Modernising the Research and Development Corporation system – Review 2019

Cattle Producers Australia Limited (CPA) welcomes the Government's initiative in seeking to better support farmers across Australia through modernising the Research and Development Corporation system. CPA is pleased to have the opportunity to respond to *the Modernising the Research and Development Corporation System Discussion Paper* from the perspective of the grass-fed cattle producer sector of the red meat industry set out below.

Theme 1 - RDCs enable the sector and government to collectively invest in innovation

Is the current RDC system delivering value for levy payers and taxpayers? In what ways?

The current RDC system delivers value to levy payers and taxpayers however greater value could be achieved if the RDC organisational structures were refined so that they were more accountable to and responsive to the levy payers.

The current organisational structures in a number of rural industry sectors are outdated and flawed.

The current Red Meat industry organisational structures were put in place twenty years ago and there were significant flaws in levy payer engagement, direction and control in the original structure that have led to a disconnect between the RDC service provider Meat and Livestock Australia (MLA) and the grass roots levy payers that they are meant to serve and produce value from levy expenditure.

Original Structure Flaws

i. *Direction and Control over Levy Expenditure*

MLA currently receives mandatory grass-fed cattle transaction levies, sheep-meat and goatmeat slaughter levies from the Federal Government's Levies Unit and mandatory processor and live export levies from processor and live exporter levy funded corporations under the terms of the Red Meat Memorandum of Understanding (MoU). The MoU provides for the Peak Industry Council's to consult with MLA about the expenditure of their respective sector levies and extension commercialisation and levy payer and stakeholder uptake of the outcome of that Research & Development.

MLA is a company limited by guarantee and consequently claims that despite the terms of the MoU regarding Peak Industry Council direction and control of their sector's levies, MLA have a primary duty under the corporations law to their members to invest the levy funds on alternative projects if the MLA board disagree with the suggestions of the Peak Industry Councils.

ii. *MLA Board Selection and Election*

The candidates or the board of the MLA are selected by a selection committee that until recently included existing MLA board members and the MLA constitution provides for that selection committee to only select the number of board candidates necessary to fill the number of vacancies and the selected board members are then rubber stamped by MLA members through a farcical '*election*' process.

iii. *MLA acting as Service Provider for Competing Products & Marketing as well as R&D*

MLA is an R&D and Marketing provider to the red meat industry and whilst most of the 15 RDC's that have been established since the beginning of the 1990's focus on a single rural industry product, that is not the case with sheep-meat, beef and goatmeat who are all competing to supply a static or declining meat protein market and are all serviced by MLA.

The 1996 steering committee and task force, established to advise the government on the 1997–98 reforms, that put the current red meat industry structures in place, provided the Federal Government with two alternative structure options to address the obvious product marketing conflict of interest between sheep-meat and beef producers.

One option was for sheep-meat and beef R&D and Marketing services to be provided by separate corporate structures with sheep-meat R&D and Marketing being combined with wool R&D and marketing. The other option, which was the option eventually decided on, was the current structure where MLA provides R&D marketing services to the sheep-meat, goatmeat and beef sectors as well as processors, lot feeders and live exporters and for wool R&D and marketing to be undertaken by Australian Wool innovation.

Subsequent Exacerbation of Original Structure Flaws

These fundamental structural flaws have been exacerbated during the last 20 years as a consequence of significant consolidation in both the production and processing sectors and falling membership of the State Farmer Organisations (SFO's) that underpin the grass-fed cattle producer, sheep producer and goat producer Peak Industry Councils.

Falling SFO Membership

In the 1990's NSW Farmers had in excess of 25,000 members - today they have less than 6,000 members.

The loss of membership fee income has left the SFO based Peak Industry Councils with inadequate financial resources to carry out their obligations under the current red meat industry organisational structure.

i. *The Senate RRAT Committee's2013/14 inquiry into* Industry structures and systems governing levies on grass-fed cattle

The grass-fed cattle Peak Industry Council, Cattle Council of Australia submission into the Senate RRAT Committee's2013/14 inquiry into Industry structures and systems governing levies on grass-fed cattle *attached* a report in October 2012 by highly regarded advisor to government, industry, and commerce on organisational effectiveness, Innovact Consulting Pty Ltd that looked into measures that could be taken to strengthen policy services in the grass-fed cattle industry.

