLA matched by the government. Approved donors are the Australian Meat Processor Corporation (AMPC) and LiveCorp, who both receive statutory R&D levies, and the Meat and Livestock Australia (MLA) Donor Company which receives voluntary contributions. The total R&D matchable expenditure by MLA, through its direct R&D levy receipts and contributions through the three donor companies, is subject to the 0.5 percent gross value of production cap.²

6.5 In 2007, an amendment to the AMLI Act gave effect to the processing sector's request to introduce statutory levies on the slaughter of cattle, sheep and goats. As part of legislative changes, levy funds were directed to AMPC as the processors' service body.³ However, the amendment did not affect the existing arrangements for Commonwealth matching funding, as processing sector R&D funds were still directed to MLA as the industry research body.

1 Explanatory Memorandum, *Australian Meat and Live-stock Industry Act 1997*: Declaration of MLA Donor Company Limited As Approved Donor.

2 Department of Agriculture Submission to Productivity Commission inquiry into the Australian Government Rural and Research and Development Corporations Model, August 2010, p. 26, http://www.pc.gov.au/data/assets/pdf_file/0018/100683/sub156.pdf (accessed 10 June 2014).

3 *Agriculture, Fisheries and Forestry Legislation Amendment (2007 Measures No 1) Act 2007*.

6.6 Similarly, in 2004, LiveCorp became a declared marketing and R&D body for the livestock export industry with compulsory levy funds on livestock exports directed to LiveCorp. As with the processing sector, matching Commonwealth funding was provided only where levy funds were directed by LiveCorp to MLA for R&D purposes. The status of MDC as an approved donor remained unchanged and it continued to receive funds from private investors for R&D. Therefore, MLA remained the only industry body eligible to receive dollar for dollar matching Commonwealth funds for research from industry levies and funds received from the three declared approved donors.⁴

6.7 The fact that the legislative landscape has not kept up with industry changes provided scope for private companies to double their R&D return through MDC. AMPC Plant Initiator Projects (PIP) guidelines explain how companies can achieve this:

- AMPC PIP—you can access your funds with AMPC up to 50% of the total project cost and you fund the rest of the project cost.
- MLA PIP—you can access your AMPC funds and then apply through the MLA Donor Company, which can match your funds dollar for dollar. This means that you may only pay as little as 25% of the total cost of your research.⁵

6.8 In June 2011, newspapers reported that JBS-Swift Australia Chief Executive, Mr Iain Mars, disclosed that the company had received \$2.4 million in funding, primarily for R&D. Mr Mars, an MLA director from 2009 to 2012, explained that JBS-Swift contributed \$844,000 over the same period, primarily through MDC.⁶

6.9 In its 2011–12 annual report, MLA noted that since 1999, MDC had approved more than 514 contracts worth \$205.7 million. During 2011–12, MDC attracted a total investment of \$17.4 million in private and public funds in red meat industry R&D.⁷ In 2010 alone, MLA (through MDC) received \$11 million in donations.⁸

4 Senate Rural and Regional Affairs and Transport Legislation Committee, *Provisions of the Agriculture, Fisheries and Forestry Legislation Amendment Bill (No.2) 2004*, September 2004, p.12; Ms Trysh Stone, Department of Agriculture, *Committee Hansard*, 23 June 2014, p. 20; Department of Agriculture, *Submission 28*, p. 15.

5 Australian Meat Processor Corporation, AMPC/Member – Plant Initiated Projects, <http://www.ampc.com.au/pdfs/PIP5050.pdf> (accessed 30 June 2014).

6 Stuart Washington, 'A beef about beef: R&D lost in a dust storm', *Sydney Morning Herald*, 27 June 2011, <http://www.smh.com.au/business/a-beef-about-beef-rampd-lost-in-a-dust-storm-20110626-1glm7.html> (accessed 2 June 2014).

7 Meat and Livestock Australia, *Annual Report 2011–12*, p. 41.

8 Stuart Washington, 'A beef about beef: R&D lost in a dust storm', *Sydney Morning Herald*, 27 June 2011.

6.10 Between June 2008 and December 2009, MLA reported that 30 per cent of its R&D projects were MDC projects.⁹ At the time, it was noted that four of the country's largest meat processors including JBS Australia, Nippon, Rockdale and Teys were awarded almost one-third of AMPC's entire budget for R&D from 2003 to 2008 under its PIP scheme. The \$10 million spent by AMPC on the grants made up 25 per cent of total expenditure, while MLA contributed a further 50 per cent, but did not make its expenditure public, citing commercial-in-confidence rules. The recipient of each grant paid the remaining 25 per cent.¹⁰

6.11 In an answer to a question on notice during the 2010–11 Senate supplementary estimates round, MLA noted that no producer levies are invested in MDC contracts. It clarified that while work on contracts is confidential during the application phase, all approved MDC contracts must have an identified industry dissemination, adoption and commercialisation pathway.¹¹ However, as the operations of MDC are integrated in MLA, both MDC and MLA report together in a single MLA annual report. Without a separate MDC annual report, establishing the funding and spending flows in relation to, and between, MLA and MDC is made extremely difficult.

Efficacy of donor companies

6.12 In a submission to the PC review of RDCs in June 2010, AMPC argued that its status as a designated donor company should be maintained. It argued that its status provided an avenue for 'optimum utilisation of Commonwealth R&D investment and for leveraging additional voluntary contributions made by processor companies'.¹²

6.13 However, the 2011 PC report identified a problem with the operation of donor companies. The PC raised specific concerns in relation to matching government payments for research funded by voluntary contributions from individual entities. It argued that government contributions may be inappropriately used to subsidise entity-specific research. For these reasons, the PC recommended that contributions made to RDCs through donor company arrangements, by an individual private entity, should

9 Meat and Livestock Australia, Submission to Productivity Commission Inquiry into Research and Development Corporations, August 2010, http://www.pc.gov.au/data/assets/pdf_file/0015/101049/sub158.pdf (accessed 2 June 2014).

10 Kelly Burke, 'New crisis as meat industry split by demand for inquiry into grants', *Sydney Morning Herald*, 10 June 2011, <http://www.smh.com.au/environment/animals/new-crisis-as-meat-industry-split-by-demand-for-inquiry-into-grants-20110609-1fv7a.html> (accessed 10 June 2014); Amos Aikman and Anthony Klan, 'Meat research payouts not shown in reports', *The Australian*, 27 June 2011, <http://www.theaustralian.com.au/national-affairs/meat-research-payouts-not-shown-in-reports/story-fn59niix-1226082395567> (accessed 10 June 2014).

11 Senate Rural and Regional Affairs and Transport Legislation Committee, Supplementary Budget Estimates 2010, Answer to question on notice, APD/MLA 05, p.5, http://www.aph.gov.au/~media/Estimates/Live/rat_ctte/estimates/sup_1011/daff/mla.ashx (accessed 10 June 2014).

12 Australian Meat Processor Corporation, Submission to Productivity Commission Review of Rural Research and Development Organisations, June 2010, p. 52, http://www.pc.gov.au/data/assets/pdf_file/0008/99422/sub111.pdf (accessed 10 June 2014).

not be eligible for any matching government contribution.¹³ Furthermore, the PC recommended that matching government contributions should be precluded from projects that are subject to commercial-in-confidence provisions which prevent disclosure of research output for any longer than necessary to apply for agreed intellectual property protection.¹⁴

6.14 The PC also highlighted that the absence of robust data on funding and spending flows within the overall R&D framework made it difficult to establish exactly how much money was being spent on rural R&D, with whom it was being spent, and which parties were ultimately providing the funding. The report noted the particular challenge of unravelling the 'money-go-round' which results from the heavy emphasis on leveraging and collaborative research effort.¹⁵

6.15 Similar concerns were raised regarding funding and spending flows in relation to MDC. Efforts by the committee to establish details about MDC revealed a convoluted web of funding, relationships and vested interests. The fact that producers and their representatives had limited knowledge of how MDC operated, including its funding arrangements, clearly illustrated the current level of transparency and openness in relation to the company, and its relatively protected status within the red meat industry structure.

Allocation of the cattle transaction levy components

6.16 The proportional distribution of the \$5 CTL across marketing (73 per cent), R&D (18 per cent), NRS's food safety activities (6 per cent) and AHA's animal health programs (3 per cent) was not raised as a particular problem in evidence to the committee. In fact many witnesses expressed satisfaction with the distribution.¹⁶ However, concerns were raised regarding the inflexibility of the system to provide for reallocation of the levy components. At present, any change to the amount of each levy stream such as AHA or MLA marketing, requires the Minister to change the Primary Industries (Customs) Charges Regulations 2000.¹⁷

6.17 ARCBA explained that since the 1997–98 reforms, the allocation to animal health has remained at 42 cents of which the:

- NRS component has increased from 12 cents to 29 cents;

13 Productivity Commission, *Rural Research and Development Corporations*, Recommendation 7.1, June 2011, p. xl.

14 Productivity Commission, *Rural Research and Development Corporations*, June 2011, Recommendation 10.3, p. 274.

15 Productivity Commission, *Rural Research and Development Corporations*, June 2011 p.xxxiii, http://www.pc.gov.au/data/assets/pdf_file/0003/110010/13-rural-research-chapter10.pdf (accessed 2 June 2014).

