

**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**

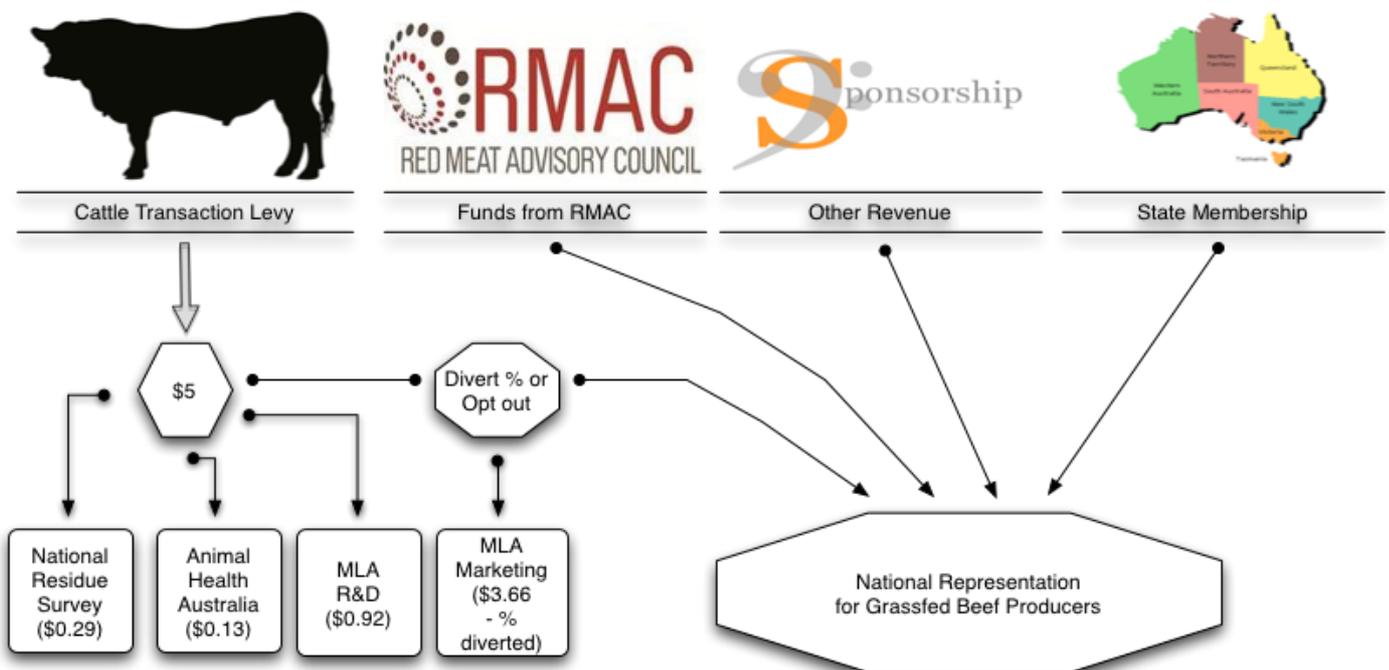
The Cattle Council of Australia Inc. was formed in 1979; this was a pivotal year for Australian agriculture. In July 1979, the commodity council members of the National Farmers' Federation (NFF) elected their nominees to sit alongside existing State Farmer Organisation (SFO) councillors to form a complete 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 1979 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.)

