

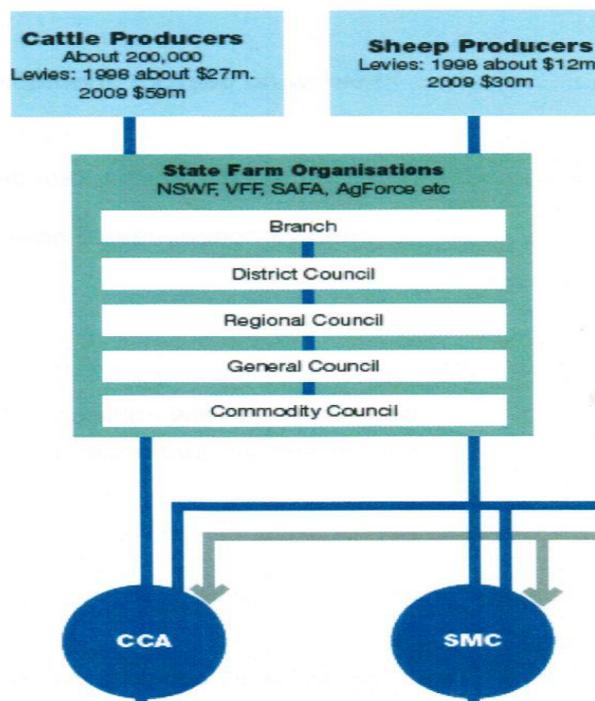
## 5. Peak Industry Council Representation

Back in 1996 a joint industry and government meat and livestock industry reform task force reviewed the Meat and Live-stock Industry Act 1995 to advise on 1997/98 industry restructure and many of those recommendations were ignored or inefficiently implemented (see Appendix 4).

As the 1996 Steering Committee noted *“The culture of an organisation is inevitably influenced by its ownership and accountability arrangements.”*

The Structure of many Peak Industry Councils are still based upon the 1950’s branch district, regional, state and national committee configuration set out in Diagram 1.

**Diagram 1 –SFO Structure**



This structure leaves representatives of those Councils who interface with government far removed from the rank and file.

It is important to note that a structure such as the model adopted by Sheep Producers Australia would not be a suitable structure for a cattle producer representative body.

The Inovact report commissioned by CCA and included in the CCA Submission to the Senate Inquiry into Structures and System Governing Levies identifies, on page 45 under the heading ‘Imperatives for Change’, the shortcomings of current Peak Industry Council arrangements through four major factors:

1. Performance
2. Industry strategy
3. Representation
4. Funding

Expanding upon point 3 Representation the report notes: *“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.”*

The report goes on to state: *“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.”*

Inadequately funded SFO Peak Industry Councils whose source of income have been eroded because of falling membership have been required to carry out an expanded spectrum of responsibilities and consequently find it difficult to effectively perform their advocacy role. Consequently, MLA has had to take on a greater advocacy and management role of both marketing and R&D which has further confused the responsibilities of the peak industry councils and taken both the leadership and member control of industry away from levy payers.

The result is a dysfunctional divide between policy setting, which is meant to be the domain of the Peak Industry Councils, and policy delivery which is meant to be MLA’s service provider role.

As a consequence of the inherent flaws the levy funded structures and systems do not meet the collective functional and representative needs of the grass-fed cattle industry.

The CCA organisational structure means that the membership of the Peak Industry Council is up to five (5) times removed from the membership of state farm organisations. This has inevitably led to grass roots members feeling disenfranchised and disempowered.

The Inovact report also points out that, *“The traditional model of farmers having national representation via their membership of a multicommodity State Farming Organisation (SFO) has been in decline across most states. In the grass-fed cattle industry, the long-term decline in cattle producer membership of SFO’s has placed financial stress on both the SFO’s and the Cattle Council of Australia. The trend is undermining the capacity of the Cattle Council to demonstrate that it represents a substantial coverage of the industry, which is critical to maintaining its role as a Peak Industry Council under the Red Meat MoU.”* (P48)

The report goes on to say, *“The risk is that indirect communication with producers undermines the capacity of the Cattle Council to be responsive to cattle producers and to engage them effectively in policy development.”* (p 48)

Since RMAC is theoretically controlled by the Peak Industry Councils, members feel that they have little ownership of, or say in, the important decisions that affect their livelihood, such as the importation of beef into Australia from BSE affected countries and the expenditure of statutory levies.