16 Mr Geoff Pearson, Meat Council Representative, Western Australian Farmers Federation, *Committee Hansard*, 6 May 2014, p. 1.

17 NSW Farmers' Association, *Submission 168*, p. 6.

- Cattle Disease Contingency Fund (CDCF) component declined from 17 cents in 2002 to 7 cents in 2005–06 and has been zero from 1 January 2007; and
- AHA component has remained constant at 13 cents.¹⁸

6.18 CDCF was established in February 2002 by CCA, ALFA and AHA to support animal health related activities of benefit to the cattle industry in Australia. The CDCF Fund was established to fund emergency responses in the event of major disease (endemic or exotic) incidents and pro-active disease-related programs.

6.19 In October 2006, the Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry agreed in principle to a request from ALFA and CCA that the CDCF cap be increased from \$15 million to \$20 million. This increase coincided with the transfer of residual funds from the former National Cattle Disease Eradication Account to CDCF. While the Parliamentary Secretary also agreed to a measure of flexibility, the increase was not to exceed the cap by more than 10 per cent. The balance of funds held by CDCF has to be maintained at all times within this cap.¹⁹

6.20 However, concerns were raised during the inquiry that the reserves held by the CDCF were rapidly declining below the required \$20 million (plus or minus 10 per cent) because the number of programs it supports exceeds the interest earned.²⁰ ARCBA noted that the NRS is consuming the bulk of the 23 cents (while running annual deficits) and the CDCF has fallen below the government-directed minimum of \$18 million while the AHA is using up all of its reserves. A situation it described as a 'crisis'.²¹

6.21 A number of submitters, including CCA, ALFA and AHA, suggested that there should be greater flexibility in relation to the levy allocations to address these challenges. AHA noted that:

We believe that enabling such flexibility in the application of levies would be valued by all our industry Members, as well as our government Members. This approach provides the necessary agility to redirect and thereby enhance investments to meet the changing landscape of animal health and biosecurity management and the dynamic nature of livestock production.²²

6.22 The department acknowledged that the legislation pertaining to levy allocation was inflexible.²³ Recognising that it should be easier to adjust the allocation of the \$5 levy, as opposed to adjusting of the total quantum of the levy, CCA argued

18 Australian Registered Cattle Breeders Association, *Submission 10*, p. [2]; NSW Farmers' Association, *Submission 168*, p. 6.

19 Animal Health Australia, *Submission 115*, p. 10.

20 NSW Farmers' Association, *Submission 168*, p. 6.

21 Under a government directive, the CDCF is required to be maintained at \$20 million plus or minus 10 per cent, except in the event of a major disease event.

22 Animal Health Australia, *Submission 115*, p. 12.

23 Mr Matthew Koval, Department of Agriculture, *Committee Hansard*, 23 June 2014, p. 14.

that the industry should have the flexibility to adjust the allocations. It noted that there was some urgency for greater flexibility as AHA's levy funds will be exhausted by the end of 2015. CCA argued that this will leave the Bovine Johne's disease program, national arbovirus monitoring program and other programs without funding.²⁴

6.23 Moreover, under the current arrangements, the consultation process to adjust the allocations is both costly and lengthy, requiring an investment of up to two years and more than \$350,000.²⁵ CCA explained that having the capacity to adjust levy rates using an appropriate, but less onerous, process would allow the industry to be responsive to its changing needs.²⁶

6.24 ALFA, ARCBA and AHA also supported greater flexibility to provide for easier adjustment of the grass- and grain-fed levy allocation between AHA, NRS and MLA. They argued that such flexibility would better reflect the dynamic nature of livestock production by enabling the reprioritisation of the funds in response to the needs of industry.²⁷

6.25 However, there were varying views as to how the allocation division should be decided. ARCBA advocated that CCA should have the ability to change the allocation as priorities change. However, it qualified its support for CCA management of the allocations, noting that if CCA were to be a beneficiary of a portion of the levy, it would have a serious conflict of interest in handling the process of levy component reallocation.²⁸

6.26 ABA and Mr John Andison raised concerns that CCA should not determine the levy allocations, as it is not representative of the grass-fed cattle levy paying producers of Australia.²⁹ ABA held the view that the inability of the sector to manage the levy allocations was symptomatic of a system whereby the levies paid by the grass-fed cattle sector are not actually controlled or managed by the sector. It advocated for wider structural reform to empower the sector to do so.³⁰

24 Mr Jed Matz, Cattle Council of Australia, *Committee Hansard*, 7 March 2014, p. 41.

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

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

27 Australian Lot Feeders' Association, *Submission 6*, p. [2]; Mr Malcolm Foster, Australian Registered Cattle Breeders' Association, *Committee Hansard*, 7 March 2014, p. 46; Animal Health Australia, *Submission 115*, p 12; Cattle Council of Australia, *Submission 142*, p. 4.

28 Australian Registered Cattle Breeders Association, *Submission 10*, p. [2].

29 Mr John Andison, *Submission 1*, p. [1]; David Byard and Linda Hewitt, 'ABA's "Beef – The Future" Forum', Australian Beef Association, 14 July 2013, <http://austbeef.com.au/2013/07/14/abas-beef-the-future-forum/> (accessed 23 January 2014).

30 David Byard and Linda Hewitt, 'ABA's "Beef – The Future" Forum', Australian Beef Association, 14 July 2013, <http://austbeef.com.au/2013/07/14/abas-beef-the-future-forum/> (accessed 23 January 2014).

Transparency in pricing and trade practices

6.27 Considerable evidence to the committee highlighted producers' concerns that they receive a disproportionately small margin of the end retail dollar for a beast. The inquiry brought to the fore the lack of information that producers have regarding profits and margins along the beef supply chain. Low producer returns, coupled with a concentration of retail and processor control, have encouraged debate on whether greater transparency in cattle pricing and processor profit margins is now required.

6.28 The point was made to the committee that when a product is sold by a producer, the producer sector does not know what the product's price will be when it is purchased by a retailer or overseas market.³¹ Mrs Bloomfield also noted that market reporting was a major issue. She explained that when live export markets are quoted, they are based on 10 per cent Landmark animal sales, rather than an average based on what all exporters are receiving. She made the point that as more producers are selling directly to processors (rather than selling cattle through sale yards) processors don't necessarily report, making it extremely difficult for producers to compare grid prices.³²

6.29 Ms Joanne Rea, Chair of Property Rights Australia argued that in a price-taking market, the need for easily accessible market information was fundamental.³³ She suggested that the Australian market seems to have an extremely free market position which restructuring could not fix as:

This free market dry idea leads to price manipulation, fire sales of assets and no-one seems to want to legislate to stop it. If you want another dry position, all cattle processors have to do to make themselves viable is to screw the prices down. They have no incentive to become more efficient. All the efficiencies have been made at the producer end and the processors have no incentive at all to become more efficient in any other areas, because their biggest cost is the cost of stock and they can easily manipulate it.³⁴

6.30 The committee was informed by AMPC that there is no official data on the margins or differences between what a primary producer receives for the sale of a beast to a processor, compared to sales at the processing and retail stages. AMPC Chairman, Mr Stephen Kelly noted that it was difficult to establish selling prices because processors are both export and domestic oriented.³⁵

6.31 The development of a transparent pricing and trade practices system was raised as one possible method to counter industry trends towards concentration and

31 Mr J. Ashley McKay, *Committee Hansard*, 21 May 2014, p. 63.

32 Mrs Jo-Anne Bloomfield, *Committee Hansard*, 7 May 2014, p. 19.

33 Ms Joanne Rea, *Submission 138*, p. 3.

34 Ms Joanne Rea, Property Rights Australia, *Committee Hansard*, 21 May 2014, p. 9.

35 Mr Stephen Kelly, Australian Meat Processor Corporation, *Committee Hansard*, 7 March 2014, p. 14.

consolidation of the retail and processing sectors.³⁶ Legislation akin to the US *Packers and Stockyards Act 1921* and *Livestock Mandatory Price Reporting Act 1999* was highlighted as one such way forward.³⁷

6.32 According to the United States Government, the purpose of the Packers and Stockyard Act is to 'assure fair competition and fair trade practices, to safeguard farmers and ranchers...to protect consumers...and to protect members of the livestock, meat and poultry industries from unfair, deceptive, unjustly discriminatory and monopolistic practices'.³⁸

6.33 Likewise, the United States' Livestock Mandatory Price Reporting Act establishes a program of information regarding the marketing of cattle and other livestock products that:

- 1) provides information that can be readily understood by producers, packers, and other market participants, including information with respect to the pricing, contracting for purchase, and supply and demand conditions for livestock, livestock production, and livestock products;
- 2) improves the price and supply reporting services of the Department of Agriculture; and
- 3) encourages competition in the marketplace for livestock and livestock products.³⁹

6.34 Ms Rea recommended the introduction of legislation along the lines of the US framework. She noted that the US legislation was designed to provide for transparency of information, thereby stopping price manipulation and ensuring that producers are paid fairly and on time.⁴⁰

6.35 United Stockowners Australia also recommended the introduction of strong 'anti-trust' laws akin to the Packers and Stockyard Act. It argued that such legislation was necessary to protect grass-fed cattle producers from cattle market manipulation and distortion which had contributed to extremely low prices for cattle.⁴¹

6.36 Mr John Carter argued that under the Packers and Stockyards Act, every sale made in the US by a producer to a processor must be disclosed to the Department of Agriculture, so there is complete transparency. Mr Carter further noted that the act also provides that the producer is paid on the day of sale, in contrast to practices in

36 United Stockowners Australia, *Submission 179*, p. 2; Ms Joanne Rea, Property Rights Australia, *Committee Hansard*, 21 May 2014, p. 9; Mr J. Ashley McKay, *Committee Hansard*, 21 May 2014, p. 63.

