



Strengthening the future of the grass-fed cattle industry

## Red Meat MOU Review Submission

15 April 2019

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## **CPA’s RESPONSE TO THE GREEN PAPER MOU SUBMISSION**

### **Introduction**

Cattle Producers Australia (CPA) welcomes the opportunity to respond to the MoU Review Panel’s Green Paper.

The Red Meat MoU Review initiated by Federal Minister for Agriculture and Water Resources David Littleproud in conjunction with the Red Meat Advisory Council (RMAC) presents an overdue opportunity for the red meat industry to review its current and future organisational needs and begin the reform process needed to bring the red meat industry structures up to date in order to meet those current and future industry organisational needs.

A plethora of public Inquiries and studies and published learned publications during the last decade or so have disclosed that many of the stakeholders in the current red meat industry organisational structures have become disengaged with their representative advocacy and service provider bodies. This situation which has in turn led to a number of the red meat sector bodies being left with insufficient funds to carry out their obligations under the current organisational structures.

The lack of stakeholder engagement over the last 20 years has left the majority of levy payers unrepresented and disenchanted.

If structural reforms can be put in place to deliver significant improvements in all sectors stakeholder engagement with their representative advocacy and service provider bodies, that engagement will lay the financial and intellectual foundation for a more united, progressive and profitable red meat industry. This is an outcome that will benefit the whole red meat industry and the businesses of each of the participants in that industry.

In this submission CPA:-

- Examines the current and prospective organisational needs of the red meat industry and its sectors;
- Develops a strategy to meet those needs; and
- Then presents an industry structure designed to implement that strategy and deliver the desired commercial and social outcomes for the red meat industry and each of its sectors.

This submission examines flaws and weaknesses in the current red meat organisational structure and the MoU that ties that organisational structure together. Since those structures were put in place in the late 1990s, the national and international economic and social circumstances that confront the red meat industry have changed enormously.

From that perspective this submission outlines an effective, representative, inclusive structure capable of meeting contemporary red meat supply chain and individual industry sector requirements for industry advancement.

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## 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 its 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 1

### Organisational Structure Jurisprudence

#### 1.1 Structure Follows Strategy

‘Structure follows strategy’ is a jurisprudential business principle that states that the divisions, departments, teams, processes and technology of an organisation, in this case are designed and put in place to achieve a firm's strategy. The process is:-

1. Determine the needs of the business (or in the current case the industry) whether monetary or social or a combination of both;
2. Develop a strategy (or plan) to deliver those needs; and
3. Establish the organisational structures a to give effect to that strategy.

The goal here is to:-

- Review the roles, responsibilities and interrelationships of the MoU signatories (including the RMAC, Peak Industry Councils and Industry Companies); and
- Examine whether the MoU arrangements provide an adequate framework to support the RMAC, the individual sectoral groups and red meat research and development.<sup>1</sup>

To achieve this, it is necessary to first examine the specific needs of each red meat industry sector and the red meat industry as a whole. The next step is to develop a clear statement of the strategy to deliver those specific needs. Without such a clear statement it will not be possible to ascertain what the participants to the MoU are required to deliver. Nor will it be possible to nominate the appropriate organisational structures to give effect to the strategy and deliver the outcomes needed by each sector of the red meat industry and the red meat industry as a whole.

The purpose of an organisational structure is to allow an entity to utilise its resources in such a way that allows that organisation to efficiently and effectively deliver its strategy.

The development of a Meat Industry Strategic Plan (**MISP**) was, and is, a key foundation of the MoU. Under current organisational structures the RMAC:-

- is custodian of the MISP; and
- is responsible for promoting, monitoring and guiding the progressive development and implementation of the MISP in conjunction with the Peak Industry Councils.

The MISP is the critical document with respect to the development of the whole of red meat industry strategy. The current draft expires in 2020.

Unfortunately, many in the red meat industry believe that the current MISP is deficient. It is a 3-year rolling operational plan focusing on some strategic imperatives, but it does not provide an overarching strategy for the whole of the red meat industry and its sectors. The MISP does not currently provide a comprehensive game plan for the red meat industry and each of its sectors for the next twenty years, or indeed, for the next decade.

The development of the MISP, or rather a sound strategic plan, was a key component of the structure of the original Red Meat MoU. The lack of a coherent risk-based long-term strategy now is

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<sup>1</sup> See the Red Meat MOU Review Terms of Reference under the heading “Roles & Tasks/Responsibilities”

the root of the functional problems of the RMAC and the rest of the red meat industry sectors – hence the need for the current Red Meat MoU Review.

## 1.2 Organisational Structures Determine Outcomes

It is a fundamental tenant of organisational structure jurisprudence that industry structures determine the outcomes produced and the manner in which an organisation operates and performs. Organisational structure defines how activities such as task allocation, coordination and supervision are directed towards the achievement of organisational aims.

The importance of organisational design and structure to the delivery of collective outcomes cannot be overestimated. It is conventional jurisprudential wisdom that outdated or dysfunctional organisational structures result in policy setting contradictions, role confusion and a lack of coordination in policy delivery.

It follows that when the structure of an organisation is put in place to meet the current and foreseen prospective needs of an organisation, in practice, over time, it is this very structure which constrains the strategic choices that the organisation may need to make to respond to changing and unforeseen circumstances that were not contemplated when the structures were originally put in place.

Consequently, organisational structures need to evolve and change over time to meet the changing circumstances and needs of the participants of that structure.<sup>2</sup>

The oft quoted adage that organisational structures are not important and that all that is needed is to have the right people involved and then the needed outcomes will follow has no merit. As David Trebeck and David Crombie say in the conclusion to their joint paper presented to the Australian Farm Institute’s Agriculture Roundtable Conference in 2013 in Sydney, which is discussed in detail in Chapter 2 of this submission the then current farmer advocacy representative model was broken and:

*It should be of particular concern if the “best” farmers are not active members, because this implies, they have better things to do with their time and money.<sup>3</sup>*

In other words, if the industry organisational structure is inappropriate to meet the needs of the industry that it represents then that organisation will not be able to attract the best talent to lead it because the ‘best’ talent will realise that they will be wasting their time and will find better more productive things to do.

In any event it now appears to be common ground in the red meat industry that:-

- the organisational representative and service structures that were put in place in the 1990s no longer meets the red meat industry’s needs; and

<sup>2</sup> The NSW Department of Education has recently reviewed and restructured its 20 year old Geography syllabus because it was no longer relevant to the contemporary understanding of our world. Teachers advise that students are now engaging with the changed syllabus in a manner that they had not previously done and that enrolments in Geography have increased significantly.

<sup>3</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, p. 14

- that the existing organisational structures are constraining the strategic choices that the red meat industry and its sectors need to make in the very different economic and social circumstances that confront the red meat industry in 2019.

### 1.3 Needs Based Strategy

It follows that the first step in designing an organisational industry structure is to determine the current and prospective needs and outcomes required by the industry that the organisational structure will serve.

In the context of the current Red Meat MoU Review the first step is to examine in a critical sense:-

- how effective the current red meat organisational structures and the provisions of the MoU have been over the course of the last 20 years; and
- how those structures and that MoU meet the current and prospective needs of the red meat industry and each of its sectors.

In other words, the steps are as follows:

1. to examine the strengths and weaknesses of the current red meat industry organisational structures and of the MoU;
2. to consider the current and prospective organisational needs of Australia’s red meat industry and each of its sectors; and
3. to identify the changes that need to be made to the current organisational structures and the MoU.

### 1.4 1996 - Practical Application of ‘Structure Follows Strategy’ Jurisprudence

The 1996 Steering Committee and Task Force (1996 Committee) examined the options for future meat and livestock industry organisational structures generally followed, or attempted to follow, the ‘Structure follow Strategy’ jurisprudence principles outlined above.<sup>4</sup>

The 1996 Committee recognised that the red meat industry levy funded structures had evolved over the decades and that each stage in the process of evolution had been preceded by a review. Each review had been in response to changing market, industry and policy circumstances which tended to demonstrate that non-profit statutory structures with multiple stakeholders do not adapt on their own accord.

The 1996 Committee noted that statutory boards and managers are constrained by a combination of legislative imperatives and stakeholder priorities, many of which can be unrelated to pure commercial objectives.

Conflicting requirements can lead to less efficient decision-making and reduce performance, which provides a limit to the full commercial focus demanded by stakeholders.

The 1996 Committee also found that meat and livestock statutory authorities gradually developed a more deregulated commercial orientation reflecting broader policy trends in Australia and changing market requirements. The 1996 Committee noted that, by their nature, each stage of reform tended to be reactive and that in the absence of free market operations the current challenge was to develop the most flexible and responsive levy-based structure to meet industry and market

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<sup>4</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 72

circumstances. The 1996 Committee concluded that change is not a one-off event, but a constant part of the market and policy environment and that adapting to change was essential for success.

The 1996 Committee commissioned Coopers & Lybrand Consultants to conduct an operational review of the then existing meat and livestock organisational structures in the context of the industry and market conditions of those times. That review highlighted lessons for future organisational structures and the current and future needs of the red meat industry and its production including:-

- the need for marketing services to focus on a small number of strategically important goals;
- the need for market research and marketing services to be integrated;
- the need for economies of scale in overseas representation;
- the need for organisational overlap with respect to gate to plate supply chain issues;
- the need to combat unprecedented international competition and loss of market share and consequent low levels of profitability throughout each sector of the red meat industry supply chain; and
- the consequent need for the Australian beef industry to urgently rectify product quality and uncompetitive cost.<sup>5</sup>

Having identified the then current and perceived prospective needs of the red meat industry, the 1996 Committee then set out to develop a strategy to deliver the outcomes needed to address those industry needs. A strategy that would:-

- allow Australia’s beef industry to:-
  - respond to the changing global beef economy;
  - address declining red meat market share of the protein market;
  - consistently supply beef graded to describe eating quality; and
  - reduces costs in cattle finishing, processing and the provision of infrastructure;
- allow Australia’s sheep meat industry to:-
  - improve consistency of supply – quality and quantity;
  - foster the development of a specialist prime lamb industry;
  - provide customer and consumer food safety and quality assurance;
  - improve supply chain integration to meet specific market needs;
- allow Australia’s livestock export industry to:-
  - achieve a credible quality and welfare assurance program;
  - focus on sector specific marketing and technical support endeavours.<sup>6</sup>

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<sup>5</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 72

<sup>6</sup> 1996 Steering Committee and Task Force Report Page 73

The 1996 Committee then carried out an examination of a wide range of voluntary and levy funded organisations in non-meat industries in Australia and in meat industries in the United States, New Zealand and the United Kingdom. In doing so it sought to identify any structures that might be put in place in the Australian meat industry in order to implement its strategy.

Subsequently the 1996 Committee put forward a range of recommendations and options with respect to red meat industry organisational structures that could be put in place to give effect to its strategy developed to meet the red meat industries then current, perceived and prospective needs. These proposed new structures were based on:-

- industry ownership;
- willing partnerships between sectors rather than imposed cross sectoral partnerships;
- voluntary contributions for separate processor and live exporter R&D bodies, rather than compulsory levies;
- a strengthened role for industry representative associations or bodies; and
- examination of the then current and proposed future collective whole of red meat industry supply chain core functions.

The 1996 Committee criticised the absence of accountability to stakeholders in the previous structures and commented upon the need for levy payers to feel that they had ownership of the service provided.

Effective accountability of levy payer ownership structures are particularly important for corporations such as MLA, whose levies are exacted compulsorily, and which do not have:

- requirements to produce profit and loss accounts and balance sheets as the main basis for performance monitoring;
- market accountability through the buying and selling of shares in the company.

Largely these issues remain unresolved and there is a need for the current MoU review to address and rectify these chronic problems.

The 1996 Committee review of the then statutory corporation red meat industry structures was instigated because of the realisation that those bodies were no longer meeting the organisational needs of Australia’s red meat industry.

The 1996 Committee carried out a thorough and comprehensive review of:-

- the historical background to the then existing statutory organisational bodies
- the red meat industry as a whole and its changing structure and the economic challenges it was facing, as well as:
  - each sectors strengths, weaknesses, opportunities, threats and organisational needs,
  - voluntary and levy-funded organisational structures in the non-meat agriculture sectors in Australia,
  - collective red meat organisational structure in USA, New Zealand and the United Kingdom,
  - the operation of the then existing organisational structures, which led to
  - an assessment of future red meat industry collective functional needs and
  - the development of 14 guiding principles, which included:
    - accountability of boards to stakeholders,

- contestability in service delivery consistent with national competition policy,
- a requirement that the organisational structures transparently reflected the different interests of the beef, sheep-meat, goat and respective live animal export industries,
- the structures should the best possible mix of flexibility, objectivity and industry involvement.

Unfortunately, as the discussion in Chapter 2 below will show and the ANOA Auditor General’s Report into the 1990’s red meat organisational restructure referred to in Chapter 9 below discloses, many of these basic principles and guidelines that were enunciated by the 1996 Committee after their comprehensive review of the then current and future needs of the red meat industry and each of its sectors were not adhered to during the implementation of the recommendations. This lack of adherence to the 1996 Committee recommendations has been a major contributor to the current problems facing red meat industry representation and structures.

## 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>7</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>7</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>8</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>9</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>10</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>11</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>8</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>9</sup> Trebeck, D & Crombie, D 2013 P 12

<sup>10</sup> Trebeck, D & Crombie, D 2013 p. 11.

<sup>11</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*

.....

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>12</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.

## **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>13</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>14</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>13</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>14</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 carcase 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 by 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 NO.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 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.

2.11.6 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, conceded 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:-

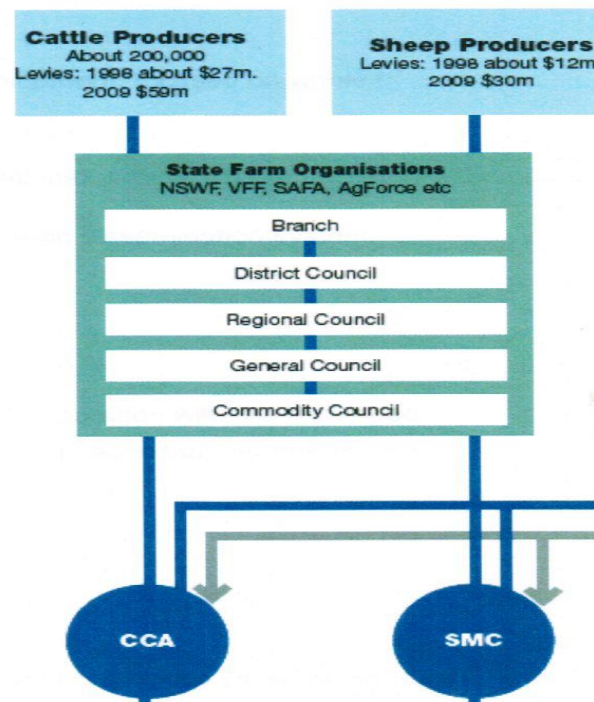
1. Representative rural industry bodies could no longer rely on voluntary membership fees for funding;
2. Successful rural industry advocacy bodies needed to provide members services to raise the necessary funding for their advocacy activities; and
3. The provision of members services also resulted in 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.

## Chapter 3

### Flaws in Current Sheep Meat and Cattle Producer Representative Organisational Structures

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.

Sheep Producers Australia Limited (SPA) and the Cattle Council of Australia (CCA) are both State Farm Organisation bodies with a convoluted State Farm Organisation structure which, as a consequence of falling membership, has left them disconnected from and no longer truly represented of their stakeholders and inadequately funded to carry out their obligations under the current red meat industry structures.

### 3.1 SPA and CCA Structure Question and Answer Analysis

Criteria questions:

1. Are grassroots levy payers truly represented and do they have adequate authority?
2. Do the current SPA and CCA representative structure support strategies for each sector's success in the shape of benefit for levy-payers?
3. Are the SPA and CCA Constitutional provisions enabling or restrictive?
4. Do the current SPA and CCA organisational structures conform with public expectations as expressed in Senate Committee recommendations?

*Criteria 1: Are grassroots levy payers well represented and do they have adequate authority?*

The key to a functional representational structure for levy-paying producers of sheep and cattle is to provide a balance between the large number of smaller levy-payers and the small number of larger levy payers. The top-down structure of SPA and CCA is defective in that it confines grassroots levy payer representational authority to membership of the State Farm Organisations. This clearly disenfranchises many PIC holders while not addressing the need for a balance of power between large and small producer levy-payers. Levy-payers’ influence or control is further diluted by Board membership of appointees controlling policy direction, rather than elected representatives. This situation is seen by CPA as a formula for ongoing disconnect which will foment frustration and discontent. The solution lies in having a dual membership registry as adopted by AMPC and CPA.

*Criteria 2: Do the current CCA and SPA organisational structures support strategies for industry success in the shape of benefit for levy-payers?*

The disconnect caused by a structure which disenfranchises so many levy paying producers is predicted to be a significant factor for strategy setbacks because the support of levy payer participation will remain limited. The political influence of significant levy-payer numbers will remain unrealised. The intellectual contribution of levy payers will continue to be restricted. This comes at a time of need, when customer preferences are elusive and ‘social licence’ issues such as animal welfare and land management are having a growing impact on marketing.

*Criteria 3: Are the SPA and CCA Constitutional features enabling or restrictive?*

Constitutional features clearly leave disproportionate power with State Farm Organisations and insufficient influence with levy-paying producers. SFOs have declining membership and dwindling resources which can be largely attributed to the disconnect with rank and file levy payers. Members’ proposals and voting rights are restricted to Branch meetings in an outdated system. The internet provides an ignored capability for massed group communication and voted decisions, a means of connecting with levy-payers and empowering them.

*Criteria 4: Do the current SPA and CCA organisational structures conform with public expectations as expressed in Senate Committee recommendations?*

The material set out in Chapter 2 above and in the Appendices to this submission, including CCA’s own submission to the 2013/14 Senate Inquiry Into Industry Structures and Systems Governing Levies on Grass Fed Cattle make it clear that CCA is cash strapped no longer truly representative of grass fed Cattle producers

**3.2 Clear Lines of Sight between Representative Organisations and their Members****3.2.1 CCA**

The material contained in RMAC’s *February 2014 submission 165 to the Senate Inquiry Into Industry Structures and Systems Governing Levies on Grass Fed Cattle* make it clear that in 2014 RMAC believed that CCA lacked:-

- A direct membership structure with a clear line of sight “between representative organisations and their members.
- A sustainable funding base which RMAC saw as essential for the longevity of organisational bodies and notes that 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 little option but to deliver some of these activities via levy funded Service Agreements.
- And went to considerable lengths to spell out the degree of funding that each of the Peak Industry Councils receive from what it described as pseudo commercial service delivery agreements with levy funded Service Companies.

### 3.2.2 SPA

Whilst the RMAC 2014 submission was directed to an Inquiry into grass fed cattle levy funded structures and systems it is clear that RMAC’s comments also applied to the sheep meat producer representative body and that RMAC was effectively calling 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
- c) a sustainable funding base for Peak Industry Councils that ideally did not include what RMAC describes as the current Service Company levy funded pseudo commercial products and service delivery model

The Sheepmeat Council of Australia was replaced by Sheep Producers Australia Limited (SPA) in late 2017 but unfortunately the new sheep meat organisational structure did not *deliver a clearer line of sight between the sheep meat between representative organisation and its members.*

Rather than a clear line of sight between the sheep meat peak industry council and its members Constitution of SPA entrenched the 7 State Farm Organisations as members and provides for the SPA Board to be appointed by a Selection Committee that must include -

- a) one MLA Director with sheep industry experience, or MLA company secretary;
- b) one AHA Director with sheep industry experience, or AHA company secretary;
- c) the RMAC Chairman, or nominee; and
- d) one Director from the current SPA Board, provided that the person is not up for re-election (to be decided amongst the Board and if no agreement, by the drawing of lots).

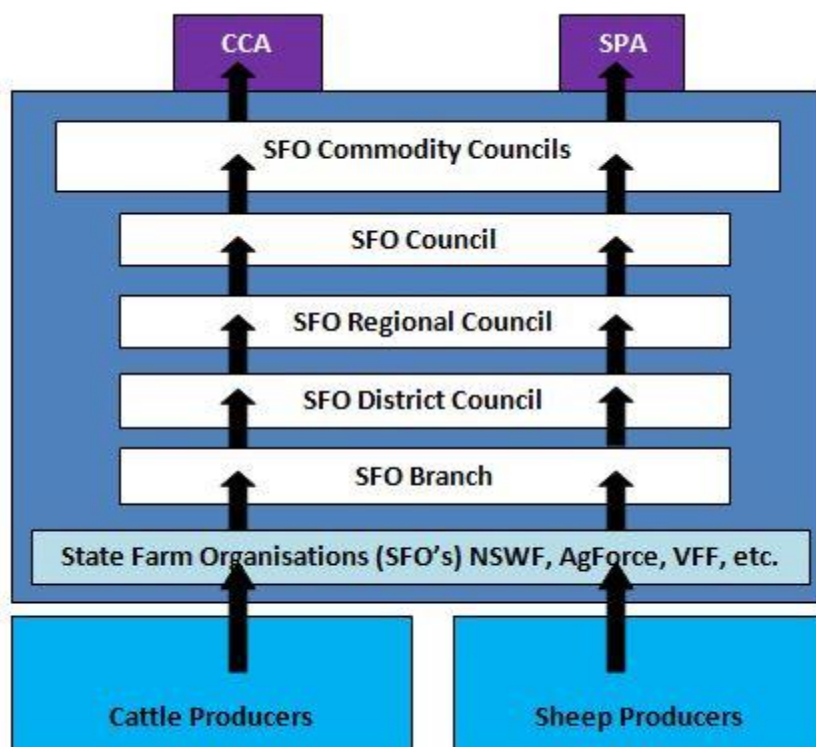
The SPA Constitution ensures that number of Individual Members directors on the SPA Board must always be less than the number of State Farm Organisation directors on the SPA Board.

As can be seen from the examination of the red meat representative advocacy bodies in this Chapter the special qualification board structure for the SPA advocacy body is unique. It is also unique in terms of other rural Australian representative advocacy bodies and indeed in overseas rural industry representative advocacy bodies.

A board appointed by a selection committee comprising appointees from entities that the representative advocacy body is meant to oversee and direct seems to be contrary to the basic principles of representative democracy and unlikely to induce the degree of stakeholder levy-payer engagement that the Australian Farm Institute Research Report, and the joint paper by Crombie and Trebeck and various Senate Inquiry recommendations referred to in Chapter 2 and RMAC and CCA in 2014 were calling for as essential components of a functional red meat organisational structures.

**Diagram 2**

**CURRENT PRODUCER INFLUENCE STRUCTURE**



### 3.2.3 AMPC/AMIC

The meat processing and live export sectors of the Australian red meat Industry each have a twin company organisational structure with one company receiving the levies paid by its sectors and distributing agreed amounts of that levy to Meat and Livestock Australia in accord with the terms of the Red Meat MOU and the other company being a member funded advocacy body.

#### AUSTRALIAN MEAT PROCESSOR CORPORATION

##### ELECTION OF DIRECTORS FOR THE AUSTRALIAN MEAT PROCESSOR CORPORATION LIMITED

The board of directors of the AMPC is made up of 7 directors, namely;

1. The first processor director;
2. Three processor directors elected from the A register;
3. Three processor directors elected from the B register; and
4. Two special qualifications directors.

The election process is a preference voting system and each member is able to cast votes in both register A and register B.

Each plant has one register A vote and a vote in register B based on the levy paid during the relevant period.

A member, voting on the A register, is required to vote for each candidate where the first preference vote is allocated 7 points, second preference 6 points, etc. The candidate with the greatest number of points is indexed No 1, and so on.

A member, voting on the B register, is required to vote for each candidate in the same way but the preferences are multiplied by the levies paid. Again, this would usually mean that each plant votes its own levy value.

Once the register A and register B votes are tallied, the director with the greatest number of votes is elected as the first processor director. That director has the responsibility of forming the new board and calling for the first board meeting.

The next three directors on each of registers A and B are then elected and the process continues until each register is filled, that is, three register A directors and three register B directors.

Persons wishing to apply for a Special Qualifications spot are required to nominate highlighting their relevant experience. These roles are not necessarily independent roles.