## CPA Recommendation 1

**That the Australian Government provide immediate support, including appropriate financial assistance, to install Cattle Producers Australia Ltd (CPA) as a truly representative, directly elected and accountable grass-fed cattle transaction levy payer's advocacy body to replace CCA as Australia's grass-fed cattle producer's Peak Industry Council.**

### Explanatory Note:

The above recommendation is in accordance with recommendations 4 and 5 of the Senate Inquiry into The Effect of Market Consolidation of the red meat processing sector September 2017. CPA is the registered Company referred to as Cattle Australia in these Senate Recommendations.

## 6. Meat and Livestock Australia

The difficulty facing grass-fed cattle producers with respect to oversight of the investment of the cattle transaction levy was recognised in the September 2017 Senate Committee Report on the Senate Committee's Inquiry into the Effect of Market Consolidation on the Red Meat Processing Sector. At page 100 the Report refers to former Agriculture Minister Barnaby Joyce's July 2015 [opinion piece](#) statement in his response to the 2013-14 Senate Committee Inquiry into Grass-Fed Cattle Transaction Levy Funded Structures and Systems Report where he gave an assurance that any new cattle producer industry organisation when established would have a greater oversight over how the levy is invested by:

*'seeking to update the industry Memorandum of Understanding to strengthen the rights and responsibilities of the peak industry council'*

As was stated in the conclusions and recommendations of the [Acil Allen Consulting report](#) in their April 2016 Performance Review of MLA and the Donor Company with respect to MLA's compliance with its obligations under its Statutory Funding Agreement with the Commonwealth that *"MLA is also a company which operates in a complex environment and under the framework of an outdated industry agreement. The current red meat industry MOU is nearing two decades old and is a reflection of industry needs at that time. Stakeholders consulted for this review have identified a lack of underlying clarity in the MOU which drives industry behaviour and often unfair criticism of the organisation. The most telling example of this criticism came during the ban on live exports (during 2011) when MLA became the spokesman for industry and potentially extended its remit (which is unclear under the MOU) beyond an industry services body into the realm of an industry spokesman. While ACIL Allen agrees with this reading of the MOU (i.e. it does not clearly articulate who is responsible for what under the agreement), there is limited evidence to suggest that MLA has not met its performance/accountability obligations under the MOU and acted as a professional services body for the industry since 2010'.*

## CPA Recommendation 2

- a) **That a dual grass-fed cattle producer organisational structure is established for all Peak Industry Councils with a separate member funded advocacy body and a grass-fed transaction levy funded research and development company similar to the meat processor and live exporter organisational structures.**
- b) **That the rights and responsibilities of the Peak Industry Councils are strengthened in the red meat MOU to give the Peak Industry Councils oversight of how their sector's levies are invested**

## 7. Red Meat Advisory Council (RMAC)

### 7.1 Divergent interests among the Peak Industry Councils

RMAC was established under the Australian *Meat and Livestock Industry Act 1997* and pursuant to a memorandum of understanding signed in 1998 between certain Peak Industry Councils.

The Report of the Senate Inquiry into the effect of market consolidation of the Red Meat Sector stated in Chapter 5, paragraph 5.12 that:

*5.12 While the role of the PICs on RMAC requires that they represent the interests of the industry more generally, in their daily capacity as Peak Industry Councils, they represent the views and interests of their members. However, the RMAC board represents a diverse range of interests – beef, sheepmeat and goat meat production sectors, exporters, feedlotters, retailers, wholesalers as well as livestock and boxed meat exporters – making it almost inevitable that these interests will collide. Questions have repeatedly been raised as to whether RMAC is capable of providing effective representation; particularly in relation to issues where an industry-wide consensus is not possible.*

RMAC's membership is made up of Peak Industry Councils representing industry sectors whose commercial interests are often diametrically opposed. Each of the industry sectors represented on RMAC have the same voting rights irrespective of the levy contributions from their sector. At best RMAC arrives at watered down "consensus" decisions and at worst it is unable to reach agreement at all.

RMAC was an impractical attempt to set up a one stop shop advisory body for government. The structure of RMAC makes it virtually impossible for it to fulfil its one stop shop advisory role.

A cross sectoral advisory body is singularly ill equipped to advise Government on individual sector issues, yet RMAC has received millions of dollars from the interest earned on the reserve fund which it administers.

