

## Executive Summary

This CPA submission sets out in Chapter 1 the accepted jurisprudential methodology that underpins the establishment of industry organisational structures. This is a methodology that involves identification of the organisational needs of an industry and each of its sectors, the development of strategy to deliver those needs and then an organisational structure to deliver the required outcomes that form the basis of that strategy.

Hence, further to the Green Paper Options, Option 1: *‘Improvements to existing MoU’*; Option 2: *‘The Law of the Jungle’*; Option 3: *‘Hybrid Option’*; and Option 4: *‘A Revitalised Red Meat Industry Led by a New Organisation’*; this submission offers an Option 5: *‘The Law of Accord: Structure Which Follows From Strategy’*.

The meaning of the word Accord in proposed Option 5 relates to:-

- The recognition (or accord) given harmoniously in agreement with the needs of the red meat industry as a whole and the needs of each of its sectors. In other words respecting all the sectors as well as the sum of those sectoral parts – namely the whole red meat industry supply chain; and
- The concept of an accord in the sense of an official agreement or treaty between the constituent parts or sectors of the red meat industry.

Subject to the provision that each red meat industry sector, including the grass-fed cattle producing sector, is represented directly by an accountable, transparent, truly representative organisation. CPA endorses the concept of a restructured “umbrella” body, such as the Red Meat Advisory Council (RMAC), to advocate on behalf of the entire red meat supply chain on issues involving common commercial interests and to promote and implement positions attained by “across sector” agreement – referred to in the Green Paper as a *“precompetitive white list issues”*.

CPA is committed to the cattle production sector working with the other sectors of the red meat industry on common industry issues and risks.

For the reasons set out in the body of this submission regarding the importance of member stakeholder engagement to the success of industry organisational structure *inclusive and representative industry bodies* must be the base upon which overdue reforms are built and delivers improved advocacy so that *red meat businesses – as a supply chain and separately – be recognised for their roles and contribution to Australia (Green Paper p10)*.

Proposed Option 5 effectively represents an amalgam and variation of Green Paper Options 1, 2 and 3. Option 5 offers improvements to the existing MoU, a proportional redistribution of the Red Meat Industry Reserve Fund to each of the relevant sectors under a two-company representative structure with access to and control over its sectors levy funds.

Option 5 proposes:-

- That MLA remain as an R&D service provider for the red meat industry as a whole and for each of its sectors;
- That the RMAC be restructured as a needs-based organisation to deal with whole of red meat common commercial interest supply chain issues only;
- That the RMAC Red Meat Reserve Fund be redirected and proportionally allocated to each industry sector peak industry council to invest and control;

- That each industry sector be given enhanced control and direction over the expenditure and investment of the levies that its members pay;
- That each industry sector will have a levy funded R&D company and a representative advocacy body similar to the current two-company structure of the processor and live export sectors;
- That the amended MoU will provide for each sector to contribute some of its levies to MLA for joint and core functions; and
- Importantly, each sector of the red meat industry would have improved access to funding for policy development and advocacy.

The starting point for developing CPA’s Option 5 is asking the first basic question, “What is the preferred future for the red meat industries?”

CPA offers this objective for the beef industry sector future:

*Australian beef established as a preferred, high value food product, acknowledged for its nutritional attributes and food safety merit and backed by well-managed production systems ranging from the expansive grasslands of Australia through superior feeding and processing for delivery to satisfied customers.*

This objective fits neatly with the vision statement of the Meat Industry Strategic Plan:

*An acclaimed contributor to the Australian community and economy which is:*

- *Recognised for its environmental credentials;*
- *Respected for its stewardship of livestock and;*
- *Rewarded for its quality products.*

CPA acknowledges that a ‘social licence’ is an emerged issue which needs to be strategised. To do this a unified beef production sector could work towards adopting voluntary verified environmental and animal welfare management. This verification could then be an important differentiating factor for winning customer preference and community support. It would be a sound basis for our land and cattle management and promotion which Australian cattle producers could achieve and which competing nations would find difficult to copy.

The findings of the Senate Inquiries, ACCC studies, Australian Farm Institute studies and the learned papers referred to in Chapter 2 of this submission and the examination of the current red meat industry sectoral representative structures in Chapter 3 underline a basic principle. This principle is that rural industry advocacy representatives should be directly elected by their levy-paying members and that those representatives should have control over the expenditure and investment of the levies that their members pay and the development of the policies that impact on their sector of the red meat industry.

The submission outlines the many benefits which would flow from a unified, directly elected representative structure for each sector of the red meat industry. The proposed structure would duplicate the two-company structures that apply to the red meat processing and live export sectors which both have a representative advocacy body and a levy funded R&D corporation.

These R&D corporations collect their sector’s levies and contribute a portion of the levies to MLA in accord with the terms of the MoU for joint and core red meat industry projects and undertake

separate R&D to underpin policy development in conjunction with their sector’s representative body.

Each sector of the red meat industry would emulate the processor and live exporter sectors organisational structures. Namely the Australian Meat Processor Corporation Ltd (AMPC) and Australian Meat Industry Council (AMIC) processor organisational structure and the Australian Live Export Corporation Ltd (LiveCorp) and Australian Live Export Council (ALEC) live export industry organisational structure.