37 Mr John Carter, *Committee Hansard*, 7 March 2014, p. 71.

38 United States Department of Agriculture, Packers and Stockyards Program, <http://www.gipsa.usda.gov/psp.html> (accessed 15 July 2014).

39 Section 211. Purpose, *Livestock Mandatory Price Reporting Act 1999*.

40 Ms Joanne Rea, Property Rights Australia, *Committee Hansard*, 21 May 2014, p. 9.

41 United Stockowners Australia, *Submission 179*, p. 19;

Australia. He argued that the introduction of equivalent legislation in Australia would make a substantial difference to producers because it would provide transparency to the cattle market and thereby 'immediately highlight where the money is going'.⁴²

6.37 Mr McKay explained that while a mandatory pricing system introduced in Australia would not guarantee a better price for producers, it would bring needed transparency to the system.⁴³

6.38 Mr Rob Moore drafted a primary production pricing bill based on the US legislation. Mr Moore's bill seeks to increase farm-gate prices through the establishment of a transparent and improved competitive tension for livestock.⁴⁴

6.39 During a recent Senate Estimates hearing, Dr Peter Barnard, MLA's General Manager, Trade and Economic Services, informed the Legislation Committee of the benefits and costs associated with transparent price reporting:

The benefits are regular and transparent price reporting. Certainly, in the United States, processors have to report on a daily basis – or sometimes more often than a daily basis – prices both for livestock and for beef. So it adds to the market's knowledge on price discovery. On the other side of the ledger, of course, it adds to red tape. It adds to costs. I think the price reporting mechanisms in the United States run into the tens of millions of dollars. MLA currently seeks information on prices on a voluntary basis. So we do report livestock prices. We do report meat prices. But we ring up processors and ask them to voluntarily supply that information. We do that for about \$2 million a year – a fraction of the cost of the US mandatory price reporting and other price reporting activities. I think it is a matter of weighing up that increased transparency against the additional costs and the additional red tape involved.⁴⁵

6.40 Considerable evidence to the committee highlighted the lack of transparency in relation to cattle pricing and the need for a level market playing field. In light of factors including the diversity of product coming out of the farm gate, increasing focus on export markets, consolidation of the processing sector and the extent to which there is genuine competition at stockyards, there is little scope for producers to establish a clear line of sight along the supply chain. For a producer, the beef pricing system is opaque.

6.41 The view was put to the committee that same day payment to producers and a legislative mechanism to require disclosure of the farm-to-wholesale as well as wholesale-to-retail prices, could only bolster competitiveness in the livestock market. Supporters of price transparency argued that a system which establishes the true price of the cattle market by requiring transparency in market reporting, underpinned by the

42 Mr John Carter, *Committee Hansard*, 7 March 2014, p. 71.

43 Mr J. Ashley McKay, *Committee Hansard*, 21 May 2014, p. 63.

44 Mr Rob Moore, *Submission 32*; Mr Rob Moore, *Committee Hansard*, 21 May 2014, p. 47.

45 Dr Peter Barnard, MLA, *Estimates Hansard*, 28 May 2014, p. 115.

prospect of investigation into anti-competitive behaviour, has the potential to shift cattle producers from their current position as price-takers.

Chapter 7

Committee view and recommendations

We as grass-fed producers and levy payers deserve to have a representative body with direct membership, an equitable voting system and transparency in expenditure and operation.¹

7.1 The overwhelming majority of submitters to the inquiry voiced their support for payment of a levy directed at enhancing outcomes for producers. However, the operating environment upon which industry structures and the current levy system are predicated has changed considerably since the 1997–98 reforms. In light of these significant changes, the difficult financial circumstances in which many producers find themselves, and the lack of producer ownership over, and oversight of, levy funds, many submitters advocated for reform to the current levy system and industry structures.

7.2 At the heart of such reform is the need to effectively meet the needs and aspirations of producers. While views across the industry are diverse, the common themes that emerged in evidence to the committee included the need for:

- a democratically elected body to manage the cattle levy, which is directly accountable to levy payers and predicated on a fair and equitable voting structure, such as the two-tiered system;
- a fully audited levy collection and levy payer identification system which provides for automatic voting entitlements;
- a linkage between responsibility for policy development and the management of policy implementation in order to ensure accountability to levy payers;
- a levy system that serves the interests of producers rather than other sectors of the red meat industry;
- greater flexibility in relation to adjusting the allocations within the \$5 CTL;
- a full and independent audit of the cattle transaction levy; and
- research on transparency in pricing and options for a transparent pricing system.

7.3 The current systems and structures which underpin the cattle industry are complex. They encompass many regulatory and technical industry issues and involve a range of peak industry associations, commercial stakeholders, industry committees,

1 Mr Gary and Ms Melina Ryan, *Submission 158*.

service providers and statutory authorities.² The industry is made additionally complicated by vertical structures, size disparity within the producer sector, and the nature of the relationships across the industry – which is significantly fragmented.³ In fact, the levy systems and structures underpinning the red meat industry as a whole have become amongst of the most complex and bureaucratic in operation in Australian agriculture.⁴ In short, the current structure has 'too many mouths to feed'.⁵

7.4 There are a plethora of bodies, groups, forums and committees which seek to determine how the industry is administered and the levy payer funds collected and spent. The reality is that producers find it extremely difficult, if not impossible, to navigate, let alone effectively participate in, or engage with, the industry framework.⁶ The complexities of the systems and processes that underpin the CTL have further contributed to frustrations and misunderstandings regarding respective roles and responsibilities.

7.5 The inquiry focused on the limited ability of producers to directly engage with levy investment decisions and trace levy investments through the supply chain. Central to the concerns of producers is that the current system is unable to bring together the authority to represent the industry, with the means to represent it in a way that is accountable to levy payers.⁷ At the same time, levy payers are unable to penetrate the system which has proven to be opaque and resistant to change by its complexity. The scope for producers to achieve any greater control over their levy expenditure through engagement at MLA AGMs or industry representative bodies is remote indeed. For these reasons, the current industry structures and levy system do not meet the current collective functional and representative needs of the cattle industry.

7.6 The extent to which MLA remains accountable to levy payers under the current system was central to the inquiry. It was the common issue around which reform was discussed. Concerns regarding accountability were specifically raised in the context of R&D and marketing expenditure.⁸ The views of Mr Bernie and Ms Kathy Day were typical in this regard:

2 Mr Alan Thompson, Department of Agriculture, *Committee Hansard*, 7 March 2014, p. 9; Mr Stephen Kelly, Australian Meat Processor Corporation, *Committee Hansard*, 7 March 2014, p. 15; Dr Michele Allan, Meat and Livestock Australia, *Committee Hansard*, 7 March 2014, p. 22; Mrs Linda Hewitt, Australian Beef Association, *Committee Hansard*, 7 March 2014, p.56; Richmond River Beef Producers Association, *Submission 9*, p. [2]; AgForce Queensland, *Submission 151*, p. 2; Tasmanian Farmers and Graziers Association, *Submission 156*, p. 12.