Under the MOU, RMAC has a responsibility to represent the view of the Peak Industry Councils. The Peak Industry Councils represented on RMAC are required to consult with, and represent, the views of organisations, companies and individuals outside their own membership. In other words, the Peak Industry Councils' role on RMAC requires they represent the interests of the industry generally, whereas in their ordinary capacity as Peak Industry Councils they represent the specific views of their members.

Sectoral representatives on RMAC are bound by their organisations' policies and interests and it is unrealistic to assume that these representatives will set aside their organisation's interest when voting on RMAC resolutions.

Further, it is inadvisable that representatives from diverse agricultural and political organisations, representing a multitude of interest groups should each deliberate on issues where those interest groups have competing interests.

RMAC is often required to resolve contentious issues involving the legitimate and competing vested interests of its members. A perfect example of this was the support by AMIC of Government's 2011 ban of live cattle exports to Indonesia. RMAC was also unable to come to an agreed position because of competing single sectoral interests with respect to the allocation of EU and US beef quotas.

An advisory structure such as RMAC is at best able to arrive at a consensus compromise position for the whole livestock/red meat industry rather than a best outcome for the beef industry. Where an industry-wide compromise is not possible RMAC is fundamentally incapable of representing the interests of its diverse membership. Consequently, there is a strong argument that RMAC be restructured so that it can effectively and constructively deliver achievable outcomes for the red meat industry sector on issues agreed upon by all sectors.

The [2002 Senate Committee Inquiry](#) Report on the Meat Industry Consultative Structure found that the existing RMAC structure inhibits its capacity to effectively represent the whole of industry. It recommended RMAC's reform or the establishment of an alternative industry advisory structure. Subsequent Senate inquiries supported these findings as does CPA.

## 7.2 RMAC Reserve Fund

The Peak Industry Councils and RMAC have received millions of dollars from the interest earned on the Reserve Fund administered by RMAC which was established from red meat industry levy reserves held by the pre 1998 red meat industry organisational structures Australian Meat and Livestock Corporation (AMLC) and the Meat Research Corporation (MRC).

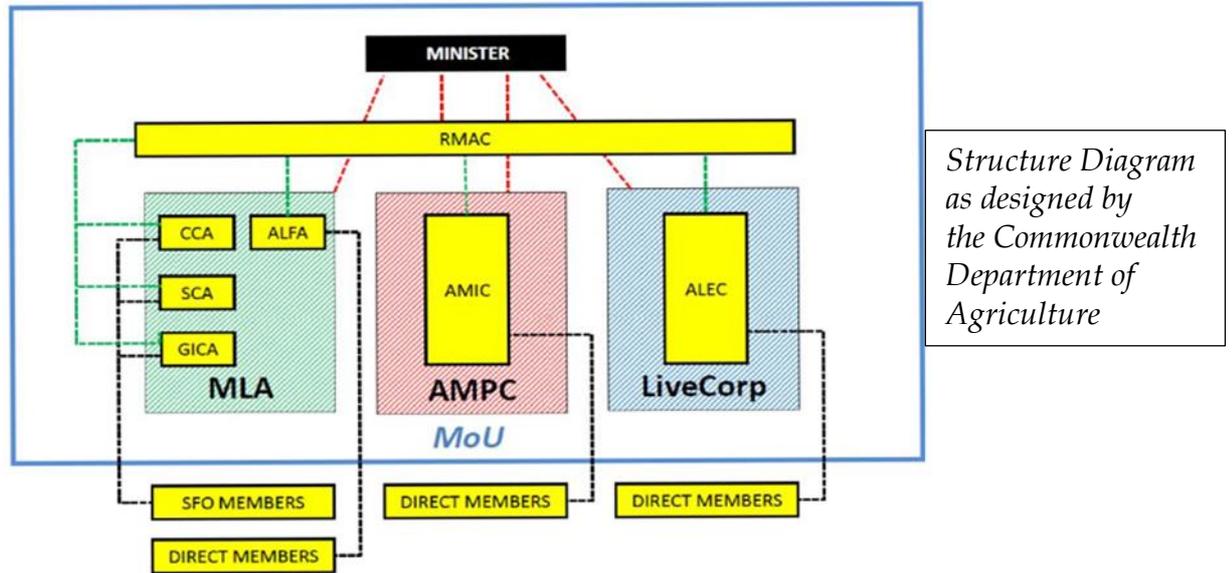
There is a strong argument that if RMAC was restructured as a multi sector needs-based common interest consultative and advocacy body, the Reserve Fund should be distributed to the Red Meat sector representative structures in proportion to each sector's respective levels of levy contribution to AMLC and MRC in the years preceding the winding up of those statutory companies.