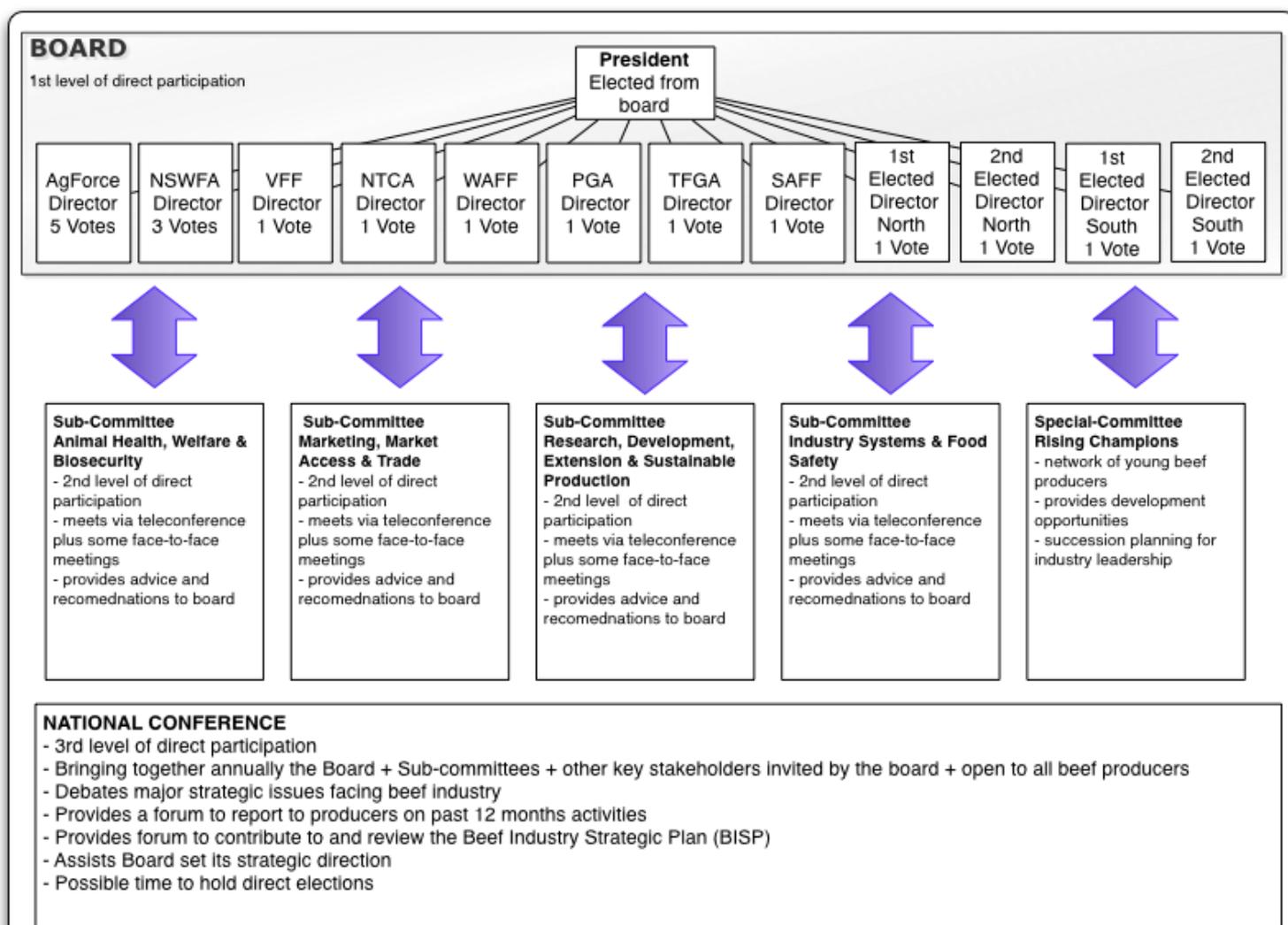


All grassfed beef producers will be given **three levels of opportunity for direct involvement** in their national organisation.

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 making recommendations to the Board on industry policy relevant to that sub-committee. Each sub-committee will be made up of SFO representatives and have a process for producers and 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 notion of an annual conference is conceptual at this stage.



## BACKGROUND

Leading up to Cattle Council's 2011 AGM in Longreach (November 2011), Cattle Council became aware of a significant push by the broader beef industry 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.

### *Fast facts*

Australia has 2.8% of the world cattle inventory, is the 8th largest beef producer and the value of Australian cattle and calf production (including live export) is approximately \$7.6 billion. Australia is 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. Australia exports beef to more than 100 countries.

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 directly contribute around \$230,000 annually to national representation. The total budget for national representation has remained static at \$1.3 million for over 10 years.

The membership-pressure on SFOs has led to income pressure for national representation. Reduced state and federal Government budgets for Agriculture has resulted 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 4.5 full time 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;
- Representation of the producer perspective to Government in Australia and overseas on key market access issues associated with food safety, import protocols, trade agreements and in-market assurances;
- Providing the producer link in the management and improvement of issues around biosecurity, including the national Emergency Animal Disease response plan for the beef industry;
- Contributing the beef industry perspective on cross commodity issues managed by the Red Meat Advisory Council and the National Farmers' Federation; 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, current funding levels are 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 prompter for the industry consultation process), for a national organisation with the object of better-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 to date, the following is consistent:

#### *1. Funding*

- National beef industry representation is underfunded and an improved funding model is required
- There seems to be general support for some 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 reformed 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 Board must be accountable to all beef 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, even ramped-up
- 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 mooted, by a range of stakeholder, for Cattle Council for consideration. The suggested funding alternatives considered so far 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 manufacturers of approved NLIS cattle tags an annual registration fee
- **National NLIS Tag Tender**

Running a national tender process for NLIS cattle tags (as done currently by the Victorian Government) and utilizing a part of the savings produced for national representation

- **Property Identification Code Registration Fee**  
Charge each producer an additional annual fee on their property identification code registration for national representation
- **Divert a component of the \$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 individuals a membership fee
- *There may be others not yet considered. Some of the concepts above may indeed be feasible at some point in the future.*

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. A total of 21 cents per tonne is paid and 16 cents is directed towards grains research and development in South Australia and 5 cents is directed 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**  
Business as usual 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 researching this project, the 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. This proposal for change was as a direct consequence of the industry restructure where Cattle Council would, and still is to this day, be the recipient of considerable socialised funding from "The Fund" (Red meat Advisory Council).

## CURRENT OBJECTS OF THE CATTLE COUNCIL OF AUSTRALIAN INC

Below are Cattle Council's current objects as stated in the Cattle Council of Australia Inc constitution. Under any 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 fulfillment 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 more 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 a reformed 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 percentage diverted for national representation. If a producer did choose to 'opt out', their funds would be re-diverted 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 cannot be forced to pay for national representation (aka compulsory unionism). Furthermore, producers must also agree to physically 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 contribution, hence making it relatively seamless on farm.

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 income.

It has not yet been determined the percentage required. Cattle Council will soon commence the development of 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 (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 SFOs and directly-elected levy payers.

It is proposed that each state member organisation would nominate one representative each and that four representatives would be directly elected from all grassfed levy payers. Of the four directly elected grassfed levy payers, two would be elected from the north (QLD, NT & Northern WA) and two would be elected from the south (NSW, VIC, SA, TAS & Southern WA).

Determining an appropriate cut-off line for a state as large as Western Australia is challenging. However, it is proposed that 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 in the attached pdf file.*



With regard to SFOs, the AgForce director would have five votes, the NSWFarmers director would have three 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 beef 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 policy to the Board on specific issues and will be made up of SFO representatives with a process for producers and 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 organisation's AGM.