Grass-fed Cattle Industry Roundtable: National Representation

Meeting 2, 22 February 2021, Brisbane

Discussion Paper

BACKGROUND

On 16 December 2020, the first industry roundtable meeting between representatives from Cattle Council of Australia (CCA) and Cattle Producers Australia (CPA) was held in Brisbane to develop a shared view on the way forward, mechanism and timeline for reaching agreement on national representation in the grass-fed cattle industry. Representatives from the Department of Agriculture, Water and the Environment (DAWE) also attended as observers. The meeting was facilitated by Brian Ramsay, Managing Director Inovact Consulting.

Meeting attendees acknowledged that grass-fed cattle industry representation is essential and there is a cost to producers, government, communities and the industry itself without strong, influential beef industry representative arrangements that can achieve unified positions on nationally and internationally important issues.

It was agreed that there was a need for a more democratic representative system, which engages most cattle producers and the need to set a direction and make the transition to an appropriate governance arrangement, building on what is already working. Six principles to underpin a future industry representative arrangement were agreed:

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

On 22 January 2021, a CCA/CPA working group consisting of the Chairs and the CEO/Company Secretary of the organisations met virtually to confirm what had been agreed at the first roundtable meeting and identify next steps:

1. Areas of agreement to be identified to help progress the broader industry discussion. It was considered that if CCA/CPA agree on as many areas as possible it should better guide and simplify the wider discussions.
2. Timelines for what needs to be achieved by when, who needs to be involved, and what outcomes need to be reached through each meeting.
3. A strategy for prosecting and progressing a transition to the new organisation.

On 4 February 2021, the CEO/Company Secretary of the organisations met in Sydney to work through step 1, with a particular focus on the structural and funding requirements of a new peak grass-fed cattle industry representative organisation. On 8 February 2021, the working group met virtually and agreed on the information outlined in this discussion paper.

For the purposes of this discussion paper, the new grass-fed cattle industry organisation will be referred to as ***'Beef Industry Australia' (BIA)***.

1. ORGANISATIONAL IMPERATIVE AND OUTCOMES

The imperative for change and transition from the current representative structure to BIA is the need to establish and maintain meaningful engagement and a sense of ownership by grass-fed cattle producers with their peak industry organisation. The longer it takes to realise necessary reforms within the grass-fed cattle industry and the broader red meat sector, the greater the cost to producers, their industry and government.

It is expected that the BIA proposal will deliver the following outcomes:

- A structure that is built around democracy and regional representation.
- Democratic representation of and engagement with grass-fed cattle levy payers.
- Transparency that demonstrates it is levy payer based and owned.
- A formalised place for State Farming Organisations (SFOs) in the system to ensure any changes continue to capture the value that they bring to the industry, such as knowledge, networks, regional structures and influence.
- Greater engagement of the larger businesses while maintaining the strong engagement with smaller producers through a split voting register for the board and regional Policy Council structure.
- Greater control of grass-fed cattle levy payer funds.
- Ability to direct policy research, facilitate inclusive and engaging discussions with grass-fed cattle levy payers to formulate industry agreed and owned positions.
- Sustainably funded model.
- Access to a levy payer register to underpin communication and engagement.
- A fit for a purpose RMAC structure that is realised through a new MoU.
- A structured transition from the current grass-fed cattle producer Peak Industry Council (CCA) to the new reformed grass-fed cattle producer Peak Industry Council (BIA).

2. STRUCTURE NEEDED TO DELIVER ORGANISATIONAL OUTCOMES

The BIA structure must be built around democracy and regional representation that provides a sense of ownership to as broad a section of Australia's grass-fed cattle producers as possible. The working group discussed the 'evolutionary' versus 'revolutionary' approach that was raised during the first roundtable meeting and agreed that getting the structure right would deliver the best long-term outcome for cattle levy payers and the industry. The ongoing frustrations and wasted energy and resources (for industry and government) around the RMAC model serves as a long-lived example for the grass-fed cattle industry of the ramifications of a flawed industry structure.

