

Restructuring national representation for the grassfed cattle industry – Value Proposition & Flight Path

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1. Introduction

To inform the Government's ongoing engagement in and support for restructuring national representation for the grassfed cattle industry, the Hon. David Littleproud MP, Minister for Agriculture and Northern Australia requested that Cattle Council of Australia (CCA) and Cattle Producers Australia (CPA) submit a value proposition for a new grassfed cattle industry structure and develop a 'flight path' detailing the elements, activities and budget required to realise it.

Noting that there are some important elements yet to be determined, such as funding options and their timing, and a pending broader industry consultation process that will ultimately determine the specific arrangements for a new grassfed cattle industry structure, the flight path references the structural concepts outlined in the previously presented Discussion Paper (dated 13 March 2021).

2. Outcomes sought

The dissatisfaction with the cattle industry's current representation model and organisational structure and its inability to fully consult, engage and effectively represent the largest single agricultural industry in the country are well known to industry and Government. Over many years, various Senate, independent and internal inquiries have been undertaken to highlight the problems and pose solutions, but structural reform has remained elusive. This must be resolved.

Cattle producers want a united, well-resourced, effective, representative leading peak industry body. Such a body needs to have:

- a structure that is appropriately and sustainably resourced to deliver leading strategic industry policy and effective advocacy;
- the capability to develop industry leadership and capacity, and more effectively direct how grassfed cattle producers' transaction levies are spent;
- a structure that is democratic and represents all grassfed cattle levy payers, so they have a strong sense of ownership of their peak industry body and positively engage with it;
- a structure that will provide effective direction of the grassfed cattle transaction levy expenditure;
- a structure that delivers the peak body with the unrestricted ability to communicate with the 46,000+ levy payers that make up the grassfed cattle industry; and
- a structure that is functionally capable of delivering value to the grassfed cattle industry, the broader red meat and livestock industry, and governments into the future.

3. The need and benefits

United grassfed cattle industry representation is essential to achieving the objectives of the red meat and livestock industry, and the government's objective for the agricultural sector to become a \$100 billion industry by 2030. There is a cost to producers, government, communities and the industry itself without strong, influential beef industry representative arrangements that can achieve unified positions on nationally and internationally important issues.

Valued at \$18 billion and creating 189,000 jobs, the grassfed cattle industry is the foundation of the beef industry, and the broader red meat industry. Around 50% of all Australian farms carry beef cattle, making the industry the most common and widely dispersed agricultural activity in Australia. Grassfed cattle producers are custodians for over 77% of the total land used for agriculture and play a vital and sustainable role in feeding Australians and the world.

The limited resourcing of the current grassfed cattle producer representative organisational structure does not deliver the strategic policy, advocacy and leadership needed and expected by producers, supply chain, and governments for an industry as large and diverse as the grassfed cattle sector.

In leading and guiding the beef industry, a united, well-funded, connected peak body like *Beef Industry Australia* (BIA)¹ would be forward looking, and outcomes focussed; could increase producer engagement; effectively communicate with producers to deliver leading industry policy and advocacy; build industry capability and its future leaders; and provide guidance and input into levy expenditure and ensure effective and efficient allocation of resources to maximize benefit to industry and government. **Table 1** below details the value proposition of a BIA-type peak body for grassfed cattle producers and their industry.

Table 1. Value proposition of a BIA-type organisation over current industry representative structure

BIA-type model Objectives	How they are addressed through the establishment of BIA-type model
<p>1. Increase producer engagement with the peak industry body</p>	<ul style="list-style-type: none"> • A structure built around democracy and representation enables greater engagement with grassfed cattle levy payers. • Research discloses that agricultural advocacy bodies that provide discounted business services to their members receive valuable income to help fund their representative activities and have a much higher level of engagement with their members than those that do not. • The new body will perform the heavy lifting for the cattle producer industry in developing policy in collaboration with the red meat industry as a whole that leads and guides the beef industry. • A transparent structure that is levy payer based and owned and creates business value for cattle producers individually and collectively. • A properly resourced body will ensure cattle producers receive timely, targeted, and clear communications. • A new structure that creates a greater ability for producers to engage with and input to the activities: <ol style="list-style-type: none"> 1. Directly with the new body 2. At the new body’s Policy Council, AGMs and National Conferences 3. Through their elected representative on the new body’s Policy Council or Board 4. Through their State Farming Organisation 5. Through one of the 15 (currently 17) MLA regional advisory councils.

