

**NATIONAL REPRESENTATION**  
**OF THE**  
**AUSTRALIAN GRASSFED BEEF INDUSTRY**

**CONSULTATION PAPER:**  
**DRAFT FUNDING AND STRUCTURAL**  
**REFORM PROPOSAL**

**PREPARED BY**  
**CATTLE COUNCIL OF AUSTRALIA INC**

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## NATIONAL REPRESENTATION OF THE AUSTRALIAN GRASSFED BEEF INDUSTRY

### EXECUTIVE SUMMARY

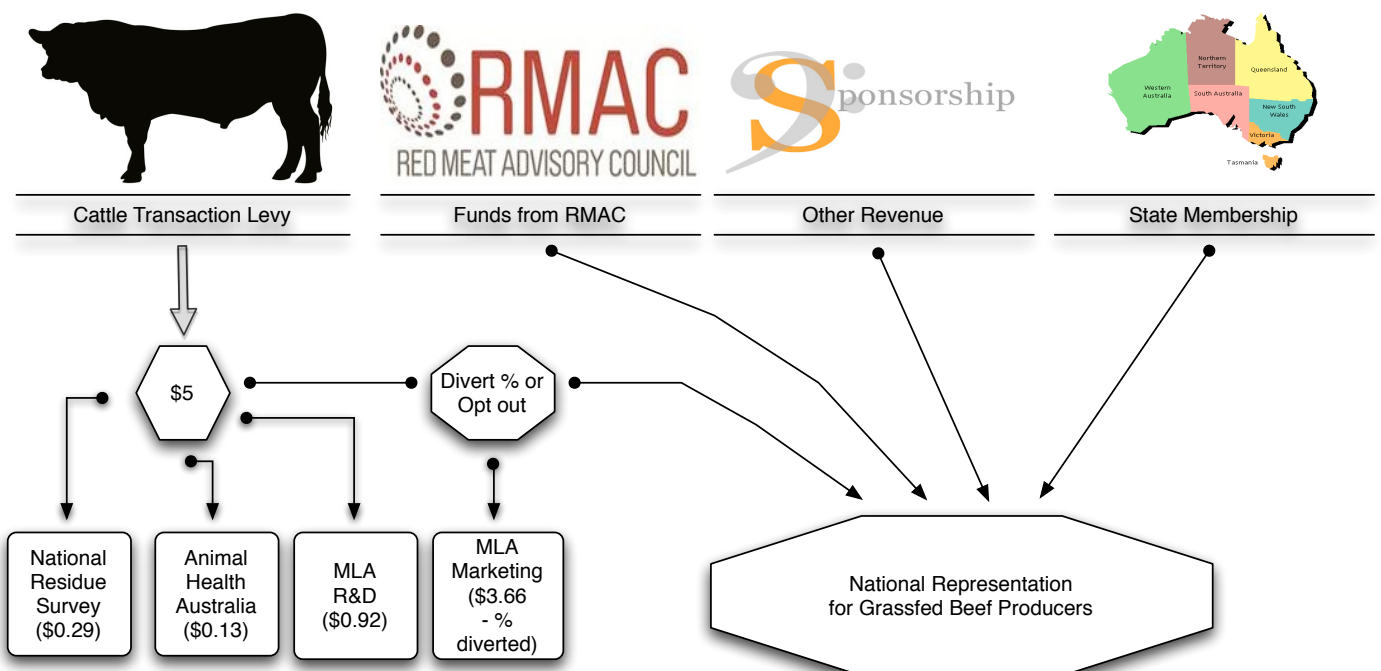
The Cattle Council of Australia Inc. was formed in 1979; this was a pivotal year for Australian agriculture. In July 1979, the commodity council members of the National Farmers' Federation (NFF) elected their nominees to sit alongside existing State Farmer Organisation (SFO) councillors to form a complete NFF. It is important to recognise that SFOs were the foundation of this structure by providing funding, producer representation and policy direction. This fascinating history of farmer representation was superbly represented in the 1996 book by Tom Connors, *'To speak with one voice: The quest by Australian farmers for federal unity'*.

In more recent years, Cattle Council has found itself under increased funding pressure. SFOs have been suffering perennial drops in membership numbers and hence genuine subscription income pressure was felt by those organisations who have traditionally formed the pillars of Cattle Council. Juxtaposed to reductions in Cattle Council's membership subscription income was the rapidly increasing expectation from the beef production sector that Cattle Council must deliver a more comprehensive service to all of Australia's grassfed levy payers. The rapid, global uptake of electronic communications has merely served to cement the expectation that Cattle Council must speak with all grassfed levy payers.