The 2012 Innovact Consulting Report found that *'… the traditional model of farmers having national representation via their membership of a multi commodity State Farming Organisation had been in decline in most States and in the grass fed cattle industry, the long term decline in cattle producer membership of SFO's had placed financial stress on both SFO's and Cattle Council of Australia*.'

A trend that Innovact saw as '… undermining the capacity of the Cattle Council to demonstrate that it represents a substantial coverage of the industry which is critical maintaining its role as a Peak Industry Council under the Red Meat MOU.' The Innovact report went on note that *'…[t]here 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 Cattle Council (with all levy payers).'*

CCA to its great credit accepted the recommendations contained in the October 2012 Innovact Report that it no longer truly represents the vast majority of Australia's grass-fed cattle producers and has acted on that Report's recommendations and engaged with the broader grass-fed cattle industry on the issues contained in that Report.

The Recommendations of the 2014 Senate Inquiry Report that led to the establishment of the Implementation Committee that founded CPA and the 2014 Senate Inquiry Report concluded, amongst other things 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.

Recommendations 1 and 2 of the 2014 Senate RRAT Inquiry Report were:-

Recommendation 1.

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.

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.

Importantly, following the handing down of the findings and recommendations of that Senate RRAT Inquiry into grass-fed cattle structures and systems in late 2014, CCA joined with the Australian Beef Association (ABA), Australian Meat Producer Group (AMPG), Concerned Cattle Producers (CCP) and the Northern Pastoral Company (NPC) at the Federal Agriculture Minister Barnaby Joyce's request. Minister Joyce was presented with a unified consensus agreement by each of those disparate grass-fed cattle industry groups for the establishment of a truly representative new corporation with a board directly elected by grass-fed cattle transaction levy payers to replace the CCA as the grass-fed cattle producers' representative Peak Council. Agreement was also reached by those disparate grass-fed cattle organisations to hold a grass-fed cattle transaction levy payer plebiscite to endorse or reject the proposed new representative body.

ii. *The Senate RRAT Committee's 2017 Inquiry into the Effect of Market Consolidation on the Red Meat Processing Sector.*

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

The Senate Committee Inquiry into the Effect of Market Consolidation on the Red Meat Processing Sector highlighted the immensity of the inadequacy of the grass-fed cattle producer's ability to counteract the effect of ever-increasing consolidation of power in the red meat industry.

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

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

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 recognize 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.

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

Unfortunately, CCA withdrew from the CPA implementation Committee in January 2018 and CCA have still not been able to reform themselves into a directly elected representative body and the $500,000 grant has not been made available to establish CPA to replace CCA as the grass-fed cattle producer Peak Industry Council.

iii *Conclusions Reached on Agriculture Advocacy Representation by Analytical Papers and Research Reports*

a) 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 21st 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.

b) *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.

c) *The Nuffield Report on Agricultural Organisations: Farmer Engagement by Daniel G Meade 2017 Nuffield Scholar published July 2019* sets out the following objectives, conclusions and recommendations

Objectives:
The objectives of the Nuffield report were to discover how agricultural organisations from other countries engaged with farmers and industry. In particular:-

- To research membership models.
- To investigate differing modes of communication in relation to effectiveness.
- To examine governance structures.
- To explore how members were able to access an organisation representative.
- To learn how groups were effective in selling the value of engagement.

