



Agriculture, Fisheries and Forestry Legislation Amendment (2007 Measures No. 1) Bill 2007

Peter Hicks
Economics Section

Patrick O'Neill
Law and Bills Digest Section

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Agriculture, Fisheries and Forestry Legislation Amendment (2007 Measures No. 1) Bill 2007

Date introduced: 23 May 2007

House: House of Representatives

Portfolio: Agriculture, Fisheries and Forestry

Commencement: On Royal Assent.

Purpose

To give effect to the meat processor sector's request to introduce levies on the slaughter of cattle, sheep and goats and for the levy funds to be directed to that sector's existing services body.

Background¹

Marketing arrangements for Australia's red-meat marketing industry were restructured in 1997. The main statutory element of the restructure was the *Australian Meat and Live-stock Industry Act 1997* (the AMLI Act). The main purpose of the restructure was to:

- establish Meat and Livestock Australia (MLA) as a producer-owned industry services company responsible for the provision of marketing and research and development (R&D) services to the red-meat industry, and
- provide for MLA to be funded via industry levies and matching Commonwealth contributions.

A short policy history of red-meat marketing before 1997 is provided in the Bills Digest prepared for that legislation.² The Digest also canvassed the fractious relationships which existed between parts of the red-meat industry at that time, and noted that both the processing and live-export sectors were not to be subject to compulsory levies to fund marketing and R&D activities. Instead these sectors had agreed to a system of voluntary contributions to their respective industry services body.

Another significant element of the 1997 restructure was the Red Meat Industry Memorandum of Understanding (the MOU) which was primarily an agreement between the meat industry's peak bodies and the Commonwealth Government. It contained a statement of principles and supporting schedules outlining the new arrangement to which industry sectors had agreed.

The MOU included the processing sector's collective R&D and marketing arrangements. These operate on the basis that processors' voluntary contributions will fund the Australian Meat Processors Corporation (AMPC) to finance marketing and R&D services

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and that AMPC will also run jointly-funded programmes with the Red Meat Advisory Council. Total revenue raised by processors since 1998 has been in the order of \$14.3 million and this has largely been invested through MLA.

Under the MOU, processors are required to contribute to industry R&D and other activities and were asked every three years to continue their voluntary contributions. However, the scheme failed in the AMPC poll in May 2006, with an insufficient number of red-meat processors opting to continue their contributions to maintain long-term funding of MOU obligations. The current contribution period for processor levies expires in June 2007.

Failure of the voluntary scheme meant that the whole MOU would fail unless a statutory levy scheme was established. Failure to agree on the format of statutory levies also left open the possibility of the Commonwealth reactivating the pre-1998 statutory levy, which had been suspended while the voluntary scheme was active. Had this happened, levy revenue collected from processors would have been considerably greater than under the current levies.

A ballot of meat-processor establishments was conducted by the Australian Electoral Commission was held in December 2006. The proposal put to processors read as follows:

That the Minister for Agriculture, Fisheries and Forestry be requested to amend relevant legislation to enact a new statutory levy for red meat processors with the following conditions:

(a) that the moneys collected from such a levy are administered by the Australian Meat Processor Corporation (AMPC)

(b) that the rate of the levy be as follows:

<i>Statutory Levy</i>	<i>Levy rates</i>	
<i>Cattle (per kg HCW)</i>	<i>Marketing</i>	<i>\$0.002</i>
	<i>R&D</i>	<i>\$0.004</i>
<i>Sheep (per head)</i>	<i>Marketing</i>	<i>\$0.060</i>
	<i>R&D</i>	<i>\$0.090</i>
<i>Lamb (per head)</i>	<i>Marketing</i>	<i>\$0.070</i>
	<i>R&D</i>	<i>\$0.090</i>
<i>Goats (per head)</i>	<i>Marketing</i>	<i>\$0.030</i>
	<i>R&D</i>	<i>\$0.070</i>

The result of the ballot was 72.5% in favour, 26.6% against.

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Industry characteristics

Selected meat industry statistics are presented in the following tables.