Outlined below is a DRAFT funding and structural reform proposal for a national organisation with the object of representing the Australian grassfed beef producers. This model has been developed as a discussion prompter for the purposes of consultation with industry stakeholders.

It is recommended that the new national representative body derive funding from the following sources:

1. Membership income from SFOs;
2. The Red Meat Advisory Council "Fund";
3. Sponsorship & Government funding agreements; and
4. Opt-out contribution of **a percentage of the cattle transaction levy** (potentially derived from the \$3.66 marketing component of the levy.)

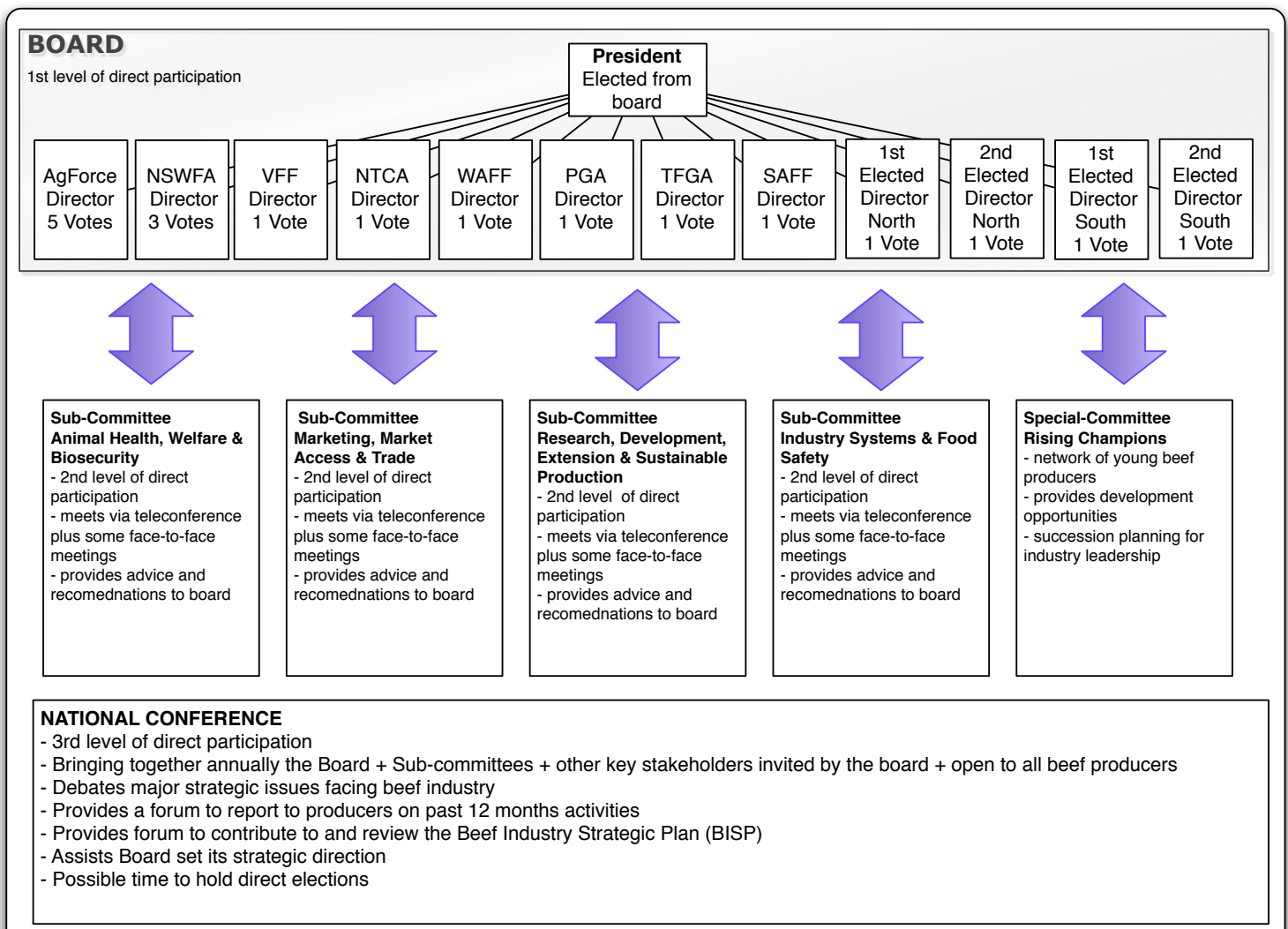


All grassfed beef producers will be given **three levels of opportunity for direct involvement** in their national organisation.