Conclusion

With membership numbers declining for most agricultural organisations, there is a need to widen the net of potential members. These organisations would be helped by making membership available to anyone interested. Greater membership leads to greater industry engagement.
Organisations with simple flat fee arrangements had more members.
Closer connections with young farmer groups are paramount to sustainable organisations.
Empowering young farmers to join open age groups will help secure the future engagement of the next generation of farmers.
Individual face to face engagement is the most effective for the farmer and organisation, however, face to face via a group is most efficient.
Greater opportunities for farmers to give feedback on the performance of the organisations.
Less written communication as the majority is not read. Focus is to be directed to shorter sharper bulletins and to target relevant farmers from detailed database.
Agricultural organisations offering governance and leadership training assists in attracting the right people for the right roles whilst helping to ensure competitive elections.
Farmers have greater confidence in their research or advocacy organisation if they have farmer elected farmers holding the majority of authority for decision making, in particular, in regards to financial expenditure of farmer investment.
Competitive, public leadership election campaigns provide great opportunity to engage with members and potential members.
Local branches for agricultural organisations are the bedrock for grassroots farmer engagement.
Employing the right people to interact with members is a key element in successful grassroots engagement. They must be in touch with farmers and farmer sentiment.
Regionally based territory field officers provide clear physical engagement opportunities for local farmers. Locally based employees who are immersed in the wider local community provide greater human connection between the organisations and the farmers.
Having as many office-based staff located in the regions instead of the headquarters provides increased presence of organisation branded staff within the community. Having office-based staff on the front line of farming leads to greater apprehension of industry affairs and increased emotional connection.
In order to sell the benefits of the organisation to the industry, there must be farmer involvement of key performance indicator (KPI) targets and measurable objectives. Transparent reviewing and demonstrating performance of these objectives annually helps farmers appreciate the value of their investment and their engagement.
Increased investment in face to face engagement is the key to improving agricultural organisations and their engagement with farmers.

Recommendations:

- Greater focus on physical engagement rather than written.
- Simplified flat fee subscription structures for advocacy groups.
- Increase membership opportunities for all farmers and associated interested stakeholders.
- Provide clear opportunities for grassroots members to influence direction.
- Local branches/committees must remain as they are the foundation of entry engagement.
- Majority of authority positions to be farmers elected by farmers.
- Increased investment in farmer facing employees, including regionally based office staff.
- Employment of locally based territory field managers.

- Have clear farmer led objectives to explain performance and demonstrate value.

d) Summary

The conclusions reached on agriculture advocacy representation by analytical papers and research reports outlined above conclude that member engagement with agriculture advocacy bodies are enhanced if they embrace direct stakeholder membership entitlements with a directly elected board structure based on a regional or national electorate voting structure with opportunities for members to directly influence policy through surveys and plebiscites.

For cattle levy payers the failure to achieve value from levy funded R&D flows from their inability to choose the relevant R&D projects and this is reflected in the poor uptake and adoption of research because of the lack of cattle levy payer engagement and the current negligible and outdated extension effort.

Theme 2 - RDCs manage and invest almost $800 million each year in R&D and marketing. We need the most effective and efficient system for delivering this service.

2. *What are some of the benefits of keeping the same number of RDCs?*

The number of RDC's is not in itself a barometer of RDC effectiveness or efficiency. A cross-sectoral RDC structure may lead to commercial conflicts between different agriculture sectors and loss of engagement between the RDC and their levy payers and the subsequent uptake of the product of the R&D.

3. *What are some of the benefits of changing the number of RDCs?*

A reduced number of RDCs could result in greater coordination of collective or collaborative efforts and investments that are not specific to a single agricultural commodity such as government influenced costs and charges, technology development and adoption, environmental issues such as drought, flood and fire risks, emissions reduction, biosecurity and soil nutrition etc.

A reduction in the number of RDC's and a move away from the current industry-specific RDC model to a cross-sectoral model would, however, almost inevitably lead to dilution of particular sector levy payer's priorities and subsequent investment in R&D uptake.

Careful consideration would need to be given to the potential disadvantages and advantages that may flow from a reduction in the number of RDC's to balance the benefits of fewer RDCs against the benefits of industry-specific RDCs.

Perhaps a better outcome could be achieved by providing an independent formal RDC structure to allow RDCs to work collaboratively together on agreed cross-sector projects that are not specific to a single agricultural commodity.

4. *What are some of the cross-sectoral issues being faced by the wider agricultural sector?*

Cross sectoral issues being faced by the wider agricultural sector include government influenced costs and charges, environmental issues drought flood and fire risks, emissions reduction, carbon sequestration, biosecurity, soil nutrition, animal welfare and supply-chain traceability digital technology adoption.

Consideration will need to be given for commercial conflicts between sectors such as competing protein production such as goatmeat, sheep-meat and beef and others counter-cyclical; a poor season for graziers can produce high returns for croppers growing fodder/feedstock.

5. How can RDCs increase collaboration to ensure better investment in, and returns from, cross-sectoral, transformative and public good research?