¹ *Beef Industry Australia* is the **working title only** that was used in the March 2021 Discussion Paper outlining various structural and funding concepts for a new peak industry body that was discussed with the Minister on 27 April 2021. Industry will determine the name and specific arrangements through a broader industry consultation process.

- Member services in areas such as leadership and capacity building offered to better connect with producers and develop the industry’s capability and its future leaders.
- A full review of a new structure and its funding arrangements to be completed after 2 years of operation to provide accountability back to levy payers and enable member requested changes to be made.

2. Peak industry body that will lead and guide the beef industry on national and international issues of importance

- Properly resourced representative body that is outcomes focused and capable of building and retaining required human resource capability and expertise to deal with these issues on behalf of the industry and its 46,000 cattle producers.
- A united representative body will become the true source of communication on industry issues.
- Properly resourced and representative body is better able to engage, develop industry capacity, and respond as required (e.g. to biosecurity challenges and incursions).
- Supporting all existing cattle industry consultation frameworks – SFO networks, MLA RAC regional platforms and the Australian Government’s Drought Resilience Adoption and Innovation Hubs – plus new networks developed by a new body.
- A unified and strategically focused body representing the single largest agricultural industry in the country has the greatest ability to help realise broader industry and government goals.

3. Direct engagement and communication with producers to form and implement grassfed cattle sector and whole of red meat industry policy and to conduct elections and plebiscites

- Establishing a voluntary levy would give a new body the ability to develop its own, comprehensive member database.
- It is anticipated a new peak body would be given unrestricted but nevertheless controlled and supervised access to the grassfed cattle levy payer register (which should be complete from August 2022) to carry out appropriate survey and plebiscite communications with its sector’s levy payers on the appropriate level of ongoing levy payments, grassfed cattle producer and whole of red meat industry policy issues and to conduct organisational elections.

4. Provide effective guidance and input into levy expenditure and ensure effective and efficient allocation of resources to maximize industry benefit

- New body would have increased capability and expertise enabling it to better analyse and assess industry needs and all associated levy expenditure (MLA, AHA and NRS).
- The structure aligns with and leverages MLA Regional Consultation Framework to ensure greater collaboration, less duplication, more ‘joined-up’ thinking and better outcomes. This relationship would also ensure that the organisation has greater understanding of and is more capable of directing MLA levy expenditure.

4. Obstacles

Previous attempts at reforming the cattle industry representation model were hindered by:

- a lack of ongoing, sustainable funding to provide organisational certainty and enable desired functions to be undertaken;
- an inability to communicate directly with the majority of grass-fed cattle levy payers;
- a lack of unified support in spirit and resourcing;
- a lack of desire to change the status quo and to reform for the future;
- a lack of focus on industry good outcomes and uncompromising sectoral interests; and
- poor recognition of the value of a well-resourced peak industry council to the whole of the red meat industry and government.

5. New grassfed cattle industry organisational structure

It is evident that to support the challenges facing the beef industry in the coming decades, a more effective model of industry representation is required.

This new model will provide a representative organisation for the grassfed beef industry, comprising elected representatives based on production systems and with consideration to geography, supported by skills-based members that will deliver effective stakeholder engagement, communication, strong governance, and advocacy.

The future industry representative arrangement will be underpinned by the following six principles:

- inclusivity;
- diversity (beyond geographic diversity);
- trust and respect;
- the ability to be proactive and strategic;
- performance, results and accountability; and
- sustainability (an enduring organisation).

The new organisational structure will maintain a formalised place for State Farming Organisations (SFOs) in the system to ensure it continues to capture the considerable value they bring to the grassfed cattle industry, such as knowledge, networks, regional structures, and influence.

The ability of the peak industry body to more effectively influence and direct how grassfed cattle levies are spent is an important element of the value proposition for the proposed new organisational structure.

5a. Funding quantum for a BIA-type peak body

At this stage of the process there are several unknowns about the likely mix of sustainable funding streams available to deliver the representative organisation desired by grassfed cattle producers and their industry. It is proposed that a more broadly based interim board/working group be established to finalise the detailed costings for the proposed grassfed cattle industry organisational structure.

Based on initial costings, an effective BIA-type representative body will require a minimum \$5.79 million annual operating budget, with arrangements to be made for seed and transitional funding. An initial costings annual operating budget summary for a BIA-type organisation and the funding shortfall with respect to current CCA income are provided in **Appendix 1**. Based on FY2021 revenue received by CCA, a

funding shortfall of \$3.73 million annually exists for the immediate operation of the new model – assuming all current revenue streams (which include service agreements with MLA, AHA and NRS; and SFO membership payments) received by CCA are maintained.

