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HUNT BLOG Newsletter

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RED MEAT ANIMAL FARM

RMAF

to replace

RMAC

The Red Meat MoU Review Task Force White Paper published today recommends that the Red Meat Advisory Council (RMAC) be replaced by a new Orwellian Red Meat Animal Farm (RMAF) type body to collect all the red meat industry levies and provide a single whole of red meat industry strategy and advocacy voice to government. An RMAF mega body whose board will be comprised of Peak Industry Council appointees and skills-based directors appointed by a selection committee.

An RMAF mega body that would develop policy and carry out marketing for the whole the red meat industry and control and direct red meat industry research & development.

The White Paper proposes that:-

- the red meat industry levy funded corporations – AMPC, Livecorp and MLA, would combine into a single mega research & development body (Mega R &D CORP) who would have an appointed skills-based board, and
- a mandatory integrity systems company would be established to take over the core functions from Safe Meat, Aus-Meat, MSA and the Integrity Systems Company (Mega IS CORP)

The White Paper proposes to protect each red meat sector's interest by:-

- building safeguards into the Mega R & D CORP to protect individual red meat sectors, and
- requiring Peak Industry Councils to meet minimum standards of representation.

Animal Farm

Animal Farm was an allegorical novella by George Orwell, first published in England on 17 August 1945. According to Orwell, the fable reflects events leading up to the Russian Revolution of 1917 and then on into the Stalinist era of the Soviet Union. Orwell, a democratic socialist, was a critic of Joseph Stalin and hostile to Moscow-directed Stalinism, an attitude that was critically shaped by his experiences during the Spanish Civil War. The Soviet Union, he believed, had become a brutal dictatorship, built upon a cult of personality and enforced by a reign of terror.

Animal Farm Plot Synopsis

The poorly-run Manor Farm near Willingdon, England, is ripened for rebellion from its animal populace by neglect at the hands of the irresponsible and alcoholic farmer Mr. Jones.

One night, the exalted boar Old Major organizes a meeting, at which he calls for the overthrow of humans and teaches the animals a revolutionary song called "Beasts of England". When Old Major dies, two young pigs, Snowball and Napoleon, assume command and stage a revolt, driving Mr. Jones off the farm and renaming the property "Animal Farm". They adopt the Seven Commandments of Animalism, the most important of which is, "All animals are equal". The decree is painted in large letters on one side of the barn. Snowball teaches the animals to read and write, while Napoleon educates young puppies on the principles of Animalism. Food is plentiful, and the farm runs smoothly. The pigs elevate themselves to positions of leadership and set aside special food items, ostensibly for their personal health. Following an unsuccessful attempt by Mr. Jones and his associates to retake the farm (later dubbed the "Battle of the Cowshed"), Snowball announces his plans to modernize the farm by building a windmill. Napoleon has his dogs chase Snowball away and he declares himself leader.

Napoleon enacts changes to the governance structure of the farm, replacing meetings with a committee of pigs who will run the farm.

Parallels Between Animal Farm & Australia's Red Meat Industry Levy payers

The parallels between the trials and tribulations of the inhabitants of George Orwell's Animal Farm and the trials and tribulations of Australia's red meat industry levy payers are graphic.

The important red meat industry organisational reforms of the 1990's which were intended to take control of red meat industry levy funded Research & Development, marketing and policy development organisation away from government controlled statutory corporations and hand control over to grass roots levy payers appears to be devolving into autocracy.

The oscillations between hope and despair experienced by the animals on Orwell's Manor Farm can be compared to the oscillations of hope and despair experienced by Australian red meat industry levy payers who have been trying to obtain true democratic representative control over the expenditure of their compulsory levies for the past 25 years.

Revolutionary beginnings of the animals taking over Manor Farm from Mr. Jones in Orwell's 1945 fable mirror the red meat industry organisational reforms of the 1990's which were designed to allow Australian red meat industry levy payers to take control over the management of the expenditure of their sectors' levies.

The concept that *All Animals are equal* can be compared to the principle that all levy payers are equal and should have a say in the management of their own affairs.

The replacement of democratic constituent meetings on Manor Farm *with a committee of pigs who will run the farm* can be compared to the concept of representative bodies being run by directors appointed by a selection committee or by unrepresentative Peak Industry Councils.