An independent formal overarching RDC structure could be established to allow RDCs to work collaboratively together on agreed cross-sector projects that are not specific to a single agricultural commodity.

An overarching stakeholder entitlements RDC structure that could be formally linked to each of the commodity specific RDCs and carry out agreed cross-sector projects referred by the specific sector RDC.

Greater efficiencies and reductions in wasteful overlap expenditure may be able to be achieved through an organisational structure where all cross-sector R&D was conducted by the one overarching corporation and particular sector commodity specific R&D was conducted by sector specific RDCs.

6. *What are the cultural changes necessary in RDCs to achieve a modern fit-for-purpose RDC system?*

An organizations culture is largely the product of its structure. If an RDC structure is put in place that engages with its levy paying stakeholders and provides those stakeholders with measurable value outcomes, then it will follow that the RDC culture will evolve to be compatible with those outcomes.

A number of the current RDC structures, including the MLA structure, do not provide for appropriate engagement with the levy paying stakeholders or provide those levy payers with sufficient direction and control over the expenditure of their sector's levies.

Consequently levy payers have no sense of ownership of or empathy with the RDC levy funds and they are not always being invested in projects wanted or needed by the levy payers and consequently the uptake of the benefit of the outcomes of the expenditure of the levy funds by the levy paying stakeholders is poor.

7. *What other ways are there for increasing investment in cross-sectoral, transformative and public good research*?

As stated above, an overarching RDC structure that could be formally linked to each of the commodity specific RDC's could be established to carry out agreed cross-sector projects referred by the specific sector RDCs.

An overarching RDC along the lines outlined above could drive greater integration along the value chain, with more cross-commodity applicability on government influenced costs and charges on traceability and sustainability, environmental, drought flood and fire and animal welfare issues.

8. *What is the best way for RDCs to engage with levy payers to inform investment decisions*?

RDC's should be directly answerable to each industry sector's levy payers whose money that they are spending through that sectors representative body.

Levies should either be:-

a) paid to an RDC whose board is elected by that sectors levy-payers or

b) paid to a particular commodity supply chain sector levy funded corporation whose board is elected by that sectors levy-payers who then pays a set amount to a broader industry sector RDC pursuant to a MoU in a similar way that currently occurs in the red meat processing sector and live export sectors of the red meat industry through Australian Meat Processor Corporation (AMPC) and Australian Meat Industry Council (AMIC) and LiveCorp and Australian Live Exporters' Council (ALEC) respectively .

The proposal in 8 (b) would mean that the RDC would not receive the levy funds directly and would simply become a Service Company Contractor in the context of the red meat industry to the processors, grass-fed cattle producers, sheep producers, goat producers, live exporters and lot-feeders. Consequently the RDC service provider would simply be a contractor to each of the sector levy corporations and have no fiduciary duty to its members with respect to the direction control and investment of the levies and therefore the conflict of obligation to its members currently raised by MLA against the Peak Industry Councils would disappear.

Regular plebiscites and surveys should be carried out by each sectors levy investment decision making body about the amount of the levy and how it should be spent.

Theme 3 - Further growth in R&D investment can come from the private sector, domestically and internationally

9. *How can we encourage increased investment in the RDC system from the private sector and international partners?*

Profitability is the key driver of R&D.

Profitability along the supply chain through product differentiation for high value agricultural products will not endure unless benefit is transferred back to the individual supply chain sectors providing the differentiation.

Profitability for the grass-fed cattle production sector has a flow-on effect to the adoption of research outcomes in all aspects of production.

Collaboration on particular agriculture cross-sectoral supply lines and issues shared across all rural sectors are more likely to attract largescale private investment.

Intellectual Property (IP) commercialisation can deliver benefits for private investors and levy paying investors alike and can be used to address individual supply chain sector issues as well as many cross-sectoral issues such as climate change. Equipped with such data-sets and R&D, the RDCs would have the scope, scale and experience to collaborate with large international universities and philanthropic funds.

Collaboration on cross-sectoral or issues shared across all rural sectors is also more likely to attract large scale private and international investment.

Investment in agriculture R&D by private investors and levy payer sector investment should be balanced fairly in the determination of IP and commercialisation of R&D outputs.

