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### HUNTBLOG NEWSLETTER

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## THE NEED TO STRENGTHEN AUSTRALIAN RURAL INDUSTRY ADVOCACY

The recently published Senate Committee report into the industry structures and systems governing levies on grass fed cattle and the State Farmer Organisation based Australian Farm Institute (AFI) published in March 2014 has underlined the urgent need for Australian rural industries to review and reform their rural advocacy structures.

### **The Call for Change**

#### *Grass Fed Cattle Producers*

The overwhelming majority of submissions to the Senate Committee inquiry into grass fed cattle levy funded structures and systems, including submissions from, the Cattle Council of Australia (CCA), The Northern Territory Cattlemen's Association (NTCA), NSW Farmers, AgForce the Red Meat Advisory Council (RMAC), Australian Beef Association (ABA), the Richmond river Cattlemen's Association and the Australian Meat Producers Group (AMPG) all recommended some form of modification to the existing grass fed cattle levy funded structures and systems.

#### *Australian Farm Institute*

The State Farmer Organisation-based Australian Farm Institute's (AFI) report, *Opportunities to Improve the Effectiveness of Australian Farmers' Advocacy Groups – A Comparative Approach*<sup>1</sup>, published in March 2014, compares the Australian landscape of agricultural advocacy groups with examples of more effective groups in Canada, New Zealand, and France.

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<sup>1</sup> Australian Farm Institute, *Opportunities to Improve the Effectiveness of Australian Farmers' Advocacy Groups – A Comparative Approach*, March 2014.

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The AFI report rates the farm advocacy system's effectiveness in each country by rating the effectiveness of a national farm advocacy group in each country. In Canada, the report focuses on the Canadian Federation of Agriculture (CFA). In New Zealand, the report focuses on Federated Farmers (NZFF). In France, the report focuses on the National Federation of Unions of Agricultural Managers (FNSEA). In Australia, the report focuses on the National Farmers' Federation (NFF) and the State Farmer Organisations (SFOs).

In Canada, the Canadian Federation of Agriculture was rated 3 out of 5 for legitimacy due to its historic credentials and key role in official consultations, and the CFA was rated 1.5 out of 5 for strength of business model due, in part, to its dependence on membership fees.

In New Zealand, Federated Farmers was rated 2.5 out of 5 for legitimacy due to government and media trusting its knowledge of policies and advocacy, and the NZFF was rated 2 out of 5 for strength of business model due to its lack of new services and reliance on existing assets.

In France, the FNSEA was rated 4 out of 5 for legitimacy due to its transparent election every six years, and the FNSEA was rated 4 out of 5 rating in strength of business model due to historic assets and public funding.

These ratings can then be compared to the ratings for Australia. The NFF and SFOs were rated 1.5 out of 5 for legitimacy due to falling numbers and public opinion, and the NFF and SFOs were rated 1 out of 5 for strength of business model due to the failure to offer members services and a failure to use resources effectively.

The AFI report uses six criteria to assess the effectiveness of the farm advocacy groups: strength of business model, coverage, legitimacy, consistency, competition, and e-capacity. In four out of six of the criteria the NFF and SFOs were ranked last when their ratings were compared to Canada, New Zealand, and France. Only in coverage (where they were ranked third ahead of Canada) and in e-capacity (where they were ranked second behind France) were the NFF and SFOs not ranked last.

The AFI report found that, compared to almost all farming sectors worldwide, "the Australian farm sector is the least 'organised', and has very few examples of successful collective action – either in pursuit of policy or commercial objectives."<sup>2</sup> The AFI report underscores the considerable difficulties facing farmer representation and advocacy organisations in Australia, "exemplified by declining membership, fragmentation, and perceived ineffectiveness."<sup>3</sup>

The AFI report found that the factors contributing to the difficulties facing rural advocacy groups in Australia include: reduced national economic importance of agriculture, deregulation of the agricultural sector, increased scrutiny being imposed on agriculture by environmental and animal welfare organisations, the digital revolution, and, importantly, the "centralisation of major issues affecting agriculture towards the Australian Government and away from state governments".<sup>4</sup>

The considerable difficulties facing Australian rural advocacy groups arising from new factors like the centralisation of agricultural issues to the Commonwealth government rather than State governments, coupled with the lack of effectiveness of current Australian State Farmer Organisation-focused rural advocacy groups illustrate that there is a need to strengthen Australian rural industry advocacy, and illustrate why there is a need to look for other examples, both internationally and domestically at industry-specific models, of effective rural advocacy groups.