As with the AMPC and LiveCorp each other sector of the red meat industry would have levy funded corporations that would be recipient of that sector’s levies and would decide how much is collected and how it is spent, including Government matched research expenditure.

As with AMIC, and ALEC each other sector of the red meat industry would have a truly representative peak industry council that would undertake the advocacy role on behalf of its members.

In summary, the overall strategy is to have a red meat industry with strong unified sectors adapting to win customer and consumer favour in high value markets while gaining community support for its management to address the social and environmental challenges that emerge. The proposed organisational structures set out in Option 5 are designed to achieve that strategy.

Meanwhile, to assist the industry strategy, CPA believes that the cattle industry could adopt and action the objective of having a highly productive national cattle herd which meets the supply requirements necessary for customer approval and consumer preference of cattle, beef and beef derived products. That solid basis would enhance the profitability of cattle producers, lot feeders, live cattle exporters, processors and indeed all sectors of the beef supply chain.

This submission has identified three indispensable pillars of criteria for an effective reformed structure for the red meat industry:

1. A multi-sector, whole of supply chain, representative body capable of delivering robust representation and ‘thought leadership’ on a ‘white list’ of issues agreed upon by the industry sectors.
2. Two-component organisational structure for each red meat industry sector comprising:-
  - a levy funded R&D corporation which could contribute to joint and core MLA functions and policy development R&D for it sectors advocacy peak industry council;
  - an adequately funded, accountable, transparent and directly elected levy payer’s peak industry council;
3. A funding model and amended MoU which delivers levy payer control of the rate, collection and expenditure of the levy.

## Chapter 2

### Current and Prospective Red Meat Industry Organisational Needs

#### 2.1 Introduction

##### *Flaws*

The findings and recommendations of three Senate Inquiries and an ACCC report spanning a period of 15 years, submissions from the RMAC, the Cattle Council of Australia (**CCA**) and a host of other industry bodies and respected industry figures point to the flaws and shortcomings in the current red meat organisational structures. Submissions, findings and recommendations supported by papers from the Australian Farm Institute and respected red meat industry figures all call for significant reforms to the current red meat industry organisational structures. Key findings from nine such inquiries and papers are addressed in short for in this Chapter and in more detail in Appendix 2.

The conclusions of multiple Inquiries, studies, learned papers and submissions regarding the inability of the current red meat organisational structures to service current and prospective needs of the industry can be summarised in essential terms as follows:-

- State Farmer Organisation based red meat industry Peak Industry Councils’ funding and talent base has been decimated by falling state farm organisation membership;
- consequently:
  - stakeholders in Meat and Livestock Australia (**MLA**) and the sheep meat producer and cattle producer Peak Industry Councils are disengaged with those bodies; and
  - the sheep meat and cattle producer Peak Industry Councils are inadequately funded and thus unable to properly carry out their functions;
- levy paying cattle and sheep meat producers do not have sufficient control and direction over the expenditure and investment of their levies;
- the current voting structures for MLA members and the grass-fed cattle producer and sheep meat producer Peak Industry Councils do not recognise the dual commercial and social/political role of an agricultural advocacy body;
- the material set out in Chapter3 below shows that:
  - MLA voting is solely based on the amount of levies paid;
  - the current grass-fed cattle producer Peak Industry Council consists of a majority of appointed State Farmer Organisation board members and two directly elected members;
  - the sheep meat Peak Industry Council board is appointed by a selection committee which includes members appointed by MLA and the RMAC, which are bodies intended to be directed and overseen by Sheep Producers Australia;
- the current structure of the RMAC, as a one stop shop cross sectoral advisory body to government, is dysfunctional and ineffective because of the existing inherent conflicting commercial interests between the sectors that undermines cohesiveness on approaches to issues where the sectors commercial interests are aligned.

The inability of the current red meat industry organisational structures to meet the current organisational needs of the red meat industry and each of its sectors are summarised in more detail in Appendix 2.

### **Needs**

The current and prospective organisational needs of the red meat industry that have been identified by the public inquiries studies and papers outlined above and in Appendix 2 are that:-

- stakeholders need to have ownership of and engagement with their representative and service bodies; and
- levy payers need to control and direct the expenditure of their levies;
- producer representative peak industry councils need to be adequately funded to carry out their roles and responsibilities;
- functional advocacy mechanisms need to be put in place for:
  - individual sector commercial interests, as well as
  - whole of supply chain common interest issues

### **Actions**

These identified red meat industry organisational needs that are not being met by the current red meat organisational structures are the *raison d’être* for the establishment of the current Red Meat MoU Review by the Taskforce and the breadth of the Taskforce’s Terms of Reference.

Identified needs that cannot be ignored by and must be addressed by the Red Meat MoU Review Taskforce in carrying out their obligations under their Terms of Reference.