The board now has seven directors and those seven directors are required to meet to appoint two special qualifications directors. The First Processor Director is required to manage this process. Within one month of the appointment of the SQDs, the full board will meet to appoint the Chair and Deputy Chair.

The two register voting system for the election of the AMPC board pre-dates and is completely in accord with and reflects David Crombie and David Trebeck’s perception outlined in Chapter 2 above that 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 .

### **AMPC Strategic Plan 2018-2022 And Beyond**

The levy funded AMPC Strategic plan that was published last year sets out a number of challenges arising out of the current red meat industry supply chain operating environment that the processor sector believes need to be addressed.

#### **OPERATING ENVIRONMENT**

The AMPC Strategic Plan 2018-2022 is based on an assessment of the following factors to better understand the future outlook of the industry and ways to more effectively respond to the associated challenges and opportunities the industry is likely to face. While the following section provides a snapshot of the key trends and risks facing the industry, a full analysis of the external factors (Strategic risks report: Strategic Risks Facing the Australian Red Meat Industry and industry sustainability report: A Feast of Ideas) can be found on the AMPC website.

**STRONG EMERGING MARKET GROWTH AND SIMPLER ACCESS TO MARKET** Over the coming years, the intensity of competition in the international red meat industry is predicted to increase with newly negotiated free and bi-lateral trade agreements between nations. India and South American

countries are likely to become increasingly significant, with Australia competing at a cost disadvantage.

**CLIMATE CHANGE AND AN INCREASINGLY CHALLENGED RESOURCES ENVIRONMENT** In light of changing weather patterns, extreme weather events, declining resources and higher requirements for reduction of greenhouse gas emissions, economic viability is no longer the sole criterion for business performance. Agriculture and food businesses including processors will be required to demonstrate and provide evidence of their sustainability credentials.

**HIGHER GLOBAL STANDARDS AND NEED FOR SOCIAL LICENCE TO OPERATE** The increasing scrutiny based on the environmental consequences, healthy diets and animal welfare issues of the red meat industry will continue to decrease consumption and lead to more regulatory restrictions. Consumers now expect greater transparency and processors will be required to maintain a high level of social licence to operate.

**DIGITAL TRANSFORMATION** New communication tools offer many opportunities for the industry. They will allow AMPC to help processors and their value chain partners share information and adopt new practices and technologies.

**CHANGING CONSUMPTION PATTERNS** In developed countries such as Australia, the consumption of red meat will continue to decline. Consumption patterns are changing and consumers are turning to alternative sources of protein and substitutes that are cheaper, less resources-intensive and more animal-friendly.

**CHANGES IN THE WAY WE WORK AND NEED FOR SUPPLY CHAIN INTEGRATION** As our industry responds to climate variability and changing regulations, production costs will continue to rise. To match global technological advancement, capture scale economies, maintain profits and respond to potential regulatory changes, we must rapidly move towards a completely integrated and collaborative value chain where industry alignment, capability transfer, information sharing and fast adoption of new automation and measurement technologies are the priorities.

**INCREASED REGULATORY COMPLEXITY** As an industry that is highly fragmented both vertically and horizontally, Australia’s red meat sector is poorly placed to respond to an increasingly uncertain regulatory environment where changes can occur rapidly. By focusing on proactive engagement, it will be best positioned to influence regulators.

**RISING EXPORT DEPENDENCE** In light of the declining per capita consumption of red meat in domestic markets, the Australian red meat industry is primarily driven by exports, with three-quarters of Australian beef and veal production being sent abroad each year. In the context of increased competition, efforts to protect and promote the industry nationally and internationally will remain key levers for product differentiation.

**CONSUMER AWARENESS AND FOCUS ON FOOD SAFETY AND QUALITY** Consumers and customers are paying more and more attention to where their food comes from and the story behind it. Food provenance and integrity systems have become buzzwords in the meat market where Australia still benefits from its long-standing reputation as a leader in red meat integrity and quality.

## **AUSTRALIAN MEAT INDUSTRY COUNCIL (“AMIC”)**

AMIC is the peak industry council representing retailers, processors and smallgoods manufacturers across the country.

AMIC’s predecessor the National Meat Association of Australia was established on December 19, 1928 and is registered under the Fair Work Commission as an organisation of employers connected to the Meat Industry.

As such it has a complex set of rules which govern its operations. These rules are registered with the Commission.

Members shall be employers and/or persons who carry on a business in connection with the Meat Industry.

The objects for which AMIC is established include some 40 which means it has a very broad charter.

The primary three objects are:

1. *to protect and promote the interests of traders and employers in or in connection with the meat industry and especially to be effectively representative of the members who are employers in or in connection with the industry with which AMIC is formed;*
2. *to act as an organisation and union of employers under the laws of the Commonwealth of Australia and its territories or of any state within the Commonwealth;*
3. *to bring any industrial matters, disputes or claims before the Australian Industrial Relations Commission or any other industrial tribunal or board of the Commonwealth of Australia and/or any State;*

Relevantly it also has the following object, which is particularly relevant as a Peak Industry Body:

10. *to promote or oppose legislative and other measures affecting or likely to affect the meat industry or parts connected thereof or any members or associates of AMIC;*

The structure of AMIC is complicated, largely because of the diverse membership group, in that it has 6 State Divisions and three National Councils. Positions on each of these are available to members only.

Each member, on application, must nominate the division to which the membership is applicable. Once done there are a plethora of opportunities for which to nominate. For example, the National Processor Council is made up of 19 members elected from the National Meat Processor Council, National Lamb, Sheep and Goat processors and Export (Beef) works.

The 2003 Constitution and Rules of AMIC provide for 8 Board members to be elected from each of the three National Councils.

The Australian Processor Council can elect three directors, the National Smallgoods Council can elect one and the National Retail and General Industry Council can elect 3. Once the 7 directors are elected, they will elect the office bearers from among themselves, including the chairman. The council body that provides the new chairman shall be entitled to elect a replacement bringing the total directors to 8.

AMIC is a body where all the industry participants are entitled to participate, and the office bearers are all employers or carry on a business in connection with the Meat Industry.

It is pertinent to note that both Teys and JBS resigned their AMIC membership a number of years ago because they were paying much higher membership fees than the other members but all members only had one vote. Both those companies now have their own prominent lobbyists

### **AMPC/AMIC Summary**

The salient point for the purposes of this submission is that AMIC Board members are directly elected by 3 underlying sector Council members and that their voting structure which is based on one member one vote is based on social democracy inherited from its employer association past and does not reflect commercial democracy referred to in the Paper by David Crombie and David Trebeck referred to in Chapter 2. Consequently those who pay the greatest amount in membership fees tend to vote with their feet and disengage with their sectors peak industry council.

Conversely the levy funded AMPC constitution provides for a split register voting system where half the directors are elected on a one vote per member basis and the other half on the basis of voting entitlements based on the amount of levies paid.

Consequently the AMPC voting system provides for both social democracy and commercial democracy and Teys and JBS remain as members of AMPC and both those companies have their lobbyist representatives on the AMPC board.

Also note that the levy funded R&D company AMPC has provision for the appointment of 2 special qualification directors but the advocacy body AMIC does not have any special qualification board members.

AMPC and AMIC are both essentially National based bodies whose boards are elected on the basis of a national vote rather than being appointed by State Farming Organisations

### **3.2.4 Australian Live Export Corporation Ltd (LiveCorp) and Australian Live Export Council (ALEC)**

The live export sector of the Australian red meat Industry has a twin company organisational structure with Livestock Export Corporation Limited (Livecorp) receiving the levies paid by Australian livestock exporters and distributing agreed amounts of that levy to Meat and Livestock Australia in accord with the terms of the Red Meat MoU with advocacy being conducted through the member funded Australian Live Exporters Council (ALEC).

#### **Livecorp**

Livecorp is a levy funded R & D company that delivers services for live exporters generally through MLA and it’s constitution provides for 2 exporter member directors (1 Ordinary Exporter Director and 1 Special Exporter Director) and not more than 3 special qualification directors and the Chair of ALEC who sits on the Livecorp board as an Ex Officio non-voting unpaid observer Director.

The Ordinary Exporter Director is the candidate for any vacancy for the Livecorp board who receives the most votes on a one per Active Member basis and the Special Exporter is the candidate that receives the most votes from the Active Members on the basis of an entitlement of one vote for every \$100 in live export levies paid by each Active Member in the previous 12 months.

Special Qualification Directors are appointed by a Selection Committee chosen by the two elected directors and that Selection committee must comprise:-

- an independent Chairperson appointed by the Board
- a nominee appointed jointly by the Northern Territory and Queensland Livestock Export Associations
- a nominee appointed by the Western Australian Livestock Export Association
- a nominee appointed jointly by the NSW and South East Australian Livestock Export Association

- 1 nominee appointed by ALEC

Although the Livecorp director appointment process materially differs from the AMPC director appointment process, in both instances the elected directors are elected through a two register voting system that recognises the social democracy rights of one vote per member and the commercial democracy rights of those members who are contributing most of the levies.

### **Australian Live Export Council (ALEC)**

The ALEC board has flexibility on directors to meet the needs of the industry and the company at the time.

ALEC directors are directly elected by live exporter members.

The directors are:

1 from WA members

1 from NT/QLD/NSW WA members

1 from SA and Vic WA members

Independent chair – elected by members

1 director that usually represents sheep – elected by members

1 director that usually represents cattle – elected by members

1 director that usually represents breeding stock – elected by members

Experience based directors as required – elected by members or by the board as required

ALEC has a very small number of committees, is a direct NFF member and is funded by voluntary levy of exporters, exporter membership and RMAC.

### **Livecorp/ALEC Summary**

Again it can be seen that the levy funded Livecorp has a voting structure based on commercial democracy with voting entitlements based on one vote for every \$100 in levies paid whilst ALEC’s voting structure is based on social democracy of one vote per member.

The levy funded R & D Company Livecorp have a majority of special qualification directors and ALEC none.

### **3.2.5 Australian Lot Feeders Association (ALFA)**

ALFA is a signatory to the Red Meat MOU and the peak industry council representing Australia’s 400 registered feed lot members and about 100 supporting business non-voting associate members.

ALFA is a national body whose current 12 councillors are elected nationally on a one member one vote social democracy basis.

All ALFA Councillors must be financial Feedlot Members or a nominated representative of a financial Feedlot Member.

Only a person or entity that owns a feedlot may become a Member of ALFA.

Under the terms of the current MoU the \$5 grainfed cattle levy is paid to MLA and ALFA is meant to direct and control the expenditure of that levy.

Unlike the bottom up CCA with its State Farm Organisation base that appoints 7 of its 9 board members - ALFA is essentially a National body that reaches down to State lot feeding sub -

committees to deal with State issues and State legislation along the lines of the representative structures recommended by Crombie and Trebeck in their November 2013 *The Future of Agricultural Advocacy in Australia* joint paper discussed in Chapter 2.

### 3.2.6 Meat and Livestock Australia (MLA)

From its incorporation in 1998 MLA has been the subject of criticism by many Australian grass fed cattle producers and from levy-payers in the other red meat sectors because of concerns that levy payers are not able to adequately direct and control the expenditure of their levies.

The extract below from the MLA’s 2017 corporate governance statement sets out the strengths and weaknesses of the MLA organisational structure in the context of the provisions of the current Red Meat MOU.

MLA was established to be an R &D service provider for each of the red meat industry sectors and consequently the 1997 /1988 Transition Team and DPIE pushed for special qualification directors and an appointed Board rather than an elected Board.

MLA levy paying members rights with respect to the make-up of its Board is to rubber stamp the appointment of candidates that have been selected by a Selection Committee because under the terms of the MLA Constitution the Selection Committee can only endorse the number of Board candidates necessary to fill the number of vacancies at the AGM.

In other words by the time that levy-payers are given a vote at the AGM on the appointment of Board Members the decision has already been made and the outcome is a *fait accompli*.

There has been extensive grass-fed cattle producer concern about this undemocratic MLA board election process and the lack of teeth given to the peak industry councils in the Red Meat MoU to direct and control the expenditure of their levies.

Importantly MLA’s voting and Board structure coupled with the lack of peak industry council control and direction over levy expenditure through the terms of the MoU has led to a sense of disengagement and lack of ownership by levy-paying members of MLA.

As a consequence of the dysfunctional Transition Team and DPIE implementation process discussed in the ANOA Auditors General’s report discussed in Chapter 9 below, the ownership and accountability principles recommended by the 1996 Steering Committee with respect to the service provider (MLA) were not implemented and most cattle producers now feel disenfranchised from their own R & D service corporation.

Consequently 20 years later less than half of the red meat industry levy payers have bothered to become members of MLA and less than 3% of MLA’s members bothered to vote at the 2017 MLA AGM.

MLA ‘s 2017 corporate governance statement, key aspects of which are set out below, graphically depicts fundamental flaws in the current red meat industry organisational structure.

Flaws that include:-

- a) the disconnect and lack of a clear line of sight between the MLA Board and its levy paying stakeholders referred to above, and
- b) serious conflicts between the MLA Board’s obligations to :-

- its members under the Corporations Law; and
- its requirement under the MoU to jointly develop goals with each of the peak industry councils to achieve the vision and strategic imperatives for the sector of the red meat industry which each peak industry council represents; and
- to the Federal Government under its levy Funding Agreement with the Federal Government.

Flaws that collectively mean that the peak industry councils are not able to properly control and direct the expenditure of the levies paid by the sector that they represent.

### **MLA Corporate Governance Structure 2017**

#### **1.1.1 Meat & Livestock Australia’s Role**

Meat & Livestock Australia Limited (MLA) is the declared industry marketing body and the industry research body under sections 60(1) and 60(2) of the *Australian Meat and Live-stock Industry Act (AMLI Act)*.

In its services role MLA strives to be the recognised leader in delivering world class research, development and marketing outcomes that benefit Australian red meat and livestock industry.

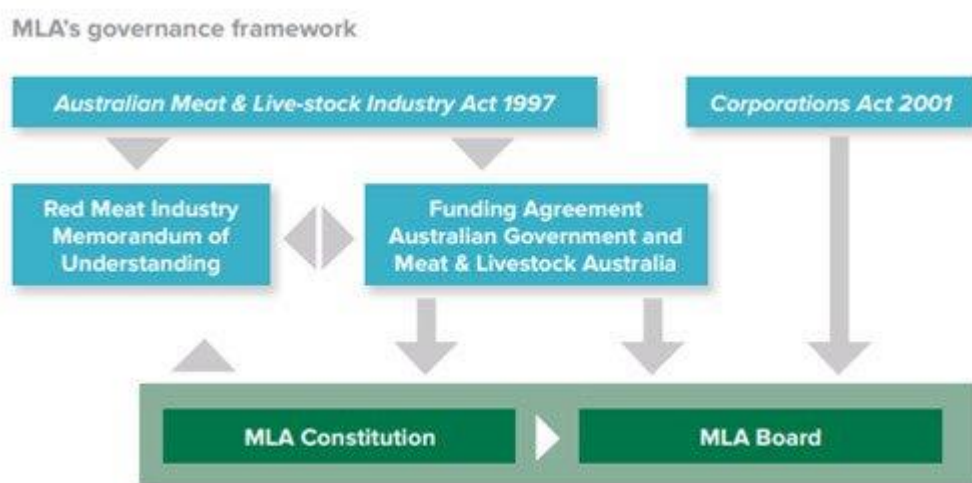
Working in collaboration with the Australian Government and wider red meat industry, MLA's mission is to invest in research, development and marketing initiatives that contribute to producer profitability, sustainability and global competitiveness.

MLA is a producer-owned, not-for-profit organisation and not an industry representative body.

#### **1.1.2 MLA’s Corporate Governance**

MLA’s corporate governance framework is set by the Board, MLA’s obligations is set out under the Statutory Funding Agreement with the Commonwealth of Australia (Deed), and in accordance with the ASX Corporate Governance Council’s *Corporate Governance Principles and Recommendations* (3<sup>rd</sup> edition).

*This long established framework has been implemented to ensure that we remain accountable to our stakeholders and that stakeholder interests are protected. MLA's governance arrangements are reviewed regularly to reflect industry developments, stakeholder expectations and regulatory and legislative changes. This statement and documents and policies relevant to our corporate governance framework are also available on our website.*



### 1.1.3 The Board

The MLA Board’s 9 directors combine a broad range of skills, experience and expertise to work with industry to set strategic priorities for the company and to approve and monitor progress against MLA’s Strategic Plan 2016–2020. It evaluates performance and budgets, overseas risk management and compliance and ensures the company abides by its obligations under the Red Meat Industry Memorandum of Understanding, the Funding Agreement, and under corporations law. Many Directors are also producers and members of the company.

### 1.1.4 Selection

The Managing Director is the only executive director and appointed by the Board. Otherwise Directors are nominated through the Selection Committee and appointed by members at MLA AGMs for a three year term under After such term at which time a director may reapply for a position on the Board in the same way as other candidates. Further information about the Selection Committee is below.

### 1.1.5 Selection Committee

The Selection Committee assesses candidates against a range of criteria, including experience and skills, personal qualities and their available time commitment. In accordance with good governance practice, appropriate checks of each candidate are undertaken before each nominee is put forward to members as a candidate for election, as a director. The composition of the Selection Committee, together with each member’s attendance at meetings is set out in the *Directors’ report* on page 76 of the Annual Report.

Article 5.4 (d) of MLA’s constitution states that:-

The Selection Committee must not endorse more candidates than the number of vacancies to be filled at an annual general meeting.

## MLA Summary

Levy funded R&D service provider MLA has an undemocratic selection committee appointed special qualification board.

## Proposed Option 5 MLA and Red Meat Industry Sector Structure

The dysfunctional flaws in the current red meat industry levy collection and expenditure arrangements could be rectified if the Option 5 proposal set out in Chapter 5 was adopted because if:

- each red meat industry sector adopted the current two company structure that applies to the Processing sector and the Live export sector of Australia’s red meat industry; and
- the terms of the Red Meat MOU were amended accordingly so that MLA carried out R & D through contractual arrangements with each red meat industry sector rather than through the current conflicted consultative arrangements; then
- the inherent conflict between the MLA’s obligations to its members under the Corporations law and its obligations to each red meat industry sectors peak industry council under the MOU would disappear; and
- each red meat sector would have direct control over the expenditure of the levies paid by its members; and
- each red meat sectors levy funded body would be able to commission independent policy development research for its own sector as well as commissioning whole of red meat supply chain research and service provision through MLA.

Further if each red meat industry sector’s representative advocacy body:-

- was structured as a national body; whose
- boards were directly elected by their levy paying constituents, along the lines
- recommended in David Crombie and David Trebeck’s November 2013 joint paper ‘*The Future of Agricultural Advocacy in Australia*’ referred to in Chapter 2 above, with
- underlying structures and components that reached into the States and Regions;
- rather than Region and State based organisational structures with an overarching national body appointed by the disparate State organisations, and
- if these nationally constituted representative bodies provided member services along the lines of the American Farm Bureau and other overseas successful rural advocacy bodies,
- in accord with the recommendations of Crombie and Trebeck and the Australian Farm Institute March 2014 Report referred to in Chapter 2, then
- the market for those member services would be nation-wide and therefore much larger and consequently more attractive to service providers and suppliers than separate State based markets, and

- the chances of stakeholder engagement with and ownership of the activities of their sectors representative body would be maximised, because
- as the Australian Farm Institute Report which discussed in detail in Chapter 2 and Appendix 2 noted:-
  - *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,*
  - *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.*
- Importantly nationally based representative advocacy bodies would obtain a source of funds from the provision of members services to carry out their advocacy work over and above membership fees or any direct portion of their sectors levy that they may receive in future that was specifically earmarked for advocacy.

Whole of red meat supply chain non-competitive issues that do not involve any sectoral conflicts of interest can then be addressed in accord with Recommendation 3 of CPA’s 23 January 2019 submission to the Red Meat MOU, namely through:-

- a restructured specific needs-based common interest consultative and advocacy RMAC body representing all sectors of the red meat industry.
- a restructured body that could develop, promote and help implement whole of red meat supply chain Red Meat Industry Strategic Plans.
- a restructured body that could meet as required on an as needs basis to reach policy positions on issues of common interest and then advocate to government for the implementation of those common interest policies.

The RMAC Reserve Fund could then 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 in the 3 years immediately prior to the cessation of operation of these companies in 1998.

These are funds that the peak industry councils could use as seed funding to set up member services business’s and invest to provide future sources of income in the same way the RMAC Reserve Fund is used to provide operating funds to the peak industry councils to carry out their responsibilities in accord with their responsibilities under the terms of an amended Red Meat MOU.

### **3.2.7 Cattle Producers Australia Limited**

Cattle Producers Australia Limited was incorporated in 2018 as a representative body for grass-fed cattle producers with a directly elected board to ensure a clear line of sight and maximum engagement with the members that it represents.

The following extracts adapted from Appendix 2 of the 25 January CPA submission to the Red Meat MoU Review provide a useful background summary of the establishment of the CPA and the grass-fed cattle producer representative needs that it was incorporated to meet.

See link to the 25 January 2019 [CPA Submission to the Red Meat MOU](#).

### **Establishment of the CPA Implementation Committee**

In December 2014 following the handing down of the 2013/14 Senate Inquiry into Industry Structures and Systems Governing Levies on Grass Fed Cattle Report then Federal Agriculture Minister Barnaby Joyce convened a meeting of red meat industry stakeholders in Brisbane.

Following that meeting a body that later became known as the Implementation Committee was formed from the disparate cattle producer representative organisations, which included the CCA, the Australian Beef Association (ABA), the Australian Meat Producers Group (AMPG), the Northern Pastoral Group (NPG) and the Concerned Cattle Producers (CCP).

At the Minister’s behest the Implementation Committee was charged with the responsibility of reaching a unified agreement on the structure of a truly representative grass-fed cattle producer body to replace CCA as the grass-fed cattle producer Peak Council.

In February 2015, agreement on the form of a new structure was reached by the Implementation Committee. CCA representatives, accompanied by other representatives of the Implementation Committee, presented to Minister Joyce the proposed new model that would replace CCA as the grass-fed cattle Peak Council. Minister Joyce described the agreement reached by the disparate grass fed cattle representative bodies as “historic” and instructed the Implementation Committee to proceed with the establishment of the new representative structure – referred to then as “Newco”, later changed to Cattle Australia, and finally registered as Cattle Producers Australia Limited.

### **Press Coverage of the Announcement of the Historic Grass-Fed Cattle Representative Body Restructure Agreement .**

On 18 February 2015, Anna Vidot of ABC Rural News published the following [article](#) about the formation of CPA.<sup>15</sup>

#### ***“Cattle graziers want new representative body to 'control their own destiny***

***Cattle graziers say a new representative body that collects levies and directs R&D spending will give beef producers control over their own destiny.***

*They have set out a vision for a new organisation, headed by seven-member board which can include two skills-based appointments.*

*The remaining directors will be drawn from a 15-member policy council that sits below the board. Policy council members will be directly elected by levy payers to represent beef growing regions around the country.*

*Cattle Council of Australia president Howard Smith said the proposed group would give graziers a real voice.*

*"It'll be a directly elected board, so for the first time, levy payers will not have to participate in an SFO (state farming organisation) to have a say," he said.*



<sup>15</sup> Full article available at: <https://www.abc.net.au/news/rural/2015-02-18/cattle-graziers-propose-new-representative-group/6140320>

*"We just think that the person who's paying the bills should have control of the chequebook.*

*"Whether that's through collecting all the levy or a portion of the levy, we're putting a mechanism in there that we've got control over our levy and our destiny."*

*Mr Smith said the Cattle Council was just one of the groups to sign off on the plan. Others included the state farming organisations, the Australian Meat Producers Group, the Northern Pastoral Group, Concerned Cattleman, and other red meat peak councils."*

#### Agriculture Minister Joyce's Beef Central Opinion Piece

In July 2015 Minister Joyce issued an [Opinion Piece](#) in Beef Central noting the strong desire from all sectors of the grass-fed cattle producer industry to see the creation of a directly elected representative organisation to replace CCA as the grass-fed cattle producer Peak Council. The Minister explained that the board would be elected by grass-fed cattle levy payers from a number of regional electorates across Australia and that the government would ensure that the new organisation had greater oversight on how the cattle levy was invested by seeking an update of the MoU. Minister Joyce also advised ultimate responsibility for any redirection of levies, lay with levy payers and was of the understanding that there would be a proposal put forward to *redirect a portion or otherwise, of the transaction levy to a new representative organisation in accordance with the levy principles and guidelines*. Minister Joyce stated that he is committed to assisting where possible if such a vote achieved convincing support.