The **first level** of opportunity for direct involvement will be through the Board which would be a hybrid of directors nominated by SFOs mixed with directly elected members. *It is yet to be determined exactly how the direct elections will be conducted and if votes will be based on levies paid or a 'one person, one vote' system.* It is important to note that SFOs have been the mainstay of national organisations like the Cattle Council since their inception in 1979, hence they must retain a primary role in this organisation into the future.

The **second level** of opportunity for direct involvement will be through the sub-committees of the Board. Sub-committees will be responsible for recommending to the Board industry policy on specific issues and will be made up of SFO representatives and have a process for producers or other technical experts to apply to become a sub-committee member.

A **third level** of opportunity for direct involvement will be at an annual conference where the Board, sub-committees and other key stakeholders will be brought together to discuss strategic industry issues. The conference will be designed as an open forum where all levy paying beef producers are given opportunity to contribute.



## BACKGROUND

Leading up to and during the MLA AGM in Longreach on 17 November 2011, Cattle Council heard strong statements from producers that their national body is underfunded and that it needed to be more accessible and more representative of the industry. This is a view that Cattle Council has been advocating for some time.

Australia has 2.8% of the world cattle inventory, is the 8th biggest beef producer and the value of Australian cattle and calf production (including live export) is approximately \$7.6 billion. We are the 2nd largest exporter of beef in the world and the value of total beef and veal exports in 2009-10 was \$4.1 billion.

The beef industry accounts for 44% of all farms with agricultural activity covering a total area of 332 million ha (75% of all agricultural area). The industry employs 121,000 workers and contributes 18% of the total farm value of \$41 billion. It directly contributed a total of 1% to Australia's gross domestic product. Beef is the most popular fresh meat at retail in Australia.

Despite the massive value of the industry, grassfed beef producers only contribute a total of \$230,000 annually to national representation. The total budget for national representation has been stagnant at \$1.3 million for over 10 years.

Significant declines in membership of State Farming Organisations (SFOs) has led to income pressure for national representation. Reduced state and federal Government budgets for Agriculture is resulting in an increased need for industry to manage and regulate its own activities.

Cattle Council's role is to represent and progress the interests of Australian beef cattle producers through wide and regular consultation with, and policy advice to, key industry organisations, relevant Federal Government Departments and other bodies regarding issues of national and international importance.

Currently, in undertaking the Cattle Council's daily business, the Directors (*unpaid volunteers*) and the 5 permanent staff:

- Participate in over 60 industry and government committees;
- Provide oversight of the annual expenditure of \$72m (grassfed levy) by Meat & Livestock Australia, National Residue Survey and Animal Health Australia which includes monitoring over 200 key initiatives and programs;
- Providing a voice for producers in the media on all issues relating to national beef industry policy and strategic direction; and
- Manage the corporate governance and administrative duties that are associated with maintaining a national organisation to perform these functions.

Funding for Cattle Council is currently provided from the following sources:

1. Membership income from SFOs;
2. The Red Meat Advisory Council "Fund"; and
3. Sponsorship & Government funding agreements;

Based on Cattle Council's current workload and the rapidly increasing expectation from the beef production sector that Cattle Council must deliver a more comprehensive service to all of Australia's grassfed levy payers, the current funding is not adequate.

## **PROCESS OF PROPOSAL DEVELOPMENT**

Cattle Council has held meetings with key industry groups and has reviewed various proposed industry models. Based on this preliminary consultation and in consideration of the models already presented, Cattle Council has prepared this DRAFT funding and structural model (as a discussion leader for the industry consultation process), for a national organisation with the object of representing the Australian grassfed beef producers.

Three main issues associated with the development of a national beef industry representation model have been raised with Cattle Council. Based on consultation thus far the following is consistent:

### *1. Funding*

- National beef industry representation is underfunded and an improved funding model is required.
- There is general support for a form of socialised funding if producers can “opt out”.
- Any new funding model must be sustainable, equitable, transparent and most of all adequate.

### *2. Representation*

- Consideration must be given to the important role of state farming organisations as part of any new model.
- Producers must feel they have access to the organisation and its representatives.
- Participation on the board must be open to those producers funding the organisation. Therefore, if a form of socialised funding is part of the model then direct elections should also be part of that model.
- The producers on the national beef industry body board must be accountable back to all producers.

### *3. Structure*

- The use of sub-committees to manage the vast number of various issues and roles that a national body undertakes should be maintained.
- An annual conference for policy and strategic direction of the industry would be a positive step.
- The structure must allow for ample two-way communication with grassroots producers.
- The structure must ensure the organisation is able to achieve its organisational objects as determined by the constitution.