3 Mr Alan Thompson, Department of Agriculture, *Committee Hansard*, 7 March 2014, p. 9.

4 Bindaree Beef Australia, *Submission 155*, p. 6.

5 Bindaree Beef Australia, *Submission 155*, p. 2.

6 Bindaree Beef Australia, *Submission 155*, p. 6.

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

8 Mr Ryan and Ms Tracey Hacon, *Submission 20*, p. [1]; Bindaree Beef Australia, *Submission 155*, p. 2.

Even though we pay levies every time we sell a beast, there is no accountability to us as to how the money is spent.⁹

7.7 Questions were specifically raised about the status, expenditure and ownership of R&D commercial-in-confidence information.¹⁰ These concerns went to the heart of transparency and accountability and demonstrated for many witnesses that the structures no longer provide for effective oversight of MLA. In fact, the structures have lent themselves to the establishment of an undemocratic self-serving system which is not producer-centric and therefore not answerable to levy payers.¹¹

7.8 MLA's lack of engagement with levy payers has been a constant theme, not only in evidence before the committee but also in reviews of MLA performance. The June 2013 independent review of the MLA Livestock Production Innovation (LPI) R&D investment systems noted widespread dissatisfaction with the transparency of MLA processes for selecting and approving projects. An improved formal process for stakeholder engagement in setting priorities, implementing strategy and conducting two-way dialogue with industry was recommended.¹²

7.9 Evidence to the committee suggested that, along with greater stakeholder engagement, there was also a need for greater contestability and competition in the allocation of R&D and marketing levy funds. In this regard, the committee notes that CCA entered into service agreements with MLA without competitive tender. According to MLA, it is not required to put contracts up for competitive tender if it has 'cogent reasons' not to do so.¹³ In light of concerns regarding contestability, the view was put by submitters that any reform to the current structures should provide for a more contestable system. This included the proposition that MLA no longer operate as the default service provider. The view was put that there would be greater contestability within the system if MLA was one of many service providers competing for a tender for R&D and marketing services.¹⁴

7.10 For many grass-fed cattle producers, the levy system is not only impenetrable but also serves the needs of other sectors over their own. The committee acknowledges the strong view of many producers that, as processors are commercially motivated to pay the lowest possible price for cattle and producers seek the best possible return, their interests are competing and should not be accommodated by a

9 Mr Bernie and Ms Kathy Day, *Submission 11*.

10 Mr John Carter, *Submission 93*, p. [3]; Mr Ernie and Mrs Kylie Camp, *Submission 129*, p. [2]; Ms Joanne Rea, *Submission 138*, p. 9; Mr Athol Economou, Australian Beef Association, *Committee Hansard*, 7 March 2014, p. 55.

11 Bindaree Beef Association, *Submission 155*, p. 4.

12 Professor Timothy Reeves et al, *Meat and Livestock Australia/ Livestock Production Innovation: Review of Systems and Processes for Research and Development Investment*, June 2013, pp 4–5.

13 Dr Peter Barnard, MLA, *Estimates Hansard*, 28 May 2014, pp 114–115.

14 Mrs Jo-Anne Bloomfield, *Committee Hansard*, 7 May 2014, p. 15; Mrs Kylie Camp, *Committee Hansard*, 7 May 2014, p. 30.

single body. The point was repeatedly made that sectors that contribute smaller amounts to MLA for R&D and marketing purposes (such as the processors and live exporters through AMPC and LiveCorp) are able to manage their own levies and instruct MLA as to how their R&D funds should be spent. At the same time, there is a widely held view that processors and other industry sectors enjoy disproportionate benefit from MLA R&D and matching government funding investment, at the expense of the cattle producer sector. For grass-fed cattle producers, who pay the largest amount of levies and have the least influence or control over how their money is spent, the current levy system and industry structures appear to benefit those who contribute the least.¹⁵

7.11 Reform to the levy system and industry structures must be predicated on a commitment to enhance value for producers and not the interests of intermediary bodies that serve the industry. Each step in the supply chain must be optimised to deliver a competitive advantage to the industry. However, considerable evidence before the committee highlighted that the current cattle industry structures are not effective in meeting the collective needs of the industry, or enabling the grass-fed sector to maximise its ability to respond to market challenges and capture opportunities in R&D.

7.12 The grass-fed cattle sector clearly needs an effective and adequately resourced representative body. The fact that CCA is currently underfunded and under-resourced has seriously undermined its ability to fully exercise its roles and responsibilities under the MOU. While the use of service agreements has provided additional resources to CCA to operate in the short term, it has created the perception that CCA is reliant upon MLA funding and therefore no longer fully independent. Cattle industry organisations need to be structured and resourced in a way that enables direct relationships between investors (government and levy payers) and firms in the value chain. They must have the capacity to operate at the strategic level while also being able to adapt and respond rapidly to an uncertain and volatile operating environment.¹⁶

7.13 The systems and structures that underpin the CTL have not been subject to reform or adaptation despite industry changes, let alone growing discontent with MLA's ability to represent levy payers' interests. Underpinning concerns regarding MLA's role is that it serves as the intersection between producers and the market whilst also trying to represent the interests of all (and often competing) sectors across the industry. Multiple divisions and lines of authority within MLA including a governance structure that disconnects the board and senior officers from levy payers, has contributed to a context in which 'the expenditure of levy money becomes an end in itself, without sufficient emphasis on lifting the bottom line profitability of levy payers'.¹⁷ At the same time, CCA is now dependent upon the service provider as both holder and investor of levy funds and is unable to represent the policy needs of

15 Richmond River Beef Association, *Submission 9*, p. 3.

16 Tasmanian Farmers and Graziers Association, *Submission 156*, p. 4.

17 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, p. 38.

producers and oversight levy investment. As MLA is not directly and immediately accountable to CCA as the PIC, or to levy payers themselves, it has become self-serving. A number of submitters argued that as MLA provides producers with very little say as to who gets on the board or how their levy money is spent, it should be replaced with a single autonomous organisation that represents all grass-fed levy payers.¹⁸

7.14 Under the current red meat industry structural arrangements, whereby MLA operates as private company and the government has no direct power of intervention or reform, there are very few ways by which meaningful reform can be achieved.

7.15 This report has documented the manner in which recommendations made over years to reform these systems have been resisted. Frustration with the rigidity of the current legislative and administrative structures that underpin the levy system was felt by many levy payers who provided evidence to the inquiry. These frustrations were clear in the evidence of Mr Carter who had come to the conclusion that MLA was untouchable:

I can tell you because I have tried barriers and I have tried the Shareholders' Association, and they all just shook their heads and said that it is unbelievable. I have gone to ASIC, and they have said that it is the minister's responsibility. I have gone to the minister. He said, 'No, it's a private company.' The constitution cannot be altered without a 75 per cent vote in both membership classes of the company. There is one class that is partly funded by MLA. It will never vote for its winding up. The other class includes recipients of the commercial-in-confidence R&D grants. We have had 16 years of this.¹⁹

7.16 The committee appreciates the efforts made by individual producers and producer groups to provide their views to the inquiry. Many of them are frustrated with the current structures and respective bodies which have not been responsive to producer concerns and are resistant to change. Yet, the goodwill of producers, demonstrated by their continuing commitment to paying a levy for the benefit of the industry's future and engage in efforts to ensure the sustainability of the industry, is under stress. Should the following recommendations be rejected or even watered down, the committee fears that this existing goodwill, and with it efforts to provide a viable structure for producers, will rapidly diminish.

7.17 The following recommendations seek to establish a direct relationship between producer levy payers and their representative body. They are directed at providing for greater transparency and accountability within the levy system as well as flexibility and contestability in relation to levy allocation and investment.

18 Mr James Ramsay, *Submission 8*, p. [2]; Mr Scott and Ms Rhonda Conkey, *Submission 24*, p. [2]; Mr Rob Moore, *Submission 32*, p. [1]; 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].

19 Mr John Carter, Committee Hansard, 7 March 2014, pp 70–71.

A producer-owned body

7.18 Producers should have ownership over their own levies and decide how their levies funding and matching tax payer funds are spent. However, the current structures have been resistant to repeated reform efforts and no longer reflect the realities of the industry. Therefore, the committee recommends that a new industry services body be established by legislation. The new producer-owned body should have the authority to receive the producer marketing and R&D component of the CTL, matching government R&D funds and to manage funding investment. While it is possible that this new body might be a reformed version of CCA, it is also possible that agreement is made to start from scratch with an entirely new entity.

7.19 The establishment of a producer-owned body would address the fundamental flaws in the current structure by bringing together the authority for levy investment with the means to invest it. The establishment of such a body would address problems of representation and strengthen producer accountability by establishing a direct relationship between producers and the body; thereby bring together the authority for policy settings and delivery. This could be achieved through legislative means by combining PIC policy development responsibilities with the statutory marketing and separate statutory R&D corporation authority.

7.20 Under the proposed reform, the Australian Government, through the department, would disperse the CTL levy components to AHA and NRS with the R&D and marketing funds directed to the new producer-owned body. It would have the authority to disperse the funds to MLA as well as other service providers. As MLA would remain a service provider under the proposed reform, the important work it is engaged in, particularly in relation to export markets, would continue.

7.21 Under the new producer-owned body, levy payers would be eligible to register for membership and should be required to vote on the rate of the levy every few years. Levy payer members would also be required to vote on whether to vary the allocations of the CTL levy between AHA, NRS, marketing and R&D, with final agreement on varying the allocations achieved with ministerial support.

7.22 The composition of the board of the new producer-owned body could be determined on a geographic or zonal basis. The committee makes no specific recommendation on the method to be used, as that is a matter for industry to determine. Notwithstanding this point, in light of the overwhelming evidence in favour of a directly elected body, the committee strongly supports a directly-elected board model. While the committee acknowledges the strong evidence in support of a two-tiered voting system as a viable option to address the disparity between small and large producers, the voting system is also a matter for industry. The committee simply notes that the voting system should be fair and equitable, while the vote allocation system should be transparent.