#### CCA Resignation from the Implementation Committee

In January 2018, the CCA members of the Implementation Committee advised that they had been instructed to resign from the Committee by the SFOs, due to concerns about a sustainable funding arrangement for the proposed new entity and a lack of support from SFOs who were not prepared to forego their representation on the board of the new Peak Industry Council. At the termination of their participation in the Implementation Committee reform process, CCA representatives undertook to negotiate with the Implementation Committee members, on the matter of the \$500,000 grant and to agree upon a mutually suitable time to discuss arrangements regarding these funds with the Department of Agriculture. Despite a number of Implementation Committee requests to CCA, the Department, and the current Minister for Agriculture these negotiations are yet to take place. A link to the [ABC Interview of then CCA president Howard Smith](#) AGFORCE President Grant Maudsley and Cattle producers Australia Implementation Committee member Norman Hunt.

A link of the [Beef Central Article dated 17 January 2017](#) on the resignation of CCA from the Implementation Committee.

#### Incorporation of Cattle Producers Australia Limited

Following the resignation of the CCA members, the Implementation Committee proceeded to form Cattle Producers Australia Ltd (ACN 623 967 948), as the future representative body for Australia's grass-fed cattle industry in January 2018. In late February 2018, members of the Implementation Committee met in a facilitated workshop in Brisbane to work on the draft constitution for Cattle Producers Australia Ltd, based upon the 15-region and direct grass-fed cattle producer elected board model presented to Minister Joyce, by the various cattle producer bodies that formed the Implementation Committee back in February 2015.

*New CPA Structure offers producers a new opportunity and a new voice*

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

1. *The CPA constitution is based on the agreements reached in 2015 between all the grass fed cattle representative groups including CCA and a copy the CPA constitution can be found on the CPA website under the Heading Background by clicking on the link below <http://www.cattleproducers.com.au>*
2. *The CPA constitution provides for an Interim Board to be appointed by the majority vote of the Founding Members of CPA prior to the election of the first Policy Advisory Council.*
3. *The Founding Members of CPA are all members of the CPA Implementation Committee who were eligible to be members of CPA when the current CPA constitution was adopted*
4. *Membership of CPA is free.*
5. *The current members of the CPA Interim Board are Dr. Paul Wright, Mr. Ernie Camp and Ms. Loretta Carroll. Mr Norman Hunt is the current CPA Company Secretary.*
6. *The Policy Advisory Council, when formed, will comprise 15 representatives elected by CPA members on a one member one vote basis from 15 Regional Electorates across Australia.*
7. *Following its election the CPA 15 member Policy Advisory Council will form an Initial Board that will replace the Interim Board and within twelve months 7 of the 15 Policy Advisory Councillors will be elected through a two register voting structure to form the Board of CPA*
8. *The two register voting structure for the election of CPA Board directors comprises of a one vote per member Register A and a Register B where voting entitlement is governed by the amount of grass-fed cattle transaction levies paid by the member in the previous financial year.*
9. *The 7 elected directors on the CPA board will include the most popular Policy Advisory Councillor in both Register A and Register B and 3 Directors who receive the most preference votes in Register A and 3 Directors who receive the most votes in Register B.*
10. *The 7 elected CPA directors have the power to appoint 2 additional special qualification CPA directors.*
11. *CPA constitution provides for total annual remuneration not exceeding \$750,000 for the 9 potential CPA Directors and the 8 Policy Advisory Councillors not elected to the CPA Board can be paid an amount not less than half but not exceeding the aggregate amount being paid for all Directors.*
12. *CPA membership application is a simple process requiring the minimum amount of information necessary to identify the applicant and establish that the applicant is a Grass-Fed Cattle Producer with a verifiable link to a Property Identification Code and who has paid grass-fed cattle transaction levies in the previous financial year.*

**Proposed Grass-Fed Cattle levy Funded CattleCorp**

This submission proposes that each sector of the red meat industry should have a two-company organisational structure along the lines of the processing and live export sector and for the sake of convenience we refer to the proposed grass fed cattle producer sector levy funded corporation as CattleCorp.

CattleCorp would be funded from levies while CPA would be funded from membership subscription and the RMAC Reserve Fund.

However at a future point a plebiscite of grass-fed cattle levy payers would be held to determine whether a small part of the levy, say the 50 cents per head recently proposed by the Northern Territory Cattlemen’s Association (NTCA) would be used to fund the advocacy body, as was agreed by the then Minister for Agriculture Barnaby Joyce in his July 2015 Beef Central Opinion piece.

It should be noted that under the current Red Meat Industry organisational structure the CCA cannot fund itself from membership subscription and is reliant on support from Meat and Livestock Australia. This is an awkward and intolerable situation where CCA can too easily become beholden to MLA when, as the MoU establishes, CCA is in fact meant to give direction to MLA. An additional problematic issue in this situation is that there appears to be no provision within the MoU for such support to occur.

To gain and maintain wide grass-fed cattle producers’ support for directly elected representation CPA proposes a dual voting structure. CPA believes that the key to a functional representative structure for levy-paying producers of sheep and cattle is to provide a workable power balance between the large number of smaller levy-payers and the small number of larger levy payers. The solution, which is modelled in the submission, lies in having a dual membership registry as adopted by the Australian Meat Processors Corporation and Cattle Producers Australia.

## Chapter 4

### CPA Option 5: The Law of Accord: Structure which follows from Strategy.

#### 4.1 Option 5 strategy

The current MoU has flaws which when corrected will provide the structure for implementation of strategy to take the red meat sectors and the wider industry to a new era of unified capability. While there will always be a competitive ebb and flow of profitability within and between red meat sectors there is an untapped capability of management, beginning with land and animal management through transporting, to processing and marketing. In a unified industry this capability of management can be verified to position the red meat industry for competitive advantage in domestic and export markets, while simultaneously addressing social licence issues.

We note the Green Paper Foreword statement from the MoU Review Panel Chair which describes positioning for a better industry future in terms of the best architecture to meet increasingly urgent challenges including climate change, extreme weather conditions, animal welfare, low levels of investment, changing consumption patterns, and technological disruption.’ The structure required for that future is one designed for defence of the red meat industries. Nowhere in the Green Paper is there a description of a preferred future. Section 3 is headed ‘The Possible Future State’ but simply outlines the challenges while being silent on what the preferred state may be. CPA has a strong view on a preferred future and strategy for its red meat industry sector and believes the structure design should follow from that. Hence, as distinct from ‘The Law of the Jungle’ CPA offers Option 5: *The law of accord: structure which follows from strategy.*

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 quality, high value food product, acknowledged for its eating attributes and food safety merit and backed by well-managed production systems, ranging from the expansive grasslands of Australia through superior feeding and processing to the delivery points with satisfied customers.*

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

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

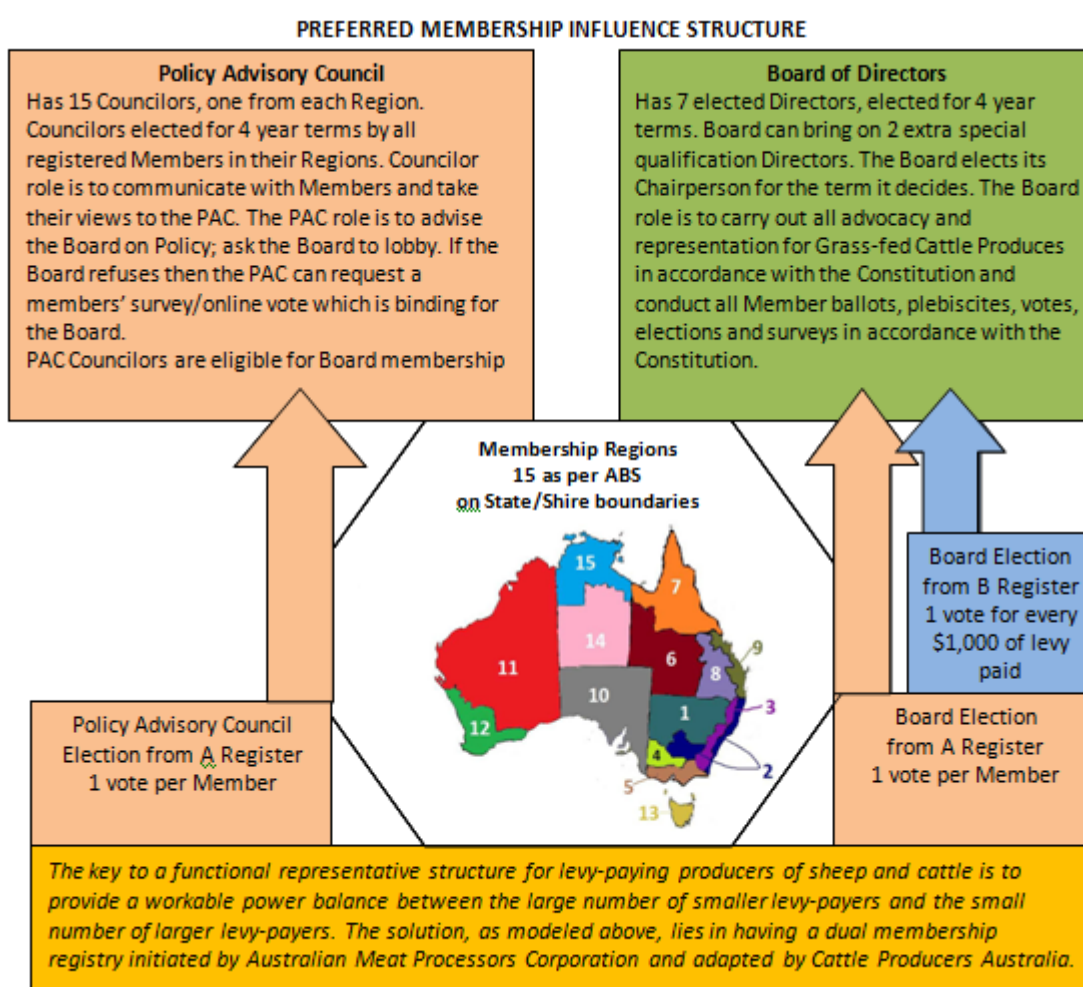
- *Recognised for its environmental credentials;*
- *Respected for its stewardship of livestock and;*
- *Rewarded for its quality products.*

The strategy is to achieve these aims and embrace the MISP vision by having strong, unified industry sectors as the foundation for profitable performance based on positioning for servicing high quality, high value transparent markets backed by value chain cooperation and Government support for verification. Social licence and other agreed issues would be jointly addressed by an overarching body such as RMAC, drawn from or appointed by the industry sectors. The MoU would remain in place but changes would be made which would correct structural anomalies and adjust funding streams.

The global trend is increased numbers of people being better educated, healthier and richer. Responding to that trend, the objective is positioning for high value markets for livestock and beef. Having beef seen simply as a food protein renders our product in danger of being lost in the crowded low value commodity field. We can’t compete well there with our seemingly inescapable high production costs. Differentiation to secure high value markets should be an aim. Beef marketed primarily as a commodity food protein will not support the profitability needed for our red meat sector and should be avoided. ‘Food Protein Australia’ is an undesirable title because it does not relate specifically to our end product - red meat. It commodifies red meat, is all-encompassing and could cover any food protein from pork to peanuts.

CPA acknowledges that a ‘social licence’ is an emerging issue which needs to be strategised. To do this a unified beef production sector could work to adopting verified environmental and animal welfare management. This verification could then be an important differentiating factor for winning customer preference. 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 equal.

The overall strategy in summary then 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.



## 4.2 Framing Scenarios

The table below sets out the projected outcomes for the red meat industry that would flow from the application of Option 5 to the Challenge Questions for Doom, Cautious Optimism, Optimism and MoU as Now on pages 18,19 and 20 of the Green Paper.

**Table 1**

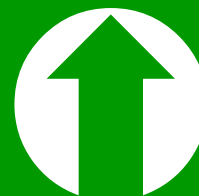
<b>SCENARIOS - CHANGES WITH OPTION 5 ESTABLISHED: structure which follows from strategy</b> The <b>strategy</b> is to position for servicing high quality, high value markets backed by value chain alignment and Government support for verification as a basis for profitable performance for all sectors with a delivery structure of strong, unified industry sectors as the operational foundation. Social licence and other agreed issues would be jointly addressed by an overarching RMAC drawn from or appointed by the industry sectors. The MoU would remain in place but changes would be made which would correct structural anomalies and adjust funding streams to enable a new era of industry capability.	
<b>SCENARIO</b>	<b>WITH OPTION 5 STRUCTURE CHANGES DELIVERING STRATEGY</b>
<b>DOOM</b> current governance arrangements for the industry would be severely challenged by a catastrophic biosecurity outbreak	<b>Challenge Questions</b> 1. Would the current MoU help or detract industry’s response to this scenario? It would detract. 2. Who took leadership to respond to this breakdown and collapse? Was it the government, RMAC, MLA or Animal Health Australia? RMAC externally, Industry sectors internally within RMAC, AHA, Government, RMAC in combination. 3. Would a different looking MoU assist in achieving a different outcome, and what would be its key characteristics? As below: An FMD outbreak in regional Australia prompts an immediate reaction. State Government regulatory action is implemented for quarantine and prevention of stock movements with full-on traceback in operation. Industry seeks to isolate market effects with ‘disease free areas’ allowed to resume stalled exports, with Commonwealth Government leadership and support. To enhance reporting of disease occurrence and assist rapid response, a decision is taken by a united cattle production sector to provide pre-outbreak compensation funded from levies and is actioned by the Commonwealth Minister. The prompt action is made possible by a unified cattle industry structure, democratically encompassing all cattle producers. The red meat industry is represented by RMAC with internal issue leadership coming from industry sectors well linked to membership. The pork industry is necessarily aligned.
<b>CAUTIOUS OPTIMISM</b> gains have been made in some areas, but not others, from a combination of competitive tensions, inertia, or complacency	<b>Challenge Questions</b> 1. What were the factors behind this outcome? This is a no change scenario, a continuation of progress limited by deficient strategy and structure to drive it. 2. Was the existing MOU an enabler or an impediment? An impediment. 3. Did anything change to the MOU that contributed to this outcome? No changes were made. Cautious optimism represents the current industry situation with patchy progress and restricted returns on investment. Sectoral objectives which serve an overall strategy are not developed. Cohesion of industry sectors is unrealised. Having each sector with known objectives transforming the delivery capability of an industry strategy remains unattainable. Industry sector membership frustration increases.
<b>OPTIMISM</b> There is continued strong consumer support for natural food products, including red meats, that are grown sustainably and ethically in both	<b>Challenge Questions</b> 1. What were the key factors behind this success story? The adoption of a key industry strategy and a structure designed to deliver the strategy. 2. Was the existing MoU an enabler or an impediment to achieving this outcome? The existing MoU partly enabled but was limited by its flaws which were removed. 3. Did anything change to the MoU to support this successful red meat industry outcome? Very definitely yes. Changes were made as outlined to the industry sectors’ representative structure and funding streams.

domestic and global markets	<p>The strategy for profitable performance as outlined was effectively served by a unifying and enabling structure with challenges posed by social licence issues and climate change well handled.</p> <p>The ability of Australian producers and processors to manage well and to verify that management was a strong factor for gaining and holding market share and commanded strong community support.</p> <p>Meanwhile, to assist the industry strategy, the cattle industry adopted and actioned 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 supported the profitability of cattle producers, lot feeders, live cattle exporters, processors and indeed all sectors of the beef supply chain.</p> <p>The cattle industry sector, represented by CattleCorp, worked with the beef processing sector represented by AMPC to implement common aims such as: <i>‘restructuring the industry so there is better coordination between partners, more informed decision-making, and increased transparency in the procurement process.’</i> (from the AMPC Strategic Plan for 2018-2022)</p> <p>The Green Paper provides some wildly optimistic examples for this scenario such as Australian cattle numbers having passed 50m head by 2040, sheep numbers stabilising at around 135m head and exports grown to the extent that there is pressure to reserve a percentage of red meat production for domestic consumption. However some more realistic success factors are achieved: links across the supply chain and brands, specific markets, and differentiation are major success factors, while genetic and technical improvements in paddocks and processing have improved productivity and profitability. Meanwhile, despite coordinated responses to climate change, the national herd and flock size is maintained at little more than 20% increases and the increases were largely predicated by the profitability of production.</p> <p>The MoU had flaws which were corrected to provide the structure for implementation of strategy taking the red meat sectors and the wider industry to a new era of unified capability. While the competitive ebb and flow of profitability within and between red meat sectors remains, there is an improved proficiency in combined sector activities. What has been well addressed is the previously untapped capability of management, beginning with land and animal management, through transporting, to processing and marketing. In a newly unified transparent industry this capability of management within sectors has been harnessed and verified to position the red meat industry for competitive advantage in domestic and export markets, while simultaneously addressing social licence issues.</p>
MoU AS NOW conditions in the industry remain acceptable, but challenges remain; red meat businesses continue to face challenges around costs and an increasing regulatory burden. There is ongoing pressure to manage access to natural resources and to respond to climate change	<p><b>Challenge Questions</b></p> <p>1. Does the MoU need to change to support an ‘as now’ scenario? Changes are very definitely needed. No change means a stalled industry with inadequate adjustment to changing production and marketing conditions.</p> <p>2. What, if any, do these changes look like? The MoU would remain in place but changes (as outlined in this document) would be made to unify industry sectors, correct structural anomalies and adjust funding streams to enable a new era of industry capability.</p>

### 4.3 Structure and funding

#### OPTION 5:

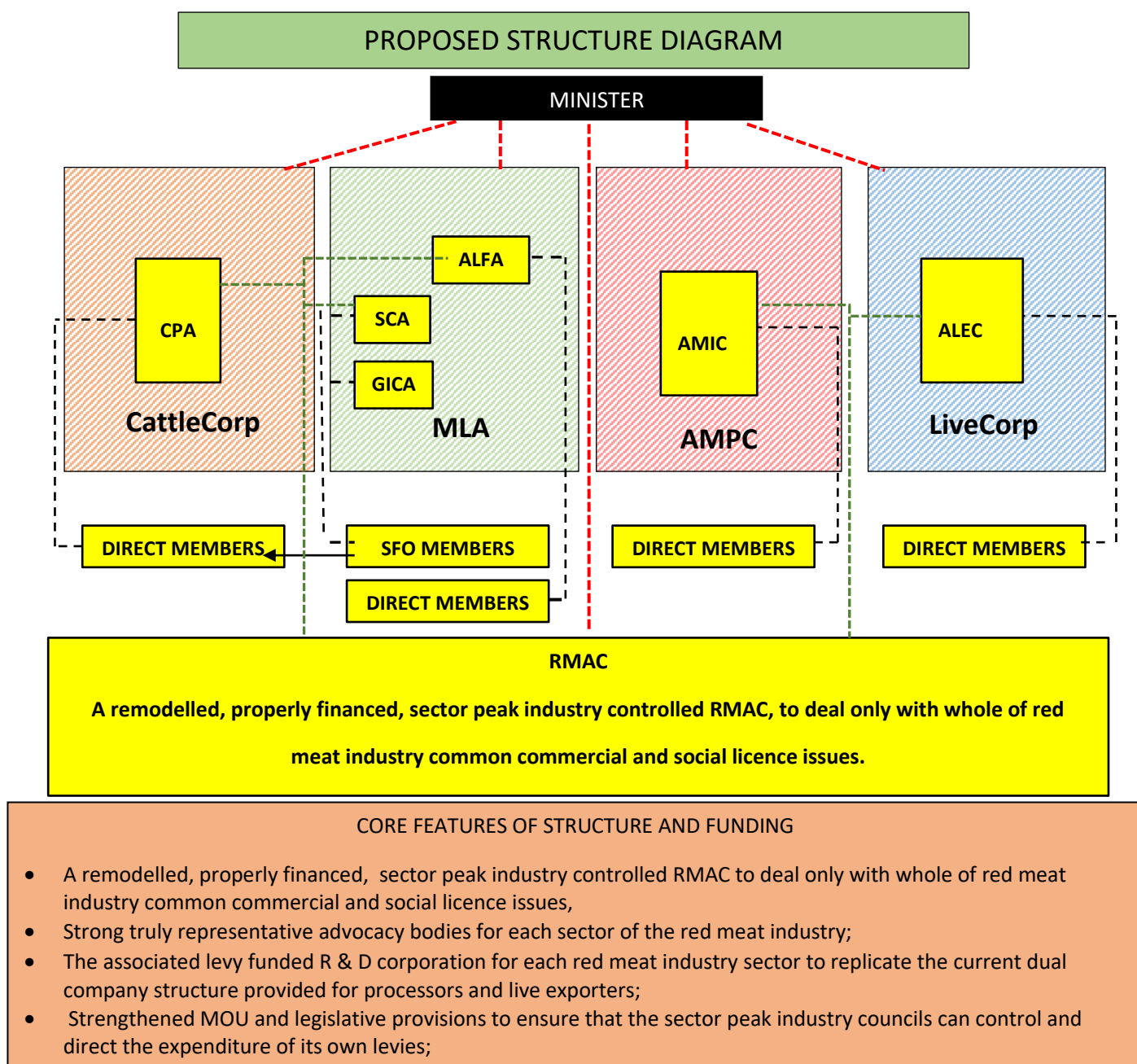
*The law of accord: structure  
which follows from strategy.*



<p>Basic architecture</p>	<p>Adjustments made to industry structure designed to strengthen industry sectors and unify them with a strategy to achieve industry sectoral aims for each and advantages for all, while responding collectively to ‘social licence’ and other challenges.</p> <p>The sectoral aim for beef could be:</p> <p><i>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.</i></p>
<p>Functions and Funding* (*see diagram below)</p>	<ul style="list-style-type: none"> <li>• A remodelled properly financed sector peak industry controlled RMAC to deal only with whole of red meat industry common commercial and social licence issues;</li> <li>• Strong, truly representative advocacy bodies for each sector of the red meat industry;</li> <li>• The associated levy funded R&amp;D corporation for each red meat industry sector to replicate the dual company structure for processors and live exporters; and</li> <li>• Strengthened MoU and legislative provisions to ensure that each of the sector peak industry councils can control and direct the expenditure of its own levies.</li> </ul>
<p>Whole-of-supply-chain focus?</p>	<p>With each supply chain participant aiming for high quality products for high value markets that whole-of-supply-chain focus will be well served by having unified producers as the starting point, well assisted with R&amp;D, and all aligned along the chain to respond to market signals.</p>
<p>Self-determination</p>	<p>Self-determination and sectoral unity supported by distinct levy funding streams and policy development is a sound basis on which to build red meat industry strength and unity. While competition between sectors for</p>

	customer preference will always be an undeniable fact, there will be issues where a combined approach or response will be beneficial.
Timing	Implementation would commence as soon as practicable.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>✓ A unifying initiative with a structure designed to implement strategy for an improved future for all industry sectors.</li> <li>✓ Empowers each industry sector to better contribute to gaining whole industry advantages and to benefit from those advantages.</li> <li>✓ Enables each industry sector to be part of a unified whole when acting on agreed joint issues.</li> <li>✓ Attracts people with skills and ‘thought leadership’ ability to be representatives in industry sectors, which is where they are needed – in the engine rooms of advancement. From here some can go on to the unified overarching body.</li> <li>✓ A bottom-up democratic structure which will foster wide involvement to support strategy implementation.</li> </ul>	<ul style="list-style-type: none"> <li>✗ An alteration of structure may not initially appeal to some within industry sectors, causing delayed or inappropriate change.</li> <li>✗ Changes to structure and funding streams brings new responsibilities which will need to be defined.</li> <li>✗ Management of structural and funding stream changes will take time to settle into operational form.</li> <li>✗ Formalising changes will require political input and consent which would need to be established.</li> </ul>



#### 4.4 Public Interest and Social Licence

CPA recognises that satisfying the public interest is an important responsibility and obligation of each red meat industry sector and the red meat industry as a whole. The public contribution towards industry R&D is acknowledged and appreciated. A ‘White List’ of sectorally agreed common interest issues would be addressed by RMAC:

- Common interest issues would be on the ‘White List’ but sectoral specific issues would first be referred to industry sectors. For example the cattle levy-paying sector, having reached agreement on a management standard for the dehorning of cattle, would refer that standard to RMAC as an animal welfare issue to be noted and used as needed. The issue of mulesing sheep would be managed similarly.