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<sup>2</sup>Ibid., pg iii.

<sup>3</sup>Ibid., pg 1.

<sup>4</sup> Ibid.

The AFI report reached a number of conclusions “that appear necessary in order to enhance the effectiveness and long-term sustainability of the Australian farm advocacy ‘system’.”<sup>5</sup> The conclusions in the report include:

1. Agricultural advocacy groups need to deliver a range of services and benefits which can act as an attraction to encourage membership.
2. Providing attractive opportunities for local engagement is a powerful way to gain and retain members.
3. Direct-membership models of national agricultural advocacy organisations are highly unlikely to be successful unless they offer a wide array of commercially attractive products and services for members.
4. Legitimacy is derived from the relationship between the organisation and its members – relies on continuing engagement of members.
5. 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.

## **OTHER INTERNATIONAL EXAMPLES OF EFFECTIVE RURAL ADVOCACY GROUPS**

### **Canada**

While only noted in the AFI report, the Canadian Cattlemen’s Association operates on the second largest budget out of all national agricultural advocacy groups in Canada. One of the Canadian Cattlemen’s Association’s primary functions is engaging with government and lobbying the government. About 80% of the Canadian Cattlemen’s Association’s funds come from the levy-funded member groups – the eight provincial member cattle associations.

A primary difference between the Canadian levy system and the Australian levy system is that, while the levy is \$3, only \$1 is mandatory and goes to Canada Beef Inc. and the Beef Cattle Research Council for market research, development, and promotion. The remaining \$2 of the levy can be requested back by the levy payer as a refund, but otherwise stays with the provincial cattle association who then pays some of it to the Canadian Cattlemen’s Association.

A further difference between the Canadian levy system and the Australian levy system is that the Canadian levy goes to beef industry-specific groups for market research, development, and promotion. This situation stands in stark contrast to Meat and Livestock Australia who receives the levy funds, and is to promote simultaneously the conflicting interests of beef and lamb to the Australian public.

### **United States**

There are two further examples of agricultural advocacy groups in the United States that are useful to consider in addressing the AFI’s conclusions outlined above. First, is the United States beef industry advocacy comprised of the Cattlemen’s Beef Promotion and Research Board (Cattlemen’s Beef Board or CBB), the Federation of State Beef Councils (the Federation), and the National Cattlemen’s Beef Association (NCBA). Second, is the American Farm Bureau Federation (AFBF).

### **Important Differences Between the U.S. and Australia**

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<sup>5</sup> Ibid., pg x.

There are, however, four important differences between the U.S. and Australia that are pertinent to the issues of rural advocacy groups, and that are important to keep in mind.

The first important difference between the U.S. and Australia is the continued strength of State governments in the United States, and the continued importance of U.S. State governments to issues affecting agriculture. In contrast, Australia has seen increasing centralisation of power and major issues affecting agriculture in the Commonwealth government. This centralisation has largely pushed Australian States to the periphery of many agricultural issues. This difference explains why the NCBA emphasises a more federalist structure, because the individual State cattlemen's associations need to lobby the U.S. State governments.

The second important difference between the U.S. cattle levy system and the Australian cattle levy system is that in the U.S., as is the case in Canada as well, the Checkoff levy funds go to beef industry-specific groups for promotion of beef, market research, and development. MLA, in contrast, promotes, develops, and researches for directly competing lamb and beef products.

The third important difference between the U.S. and Australia is that both the lobbying group is also beef-industry specific. The NCBA represents and lobbies Congress on behalf of, and primarily concerned with issues affecting, cattle producers in particular, which is different to the National Farmers' Federation and their State affiliates who lobby for farmers more generally. Also, the NCBA and the State cattlemen's associations are independent and membership in them does not depend on membership in another organisation. All that is necessary to be a voting member of a State cattlemen's association or the NCBA is to be a cattle producer.

The final important difference between the U.S. and Australia is that less than 20% of cattle producers are members of the State Farmer Organisation based Cattle Council of Australia. In contrast, the NCBA represents more than 175,000 cattle producers and feeders. The NCBA represents more than 60% of all farming operations in the U.S. that have 20 head of beef cattle or more and had contributed to cattle sales in the previous year from the 2012 Census (287,000 operations).<sup>6</sup>

### **Benefits of the U.S. Beef Advocacy Structure**

The U.S. Beef advocacy structure comprises of the Cattlemen's Beef Board, the National Cattlemen's Beef Association, and the Federation of State Beef Councils Division of the NCBA.