5b. Funding shortfall and path to sustainable funding

Based on initial costings, the proposed flight path and timeline (section 6 below), and the mix of potential revenue streams chosen, seed and transitional funding of \$5.1 million would be required to meet the identified shortfall with an effective BIA-type representative body sustainably funded in FY2024 (see **Appendix 2**). These initial calculations assume:

- Legislative changes for a 50-cent voluntary levy component of the Cattle Transaction Levy would receive assent during FY2023 with the peak body receiving these funds from the commencement of FY2024;
- The 10-year average of a 50-cent levy would generate \$6.37 million per year; and
- 70% of grass-fed cattle producers agree to pay the 50-cent voluntary levy (i.e. \$4.46 million paid to the new peak body).

Fundamentally, the grassfed cattle industry, governments and other stakeholders need to agree that a reformed peak body is in everyone's best interests. Considering the whole red meat and livestock sector, the grassfed cattle industry accounts for:

- 25% (\$18.1 billion) of the total turnover (\$72.5 billion)
- 41% (\$7.2 billion) of the total contribution to national Gross Domestic Product (\$17.6 billion)
- over 59% (45,712) of the total businesses (77,400); and 92% of the businesses in the beef industry.

A government grant process is the preferred option for seed and transitional funding, similar to the commitments made during the last industry restructure attempt that didn't proceed.

5c. Greater ability to influence and direct levy expenditure

An important element of the value proposition for a new grass-fed cattle industry peak body and it being able to deliver the best outcomes for grass-fed cattle levy payers, is ensuring it has greater direction over where producers' levies are spent.

One option for achieving this outcome is through the creation of a new cattle industry levy receiving body based on the current meat processing and live export sectors of the red meat industry organisational structures that have separate levy recipient corporations and representative advocacy bodies.

These two-tiered organisational models provide the meat processing and live export sectors with structures that have the capability to provide:

1. effective contractual control over the expenditure of their sector's levies on the R&D and marketing projects currently carried out by MLA, whose primary obligation under the Corporations Act with respect to the levies that it currently receives directly from the Federal Government is to its own members rather than each red meat industry sector's representative body;
2. a source of levy funding for independent policy R&D; and
3. unrestricted free access to a levy payer register to conduct member surveys, plebiscites and board elections.

Similar outcomes to those that the meat processing and live exporter sectors currently achieve could be realised by the grassfed cattle sector through:

1. a strong, adequately resourced and representative peak body that would be more influential;

2. appropriate provisions in the Australian Government's statutory funding agreement (SFA) with MLA; and
3. appropriate amendments to the Red Meat MoU (or a separate MoU between the grassfed cattle peak body and MLA).

It is also recommended that section 59 of the *Australian Meat and Live-stock Industry Act 1997*, where the 'Minister must have regard to industry policies' be amended to clearly articulate these changes.

5d. Need for independent sector policy R&D

MLA's role is to act as a R&D and marketing service provider for the whole of the red meat industry. Whilst in many instances the commercial interests of each sector of the red meat industry coincide there are many areas where the commercial interests of each of the sectors are in clear conflict.

Consequently, there are a number of particular sector policy issues where it is not appropriate for MLA to carry out policy R&D, which may not be in the commercial interest of the other sectors. In these instances, the grassfed cattle sector should have the same right to have their sector's policy R&D outsourced to an independent R&D entity just as the meat processing and live export sector's do.

5e. Ability to communicate with grassfed cattle levy payers

To ensure the new peak body can effectively engage with and represent grassfed cattle producers, it must be able to communicate with levy payers.

Under the current 'Levy payer registers guide for RDCs and information recipients' third parties may use, following written approval of the Secretary, a levy payer register (LPR):

- for a research and development (R&D) activity (within the meaning of the *Primary Industries Research and Development Act 1989* (PIRD Act))
- for marketing activities (within the meaning of the PIRD Act)
- for biosecurity purposes
- for National Residue Survey purposes
- in connection with any activity carried out, or proposed to be carried out, by the disclosing RDC for the benefit of producers in the relevant industry.