- RMAC would have a social licence capability and would be geared to research and respond to agreed issues and would cleverly challenge those groups challenging the red meat industry.
- Policy development for issues on which all sectors agree would be placed on the ‘White List’ for RMAC actioning.
- Government should be included in a revised MoU with membership of RMAC to liaise on Government requirements and standards.

As noted by AMPC in its Strategic Plan for 2018-2022:- *‘industry risks include a changing climate, a challenging global competitive environment, changing consumption patterns that are leading to a decline in the domestic demand for red meat, a fragmented supply chain, an increasing consumer focus on food safety and quality, environmental protection and animal welfare, and a complex regulatory environment.’*

AMPC states *‘To successfully navigate the risks, processors, and the red meat industry as a whole, will need to adapt their operations to better integrate activities along the supply chain, respond to consumer concerns and increase the attractiveness of “brand Australia” in key export markets.’*

AMPC further states *‘We must also play a role in restructuring the industry so there is better coordination between partners, more informed decision-making, and increased transparency in the procurement process.’*

CPA is fully committed to a cattle production sector working with AMPC and other sectors on common industry issues and risks. Bringing into play the whole legion of cattle producers as a single unified organisation when developing actions for either improved marketing or risk management will greatly improve the likelihood of success. CPA is adamant that a unified cattle production sector, structured as proposed, is necessary for the effective, successful functioning of the red meat industry.

## Chapter 5

### Green Paper Overview

#### 5.1 Overview – ‘Towards a better Red Meat Future – A Green Paper for the Red Meat MOU’

The Green Paper states on page 12 that:-

*‘The key question for the red meat industry to answer is whether the Red Meat MOU remains fit for purpose and how is it to be maintained for the next 20 years’.*

The Executive Summary on page 16 of the of the Green Paper postulates the question:-

*‘...whether the MoU and its associated architecture are fit-for-purpose to guide the red meat industry (beef, sheepmeat and goatmeat) through the challenges of the coming 20 - 30 years’ and goes on to say ‘that the answer to that question will be significantly influenced by your strategic view of the industry in the next two decades and what industry arrangements would best assist in driving a sustainable growth agenda.’*

Whilst the Green Paper touches upon some of the social issues such as climate change and animal welfare confronting the red meat industry as a whole it does not however set out a detailed analysis of the current and forecast future needs of the individual sectors of the red meat industry.

#### 5.2 Public Interest and the MoU

*The MoU appears to be viewed by the majority of stakeholders as a document high on principles and good intentions, but aside from specific funding commitments, has limited “teeth” or legal obligations that force participants to engage and collaborate more effectively on cross industry matters.*

*‘Social license to operate’ has grown in importance alongside a deepening understanding of demand-side drivers on the supply chain. This was not evident as a consideration or a tool in the original MoU but has featured significantly in both Taskforce deliberations and consultation.*

*This has been focused by emerging issues around live animal exports and broader animal welfare concerns, environment and climate change concerns such as greenhouse gas emissions and water management, and extends to demand for animal proteins in diets and a ‘meat tax’.*

The Green Paper does not adequately deal with the needs and often commercially conflicting interests of the individual sectors of the red meat industry supply chain. This seems to be a fundamental flaw in the Green Paper methodology.

CPA agrees that the whole of the beef supply chain should unite to address issues that are common in commercial and social terms to each sector of that supply chain.

CPA also agrees that measures be taken to ensure that there was no unnecessary waste for the red meat industry flowing from duplication of R & D expenditure and that there may well be some common interest in biosecurity issues. There is undoubtedly common interest regarding internationally uncompetitive government costs and charges bring imposed on any red meat industry sector.

Importantly, however, it is vital that the handling of issues that are particular to individual sectors and may involve conflicting commercial interests between sectors also needs to be addressed in any restructure.

Important Issues, for the grass-fed cattle industry which include, by way of example and without in any way attempting to be exhaustive:-

- cattle production productivity
- on farm carbon sequestration
- live exports
- cattle sale price transparency and accountability
- the promotion of beef consumption in direct competition to lamb consumption (i.e. put a steak on the barbie on Australia day rather than a chop)
- the representative structure of the grass-fed cattle peak industry council
- peak industry councils inability to hold their service providers to account in accord with their responsibilities under the MoU.
- service providers utilising levy funds in ways that do not align with the interests of levy payers etc.

Are issues that the Green Paper options do not appear to properly address.

### 5.3 Points of Agreement

The summary of views set out on Pages 10 & 35 of the Green Paper contain a number of positive expressions of outcomes that red meat industry stakeholders are seeking from their industry organisational structures including:

1. *A unified voice for industry where there is overall industry alignment on key issues – ‘white list’;*
2. *Improved advocacy – to be inclusive of all sectors of the supply chain including the primary sector (Cattle producers are the primary sector);*
3. *Ensure that industry bodies are inclusive and representative. The current grass-fed cattle Peak Industry Council does not meet this criteria;*
4. *A system that drives positive impacts on the business bottom line for each of the sectors.*

Grass-fed cattle levy payers and levy payers from each of the other sectors of the red meat industry must be afforded control and direction over their levy expenditure and this will inevitably benefit the entire supply chain.

A responsive, engaged, and profitable primary sector is a necessary base for a sustainable beef food protein supply system.

### 5.4 CPA response to Green Paper Assertions

Page 11 of the Green Paper states:

*‘The MoU appears to be viewed by the majority of stakeholders as a document high on principles and good intentions, but aside from specific funding commitments, has limited “teeth” or legal obligations that force participants to engage and collaborate more effectively on cross industry matters.’<sup>16i</sup>*

CPA comment: It is not appropriate to force unrepresented industry participants to comply with policies and directives into the development of which they have had no input.

<sup>16</sup><http://rmac.com.au/wp-content/uploads/2016/12/Red-Meat-MOU.pdf> MoU Version 4 2010, Page 11

Also incongruous is the fact that these unrepresented participants are the principal contributors to the levy funding of the service providers. The principle of *no taxation without representation* was established at Runnymede in 1215 and re-enforced by the American War of Independence in the late 18<sup>th</sup> century.

Green Paper extract: *‘If the many industry bodies, companies, and private individuals that support the industry through such activities as research and development, marketing and advocacy do not have a clear and agreed framework and narrative for how to work together to advance its future, the industry is unlikely to achieve its growth objectives’.*

CPA comment: The representative bodies of each sector of the red meat industry and through those bodies their respective constituents needs to be directly involved in sector and whole of industry policy development, research and development, marketing and advocacy if the red meat industry is going to achieve its growth objectives.

Green Paper extract *‘The Red Meat MoU emerged in the late 1990’s from the need to deliver “a structure which could deliver more flexible and focused commercial programs and operations” and build a sense of industry ownership and deeper involvement by levy-paying stakeholders (Commonwealth, 1997, 8846).*

CPA comment: The 3 Federal Senate Inquiries and ACCC Cattle and beef market Study found that this has not occurred. The vast majority of grass-fed cattle transaction and sheep producer levy payers remain unrepresented and disenfranchised.

Any effective and durable reform to the red meat industry representation / advocacy will have to first successfully address this fundamental flaw in the current representative system.

Green Paper extract Page 16

*‘The MoU has undoubtedly encouraged the red meat industry to think more about an integrated supply chain and has provided the basis for the development of industry-wide responses to emerging issues. Indeed, the success of the red meat industry today is undoubtedly founded on these elements.’*

CPA comment:

These assertions are unsubstantiated and unqualified and on the face of it appear hard to justify. This paragraph poses a number of questions among which are:

1. What are the benchmarks to which the review committee refers in assessing RMACs success? (Given that RMAC achievements are difficult to identify.)
2. Why is per capita beef consumption in Australia at its lowest level ever and continuing to decline?
3. Why are the terms of trade of the primary sector dismal and continuing to deteriorate? (Refer to Queensland Country Life 14/2/19 p 98 - which states average producer Return on Assets has fallen to zero).

The three senate inquiries and the ACCC Cattle and Beef Market Study referred to in Chapter 2 of this submission have commented in detail on the failure of RMAC to deliver desired whole of industry outcomes and in particular highlighted RMAC’s shortcomings during the 2011 live export ban debacle.

## Green Paper Page 32

***‘The specific operation of peak industry councils is outside the terms of reference for this review. There has also been ongoing media coverage of the declining membership and effectiveness, and increasing fragmentation, among peak industry councils (see e.g. Beef Central, 21 January 2016). Our consultations have elicited numerous responses from stakeholders (both PICs and service providers) about the difficulty of attracting suitably qualified and capable staff and remunerating them appropriately, indicating a potential problem with the resourcing of PICs in particular.***

*Parallel to the work of the Taskforce is a discussion about the number of peak industry councils, their effectiveness and their role vis-à-vis other national bodies such as the National Farmers Federation (NFF). Simultaneously, there is a discussion underway about reform to the representation of cattle producers (see e.g. FarmOnline, Jan. 2019). We would encourage stakeholders responding to this Green Paper to consider what arrangements would best suit them in relation to representation, particularly as it relates to the need to develop a shared voice for industry.’*

## CPA Comment:

CPA Understands that the Red Meat Review Taskforce has now obtained legal advice that the specific operation of peak industry councils is not outside the terms of reference for this Review.

Indeed the terms of reference for this Review specifically states that the Taskforce will make recommendations for key reforms to amongst other things:-

- The roles, responsibilities and interrelationships of MoU signatories including RMAC, Peak Industry Councils and Industry Companies, including:
  - whether the MoU arrangements provide an adequate framework to support RMAC, the individual sectoral groups and the red meat research and development.

## Green Paper Page 26

*‘The changing nature of ownership structure and size throughout the industry has also challenged the remit and role of representative peak councils in terms of industry leadership and membership.*

*In turn, peak industry councils have faced significant challenges to their unity, representativeness and effectiveness as they attempt to respond to the changing industry structures’*

## CPA Comment:

As can be seen from the material set out in Chapter 4 of this submission, the current grass-fed cattle producer Peak Industry Council, CCA, is constitutionally and structurally prohibited from achieving, unity, representativeness and effectiveness as it attempts to respond to the changing industry structure.

CPA was established by an Implementation Committee convened at the behest of the former Minister for Agriculture Barnaby Joyce to address this representative shortcoming in the current Peak Industry Council. The CPA Implementation committee originally included representatives of the CCA along with representatives of other grass-fed cattle producer groups

## Green Paper Page 28

*The creation of RMAC ensured a coordinating mechanism for these relationships, a focal point for industry responses to issues, and an advisory body for Federal ministers.*

*RMAC has also utilised its role under the MoU to raise the standard of crisis responses and management across the industry through the implementation of the RMAC Crisis Management Framework (CRIMAC).*

CPA Comment:

Again this assertion appears to be unsubstantiated:-

1. Are there examples where RMAC and the RMAC Crisis Management Framework have enhanced outcomes for the cattle producers?
2. How compatible are these statements with the 2011 live export ban and other situations where there are conflicting commercial interests between the various red meat industry sectors?

There is no mechanism available to deal with the inevitable conflicts of commercial interest that occur between industry sectors. This leaves cattle producers exposed to calamitous damage.

## Green Paper Page 30

*‘Concerns raised about the operation of the MoU include:*

- *a perception that industry organisations do not meet their own benchmarks and targets;*
- *widespread uncertainty about the role of RMAC and other participants, including the service providers,*
- and whether they are inclusive enough, given that, for example, there’s no representation from the States or logistics sector;*
- *a perception that RMAC is under-resourced to coordinate industry efforts across a range of areas;*
- *a view that some service providers may have grown beyond their original planned remit, leading to “border disputes” with other service providers and peak industry councils (PICs);*
- *a perception that some peak councils have failed to hold their service providers to account in line with their responsibilities under the Red Meat MoU;*
- *an apparent misalignment between the roles, responsibilities and objectives of service providers and peak industry councils over influence, with the view that the former utilise levy funds in ways that do not align with the interests of their corresponding peak industry council;*
- *break-away industry bodies not captured by the MoU have emerged because of a feeling of a lack of representation in the debates about the red meat industry, or around specific regions or issues;*
- and*
- *whether the MoU reflects contemporary standards/approaches to culture, relationships and ethical standards.’*

CPA Comment:

These concerns and others are widely held among grass fed cattle producers and other sectors of the red meat industry

The majority of these grass-fed cattle producer concerns are aggravated by the fact that the grass-fed cattle producer Peak Industry Council is not truly representative of or engaged with levy payers.

## Green Paper Page 31

*‘Challenge question: Does Government need to be part of the MOU at all?’*

CPA Comment:

The MOU, amongst other things governs the expenditure of stakeholder levies which are taxes. Consequently Government does need to be a signatory to the MoU.

## Green Paper Page 32

**Peak industry councils (PICs)**

*As the industry has developed and become more complex, there has been a shift in the nature and influence of representative bodies within the industry. Encouraging the deeper involvement of levy paying producers had been a key driver of the reforms in 1998.*

*In parallel with industry growth and diversification has been a shift in the relative influence of the producer owned corporations vis-à-vis the peak industry councils. A series of issues were raised overall about appropriate and effective representation for industry segments via peak industry councils. For example, under the MoU, select PICs have an implicit oversight role in relation to the setting of strategic direction of Meat and Livestock Australia, but have faced challenges in terms of their own representativeness and capacity.*

*The specific operation of peak industry councils is outside the terms of reference for this review. There has also been ongoing media coverage of the declining membership and effectiveness, and increasing fragmentation, among peak industry councils (see e.g. Beef Central, 21 January 2016). Our consultations have elicited numerous responses from stakeholders (both PICs and service providers) about the difficulty of attracting suitably qualified and capable staff and remunerating them appropriately, indicating a potential problem with the resourcing of PICs in particular.*

*Parallel to the work of the Taskforce is a discussion about the number of peak industry councils, their effectiveness and their role vis-à-vis other national bodies such as the National Farmers Federation (NFF). Simultaneously, there is a discussion underway about reform to the representation of cattle producers (see e.g. FarmOnline, Jan. 2019). We would encourage stakeholders responding to this Green Paper to consider what arrangements would best suit them in relation to representation, particularly as it relates to the need to develop a shared voice for industry.*

CPA Comment:

**Equitable and appropriate funding**

The issue of equitable and appropriate funding models for industry organisations remains of critical importance to the industry and its future. The Taskforce considers that the issue of the collection of government levies falls outside of its terms of reference. However, the issue of funding remains critical to ongoing discussions around integrity and trust in industry organisations, peak industry councils, service providers, and ultimately, any new institutional and relationship agreements that may be developed. If representation and funding is outside the terms of reference what is the point of the review? Equitable and appropriate funding and equitable and appropriate representation must be the corner stones of any reform of red meat industry structure. The Green Paper raises this issue again in the paragraph below on Page 33.

*Across the signatories and stakeholders in the MoU, a series of discussions are underway around modern, streamlined, appropriate and effective models for funding industry activities. These fall into four categories:*

- *potential changes to the Red Meat Industry Fund;*
- *a review of producer levies and their distribution;*
- *a review of matched government funds; and,*
- *the utilisation and availability of commercial funds.*

*The pursuit of these discussions is critical to the ongoing viability of the red meat industry arrangements.*

*It is our assessment that increasingly, whole of supply chain responses are going to be required in the future.*

CPA Comment:

Primary sector representation and influence needs to be established and protected in progressing ‘White List’ issues.

Green Paper Page 38

*Moreover, the production of red meat is a significant contributor to greenhouse gas emissions in Australia. How the industry responds to this challenge could well determine its future.*

CPA comment:

Where is the evidence that the beef industry is a net greenhouse gas emitter? – refer to the United Nations report. ([Food and Agriculture Organisations of the United Nations, More fuel for the food/feed debate](#)), ([Global livestock Environmental Assessment Model \(GLEAM\)](#))

Green Paper Page 42

*RMAC agrees that it is the primary advocacy body for the red meat industry and proposes new institutional arrangements that reinforces the concept of a single red meat industry.*

CPA comment:

‘There is no assessment so generous as self-assessment.’ This poses the question ‘With whom does RMAC agree?’

Green Paper page 42

*MISP continues to evolve into a document that has a clear vision for the future, responds to changing industry circumstances and is highly valued by all within the industry.*

CPA Comment:

Is it highly valued by all of industry?

How was this assertion verified?

Page 44

*Option 4: A revitalised red meat industry led by a new organisation This option involves a significant redrafting of the MoU to provide for one supply chain-oriented R&D service provider, an enhanced advocacy function and the capacity to respond agilely to emerging industry challenges and opportunities. These options - including an analysis of their pros and cons - are discussed in the following Section.*

#### CPA comment In reference to Option 4

Option 4 would likely see the opaque appointment of a so called ‘skills based’ apex arrangement called Food Protein Australia, consisting of a board of faceless untouchables imposing edicts, enforceable by legislation, on gagged disenfranchised cattle producers who will be obliged to pay the bills.

This will be of no benefit to cattle producers.

#### Green Paper Page 46

Because of this, we are of a view that the current MoU is NOT seen to be fit for purpose by most stakeholders we have engaged with – either because it is not adhered to, or it is no longer relevant.

#### CPA Comment: Agree

Yes – Agreed the current MoU should be discarded.

*Green Paper page 46 The question of how industry initiatives are funded under any revised arrangements also becomes a central concern.*

#### CPA comment:

Yes it does, along with appropriate representation for the primary sector.

How can any recommendations be credible in the absence of these matters being considered.

#### Green Paper Page 48

##### **What principles and issues need to be protected?**

*Competition is recognised as a healthy thing and a necessary requisite in a commercial context, but this should not preclude a strategic, cohesive policy and thought leadership on a supply chain approach for the red meat industry within the constraints of competition law. Competition within the red meat sector can be fierce and many elements of the “law-of-the-jungle” will always apply in the context of business competition, both pre and post farm gate.*

- *peer organisations in production, processing and export, for example, compete intensely and need to agree on a “white-list” of non-competitive common commercial interest issues which any new architecture would carry forward;*
- *farmers, lot-feeders, manufacturers, retailers and exporters (and others) are all clients of one another and their interactions can be intense. They would also need to agree on a “white-list” non-competitive common commercial interest issues which any new architecture would carry forward.*

#### CPA comment:

1. Competition should not preclude co-operation
2. A unified approach requires agreement on a ‘white list’ of non-competitive common commercial interest issues

#### Green Paper Page 49

##### Funding

*Further discussions are needed on the way industry is funded to ensure areas of greatest need are resourced adequately.*

*Agreement also needs to be reached on how industry sets strategic direction, and hence, how decisions around funding and support are made. We discuss below one of the options in which signatory organisations within the Red Meat MoU transition to a self-determination model outside of service provider levies and RMAC funding.*

*What other arrangements warrant consideration?*

*What arrangements would best facilitate investment back into business?*

*What arrangements would streamline and improve the difficult reporting and consultation burdens from industry service providers?*

*What avenues are available for start-up funding for a new red meat vehicle and what existing industry benefits and reserves could be deployed?*

CPA Comment.

Representation and funding are both central elements to any reform process.

### **5.5 Green Paper Methodology Flaws**

*The review aims to establish two points;*

- 1. how can the memorandum of understanding create real value for Australia’s red meat and livestock businesses; and*
- 2. what should it look like to position the industry for sustainability, prosperity and position for the future challenges and opportunities.*

On the basis that the Green paper is titled “towards a better red meat future”, one would assume that some time would be spent on determining what that better red meat future is.

The current structure of the MoU is clearly focused on the taxation monies raised by it. The question of funding industry initiatives is mentioned on page 46 of the review. Many observations have been made that the reporting by MLA and its accountability for the taxation monies spent leaves a lot to be desired. With the mantra of finding projects for all the money so as to draw down on government matching funds, cynicism abounds about the projects funded. It would be appropriate to initiate an industry accepted governance model to properly examine the meat and livestock outputs rather than leave it to largely unrepresentative bodies and individuals, including the board of the MLA and the meat donor company.

The meat donor company invests the government matching payments which last year amounted to \$88 million and the output is largely opaque. It is noted that this year the meat donor company reports as a subsidiary of MLA and the levy structure is not up for review till 2023.

The Green Paper failed to properly consider and take into account the findings and recommendations of a number of public Inquiries into the effectiveness of the current red meat industry organisational structures. Furthermore, it failed to consider and take into account findings of the 2014 Australian Farm Institute Report into Opportunities to Improve the Effectiveness of Australian Farmers Advocacy Groups.

The 1996 Task Force Steering Committee noted how the red meat industry levy funded structures had evolved over the decades and that each stage in the process of evolution had been preceded by

a review. Each review had been in response to changing market, industry and policy circumstances which tended to demonstrate that non-profit statutory structures with multiple stakeholders do not adapt on their own accord.

## Chapter 6

### Analysis of the Capacity of the Green Paper Proposed 4 Organisational Structure Options to Deliver the Needed Red Meat Industry Outcomes over the next 20 Years

#### 6.1 Green Paper Option 1 – Improvement to Existing MOU

Given the changed needs of the red meat industry 20 years after the current red meat industry structures were put in place, “no change” is not an option.

If the MOU is to continue in some form that form will not be able to be determined until the form, structure, purpose and strategy of the organisation/organisations has been determined.

If the MoU is to be scrapped, that also will follow on from discussions about the structure etc., of the proposed organisations.

#### 6.2 Green Paper Option 2 - Law of the Jungle

Law of the jungle is also not an option.

As with much of this paper this option presents extremes-but not quite.

It dismantles all of the existing structures except for “industry silos” which keeps all of the worst features of the present structures such as competing sub-groups lumped together and none of the good features.

Fund sharing, responsibilities and accountability are not dealt with at all.

There is no sense that this model is trying to address the lists of “wants” and “don’t wants” but just takes an arbitrary approach to structure.

#### 6.3 Green Paper Option 3 - Hybrid Option

Although the groupings in this option appear more logical than other options and “industry representation” is mentioned the funding arrangements are indefinite although it appears there may be some consideration being given to the use of levy funds for “representation”.

Some of the claimed advantages of this model do not necessarily follow any logical progression and seem arbitrary in their application.

Among the advantages claimed for this model are

1. Positive impact on industry’s ability to pre-empt emergent issues.
2. Positive impact on industry’s response (sic) to crises or management arrangements.

Then in the same model we see as disadvantages,

1. Unlikely to improve response times for major issues.
2. No greater capacity to deal with whole of industry responses.

Also the disadvantages does not address entrenched divisions between segments of the supply chain.

Again we see a suggestion that structural reform may be able to overcome what is inherently part of a free market, competitive system. The only way to overcome this is, and it is not government policy

or philosophy and has not been for some time, is to have some form of command system where the prices up and down the supply chain are set by government.

Any structural reform must have regard to the fundamental laws of a free market economy.

It may be possible to gag some sectors of the supply chain but that is not actually solving the problem.

Advocacy is paid lip service at various times through the whole discussion but nothing in the structures actually affords or funds it.

While we are discussing a free market system, we need to address what is listed as a disadvantage in all options except option 4. That is “No greater ability to reward successful businesses.”

Why does there need to be a means to reward successful businesses? That is not part of a free market system. What does it mean, free access to extra market and research fund or some other award?

The paper is in constant denial of basic economic principles and what free market economies actually do in competition legislation to manage imbalance between sectors and to strive for market transparency.

Until that is remedied no discussion of a fair and workable structure can occur.

#### **6.4 Green Paper Option 4 - Revitalised red meat industry led by a new organisation:**

Stakeholders recognise that intense competition, disruption, innovation and rapid change demands a unified red meat industry able to promote the safe and ethical production, processing, export and consumption of red meat in Australia and the world. Several stakeholders supported a view that a future-focussed organisation (that could be called Food Protein Australia) could transcend the existing barriers within the red meat industry value chain. This organisation was depicted as attracting thought leadership, skills-based governance and the use of new technology to stay connected to all members of the value chain. The removal of the current arrangements would happen as soon as practicable and the industry would immediately commence building a new architecture to guide the red meat industry.

Option 4 tells us that what it wants is *“A new and unified red meat industry able to promote the safe and ethical production, processing and consumption of red meat in Australia and the world.”*

It also tells us that stakeholders do not want *“One sub-sector to dominate others”*.

