

Mr Tim Watling, Committee Secretary  
Senate Rural and Regional Affairs and Transport References Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Australia

/02/2014

**For the Attention of the Senators of the RRAT Committee,**

Please accept my submission to the Senate Inquiry into the Collection and Disbursement of the Grassfed Cattle Levy, due for review on 7<sup>th</sup> March 2014.

THE PRESENT STRUCTURE REPRESENTING GRASSFED CATTLE PRODUCERS

The grass fed cattle industry is represented by Cattle Council of Australia (CCA). They are the 'Peak Council' for the grassfed industry. There are 5 other Peak Councils, under the umbrella of the Red Meat Advisory Council (RMAC).

CCA's Board comes from the State Farm Organisations (SFOs). Cattle Council's main source of income comes from indirect access to the producer's levies, the other source of funding comes from industry reserve funds, and last but not least from the financially struggling SFOs, who pay a membership fee to sit on the CCA Board. These SFOs make policy for the grassfed cattle industry. It is generally understood that CCA is to make the policies for grassfed producers. The Meat and Livestock Australia (MLA), who is a service providing company, has the role to implement those policies for the grassfed industry.

But how is this achievable when CCA membership only represents between 10% to 15% of all levy payers? Most producers do not believe CCA (or SFO) policies represent mainstream producers.

But there is an even bigger problem. Every year, about \$54.6m is raised from the compulsory \$5 levy on every beast sold by grassfed cattle producers alone.

Unlike some Peak Councils, the Cattle Council of Australia (CCA) does not directly receive their own grassfed producers' levy money. That money is instead paid to MLA – the service company representing all sectors of the red meat industry. ***It is about here that grassfed producers lose all control of their monies.***

Also, despite the grassfed levy funds providing MLA with over 54% of levies collected, for producers to have membership and voting rights, they must apply for this privilege, and wait to be accepted. No union member would allow himself to not be directly represented by his organisation without a vote.

The grassfed industry is currently operating in a very challenging environment within Australia and overseas, it is not presently structured or resourced to be able to react to challenges quickly and efficiently.

**CCA is currently under resourced. This makes it powerless!!** Some SFOs cannot pay their membership, but still sit at, and control, the policy debate.

CCA have to rely on ***indirect access*** to the compulsory grassfed levies. This is doled out by MLA, reported to be about \$800,000. Then, \$200,000 of Cattle Council funds must be paid to NFF to keep them funded. Consequently, the under resourced CCA does contractual work for MLA to increase their income. The master working for the service provider!

The CCA office can afford only 4 people to oversee a \$12billion industry. So we have a situation where our compulsorily acquired grassfed money is used to prop up a just barely functioning voluntary organisation.

### ALLEGED DEMOCRACY

When retiring MLA Board Directors finish their terms, levy payers (who actually got their membership and ticked their votes) may supposedly vote for 3 new Directors each year.

But we have no choice but to vote for three persons who have ***already been pre-selected*** by a 'Selection Committee' and MLA. Levy payers get no choice or decision.

If any of those new Directors do not get the 50% of votes needed to be elected, the MLA Board is allowed to function for 12 months without this Director. This is a Claytons election seeing producers who are members of the MLA are presented with three directors for three positions. THIS IS NOT DEMOCRACY!

### VOTING ENTITLEMENTS

Levy payers (those who have registered for membership) have to apply for their voting entitlements based on the number of cattle sold. There are no checks and balances and can be open to rorting. Large feedlotters and processors who have feedlots also claim their votes, and these smaller numbers of persons who control larger numbers of votes.

About 200,000 grassfed producers in Australia sell cattle, and can therefore apply to vote. However, only 48,000 producers have ever applied for membership, or can vote.

Data from 2010 shows us that only 9,000-10,000 of those 48,000 producers applied for voting entitlements. But then, only 3600 producers, actually ticked the boxes on their voting forms!! Producers advise that they feel powerless in this organisation, feel they cannot control MLA or their funds, so feel disenfranchised and don't bother to vote.

It is important to know: The top or first 41 voters control 50% of the vote. Of those top 5, who control close to 30% of the vote, 4 of them are multi-national processors.

When you take into account that 52% of MLA's levy funding (before the government R&D contribution) comes from the grassfed cattle levies, producers are unequally represented.

### PROBLEMS TO BE RECTIFIED

- Grassfed cattlemen have taxation without representation. This must change!
- Paying a compulsory levy means grassfed producer representation must be foremost in any new Board or restructure of Cattle Council
- Paying a compulsory levy must mean that grassfed producers have management of their own funds for their own industry.
- Democracy, and grassfed producers' election of their own Board members must be implemented. This is non-negotiable.
- Our new Peak Council, (a restructured CCA?) and the MLA Board, has to be answerable to the grassfed levy payers.
- It must be a transparent, accountable organisation, that grassfed producers select and elect (or sack) themselves.
- MLA was set up to be a service provider. What we see now is MLA using producer funds for the benefit of Multinationals and Supermarkets.

### SOLUTION FOR DEMOCRATIC RESTRUCTURE

#### BOARD MEMBERS

Board members to be 1 per state except where states exceed 3 million cattle when there will be 1 board member per 3 million cattle. ie

TAS - 1; VIC - 1; SA - 1; WA - 1; NT - 1; NSW - 2 (6,000,000 cattle) and QLD - 4 (12,000,000 cattle)

There is also a consideration that state boundaries could be ignored, and producers establish regions based on numbers of cattle.

MEMBERSHIP

All grassfed levy payers would automatically become members of the new restructured Cattle Council, and automatically receive their votes.

THE COLLECTION OF LEVIES

All grassfed levies to be paid into the new organisation, as is the case with some other Peak Councils.. The grassfed levy is to be a percentage of the gross value of cattle sold, with a ceiling on the levy. This is to be investigated to replace the current flat rate system.

DISTRIBUTION OF LEVIES

The new restructured and democratic grassfed cattle representative Board is to decide where, when and on what, the \$50m+ grassfed levy income should be spent.

VOTING

A two tiered voting system to be investigated instead of the present system which is based wholly on cattle sales. This will give fairness to the system between large and small producers. Votes are to be calculated by the new board and automatically sent to all grassfed levy payers.

FINALLY

The current structure within the Red Meat Industry is almost 17 years old. Every business should give itself an overhaul regularly; review its functionality, and its relevance. This is good governance. This has not been done in the red meat industry, and is long overdue. In 2011, Cattle Council called for it themselves!!

We, the grassfed cattle producers of Australia, welcome the opportunity to review the collection and disbursement of the grassfed levy through the establishment of the Senate Inquiry on March 7<sup>th</sup>, 2014.

.....

Email Tim Watling at [rrat.sen@aph.gov.au](mailto:rrat.sen@aph.gov.au)