### **CPA Recommendation 3**

- (a) That RMAC is restructured as a needs-based common interest consultative and advocacy body representing all sectors of the industry represented on the RMAC Board.**
  
- (b) That the RMAC Reserve Fund be distributed to the red meat Peak Industry Councils in proportion to each red meat sector's respective level of levy contribution to AMLC and MRC prior to the cessation of operation of these companies.**

**8. Comparison Between Current and Proposed Red Meat Organisational Structures**

**Diagram 2 – The Australian Red Meat Industry Memorandum of Understanding Arrangements**  
 Source – Current system - Submission 28 from Department of Agriculture: Industry Structures and Systems Governing Levies on Grass-Fed Cattle 19.2.14



- CURRENT STRUCTURE AND LEVY OVERSIGHT ANOMALIES**
- Levy-paying members of ALFA, AMIC and ALEC are directly linked to their peak bodies.
  - Levy-paying cattle producers have no direct membership link to their peak bodies.
  - AMIC and ALEC are supported in their oversight of the expenditure of processor and live exporter levies by separate levy funded corporations whilst CCA and SCA (SPA) are not.

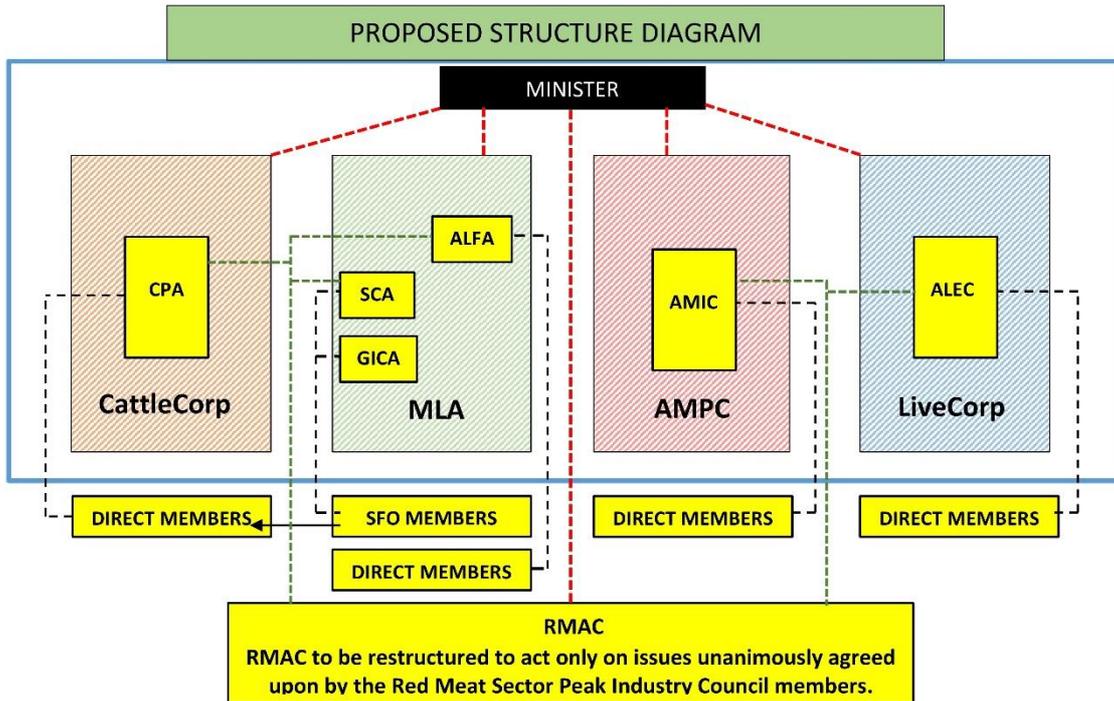
Despite the designation of policy/advocacy in yellow with respect to Peak Industry Councils and RMAC in the Department of Agriculture’s Diagram 2 above, under the terms of the MOU, it is only policy advice to the Minister that is the preserve of the Peak Industry Councils and RMAC.

Goals for the vision and strategic imperatives for the industry sectors that CCA, Sheep Producers Australia (SPA), Australian Lot Feeders’ Association (ALFA) and Goat Industry Council of Australia (GICA) representatives are required under the terms of the MOU, are to be developed jointly by each of those Peak Industry Councils with MLA.