The inherent danger lurking in option 4 is a possible outcome where the production sector is dominated by other sectors of the chain.

The economic reality is that in a free market there is inherent conflict between the production sector, the processing sector and other sectors of the chain. Not only is there inherent conflict but in a price taking market, more sellers than buyers, the production sector is inherently subservient to the processing sector. That leads regulators, to strive for what is called a “perfect” market.

In a “perfect” market, the sellers are meant to be helped out by “perfect” knowledge of the market. That means total transparency and knowledge of the entire market by producers.

Considering the amount of resistance that there has been to improvements to market knowledge such as price transparency and even basic reforms such as the recommendations of the ACCC beef

and cattle market study findings,<sup>17</sup> this model could leave the production sector totally unprotected without a strong Australian version of the Packers and Stockyards Act containing all of the ACCC Deputy Commissioners Recommendations plus more.

The proposed funding options also throw up some contradictions.

*“Industry transitions to a self-determination model outside of service provider levies and current RMAC funding. Could be funded from the Red Meat Industry Fund and fund, marketing levies and a to-be-developed commercial arm. Could draw on industry reserves for start-up funds.”*

One of the constant and deep-seated problems of the present structure of the MoU has been the constant underfunding of some, if not all of the Peak Industry Councils which does leave them vulnerable to domination.

Whether this is a “self-determination model outside of service provider levies and current RMAC funding” or funded from The Red Meat Industry Fund and marketing levies and an unspecified commercial arm, the inability of advocacy organisations, which a Peak Industry Council is supposed to be, will leave many unfunded or underfunded. Each sector will have its own issues outside the “white list”.

Option 4 on page 12 of the Green Paper receives the largest comment and concentrates on a future focussed organisation that could be called Food Protein Australia. This Food Protein Australia concept is elaborated on at page 31 where it is stated that:

‘Industry now a food protein supply chain

*As the industry has moved away from the language of agricultural production to self-identify as being a part of the food protein supply chain, it has also altered the way the industry engages with government, both federally and at the state level. As the red meat industry moves to align its members vertically to streamline engagements and provide industry unity on key issues, it now needs to engage more fully with government and other stakeholders dispersed horizontally across many’ different agencies and jurisdictions*

Option 4 is essentially a proposal for a red meat industry led by a new organisation with a whole of supply chain focus (see page 56). A new organisation that would be equipped to deal with the whole of supply chain focus issues set out on 11 of the Green Paper that,

*‘This has been focused by emerging issues around live animal exports and broader animal welfare concerns, environment and climate change concerns such as greenhouse gas emissions and water management, and extends to demand for animal proteins in diets and a ‘meat tax’.*

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<sup>17</sup><https://www.accc.gov.au/system/files/ACCC%20Cattle%20and%20beef%20market%20studyFinal%20report.pdf>

Whilst ‘consideration of broader food and protein roles’ and use of brand names like ‘Food Protein Australia’ it is important to realise the pride and commitment that sector participants have in their meat and livestock industries which should not be overlooked.

A structure that does not provide for stakeholder ownership and engagement is a recipe for anarchy and will allow stakeholder ‘don’t wants’ to creep in and solve none of the problems. ‘Don’t wants’ that could produce ‘a system that caters to the lowest common denominator without addressing major issues’. A system that retains the entrenched structures that the evidence from the Senate Inquiries and ACCC red meat study clearly outline and recommend reform.

## Chapter 7

### The Capacity of Option 5 to Meet the Red Meat Industry Organisational Needs over the Next 20 years

The dysfunctional flaws in the current red meat industry levy collection and expenditure arrangements could be rectified if the Option 5 proposal set out in Chapter 5 was adopted and:

- each red meat industry sector adopted the current two company structure that applies to the Processing sector and the Live export sector of Australia’s red meat industry; and
- the terms of the Red Meat MoU were amended accordingly so that MLA carried out R&D through contractual arrangements with each red meat industry sector rather than through the current conflicted consultative arrangements; then
- the inherent conflict between the MLA’s obligations to its members under the Corporations law and its obligations to each red meat industry sectors peak industry council under the MOU would disappear; and
- each red meat sector would have direct control over the expenditure of the levies paid by its members; and
- each red meat sectors levy funded body would be able to commission independent policy development research for its own sector as well as commissioning R&D as its contribution to whole of red meat supply chain research and service provision through MLA.

It is worth noting if each red meat industry sector’s representative advocacy body was structured as a national body and their boards were directly elected by their levy paying constituent, along the lines recommended in David Crombie and David Trebeck’s November 2013 joint paper, the underlying structures and components would reach into the States and Regions rather than Region and State based organisational structures that have an overarching national body appointed by the disparate State organisations.

Furthermore if these nationally constituted representative bodies provided member services along the lines of the American Farm Bureau and other overseas successful rural advocacy bodies in accord with the recommendations of Crombie and Trebeck and the Australian Farm Institute March 2014 Report referred to in Chapter 2, then the market for those member services would be nation-wide and therefore much larger and consequently more attractive to service providers and suppliers than separate State based markets. This would deliver higher chance of stakeholder engagement with and ownership of the activities of their sectors representative body would be maximised.

As the Australian Farm Institute Report which is discussed in detail in Chapter 2 and Appendix 2 noted:-

- *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,*
- *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.*

Importantly nationally based representative advocacy bodies would obtain a source of funds from the provision of members services to carry out their advocacy work over and above membership fees or any direct portion of their sectors levy that they may receive in future that was specifically earmarked for advocacy.

Whole of red meat supply chain non-competitive issues that do not involve any sectoral conflicts of interest can then be addressed in accord with Recommendation 3 of CPA’s 23 January 2019 submission to the Red Meat MOU, namely through:-

- a restructured specific needs-based common interest consultative and advocacy RMAC body representing all sectors of the red meat industry;
- a restructured body that could develop, promote and help implement whole of red meat supply chain Red Meat Industry Strategic Plans;
- a restructured body that could meet as required on an as needs basis to reach policy positions on issues of common interest and then advocate to government for the implementation of those common interest policies.

The RMAC Reserve Fund could then 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 in the 3 years immediately prior to the cessation of operation of these companies in 1998.

Funds that the peak industry councils could use as seed funding to set up member services business’s and invest to provide future sources of income in the same way the RMAC Reserve Fund is used to provide operating funds to the peak industry councils to carry out their responsibilities in accord with their responsibilities under the terms of an amended Red Meat MOU.

If the recent call by the NTCA for a 50 cent grass fed cattle transaction levy contribution to a restructured grass fed cattle peak industry council was accepted by the Government following a plebiscite of grass fed cattle transaction levy payers or otherwise, then:-

- provided the restructured grass-fed cattle producers peak council was truly representative along the lines of CPA;
- grass fed cattle producers would have a well-funded powerful truly representative peak industry council to represent it.

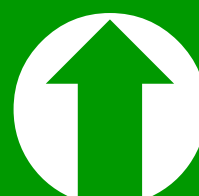
## Chapter 8

### CPA Recommendations

#### 8.1 Option 5

## OPTION 5:

*The law of accord: structure which follows from strategy.*



Basic architecture	Adjustments made to industry structure designed to strengthen industry sectors and unify them with a strategy to achieve industry sectoral aims for each and advantages for all, while responding collectively to ‘social licence’ and other challenges. The sectoral aim for beef could be: <i>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.</i>
Functions and Funding* (*see diagram page 55)	<ul style="list-style-type: none"> <li>• A remodeled properly financed sector peak industry controlled RMAC to deal only with whole of red meat industry common commercial and social licence issues;</li> <li>• Strong, truly representative advocacy bodies for each sector of the red meat industry;</li> <li>• The associated levy funded R &amp; D corporation for each red meat industry sector to replicate the dual company structure for processors and live exporters; and</li> <li>• Strengthened MOU and legislative provisions to ensure that each of the sector peak industry councils can control and direct the expenditure of its own levies.</li> </ul>
Whole-of-supply-chain focus?	With each supply chain participant aiming for high quality products for high value markets that whole-of-supply-chain focus will be well served by having unified producers as the starting point, well assisted with R&D, and all aligned along the chain to respond to market signals.
Self-determination	Self-determination and sectoral unity supported by distinct levy funding streams and policy development is a sound basis on which to build red meat industry strength and unity. While competition between sectors for customer preference will always be an undeniable fact, there will be issues where a combined approach or response will be beneficial.
Timing	Implementation would commence as soon as practicable.

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>✓ A unifying initiative with a structure designed to implement strategy for an improved future for all industry sectors.</li> <li>✓ Empowers each industry sector to better contribute to gaining whole industry advantages and to benefit from those advantages.</li> </ul>	<ul style="list-style-type: none"> <li>✗ An alteration of structure may not initially appeal to some within industry sectors, causing delayed or inappropriate change.</li> <li>✗ Changes to structure and funding streams brings new responsibilities which will need to be defined.</li> </ul>

<ul style="list-style-type: none"><li>✓ Enables each industry sector to be part of a unified whole when acting on agreed joint issues.</li><li>✓ Attracts people with skills and ‘thought leadership’ ability to be representatives in industry sectors, which is where they are needed – in the engine rooms of advancement. From here some can go on to the unified overarching body.</li><li>✓ A bottom-up democratic structure which will foster wide involvement to support strategy implementation.</li></ul>	<ul style="list-style-type: none"><li>✗ Management of structural and funding stream changes will take time to settle into operational form.</li><li>✗ Formalising changes will require political input and consent which would need to be established.</li></ul>
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## 8.2 Time Frame and Process for Implementation of Proposed Reforms

The restructuring of the Red Meat and Livestock Statutory Corporations occurred in the mid 1990’s and the reform package required five new companies to be incorporated under the Corporations Law as companies limited by guarantee. The restructure involved the establishment of a MoU between the industry sectors, industry established companies and Government designed to achieve cooperation in the overall interests of the red meat industry.

A Transition Team, comprising representatives from the six peak councils, the previous statutory corporations Australian Meat and Livestock Corporation (AMLC) and the Meat Research Corporation (MRC,) and the Department of Primary Industries and Energy (DPIE) and a representative of the office of the Minister for Primary Industries and Energy (the Minister), was established as the primary mechanism to implement the reforms within the framework of the Government’s policy.

In undertaking the implementation of the reform, the Transition Team had to negotiate a number of complex issues with a very diverse industry. The Department contributed significantly to this process through its administrative support and facilitation.

The 1990’s restructure involved the passing of a number of pieces of Commonwealth Legislation including the Australian Meat and Livestock Industry Act 1997.

Commonwealth matching funds for R&D were to continue and the DPIE were to continue to collect and distribute statutory producer levies and took over the issuing of export licences and quotas from the AMLC.

The MoU, was entered into in April 1998 and set out the roles and responsibilities of each of the parties to that MOU and also provided for the establishment of Aus-Meat as a joint venture company to be owned 50% by AMPC and 50% by MLA and the establishment and operation of Aus-Meat.

The MOU also provided for the transfer of the intellectual property from the then existing statutory corporations AMLC, MRC and the Meat Industry Council to Aus-Meat and AMPC.

The Auditor General of the Australian National Audit Office (ANAO) was commissioned to conduct an extensive audit of the 1990’s red meat organisational restructure process and on 25 June 1998 published a comprehensive 70 page review report on the strength, weakness successes and failures of the implementation process and made 8 recommendations for the conduct of any future similar restore arrangements.

In its examination of the roles and responsibilities of the parties involved in the reform implementation process the Auditor General concluded that:-

- *clear definition of roles and responsibilities at the start of the process was particularly important given the sensitivity and complexity of the issues involved and the wide range of tasks which had to be completed in the transition period.*
- *In future, there would be benefit in more clearly defining the roles and responsibilities of all parties involved in the transition at the start of the process. This would strengthen the accountability and effectiveness of the governance arrangements for managing the transition. It also minimises risk exposure and possibility of duplication and waste, as well as*

*unnecessary frustration on the one hand and insufficient oversight and control on the other, thereby assisting with the effective and efficient implementation of reforms.*

- *DPIE acknowledged, with the benefit of the experience of implementing the reforms, that improvements could be made in the future in such transition arrangements to secure outcomes more effectively.*

The Auditor General’s 25 June 1998 Recommendation No. 1 stated that:-

*The ANAO recommends that, in advising on future restructuring arrangements which involve similar privatisation/commercialisation action, DPIE ensure that the roles and responsibilities of the parties involved are clearly articulated at an early stage in the transition process and regularly reviewed, thus ensuring appropriate accountability arrangements are in place for achievement of the specified objectives. DPIE Response 2.36 agrees and is developing appropriate guidelines.*

Whilst some of the transition from the old statutory corporation red meat organisational structure were still to be completed on 1 July 1988 it can be seen that structural reforms of much greater complexity, requiring much more legislative change and formation of far more new entities than the restructure proposed in Option 5 described in Chapter 5, were in fact implemented in 15 months between March 1997 when then Minister for Primary Industry John Anderson announced the red meat reform package and the implementation day of 1 July 1998

On the assumption that the lessons learnt and described In the 25 June 1998 Auditor Generals’ report outlined above are addressed and the recommendations of that ANAO report are adopted it would seem the necessary changes to implement the proposed restructure set out in the Option 5 recommendations of this submission could be put in place by 1 July 2020.

During that 14 to 12 month transition period: -

- a restructure Transition Team comprising representatives from all the major stakeholders and proponents for reform could be put in place;
- a new levy funded sheep meat producer, grass fed cattle producer and lot-feeder R & D bodies could be incorporated;
- legislative changes could be made to redirect each sector’s levies to the new bodies and, if it were so decided, to direct a portion of the existing levies to each sectors advocacy body;
- the existing MoU could be redrafted and strengthened to ensure that each sector had adequate control over the expenditure and investments of the levies that they were paying;
- the RMAC could be restructured into a needs-based body that only come together to consider non-competitive common commercial issues that affect the whole red meat industry supply chain;
- the RMAC Reserve Fund could be distributed as seed capital to each sector’s representative advocacy body;
- plebiscites could be held of each sectors levy-payers to ensure that:
  - there was majority stakeholder support from each sector for the proposed restructure; and
  - there was majority stakeholder support in each sector for the board election/selection process for each sectors representative advocacy and R&D bodies.

## APPENDICES

### Appendix 1: Red Meat MOU Review Terms of Reference

#### TERMS OF REFERENCE: A GREEN PAPER FOR THE RED MEAT MOU September 2019

##### Opportunity

The Red Meat Memorandum of Understanding (MOU) has been in place for 20 years and it is time to take a critical look at it to ensure relevance and that it is meaningfully contributing to growing the value and reputation of Australia’s 75,000 red meat businesses. This includes the roles and responsibilities of all stakeholders within the Red Meat MOU.

##### Objectives

A green paper approach is being taken to the Red Meat MOU that is wide ranging, consultative and independent and aims to establish:

- How can a Red Meat MOU create real value for the intended beneficiaries of the MOU – Australia’s red meat and livestock businesses?
- What should it look like in order to position the industry for sustainability, prosperity and position for future challenges and opportunities?

##### Scope

- Review the effectiveness of the current Red Meat MOU arrangements
- Undertake comprehensive consultation with signatories, key industry and community stakeholders and government
- Provide feedback to key stakeholders on their views and validate key recommendations for reform that ensures the sustainability and prosperity of Australian red meat & livestock businesses
- Report to the Red Meat Advisory Council (RMAC) by March of 2018 on a series of recommendations to improve the operations of the Red Meat MOU

##### Guiding Principles

In undertaking a green paper for the Red Meat MOU, the Task Force should aspire to deliver recommendations to RMAC that are –

- Ambitious
- Agile
- Dynamic
- Accountable
- Positions our industry for sustainability and prosperity

##### Roles & Tasks / Responsibilities

A Chair and lead reviewer, supported by an independent Task Force will identify robust reform to a Red Meat MOU that ensure the sustainability and prosperity of the Australian red meat and livestock sector.

To do this, the Task Force will consider the operation of the Red Meat

MOU, the role of industry and government signatories and ongoing risks and opportunities to the industry; and make recommendations for key reforms to:

- The need for a Red Meat MOU and its role in leading and advancing the value, reputation and sustainability of Australian red meat businesses.
  - ○ Examine whether the purpose, and the principles as set out in the MOU, are being met.
- The roles, responsibilities and interrelationships of MOU signatories including RMAC, Peak Industry Councils and Industry Companies, including:
  - ○ Whether the MOU arrangements provide an adequate framework to support RMAC, the individual sectoral groups and the red meat research and development corporations to work collectively to meet the needs of the red meat industry and the public.
  - ○ Whether RMAC is equipped to meet the leadership expectations and needs of industry and the public.
- Quantifying the current costs and benefits of the Red Meat MOU to all signatories and the red meat and livestock sector with a view to identifying efficiencies in future iterations of the Red Meat MOU.
- All other aspects of MOU relationships including:
  - ○ Funding, research and development, intellectual property and issues management.
  - ○ The role of Aus-Meat & Safe-Meat.
- How all aspects of the Red Meat MOU can be improved or responded to ensure an industry capable of withstanding future challenges and opportunities for the Australia red meat and livestock industry.
- Make recommendations on means to support and improve industry’s governance, collaboration and roles and responsibilities to meet future challenges and opportunities.

### **Reporting**

The Task Force will report to RMAC as custodians of the Red Meat MOU.

A monthly update to the Board of the Red Meat Advisory Council (RMAC) from October 2018 – March 2019. A final report will be delivered to RMAC by March 2019.

### **Consultative Process**

The Red Meat MOU process should be independent, wide ranging & consultative and includes key elements of–

- Task Force Review: Set green paper background against the Terms of Reference, purposes & consultation questions (10).
- Guided Discussion: Panel consults initial stakeholders’ signatories, outside thinkers and key identified stakeholders.
- Green Paper: ‘Guided Discussion’ findings validated with initial stakeholder group. Green paper published for wider industry input online, including a formal written submission process.

- White Paper: Stakeholder findings consolidated in a White Paper with series of recommendations delivered to RMAC. The White Paper will be published.

### **Membership**

Membership of the Task Force will be appointed by RMAC, and be chaired by a lead reviewer.

#### **Chair & Lead Reviewer**

The lead reviewer and Chair of the Task Force is Mr Jim Varghese.

#### **Members**

Members of the Task Force will be appointed by RMAC on a skills basis representing a mix of:

- Governance & government experience
- RDCs
- Advocacy
- Business experience
- Supply chain
- Outside thinkers & influencers

#### **Secretariat & Support**

An independent Secretariat will also provide the following support to the Taskforce:

- Prepare and distribute relevant papers, including agendas and meeting minutes
- Undertake policy research and support between meetings
- Provide logistical support for all aspects of communications and consultation to the Task Force

#### **Confidentiality**

The taskforce’s considerations and discussions are confidential except for formal published reports.

#### **Proposed Timeframes & Deliverables**

It is proposed the Task Force will meet monthly with the key schedule of deliverables being:

<b>September 2018</b>	Appointment of Chair & Secretariat, call for EOI of Task Force
<b>October 2018</b>	Task Force appointed  First meeting of Task Force & set initial consultation framework & list of key ‘guided discussion’ stakeholders  Commence guided discussion
<b>November 2018</b>	Guided discussion
<b>December 2018</b>	Draft Green Paper release  Comment period Green Paper
<b>January 2019</b>	Comment period Green Paper

<b>February 2019</b>	Final Green Paper presented to RMAC  National consultation on Green Paper & close of national consultation / collation of feedback
<b>March 31 2019</b>	White Paper completed

Changes to the schedule will be by negotiation with RMAC, with the Commonwealth and other signatories advised accordingly.

**ENDS**

## **Appendix 2: Existing Red Meat Industry Organisational Structures Flaws**

### **2.1 Mistakes made in the Implementation of the Recommendations of the 1966 Steering Committee Task Force Report**

Many of the recommendations of the Steering Committee and Task Force established to advise on the 1997/98 industry restructure were ignored or inefficiently implemented, including recommendations for voting and Board selection, and separate specie and producer/processor corporations.

#### **Ownership and Accountability**

- The 1996 Steering Committee recommended that the proposed new organisations needed to be accountable to ensure that the levy payers felt that they had ownership of its operations.

#### **Industry Organisational Restructure Implementation Outcomes-1998**

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

During the implementation phase, it was decided that:-

- the Board of Meat and Livestock Australia (MLA) would be selected by an appointed selection panel that included MLA Board directors and Producer Peak Industry Council appointees and
- the appointed selection panel would select the same number of nominees necessary to fill the vacancies on the MLA Board at each AGM, and then
- MLA members would be able to rubber stamp vote for those nominees to fill the MLA Board vacancies at each MLA AGM and on any other resolution being put to the members at an AGM, on
- the basis of the number of votes cast by each member being proportional to the amount of levies paid by that member in the preceding financial year

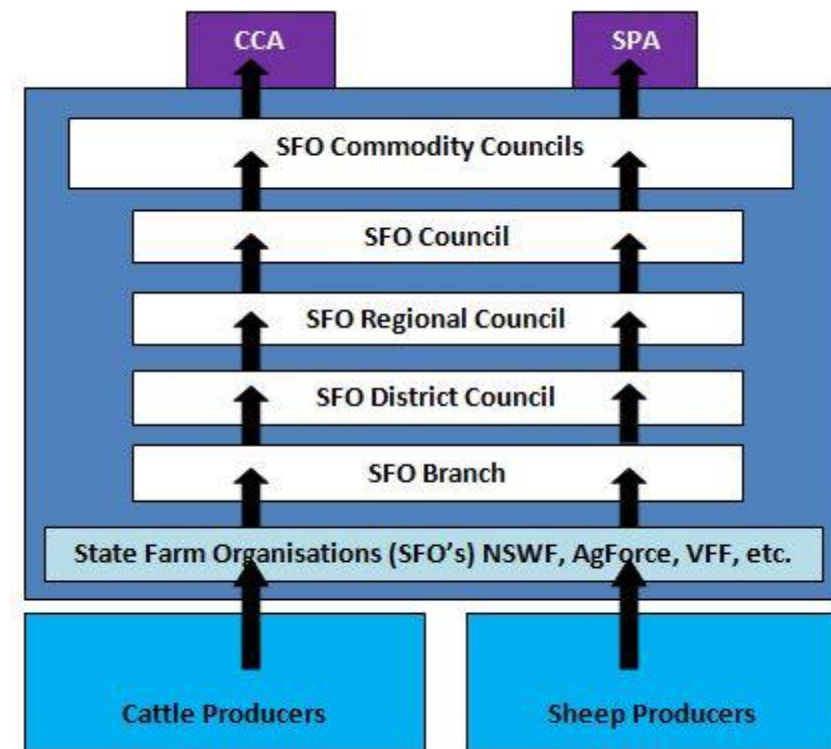
The MLA voting system is sharply different from the two-register direct voting and direct election system, without any intervening role by non-levy paying Peak Industry Councils, adopted by the Australian Meat Processor Corporation (AMPC). The AMPC constitution allows for one register being on a ‘one man one vote’ basis, and the other register based upon the dollar value of the levies paid. This provides an appropriate balance between basic social democratic principles and the rights of those paying the most in levies.

This two register AMPC direct voting system was not adopted in the MLA constitution.

Consequently the ownership and accountability principles recommended by the 1996 Steering Committee with respect to service provider MLA were lost and many cattle producers now feel disenfranchised from their own R & D service corporation. Less than half of the levy payers have bothered to become members and less than 3% of those members bothered to vote at the 2017 MLA AGM.

The structure of many of the Peak Industry Councils is still based upon the 1950’s branch district, regional, state and national committees configuration set out in Diagram 2.

## CURRENT PRODUCER INFLUENCE STRUCTURE



This structure leaves representatives of those Peak Industry Councils who interface with government, far removed from the rank and file, in sharp contrast to some of the emerging organisations, which use the internet and teleconferencing to create flatter and more inclusive arrangements.

### Product Specific Corporations

The 1996 Steering Committee and Task Force recommended that two product specific separate beef and sheepmeat specie split statutory funded corporations be established. This recommendation was ignored;

In 1996 there were over 170 million head of sheep in Australia and there are now less than 70 million head;

There are many in the sheep and cattle industry who still believe that their interests would be better served through separate specie corporations. This is especially the case where there is significant and growing domestic and international competition between species for a share of the consumer dollar.