157 Australian exports of meat, by product ^a

	Unit	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Quantity									
Beef and veal ^b	kt	883	852	959	902	902	860	948	892
Mutton ^b	kt	155	171	180	158	119	120	138	146
Lamb ^b	kt	85	99	115	109	98	109	123	144
Pig meat ^b	kt	16	39	44	59	63	51	43	43
Poultry meat ^b	kt	19	17	21	21	23	20	20	22
Live sheep ^c	'000	4 959	4 859	5 936	6 443	5 843	3 843	3 233	4 248
Live cattle ^c	'000	713	846	846	797	973	581	574	549
Value ^d									
Beef and veal ^e	\$m	2 863	3 119	4 007	4 189	3 756	3 793	4 584	4 272
Mutton ^e	\$m	309	326	416	490	346	379	418	431
Lamb ^e	\$m	305	369	508	626	554	636	700	782
Pig meat	\$m	71	159	186	265	256	181	150	140
Poultry meat	\$m	23	21	26	26	22	20	20	21
Live sheep ^c	\$m	182	180	258	392	408	266	207	291
Live cattle ^c	\$m	343	433	482	526	567	318	374	358
Total	\$m	4 095	4 606	5 882	6 514	5 910	5 594	6 452	6 295
Unit value ^d									
Beef and veal	\$/kg	3.24	3.66	4.17	4.65	4.16	4.41	4.83	4.79
Mutton	\$/kg	2.01	1.92	2.31	3.09	2.92	3.16	2.93	2.98
Lamb	\$/kg	3.60	3.71	4.42	5.75	5.66	5.86	5.69	5.42
Pig meat	\$/kg	4.31	4.05	4.22	4.50	4.08	3.58	3.44	3.24
Poultry meat	\$/kg	1.21	1.22	1.23	1.23	0.95	0.98	1.01	0.97
Live sheep	\$/head	36.64	37.12	43.41	60.79	69.87	69.34	63.92	68.61
Live cattle	\$/head	476.89	514.68	575.88	664.48	582.56	549.78	652.47	659.60

^a Excludes re-exports and ships' stores. ^b Fresh, chilled and frozen; shipped weight. ^c Excludes animals for breeding. ^d fob. ^e Based on quantity data from DAFF and export price data from the ABS.

Sources: ABS, *International Trade, Australia*, cat. no. 5465.0, Canberra; Department of Agriculture, Fisheries and Forestry, *Export Statistics*, Canberra; ABARE.

Source: Australian Bureau of Agricultural and Resource Economics, *Australian Commodity Statistics 2006*, p. 157.

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161 Gross value of Australian livestock slaughtering

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m	2005-06 \$m
Livestock slaughtering						
Cattle and calves ^a	5 948.8	6 616.9	5 844.6	6 341.1	7 454.7	7 217.7
Cattle exported live ^b	481.8	525.5	566.5	317.7	374.1	357.8
Sheep ^c	367.6	544.5	467.7	454.2	416.3	442.1
Lambs ^d	776.5	1 181.4	1 160.9	1 318.1	1 326.0	1 424.9
Sheep exported live ^b	257.7	391.7	408.2	266.5	206.7	291.5
Pigs	822.3	967.7	911.3	878.9	906.0	867.3
Poultry	1 060.2	1 174.9	1 280.5	1 280.8	1 303.7	1 363.0
Total	9 737.8	11 434.5	10 676.0	10 896.0	12 030.2	12 007.1

^a Includes dairy cattle slaughtered. ^b Excludes animals for breeding. ^c Excludes skin values. ^d 18–20 kilograms dressed weight.
 Note: The gross value of production is the value placed on recorded production at the wholesale prices realised in the market place. The point of measurement can vary between commodities. Generally the market place is the metropolitan market in each state and territory. However, where commodities are consumed locally or where they become raw material for a secondary industry, these points are presumed to be the market place. Prices used in these calculations do not include the GST.
 Sources: ABS; ABARE.

Source: Australian Bureau of Agricultural and Resource Economics, *Australian Commodity Statistics 2006*, p. 160.

3.2 Summary statistics for the Australian processed food industry

	Employment at 30 June ^a		Wages and salaries ^b		Sales and service income ^c		Industry value added	
	2003-04 '000	2004-05 '000	2003-04 \$m	2004-05 \$m	2003-04 \$m	2004-05 \$m	2003-04 \$m	2004-05 \$m
Meat								
Meat processing	29	29	1 034	1 117	10 034	11 299	1 658	1 836
Poultry processing	16	17	655	758	3 848	3 942	1 114	1 218
Bacon, ham and smallgoods	8	9	317	331	2 126	2 530	496	480
Total	52	56	2 006	2 206	16 008	17 771	3 269	3 534

Source: Department of Agriculture, Fisheries and Forestry, *Australian Food Statistics 2006*, p. 54.