## **2.2 Implementation of the Recommendations of the 1996 Steering Committee Task Force Report**

The 1996 Committee noted that, “The culture of an organisation is inevitably influenced by its ownership and accountability arrangements.”<sup>1</sup>

Unfortunately, decisions made during the implementation phase of the 1996 red meat industry organisational re-structure and the development of the MLA as the peak industry body watered down and or failed to deliver key recommendations of the 1996 Steering Committee and Task Force Report. In particular recommendations concerning voting, expenditure and levies were not implemented or were not successfully implemented. As a result MLA accountability and stakeholder control and direction was insufficient to give levy payers’ a sense of ownership of MLA’s operations.

### **Voting**

In particular, the MLA voting system was not established based on democratic ‘one man one vote’ principles nor did it take into account the commercial business interests of those paying most of the levies. Instead, it is a Clayton’s selection/election process. Vacancies on the board is selected by an appointed selection committee that includes existing MLA Board members, then the MLA members are asked to exercise a rubber stamp vote to formalise appointments to the MLA board.

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<sup>1</sup> Steering Committee and Task Force, Parliament of Australia, *Australian Meat and Livestock Reform for the Future* (October 1996) (1996 Steering Committee and Task Force Report) Page 75

### ***Expenditure***

Further the terms of the of the MoU and the Levy Collection legislation failed to ensure that the red meat industry Peak Industry Councils had adequate control and direction over the expenditure of the levies paid by their sector.

### ***Levies***

The decisions not to adopt the sheep meat and beef Product Specific Corporation options proposed by the 1996 Task Force Report and the subsequent erosion of the concept of separate producer levy funded corporations (MLA) and processor levy funded corporation (AMPC) have also undermined the functional utility of the current red meat industry organisational structures to meet the organisational needs of the red meat industry and each of its sectors.

Consequently right from the get go MLA, which is the central entity of the current red meat organisational structure, failed to provide the requisite ownership and accountability arrangements recommended by the 1996 Steering Committee and Task Force and Coopers & Lybrand review.

### **2.3 Recommendations of the 2002 Senate Inquiry into Existing Government Advisory Structures in the Australian Meat Industry**

The summarised findings and recommendations of the 2002 Senate Inquiry set out below about the inadequacies of the RMAC structure and undemocratic appointment of the MLA board just 4 years after the current red meat industry organisational structures were put in place speak for themselves.

Recommendations that:

- the Minister initiate discussions with signatories to the MoU concerning reformed RMAC advisory arrangements, and
- following those negotiations the Minister engage in detailed and open consultation with all sections of the Australian meat industry on options for reform.
- any new advisory body established for the Australian meat industry be empowered to initiate advice to the Minister and that
- individual industry participants, whether represented on the advisory body or not, must retain the right to make representations to the Minister on any matter of concern.
- the Minister negotiates with signatories to the MOU on alternative arrangements for the disbursement of earnings of the Red Meat Industry Reserve Fund; and
- RMAC develop a detailed industry strategic plan, and that consideration be given to the use of competitive contracts to deliver elements of the strategic plan.

It is clear from the matters set out in this submission that wide spread concerns about the RMAC structure and the undemocratic MLA board appointment process remain and must be addressed. They have resulted in a lack of accountability and reduced stakeholders’ sense of ownership.

### **2.4 The Future of Agricultural Advocacy in Australia – a joint paper by David Trebeck and David Crombie AM, 7 November 2013**

The joint paper prepared by the inaugural chair of MLA, David Crombie AM, and David Trebeck in November 2013 deals with the issues facing Australian rural advocacy bodies as a whole. Crombie

and Trebeck observe that the current farmer advocacy representative model was broken and proposes a different improved operational structure for farmer/agricultural representation in the future. Their findings are discussed in detail in Appendix 2. In particular, they make poignant observations about funding, voting systems, stakeholder engagement and reform.

### **Funding**

Crombie and Trebeck state that:

*The financial strength of almost all farm organisations, State or Federal, general purpose or commodity specific, has been under stress.<sup>2</sup>*

...

*At the heart of the current problems facing all farm organisations is funding. With membership numbers in decline, and with membership subscriptions being levied on a voluntary basis, sometimes incorporating an honour system whereby the member determines the amount based on production levels, it is hardly surprising that budgets are stressed.<sup>3</sup>*

### **Voting**

Crombie and Trebeck observe that a farmer organisation (such as a State Farmer Organisation) is likely to adopt a ‘one member, one vote’ voting system (which can be referred to as ‘political democracy’), whereas an agricultural organisation is likely to adopt a system by which the weight of a members’ vote is reflective of his or her investment or value otherwise added to the organisation (which can be referred to as ‘commercial democracy’).<sup>4</sup>

The concurrent use of both of these voting systems is the foundation of the national two register voting system that governs the election of the directors of CPA and the AMPC.

### **Stakeholder Engagement**

Crombie and Trebeck note that a decreasing number of farmers were engaging with the then existing farming organisations and stressed the importance in the second decade of the 21<sup>st</sup> century for national based well-funded bodies to represent Australia’s farmers and utilise technology and innovation to engage with grass roots producers.<sup>5</sup>

Trebeck and Crombie also discuss the powerful American Farm Bureau voice of agriculture advocacy model funded from the provision of member services which coincidentally is the model on which the CPA business plan is based.