There are a number of prominent members of Australia’s sheep meat and wool industry that believe the interests of the wool/sheep meat industry -which is intrinsically joined at the hip in the same way as Siamese twins are – would be best served if Australian Wool Innovations Limited merged with Sheep Producers Australia Limited to look after the interests of wool and sheep meat producers . A combined organisational structure that would be able to direct and control the expenditure of considerable levy receipts and have considerable political advocacy power.

### Producer/Processor Split

The 1998 Red Meat Industry Restructure proceeded on the basis of separate producer (MLA) and processor (AMPC) corporations because it was considered that the interests of the processors and producers were often in conflict and the processors often did not support many of the collective levy funding activities proposed by the producers.

Consequently it was decided that the processors would need to pay reduced slaughter contractual contributions rather than levies to the AMPC and that the AMPC would fund agreed joint functions on a “willing partnership” basis with the MLA. Similar arrangements were put in place for live exporters.

Those implementing the restructure did not, however, realise the full extent of integrated backgrounding and feed lot interests of processors, and the evolution of that integration over the following decade. The result has been very significant voting entitlements vesting in the hands of the larger meat processors. 18% of all MLA levies are now paid by abattoirs and at least half of the top MLA levy payers are abattoirs; JBS Swifts, Australia’s and the world’s largest meat processor, is MLA’s largest levy payer.

There are many processors and producers who believe that the question of split processor and producer corporations should be revisited.

Separation of processor and producer corporations could be facilitated by replacing the current transaction levy with a once only slaughter levy, with the slaughter levy being payable by the entity that owned the cattle (say) 14 days before slaughter. The slaughter levy with respect to all feed lot and background cattle (or sheep) owned by the processor of the cattle (or sheep), would be paid to the processor corporation (i.e. the AMPC) and the slaughter levy from stock owned by producers would be paid to a restructured producer owned MLA.

An article in the Northern Star by Peter Weeks in 2013 claimed that the top fifty levy payers effectively control the vote at a MLA AGM. A copy of the voting entitlements of the top fifty producers at the 2008 MLA AGM.

### 2. 2 Findings and Recommendations in the 2002 Senate Inquiry into Existing Government Advisory Structures in the Australian meat industry

The 2002 Senate Rural and Regional Affairs and Transport Legislation Committee reviewed the performance and appropriateness of the existing government advisory structures in the Australian meat industry and the key findings and recommendations handed down by that Senate committee in relation to RMAC included recommendations that:

- the Minister initiates discussions with signatories to the MOU concerning reformed advisory arrangements and following those negotiations the Minister engages 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.

The Senate Committee considered that the existing RMAC structure inhibited its capacity to effectively represent the whole industry and that the RMAC structure would continue to be challenged by the development of new organisations which emerge as the industry changes and the market evolves.

The Committee noted that RMAC members are required to undertake a representative role that extends beyond their own membership. The Committee also noted that whilst RMAC members had endeavoured to meet this challenge the first duty of the peak bodies was to their own members, and the existing RMAC model therefore placed these bodies in the position of simultaneously representing multiple constituencies.

The Committee noted and supported industry concern about the undemocratic process by which MLA Board members are appointed and suggested that *changes to the appointment* process may be accomplished by amendments to MLA’s Articles of Incorporation, or by the replacement of MLA with another company, identical in all respects except for the omission of these articles from any new company’s Articles of Association.

The Committee also formed the view that a more competitive and responsive allocation formula may deliver greater benefits to the industry and should be explored as part of negotiations for reformed or alternative advisory models.

The full eight recommendations of the 2002 Senate Inquiry into Existing Government Advisory Structures in the Australian meat industry are set out in Appendix XX

#### Recommendation 1:

The Committee recommends that the Minister initiate discussions with the signatories to the MOU concerning reformed advisory arrangements. The Committee recommends that following these negotiations the Minister engage in detailed and open consultation with all sections of the Australian meat industry on options for a reformed or alternative industry advisory structure

#### Recommendation 2:

The Committee recommends that any new advisory body established for the Australian meat industry be empowered to initiate advice to the Minister. Notwithstanding this, 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.

#### Recommendation 3:

The Committee recommends that any organisations appointed by the Minister to the list of Prescribed Industry Bodies be eligible for appointment to the industry advisory body, and that the view of existing advisory body members should not necessarily determine the success of the appointment or membership of the advisory body.

#### Recommendation 4:

The Committee recommends that the MLA board consult with its membership on democratic reform of the MLA’s Articles of Association. In the absence of progress on this matter before the 2003 MLA Annual General Meeting, the Committee recommends that the Minister engage in detailed and open consultation with levy payers on reform options for a more democratic board selection process.

Recommendation 5: The Committee recommends that the Minister negotiate with signatories to the MOU on alternative arrangements for the disbursement of earnings of the Red Meat Industry Reserve Fund.

Recommendation 6:

The Committee recommends that the advisory body develop a detailed industry strategic plan, and that consideration be given to the use of competitive contracts to deliver elements of the strategic plan.

Recommendation 7:

The Committee recommends that the selection committee for the contracts include an independent probity auditor and a representative of AFFA.

Recommendation 8:

The Committee recommends that the size and recipient of these contracts, and outcomes delivered, be placed on the advisory body’s web site, and reported by AFFA to the Minister.

2.3 The Future of Agricultural Advocacy in Australia --Farmer Representation in Australia: Past Lessons and Future Directions – a joint paper by David Trebeck and David Crombie AM 7 November 2013

The joint paper on the future requirements for agricultural advocacy in Australia presented to the Australian Farm Institute’s Agriculture Roundtable Conference 2013, Sydney by two luminaries of Australian agriculture has some salient messages for the current review of Australia’s red meat organisational structures and systems.

David Trebeck is a well-known writer and commentator on agricultural issues who amongst other things has been a non-executive director of ASX-listed companies since 1997 (six in all) including GrainCorp Ltd, a company in the ASX100.

David Crombie AM is former President of the National Farmers Federation (2006-2010) and inaugural Chair of Meat and Livestock Australia.(1988- 2005) and current AAco Director, David Crombie chaired the Australian Rural Leadership Foundation, from 2000 to 2008 and in addition to running his own farming enterprises, David Crombie was a founding partner of international development company GRM International (now Palladium) and served as managing director until 2000 and remains on the Board of Palladium to this day.

The Joint David Trebeck and David Crombie 2013 Future of Agricultural Advocacy in Australia paper examined the background to the formation of the National Farmers Federation(NFF) in the late 1970’s and

- compared the policy and operational differences between then and 2013, and
- assessed the problems, especially relating to funding that have beset farm organisations in recent years.

The November 2013 joint Trebeck and Crombie paper concludes at page 14 that the current farmer advocacy representative model was broken and proposed a different improved operational structure for farmer/agricultural representation into the future.

David Trebeck and David Crombie’s paper notes at page 10 that whilst actual numbers were not public, it was clear that farm organisation membership has been declining over an extended period,

and not just because farm numbers have been falling with aggregation but because more farmers are finding the benefits of membership less compelling than they had .

Trebeck and Crombie also noted that ‘ *It should be of particular concern if the “best” farmers are not active members, because this implies they have better things to do with their time and money.*’

This observation is consistent with the jurisprudential observation set out in Chapter 2 of this submission that in appropriate organisational structures will not be able to attract the ‘best’ people to lead and direct them .

Trebeck and Crombie also observed at page 10 in their Joint paper that in recent times

*‘The financial strength of almost all farm organisations, State or Federal, general purpose or commodity specific, has been under stress. This has reached the point where some groups have all but ceased operation. Others have withdrawn from the NFF, claiming financial hardship. Others have significantly scaled back the reach of their activities.’*

Further on page 12 of their joint paper Trebeck and Crombie observed:-

*‘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.’*

Trebeck and Crombie also observed at page 11 that the title of their paper referred to ‘*Agricultural advocacy*’ and ‘*Farmer representation*’ rather than a Farmers Organisation such as NFF and expressed the difference in approach to their approach and the concept of a State Farmers Organisation:-

*‘.....a farmer organisation is likely to be governed by political democracy – one member, one vote – whereas an agricultural organisation is likely to be governed by commercial democracy – where voting relates to the investment or value added involved.’*

This recognition of the dual commercial social political democracy role of an agricultural advocacy body course the foundation of the national two register voting system that governs the election of the directors of CPA with half the directors being elected from each register with voting in one register based on one member one vote and voting in the other register based on the amount of cattle transaction levies paid,

A voting system modelled on the Australian Meat Processor Corporation (AMPC) two register voting system. Meat And livestock Australia’s (MLA) election system is also national rather than state based and founded on the value of levies paid as is the voting structure of Livecorp and the Australian Lot Feeders Association.

As Trebeck and Crombie say at page 13 of their paper;-

*‘The elephant in the room remains the federated structure whereby farmers join a State farm organisation or a commodity-based one, rather than a single National body. This was preferred when all the State organisations were strong in membership and financially, but it is no longer the case. National representation is suffering as a result.’*

Trebeck and Crombie also discuss the powerful American Farm Bureau voice of agriculture advocacy model funded from the provision of members services which coincidentally 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. 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 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.*

The Full Future of Agricultural Advocacy in Australia 7 November 2013 joint paper by David Trebeck and David Crombie is set out in Appendix 5.

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

**Executive Summary**

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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.

The research reported here has been carried out in order to identify options that may be available to enhance the effectiveness of farmers’ advocacy groups in Australia in the future.

The research consists of a review of available literature on related issues, an analysis of a number of case studies of international agricultural advocacy groups, an analysis of several successful Australian advocacy groups not involved in the agricultural sector, and surveys of the perceptions of some key stakeholders about the current and future roles of Australian farmers’ advocacy groups.

Assessing the effectiveness of advocacy groups is a complex task, made more difficult by the vast array of interacting factors that are inevitably involved in government decision-making, only some of which can be impacted on by advocacy groups. The approach taken in this research has been to develop a series of criteria that provide an assessment of the potential effectiveness of a specific advocacy group. The rationale is that, if a group rates highly against these criteria, it is likely to be more effective, all other things being equal.

The six criteria used to assess each of the groups included in the research were labelled:

- Strength of the business model
- Coverage
- Legitimacy
- Consistency
- Competition
- E-capacity

The outcomes of the research and subsequent analysis resulted in a number of specific conclusions being reached about changes that appear necessary in order to enhance the effectiveness and long-term sustainability of the Australian farm advocacy ‘system’. The conclusions reached are as follows:

- 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.

- 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.

## Introduction

### Page 1

#### 1.1 Background

Farmer representation and advocacy organisations in Australia are facing considerable difficulties at present, exemplified by declining membership, fragmentation and perceived ineffectiveness. Factors considered to be contributing to these problems include:

- The reduced economic importance of agriculture, which has made the task of influencing policy-makers much more difficult.
- The deregulation of the agricultural sector, which has reduced the direct roles of farm lobby groups in formulating legislation.
- The gradual centralisation of major issues affecting agriculture towards the Australian Government and away from state governments, which has changed the roles and influence of state-based farming organisations.
- The increased scrutiny being imposed on agriculture by community and specific interest groups, including environmental and animal welfare organisations.
- The ‘digital revolution’ which has changed the way people access information, the way they express their views and the way organisations engage with stakeholders.

In addition, the growth of the internet and social media has greatly changed the way advocacy is conducted in modern democracies. Twenty years ago the major engagements of farm lobby groups with governments were in relation to various statutory marketing arrangements associated with the grain, wool, dairy, sugar and horticultural industries. These engagements occurred predominantly through written letters, or in face-to-face meetings between industry representatives and the relevant Minister and few, if any, non-farm interest groups were engaged in the discussions.

In contrast, the major policy issues for farm businesses now revolve around access to water and land; community expectations in relation to the welfare of farm animals or the use of agricultural chemicals. In each of these, the farm sector is just one of a number of interest engaged in the debate. The majority of this debate now occurs in the public media, and policy-makers are increasingly influenced more by broad community demands than by the specific views of farm organisations.

The recent live cattle export suspension provides a relevant illustration of this changed policy environment. In 2011, the broadcast of a documentary on the slaughter of Australian cattle in one small-scale abattoir in Indonesia was used by activists and animal welfare groups to mount a campaign supporting a ban on live cattle exports to Indonesia, Australia’s major market. The broadcast encouraged an immediate flood of thousands of emails to national politicians. Despite representation by farm organisations, the live cattle trade was suspended and only reinstated one month later under very stringent conditions, at considerable extra cost to the cattle industry.

The recent debate about the Murray-Darling Basin Plan provides another example of the complexity of the political arena in which farm industry organisations now operate. A range of environmental and community groups mounted active sustained campaigns about the need to increase water allocations for the environment. These groups acted collaboratively, were able to focus tightly on the need to ‘restore the health of the rivers and attracted wide community support. In contrast, irrigation and farming organisations.

## Page 2

expressed a diversity of views, had varied levels of engagement and were as a result probably less effective and more reactive in arguing their case.

...

Critical questions considered as part of the research included the following:

- How have overseas farm organisations adapted to the changing socio-political environment over recent times?
- How effective are non-Australian farmer organisations in influencing public policies and the perceptions and understanding of agriculture by the general community?
- How effectively do non-farm advocacy organisations operate in different sectors of the national economy?
- What structural and operational characteristics of successful advocacy and representational organisations could be considered for adoption by the farm sector in Australia?

### 1.1.1 Research objectives

The objective of this research was to identify factors that are likely to contribute to improvements in the effectiveness of farm advocacy organisations in Australia.

## Page 3

### 1.2.3 Stakeholders’ perceptions

Industry or advocacy organisations have two key stakeholder groups – their members or potential members, and the policy-makers they seek to influence. A key measure of the effectiveness of any organisation is the perceptions of that organisation that are held by members of these two groups.

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### 8.1 Strength of the Business Model

It should perhaps go without saying, but ultimately an organisation seeking to be involved in advocacy – particularly over the long term – needs a sound and sustainable business model in order to be able to continue resourcing the activities that it is engaged in.

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The results of the farmer survey reported in this research reinforce the need for farmer advocacy organisations to develop sustainable business models based on attracting members and generating revenue from activities and services that provide direct and exclusive benefits to members, in addition to the advocacy activities of the organisation. Survey respondents who are no longer members or who have never been a member of their state farm organisation most frequently cited ‘lack of value for money’ and ‘lack of engagement’ as the major reason for not being a member, reinforcing the view that individuals do not perceive that the organisations offer benefits that are sufficient to overcome the free-rider temptation.

...

It is notable that one of the more common responses provided by survey respondents about why they are not, or are no longer a member of an agricultural advocacy organisation was the lack of engagement the organisation offered. This suggests that the opportunity for local engagement has the potential to at least partially offset the free-rider effect.

**Page 85****8.2 Coverage**

The issue of coverage is a complex one for agricultural advocacy organisations. Wide coverage (and associated strong membership numbers) brings both resources and legitimacy, each an important requirement in order for an advocacy organisation to be effective over the longer term, and to deal with the full range of issues (local, state, national and international) that impact on the interests of the membership group. Wide coverage also brings an organisation business advantages, in that efficiencies of scale are usually available in relation to staff, communications infrastructure and office premises.

But wide coverage also brings with it a reduced ability to directly address the specific interests and needs of individual members.

In the absence of other compelling reasons to be a member, the inability of relatively large advocacy organisations to directly address the

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specific interests of individual members is likely to lead to membership loss associated with disagreement about a specific policy or policies. This is highlighted in the results of the farmer survey reported earlier, with more than 20% of those who were previously members of an agricultural advocacy organisation (mostly state farm organisations) stating they had ceased being a member because they disagreed with policies adopted by the organisation. In contrast, only 80% of those who stated they have never been a member of their state agricultural advocacy organisation state that the reason was their disagreement with the policies being pursued by the organisation. Respondents in this latter group were much more likely to state that ‘lack of engagement’ was the prime reason they had not become a member.

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It is worth noting in relation to increasing coverage that, for a number of reasons that have been discussed here, it is likely to be very difficult for a peak council or national body like ACCI or the National Farmers’ Federation to broaden the coverage of the organisation. These peak organisations

do not have direct engagement with individual business owners (either farmers or small businesses) and therefore can do little to increase their appeal. This task necessarily falls to those organisations that have a direct relationship [sic] with individual members, and hence any efforts to restructure these organisations to broaden their membership (either horizontally or vertically) must necessarily be initiated by the member organisations, not the peak bodies.

A conclusion is that initiatives to broaden membership coverage are more likely to be successful and aid long-term effectiveness if the initial focus is at those levels of the advocacy system that have direct engagement with individual members.

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### **8.3 Legitimacy**

The perceived legitimacy of an advocacy group is likely to be an important part that [sic] group’s potential effectiveness in pursuing the interests of members. An organisation which has legitimate claims to represent the interests of a particular group in the community is more likely to be listened to by policy-makers, and in fact policy-makers often seek out legitimate representative organisations as a means of streamlining democratic processes. It is much easier for policy-makers to negotiate with a representative group, for example, than it is to conduct negotiations with large numbers of individuals.

The extent of an advocacy organisation’s legitimacy is not strictly tied to simple factors such as the proportion of industry participants that it represents. In the instance of the FNSEA organisation in France, for example, there are a number of competing farmer’s advocacy organisations actively competing for members. However, the FNSEA organisation is able to secure legitimacy due to the support that its candidates are able to demonstrate in elections for regional agricultural chambers. In many respects, the legitimacy of the FNSEA organisation is akin to the legitimacy of a political party which wins a majority of seats in parliament, but not all seats.

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### **8.4 Consistency**

The consistency of an advocacy organisation in pursuit of particular policies is an important factor in establishing legitimacy, and also in attracting and retaining members. The consistency of an organisation is usually considered to refer to the broad, underlying philosophical approach that the organisation takes in its response to specific policy issues. An organisation (or a politician) taking a consistent approach on issues is more likely to have stronger credibility in the community and with government, and to have its positions respected in the decision-making processes. As a simple example, an organisation that criticises government for using taxpayer funds to support a specific sector of the economy, but which then proceeds to call loudly for government support of its own sector is likely to be considered inconsistent, and its views given less respect.

A conclusion is that a consistent approach to policy issues is an important element of the identity and legitimacy of advocacy organisations, and also critical to the long-term effectiveness of the organisation.

For membership-based advocacy organisations, the issue of maintaining policy consistent over time is a particularly challenging one. As an organisation expands its membership, it becomes inevitable that there will be some conflict between groups of members over specific policies. Most

membership-based organisations have representative structures which enable policy disputes to be resolved and allow the organisation to present a united voice on specific issues.

However, if the only ‘offer’ to members is to provide advocacy services, then it is inevitable that those on the losing side of internal policy debates will subsequently be less likely to renew their membership. This is highlighted in the farmer survey reported earlier, where almost 20% of respondents who had decided not to continue their membership of an organisation did so because they did not agree with policy being pursued by that organisation.

A conclusion is that 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 its legitimacy.

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The Australian farmers’ advocacy system has a somewhat patchy record when it comes to proactive engagement with the community or with opposing advocacy groups. In the past, Australian farm groups have occasionally been proactive and engaged with opposing interests in efforts to resolve natural resource (Landcare) and land title conflicts, but most do not currently appear to adopt such a proactive approach. It is probably fair to observe that, in the face of declining resources, national bodies in particular find it difficult to adopt proactive projects.

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.

#### **Page 92**

The ability to communicate widely and immediately with the general community, with policy-makers, with specific groups within the community and with members and supporters has become an essential element of advocacy over the past decade. The advocacy organisations included in this research have adopted electronic and social media strategies to different degrees, with some utilising these technologies very effectively, and others only utilising them in a fairly basic fashion.

...

As a means of engaging members and as a way of encouraging non-members to become engaged in and to contribute to specific campaigns, electronic communications and social media both provide a very important means of communicating with members, policy-makers and the wider community in a relatively inexpensive and targeted way.

The farm sector is a very rapid adopter of information systems and decision support tools that are able to be used on smartphones. The increasing reliance that farmers place on smartphones applications provides an opportunity for farm advocacy groups to deliver useful information services to members and other farmers in a way that provides benefits to users, but also facilitates a convenient means of exchanging information. This appears to be a promising way of both enhancing engagement with farmers, but also of delivering a valued service that constitutes a benefit associated with membership.

A conclusion is that 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 fragmentation and geographical isolation that have limited the effectiveness of farmer advocacy organisations in the past.

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>

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

The extracts from pages 13 to 18 inclusive of the RMAC submission to the 2014 Senate Inquiry into Industry Structures and Systems Governing Levies on Grass Fed Cattle are set out and/or referred to below are also pertinent and relevant to the current Red Meat MOU Taskforce Review

A link to the full RMAC February 2014 Senate Inquiry submission is set out below

The RMAC submission to the 2013/14 Senate Inquiry noted that:

*“in the context of the changes and challenges outlined 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.”*

The RMAC submission referred to the 2013 Meat Industry Strategic Plan (MISP) Mid-Term Evaluation, which it states was the first ever independent evaluation of the industry’s performance against MISP. The solution noted by RMAC as being worthy of consideration included:

1. A direct membership structure with a clear line of sight “between representative organisations and their members.”
2. Targeted, systematic focus in operations, noting that identifying and focusing on the highest priority issues for each sector is likely to yield quicker and/or more money from results to levy payers.
3. A sustainable funding base which RMAC sees as essential for the longevity of organisational bodies, noting that 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 little option but to deliver some of these activities via levy funded service Agreements.*

The following extracts from pages 13 to 18 inclusive of the RMAC submission to the 2014 Senate Inquiry into Industry Structures and Systems Governing Levies on Grass Fed Cattle which are set out and/or referred to below are also pertinent and relevant to the current Red Meat MOU Taskforce Review

### ***The changing and challenging landscape of the red meat and livestock industry*** (page 12)

Since the inception of the current red meat and livestock industry structure (in 1997/98), the very sectors which it is designed to serve have undergone significant transformational change. Some (but by no means all) of the more notable changes since that time include: -

- Demographic and sectoral shifts in the composition of the supply chain:
  - o Fewer, and older farmers in the production sector
  - o Dominance of multi-national entities in meat processing
  - o 81% increase in grain-fed cattle numbers on feed
  - o 36% decline in the national sheep flock and 61% increase in lamb production
- Economic pressures associated with on-going declining terms of trade
- Social changes with respect to community engagement, decline in voluntary membership, etc.
- Technological advancements in information access and dissemination

These and other changes in the operating landscape have placed significant challenges

### **1. Direct membership structure (page 14)**

*In an era when organisations are expected to be highly attuned and responsive to their constituent, a clear ‘line of site’ between representative organisations and their members is critical to their long-term success. Intermediaries (i.e. bodies that lie between an organisation and its ultimate constituency) not only dilute the presence (or awareness) of the parent organisation at grass roots level, they also potentially hinder attribution –and thus accountability- for results (good and bad).*

*From a risk management perspective, any situation in which the perpetuity of the parent organisation is contingent upon the longevity of intermediaries positioned between it and its constituents is problematic.*

*Direct ‘reach’ into the market place, in both commercial and representative contexts, is an essential part of ensuring active, effective and timely engagement with stakeholders, including consultative processes to identify immediate needs and future priorities. This is an important consideration in assessing the suitability of current organisational structures to efficiently and effectively promote and collate levy-payer input to investment activities.*

### **2. Targeted, systematic focus in operations (page 14)**

*Notwithstanding the differences in the social, economic and physical structure of the sectors of industry which RMAC’s Members represent, a key attribute of the most effective representative organisations is their ability to remain acutely focussed on those areas that impart the greatest impact (positive or negative) on their constituents. This characteristic further emphasises the value of a direct level of engagement between representative bodies and their constituents, as a means of ensuring their priorities are identified and addressed in a timely manner.*

*On the contrary, those organisations which dilute already limited resources over an expansive portfolio of responsibilities, inevitably struggle to bring issues to a complete resolution and/or deliver tangible results to their constituents.*

*A disciplined approach to identifying, and focussing on, the highest priority issues for each sector is likely to yield quicker and/or more meaningful results to levy payers. Moreover,*

*those issues with commonality across a number of sectors may be best managed in a collaborative forum.*

*While acknowledging that there is room for improvement in the processes by which an issue is deemed to be best managed on a cross-sector basis, a focus of RMAC’s activities remains on facilitating co-operative behaviour and/or leading collaborative activities with a whole-of industry benefit.*