The long-standing federated structure of cattle industry representation and a chronic lack of resourcing mean that much of the work of the peak body (i.e. CCA) is unknown to many producers. Therefore, the LPR could play a key role in helping put the new peak body in a strong, integrated and connected position. Consideration needs to be given to articulating other 'industry good' functions that the peak body can use the LPR for to communicate with levy payers. It is also recommended that an annual agreement with associated reporting/compliance responsibilities be set up for the agreed LPR uses.

Numerous Australian and overseas studies also show that agriculture representative bodies that provide business services to their members enjoy much higher engagement with their members than agriculture representative bodies that do not. Consequently, the new grassfed peak body will also need access to the LPR to facilitate its business services communications with its members.

6. Proposed 'flight path' process and timeline

For the purposes of mapping out a timeline and associated costs, it is assumed that a new peak body would commence from 1 July 2022. To meet this ambitious date, many activities and tasks will need to be

undertaken. CCA will continue in its current form until the new peak body commences to deliver upon current contracted requirements.

Table 2 below outlines the flight path process to be undertaken detailing the elements, activities and budget required. It is time bound with stop/go points and outcomes sought throughout the three-stage process. Budgeted costs include personnel required to perform the tasks and assumes that producers and organisational delegates cover their own costs to attend forums and meetings.

The first activity in the flight path is a facilitated two-day 'Industry Leaders Forum' between key industry organisations to present progress to date, gain agreement on the structural and funding options to be taken forward in a broader industry consultation process and appoint a steering committee to guide the broader industry consultation process (stage 2). A steering/implementation committee would also be established for stage 3 (implementation).

The members of these committees/working groups would be selected based on expressions of interest, which could be sought from participants of the Industry Leaders Forum.

Table 2. Activities, timing and costs to transition for a new cattle industry representative body

Stage	Order	Timing	Component	Description	Activities	Outcome(s) Sought	Budget (\$)	Total (\$)
1	1	Early August 2021	Industry Leaders Forum	Facilitated 2 day meeting between key industry organisations to present progress to date and determine an agreed approach to broad industry consultation	<ul style="list-style-type: none"> - Identify and invite key organisations - Coordinate logistics (venue, facilitator, catering etc.) - Draft agenda and papers for discussion - Draft meeting protocols to help deliver desired outcomes - Compile report of discussions and outcomes 	<ul style="list-style-type: none"> - Agreement on structural and funding options to be taken forward in broader industry consultation - Steering committee for broader industry consultation process formed 	30,000	
	2	Late August 2021	Present to Minister	Steering Committee meet with Minister to discuss Industry Leaders Forum outcomes	Present summary and recommended way forward	Government support for process continuing and funding commitment	15,000	
STOP/GO							45,000	45,000
2	3	September - November 2021	Broader industry consultation	Regional producer meetings to explain the purpose of a cattle industry restructure process, the reform options, respond to producer queries and seek feedback	Develop Industry Leaders Forum endorsed restructure and funding options proposal for presentation at producer forums	Clear, producer-facing documents and presentations	40,000	
					Identify producer forum dates and locations and undertake broad multi-media awareness campaign	Strong awareness of producer forums and their purpose	50,000	
					Establish online industry restructure platform	Enables any producer to register and ensure they can access all restructure information and receive updates as the process progresses	10,000	
					Engage a third-party organisation (TrueVote) to set up platform and compile a register to run consultative referendums	Any producer wanting to engage in this process can do so securely	30,000	
					Identify state/regional cattle producer identities as champions for change to attend relevant regional meetings and fund their attendance at regional meetings - assumes up to 4 producers attending 15 regional meetings	More effective regional producer forums, greater understanding and buy in from producers	60,000	
					Engage consultant to prepare levy reform plan	Levy reform options and timing, consistent with the Levy Guidelines, clearly articulated	100,000	
					Work with State Farming Organisations and local cattle industry groups to coordinate regional meetings - assumes 23 meetings	One producer meeting scheduled in each of the 15 MLA RAC regions and one SFO member meeting (n=8)	460,000	
		Online submissions process	6 week call for submissions to Industry Leaders Forum endorsed restructure and funding options proposal. Summary of submissions	Any producer wanting to engage in this process who cannot attend a forum can have their views heard	10,000			
	4	Early December 2021	Producer ballot	Support for industry restructure proposal tested with producers	Producers that have registered their interest in having a say on the restructure process emailed options to cast their vote	View of producers wanting to have their say on the industry restructure known	10,000	
	5	Late December 2021	Industry consultation report	A report capturing the process and producer feedback, and the next steps	Compile report	Report accurately summarises producer consultation process and articulates next steps, including recommended implementation committee members	20,000	
6	Early January 2022	Present to Minister	Steering Committee meet with Minister to discuss broader industry consultation process and outcomes	Present summary and recommended way forward	Government support for process continuing and funding commitment, and endorses implementation committee members	15,000		
STOP/GO							805,000	850,000