The bottom line is that, as Trebeck and Crombie state in their joint 2013 paper, true agricultural advocacy representation in Australia in the 21<sup>st</sup> century can only be achieved through well-funded national bodies that recognise their dual commercial and social political democracy roles.

<sup>2</sup> Trebeck, D & Crombie, D 2013, ‘The Future of Agricultural Advocacy in Australia – Farmer Representation in Australia: Past Lessons and Future Directions’, Paper presented to the Australian Farm Institute’s Agriculture Roundtable Conference 2013, 7 November, Trebeck, D & Crombie, D 2013 P 10.

<sup>3</sup> Trebeck, D & Crombie, D 2013 P 12

<sup>4</sup> Trebeck, D & Crombie, D 2013 p. 11.

<sup>5</sup> Trebeck, D & Crombie, D 2013 p 13

Any reforms to the current red meat industry organisational structures that do not take account of this reality will not produce the outcomes that the red meat industry needs over the next 20 years and will be doomed to failure.

The Conclusion set out on page 14 of the joint Trebeck /Crombie November 2013 paper is quite graphic and pertinent to the current Red Meat MOU review both in terms of whole of red meat industry representation and representation for each of the sectors and is set out in full immediately below:-

### **The Future of Agricultural Advocacy in Australia**

#### **Conclusion**

*‘We think it is time to acknowledge that the 1979 NFF structural and funding model is broken and needs to be replaced.*

*The major issues now confronting agriculture are national (if not international) in scope and need a nationally-based organisation to deal with them.*

*National commodity issues should remain the preserve of commodity councils – or committees – of the national body, possibly supported in terms of research and market development tasks through levy-funded R&D Corporations.*

*State specific issues, such as land tenure, much of the water agenda, and 15 vegetation, should be the preserve of the State affiliates of the national body, managed more effectively than now with the better deployment of the available nationwide expertise.’*

*In this way, the single organisation – “National Farmers”, “Australian Farmers”, “Agriculture Australia” or whatever name is decided for it – can be a one-stop shop for members seeking representation. Externally, it would be the logical contact and advocacy point for community and political engagement.*

*If the national body articulates clear and appropriate policies for agriculture, and through it, regional Australia, there is every reason for it to attract additional support and funding from regionally-based businesses, and agribusiness more generally.*

*Past attempts to secure similar structural change were not successful because they were thwarted by some of the State organisations who feared a loss of power and authority. That resistance can no longer be allowed to deter the scope of change required. It may require some of the larger farmer members resigning and supporting the alternative if inertia is to be overcome. Ironically, this would be equivalent to the ultimatum given in the 1970s by the NSW organisations to the other States in terms of Federal representation.*

*Within the farm sector there is no shortage of dynamic entrepreneurial farmers, whose expertise and enthusiasm needs to be better tapped for their own and the wider benefit. Many are not presently engaged in existing farm organisations. They are busy, focused on their business and family.*

*The current structure does not facilitate their engagement or resonate with their lives. This needs to change. Technology and innovation can connect to their world. All that is needed is a value proposition. Trebeck, D & Crombie, D 2013 p 13*

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This lack of grass roots stakeholder engagement clearly applies to:-

- the State Farm Organisation based red meat industry Peak Industry Councils whose funding and talent base has been decimated by falling State Farm Organisation membership; and
- as can be seen from the 2017 voting statistics referred to in Chapter 3 and Appendix 2 of this submission,<sup>6</sup> MLA which enjoys little or no member engagement.

### **Reform**

Crombie and Trebeck’s 2012 joint paper acknowledged that the 1979 NFF structural and funding model is broken and needs to be replaced.

It follows inexorably from Crombie and Trebeck’s reasoning and the balance of the material set out in Appendix 2 that the current red meat industry organisational structural and funding model is also broken and needs to be replaced or significantly reformed.

In summary Crombie and Trebeck concluded that:

1. the current State Farm Organisations are:-
  - no longer truly representative of their stakeholders
  - inadequately funded
  - not appropriately engaged with their constituents
2. national bodies with relationship structures that reached down to State and Region bases were more relevant than bottom up state and Region organisations that coalesced into an overarching national body;
3. true agricultural advocacy representation in Australia in the 21<sup>st</sup> century can only be achieved through well- funded national bodies that recognise their dual commercial and social political democracy roles; and
4. any reforms to the current red meat industry organisational structures that do not take account of this reality will not produce the outcomes that the red meat industry needs over the next 20 years and will be doomed to failure;
5. the powerful American Farm Bureau voice of agriculture advocacy model funded from the provision of members services was one which should be emulated in Australia.
- 6.

### **2.5 RMAC’s February 2014 submission 165 to the Senate Inquiry into Industry Structures and Systems Governing Levies on Grass Fed Cattle**

The RMAC observed at the outset of its [submission to the 2013/14 Senate Inquiry into Grass Fed Cattle Systems and Structures](#) that, *‘it would be very rare that any representative (or corporate) structure that was designed nearly 20 years ago – in the absence of some level of reform – continues to serve its customers with optimal efficiency.’* (RMAC Submission, page 14) This observation sets out the basic premise for the current Red Meat MoU Review.