To better focus effort, priorities, resources, skills, and get greater levy payer engagement, a structure that separates the functions of the consultative and routine policy setting framework from the role of the board is needed. Clear demarcations between the role of a Policy Council and the Board should help identify the best people for these very different roles, and it would also enable the organisation to clearly demonstrate the separation of policy and advocacy – something that will be important for determining the use of possible funding streams.

Policy Council

BIA would have a Policy Council creating a single empowered policy forum that enables more holistic and responsive policy development and decision making. Its structure would be:

- 23 members comprising 15 directly elected cattle levy paying producer councillors and 8 cattle levy producers appointed by SFOs (i.e. one from each SFO).

- The 15 directly elected cattle levy paying producers would be based around the 15 ABARES regions in the first instance to ensure a truly national organisation. These councillors would be elected through the levy payer 'register A' concept (i.e. one man one vote).
- The provisions with respect to SFO appointments to the Policy Council and the ABARES model for the 15 Regional Advisory Council electorates would be reviewed after two years to ensure the best national regional model was being used to reflect cattle production systems, and regional social fabric and networks across the industry.
- SFO appointments would ensure state issues are captured, provide a structured engagement framework for some regional representatives, and assist BIA with national harmonisation objectives.
- Voting in the Policy Council would be one seat one vote – 23 votes in total.

Other working group discussions:

The working group explored whether the Northern Pastoral Group (NPG) should be entitled to a designated seat on the Policy Council, like SFOs, as it comprises 16 organisations that collectively manage over 2 million head of cattle (more than some states). It was agreed that adding a 'NPG seat' would unnecessarily complicate the structure of the Policy Council and NPG members should be able to gain sufficient representation through the regional elections and the weighted board election process (see below).

The working group agreed that the NPG seat option would need to be discussed with the NPG, but at this stage the proposed Policy Council structure should not be compromised.

Board

The BIA Board would focus on fiduciary responsibilities, risk management, organisational performance and strategic industry strategies and responses. Its structure would be:

- 7 cattle levy payer producers (non-state specific).
- National election process using two-tiered voting structure to reflect commercial interest in the industry and encourage large producer engagement with BIA:
  - Three directors with the most votes through the 'register A' concept (i.e. one man one vote) appointed.
  - Three directors with the most votes through the 'register B' concept (i.e. based on the amount of levies paid) appointed.
  - One director with the most votes across registers A & B appointed.
- The split register voting for board positions better engages the larger businesses and corporates as well as the smaller cattle producers.
- The board would appoint the chair from within and can co-opt 2 additional skills-based directors if desired.
- Voting in the board would be one seat one vote, with the chair having a casting vote – 7 votes in total.

Other working group discussions:

The working group discussed whether it was more appropriate to have one director from each state, which the proposed national election process may not deliver. It was agreed that this would need to be tested with the broader industry but considered that the proposed process would better deliver the best mix of people who were the most vested in the grass-fed cattle industry.

The working group also discussed whether a simpler voting process based around property identification codes (PICs) could be used instead of a levy payer register. It was considered that this approach would not account for the complex business structures that exist within the industry and the split register system based on actual levies paid was a fairer model when considering the make-up of the grass-fed cattle industry.

The working group considered the PIC voting approach may be suitable as an interim arrangement if there were delays to accessing the levy payer register, such as waiting for legislative changes. The PIC voting approach is also largely the basis of entitlement to vote in the Policy Council elections (register A) and it was noted that different roles and responsibilities, and skills and attributes would be needed in the Policy Council versus the Board for BIA to deliver the best outcomes for industry and government.

Any dispute between the Policy Council and the board over industry policy would be put to a plebiscite vote of all levy payers.