## **FUNDING OPTIONS CONSIDERED**

Various models and concepts have been put to Cattle Council for consideration. The suggested funding alternatives we have considered in forming our model include:

- **NLIS Tag Levy**  
A set levy on the sale of all NLIS Cattle tags that would be collected by authorised supplier of the tags
- **NLIS Tag Registration Fee**  
Charging all authorised manufactures of approved NLIS cattle pays an annual fee to do so.
- **National NLIS Tag Tender**  
Running a national tender process for NLIS cattle tags (like Victorian Government) and keeping part of savings produced for national representation.
- **Property Identification Code Registration Fee**  
Charge each producer an extra annual fee on their property identification code registration for national representation.

- **Divert part of \$5 Cattle Transaction Levy**  
Divert part of one or more of the current levies and allocate it to national representation.
- **Increase the Cattle Transaction Levy**  
Create an additional levy allocated for national representation.
- **Direct Membership**  
Allow producers to join their national body directly and charge each a membership fee.

Precedent does exist for an 'opt out' levy to fund producer representation. In South Australia grain producers pay the DAFF Levy plus a voluntary South Australian Grains Industry Trust and South Australian Farmers Federation (SAFF) Levy. The voluntary payment is on an 'opt-out' basis rather than an 'opt-in' basis under the Wheat Marketing Act 1989. 21 cents per tonne is paid and 16 cents goes to grains research and development in South Australia and 5 cents goes to the activities of the SAFF Grains Council. If they wish to 'opt out' they must do so in writing to the Minister.

## **REPRESENTATION OPTIONS CONSIDERED**

The four variations for representation considered included:

- 1. State Farming Organisation Representatives Only**  
No change to the current system where the only way to be appointed to the national board or participate in the organisation is to be nominated by a State Farming Organisation.
- 2. SFO & Direct Election (Hybrid)**  
A hybrid of directors nominated by state member organisations and directly elected directors.
- 3. SFO Board with more open participation on sub-committees**  
The only way to be appointed to the national board is to be nominated by a State Farming Organisation, however, participation in the sub-committees and annual conference is open to direct participation.
- 4. Direct Election Only**  
The only way to be appointed to the national board is to be directly elected.

Proponents of change believe that direct election must be part of any new model. If levy funds are directed to a national body then it logically follows that all producers paying the levy should have the ability to vote and stand for election.

In the process of the development of this model, Cattle Council has learnt that in 1998 it was intended that membership of CCA would be expanded beyond the State Producer Organisations, and include a limited number of directly elected members. The Constitutional amendments to enact these changes were not prepared in time for the May 1998 AGM and the changes were never made.

## **CURRENT OBJECTS OF THE CATTLE COUNCIL OF AUSTRALIAN INC**

Below are Cattle Council's current objects as stated in the Cattle Council of Australian Inc constitution. Under a new model it is unlikely that the objects would change significantly, however, the organisation would be better funded to meet them:

*The objects of Cattle Council are -*

- a) to represent and promote the interests of all Australian cattle producers;*
- b) to function as a specialist cattle industry organisation with concern for the livelihood of all cattle producers;*
- c) to carry out activities necessary for the betterment of the cattle industry;*
- d) to collect and disseminate information concerning the cattle industry;*
- e) to co-operate with appropriate organisations at the State level and overseas;*

- f) *to maintain a high level of liaison and co-operation as may be necessary for the fulfilment of the other objects of the CCA with Federal and State Government departments, agencies and authorities, with local government, and with other industry organisations;*
- g) *to promote the development of the agricultural and pastoral industry and resources of Australia;*
- h) *to act as the peak body for the red meat industry in Australia and in so doing to act in any role specified for this purpose; and*
- i) *to maintain the CCA's membership of the Federation or, if the Federation ceases to exist, a like body with the same or similar objects as the Federation during its existence.*

## **PROPOSED NEW STRUCTURE**

In developing this model Cattle Council has taken the preceding information into consideration and believes this model will ensure long term sustainable funding, be representative of industry, allow multiple avenues for participation and will best enable the organisation to achieve its organisational objects.

After careful consideration of the various options it is recommended that the new national representative body derive funding from the following sources:

1. Membership income from SFOs;
2. The Red Meat Advisory Council "Fund";
3. Sponsorship & Government funding agreements; and
4. Opt-out contribution of **a percentage of the cattle transaction levy** (potentially derived from the \$3.66 marketing component of the levy.)