10. *How can we form stronger linkages between the RDC system and the food value chain?*

Consumer sentiment is becoming an increasingly influential factor in the food value chain.

RDCs can play an important role in responding and reinforcing positive consumer sentiment and in responding to and ameliorating any negative aspects of consumer sentiment.

RDC's can survey and monitor consumer and community sentiment and accumulate data to:-

1. ensure objective information upon which future R&D and policy can be based;
2. help counteract and modify activist media and social media hype on contentious issues and
3. identify emerging socio-political risks to ensure that appropriate regulatory and policy settings are in place;
4. establish Quality Assurance systems to ensure transparency between production practices and customer expectations.

11. *What changes might encourage improved RDC collaboration with the private sector, including those outside the agricultural sector*?

Private investment in agricultural R&D should not be regarded as central to the Agriculture RDC model. The central aim of the levy funded RDC agricultural model should be to drive agricultural sector productivity, profitability and international competitiveness. Private investment in that process should be peripheral.

Care should be taken to ensure that the involvement of private investment in the agriculture RDC structure in no way detracts from the overall commercial profit rationale of the agricultural RDC model.

Theme 4 - Industry needs access to R&D that meets its needs and delivers on investment. This will reduce the time it takes to adopt new technologies.

12. *Where should the balance of investment between R&D and extension lie?*

The central function of the agriculture RDC model is to drive agricultural sector productivity, profitability and international competitiveness.

The role of the agricultural RDC's is to carry out research into productivity, profitability and international competitive issues confronting the agriculture sector of the Australian economy that have been identified by the relevant sectors levy payers.

R&D should be addressing issues that concern and effect the profitability of those funding the R&D and the role of the RDC is to research causes of that concern, develop a solution and facilitate adoption of that solution by the relevant stakeholders.

13 *How could RDCs play a stronger role in extension service delivery, in light of existing private and state government extension efforts?*

Ultimately the adoption of research and development outcomes by the relevant levy paying stakeholders will be dependent on appropriate RDC engagement and communication with those levy paying stakeholders which in turn will be dependent on the levy paying stakeholder's ownership.

14. ***How could RDCs help researchers, entrepreneurs and others better engage with producers to accelerate uptake?***

Engagement between RDC's researchers, entrepreneurs and others is ultimately dependent on the organisational structure of the RDC in question.

RDC's with selected or appointed special qualification boards - who are not appropriately directed by Peak Industry Councils with boards that comprise elected directors with skin in the game - are inherently bureaucratic and unlikely to be able to engage with grass roots levy payers who funded the R&D in question.

The R&D process involves identification of the issue, development of a workable *solution*, training or extension to support stakeholder practice change and then *adoption* by the stakeholders.

In the final analysis productivity and profitability lies with individual levy payers and producers and R&D that does not address issues identified by levy paying stakeholders will have little or no ownership of the R &D solution and are less likely to adopt that outcome.

15. *How could industry and levy payers drive increased uptake of R&D?*

Industry and levy payers could drive increased uptake of R&D if RDC organisational structures were restructured to ensure that the R &D carried out addressed issues that had been identified by the levy paying stakeholders as issues that affected the levy paying stakeholders productivity and profitability.

MLA are on the record of having stated that in their view adoption of agricultural R&D is fundamentally driven by producer acceptance.

Theme 5 - Currently most RDCs are not permitted to undertake advocacy activities.

16*. How might RDCs be able to increase their role in policy R&D and participate in policy debate alongside industry representative bodies?*

The *Modernising the Research and Development Corporation system Discussion* paper acknowledges that:-

> *Our agricultural sector needs strong and effective advocacy to promote the sector's interests and priorities to the Australian public and to government. The RDCs are the key source of knowledge for influencing policy direction in most industries.*
>
> *Currently, all RDCs except Australian Pork Limited (APL) are not permitted to engage in advocacy activities under the Primary Industries Research and Development Act 1989 or other RDC enabling legislation (apart from APL, which is covered under the Pig Industry Act 2001). For some RDCs advocacy is also explicitly prohibited under their funding agreements with the Commonwealth.*
>
> *This has limited the capacity of industry to use the policy research and knowledge development done by the RDC's to continue to public debate.*

Cattle Producers Australia endorses those comments and notes that the Levy Funding Agreements under the current RDC model forbids RDCs, excluding APL, from undertaking agri-political or advocacy activities.