Stage	Order	Timing	Component	Description	Activities	Outcome(s) Sought	Budget (\$)	
3	7	Late January 2022	Legal entity establishment	BIA (or desired organisational name)	Register new peak industry body as a business entity		-	
	8	January to June 2022	Concurrent CCA & BIA (or desired organisational name) activities to effect transitional arrangements	Communications campaign	Sustained and targeted multi-media communications campaign to advise changes to cattle industry representation	Producers and key stakeholders understand the changes underway, how they will be able to engage with their new peak industry body and what it will do for them	100,000	
				Founding members	BIA (or desired organisational name) founding members determined	Founding members have broad representation and association with producers	50,000	
				Legislative instruments - February 2022	Minister introduces legislative instruments to declare BIA (or desired organisational name) an industry body and to establish an opt out voluntary levy	Parliament quickly passes legislative instruments	5,000	
				Governing documents	Constitution and other governing documents for BIA (or desired organisational name) developed	Governing documents approved by founding members	50,000	
				Transfer arrangements	Engage consultant to determine the legal transfer of CCA assets etc. to BIA (or desired organisational name)	Transfer of assets and other capacity agreed	50,000	
				Board	Call for nominations - March 2022 Election and appointments - April 2022	Board appointed	75,000	
				Policy Council	Call for nominations - April 2022 Election and appointments - May 2022	Policy Council appointed	75,000	
				Membership services	Initial membership services offering developed (e.g. cattle industry young leaders and executive leaders programs)	Industry good service offerings ready to roll out from 1 July 2022	150,000	
				Corporate sponsorships	Seek founding corporate sponsorship arrangements	Corporate sponsorships secured	25,000	
				New peak body operations	Recruit CEO and other additional staff, establish future operational structures (e.g. premises, systems etc.). Includes recruitment costs & cost of additional staff for 1 month.	BIA (or desired organisational name) ready to commence operation from 1 July 2022.	240,000	
				Transfer of operations	CCA ceases trading 30 June 2022, BIA commences 1 July 2022	CCA staff and other operational functions transferred to BIA	-	
GO							820,000	1,670,000

Appendix 1. Preliminary draft annual operating budget summary for a BIA-type organisation

FUNCTION	Total (\$'000)	Salaries (\$'000)
1. Strategy	200	135
2. Advocacy	620	250
3. Consultation and Policy Development	1,378	743
4. Industry Development & Engagement	1,910	1,000
5. Peak Council (MOU/RO) Functions	410	193
6. Corporate, Governance & Other Services	1,270	330
TOTAL EXPENDITURE	5,788	2,651

2021 CCA Income Streams (\$'000)			
R	Red Meat Industry Fund	417	
M	Membership Income	410	
L	Services Agreements (MLA, AHA, NRS)	1,150	
O	Other	80	
TOTAL CCA INCOME			2,057

Funding Shortfall for BIA-type model (\$'000)	3,731
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Note: Preliminary assessments are subject to a more formal assessment by an interim board/working group once in principle agreement has been reached on the structure and functions of the new grassfed cattle industry organisational structure.

Appendix 2. Preliminary assessment of funding required to realise a sustainable new cattle industry organisational structure

		FY2022 (\$'000)	FY2023 (\$'000)	FY2024 (\$'000)
Costs	CCA operations	2,100	0	0
	Flight path	1,670	0	0
	New peak body operations	0	5,788	5,788
	Total	3,770	5,788	5,788
Revenue Streams				
Revenue Streams	Membership	310	200	300
	Membership services	0	200	250
	Commercial/sponsorship	108	200	300
	RMIF distribution	448	479	511
	MLA service agreement	867	870	0
	AHA service agreement	280	280	0
	NRS service agreement	71	71	0
	Voluntary Levy*	0	0	4,458
	Total	2,084	2,300	5,819
Funding gap		1,686	3,488	(31)
Total funding gap				5,143

* Based on 70% of grassfed cattle producers paying a 50c voluntary levy.

Note: Preliminary assessments are subject to a more formal assessment by an interim board/working group once in principle agreement has been reached on the structure and functions of the new grassfed cattle industry organisational structure.