The structure whereby the CBB's membership is nominated from the NCBA's State affiliates,<sup>7</sup> and the Federation is a division of the NCBA, ensures efficiency and synergy between the NCBA, its grassroots membership, and its political advocacy and lobbying, and the CBB and Federation's use of Checkoff levy funds to promote beef and conduct research.

One benefit of the NCBA structure is that not only are there affiliated State cattlemen's associations (e.g., Florida Cattlemen's Association), but these State cattlemen's associations are often made up of cattlemen's associations in individual counties in the State. Membership in the State cattlemen's associations is through these county associations, which set their own membership fees (e.g., in Florida the memberships range from \$60 - \$100 per year). These individual State and county

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<sup>6</sup> USDA Census of Agriculture for 2012, pg 20.

<sup>7</sup> 7 U.S.C. § 2905 defines a Certified Nominating Organisation as: (b) A State cattle association or State general farm organisation: (1) where cattle producers comprise a majority of the total paid membership, or the total paid membership represents a majority of cattle producers in the State; (2) that represents a substantial number of producers that produce a substantial number of cattle in the State; (3) that has a history of stability and permanence; and (4) a primary purpose of which is to promote the economic welfare of cattle producers.

associations, with their meetings, scholarships, cook-outs, etc., provide a level of local engagement that the AFI report highlights as an important way to gain and retain members.<sup>8</sup>

Further, the NCBA itself is structured so that its own policies are first introduced by individual members at the State level, and then before a policy is adopted it goes to a ballot to the individual members. In this way, the NCBA relies on the continuing engagement of members, which the AFI report concludes is essential for an agricultural advocacy group to maintain its legitimacy with its members.<sup>9</sup>

Given the central importance of the Commonwealth government with respect to issues affecting agriculture, in adapting a similar NCBA model to Australia these local associations would ideally be directly connected to the national organisation. This adaptation would still provide a high level of local engagement, and yet deal with the reality that most issues affecting agriculture are dealt with at the Commonwealth and not the State level.

Beyond these benefits, the NCBA offers commercial benefits to members such as discounts on John Deere, Caterpillar, Ram trucks, Cabela (outdoor store), among others. In providing these sorts of commercial benefits, the NCBA partially realises what the AFI report believes is vital to gain and maintain membership.<sup>10</sup> However, the American Farm Bureau Federation takes these sorts of benefits to members to another level.

### **Benefits of the American Farm Bureau Federation Structure**

The American Farm Bureau Federation (AFBF) is a very powerful rural advocacy group in the U.S. While its main purpose is lobbying government, it maintains and increases its membership and thus its funds, by offering a number of commercially attractive discounts and services.

The American Farm Bureau Federation has a membership of 6 million “member families”,<sup>11</sup> and a presence in all 50 U.S. States. The U.S. has a total of 2.1 million farms.<sup>12</sup> The AFBF’s success in gaining membership can largely be attributed to the large commercial benefits that members of the AFBF’s State branches receive. Once again, the success of the AFBF in this way provides evidence for the AFI report’s belief that providing commercial discounts and services is vital to gain and maintain membership.<sup>13</sup>

As an example, the Georgia Farm Bureau offers commercial discounts and services to members in categories such as: travel discounts, health and wellness, family entertainment, home and auto, farm, and financial. The Georgia Farm Bureau offers not only commercially attractive discounts, but also commercial services such as car insurance, life insurance, crop insurance, banking services, marketing services. Further, the AFBF also offers help with legal advocacy to landowners in protection of private property rights.

All of these discounts and services do not detract from the main service that the AFBF offers which is legislative advocacy – and the AFBF with its large membership base and commercial services is a very powerful lobbying force in the individual States and at the national level in Washington.

### **Checkoff**

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<sup>8</sup> See point 2 outlined above.

<sup>9</sup> See point 4 outlined above.

<sup>10</sup> See points 1, 3, and 5 above.

<sup>11</sup> Ian T. Shearn, *The Nation*, ‘Whose Side Is the American Farm Bureau On?’, 16 July 2012.