7.23 As demonstrated in the foregoing paragraphs, while the committee has come to the view that the systems and structures that underpin the CTL are not delivering the maximum benefit to Australian cattle producers, it does not believe that it should propose a detailed, prescriptive set of recommended reforms. For self-determination to succeed, the industry must establish its own inclusive and consultative structures on

which to build consensus and determine its own future. Nevertheless, in concurrence with the majority of statutory funding agreements between industry-owned companies and the Commonwealth, the new body should not be permitted to engage in agri-political activities.

7.24 In light of the diversity of the producer sector in size, geographical location, and target market, the committee emphasises the importance of initiatives to keep levy payers directly informed and engaged in the decision-making processes of their representative body. Noting that other industry bodies broadcast their AGMs via webcast to enable members who are unable to attend in person to view proceedings online, the committee encourages similar initiatives.²⁰

Recommendation 1

7.25 The committee recommends that a producer-owned body be established by legislation. The body should have the authority to receive and disperse the research and development, as well as marketing component, of the cattle transaction levy funds. The producer-owned body should also be authorised to receive matching government research and development funds. Reforming the Cattle Council of Australia to achieve these outcomes should be examined as part of this process.

7.26 The establishment of a new producer body provides an opportunity to address concerns regarding the imposition of the levy, the levy collection system, and how votes are allocated.

Automated and transparent levy collection and voter entitlement system

7.27 The committee acknowledges the concerns of grass-fed cattle levy payers regarding the current levy collection system on which vote allocations are determined. The committee takes the view that a transparent and automated levy collection system (which identifies levy payers against levy payments) should be introduced. The introduction of an automated system would allow for the rapid settlement of levy payment and timely transfer of levy revenue to the department. The system should be subject to regular independent auditing and verification. As this system would provide an accurate audit trail, levy payers should receive their voting entitlements automatically. The committee considers that the proposed system will go some way to addressing concerns regarding declining membership and participation.

7.28 In addition to re-engaging producers, in view of the fact that the Commonwealth provided MLA with \$176.3 million of R&D funding matched to industry levies from 2008–09 to 2012–12, a transparent and accountable levy system (which provides for the accurate recording of cattle transactions) should offer some

20 The 2013 and 2012 AWI AGM were broadcast live via webcast. The initiative by AWI enables AWI shareholders unable to attend the AGM in person to view AGM proceedings. AWI shareholders also had the opportunity to submit questions online to the AWI Chairman and CEO to be answered at the AGM. Australian Wool Innovation Limited, AGM 2013, <http://www.wool.com/HK/about-AWI/shareholder-information/annual-general-meetings/aggm-2013> (accessed 11 July 2014).

assurance to the Australian Government and the tax payer that the government contribution to R&D is proportionate and commensurate.

7.29 The establishment of a fair and equitable voting system underpinned by an automatic and audited levy collection and voter management system will contribute in a meaningful way to enabling producers to determine the investment of their levy funds.

Recommendation 2

7.30 The committee recommends the establishment of a cost-effective, automated cattle transaction levy system. The system should identify levy payers against levies paid. The automated system should provide for more immediate settlement of levy fees paid and the allocation of voting entitlements. It should be subject to regular independent auditing and verification.

Imposition of the cattle transaction levy

7.31 The committee appreciates the merits of reviewing the cattle transaction levy, particularly in light of evidence regarding the impact of the \$5 flat fee (which applies regardless of the value of the animal sold). The possibility that multiple votes can be claimed for the same beast should also be addressed. The principle that should be applied is that only the levy payer who benefits from the sale of a beast should receive the respective voting entitlements.

7.32 The committee appreciates the views of submitters in relation to the flat rate of the levy and strongly encourages the proposed producer-owned body to facilitate an investigation into the cost-benefit to industry of altering the flat fee to a more dynamic structure. If an alternate structure is identified, it should be discussed with, and proposed to, the levy payer members of the producer body in the first instance.

7.33 The committee notes that the current levy system was put in place at a time when the extent of vertical integration could not have been foreseen. The prevailing perception is that the current structure has enabled processors to gain disproportionate influence over the producer levy system, at the expense of grass-fed producers who pay the greatest proportion of the levy. Indeed, this matter, along with concerns regarding the 'undemocratic' nature of the MLA voting system, has contributed to the loss of trust in MLA expressed by many submitters.

7.34 There remain mechanisms in place under the red meat industry structures to realise opportunities for both the producer and processing sectors to engage in joint and complementary R&D activities. For these reasons, the committee recognises the need to separate producers from processors under the producer R&D and marketing structure. It upholds the view that processor-paid levies should be recognised as such under the levy management structure and directed to AMPC accordingly. Therefore, the committee recommends amendment to the *Primary Industries (Excise) Levies Act 1999*.

Recommendation 3

7.35 The committee recommends that the *Primary Industries (Excise) Levies Act 1999* be amended to ensure that levies paid by processors are recognised as processor (or slaughter) levies and not as producer (or cattle transaction) levies.

Full and independent audit of the cattle transaction levy

7.36 There were many concerns raised during the inquiry regarding the purpose and expenditure of the cattle transaction levy. There is considerable risk that if not subject to independent examination, these concerns and the confusion regarding the intent and expenditure of the cattle transaction levy will continue to hamper the industry, potentially impede discussion and hinder necessary reform.

7.37 The committee takes the view that an independent audit of the cattle transaction levy would provide an opportunity to clear the air about levy revenue and expenditure while also providing a necessary factual foundation from which to discuss and initiate reform. Such an audit would provide a comprehensive overview of the cattle levy including its purpose, collection, investment and impact. An independent audit would also complement the committee's other recommendations including the need for a transparent and fully audited levy collection system.

7.38 The committee recommends that the Australian National Audit Office undertake a full and comprehensive audit of the cattle transaction levy with particular consideration of revenue from, and expenditure of, the respective levy components. The audit should consider the cattle transaction levy in relation to the levy principles, as well as its original intent and purpose.

Recommendation 4

7.39 The committee recommends that the Australian National Audit Office conduct an audit of the cattle transaction levy system, tracing the levy from inception and focusing on the revenue from, and expenditure of, the respective components of the levy.

Red Meat Advisory Council

7.40 The committee holds the view that RMAC does not serve the purpose for which it was intended and should be dissolved. Alternative arrangements for the disbursement of earnings from the Red Meat Industry Reserve Fund need to be established by the Department of Agriculture in consultation with the industry.

Recommendation 5

7.41 The committee recommends that the Minister for Agriculture dissolve the Red Meat Advisory Council. The committee further recommends that the Minister for Agriculture establish a new system to manage and disperse earnings from the Red Meat Industry Reserve Fund, in consultation with the industry.

MLA Donor Company

7.42 The committee holds the view that the role of MDC is an anomaly under the current red meat structure that should be rectified. The committee supports the 2011 recommendations of the Productivity Commission which state that contributions made through donor company arrangements, by an individual private entity, should not be

eligible for matching government funding. Furthermore, there are alternative avenues for private entities within the red meat industry to make contributions to R&D.

7.43 The committee recommends, therefore, that the MDC no longer be recognised as an approved donor under section 61 of the *Australian Meat and Live-stock Industry Act 1997*. This amendment would bring the legislative landscape into line with current industry structures.

Recommendation 6

7.44 The committee recommends that the Minister for Agriculture revoke the status of the MLA Donor Company as an approved donor under the *Australian Meat and Live-stock Industry Act 1997*.

Transparency in pricing and trade practices

7.45 The committee appreciates the concerns of producers regarding the need for transparency in pricing and trade practices. It recognises the need for further investigation into mechanisms to provide for such transparency. To this end, the committee recommends that the Department of Agriculture, in consultation with the cattle industry, conduct an analysis of the pros, cons and costs of introducing legislation similar to that of the *Packers and Stockyards Act 1921* and *Livestock Mandatory Price Reporting Act 1999*.

Recommendation 7

7.46 The committee recommends that the Department of Agriculture, in consultation with the cattle industry, conduct an analysis of the benefits, costs and consequences of introducing legislation akin to the *Packers and Stockyards Act 1921* and *Livestock Mandatory Price Reporting Act 1999*.

**Senator Glenn Sterle
Chair**

Dissenting Report – Senator the Hon Ian Macdonald

1. Preliminary

1.1 I strongly disagree with Recommendations 1 and 5 of the RRAT Committee Report.

1.2 But before I deal with those issues and suggest alternatives I want to congratulate the Chairman of the Committee, Senator Glenn Sterle for his skill and fairness in Chairing the inquiry and ensuring that all those who wanted to be heard were given the opportunity of a fair and open hearing by the Committee. I thank all of the other Committee Members and particularly the Secretariat who, as always, have done an almost inexplicably good job on the report and for their assistance with this Dissenting Report.

1.3 I also want to make particular mention to those who gave written evidence and those who accepted the Committee's invitation to give verbal evidence to the inquiry, noting in particular the sombre day the Committee was in Rockhampton, the Beef Capital of Australia, not long after the death of one of the icons of the beef cattle industry, Mr Graeme Acton.