### **3. Sustainable funding base (page 15)**

*Be it to support continued growth in the portfolio of responsibilities for an organisation, or to maintain a targeted products and services focus, a sustainable funding base is the primary rate-limiting factor for organisational longevity. ‘Sustainable’ is an important descriptor, as it refers not only an approximate match between income and expenditure (for not-for-profit entities), but also to a funding base that: o Provides resilience and contingencies in the face of changes to the balance and/or quantum of income streams; o Will withstand scrutiny in transparency of money flows and any conflict/s of interest; and, o Promotes accountability and a results-based culture within an organisation.*

*Table 1 outlines the quantum and origin/s of income for the industry’s PICs, including RMAC. Notably, there a very large variations in the relative levels of reliance (as depicted by the percentages shown in brackets) on the three tiers of income listed (i.e. RMAC distributions, levy-funded agreements and voluntary contributions).*

*Table 2. Outline of PIC budgeted income (by source category) in FY2013-14*

*Operating income by source (and % of total)*

	RMAC Fund	Service Company Levies*	Membership/Sponsorship
ALEC	21%	31%	49%
ALFA	16%	9%	75%
AMIC	40%	0%	60%
CCA	28%	39%	32%
SCA	29%	57%	14%
RMAC	100%	0%	0%

*\* Derived through Service Agreements via AHA, MLA and/or LiveCorp*

*Table 1 raises a number of issues with respect to those elements of a “sustainable” funding that are outlined above: o A high (or in RMAC’s case, complete) dependence on a single source of income may - from a risk management / contingency perspective – impact on long-term resilience. Moreover, a high level of reliance of Fund distributions may provide even greater challenges, as total distributions must remain within the cap (6% of total Fund value) set by the Commonwealth and administered by RMAC3. There are few if any options to increase funding provisions via this mechanism within the current constraints of the MoU.*

*Non-voluntary sources of funding (i.e. provisional distributions from the Fund and levy-based monies via one or more Service Companies) must be accompanied by appropriately robust reporting frameworks in order to ensure transparency and accountability for expended*

*monies. In the case of Fund distributions, the process of monies being released based on the provision and approval of an Annual Business Plan has already been identified an area warranting greater attention in the future. Accordingly, and as but one response to the MISP3 Mid-Term Evaluation, RMAC is in the process of refining both the format and scheduling of performance reporting, with a strong focus on objectivity and accountability (for both RMAC and its members).*

*Finally, an express intent of the 1997/98 industry restructure process was to isolate levy monies (taxes) from being used by policy bodies for activities that may or may not have the support of individual levy payers.<sup>4</sup> On one hand, “necessity knows no law”; that is, the concurrent need for industry bodies to maintain sufficient capacity to deal with a wide-ranging portfolio of responsibilities has left little option but to deliver some of these activities via levy-funded Service Agreements. On the other hand, such arrangements may pose at least a risk to one or more elements of accountability, transparency and service quality. This challenge is exacerbated when the provider of contracted activities has a concurrent role to oversee the direction of levy expenditure provided by the contractor. In reality, there is no easy solution to this situation; most importantly, such arrangements require the careful application of processes and safeguards to ensure the activities with Service Agreements are delivered with appropriate accountability, transparency and quality.*

#### **4. Commercial / pseudo-commercial products and services delivery model (page 17)**

*The ability to develop and provide value-added products and services is as important to representative organisations as it is to commercial entities. Organisations which choose to confine themselves to strictly policy-only operations are inherently limited in their capacity to demonstrate tangible value to their constituents. On the other hand, those organisations which actively seek to find and fill a ‘vacuum’ for products and/or services of definable value to their members, to which they can apply a realistic cost structure, are afforded a solid platform for business continuity. Given the on-going trend in withdrawal of government services from many areas of agriculture, the opportunities for representative organisations to refine or focus their operations on value-added services are – arguably – better than they’ve ever been.*

*It needs to be reiterated that these points should not be interpreted as criticism of any one organisation over another. Rather, they are key features which RMAC believes warrant due consideration in the context of delivering enhanced transparency and accountability for levy expenditure, and ultimately greater value to levy payers. This of course applies beyond the grass-fed levy.*

These extracts above from the RMAC February 2014 Senate Inquiry Into Industry Structures and Systems Governing Levies on Grass Fed Cattle Submission graphically sets out the complexity and range of the representative issues currently besetting the red meat industry advocacy bodies.

The RMAC language in their 2014 submission is unconstrained :-

- Page 12 - significant transformational change-
  - Demographic and sectoral shifts in the composition of the supply chain:
    - Fewer, and older farmers in the production sector

- Dominance of multi-national entities in meat processing
- 81% increase in grain-fed cattle numbers on feed
- 36% decline in the national sheep flock and 61% increase in lamb production
- Economic pressures associated with on-going declining terms of trade
- Social changes with respect to community engagement,
- decline in voluntary membership, etc. –
- Technological advancements in information access and dissemination
- Page 14 - Intermediaries that lie between an organisation and its ultimate constituency diluting the presence (or awareness) of the parent organisation at grass roots level hindering attribution – and thus accountability – for results (good and bad).
- Pages 15 and 16- Issues with a sustainable funding base with an asterisked reference to the percentage of funds received by the representative bodies through Service Agreements via AHA, MLA and/or LiveCorp.
- Page 17 – a reference to a pseudo –commercial products and service model

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

*Responsibilities. This places responsibility squarely on the Peak Industry Councils, including the Cattle Council of Australia, to transform their capacity to operate as effective policy and advocacy bodies that produce valued outcomes for levy payers.*

The October 2012 Inovact report discussed the issues relating to grass fed cattle representation and funding for Peak Industry Councils in detail on pages 47, 48 and 49 of the CCA Submission

### Representation of grass-fed cattle producers

The traditional model of farmers having national representation via their membership of a multi commodity 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.*

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, namely:-

*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.*

#### *Temporary ban of live cattle exports to Indonesia*

*The events that led to the temporary ban on live cattle exports to Indonesia and the outcome have been well reported. The ban resulted in major financial losses for cattle producers and their families, damaging impacts on related businesses involved in the export trade, and potential damage (perceived and actual) to the industry image.*

*A key outcome of the incident has been recognition by levy payers and industry organisations alike that the current organisational arrangements are not operating and performing as intended:*

- There is confusion and misunderstanding amongst levy payers and other stakeholders as to the roles and responsibilities of the various industry bodies.*
- Roles and responsibilities are not always practiced. For example, the services body (MLA) may have over-reached its role in an effort to address industry needs. It subsequently led to a decision by MLA to go ‘back to basics’ (see Box) and focus on its core mandate.*
- Peak Industry Councils lacked unity, coordination and effectiveness. They did not have a shared public message and this was not resolved through the Red Meat Advisory Council (RMAC).*

*A common theme across these observations is that the industry representation, policy development and advocacy functions lacked unity of purpose, effectiveness and capacity to deliver on their roles and responsibilities. There was a market failure. The situation is set to escalate with MLA’s intention to ensure its focus and scope remains on its core role and*

*There are fundamental flaws in the existing system that disconnects cattle producers from their national representative body. For example, while CCA receives RMAC funding and as such has to represent the interests of all grass-fed cattle producers, its ability to engage directly with all producers is constrained by its SFO membership. Cattle producers cannot join CCA directly and the Councils communications with producers are channelled via their SFO membership. That is, direct communications with producers is primarily via SFOs (with their limited membership) and not by the Cattle Council (with all levy payers)*

*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. In recognition of the significance of the representation issues, the Cattle Council of Australia released a*

*consultation paper in January 2012 for structural reform of national representation of the grass-fed beef industry. It canvassed structural options that moved beyond the traditional SFO model, including direct membership and proposing that funding of industry policy be sourced from a percentage of the marketing portion of the cattle transaction levy.*

The Inovact Report also noted at 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.*

#### 2.8 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 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 and enabling them to maximise their ability to respond to profitability challenges and capture 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 inquiries 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.

Recommendation 1 of this 2014 Senate Inquiry recommended a 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 resolved that the RMAC should be dissolved and a new system be developed to manage and disperse earnings from the Red Meat Industry Reserve Fund.

The 7 Recommendations made the 2013/14 Senate Committee Inquiry Report are set out in Appendix 6

## 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.

In Section 5.14 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 (p 92).

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

Significant extracts from Chapter 5 of the 2017 Senate Inquiry Report the Senate Committee set out below

## 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 would examine competition, efficiency, transparency and trading issues in the beef and cattle supply chain. The ACCC’s Cattle and Beef Market Study Final report (March 2017) handed down 15 recommendations.

In summary the report noted that as the industry is the single largest contributor to the annual value of Australian agricultural production, it is paramount that it is competitive and efficient. Analysis of the market study revealed a number of issues which risk damaging transparency, competition and efficiency in the industry. In particular, the report identified a lack of transparency of price reporting and carcase grading, and concerns about conduct affecting the competitiveness at saleyards.

The Cattle and Beef Market Study – Update report (May 2018) reviewed the progress toward implementing the recommendations in the twelve months since the release of the Market Study. The report demonstrated that industry representatives have not acted on the recommendations and that progress has been very poor. The ACCC in its media release pointed out that the *“Inaction 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 identified that 90% of cattle are sold through direct purchases from farmers and are not reported on, which the ACCC see as a serious risk to the efficiency of the industry. The ACCC were critical of RMAC and its reluctance to progress the ACCC recommendations and in fact RMAC denied industry had a problem.

**Appendix 3: The Future of Agricultural Advocacy in Australia --Farmer Representation in Australia:  
Past Lessons and Future Directions – a joint paper by David Trebeck and David Crombie AM  
7 November 2013**

# **THE FUTURE OF AGRICULTURAL ADVOCACY IN AUSTRALIA**

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## **Farmer Representation in Australia: Past Lessons and Future Directions**

**Paper presented to the Australian Farm Institute’s Agriculture  
Roundtable Conference 2013, Sydney**

**David Trebeck and David Crombie**

**7 November 2013**

## 1.2 Introduction<sup>18</sup>

In this paper, we review the background to the formation of the National Farmers Federation, and note policy and operational differences today compared with the late 1970s. We consider whether, and if so why, a national organisation such as the NFF is still needed. Some observations are offered by the first co-author on current NFF activities.

Next, we assess the problems, especially relating to funding, that have beset farm organisations over recent years. We conclude that the present model is broken and propose a quite different, hopefully improved, operational structure for farmer/agricultural representation into the future.

## 1.3 The Formation of the National Farmers Federation

The National Farmers Federation commenced in July 1979, the culmination of a decade’s long quest for farmer unity in Australia.<sup>19</sup> To “speak with one voice” was the Holy Grail, especially when dealing with politicians whose capacity to “divide and rule” was legendary.

Farm organisations in Australia date back to the late nineteenth century. Industrial unrest led to the first shearers’ strike and attempts to support it by waterfront unions blocking the export of wool shorn by non-unionists. In response, the Pastoralists Federal Council of Australia was established at an “inter-colonial conference” held in Sydney in December 1890. It was preceded by the formation of a number of State organisations, such as the United Pastoralists Association of Queensland, whose catch-cry was “freedom of contract”.

Industrial issues, principally in the long-dominant wool industry, occupied a central place in the deliberations of these organisations for the next 80 years. The Pastoralists Federal Council became the Graziers Federal Council in 1920 and later (1960), having amalgamated with the Australian Woolgrowers Council, the Australian Woolgrowers and Graziers Council. With AWGC being one of the bodies that formed the NFF, there is a direct line back to the first farm organisations more than a century ago.

The lead-up to NFF’s formation occurred during a period of depressed returns (recall the wool price crash, oil shocks, high inflation and excessive wages growth in the 1970s). In part, farmers recognised that they could no longer afford multiple organisations and the costly overheads that went with them.

But more important was the recognition that the issues which had traditionally divided farmers – notably, marketing structures (statutory intervention versus a free market) – were no longer as important as the issues on which they could agree – notably the direct and indirect impact on agriculture of macroeconomic policies (exchange rates, inflation, taxation, fiscal and monetary policy

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<sup>18</sup> The authors of this paper were respectively the inaugural deputy director (1979-83) and a former president (2006-10) of the National Farmers Federation. It draws on their experience with farmer advocacy over the years. The paper has also benefited from the suggestions of a range of others with similar involvement, to whom the authors are grateful.

<sup>19</sup> Additional background on the history of farm organisations in Australia and their endeavours for unity can be found in Tom Connors’ PhD thesis, *To Speak with One Voice: the Quest by Australian Farmers for Federal Unity*, published by the NFF in November 1996, and David Trebeck, ‘Farmer Organisations’, chapter 9 in *Agriculture in the Australian Economy*, 3<sup>rd</sup> edition, edited by Don Williams, Sydney University Press, 1990.

and budget settings, protection to manufacturers, trade policy and wages/industrial relations policy).

The lead was taken in New South Wales, with the amalgamation of the United Farmers and Woolgrowers Association and the Graziers Associations of NSW and Riverina into the Livestock and Grain Producers Association of NSW (now NSW Farmers Association). This occurred at the beginning of 1978.

The new organisation said it would retain affiliation with the existing three Federal bodies (Australian Farmers Federation, Australian Wool and Meat Producers Federation, and Australian Woolgrowers and Graziers Council) for 12 months, after which, if no new proposal for a single Federal organisation had emerged, it would set up its own and invite other States to join.

While this was effectively an ultimatum, it stimulated similar amalgamations in Victoria, South Australia and Tasmania. The two Western Australian organisations (WA Farmers Federation and the Pastoralists and Graziers Association) resisted the pressure to merge – because philosophical differences to marketing and other issues there were more pronounced than elsewhere. They remain separate entities to this day.

In Queensland the position was complicated by a more diverse agricultural structure, with substantial horticultural, cotton, cane and dairy businesses, in addition to livestock and grain. There had also been a heated split in the mid-seventies within the cattle industry, which had seen a number of prominent cattle producers break-away from the United Graziers Association and form what became a more assertive Cattlemen’s Union.

Queensland aside, the dominant enterprises within the other States, and therefore the membership of the State organisations, were wool, meat (beef and sheepmeat) and grains. In rough terms, these contributed about one third each to the national value of agricultural production. The remainder came from horticulture (including grapes), dairy, cotton, rice, cane, pigmeat, poultry, and so on.

This enterprise profile underpinned the structure of NFF, including a series of ancillary commodity councils for wool, grains, cattle and sheepmeat. There was no serious support for an alternative structure based on individual farmer membership. The views of individual farmers were channelled through to NFF via the State farm organisations, which were fairly strong in financial and member terms, or through specific commodity councils that were unrelated to the State farm organisations (such as sugar or rice).

Unfortunately, horticulture was under-represented as it was fragmented into different enterprise groupings and lacked financial and organisational strength – a disadvantage which persists.

There had once been a direct-member Australian Primary Producers Union, formed in 1943. It had the aim of “uniting into one Commonwealth-wide Union, all sections of primary production”. It was encouraged by the Department of War Organisation and Industry, while a Rural Reconstruction Commission envisaged a national council of farmers “through which the sectional interests of individual industries would become subservient to the common good, and the development of ‘group individualism’ in any particular farming industry would be discouraged.” The Commission also thought that farm employees, local and State Governments, consumers and others should be involved in the APPU’s decision making structure.

These views may sound somewhat quirky today, but in the early 1950s the APPU claimed a membership of over 70,000. However, the continued existence of viable commodity-based organisations made establishing effective links with government or marketing boards difficult. The APPU was left *de facto* to represent the weaker elements of the agricultural community. In 1969 it was absorbed into the Australian Farmers Federation, itself an amalgam of other groupings.

Two other developments gave impetus to the spirit of unity in the immediate pre-NFF period. First, a major national brawl erupted in 1978 over the export of live sheep and whether farmers should have the untrammelled right to sell their livestock as they pleased (similar to “freedom of contract”). This was opposed by a meat union campaign which sought to impose ratios for the number of sheep that could be exported live relative to carcase exports. The resultant industrial dispute, which the meatworkers lost decisively, galvanised farmers like few issues had done before or since. It demonstrated that when farmers were unified and motivated, they represented a powerful force indeed.<sup>20</sup>

Second, the secretariats of the pre-NFF Federal bodies had progressively relocated to Canberra, from where they were better placed to engage with politicians, public servants and the media. Concurrently, they strengthened their economic and analytical expertise. This had become vital, especially following the conversion of the Tariff Board into the more broadly focused Industries Assistance Commission (now Productivity Commission). The farm organisations had to argue before the Commission for the continuation of any rural assistance programmes that existed – which they often did successfully. Stronger analytical capacity was also important in dealing with Treasury and other agencies. It also helped convince a more economically literate, but often sceptical, Canberra press gallery of the merits of the farmers’ arguments.

The new NFF adopted a solid policy platform which stressed the primacy of broader economic issues. In that respect, what was good for the economy was seen as good for agriculture and farmers, and *vice versa*. The NFF’s policy platform was converted into published form in *Farm Focus: the 80s*.<sup>21</sup>

NFF immediately demonstrated a preparedness to criticise decisions by the Government when justified, earning a rebuke from several National Party Ministers. Conversely, then Treasurer John Howard welcomed the NFF’s clear support for financial deregulation, more flexible industrial relations, and trade liberalisation, a fact he regularly recalled in subsequent speeches to farming audiences. In addition a former president of the Minerals Council (Sir Rod Carnegie) told an early NFF Council meeting that in terms of sensible economic policy “the NFF was right and the NFF was first.”

In summary, this brief review of the history of farm organisations in Australia has highlighted several themes:

- farmers have long sought the added clout from a unified structure;
- notwithstanding this, splits and splinter groups occurred from time to time;

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<sup>20</sup> A chronology and assessment of this dispute appears in David Trebeck, “The Industrial Significance of the 1978 Live Sheep Export Dispute”, proceedings of the HR Nicholls Society Conference, “No Ticket, No Start, No More”, Canberra, February 1989.

<sup>21</sup> NFF (1981), *Farm Focus: the 80s*, January 1981.

- existing structures did not remain fixed but varied as circumstances changed;
- hard times, for whatever reason, tended to be the catalyst for change; and
- the interests of farmers could usually be equated with the national interest.

#### **1.4 Changes Affecting Farm Organisations between the Late 1970s and Now**

Many features of Australian agriculture remain more or less the same today as three to four decades ago:

- volatile market and seasonal conditions, and the periodic heartache caused by widespread drought (or floods or fires);
- an export focus of the major industries with farmers largely being price takers in those markets, their returns being influenced by exchange rates, overseas demand conditions and import restrictions;
- a relatively high average age of farm proprietors, not surprising given the substantial capital required to operate a successful farming business;
- the importance of innovation and productivity improvement to offset the impact of the cost price squeeze on farm returns;
- continuing pressure for farm size/scale to increase, hence farm numbers to decline;
- continuing substitution of specialist contracting services for on-farm employees; and
- high off-farm costs, such as transport, and low off-farm productivity, such as in abattoirs, the costs of both being reflected in farmers’ net returns.

In other respects, however, there has been great change since NFF commenced operations:

- the enterprise mix has altered drastically, with a significant relative decline in wool growing, relative growth in parts of horticulture, and massively improved efficiency in dairying (albeit with a drop of over 80 percent in dairy farmer numbers);
- agriculture’s relative contribution to the Australian economy has continued to fall (whereas mining, for example, has risen);
- there has been increasing competition in export and domestic markets from countries whose production costs are well below those in Australia;
- communications and information technology, such as GPS navigation, the Internet and social media, have transformed productivity and how farmers obtain information;
- there is a bigger challenge in competing for the attention of target audiences, whether politicians, media or the community, requiring greater sophistication of people skills and techniques to convey the message;
- many once contested policy issues have been “settled”, such as trade liberalisation, flexible industrial relations, and domestic policy settings conducive to international competitiveness;
- meanwhile new issues have appeared on the agenda, such as environmental, animal welfare, water policy, sustainability and native title;
- there has been an emergence of groups that are overtly hostile to some activities of farmers, including mulesing of sheep, export of livestock, caged poultry, intensive pig production, and research into genetically modified crop production;

- the contribution of women in farm business and agricultural policy decision making has increased;
- statutory intervention in agricultural markets has diminished, and in many cases disappeared, with no credible calls for its reversal;
- demographic changes and health awareness have affected dietary patterns;
- farmers (like most people) see themselves as time poor, especially in terms of serving lengthy apprenticeships to rise up the ranks of State farm organisations;
- the financial strength of many of the State farm organisations has shrunk, partly as member numbers have declined, leaving them under-resourced to prosecute their own agendas or fund national representation;
- there has been an increase in single purpose organisations, such as irrigation groups, specific enterprise or agribusiness associations, and breed societies, which may have fragmented financial resources and diluted the message;
- there has been a decline in advisory staff within State Departments of Agriculture – but a rise in private sector agronomists, marketing advisers and the like; and
- the overall reach of government has grown, which has increased compliance costs on farmers (e.g. environmental) and made the task of retaining funding more difficult.

### **Are Farm Organisations Still Needed?**

A thorough assessment of farm organisations invites the most fundamental question of all: are they still needed or have they been rendered obsolete by the passage of time and changing farmer priorities?

Ultimately, the rationale of a farm organisation is to undertake projects and to advocate policies that farmers cannot do individually, or where the clout from weight of numbers is crucial. This is analogous to the market failure logic which underpins – or should – decisions on government intervention, or mandatory imposition of R&D levies.

It is noteworthy that the terms of reference for the recently announced Commission of Audit include: “the Commission should be guided in its work by the principle that ...government should do for people what they cannot do, or cannot do efficiently, for themselves, but no more”. It’s much the same for a farm organisation.

In recent years, the conduct of industrial relations has matured, with all parties appreciating the value of greater flexibility. There has been less resort to high profile disputation. Centralised wage fixation has largely disappeared. The progressive reduction in manufacturing protection has lessened the scope for unions in those industries to jack up wages, knowing that the market position of their employers would be insulated by the tariff wall.

Advocacy has changed from direct confrontation towards seeking solutions that also meet the needs of the community. Examples include stewardship payments to farmers that contribute to the cost of locking up land for environmental purposes, carbon offsets for sequestering carbon, or seeking a fairer sharing of water between agriculture and the environment, rewarding efficient water use via enhanced water security.

As the industrial climate has improved, and the frequency of appearances before arbitral authorities has declined, some farm organisation costs have reduced. This positive development constitutes success from farm organisations’ previous work.

One of the positive legacies of the 1978 live sheep export dispute and the mid-1980s Mudginberri abattoir dispute, was the formation of the Australian Farmers Fighting Fund. Funds were raised and put aside for developments which could not be anticipated in an annual budget. The funds came from the farming community itself and also from the wider business community. Business leaders could see that farmers were often better placed to resist industrial bullying, especially where capital intensive assets were being held to ransom. Farmers’ organising ability, capacity to galvanise member support, determination not to capitulate and ability to convey a positive message publicly were recognised.

Sensibly, the size of the Fund has never been disclosed although it was always made clear that it was sufficient to cover costly campaigns, including litigation. The Fighting Fund has been a major, if under-appreciated, farm organisation achievement. Recent positive achievements of the NFF include:

- the exclusion of agricultural emissions from any carbon tax;
  - the simplification and added flexibility in farm industrial awards; clearer recognition of farm water entitlements in water policy; and consistent advocacy for further trade liberalisation wherever possible.

As farmer numbers decline and, along with it, their direct political influence, the need for a unified, clearly articulated view on agricultural policy issues increases if the agricultural view is to be heard at all. But: what type of organisation, with what *modus operandi* and policy focus, how should it be structured and how should communications with members, in part to ensure their continued support, be best conducted?

## 1.5 NFF’s Current Focus<sup>22</sup>

According to NFF’s *2012-13 Review*, the focus of NFF’s current strategic plan is:

- Increase the productivity and competitiveness of the farm sector;
- Secure and grow domestic and international markets;
- Effective and sustainable natural resource management;
- A focus on people; and
- Improve community perception and awareness of Australian agriculture.<sup>6</sup>

It would be hard to disagree with any of these strategies – each of which then has several sub-strategies which are a little more specific. The problem is that the wording is so broad that the strategic plan alone would be unlikely to convince an individual farmer to sign up as a member. Nor is accountability easy: how do you know whether the strategies have been achieved, and if they have been, to what extent were NFF’s actions responsible?

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<sup>22</sup> This section of the paper contains the views of just the first co-author. The second co-author, as a recent NFF President, refrains from commenting on its current activities. <sup>6</sup> See, NFF, *Annual Review*, 2012-13, pp 8-9.