<sup>12</sup> USDA Census of Agriculture for 2012, pg 7.

<sup>13</sup> See points 1, 3, and 5 above.

The Checkoff in America is a \$1 levy per head of all cattle sold in the U.S., and an equivalent amount on imported cattle, beef, and beef product. This levy is collected by the State beef councils, and at least 50 cents of each dollar must be sent to the Cattlemen's Beef Board. The remaining 50 cents may be retained by the State beef councils. Beef importers send the entire \$1 to the CBB.

### **Cattlemen's Beef Promotion and Research Board (CBB)**

The Cattlemen's Beef Board was established by the *Beef Research and Information Act 1985*, and is thus a statutory creation.<sup>14</sup> The CBB is an independent body of 103 members, 95 members must be cattle producers and 8 members are beef importers. The CBB members are responsible for setting and delivering the CBB's policy for the promotion and research of beef. Members are elected to three year terms, and may only serve two consecutive terms.

#### *Role and Function*

The aims of the Cattlemen's Beef Board are: to encourage the sale of more beef; to encourage the consumption of more beef; to encourage consumer confidence, commitment to quality, and beef safety; and to maintain and grow a positive image for the beef industry.

In order to obtain these ends, the CBB is able to use Checkoff levy funds for the promotion of beef, market research, human nutrition research, new product development, consumer information, industry information, foreign marketing, and producer communications. Further, the CBB is permitted to contract with established national non-profit industry governed organisations to conduct programs. One well known and successful marketing campaign for the promotion of beef is the "Beef It's What's For Dinner" campaign, which the CBB has conducted with the National Cattlemen's Beef Association.

### **National Cattlemen's Beef Association (NCBA)**

The National Cattlemen's Beef Association is a consumer-focused, producer-directed marketing organisation and trade association. The NCBA (through direct membership and its State affiliates) represents more than 175,000 cattle producers and feeders. Given that there is a total of 287,000 operations in the U.S. that has a herd of 20 head of cattle or more and had sold cattle the previous year,<sup>15</sup> the NCBA is regarded as being highly representative of cattle producers and feeders.

Voting memberships in the NCBA are open to all cattle producers, and dues are based upon the head of cattle that a producer owns. Non-voting memberships are also open to non-producers and allied industries. Voting operates on a one person, one vote basis.

#### *Function and Political Action*

The NCBA aims "to advance the economic, political, and social interests of the U.S. cattle business and to be an advocate for the cattle industry's policy positions and economic interests."<sup>16</sup> The NCBA lobbies Congress to achieve its aims, and funds full-time lobbyists in Washington, D.C.

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<sup>14</sup>*Beef Research and Information Act 1985* (US), 7 U.S.C. §§2901-2911.

<sup>15</sup> USDA Census of Agriculture for 2012, pg 20.

<sup>16</sup> National Cattlemen's Beef Association, <[www.beefusa.org/theassociation.aspx](http://www.beefusa.org/theassociation.aspx)>, accessed 14 October 2014.

Beyond the normal lobbying activities of the NCBA there is also a related NCBA – Political Action Committee (PAC), which raises money and accepts donations to help fund political lobbying. The NCBA – PAC aims to raise \$1 million per election cycle (every two years). The NCBA – PAC asks candidates to fill out a questionnaire and explain their positions on policy issues important to the NCBA, and then the NCBA – PAC supports political candidates (from both political parties) who support the U.S. beef cattle industry.

### *Policy*

NCBA policies are first introduced by individual members through their State affiliates. Policies that are passed by the State affiliate are then sent to an NCBA Committee, which, when passed, then go to the Resolutions Committee and NCBA Board of Directors for approval and/or modification. A ballot is then mailed to all members for consideration.

Through this process the NCBA attempts to maintain connections to the grassroots members, and they emphasise that their policies start and end with individual members.

### **Federation of State Beef Councils – Division of NCBA (the Federation)**

The Federation of State Beef Councils oversees beef and beef production promotion, research, information, and related activities funded by the beef Checkoff levy. Individual State beef councils, which collect the Checkoff levy, may contribute to the Federation any portion of the 50 cents per dollar that they are permitted to retain from the Checkoff levy funds.