1.4 As a Queensland Senator I also want to acknowledge the input from Queenslanders who represent the largest individual section of the Grass Fed Beef Cattle Industry and in particular can I mention the assistance provided by the Australian Beef Association, Agforce, and Cattle Council representatives from my state and individual producers from Queensland.

1.5 I would hope that as a result of the inquiry and the various recommendations made, there will be a fairer and more transparent operation of the Grass Fed Beef Cattle Levy and the Research and Development and Marketing and other elements that are funded by that levy.

1.6 Although I am only a Participating Member of the Senate Rural and Regional and Transport Committee which conducted the inquiry, I attended most of the hearings of the Committee, but unfortunately because of other commitments, was unable to attend all of them. For those I did not hear in person, I had the advantage of being able to review the Hansard records.

2. Levy allocation to CCA for strategic policy development

2.1 I disagree with Recommendation 1.

2.2 The majority of the evidence from grass-fed producers and their current representative bodies is that, while this sector provides most of the levy money, it is commonly believed that the sector does not receive a commensurate return on its investment. While this may not always be the case, it is certainly the perception.

2.3 While there are many reasons advanced for this, it appears from most of the evidence that it results from a lack of both direction and the sector's decision-making ability.

2.4 Most witnesses who were asked by the committee agreed that the sentiment of the 1998 reforms were beneficial but many said those words and principles had not been transformed into action and operations.¹

2.5 Most submitters who represented by far the majority of grass-fed cattle producers including Western Australian Farmers Federation, Pastoralists and Graziers Association of Western Australia, AgForce Queensland – representing the greatest number of producers, Northern Territory Cattlemen's Association, and NSW Farmers' Association (with qualifications), thought the current arrangements were basically working.² However, they put the argument that producers didn't have the resources to conduct advocacy and provide effective oversight of MLA, which is needed to make MLA's investment in R&D and marketing more beneficial to the sector.³

2.6 Many submitters to the inquiry thought the current arrangements were basically correct but that the representative body of the sector needed better resourcing so it could do the job required of it under the red meat MOU. Under the terms of the MOU, CCA as the sector's PIC is required to develop the strategic objectives, give direction and set policy for the sector while oversighting levy expenditure.⁴

2.7 CCA charged with representing an \$8 billion sector and has operated on an average income over the past five years of \$1.39 million (excluding service agreements) with only five staff.⁵

2.8 Many producers voiced concerns about funding CCA any further as there is a common belief (obviously erroneous) that CCA already obtains and manages the \$5 levy.

2.9 Rather than involve the Government in legislating for a producer-owned body – something that would be almost unique in today's governance arrangements – and involving the cost that such establishment might involve (which is estimated by some at \$15 million both in cash and effort in design and establishment), existing infrastructure should be used and reformed, as necessary, to achieve the desired outcomes.

2.10 Possibly the best way to achieve this end is for the Government to legislate to add another category to the existing levy allocations for distribution to CCA. Provision of sufficient funding and resources through allocation of a portion of the levy would enable CCA to properly oversight MLA marketing and R&D decisions. This is difficult under the current arrangements because the principal source of CCA

1 Australian Meat Producers Group and Concerned Cattle Producers, *Submission 184*, pp 12–18.

2 Pastoralists and Graziers Association of WA, *Submission 112*; Tasmanian Farmers and Graziers Association, *Submission 156*.

3 AgForce Queensland, *Submission 151*; Northern Territory Cattlemen's Association, *Submission 185*.

4 Meat and Livestock Australia, *Submission 154*, p. 28.

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

funding is derived from service agreement payments from MLA, the body CCA is supposed to oversight and direct.

2.11 For this reasons, I recommend that a new allocation within the existing cattle transaction \$5 levy be introduced and directed to CCA. Termed the 'strategic policy development levy' (SPD levy), I propose that the levy allocation be used by CCA to carry out strategic policy development.

2.12 Implementation of this recommendation would prevent any increase in the amount of levies paid by producers while also providing the necessary strategic policy development required to resource CCA and the sector to better direct and oversight MLA. It should be noted that strategic policy development is already defined in the Australian Pork Ltd constitution and accepted as a legitimate use by that representative body

2.13 The current levy allocations across three existing areas, namely National Residue survey (29 cents), Animal Health Australia (13 cents) R&D (92 cents matched by an equal government contribution) should remain. However, the marketing levy of \$3.66 could be reduced by approximately 35 cents with that 35 cents directed to the new strategic policy development levy component.

2.14 This change to the levy allocations could be achieved by straightforward legislative and administrative amendments. It would provide CCA with the resources, expertise and authority needed to advocate for levy revenue investment that is better directed and carried out in the interests of the levy-paying majority.

2.15 Furthermore, producers would then have an entitlement to vote and have a say in the direction of MLA through MLA membership (provided the following recommendations on the identification of levy payers are adopted). Levy payer members would also have a direct say on and vote in a better-resourced CCA. I note in this regard that CCA recently altered its Articles of Association to provide for direct producer membership – possible for non-SFO members for a fee of \$100 and for SFO members free of charge.

2.16 Furthermore, producers would then have an entitlement to vote and have a say in the direction of MLA through MLA membership (provided the following recommendations on the identification of levy payers are adopted). Levy payer members would also have a direct say on and vote in a better-resourced CCA. I note in this regard that CCA recently altered its Articles of Association to provide for direct producer membership – possible for non-SFO members for a fee of \$100 and for SFO members free of charge.

3 Flexibility in levy adjustments

3.1 I recommend a new recommendation in relation to flexibility in the adjustment of levy allocations.

3.2 The industry would benefit from legislative change to allow more flexibility in determining the apportionment of the levy between MLA marketing, MLA R&D, Animal Health Australia, the National Residue Survey and the proposed CCA SPD as long as the total amount of the levy remains at \$5.

4 Red Meat Advisory Council

4.1 I disagree with and do not support proposed Recommendation 5 (para 7.40 and 7.41) concerning the abolition of RMAC.

4.2 RMAC provides a useful industry-wide source of advice to Government and should be retained under the current arrangements.

4.3 A better resourced SPD levy funded-CCA will ensure RMAC can work better. The majority of submitters or at least submitters representing the majority of producers see value and merit in RMAC and believe its abolition or change would disadvantage the industry-wide approach and therefore have a detrimental effect on the overall industry.

5 Amendment to the MLA constitution

5.1 To ensure improved representation of grass-fed cattle producers, the MLA constitution requires the following three changes:

- a. reduce the number of MLA directors on the selection committee from 3 to 0 and increase the number of grass-fed producer representatives;
- b. ensure greater emphasis on grass-fed cattle production as a required skill amongst the MLA board; and
- c. provide for the selection committee to endorse more than 1 candidate for each position on the board.

Senator the Hon Ian Macdonald

Additional Comments – Australian Greens

1.1 Whilst the Greens support the key recommendations of the committee's findings we would like it noted that long term, low real returns in farm gate prices in Australia are not just related to inefficiencies in the meat industry and levy structure, but are also likely to be related to high market concentration power in both the processing and retail (distribution) industry. The opposite occurs in the producer end of the value chain with many suppliers.

1.2 It should be pointed out that this inquiry didn't look into these critical issues in any detail, as they weren't part of the terms of reference, and that this should be considered for an additional Senate inquiry.

1.3 We would also like it noted that the Australian Greens hope that any new producer group uses its levy pool to fund more innovation, marketing and research incentives for producers. This will assist them to move up the value chain, to develop their own brands and direct-to-market distribution networks as a means of addressing the concentration of market power in the retail distribution networks.

1.4 Supermarket buying power and market concentration issues in Australia are pushing farmers to seek returns from live export markets, which create pricing tension for producers. As we oppose live animal exports we would like to see these obvious and ongoing market concentration issues better examined and tackled.

1.5 Levy funds should be used, as a priority, to help develop meat processing capacity in Northern Australia to enhance value added export product and move producers away from reliance on live cattle export. The Greens believe live cattle exports will continue to pose market and operational risks to producers and this could be mitigated with enhanced processing capacity in Northern Australia. The Inquiry report provides an interesting discussion on the scope and sustainability for new innovative beef farming practices and processing facilities in Northern Australia and this could also be considered by the committee for an additional, separate inquiry.