Financial implications

The Explanatory Memorandum states that the proposals in the bill will not result in additional Commonwealth expenditure, and that existing industry and Commonwealth structures will be used to collect and disburse the funds involved, namely the levy proceeds and matching Commonwealth contributions. The latter reflect the standard long-term arrangements for Commonwealth support of agricultural R&D, whereby the proceeds of industry levies are matched dollar-for-dollar up to a limit of 0.5 per cent of the annual gross value of production for the red-meat industry. This limit is set under subsection

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66(3) of the AMLI Act and will not change. Further, the matching funds are for agreed research projects managed by MLA.

Associated administrative costs to the Commonwealth will be met from the levies on a fee-for-service basis.³

Main provisions

Schedule 1

Amendments to the *Australian Meat and Live-stock Industry Act 1997*

Item 4 empowers the Minister to declare a body to be the meat processor marketing body or the meat processor research body. These declarations will be disallowable by either House of Parliament in the usual manner. **Item 6** enables the same body to perform both the marketing and research functions for the meat-processing sector, but a body may not represent sectors of the red-meat industry other than its own (**item 7**). There can be only one research body and one marketing body (**item 8**).

Item 10 outlines the pre-conditions for declaration of a marketing body or a research body for the meat-processing sector. The pre-conditions are the same as for other such bodies: that the body must be a company limited by guarantee, it must be able to represent the meat-processing sector, and it must have consented to the declaration.

Items 16 and 17 end the payment of the proceeds of live-stock slaughter and beef slaughter levies to the industry marketing body and the industry research body, both of which roles are currently held by MLA. **Item 18** moves these same funds to the meat processor marketing body and the meat processor research body. In addition to covering administrative costs, **item 23** authorises the meat processor marketing body and research body to expend the levy funds they receive only for marketing and research purposes respectively or other allowable payments prescribed in regulations. The new paragraphs are similar to those that authorise such spending by similar bodies.

Item 26 authorises the various industry bodies operating under the AMLI Act to use information about levy payers, received under the *Primary Industries Levies and Charges Collection Act 1991*, in order to maintain their membership and perform their functions.

Amendments to the *Primary Industries (Excise) Levies Act 1999*

Items 28–41 replace references to the ‘industry marketing body’ and ‘industry research body’ with references to the ‘meat processor marketing body’ and the ‘meat processor research body’ in the *Primary Industries (Excise) Levies Act 1999*. These amendments permit the levy funds to be directed to the new meat processor research body and meat processor marketing body. Four spent provisions are also repealed.

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Concluding comments⁴

In sum, the industry proposes that under statutory arrangements the current program of R&D and marketing investments will be maintained and, if approved by AMPC members, widened to include animal welfare, expanded environment and resource management and some economic aspects to improve profitability and enhance issues management. It further envisages no change to the industry services model which is based on a consultative approach to development of investment plans by AMPC, MLA and the Australian Meat Industry Council and existing financial management arrangements.

The only real change expected as a result of this bill is that all red-meat processors will, in effect be ‘members’ of AMPC, providing the opportunity for greater consultation processes in that sector.

Endnotes

1. This section draws heavily on material circulated to participants in the meat industry ballot which also included arguments for and against the proposal: Australian Meat Industry Council and Australian Meat Processor Corporation, ‘Ballot of meat industry participants’, [http://www.ampc.com.au/files/0399949384393346AECFINAL2_\(2\)_Oct06.pdf](http://www.ampc.com.au/files/0399949384393346AECFINAL2_(2)_Oct06.pdf), accessed on 28 May 2007.
2. Ian Ireland and Peter Hicks, ‘Australian Meat and Live-stock Industry Bill 1997’, *Bills Digest*, no. 79, Department of the Parliamentary Library, Canberra, 1997–98, <http://www.aph.gov.au/library/pubs/bd/1997-98/98bd079.htm>.
3. Explanatory Memorandum, p. 2.
4. This section also draws heavily on material referred to in Endnote 1.

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