The Federation is a Division of the NCBA. The Federation Division Board of Directors Resolution from 31 July 2010 describes the Federation’s view on the relationship between the Federation and the NCBA: “the Federation should operate in a more independent structure while maintaining the synergies and efficiencies of the current relationship with the National Cattlemen’s Beef Association and strongly opposes any effort to sever that relationship.”<sup>17</sup>

Since Checkoff levy funds cannot be used to influence government policy or action, including lobbying, or to promote any particular breed, brand, or production system, the Federation maintains separate Checkoff levy and non-Checkoff levy bank accounts. Further, the NCBA utilises an integrated/segregated voting system, whereby the Federation Division directors will not vote on matters which do not involve the Checkoff levy, and Policy Division directors will not vote on matters that do not involve policy.

However, the Checkoff levy funds do help to pay for at least some of the overhead that is shared between the Federation and NCBA, which means that, in this way, some of the Checkoff levy funds do support a lobbying organisation.

### **International Examples of Levy Funded Lobby Groups**

#### *South Africa*

The Red Meat Industry Forum (RMIF) is a self-proclaimed, levy funded lobby group for the industry, and its Red Meat Levy Admin Pty Ltd collects and manages levies on red meat on its behalf.

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<sup>17</sup> Federation Division Board of Directors Resolution 31 July 2010, <[www.beefusa.org/CMDocs/BeefUSA/Federation/fed-resolution.pdf](http://www.beefusa.org/CMDocs/BeefUSA/Federation/fed-resolution.pdf)>, accessed 14 October 2014.

## *Ireland*

The Irish Farmers' Association (IFA) is a levy funded lobbying organisation. Approximately 35% of the IFA's annual income is derived from levies. The IFA then uses these funds to represent and defend Irish farmers' interests.

## **Australian Agricultural Industry Examples of Levy Funded Lobby Groups**

The levy funded Australian Pork Limited, and, in practice, the levy funded Egg Corporation both combine advocacy marketing and research and development functions under one levy funded roof.

The only advocacy limitation that Australian Pork Limited (APL) has in its levy Funding Agreement with the Commonwealth government are those limitations that prevent APL from *financing any form of external or internal political campaigning*. The APL Funding Agreement specifically states that agri-political activity does not include *strategic policy development*.

Australian Wool Innovations and Dairy Australia are levy funded marketing and research and development corporations with levy payer elected boards. Both corporations do not have any oversight by their industry Peak Councils and set and deliver their own marketing and research and development policies, and when relevant, lobby government to assist them in the implementation of those policies.

The AMPC and LiveCorp are both levy funded marketing and research and development corporations with a levy payer elected board that sets its own marketing and research and development policy in consultation with their Peak Councils, AMIC and ALEC.

Cattle Council of Australia (CCA), Australian Meat Industry Council (AMIC), Sheep Council of Australia (SCA), Australian Lot Feeders Association (ALFA), and the Red Meat Advisory Council (RMAC) have all been receiving interest off the RMAC levy revenue fund since 1998, and they have been using these levy funds for advocacy. CCA is advocating for an additional \$4 million from the cattle transactional levy funds to fund their policy setting and advocacy.

There is no conceivable reason why Australian cattle producers should not have a similar levy funded combined advocacy, promotion, research, and development organisation.

## **Conclusions**

If we are to have an agricultural advocacy group that is able to effectively lobby government, while simultaneously maintaining membership levels and legitimacy in the eyes of producers, then the AFI report's conclusions outlined above are important to keep in mind when thinking about the structure that the advocacy group should take.

The U.S. beef advocacy structure, comprising of the National Cattlemen's Beef Association, the Federation of State Beef Councils Division of the NCBA, and the Cattlemen's Beef Board, and the

interplay between the groups that ensures efficiency and synergy to policy setting, lobbying, and research and development among the three groups, together with the provision of commercially attractive discounts and services that the American Farm Bureau Federation provides, affords a possible model that would result in a powerful and legitimate agricultural advocacy group.

Another possible model is found in the Australian agricultural industry examples of levy funded advocacy groups. In particular, Australian Pork Limited offers a model for combined policy setting, lobbying, and research and development under one levy funded roof.

*Further material on the RRAT Senate References Committee into industry structures and systems governing levies on grass fed cattle submissions hearings and report can be found at [www.HuntBlog.com.au](http://www.HuntBlog.com.au) and on [www.cattlelevysenateinquiryinformation.com](http://www.cattlelevysenateinquiryinformation.com).*