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<sup>12</sup> See 3.2.6 and Appendix 2, 2.1.

The RMAC February 2014 submission also supports:-

1. A direct membership structure with a clear line of sight between representative organisations and their members - which is clearly not the current situation with the cattle Council of Australia or Sheep Producers Australia;
2. A targeted, systematic focus in operations focusing on the highest priority issues for each sector that it suggests is likely to yield quicker and or higher monetary return to levy payers; and
3. A sustainable funding base which RMAC sees as essential for the longevity of organisational bodies - under the current red meat industry structures and systems, the need for industry bodies to maintain sufficient capacity to deal with a wide-ranging portfolio of responsibilities has left them with little option but to deliver some of these activities via “pseudo commercial service delivery agreements” with levy funded Service Companies (the degree of funding received from this avenue is spelt out in detail in the RMAC February 2014 submission Page 15).

In short in February 2014 the RMAC called for a red meat industry organisational restructure that would deliver:-

- a) a direct member structure for Peak Industry Councils rather than State Farmer Organisation based structures;
- b) a targeted sector based operational focus that would in all likelihood provide a greater money return to levy payers; and
- c) a sustainable funding base for Peak Industry Councils that ideally did not include “pseudo commercial service delivery agreements” with levy funded Service Companies.

## **2.6 The CCA Submission NO.142 to the 2013/14 Senate Inquiry into Industry Structures and Systems Governing Levies on Grass Fed Cattle**

The CCA submission to that Senate Inquiry attached an October 2012 report from Inovact 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 *Imperatives for change* to the existing red meat industry organisational structures were set out in detail on page 45 of the October 2012 Inovact report, stating that *‘The implications of the new policy context and trading environment and the shortcomings of current arrangements have been recognised by industry participants through four major factors:*

1. *Performance - The experience of the industry in managing the temporary ban of live cattle exports to Indonesia in 2011.*
2. *Industry strategy - The comprehensive industry engagement process conducted to prepare the new strategy ‘Beef 2015 and Beyond’ for the grass-fed cattle industry.*
3. *Representation - The traditional State Farmer Organisation (SFO) model that provides the membership of the Cattle Council of Australia has become disconnected from the majority of levy payers. Low and declining membership of SFO’s is now undermining the representativeness of the national body.*

4. *Funding - The Cattle Council of Australia as the Peak Industry Council requires funding that is adequate to deliver on its obligations under the Red Meat Industry MoU.*

*Collectively, these factors provide compelling evidence that the current system has serious shortcomings. There is a sense across the industry of a need for change and improvement to deliver better outcomes.*

The 2012 Inovact Report also noted in its Summary on page 49 of the CCA submission that:

*‘Summary*

*Over the past 18 months it has become clear to levy payers, the Cattle Council of Australia and other key industry stakeholders that national producer representation requires significant reform. The pathway adopted by CCA was to engage the industry in formulating a new industry strategy, and then aligning new structures and allocating resources to deliver on that strategy*

*Evidence gathered from the strategy process alongside the experiences from the Indonesia live export ban incident, the loss of representation from the failing SFO model and the adequacy of resources for CCA to deliver on its obligations under the red meat industry MoU collectively set the scene for reform of structures and allocation of funding.’*

**2.7 The Australian Farm Institute March 2014 Research Report on Opportunities to Improve the Effectiveness of Australian Farmer’s Advocacy Groups – a Comparative Approach**

In a similar fashion to the plethora of other papers, the Australian Farm Institute’s, “Report on Opportunities to Improve the Effectiveness of Australian Farmer’s Advocacy Groups – a Comparative Approach” prepared in March 2014<sup>7</sup> identifies a number of challenges faced by the industry. The report states that:

*Australian farmers’ advocacy groups are facing major challenges, as the progressive deregulation of the sector and the rapid expansion of telecommunications has dramatically altered farmers’ perceptions of the value of these organisations. This is being reflected in declining memberships, increased fragmentation, and rising concerns about the future viability of some organisations, which will impact on the future structure of national agricultural advocacy.*

Its key relevant conclusions are:<sup>8</sup>

- *A group with a business model based largely on providing advocacy services and which relies on voluntary membership contributions is not sustainable over the longer term, especially in deregulated political environments such as is the case in Australia.*
- *In order to maintain legitimacy and a sustainable business model, agricultural advocacy groups need to deliver a range of services and benefits that are exclusive to members, and which can act as an attractant to encourage membership.*

<sup>15</sup> Australian Farm Institute (2014) *Opportunities to Improve the Effectiveness of Australian Farmers’ Advocacy Groups – A Comparative Approach*, available at <http://www.farminstitute.org.au/publications-1/research-reports/opportunities-to-improve-the-effectiveness-of-australian-farmers-advocacy-groups> (**Australian Farm Institute 2014 Report**)

<sup>8</sup> [Australian Farm Institute 2014 Report, p 90](#)