NFF also published a *Blueprint for Australian Agriculture* early this year.<sup>23</sup> The document was finalised following a comprehensive program of consultation over 18 months, including “the input of almost 4000 people from across agriculture and its supply chain”. The Blueprint has seven themes:

- Innovation, Research and Extension;
- Competitiveness;
- Trade and Market Access;
- People;
- Agriculture within Society;
- Natural Resources; and
- Transformational Issues.

Again, the themes are logical, but specific actions and priorities will determine relevance and effectiveness. Already the focus has been narrowed, following a “Blueprint legacy phase”, described as a series of “stakeholder forums to (turn) the broad strategy ideas ... into specific time-bound actions, assign responsibility ... prioritise the Blueprint themes, goals and strategies and commit to working together to drive these actions forward”.

For the four priority themes the actions are:

- Innovation, Research and Extension: develop funding requirements and models to underpin private and public sector contributions, via a roundtable conference;
- Competitiveness: develop a costs and needs analysis to understand opportunities, competitors and value chains;
- Agriculture within Society: develop and implement a communications plan to better tell the story of agriculture; and
- Natural Resources: develop a shared understanding of sustainability via a roundtable conference, as the first step in embedding this in core business.<sup>8</sup>

It is hard to avoid the observation that there has been a triumph of process and spin over substance and specifics here. For starters, the simultaneous existence of a strategic plan and the *Blueprint*, even if the time periods of each may be different, invites confusion among the target audience, especially members. Which takes priority? How does the one relate to the other?

Second, the documents are replete with the fluffy language of communications consultants, management consultants and bureaucrats – with references to visions, missions, goals (not to mention key goals), themes, strategies, priorities, road maps, stakeholder engagement, needs analysis, shared understandings, addressing issues, driving forward, etc. This style of language, which annoyingly is hard-wired into virtually every government report on every topic these days, is light years away from the way that farmers think and talk. It sounds OK on a quick read, but much of it is quite empty on closer study.

Third, every “specific action” involves more talk before the specifics are determined. Given that the *Blueprint* process commenced in 2011, and has an end point of 2020, it is frustrating to think that not much may have been achieved by then. Surely, having involved 4000 people in getting this far, there should be better clarity already.

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<sup>23</sup> NFF (2013), *Blueprint for Australian Agriculture*, February 2013.

<sup>8</sup> See <http://www.nff.org.au/blueprint.html>

Moreover, there is little to indicate awareness of what has occurred in the past – not only by farm organisations themselves, but by researchers, scientists, consultants, government agencies, and so on. It is not as if we are starting from a clean sheet. The material has a decided “re-inventing the wheel” tone to it.

Another observation from reading the *NFF 2012-13 Review* is that although NFF is plugged in to a vast array of mainly government committees and specific purpose groups<sup>24</sup>, this involvement may merely fragment activity and dull effectiveness. It is not always the case that “more is better”. Each may be justified in itself, and the cost of member participation may be met by taxpayers, but the time and effort of determining representation, ensuring consistency with NFF policy, and reporting back to the wider membership are likely to be high. Whether they would satisfy a cost-benefit appraisal is debateable.

## 1.6 An Alternative Perspective

Our perspective on the challenges facing agriculture and the focus that NFF might have, commences with several requirements. Agricultural advocacy should:

- be simple to understand;
- focus on a limited number of big issues;
- be underpinned by good data and rigorous analysis;
- use arguments that are seen to be fair to all;
- capture the imagination of the community and, through it, the attention of a political system that has a short-term outlook and is seeking quick fixes and popularity; and
- be perceived as valuable to the business of an individual farmer and/or supply chain participant such that they are prepared to pay for it.

The mega trends within our region are population growth, rising incomes, the associated demand for higher quality food, and pressure on arable land, water and inputs. This is resulting in more mouths to feed – the challenge being to produce more with less.

Australia does not want to be competing with countries whose cost base is half ours. We should focus on the opportunity presented by economic growth within our region, with increasing purchasing power translating into dietary changes. The Chinese middle class does not want Melamine in its babies’ milk, nor will it tolerate *E. coli* in its meat and vegetables. It will be seeking, and will be prepared to pay for, high quality, safe imported food products. This is our future.

The positioning of farming within the community is critical as public perception and votes influence policy development. Urban Australia still generally likes farmers, even if there are fewer direct links than they once were. It thinks farmers work hard but is not sure it can trust us with water and the environment. Food supply is taken for granted and, as there are few votes west of the Divide, there is little urgency for our cause. Note how water reform has dropped off the political agenda since the drought ended.

Agriculture needs to engage better with the community to enhance community trust. We need to stress the reliability of our food production, its quality and safety and the integrity of our production systems: sustainability, environmental delivery, animal welfare, an ethical approach to farm practices, and workforce safety.

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<sup>24</sup> *Op. cit.*, pp 46-47 and 52-53.

We need to be talking about supply chains. We should stress that the interdependency and shared accountability to the community and consumers is more than food production alone. We must respond to community expectations and changes in consumer demand.

We need to be smarter with the allocation of research funding, be innovative, efficient and develop differentiated product offerings with the appropriate industry systems that guarantee product claims. Differentiation relates in part to clean natural production systems, so biosecurity, control systems and trace-back are important.

Market access is critical to provide the widest possible choice, particularly into the growth markets in Asia. Infrastructure (roads, rail, transport hubs and ports) are vital to make the movement of inputs and product as efficient as possible.

With an ageing farming population, succession planning will be of increasing importance. There is a need to create the right pathways, including asset securitisation and credit to allow for transfers to the next generation. Land tenure and land use, water security and capital availability, including foreign Investment, need to be more flexible and harmonised between the States.

The cost of compliance, inconsistency in regulations across State borders, especially industrial regulations and wage productivity, all add to the cost of food production, and should be minimised.

This statement seems to capture most of the agenda – and it occupies about a page.

### **Is NFF Effective?**

Even if its policy agenda is appropriate, there still needs to be acceptance that NFF’s input will be effective. Governments and political parties are also likely to sign up to much the same agenda. What is the specific contribution that the NFF can make to hold a Government to account? This is a more subjective question to answer.

Moreover, even if the NFF is contributing successfully, will prospective members be prepared to contribute discretionary income to the effort? We are, after all, dealing here with a classic example of the “free rider” problem, where overall effectiveness is unlikely to be altered much by whether one individual farmer is a member or not. Achieving individual commitment requires two things:

- members must know what is being done on their behalf – with as little gilding of the lily as possible; and
- members must be able to identify tangible benefits to their businesses – over and above any sector-wide benefits that might accrue from NFF’s advocacy – so joining up becomes a no brainer.

The first point requires effective communications. This is opaque when there is an intermediary (State) organisation, especially if it gives more prominence to describing its own activities rather than those at the national level, or if it implies that the NFF is part of “them” rather than “us”.

Specific member benefits may be met, for example, by the value of the industrial service, by any networking benefits from attending member-only events or conferences, or by price benefits from an organisational buying service.

While actual numbers are not public, it is clear that farm organisation membership has been declining over an extended period, and not just because farm numbers have been falling with aggregation. More farmers are finding the benefits of membership less compelling than they were. It

should be of particular concern if the “best” farmers are not active members, because this implies they have better things to do with their time and money.

Of course, this problem is not confined to agriculture. The slide in (private sector) trade union membership has been even more pronounced over recent years, and other business organisations also struggle to attract and retain members for similar reasons.

The financial strength of almost all farm organisations, State or Federal, general purpose or commodity specific, has been under stress. This has reached the point where some groups have all but ceased operation. Others have withdrawn from the NFF, claiming financial hardship. Others have significantly scaled back the reach of their activities.

The Australian Farm Institute has conducted extensive research into the operations of Australia’s farm organisations and attitudes to them of farmers and others. It has also undertaken comparative analysis of overseas farm organisations and different organisations in Australia. This analysis, which promises to be most informative and timely, is to be discussed at a seminar tomorrow.

### **A Farmers’ Organisation – or an Agricultural Organisation?**

There is a difference between a farmers’ organisation, and an agricultural organisation. NFF has “Farmers” in its name, but the *Blueprint* is for “Australian agriculture”. The title for this conference session refers to “Agricultural advocacy” and “Farmer representation”.

Perhaps the best way to describe the difference is that a farmer organisation is likely to be governed by political democracy – one member, one vote – whereas an agricultural organisation is likely to be governed by commercial democracy – where voting relates to the investment or value added involved.

NFF’s constitution makes a rough effort to relate voting to the aggregate size of the respective enterprises in the States, but this becomes blurred when some organisations or enterprises are un- or under-represented.

Given that adjustment and increasing scale is part and parcel of farming, an organisation objective of preserving all existing farmers regardless of their circumstances will be futile. It is inevitable that some will depart the scene, either as part of normal life cycle changes or as underperformers are replaced by those with better management skill or technology. Conversely, public policy is about people, so advocacy should relate to people’s needs and not seem remote or heartless.

In recent years, NFF has widened its membership to enable corporate groups to join as Associate Members. A number have done so, but probably fewer than expected given the frustration frequently expressed by agribusiness companies at the inadequacy of the agricultural voice in public debate.

Corporate members provide welcome additional funds to NFF. Presumably they endorse the NFF policy platform and share a desire to see the voice of agriculture more effectively expressed. Safeguards exist to ensure that corporate groups do not capture the policy making structure to the detriment of the interests of farmers.

The agricultural voice is further fragmented by the existence of several agribusiness organisations – an Agribusiness Council of Australia, an Agribusiness Association of Australia, and the Australian Food and Grocery Council’s Agribusiness Forum. None has to date made a meaningful contribution to policy development or advocacy.

## 1.7 Funding

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.

In the past, some State organisations could draw on external investment income (mainly property or shares) to fill a shortfall, but these are less assured now. As a result, staff numbers and/or remuneration sufficient to retain top calibre are limited, and activities need to be strictly prioritised.

The existing Federal funding model, with the cost of a vote relating to the gross value of production, has had the unintended consequence of becoming more onerous on smaller or weaker organisations. As a result budgets are influenced by the lowest common denominator. This is despite the fact that a very low proportion of total membership income across all organisations, is allocated to the Federal level.

One response has been to seek additional funding from government sources or R&D corporations. Both have serious drawbacks. They may diminish independence, divert organisations from their core business, or funds come with a condition that material has to be conveyed to all farmers, thereby devaluing the value of membership itself.

The future appears either more of the same – which probably means a continuing downward slide of cost containment, reduced activity, declining effectiveness, and membership erosion – or a dramatic shift in approach and structure.

### Time for Far-Reaching Structural Change?

The elephant in the room remains the federated structure whereby farmers join a State farm organisation or a commodity-based one, rather than a single national body. This was preferred when all the State organisations were strong in membership and financially, but it is no longer the case. National representation is suffering as a result.

As far back as 2001 there was realisation within NFF that the membership/funding structure was not working. A sub-committee reviewed it and recommended an “Australian Farmers” model as “an integrated national farmer organisation operating under a single brand”.<sup>25</sup> Its main elements were:

- members would join the national body, nominating one or more commodity interests (paying a higher membership fee if they nominated more than one commodity interest); the fee relating to Australian Farmers would be set first;
- State farm organisations would become affiliates of the national body and look after State issues; they would retain their existing assets and set the State fee component of the membership subscription;
- commodity bodies would also set their commodity fees;
- office-bearers would be elected by the members at large, with State and commodity Presidents having a place on the governing council; and
- staff would be employed by the national body, in part to encourage career paths.

The advantages were seen in terms of:

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<sup>25</sup> NFF (2001), *Review of the Agricultural Representation in Australia – Australian Farmers’ Proposal*, 2001.

- common branding;
- better utilisation of skills;
- support for the weaker States and organisations;
- better allocation of funding aligned with the policy agenda;
- greater opportunities to pursue commercial relationships;
- greater political clout; and
- administrative savings.

In late 2002, the NFF board agreed to recommend this model to its member organisations for consideration and adoption. A significant number, both State and commodity-based, endorsed it but momentum stalled when one withdrew support.

A further review in 2009 led to adjustments to membership fees and the introduction of the Associate Member category noted earlier. But the elephant remained in the room – and is still there.

The broad outline of the Australian Farmers model seems to us to be more compelling now than a decade ago. The NFF currently has a further review into “sustainable farm sector representation ... at all levels” underway. Hopefully this will learn the lessons of the past, as well as eschewing the style and language of PR consultants. It needs to be explicit as to what should occur, why, how and by when.

## **1.8 Lessons from the American Farm Bureau**

Before concluding, we want to comment briefly on aspects of the American Farm Bureau that we believe could be replicated in Australia, with benefits in terms of membership, financial strength, public advocacy and general operations.

The American Farm Bureau describes itself simply as “the voice of agriculture”. It is a massive and successful organisation, with affiliates operating in all States and a focus on generating member benefits as well as more conventional lobbying activities, especially in Washington. One website comment is that “it is not a bureau and represents more than farms”; another says it represents “farmers, gardeners, food and wine enthusiasts, and teachers”; yet another notes it includes people “who share the same goals and interests as farmers”. There is an explicit association of consumer interests to those of agriculture (“if you eat and drink you need farmers” etc.).

There are over 6 million members, compared with just 2.2 million American farms.

Membership subscriptions are able to be held at relatively low levels, enabling benefits to be obtained which exceed the membership cost. The annual conference in January each year is a huge event, with hundreds of associated activities and trade displays, as well as the formal meetings and set-piece presentations.

The commercial attractiveness of membership derives from a wide array of member discounts: \$500 for a GM vehicle (plus “an extra \$1000 special incentive through to April 2014”), 20% off accommodation rates for a large hotel chain, and up to 30% off pharmaceutical and veterinary costs. There are similar deals in the insurance, farm machinery, computer and mobile phone areas, among others.

Notwithstanding the chequered history of farm organisation buying services in Australia and underlying differences in the two countries, the progressive development of a commercially based

adjunct to a national farm organisation should be viable here. The right staff would be crucial, as would an ability to negotiate exclusive deals on a small range of vital farm inputs, combined with a modern effective marketing system to encourage patronage.

It should also be attractive to the wider four wheel drive market (tyres and batteries), the grey nomads driving around Australia in ever increasing numbers (travel requisites and even a romantic element – “the big hat they never had”), farm employees, and people living throughout regional and rural Australia. Imagine if everyone who attended the annual Deniliquin ute muster, or all visitors to the major field days, were active members of a single farm organisation, using their membership card to make purchases that were not available on the same terms to non-members.

With adherence to principles of “great prices, super service and few products”, it is conceivable to imagine an initial target of at least double the number of farmers joining the organisation. It seems to us to be well worth receiving serious attention as part of a restructure of the farm organisation business model.

## 1.9 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 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.

## Appendix 4: Extracts from Chapter 5 of the 2019 Senate Inquiry Report

(Senate) Committee view

5.67 *It is indisputably clear that following the implementation of the 1997-98 reforms, the red meat industry (and the structures that underpin it) has undergone significant change. The committee is firmly of the view that these structures no longer serve the purpose for which they were originally intended.*

5.68 *The committee recognises that enhancing value and representation for producers are central to any reform agenda, at the expense of the interests of intermediary bodies that service the industry.*

5.69 *The committee recognises the initiatives undertaken by industry stakeholders to advance an agreement regarding the structure for a new grass-fed cattle producer body as evidence that the industry is able to initiate reform. The committee also acknowledges that strengthening the role of a new producer representative body (particularly in regard to its relationship with MLA) should be the first step towards greater structural reform of the industry. To that end, the industry's unity in relation to the need for a new representative body, and its current appetite for reform, provide the perfect environment to undertake a wider and more comprehensive review.*

5.70 *The committee acknowledges the work currently being undertaken by members of the Implementation Committee of Cattle Australia and others within the grass-fed cattle sector as they work toward structural change and identify a sustainable funding model for a new representative body which will deliver the services the grass-fed sector needs.*

5.71 *The committee does, however, question whether any new producer representative body will be able to operate effectively under the systems and structures that are currently in place. The committee is of the view that the existing structures, roles and responsibilities – particularly that of PICs in relation to MLA – require urgent reform.*

5.72 *It would be a tremendous disservice to levy-paying producers if the new representative body has to contend with the same resourcing issues, and face the same obstacles as the current PIC. However, the committee is also acutely aware that any reform effort will face resistance from those in the industry who have a vested interest in the status quo. To avoid at least some of these difficulties, the committee is firmly of the view that the funding source for the new body needs to be independent of both CCA and MLA.*

5.73 *It is the view of the committee that the proposed new representational body – called Cattle Australia for the purposes of this report – should be given the opportunity to work as intended. For the body to take on the role of a properly representative body, it needs to be properly funded and have the structure necessary to be truly representative and consultative. To this end, the committee recommends that Cattle Australia be provided with adequate independent funding as soon as practical. With decisions currently being made about the use of substantial amounts of levy-payers funds including on technology such as DEXA, the committee recognises that there is some urgency for a well-resourced Cattle Australia to effectively represent the interests of grass-fed cattle producers. Moreover, once operational, Cattle Australia will be able to make appropriate, informed decisions on*

*behalf of their levy payers about price transparency across the supply chain. It will be in a position to effectively guide and assess MLA's performance in the expenditure of grass-fed cattle levy funds and to ensure greater transparency with regard to the use of levy-payers funds.*

*5.74 The committee recommends that the Australian Government support the grass-fed cattle sector in its efforts to establish Cattle Australia as the sector's new PIC. To that end, the government should provide appropriate funding support to assist Cattle Australia in its establishment and to support transitional arrangements with CCA.*

*5.75 As part of the transitional arrangements, Cattle Australia should develop an organisational and representative structure which is democratic and fully accountable to grass-fed cattle levy payers. Under the leadership and guidance of a remunerated skills-based board, this can be achieved by establishing:*

- a membership and voting structure to enable levy payers a direct say in the utilisation and investment of their levies;*
- a leadership body of elected members that reflects the unique geographic, demographic and economic makeup of this sector; and*
- a transparent reporting system to enable levy-payers to trace the utilisation and investment of their levies.*

*5.76 Once Cattle Australia is established, with a membership structure in place, it should be officially recognised as the sector's PIC under the Australian Meat and Live-stock Industry Act 1997, and Red Meat MOU.*

#### **Recommendation 4**

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

#### **Recommendation 5**

***The committee recommends that the Australian Government officially recognise Cattle Australia as the grass-fed cattle sector's Peak Industry Council under the Australian Meat and Live-Stock Industry Act 1997 and Red Meat Memorandum of Understanding once it is operational and has a membership structure in place.***

*5.79 As previously noted, the committee has concerns in relation to the complexity, and lack of clarity that exists in the relationships between industry stakeholders – particularly MLA and CCA as well as AMIC and AMPC – and their respective levy payers. While the committee recognises that the accountability arrangements under the MOU have proven to be complex and unclear, it is obvious that the lack of a coordinated, industry-wide approach continues to add to the confusion about corporate and financial responsibilities, including the ownership of technologies.*

5.80 *In addition to the lack of clarity between these organisations, the committee also has concerns about the way in which these organisations make decisions in relation to the expenditure of levy-payer funds. The committee notes, for example, that it would appear that the views of levy-payers have not been given primary consideration, even though the proposed expenditure on the development and implementation of OCM technology is substantial.*

5.81 *Under the MOU, in circumstances where services cover the whole supply chain (and unless otherwise agreed) MLA is nominated as the lead organisation. The purpose of allocating this leadership role to MLA is "to avoid duplication and improve operational efficiency". However, the committee recognises that the issue of OCM technology is a perfect example of where a lack of coordination and unity across representative groups results in confusion (and a lack of trust) on the part of stakeholders – particularly levy payers. It would seem to the committee, therefore, that the lack of clarity and coordination that currently surrounds the OCM technology initiative lends weight to the argument for review and reform of the MOU.*

5.82 *The committee questions whether organisations such as MLA, AMPC, AMIC and the CCA are actually collaborating, and working toward the good of the entire industry, or whether this has become another example whereby vested interests have overridden the important principles of transparency and consultation. The committee also upholds the concerns that it has raised in the past with regard to the matter in which the MDC operates, particularly given the substantial tax payer contributions involved by way of matching government funding.*

5.83 *The committee notes that stakeholders have long acknowledged the need for a strengthening of governance and representation arrangements for the red meat industry sector. Given the diversity of the industry, the committee recognises that full consensus may never be reached; what is abundantly clear, however, is that the current structures – as set out in the MOU – are not effective in meeting the 'collective' needs of the industry. What a growing number of stakeholders are also recognising, however, is that for the whole of the red meat industry sector to remain competitive, sustainable and prepared to take advantage of positive commercial outcomes, a thorough review of the MOU is required.*

5.84 *It is vital that a broad consultative process be undertaken to review the MOU and the structural and representational relationships contained within it. The review should not contain itself to the views of the parties to the MOU and the review body should consult widely across the industry to establish a comprehensive understanding of the complexity of the structures, relationships and arrangements that shape the industry.*

5.85 *To this end, the committee recommends a root and branch review of the MOU. The review should include an examination of all aspects of the MOU; including all parties to the agreement as well as funding, planning and service delivery agreements, industry reserves and R&D. It should also examine the structural arrangements, financial management and operational effectiveness of the bodies that are current signatories.*

5.86 *The committee recognises that such a review will be complex and that it will have to consider the respective legislation and service agreements. At the same time, the review cannot be led by one sector of the industry. The committee has previously raised serious concerns about the role and representation of RMAC. Given that RMAC would be one of the organisations under review, the committee does not believe it would be the appropriate body to undertake such a review.*

*5.87 Instead, the committee recommends that the review of current institutional arrangements should be undertaken by a joint industry and government body. This representative body or task force should review the structural arrangements, financial management and operational effectiveness of the statutory bodies and the structures that underpin them.*

**Recommendation 6**

*5.88 The committee recommends that a joint industry and government meat and livestock task force be established to conduct a comprehensive review of all aspects of the Red Meat Memorandum of Understanding (MOU).*

**Recommendation 7**

*5.89 As part of the Red Meat MOU review, the joint industry and government meat and livestock task force should consult widely across the industry and consider options for reform.*

*5.90 The task force should present a report to the Minister for Agriculture and Water Resources within two years of its establishment. The report and its recommendations should be made public.*

*5.91 To ensure full transparency and encourage industry ownership over the reform process, the task force should endeavour to publish its preliminary findings during the review period as well as bi-annually.*

**Senator Glenn Sterle**  
**Chair**

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## **Appendix 5: List of Recommendations from the Senate Inquiry into Industry Structures and Systems Governing Levies on Grass-fed Cattle**

### **Recommendation 1**

**7.25** The committee recommends that a producer-owned body be established by legislation. The body should have the authority to receive and disperse the research and development, as well as marketing component, of the cattle transaction levy funds. The producer-owned body should also be authorised to receive matching government research and development funds. Reforming the Cattle Council of Australia to achieve these outcomes should be examined as part of this process.

### **Recommendation 2**

**7.30** The committee recommends the establishment of a cost-effective, automated cattle transaction levy system. The system should identify levy payers against levies paid. The automated system should provide for more immediate settlement of levy fees paid and the allocation of voting entitlements. It should be subject to regular independent auditing and verification.

### **Recommendation 3**

**7.35** The committee recommends that the *Primary Industries (Excise) Levies Act 1999* be amended to ensure that levies paid by processors are recognised as processor (or slaughter) levies and not as producer (or cattle transaction) levies.

### **Recommendation 4**

**7.39** The committee recommends that the Australian National Audit Office conduct an audit of the cattle transaction levy system, tracing the levy from inception and focusing on the revenue from, and expenditure of, the respective components of the levy.

### **Recommendation 5**

**7.41** The committee recommends that the Minister for Agriculture dissolve the Red Meat Advisory Council. The committee further recommends that the Minister for Agriculture establish a new system to manage and disperse earnings from the Red Meat Industry Reserve Fund, in consultation with the industry.

### **Recommendation 6**

**7.44** The committee recommends that the Minister for Agriculture revoke the status of the MLA Donor Company as an approved donor under the *Australian Meat and Live-stock Industry Act 1997*.

### **Recommendation 7**

**7.46** The committee recommends that the Department of Agriculture, in consultation with the cattle industry, conduct an analysis of the benefits, costs and consequences of introducing legislation akin to the *Packers and Stockyards Act 1921* and *Livestock Mandatory Price Reporting Act 1999*.