Senator Rachel Siewert

Senator Peter Whish-Wilson

Appendix 1

Submissions received

Submission Number	Submitter
1	Mr John Andinson
2	Mr Greg Northover
3	Mr Brett McLachlan
4	Queensland Department of Agriculture, Fisheries and Forestry
5	Mr John Carpenter
6	Australian Lot Feeders' Association
7	Mr and Mrs Wayne and Sandra Birchmore
8	Mr James Ramsay
9	Richmond River Beef Producers Association
10	Australian Registered Cattle Breeders Association
11	Mr Bernie and Kathy Day
12	Mr Don, Cathy and Scott Bates
13	Mr Greg Varcoe
14	Mr Vince Ptolemy
15	Ms Juliane Cowan
16	Mr Mike Kena
17	Mr Chris and Mrs Jill Dyer
18	Mr Joe Moore
19	Mr G Schmidt
20	Mr Ryan and Tracey Hacon
21	Mr R Prestage
22	Mr Damien Jensen
23	Mr Colin and Jocelyn Gordon
24	Mr Scott and Rhonda Conkey
25	Mr B.A. & D.E. Miller
26	Mr Mike and Maureen Borello
27	Mr Christopher Walton
28	Department of Agriculture
29	Mr Brian and Amanda McCullough
30	Mr RI and DA McCullough
31	Mr Philip and Tania Curr
32	Mr Rob Moore
33	Mr Peter and Catherine White
34	Mr Ian Tincknell
35	Mr Rob Atkinson
36	Mr Gregory Smith
37	Ms Sue Campbell
38	Mr Brendon and Theresa Curr
39	Mr Barry and Liz Miller

40	Mr Paddy Dillon
41	Mr Henry Slaney
42	Ms Jacqueline Curley
43	Mr Des Sipos
44	Ms Jill Dyer
45	Mr Rod Barrett
46	Ms Helen Robinson
47	Ms Susanne Campbell
48	Mr Alf Collins
49	Mr Robert Curley
50	Mr Clayton Curley
51	Ms Natalie Curley
52	Mr Thomas McIntyre
53	Mr Max Gunthorpe
54	Ms Hilary Gunthorpe
55	Ms Liz McIntyre
56	Mr Greg O'Connor
57	Mr Trevor Jonsson
58	Mr Ed Robinson
59	Ms Katrina Brown
60	Mr Nicholas Lord
61	Mr Walter Cooper
62	Mr Richard Makim
63	Mr Mark Brown
64	Ms Katrina Paine
65	Mr David Birchmore
66	Mr Kelvin Harriman
67	Ms Susan Gray
68	Ms Jess McKinlay
69	Mr Doug Saal
70	Ms Helen Cox
71	Ms Penny Wallace
72	Mr Andrew Miller
73	Mr Wallace Gunthorpe
74	Mr John Burnett
75	Mr Alan Heading
76	Mr Vaughan Klein
77	Mr RA and RM O'Sullivan
78	Mr Joe Payne
79	Mr Darren Watts
80	Mr Gavin Spurdle
81	Mr Stephen Lund
82	Mr K and R Cowan
83	Mr Garry Dew
84	Mr David Hood
85	Mr Ray Jewry

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- 86 Ms Belinda Hick
87 Mr Darren Stonehouse
88 Mr Gerald Easton
89 Mr Brian McCullough
90 Ms Brooke Barton
91 Mr Mark Lucas
92 Ms Dixie Nott
93 Mr John Carter
94 Ms Rachel Weston
95 Mr Doug and Zoe O'Neill
96 Mr Chris Kirk
97 Mr Markus Rathsmann
98 Mr Greg McNamara
99 Mr J. Ashley Mc Kay
100 Mr Tom and Robyn Aisbett
101 Mr Peter Mahony
102 Ms Jo-Anne Bloomfield
103 Food Producers Landowners Action Group Australia Incorporated
104 Mrs Lasca Catherine Greenhill
105 Mr David Corr
106 Mr Viv and Caralyn Caspani
107 Mr Rod Dunbar
108 Mr Edgar Burnett
109 Mr Ken Cameron and Mr Richard Belfield
110 Mr John Webster
111 Mr Alan and Tracey Hewitt
112 Pastoralists and Graziers Association of WA
113 Ms Aneeta Hafemeister
114 Australian Livestock and Property Agents Association
115 Animal Health Australia
116 Acton Land and Cattle Company
117 Mr David Parfett
118 Mr Barry and Marella Green
119 Mr Gordon and Gwen Moore
120 Dr Paul Wood
121 Victorian Farmers Federation
122 Ms Lorraine Rhodes-Roberts
123 Mr Greg Brown
124 Keough Cattle Company
125 Mr Richard Phillips
126 Mr John Paine
127 Mr David Conachan
128 Mr Gib and Sue Muller
129 Mr Ernie and Kylie Camp
130 Mr Paul Seward
131 RSPCA Australia

- 132 Mr Michael and Gaylene Reardon
- 133 Yammatree Family Trust
- 134 Australian Beef Industry Foundation
- 135 Councillor Maggie Creedy
- 136 Mr G and R Gibbins
- 137 Ms Marion Jarratt
- 138 Ms Joanne Rea
- 139 Mr Rod Polkinghorne OAM
- 140 Mr Alex Munro
- 141 Mr Ian and Nina Batt
- 142 Cattle Council of Australia
- 143 Mr Mark Driscoll
- 144 Sheepmeat Council of Australia
- 145 Heytesbury Cattle Company Pty Ltd
- 146 Mr Sergio Beani
- 147 Mr Darryl and Karen Smith
- 148 Mr Jim O'Neill
- 149 Mr Brendan and Thelma Seed
- 150 Mr David Gregory
- 151 AgForce Queensland
- 152 Mrs Dale Knuth
- 153 Mr Peter Joliffe
- 154 Meat and Livestock Australia
- 155 Bindaree Beef Australia
- 156 Tasmanian Farmers & Graziers Association
- 157 Mr Brendan and Susan Finnigan
- 158 Mr Gary and Melina Ryan
- 159 Mr Angus Atkinson
- 160 Mr Cameron McIntyre
- 161 Ms Clare Finnigan
- 162 Mr Bruce Collins
- 163 Mr Ian and Judy Duly
- 164 Australian Beef Association
- 165 Red Meat Advisory Council
- 166 National Farmers' Federation
- 167 Mr John Wyld
- 168 NSW Farmers Association
- 169 WAFarmers
- 170 Mr James and Mandy O'Brien
- 171 Mr Matthew Bauer
- 172 Mr Max Dench
- 173 Australian Livestock Exporters' Council
- 174 Mr Gregory Bradfield
- 175 Mr Lindsay Marriott
- 176 Ms Emma Robinson
- 177 Ms Emily Ruffin

- 178** Mr Ronald and Gabriele Bown
- 179** Mr Malcolm and Colleen Reid
- 180** Miss Elizabeth Hamilla
- 181** Mr Mal and Anne Peters
- 182** United Stockowners of Australia
- 183** Mr Don Lawson OAM
- 184** Australian Meat Producers Group and Concerned Cattle Producers
- 185** Northern Territory Cattlemen's Association
- 186** Mr Blair and Josie Angus
- 187** Mr Philip Hughes
- 188** Mr Don McDonald

Additional information received

- Received on 17 March 2014, from Cattle Council of Australia. Answers to Questions taken on Notice on 7 March 2014.
- Received on 18 March 2014, from the Australian Beef Association. Answers to Questions taken on Notice on 7 March 2014.
- Received on 21 March 2014, from the Australia Meat Processor Corporation. Answers to Questions taken on Notice on 7 March 2014.
- Received on 23 March 2014, from Meat and Livestock Australia. Answers to Questions taken on Notice on 7 March 2014.
- Received on 23 March 2014, from Meat and Livestock Australia. Answers to written Questions taken on Notice from 7 March 2014 public hearing.
- Received on 27 March 2014, from the Department of Agriculture. Answers to Questions taken on Notice on 7 March 2014.
- Received on 27 March 2014, from the Department of Agriculture. Answers to written Questions taken on Notice from 7 March 2014 public hearing.
- Received on 12 May 2014, from Mr Rod Dunbar. Answer to Question taken on Notice on 7 May 2014.
- Received on 16 May 2014, from Ms Jo-Anne Bloomfield. Correspondence to the committee clarifying statements made at 7 May 2014 hearing.
- Received on 22 May 2014, from Ms Jacqueline Curley. Answers to Questions taken on Notice on 21 May 2014.
- Received 12 June 2014, from Mr Richard Wilson. Correspondence to the committee clarifying a statement made at 21 May 2014 hearing.
- Received on 12 June 2014, from Bindaree Beef. Answer to Question taken on Notice on 10 June 2014.
- Received 15 June 2014, from Mr Rod Polkinghorne OAM. Additional information.
- Received on 18 June 2014, from the Sheepmeat Council of Australia. Answers to Questions taken on Notice on 10 June 2014.
- Received on 18 June 2014, from the Agricultural Levies Institute of Australia. Answer to Question taken on Notice on 10 June 2014.
- Received 18 June 2014, from Mr Rod Dunbar, United Stockowners of Australia. Correspondence to the committee clarifying statements made at 10 June 2014 hearing.
- Received on 20 June 2014, from NSW Farmers' Association. Additional information.
- Received on 20 June 2014, from the Victorian Farmers Federation. Answer to Question taken on Notice on 10 June 2014.
- Received on 23 June 2014, from Cattle Council of Australia. Answer to Question taken on Notice on 20 June 2014.
- Received on 30 June 2014, from the Australian Livestock Exporters' Council. Answers to Questions taken on Notice on 20 June 2014.

- Received on 30 June 2014, from Meat and Livestock Australia. Answers to Questions taken on Notice on 20 June 2014.
- Received on 2 July 2014, from the Department of Agriculture. Answers to Questions taken on Notice on 23 June 2014.