The optimistic *Seven Commandments of Animalism*, can be compared to the *Seven Recommendations* of the 2013/14 Senate Rural and Regional Affairs and Transport (RRAT) legislation committee Inquiry that led to the establishment of Cattle Producers Australia as a truly

representative body to replace Cattle Council of Australia as the grass fed cattle Peak Industry Council.

The *Battle of the Cowshed* when Mr. Jones tried to regain his farm can be compared to the *Battle for MLA* when Australia's grass-fed cattle producers tried to regain control of the new MLA industry service provider corporation and control of the expenditure of their sector's levies.

Red Meat Industry Organisational Reform Synopsis

The Revolutionary Beginnings

It's over 20 years since the Federal Government controlled statutory corporations, the Australian Meat and Livestock Corporation (AMLC) and its stablemate, the Meat Research Corporation (MRC) were axed by the then Minister for Primary Industries and Energy, the Hon, John Anderson MP.

The two former statutory bodies, AMLC and MRC that were funded by compulsory levies on livestock producers and meat processors totaling \$120 million a year, were wound up in June 1998 to make way for a smaller, less costly, producer-owned service delivery body: Meat and Livestock Australia (MLA).

All 'Levy-payers' are Equal

The *Australian Meat and Livestock Industry Act 1997* (Act) provides the legislative framework for the current structural and funding arrangements of the red meat industry and its marketing and R&D activities.

At the time of the originating bill's introduction, Minister John Anderson, noted that:

“The task force found that the current statutory arrangements, which had worked well in the past, needed to be adjusted to deliver what industry required for the future. Prevailing and future commercial realities demand a structure which can deliver more flexible and focused commercial programs and operations. A sense of industry ownership and deeper involvement by levy-paying stakeholders is also required.”

Minister Anderson went on to say that :-

“...the bill marked the final steps towards empowerment by providing the industry with a structure which offers ownership and management of its own affairs”.

In his second reading speech, Minister Anderson detailed the findings of a 1996 joint industry and government meat and livestock industry reform task force, which was responsible for reviewing the then *Meat and Live-stock Industry Act 1995* and noted that while there will always be dissenters and detractors of any systems put in place, "the peak councils are expected to be as broadly representative of their sectors' interests as possible".

The Battle for MLA

Unfortunately Minister Anderson's brave new words about empowering the red meat industry with a structure which offers ownership and management of its own affairs was undermined by the Agriculture Department led bureaucratic Transition Team during the implementation phase of the

1996 – 1988 red meat industry organisation restructure. The current red meat organisational structures failed to :-

- provide the requisite MLA ownership and accountability arrangements recommended by the 1996 Steering Committee and Task Force and Coopers & Lybrand review; and
- ensure that the red meat Peak Industry Councils had adequate funds to carry out their functions under the new organizational structure.

The failure to provide the requisite MLA levy-payer ownership and accountability structures led to the formation of the Australian Beef Association (ABA) in 1998 to press for the industry ownership and deeper involvement by levy-paying stakeholders recommended by the 1966 Steering Committee and Taskforce and promised by then Minister John Anderson.

The ABA's original membership comprised the who's who of Australia's grass-fed cattle producers. When Huntblog was asked to address one of the early ABA meetings in Brisbane in 1997 on cattle producer concerns about lack of levy payer control and direction over the expenditure of their levies by MLA, there were over 200 hundred prominent cattle produces present – names like Kidman Holdings, Stanbroke Pastoral, Graeme and Evan Acton, Sandy Munro, Roger Hann, Peter Hughes, and Colin Hewitt spring to mind.

The ABA have been fighting the good fight for representative democracy ever since. Unfortunately it seems that the red meat industry needs those old warhorses that are still with us to run back onto the battlefield and take up the cudgels once more

The Fight for Equality and Representative Democracy

In 2002, four years after red meat industry levy payers lost the *Battle for MLA*, the 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.

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.”

A 2012 published Inovact Consulting report commissioned by CCA acknowledged that as a consequence of falling State Farm Organisations (SFO) membership and the convoluted SFO/CCA organisational structure, CCA no longer truly represented Australia's grass-fed cattle producers. Despite this acknowledgement the SFO's directed the CCA members of the IC to resign because the SFO's were not prepared to give up their place in the sun as controllers of Australia's grass-fed cattle Peak Council.

The 2013/14 Senate Inquiry into Industry structures and systems governing levies on grass-fed cattle concluded that cattle producers have limited ability to directly influence, or engage with, levy investment decisions. The inquiry found that the possibility of producers being able to gain greater control over their levy expenditure through engagement at MLA Annual General Meetings – or through industry representative bodies – is virtually non-existent.