- *Providing attractive opportunities for local engagement appears to be a powerful way to gain and retain members and to ultimately strengthen the legitimacy of farmers’ advocacy groups.*
- *Direct-membership models of national agricultural advocacy organisations are highly unlikely to be successful, unless they offer a wider array of commercially attractive products and services for members, and ideally also provide compelling opportunities for local engagement in both policy matters and non-policy activities.*
- *Adopting measures to maximise coverage within a sector is likely to be a preferred option to optimise advocacy effectiveness, rather than seeking members outside the sector. Partnerships and alliances are more suitable to work with other sectors.*
- *Initiatives to broaden membership coverage are more likely to be successful and aid long-term effectiveness if the initial focus is on those levels of the advocacy system that have direct engagement with individual members.*
- *The legitimacy of a membership-based advocacy organisation is derived from the relationship between the organisation and its members. This legitimacy is a valuable asset if recognised by other industry stakeholders, the general public and by government, but it relies on the continuing engagement of members.*
- *A consistent approach to policy issues is an important element of the identity and legitimacy of advocacy organisations, and also critical to their long-term effectiveness.*
- *An organisation providing a range of services and products to members in addition to advocacy services will be less prone to lose membership as a consequence of disagreements over policy, and therefore will be better able to maintain consistent policy positions, enhancing the legitimacy and effectiveness of the organisations.*
- *Australian farmers’ advocacy groups have a significant opportunity to enhance their effectiveness by more directly engaging with the Australian community. Due to the decreased importance and visibility of agriculture, policy change is unlikely to be achieved [sic] without relatively strong community support.*
- *Farmers’ advocacy groups have to change from a reactive attitude to a proactive attitude when it comes to contentious societal issues. It is necessary for them to engage directly with opposing advocacy groups on issues of mutual interest.*
- *The development of e-capacity will be essential to the future effectiveness of agricultural advocacy organisations, and provides the potential to address some of the disadvantages associated with fragmentations and geographical isolation that have limited the effectiveness of farmer advocacy organisations in the past.*

In summary the 2014 Australian Farm Institute Report concluded that:-

1. Representative rural industry bodies could no longer rely on voluntary membership fees for funding;
2. Successful rural industry advocacy bodies needed to provide members services to raise the necessary funding for their advocacy activities; and
3. The provision of members services also resulted in a greater degree of member engagement with the advocacy body; which
4. In turn allowed the advocacy body to gain and retain members and to ultimately strengthen its legitimacy;
5. That direct-membership models of national agricultural advocacy organisations such as that being proposed by CCA are highly unlikely to be successful, unless they offer a wider array of commercially attractive products and services for members; and
6. Successful advocacy groups should also provide compelling opportunities for local engagement in both policy matters and non-policy activities.

## **2.8 Key Findings and Recommendations of the 2013/14 Senate Inquiry into Industry Structures and Systems Governing Levies on Grass Fed Cattle**

A Senate Inquiry into Industry Structures and Systems governing levies on grass-fed cattle was called in 2013 in response to cattle producer concerns about:

- the effectiveness of current grass-fed cattle industry organisational structures in meeting their collective needs in the current economic climate;
- their ability to respond to profitability challenges; and
- capturing opportunities in marketing and research and development.

This Inquiry brought to light significant concerns and recommended structural change to industry organisations. The overwhelming majority of the individual submissions lodged on the Senate Committee Inquiry website called for a review of the current grass-fed cattle levy structures and systems.

The Senate Committee identified a series of gaps and flaws within the existing structures that underpin the levy system and noted inadequate transparency and a complicated system of structures blurring the roles and responsibilities of the various organisations.

The following two recommendations of this 2014 Senate Inquiry Report are especially Important in the context of the current Red Meat MOU Review

### Recommendation 1

*That a new producer-owned body be established and given the authority to receive and disperse the research and development and marketing component of the cattle transaction levies.*

### Recommendation 5

*That the RMAC be dissolved and a new system be developed to manage and disperse earnings from the Red Meat Industry Reserve Fund.*

The totality of the recommendations made the 2013/14 Senate Committee Inquiry Report are set out in Appendix 6 and a fuller review of the findings and recommendations of the 2013/14 Senate Inquiry into Industry Structures and Systems Governing Levies on Grass Fed Cattle can be found in Appendix 2.

In summary;-

Recommendation 1 of the 2014 Senate Inquiry Report led to the establishment of the Implementation Committee that founded CPA and the 2014 Senate Inquiry Report concluded that:-

1. grass fed cattle producers were not truly represented by their current peak industry council;
2. the grass-fed cattle producer peak council was not adequately funded to carry out its charter under the current red meat organisational structures;
3. that a new wholly grass-fed cattle producer owned representative body be established to receive and disperse the R &D and Marketing grass fed cattle transaction levies;
4. RMAC in its current form was dysfunctional and should be dissolved and a new system should be put in place to manage and disperse earnings from the Red Meat industry Reserve Fund for the benefit of the respective sectors of the red meat industry.

## **2.9 Key Findings and Recommendations of the 2017 Senate Inquiry into the Effect of Market Consolidation on the Red meat Processing Sector**

A [Senate Inquiry into the effect of market consolidation](#) on the red meat processing sector (September 2017) supported the findings of the 2014 Senate Inquiry in relation to deficiencies in cattle industry representation by the existing peak industry bodies. This was highlighted in Chapter 5 of the report prepared following the Inquiry.

