BACKGROUND
FACTS & JOURNEY

Cattle Producers Australia Limited
ACN 623 967 948
Background, facts and journey to the establishment of CPA

Introduction: - Cattle Producers Australia Limited is an incorporated entity specifically designed to democratically represent the national interests of grass-fed cattle transaction levy payers. Legitimacy for the establishment of Cattle Producers Australia is firmly rooted in the recommendations of the 2014 and 2017 industry Senate Inquiries and the ACCC Cattle and Beef Market Study, released in March 2017, with a further Update report released in May 2018.

Background: - The Australian red meat industry organisational structure was established in 1998 following a Task Force Report commissioned by the Minister for Primary Industry and Transport the Hon. John Anderson in May 1996.

As a consequence of the recommendations of that Task Force Report, the previous red meat advisory and research statutory corporations, Australian Meat and Livestock Corporation (AMLC) and the Meat Research Corporation (MRC), were wound up and replaced by the current structure which comprises a number of sector industry representative bodies and levy funded service corporations.

These separate red meat industry sector organisations and their joint service provider Meat and Livestock Australia Limited (MLA) are bound together under a Memorandum of Understanding (MoU) with the Federal Government.

The Red Meat Advisory Council (RMAC) is the overarching multi sector representative body and provides consensus red meat industry advice to the Federal Government and manages a Reserve Fund established from unspent industry levies paid to AMLC and MRC before those companies were wound up (See Appendix C: Diagram of the Red Meat Industry Organisational Structure).

Senate Inquiry into the Industry Structures and Systems Governing Levies on Grass-Fed Cattle and Innovate Report

The funding and representative issues confronting Australia’s grass-fed cattle producers were the driving force behind then Minister for Agriculture, Barnaby Joyce requesting the Rural and Regional Transport Senate Committee to conduct the Inquiry into grass fed cattle levy funded structures and systems in 2013.

That Senate inquiry attracted 188 individual submissions and 260 survey submissions from Australian cattle producers and industry organisations including the Cattle Council of Australia (CCA).

The CCA submission to that Senate Inquiry attached a 2012 report from Innovate Consulting, commissioned by CCA, which found that as a consequence of falling State Farm Organisation (SFO) membership and the convoluted SFO structure, CCA no longer truly or appropriately represented Australia’s grass-fed cattle producers.
The findings and recommendations of that Senate Inquiry was handed down in September 2014 and Recommendation 1 suggested the establishment of a new representative body funded from grass-fed transaction levies to replace CCA as the grass-fed cattle producers Peak Council.

**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.

**Establishment of the Implementation Committee**

In December 2014 Minister Barnaby Joyce convened a meeting of red meat industry stakeholders in Brisbane. Following that meeting a body that later became known as the Implementation Committee was formed from the disparate cattle producer representative organisations, which included the CCA, the Australian Beef Association (ABA), the Australian Meat Producers Group (AMPG), the Northern Pastoral Group (NPG) and the Concerned Cattle Producers (CCP). At the Minister’s behest the Implementation Committee was charged with the responsibility of reaching a unified agreement on the structure of a truly representative grass-fed cattle producer body to replace CCA as the grass-fed cattle producer Peak Council.

In February 2015, agreement on the form of a new structure was reached by the Implementation Committee. CCA representatives, accompanied by other representatives of the Implementation Committee, presented to Minister Joyce the proposed new model that would replace CCA as the grass-fed cattle producer Peak Council.

Minister Joyce instructed the Implementation Committee to proceed with the establishment of the new representative structure — referred to then as “Newco”, later changed to Cattle Australia, and finally registered as Cattle Producers Australia.

**Agriculture Minister Joyce’s Beef Central Opinion Piece**

In July 2015 Minister Joyce issued an [Opinion Piece](#) in Beef Central noting the strong desire from all sectors of the grass-fed cattle producer industry to see the creation of a directly elected representative organisation to replace CCA as the grass-fed cattle producer Peak Council. The Minister explained that the board would be elected by grass-fed cattle levy payers from a number of regional electorates across Australia and that the government would ensure that the new organisation had greater oversight on how the cattle levy was invested by seeking an update of the MoU.