The Senate committee found that:-

- the CCA is both under-funded and under-resourced and is therefore hamstrung in its ability to undertake its roles and responsibilities and meet its obligations under the MOU.
- producers should have ownership over their own levies and decide how their levies funding and matching taxpayer funds are spent.
- 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 bringing together the authority for policy settings and delivery.

The committee made recommendations which supported the establishment of a producer-owned body which "would address problems of representation and strengthen producer accountability by establishing a direct relationship between producers and the body".

The 2013/14 Senate Inquiry made Seven Recommendations that were the equivalent of Orwell's Manor Farm Seven Commandments of Animalism, the most important of which is, "All animals are equal.

Perhaps the most significant of the seven 2013/14 committee recommendations were:-

- that a producer-owned body be established by legislation that would have the authority to receive and disperse the research and development, as well as marketing component, of the cattle transaction levy funds.
- that the Minister for Agriculture dissolve the Red Meat Advisory Council and establish a new system to manage and disperse earnings from the Red Meat Industry Reserve Fund, in consultation with the industry.

Following the release of the committee's 2014 report, a range of grower groups, including ABA, AMPG, CCP the CCA, came together to discuss the formation of a new, democratic, representative industry organization – which would come to be known as Cattle Producers Australia.

In December 2014 these, grass-fed producer representatives – and other red meat industry stakeholders – met with the Minister for Agriculture and Water Resources in Brisbane. The agreed outcome taken from this meeting was that:

...the grass-fed producer groups would go away and return in February [2015] with a new model for national grass-fed producer representation that they could all agree upon, while the Minister and his staff would explore whether the new body could receive statutory levy funding – either through taking over control of all grass-fed levy revenue as recommended by the Senate, or by receiving some direct levy revenue to help fund its operations. [31]

In February 2015, in what was described by one commentator as a "rare and perhaps unprecedented display of unity" from grass-fed producer groups, a new restructure model was presented to the Minister for Agriculture and Water Resources. The model presented to the Minister proposed:

- replacing the CCA with a directly-elected board of grass-fed levy payers who would represent 15 cattle-producing regions across Australia;
- that every grass-fed levy payer would have the right – whether or not they chose to exercise it – to vote to elect their grass-fed industry representatives, stand for election themselves, and contribute to policy development;
- that the new body would primarily be funded through the statutory grass-fed levy.[32]

Huntblog was at the historic multi-organization cattle producer meeting in Brisbane in February 2015 when CCA agreed to establish a truly democratic representative advocacy body to represent Australia's grass-fed cattle producers.

The 2017 Senate Inquiry into the *Effect of market consolidation on the red meat processing sector* handed down a report in September 2017 that found that it was indisputably clear that following the implementation of the 1997-98 reforms, the red meat industry (and the structures that underpin it) has undergone significant change. The committee was firmly of the view that these structures no longer serve the purpose for which they were originally intended.

The committee recognized that enhancing value and representation for producers are central to any reform agenda, at the expense of the interests of intermediary bodies that service the industry. The committee was of the view that the existing structures, roles and responsibilities – particularly that of Peak Industry Councils in relation to MLA – required urgent reform.

The 2017 Senate Inquiry committee made a number of recommendations including the following:-

4. 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.

5. The committee recommends that the Australian Government officially recognize Cattle (Producers) 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

In October 2017 the Federal Government announced the allocation of a \$500,000 grant from the Federal Government Leadership in Agriculture Industries fund for the establishment of Cattle Producers Australia.

The *Battle for MLA* had been lost in the 1990's but by late 2017 red meat levy payer hope was high that reform was on its way and the red meat industry Peak Industry Councils would finally obtain adequate control and direction over the expenditure of the levies paid by their sector and that all the Peak Industry Councils would finally become truly representative bodies with democratically elected boards.

From Russia With Love

However, in November 2017 just one month after the federal Government announced the \$500,000 grant to establish Cattle Producers Australia -the launch of the brave new world of Sheep Producers Australia Ltd (SPA) to replace the SFO based Sheepmeat Peak Industry Council that was established in 1978 was announced. The SPA endorsed the appointment of 5 *pre-selected* directors to Australian Sheep Producer's new representative advocacy body at its first AGM on 14 November 2017.