In Section 5.14 of the report the Committee highlighted longstanding concerns that the structure of RMAC inhibits its role to effectively advocate for and represent an agreed industry position. It went on to point out that, *‘the role and responsibilities of RMAC requires a comprehensive review leading to either substantial restructure or abolition.’*

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 producer body to replace the CCA as the grass-fed cattle producer Peak Council.

Significant extracts from Chapter 5 of the 2017 Senate Inquiry Report the Senate Committee can be found in Appendix 5.

## **2.10 Key Findings and Recommendations of the ACCC Cattle and Beef Market Study Final Report 2017**

### **ACCC Cattle & Beef Market Study**

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 was to 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 carcass grading, and concerns about conduct affecting the competitiveness at saleyards.

### **ACCC Cattle & Beef Market 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 had not acted on the recommendations and that progress has been very poor. The ACCC in its media release pointed out that:

*Inaction suggests that either industry participants do not understand the value of transparency, or it does not suit the interests of those who are in a position to make improvements.*

The report identifies 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. The ACCC were critical of the RMAC and its reluctance to progress the ACCC recommendations. The RMAC denied the industry had a problem.

### **ACCC Deputy Chair Mick Keogh Speech to NTCA Conference Friday 29<sup>th</sup> March 2019**

[Mick Keogh’s speech to the NITCA annual conference](#) addressed the recent development of premium agricultural product markets including organic and/or free range egg production and organic and/or grain fed and /or pasture fed beef and the effect that the branding certification requirements for those markets are having on price transparency.

Mick Keogh noted that one of the consequences of the development of these premium price markets is a further decrease in market transparency which is occurring because processors and exporters are increasingly dealing directly with producers to better manage a consistent supply of higher value products, and bypassing the more traditional agricultural markets and the public price discovery systems associated with those.

Processors are using more and more complex pricing systems that target very specific product qualities and characteristics and prime cattle pricing grids are being published by major beef processors with respect to this premium market.

Whilst many producers are benefitting from their direct dealings with processors and exporters in this premium market, market transparency is decreasing which means that producers cannot easily compare offers or understand changes in supply and demand, and are therefore in a weakened bargaining position in their price negotiations

As Mick Keogh noted in his speech:

*‘This (decline in price transparency) often results in a transfer of extra risk to farmers, and also makes it more difficult for farmers to compare prices they are being offered.*

*This obviously has the potential to reduce competition between processors and exporters, especially in situations where there are only two or three competing in a market.*

*This problem has emerged in relatively concentrated agricultural markets, such as beef and dairy, where pricing grids typically incorporate a large number of premium and discount factors, which make a headline price almost meaningless.*

*While beef cattle saleyard prices do add to market transparency, as more and more cattle are consigned directly to processors or exporters, the relevance of saleyard indicator prices declines*

*Reduced market transparency has the effect of lessening competition in markets, and partly arises because dominant firms can make more profits by ‘sharing the market’, rather than competing fiercely on price for every consumer or producer.*

*Processors and exporters have much better information about supply and demand conditions in markets, which means that producers are always at a disadvantage in negotiating prices. This imbalance is made worse when pricing systems are complex and non-transparent’*

Mick Keogh went on to say that ‘... a number of different policy responses have been adopted internationally to address this imbalance, while retaining industry competitiveness. These include:

- *mandatory public price reporting (in the US beef sector);*
- *detailed price monitoring and reporting by government (as occurs in the EU)*
- *reference pricing (involving the development of one or a number of ‘model’ supplier profiles, which are used to calculate and compare prices offered by competing processors); and*

*default prices, which processors in a market are required to publish and make available to all their suppliers as a starting point for price negotiations’*

‘A number of these have been adopted by industry or are under consideration by government. These include

- *broadening the scope of market reporting by MLA,*
- *having processors simplify their pricing grids and make them more readily available,*
- *having commission buyers disclose who they are buying for at saleyards,*
- *introducing objective carcase measurement, and*
- *standardising the national licensing of livestock agents.*

*While some of these have been acted on, further progress to improve competition in the sector will require strong support from cattle producers.’*

## **2.11 Summary of Conclusions Reached by the Senate Inquires and Submissions and ACCC Studies, Outlined in this Chapter**

[2.11.1 The material set out in section 2.2 above and the findings of the ANOA Auditor General discussed in section 9.2 of Chapter 9 discloses that as a consequence of decisions made during the Transition Team during the implementation phase of the 1966-1988 red meat 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
- the terms of the of the MoU and the Levy Collection legislation failed to ensure that the red meat industry Peak Industry Councils had adequate control and direction over the expenditure of the levies paid by their sector.

### 2.11.2 The **recommendations of the 2002 Senate Inquiry into Existing Government Advisory Structures in the Australian Meat Industry** called for:-

- **negotiations with MOU signatories concerning reformed RMAC** advisory arrangements; and
- following those negotiations the Minister engage in detailed and open consultation with all sections of the Australian meat industry on options for reform;
- any new advisory body established for the Australian meat industry be empowered to initiate advice to the Minister; and that
- individual industry participants, whether represented on the advisory body or not, must retain the right to make representations to the Minister on any matter of concern;
- The Minister negotiates with signatories to the MOU on alternative arrangements for the disbursement of earnings of the Red Meat Industry Reserve Fund; and
- RMAC develop a detailed industry strategic plan, and that consideration be given to the use of competitive contracts to deliver elements of the strategic plan.