This would most likely require changes to legislation and regulations associated with the Primary Industries [Excise] Levies Act 1999 and the Australian Meat and Live-stock Industry Act 1997. The intention of the changes would be to vary the purpose of the levy from being for 'Marketing' to being for 'Marketing and Representation' or similar.

Producers would be given an option to "opt out" of having a % diverted for national representation. If a producer did choose to "opt out" their funds would be re-diverted back to MLA and used for marketing. This funding model should be cost effective as it uses the current collection methods, however, there would be an increased administrative cost to manage the "opt out" process.

It is important to provide an "opt out" option as producers must not be forced to pay for national representation (compulsory unionism). Producers must also take on the responsibility of actually joining the national representative organisation as a 'member' before they can vote or stand for direct election. This must occur in all member organisations to ensure freedom of association is maintained.

A diversion of the currently levy is preferred over an increase to the levy, as it will not increase the overall \$5.00 burden on producers making it virtually seamless on farm.

A diversion of the marketing levy will diminish the grassfed beef industries marketing capacity, however, MLA has considerable marketing reserves. These reserves could be used to soften any reduction in funding by slowly lowering the marketing budgets over time. If the majority of producers determine that a reprioritisation of funds towards representation over marketing is appropriate then MLA will need to re-prioritise their programs in response.

By diverting a percentage of the marketing levy (not a set number of cents), the national representative body need not vary the amount into the future. The amount of funding it receives will be pegged to the rises (or falls) of the overall marketing levy.

It has not yet been determined the exact percentage required. Cattle Council is currently developing a Beef Industry Strategic Plan (BISP), which will involve an all of industry consultation process. Once industry has determined its strategic imperatives and which of these will fall to the national representative body, it will be possible to estimate the funds the national representative body will require.

To facilitate discussion, the current Cattle Council budget is \$1.3 million and the following percentages of the \$3.66 grassfed beef levy for marketing would provide an approximate income of:

| <b>Marketing Levy<br/>(Avg 2006 – 2011)</b> | <b>2%</b> | <b>4%</b>   | <b>6%</b>   | <b>8%</b>   | <b>10%</b>  |
|---|-----------|-------------|-------------|-------------|-------------|
| <b>\$45,204,008</b>                         | \$904,080 | \$1,808,160 | \$2,712,240 | \$3,616,321 | \$4,520,401 |

Under this model the Board would be a hybrid of directors nominated by state member organisations and directly elected directors.

It is proposed that each state member organisation would nominate 1 representative and that 4 representatives would be directly elected from all grassfed levy payers. Of the 4 directly elected grassfed levy payers 2 would be elected from the North (QLD, NT & Northern WA) and 2 would be elected from the South (NSW, VIC, SA, TAS & Southern WA).

Northern WA producers will be those located in the "Mining & Pastoral" Region and Southern WA producers will be those located in the "Agricultural" and "South West" Regions, as defined by the Western Australian Office of the Electoral Distribution Commissioners found at [http://www.boundaries.wa.gov.au/upload/Proposed\\_Boundaries\\_Country.pdf](http://www.boundaries.wa.gov.au/upload/Proposed_Boundaries_Country.pdf).



The AgForce director would have 5 votes, the NSWFarmers director would have 3 votes and all other directors would have one vote. This recognises both the financial contribution (membership fee) and the percentage of the industry each organisation is responsible for. It is important to note that SFOs have been the mainstay of national organisations like the Cattle Council since their inception in 1979, hence they must retain a primary role in this organisation into the future.

This model would provide a manageable board of 12 directors, recognises the SFOs, covers all states and also provides regional representation for producers who choose not to be a member of their state organisation. It is yet to be determined exactly how the direct elections will be conducted or if votes will be based on levies paid or a 'one person, one vote' system.

To ensure the national representative model is truly representative of all producers, the new model offers three levels of opportunity for participation that will be open to all grassfed producers. The first level of opportunity for direct involvement will be through direct election to the Board as described above.

The second level of opportunity for direct involvement will be through the sub-committees of the Board. Sub-committees will be responsible for recommending to the Board industry policy on specific issues and will be made up of SFO representatives and have a process for producers or other technical experts to apply to become a sub-committee member.

A third level of opportunity for direct involvement will be at an annual conference where the Board, sub-committees and other key stakeholders will be brought together to discuss strategic industry issues. The conference will be designed as an open forum where all levy paying beef producers are given opportunity to contribute. The national conference may also prove to be an ideal occasion to undertake elections and hold the organisations AGM although this is open for consideration.