FORM LETTER RECEIVED

- Form letter one. Written by Mr Andy Rea and received from 81 other submitters.

QUESTIONNAIRE RECEIVED

- Questionnaire received by 218 submitters. Also received by 50 other submitters whos questionnaire was published as a submission.

TABLED DOCUMENTS

7 March 2014, Canberra, ACT:

- Tabled by Mr Ian Thompson, Acting Deputy Secretary, Department of Agriculture. Diagram.
- Tabled by Mr Bradley Bellinger, Director, Australian Beef Association.
 - Australian Beef Producers' Journal, Summer/Autumn 2010 – 'Last one Standing'.
 - Data from a member – History of 4 Tooth Jap Bullocks.

7 May 2014, Katherine, NT:

- Tabled by Ms Jo-Anne Bloomfield, Hodgson River Station. MLA Voting entitlement.

21 May 2014, Rockhampton, QLD:

- Tabled by Mr Mark Discoll and Mr Cameron McIntyre, Concerned Cattle Producers. Compilation of industry reform and consultation documents.

10 June 2014, Albury, NSW:

- Tabled by Mr Don Lawson OAM.
 - Two letters and information about Gardiner Foundation.
 - Emails from the Australian Farm Institute.
 - BJD Information Forum.
- Tabled by Mr Norman Hunt, Convenor, Australian Meat Producers Group and Concerned Cattle Producers.
 - Questionnaire.
 - Letter on voting entitlements in relation to 2005.
- Tabled by Mr Spiro Adamopoulos, Chief Executive Officer, Agriculture Levies Institute of Australia. Submission to the committee's inquiry into industry structures and systems governing levies on grass-fed cattle.

20 June 2014, Canberra, ACT:

- Tabled by Ms Linda Hewitt, Director, Australian Beef Association. Opening statement.

Appendix 2

Public hearings and witnesses

7 March 2014, Canberra, ACT

- EVANS, Ms Jo, Acting Chief Finance Officer,
Department of Agriculture
- KOVAL, Mr Matthew, Acting First Assistant Secretary,
Agricultural Productivity Division, Department of Agriculture
- THOMPSON, Mr Ian, Acting Deputy Secretary,
Department of Agriculture
- KELLY, Mr Stephen, Chairman,
Australian Meat Processor Corporation
- LIND, Mr David, Acting Chief Executive Officer and Business Manager,
Australian Meat Processor Corporation
- ALLAN, Dr Michele, Chair,
Meat and Livestock Australia
- BARNARD, Dr Peter, General Manager, Trade and Economic Services,
Meat and Livestock Australia
- PIETSCH, Mr David, Regional Manager, North America,
Meat and Livestock Australia
- SCOTT, Mr George, Director,
Meat and Livestock Australia
- HALL, Mr Peter, Vice-President,
Cattle Council of Australia
- MATZ, Mr Jed, Chief Executive Officer,
Cattle Council of Australia
- OGILVIE, Mr Andrew, President,
Cattle Council of Australia
- FOSTER, Mr Malcolm John, President,
Australian Registered Cattle Breeders' Association
- BELLINGER, Mr Bradley, Director,
Australian Beef Association
- BYARD, Mr David, Office Manager and Chief Executive Officer,
Australian Beef Association
- ECONOMOU, Mr Athol, Director,
Australian Beef Association
- HEWITT, Mrs Linda, Director,
Australian Beef Association

- NIVEN, Mr John, Chairman,
Australian Beef Association
- CREEDY, Dr Brian, Chairman,
Richmond River Beef Producers Association
- HOBSON, Mr Angus, Chief Executive Officer,
Red Meat Advisory Council Ltd
- KEANE, Mr Ross Patrick, Chairman,
Red Meat Advisory Council Ltd
- CARTER, Mr John Edward,
Private capacity

6 May 2014, Broome, WA

- ANDERSON, Mr Keith Clifford,
Private capacity
- CAMP, Mr Peter, Chairman,
Pastoralists and Graziers Association of Western Australia Kimberley Division
- PEARSON, Mr Geoff, Meat Council Representative,
Western Australian Farmers Federation
- STOATE, Mr David,
Kimberley Cattlemen's Association

7 May 2014, Katherine, NT

- BLOOMFIELD, Mrs Jo-Anne Michelle,
Private capacity
- CAMP, Mr Ernest John Talbott,
Private capacity
- CAMP, Mrs Kylie Leanne,
Private capacity
- DEVERAUX, Mr Colin,
Private capacity
- DUNBAR, Mr Roderick Glen Macarthur, Managing Director,
Dunbar Family (Lexcray Pty Ltd)
- HAYES, Ms Tracey, Acting Chief Executive Officer,
Northern Territory Cattlemen's Association
- RATHSMANN, Mr Markus,
Private capacity
- STOCKWELL, Mr Tom, Board Member,
Northern Territory Cattlemen's Association
- WARRINER, Mr David, President,
Northern Territory Cattlemen's Association

21 May 2014, Rockhampton, QLD

- ATKINSON, Mr Robert,
Private Capacity
- BARRETT, Mr Rodney,
Private capacity
- BROWN, Mr Gregory Colin,
Private capacity
- CAMPBELL, Miss Anna, Senior Livestock Policy Director,
AgForce Queensland
- CURLEY, Ms Jacqueline, Director,
Gipsy Plains Cattle Company
- DRISCOLL, Mr Mark,
Concerned Cattle Producers
- LEATHER, Mrs Melinee, Cattle Vice President,
AgForce Queensland
- MCINTYRE, Mr Cameron,
Concerned Cattle Producers
- McKAY, Mr James Ashley (Ashley),
Private capacity
- MOORE, Mr Rob,
Private capacity
- REA, Ms Joanne, Chair,
Property Rights Australia .
- SMITH, Mr Howard, Cattle President,
AgForce Queensland
- WESTON, Mrs Rachel,
Private capacity
- WILSON, Mr Richard Walter Lockie,
Private capacity

10 June 2014, Albury, NSW

- MCCOLL, Mr Ian, President,
Sheepmeat Council of Australia
- FERME, Dr Kathleen, Chief Executive Officer,
Sheepmeat Council of Australia
- SCHOEN, Mr Derek, Chair, Cattle Committee,
NSW Farmers Association
- LAWSON, Mr Donald Bruce, OAM,
Private capacity

- HUNT, Mr Norman, Convenor,
Concerned Cattle Producers and Australian Meat Producers Group
- MICHELMORE, Mr John, Southern Director,
United Stockowners of Australia
- WASS, Mr Robert, New South Wales Director,
United Stockowners of Australia
- GUNTHORPE, Mr John, Chairman,
Australian Beef Industry Foundation
- POLKINGHORNE, Mr Rodney John,
Private capacity
- McDONALD, Mr John, Chairman,
Bindaree Beef
- NEWTON, Mr John Kenneth, Director,
Bindaree Beef
- NEWTON, Ms Kerri, Business Manager,
Bindaree Beef
- ADAMOPOULOS, Mr Spiro, Chief Executive Officer,
Agricultural Levies Institute of Australia
- FELDTMANN, Mr Ian, Chairman, Livestock Group,
Victorian Farmers Federation
- McCORMACK, Mr Michael, Livestock Councillor,
Victorian Farmers Federation
- VALLANCE, Mr Leonard, Livestock Councillor,
Victorian Farmers Federation

20 June 2014, Canberra, ACT

- KANE, Mr Peter, Chief Executive Officer,
Australian Livestock Exporters' Council
- PENFOLD, Ms Alison, Chief Executive Officer,
Australian Livestock Exporters' Council
- BELLINGER, Mr Brad, Director,
Australian Beef Association
- BYARD, Mr David, Office Manager and Chief Executive Officer,
Australian Beef Association
- HEWITT, Mrs Linda, Director,
Australian Beef Association
- HALL, Mr Peter, Vice President,
Cattle Council of Australia
- MATZ, Mr Jed, Chief Executive Officer,
Cattle Council of Australia

- OGILVIE, Mr Andrew, President, Cattle Council of Australia
- ALLAN, Dr Michele, Chair, Meat and Livestock Australia
- BARNARD, Dr Peter, General Manager, Trade and Economic Services, Meat and Livestock Australia
- CORRIGAN, Ms Lucinda, Director, Meat and Livestock Australia
- NORTON, Mr Richard, Managing Director, Meat and Livestock Australia
- SCOTT, Mr George, Director, Meat and Livestock Australia

23 June 2014, Canberra, ACT

- KOVAL, Mr Matthew, Acting First Assistant Secretary, Agricultural Productivity Division, Department of Agriculture
- ROBSON, Mr Noel, Levies Director, Finance and Business Support Division, Department of Agriculture
- RYAN, Mr Matthew, Assistant Secretary, Industry Support Branch, Finance and Business Support Division, Department of Agriculture
- SPYROU, Mrs Britt, Director, Livestock Industries and AgVet Chemicals, Agricultural Productivity Division, Department of Agriculture
- STONE, Ms Trysh, Assistant Secretary, Livestock Industries and AgVet Chemicals, Agricultural Productivity Division, Department of Agriculture