3. FUNDING

BIA would need to seek multiple funding streams. The funding stream mix must allow BIA to operate without the continuing need for income from service/consultancy agreements with the industry's service providers (i.e. MLA, AHA, NRS). Funding streams include:

A. Red Meat Industry Fund (RMIF) dividends

The RMIF is to be dissolved and distributed to Peak Industry Councils to establish their own capital funds. Other red meat Peak Industry Councils – AMIC, ALEC and ALFA – already have their own capital funds. With the grass-fed cattle industry's portion of the RMIF free from RMAC, there is a greater opportunity for self-determination and an ability to build the size of the grass-fed cattle industry's fund.

Clause *14.2 - Termination of the Scheme* of the Scheme Rules outlines how the RMIF can be terminated by the Commonwealth and how it must be distributed. The timing for termination would be at the signing of a new MoU, as the current MoU would then be terminated. BIA (or CCA in the interim if this does not occur simultaneously) would receive its portion per Annexure E of the MoU and would act as the trustee for those funds. The grass-fed cattle industry capital fund would continue to be managed by Minchin Moore (or similar) and the distribution set by BIA/CCA interim to ensure its trustee obligations are met (the same as what occurs now under the single fund arrangements). This approach would eliminate any risk to government and provide greater transparency and accountability of these socialised funds to grass-fed cattle levy payers, as their peak industry body is accountable to them.

B. Grass-fed cattle levy collection corporation

A new grass-fed cattle levy collection corporation (*'CattleCorp'*) is to be established to enable the sector to collect its levies as applies for the processing and live-export sectors. CattleCorp would retain a portion of grass-fed cattle producer levies to carry out specific R&D and policy research for the grass-fed cattle sector at the direction of BIA.

It is envisaged that this change would have negligible impact on MLA, as it would remain the contracted party for CattleCorp's major R&D and marketing programs. The other MLA Peak Industry Councils – ALFA, SPA and GICA – could continue their existing arrangements with MLA or adopt the model the grass-fed cattle industry is seeking.

CattleCorp would also provide the much needed and long-awaited grass-fed cattle levy payer register and a simpler process for accessing it for approved purposes.

Other working group discussions:

The working group noted that CattleCorp would need to have a skills-appointed (not representative) board to receive levies. The exact role of CattleCorp and its relationship with MLA needs to be articulated further.

C. Latent grass-fed cattle levies held in MLA

BIA would seek the annual interest earned on grass-fed cattle levy reserves held in MLA to be re-apportioned to it.

BIA would also seek the proportional annual income derived from MLA licences of Intellectual Property, MDC access fees, LPA, MSA developed by MLA from grass-fed cattle levy funds.

Both these funding streams need further discussion with MLA.

D. Member services fee

It is envisaged that BIA will be able to establish an income earning membership services business to supply its members with discounted fee services in a way that does not disadvantage existing SFO income from discounted products supplied to their members. The member services fee payable to BIA to access its discounted membership fees would indicatively be $100 (GST excl.).

4. CONSEQUENTIAL AMENDMENTS TO BROADER RED MEAT INDUSTRY STRUCTURES

There is a real need to genuinely 'reset' RMAC. In short, RMAC needs to be restructured into a needs-based issue entity that meets at the behest and cost of the relevant sector Peak Industry Councils to discuss common commercial interests. Without the RMIF necessitating a corporate structure for RMAC, industry could create a very outcome focussed, issues-based and nimble organisation. A Peak Industry Council funded RMAC would ensure the organisation remained focussed on what industry wanted from it and ensure greater transparency and accountability – things that levy payers have been demanding for a long time.

5. NEXT STEPS

1. Roundtable to agree on structure and funding options to take to the broader industry for further discussion.
2. Roundtable to determine simple messaging and narrative for industry and government.
3. Roundtable to agree on timelines for what needs to be achieved by when and who needs to be involved.
4. Roundtable to agree on the strategy for prosecting and progressing a transition to the new organisation, and what outcomes need to be reached through each meeting.