Then on Wednesday 17 January 2018, the SFO's instructed the Cattle Council of Australia (CCA) to walk away from the Cattle Australia Implementation Committee (IC) set up in 2015 at former Agriculture Minister Barnaby Joyce's behest to establish a new truly democratic representative cattle producer Peak Industry Council with a board directly elected by grass-fed cattle transaction levy payers to replace CCA.

CCA advised the IC that they proposed to continue to represent Australian grass-fed cattle producers through a board comprising 8 SFO *appointed* directors and two directly elected board members with a proposal for two more directly elected board members if CCA can drum up 500 direct members.

Sadly, Huntblog was also at the historic meeting in Brisbane on the 17th of January 2018 when CCA resiled from that 2015 agreement.

Consequently, an article on Russia's *Imitated Democracy* in the 20-21 January 2018 weekend Australian Financial Review caught Huntblog's eye.¹

Following the collapse of the Soviet Union in 1991, Russia's economy has undergone a radical transformation moving from an introspective, centrally planned, communist economy to a globally integrated market economy. Russia's 1993 post-Soviet Union and post-communist constitution declares Russia to be a democratic, law-based, republican federation,² with a semi-presidential structure where the president and prime minister share governing power.

The January 2018 Financial Review article suggested that in reality Russia has a sham or '*Imitated Democracy*' rather than a real one. The article described Russia's *Imitated Democracy* as "*a complex political entity [that] comes without free and fair elections, an independent parliament and an independent judiciary.*" A fake or simulated democracy that relies on deception rather than violence or confrontation to control its population.

The Financial Review article suggests Vladimir Putin has hung on to effective power for 18 years in the Russian Duma on the back of a system that effectively allows him to *handpick selected* parliamentary candidates for both the government and opposition. A system that is backed by laws that prohibit challenges to the incumbent from candidates with criminal convictions and the lack of separation of powers in Russia, which allows Putin to obtain convictions against popular opponents such as Alexie Navalny for fabricated offences from a compliant judiciary.

Napoleonic Red Meat Industry Reforms End Game

The current chair of RMAC, Don Mackay, has been pushing the idea of putting the six peak councils, representing grass-fed cattle, sheep and goat producers, lot feeders, processors and live exporters under the one organizational umbrella for some time. An organisational umbrella that would in effect be a remodeled RMAC with sweeping power over the expenditure of each sector's red meat industry levies and whose board would at least partially be appointed by a selection committee.

A conglomerate Orwellian idea that has found favour with the Red Meat MoU Review Task Force.

A conglomerate Orwellian idea that: -

¹ This article may be accessed electronically at: <<http://www.afr.com/news/politics/world/russias-imitation-democracy-andits-illusory-opposition-and-representation-20180115-h0ie8m>>

² See Chapter 1, Article 1, Section 1 of the Constitution of the Russian Federation 2013.

- has been fiercely opposed in the past on the basis that whilst the different sectors of the red meat industry have many interests in common, they also have significant commercial conflicts of interest and agendas that would clash,
- is completely contrary to the findings of several Senate, ACCC and Productivity Commission inquiries over the last decade that have called for the abolition of RMAC and the democratic restructure of SFO appointed Peak Industry Councils,
- appears to be contrary to the central thesis of the majority of submissions to the Red Meat MoU Review Taskforce that called for stronger sector Peak Industry Councils who would oversee and direct a reformed RMAC that would deal with common interest whole of red meat industry issues,
- is completely contrary to the CCA's attempts over the last four or five years to democratically reform itself.

A conglomerate Orwellian idea that contemplates the creation of three mega corporations, RMAF m Mega R&D CORP and a Mega IS CORP with appointed and selection committee boards to replace grass roots democracy.

Sadly Australia's red meat industry organisational structures therefore seem to be heading down the same path as the animals on Mr Jones' poorly run Manor Farm did in George Orwell's classic 1945 Animal Farm novella, over the last four or five years.

If the recommendations of the fantastical (apparently) RMAC inspired Red Meat MOU Review Taskforce White Paper are ever put into effect and the new proposed mega bodies ever come into existence then Huntblog predicts that the proposed new mega body to replace RMAC will be forever known as **RMAF** - the acronym for Red Meat Animal Farm.

Huntblog believes that that the time for all good men and women in the red meat industry who believe in democratic representation for their industry to let their voices be heard. If you are not in favour of the creation mega RMAF to run your industry or are concerned about the creation of Mega R&D CORP or Mega IS CORP then shout it from the rooftops

Please visit www.huntpartners.blogspot.com/ for further information and commentary on Australian rural reform issues.