Goals for achieving the vision and strategic imperatives for the meat processing sector of the industry are to be developed jointly by Australian Meat Processor Corporation (AMPC) and Australian Meat Industry Council (AMIC) and where services are provided by MLA, jointly between AMPC, AMIC and MLA.

Similarly, goals for achieving the vision and strategic imperatives for the live export industry are to be developed jointly by Live Corp and ALEC (Australian Live Exporters’ Council) and where services are provided by MLA, jointly between LiveCorp, ALEC and MLA.

**Diagram 3 - Proposed Red Meat Organisational Structure**



**Note:**

- (a) That the Cattle Council of Australia has been removed but that State Farm Organisations can be expected to maintain influence by having their cattle producer members elected to the Cattle Producers Australia Board as part of a corrected democratic process now offered for all cattle producer levy-payers.
- (b) That CPA would have a levy oversight role matching that of AMIC and ALEC while CattleCorp would have a role that matches AMPC and LiveCorp.

If the proposed body (CattleCorp) controlled by grass-fed cattle producers, was to receive all the grass-fed cattle transaction levies, MLA’s role can be preserved by amending the MOU to require CattleCorp to contribute to the MLA that proportion of the total of the grass-fed cattle transaction levy necessary to fund *core functions* and *joint functions* set out in the MOU. This would be consistent with the way that the AMPC and LiveCorp are required to contribute levy funds that they receive for red meat industry *core functions* and *joint functions*.

A properly constituted CPA, CattleCorp structure, directly representing grass-fed cattle levy payers, would be well positioned to monitor and control the utilisation of these levies. An amended MOU should reflect this enhanced Peak Industry Council responsibility for the control of levy expenditure.

**9. Market and Price Transparency**

As noted in both Senate Inquiries and the ACCC Cattle and Beef Market study, industry market and price transparency is of vital importance. Price Transparency can be defined as public availability of the actual price of cattle and products throughout the supply chain.

The absence of price transparency in a free market economy sector is generally seen as a barrier to entry into the industry, if limited information is available it is impossible for an investor to enter the market with a solid understanding of the past, current and future trends in the market and foresee a progressive and positive future.

In response to Recommendation 7 of the Industry Structures and Systems Governing levies on Grass-fed Cattle, relating to price transparency, the CCA directed MLA to commission a study into the impact of improved price transparency. This report was undertaken through several Milestone reports under the heading of ‘Assessment of price transparency in the beef supply chain’.

The milestone reports (2, 3 & 4) examined in depth existing price transparency systems around the world and comparatively analysed the range of segments in the beef supply chain and benefits of improved price transparency in these countries. The result showed price transparency to be resoundingly beneficial in many internal aspects of the industry and further extended to external aspects in relation to consumer and producer benefit.

The reports identified an extensive range of benefits that increased price disclosure would generate for the whole industry, from efficiencies in matching producers with customer requirements such as processor target specifications, to allowing investors to confidently assess the merits and risks of potential investments. This would achieve improved knowledge and understanding along the whole supply chain.

Price Transparency is a fundamental component of a free market economy.

#### **CPA Recommendation 4**

- 4. That a joint industry and Australian Government task force be established to Implement the findings of the two Senate Inquiries and the ACCC Cattle and Beef Market Study.**

## **10. Cattle Producers Australia's Recommendations to the Red Meat Industry MOU Review**

- 1. That the Australian Government provide immediate support, including appropriate financial assistance, to install a properly representative, directly elected and accountable grass-fed cattle transaction levy payer's advocacy body to replace CCA as Australia's grass-fed cattle producer cattle Peak Council.**
  
- 2. (a) That a two-company organisational structure is established for all Peak Councils with a separate member funded advocacy body and a grass-fed transaction levy funded Research and Development company similar to the current meat processor and live exporter organisational structures;**  
  
**(b) That the rights and responsibilities of the Peak Councils in the Red Meat MOU are strengthened to give the Peak Councils greater oversight on how their sectors levies are invested.**
  
- 3. (a) That RMAC Is restructured as a needs-based sector common interest consultative and advocacy body;**  
  
**(b) That the RMAC Reserve Fund is distributed to the red meat industry Peak Councils in proportion to each red meat sectors respective levels of levy contribution to AMLC and MRC in the 1990's.**
  
- 4. That a joint industry and Australian Government task force be established to Implement the findings of the two Senate Inquiries and the ACCC Cattle and Beef Market Study.**