Minister Joyce also advised ultimate responsibility for any redirection of levies, lay with levy payers and was of the understanding that there would be a proposal put forward to redirect a portion or otherwise, of the transaction levy to a new representative organisation in accordance with the levy principles and guidelines. Minister Joyce stated that he is committed to assisting where possible if such a vote achieved convincing support.
ACCY Investigation into the alleged buyer boycott at the Northern Victoria Livestock Exchange

In February 2015 reports of a collective boycott by nine cattle buyers at the Northern Victoria Livestock Exchange (NVLX) north of Barnawartha instigated an investigation. The investigation was announced by the Australian Competition and Consumer Commission (ACCC) following reports buyers had agreed not to attend the sale in response to the saleyard continuing to use pre-sale weighing, resulting in the NVLX adopting post-sale weighing that same day. The ACCC determined that buyers had communicated with each other on a regular basis, however the evidence obtained did not demonstrate that processors had reached an agreement not to attend the sale. This investigation highlighted the need to strengthen the Misuse of Market Power Law and in November 2017 important reforms to section 45 of the Competition and Consumer Act 2010 took effect which prohibit parties from engaging in a concerted practice that has the purpose, or likely effect of substantially lessening competition. Below is an example that the ACCC suggested is likely to amount to a concerted practice:

*Buyers for two of the largest beef processors in Australia regularly catch up over coffee before each auction. The buyers give each other a heads up on which lots each is more interested in, on the range of prices they are authorised to bid for the lot - but are never committed to giving the information and never agree not to bid on a lot. Neither is surprised when the bidding starts. This is likely to amount to a concerted practice, with the buyers substituting cooperation with each other for the uncertainties and independent rivalry of competition.*  [Link to reference](#)

Senate Inquiry into the effect of Market Consolidation on the red Meat Processing Sector

In March 2015, a Senate inquiry, triggered by producer outrage over the alleged buyer boycott at Barnawartha, was announced. The Senate Inquiry report into the effect of market consolidation (September 2017) supported the findings of the 2014 Senate inquiry in relation to deficiencies in cattle industry representation by existing peak bodies, this was highlighted in Chapter 5 of the report (see Appendix A).

The Senate Inquiry found that a contributing factor to the alleged abuse of market power by processors was a lack of the countervailing power of a strong financially sound cattle producer representative body. The report recommended the creation of a truly representative financially strong grass-fed cattle body to replace the CCA as the grass-fed cattle producer Peak Council.

Recommendation 4

5.77 The committee recommends that the Australian Government provide immediate support, including appropriate financial assistance, to the grass-fed cattle sector in its efforts to replace Cattle Council of Australia with a transparent and accountable producer-owned body as the sector’s Peak Industry Council.

Recommendation 5

5.78 The committee recommends that the Australian Government officially recognise Cattle Australia as the grass-fed cattle sector’s Peak Industry Council under the Australian Meat and Live-Stock Industry Act 1997 and Red Meat Memorandum of Understanding once it is operational and has a membership structure in place.
The investigation into the alleged buyer boycott prompted the ACCC to further examine the industry in a broader context and a cattle and beef market study was undertaken in April 2016. The study would examine competition, efficiency, transparency and trading issues in the beef and cattle supply chain. The ACCC’s Cattle and Beef Market Study Final report (March 2017) handed down 15 recommendations. In summary the report noted that as the industry is the single largest contributor to the annual value of Australian agricultural production, it is paramount that it is competitive and efficient. Analysis of the market study revealed a number of issues which risk damaging transparency, competition and efficiency in the industry. In particular, the report identified a lack of transparency of price reporting and carcase grading, and concerns about conduct affecting the competitiveness at saleyards.

ACCC Cattle and Beef Market Study – Update Report

The Cattle and Beef Market Study – Update report (May 2018) reviewed the progress toward implementing the recommendations in the twelve months since the release of the Market Study. The report demonstrated that industry representatives have not acted on the recommendations and that progress has been very poor. The ACCC in its media release pointed out that the inaction of industry participants demonstrated that they either did not understand the value of transparency or it did not suit their interests to make improvements. The report identified that 90% of cattle are sold through direct purchases from farmers and are not reported on, which the ACCC see as a serious risk to the efficiency of the industry.