### 2.11.3 RMAC’s February 2014 submission 165 to the Senate Inquiry into Industry Structures and Systems Governing Levies on Grass Fed Cattle noted that:-

- *‘it would be very rare that any representative (or corporate) structure that was designed nearly 20 years ago – in the absence of some level of reform – continues to serve its customers with optimal efficiency.’* And called for
- a direct membership structure with a clear line of sight between representative organisations and their members; with
- a sustainable funding base which RMAC saw as essential for the longevity of organisational bodies; and
- criticised peak industry councils partly funding their activities via “pseudo commercial service delivery agreements’ with levy funded Service Companies such as AHA and MLA.

### 2.11.4 The CCA Submission N0.142 to the 2013/14 Senate Inquiry into Industry Structures and Systems Governing Levies on Grass Fed Cattle conceded that CCA no longer truly or appropriately represented Australia’s grass-fed cattle producers and set out amongst other things the following key flaws:-

- **Performance** - The experience of the industry in managing the temporary ban of live cattle exports to Indonesia in 2011
- **Representation** - The traditional State Farmer Organisation (SFO) model that provides the membership of the Cattle Council of Australia has become disconnected from the majority of levy payers - Low and declining membership of SFO’s is now undermining the representativeness of the national body.
- **Funding** - The Cattle Council of Australia as the Peak Industry Council requires funding that is adequate to deliver on its obligations under the Red Meat Industry MoU.

Collectively, these factors provide compelling evidence that the current system has serious shortcomings. There is a sense across the industry of a need for change and improvement to deliver better outcomes which has culminated in the establishment of the current Red Meat MOU Review Taskforce.

2.11.5 The key findings and recommendations of the 2013/14 Senate Inquiry into Industry Structures and Systems Governing Levies on Grass Fed Cattle that:-

1. grass fed cattle producers were not truly represented by their current peak industry council;
2. the grass-fed cattle producer peak council was not adequately funded to carry out its charter under the current red meat organisational structures;
3. that a new wholly grass-fed cattle producer owned representative body be established to receive and disperse the R &D and Marketing grass fed cattle transaction levies;
4. RMAC in its current form was dysfunctional and should be dissolved and a new system should be put in place to manage and disperse earnings from the Red Meat industry Reserve Fund for the benefit of the respective sectors of the red meat industry.

2.11.6 The key findings and recommendations of the 2017 Senate Inquiry into the Effect of Market Consolidation on the Red Meat Processing Sector and the ACCC Findings in the Context of the Red Meat MOU Review and conclusions reached by Mick Keogh in his speech to the NTCA annual conference underscore the need for a robust and strong red meat producer sector bodies to counteract the increasingly deleterious effect of lack of requisite free market economy price transparency on Australia’s sheep, cattle and goat producers.

Findings which are reinforced by the devastating consequences for the grass-fed cattle producers that flowed from the live export cattle ban in 2011. Consequences that the current grass-fed cattle peak industry council, CCA, concedes were unable to be prevented or ameliorated under the current red meat organisational structure.

## **2.12 Summary of Conclusions Reached by the Analytical Papers and Research Reports Outlined in this Chapter**

2.12.1 The Future of Agricultural Advocacy in Australia – a joint paper by David Trebeck and David Crombie AM, 7 November 2013 concluded that:-

1. The current State Farm Organisations are:-
  - no longer truly representative of their stakeholders
  - inadequately funded
  - not appropriately engaged with their constituents.
2. National bodies with relationship structures that reached down to State and Region bases were more relevant than bottom up state and Region organisations that coalesced into an overarching national body.
3. True agricultural advocacy representation in Australia in the 21<sup>st</sup> century can only be achieved through well- funded national bodies that recognise their dual commercial and social political democracy roles; and
4. Any reforms to the current red meat industry organisational structures that do not take account of this reality will not produce the outcomes that the red meat industry needs over the next 20 years and will be doomed to failure.
5. The powerful American Farm Bureau voice of agriculture advocacy model funded from the provision of members services was one which should be emulated in Australia.

2.12.2 The Australian Farm Institute March 2014 Research report on Opportunities to Improve the Effectiveness of Australian Farmer’s Advocacy Groups – a Comparative Approach concluded that:-

1. Representative rural industry bodies could no longer rely on voluntary membership fees for funding;
2. Successful rural industry advocacy bodies needed to provide members services to raise the necessary funding for their advocacy activities; and
3. The provision of members services also resulted in a greater degree of member engagement with the advocacy body; which
4. In turn allowed the advocacy body to gain and retain members and to ultimately strengthen its legitimacy;
5. That direct-membership models of national agricultural advocacy organisations such as that being proposed by CCA are highly unlikely to be successful, unless they offer a wider array of commercially attractive products and services for members; and
6. Successful advocacy groups should also provide compelling opportunities for local engagement in both policy matters and non-policy activities.