RDCs can and do however currently invest in policy development research that can then be used in the case of the red meat industry by the relevant Peak Industry Council industry representative body.

The processing and live exporter sectors of the red meat industry organisational structure both have the benefit of a two-company structure comprising a levy funded corporation and separate representative membership funded advocacy body. Namely, in the case of the processing sector the levy funded AMPC and separate advocacy body the AMIC and in the case of the live export sector levy funded LiveCorp and separate member funded advocacy body the ALEC.

Both AMPC and LiveCorp pay the majority of their sectors levies to MLA in accord with the provisions of the Red Meat MoU but each retain some of their sectors levies and conduct policy R&D for their sector and the outcome of that R&D is then given to their respective representative advocacy bodies.

MLA also undertakes R&D on issues that the Peak Industry Councils are able to advocate on in the interest of their particular sector.

The effectiveness of this interaction between RDCs and Peak industry Councils varies depending upon:

1. the relationship between the RDC and the Peak industry Council
2. the relationship between the Peak Industry Council with their constituents or members, often the SFOs, and finally
3. the capacity or competency of the resources available to the Peak Industry Councils to advocate with respect to the particular R&D findings.

17. *If RDCs were to play a greater role in this area, how could this activity be clearly distinguished from partisan and political activity, which must remain a role for industry representative bodies?*

RDCs currently are forbidden to undertake agri-politcal activity to "influence" or "advocate" for the adoption of particular policy positions. RDC's do however, play an important role in informing policy makers, the community and public about the outcome of particular R &D. The way in which they operate are dictated by their governance frameworks, including the statutory funding agreements.

Agriculture needs strong and effective advocacy to influence and inform. The most effective way for agriculture to receive effective outcomes from levy funded R &D would be for the current RDC model to be amended to either:-

a) adopt the *Australian Pork Limited (APL)* model of a joint levy funded R&D Advocacy representative body, which is a model currently being promulgated by the red meat industry live exporter sector, or
b) adopt the current red meat industry processor and live exporter a two-company organisational structure comprising a levy funded corporation and separate representative membership funded advocacy body in accord with the recommendations of the Cattle Producers Australia 15 April 2019 submission to the Red Meat MoU Review Taskforce for the adoption of:-

   i. a two-component organisational structure for each red meat industry sector comprising:-

      - a levy funded R&D corporation which could contribute to joint and core MLA functions and policy development R&D for it sectors advocacy peak industry council;
      - an adequately funded, accountable, transparent and directly elected levy payer's peak industry council; and
      - an amended MoU which delivers levy payer control of the rate, collection and expenditure of the levy.

Cattle Producers Australia Response Conclusions

Stakeholder adoption rates from and value to Australian agricultural levy payers from R&D expenditure will be maximised if the levy payers have direct control over the levy rate and expenditure of their sectors levies through bodies with a national and/or regional stakeholder membership entitlement structure with a directly elected board structure with opportunities for the levy paying members to directly influence policy through surveys and plebiscites.

A number of Senate RRAT Committee Inquiries and analytical research papers have drawn attention to the lack of engagement of levy payers and stakeholders with the current representative bodies and the need for reform of current red meat industry organisational structures to meet the future organisational needs of the levy paying stakeholders.

Desires to achieve commercial R&D efficiencies and savings by removing overlapping RDC R&D expenditure by different sector RDCs should be balanced against the possibility of far greater value wastage flowing from loss of engagement between RDCs and subsequent loss in stakeholder adoption uptake of the product of the R&D.

Consideration should be given to establishing an independent overarching RDC structure that could be formally linked to each of the commodity specific RDCs and carry out agreed cross-sector projects referred by the specific sector RDCs.

Greater efficiencies and reductions in wasteful overlap expenditure may be able to be achieved through an organisational structure where all cross-sector R&D was conducted by the one overarching corporation and particular sector commodity specific R&D was conducted by sector-specific RDCs.

The financial and operational efficiencies sought by the current review of the agricultural RDC structure will not be able to be achieved unless the structure of sectoral advocacy bodies and Peak Industry Councils are also reformed to meet the organisational needs of each agricultural sector in the third decade of the 21st century.

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