Leadership in Agricultural Industries Fund Grant

In May 2017, CCA lodged a grant application to the Leadership in Agricultural Industries Fund on behalf of the Implementation Committee, seeking a grant of $500,000 to assist with the establishment of the proposed new grass-fed cattle producer Peak Council to replace CCA. In October 2017 Minister Joyce advised CCA that funding of $500,000 had been approved in a two-step process. The first to provide up to $206,000 for activities leading to the establishment of the new organisation with the second, to provide up to $294,000 in funding for leadership capacity building activities once the entity is established.

CCA Resignation from the Implementation Committee

In January 2018, the CCA members of the Implementation Committee advised that they had been instructed to resign from the Committee by the SFOs, due to concerns about a sustainable funding arrangement for the proposed new entity and a lack of support from SFOs who were not prepared to forego their representation on the board of the new Peak Council. At the termination of their participation in the Implementation Committee reform process, CCA representatives undertook to negotiate with the Implementation Committee members, on the matter of the $500,000 grant and to agree upon a mutually suitable time to discuss arrangements regarding these funds with the Department of Agriculture. Despite a number of Implementation Committee requests to CCA and the Department, these negotiations never took place.
Incorporation of Cattle Producers Australia Limited

Following the resignation of the CCA members, the Implementation Committee proceeded to form Cattle Producers Australia Ltd (ACN 623 967 948), as the future representative body for Australia’s grass-fed cattle industry in January 2018.

In late February 2018, members of the Implementation Committee met in a facilitated workshop in Brisbane to work on the draft constitution for Cattle Producers Australia Ltd, based upon the 15-region and direct grass-fed cattle producer elected board model presented to Minister Joyce, by the various cattle producer bodies that formed the Implementation Committee back in February 2015.

Proposed Funding for Cattle Producers Australia Limited

Cattle Producers Australia Ltd (CPA) proposes to fund its representative and advocacy activities from income from the provision of member services along the lines of successful overseas agricultural industry representative models and in the event that CPA eventually becomes the grass-fed cattle producers Peak Council, from receipt of funds from the RMAC Reserve Fund that CCA currently receives.

CPA will also establish a fully interactive website that will publish press releases, news stories, discussions on issues of the day, live YouTube interviews from Cattle Producers Australia’s journalists, an interactive cattle producer comment board, members policy survey platforms with advertising for discounted services and products from member services suppliers.

Free CPA membership will be open to all Australian grass-fed cattle transaction levy payer PIC holders.

Those CPA Members who wish to avail themselves of discounted CPA Member Services will be able do so by paying an optional annual $55 Member Services Fee.

New Structure offers producers a new opportunity and a new voice

Cattle Producers Australia is structured in a way to best represent the interests of all grass-fed cattle levy payers and to promote the profitability of the grass-fed cattle industry nationally. 15 Policy Advisory Councilors will be democratically elected from 15 regions across Australia. A 7-member Board will be elected by the CPA members from the 15 Policy Advisory Councilors and that Board may appoint 2 special qualification directors.

CPA represents a “once in a generation” opportunity for cattle producers to seize this chance for reform of cattle industry representation at the national level as promoted to them by the two senate inquiries and the ACCC study.

Members of the Implementation Committee and the Interim Board Directors of Cattle Producers Australia urge all cattle producers to join this new organisation now to create one voice and to achieve the well documented reforms required by the cattle industry. The destiny of the national cattle industry representation is in your hands.

Help us to help you!
Appendix A

Direct extracts from Chapter 5 of the Senate Inquiry into the effect of Market Consolidation on the red Meat Processing Sector

5.26 As far back as 2002, the Rural and Regional Affairs and Transport (RRAT) legislation committee found that the existing RMAC structure inhibited its capacity to effectively represent the whole of industry. At that time, the committee recommended that the Minister for Agriculture [and Water Resources] engage the industry in open consultation on options for a reformed advisory structure.23 However, it was the events surrounding the 2011 suspension of the live cattle export trade to Indonesia, which demonstrated the extent to which the current bodies and structures do not work. As the conflicting interests of different industry sectors came to the fore, RMAC was incapable of establishing a consensus position, and therefore unable to fulfil its advisory role to government. The committee concluded that:

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. 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.24 (Page 94)

5.47 The Government tabled its response to the committee’s 2014 report into the grass-fed cattle sector in July 2015. At the time, the Minister for Agriculture and Water Resources, the Hon Barnaby Joyce MP, stated that the grass-fed cattle industry “would now have increased stability moving forward”, and announced that his goal in initiating the process had been:

...to see the creation of a viable representative organisation that, without fear or favour, can advocate on behalf of grass-fed beef producers, can oversee levy investment that delivers real and beneficial outcomes to producers and deliver more transparency in how levy dollars are spent.42 (Page 99, 100)

5.73 It is the view of the committee that the proposed new representational body – called Cattle Australia for the purposes of this report – should be given the opportunity to work as intended. For the body to take on the role of a properly representative body, it needs to be properly funded and have the structure necessary to be truly representative and consultative. To this end, the committee recommends that Cattle Australia be provided with adequate independent funding as soon as practical. With decisions currently being made about the use of substantial amounts of levy payers funds including on technology such as DEXA, the committee recognises that there is some urgency for a well-resourced Cattle Australia to effectively represent the interests of grass-fed cattle producers. Moreover, once operational, Cattle Australia will be able to make appropriate, informed decisions on behalf of their levy payers about price transparency across the supply chain. It will be in a position to effectively guide and assess MLA’s performance in the expenditure of grass-fed cattle levy funds and to ensure greater transparency with regard to the use of levy-payers funds. (Page 105)
Appendix B

Extract from the ACCC Cattle and Meat Market Study – Update report May 2018 (Page 3)

2.2 Reasons for lack of progress

Toward the end of the market study and during the period of this review, cattle market conditions have been stronger than in the lead up to the study. This may have removed some of the pressure created by producers to see change. However, cattle markets are cyclical and the MLA’s Cattle Industry Projections indicate that beef and cattle prices are likely to come under pressure in 2018 as international export competition intensifies and supply increases. This could have implications along the supply chain and re-focus attention on the problems identified during the market study.

We also note that there has been some lack of stability in the representation available to grass fed producers. Recommendations 4 and 5 of the Senate Inquiry into the effect of market consolidation on the red meat processing sector were that the government should provide support, financial assistance and official recognition to Cattle Australia to replace the Cattle Council as the grass-fed sector’s Peak Industry Council. In January 2018 the Cattle Council withdrew from negotiations; remaining members of the implementation committee expressed their determination to proceed with the formation of Cattle Australia.

Notwithstanding the possible reasons for inaction, a common theme arising from our consultation for this progress report was that the industry wished to see concrete supporting evidence of the ACCC’s recommendations before taking steps to implement them. This suggests that the value of market transparency, and the relevance of our recommendations, is either not well understood or does not suit the interests of those industry participants who are in a position to improve it.

Market transparency is a compelling reason in its own right as it is a prerequisite for a functional market and effective competition. The better-informed producers are in making production and investment decisions, the more productive cattle markets will be. Furthermore, these decisions are an important determinant of the efficiency of the cattle industry. While the Final Report presented our analysis and reasoning, due to the lack of progress and in response to requests from stakeholders we have further outlined our views in section 3.

Progress has generally been made where there are existing industry structures or systems in place that can be improved on or utilised: for example, improving market reporting (recommendation 4) or communication and education activities about interpreting grading feedback (recommendation 10).

In contrast, there has been little or no progress on recommendations which require action from processors or cooperation across supply chain participants. The ACCC’s view is that much of the inaction appears to relate to entrenched industry positions and roles, a desire to keep the market opaque, and a lack of bargaining power from producers limiting their ability to push for change. Where there is appetite for change (for example recommendation 14), the industry has not been able to effectively push this forward.

Implementing the recommendations requires engagement between parties at each stage of the value chain. Buyers, agents and representative organisations all have a role to play in ensuring that producers have clear signals that allow them to better match production to market demands.
Appendix C
Red Meat Industry Organisational Structure