



Submission

Response to the Green Paper

Agricultural Competitiveness White Paper

December 2014

## Introduction

The Cattle Council of Australia thanks the Australian Government for the opportunity to provide a submission to the Agricultural Competitiveness Whitepaper. Cattle Council recognises the need to consider the long-term vision for the beef industry. Competitiveness is imperative for the longevity of the industry.

The Cattle Council of Australia is the peak organisation representing Australia's grass fed cattle producers. It was established in July 1979, bringing together for the first time all farmer organisations whose members had beef cattle enterprises. These organisations have a combined membership of more than 15,000 cattle producers and represents more than 50 percent of Australia's cattle herd. As of January 2014, we also now represent direct members.

In addition to our traditional advocacy role, Cattle Council has a prescribed function under the red meat industry structure which is set out under the Australian Meat and Live-stock Industry Act 1997. A Memorandum of Understanding (MOU), signed by all organisations involved in the red meat industry - including the Australian Government - underpins these arrangements. Under the MOU, the Cattle Council, like the other Red Meat Industry Peak Councils, has an oversight role of its service providers i.e. Levy Expenditure.

Cattle Council is also a member of the National Farmers Federation (NFF). The National Farmers' Federation is the peak national body representing farmers and, more broadly, agriculture across Australia. Cattle Council's membership of the NFF allows the Cattle Council to focus its advocacy efforts on issues directly relevant to the beef industry, while having the NFF advocate our interests on cross-commodity issues. With this in mind the Cattle Council offers support to the NFF's submission. Cattle Council's submission aims to focus on those issues of direct relevance to our sector.

For a long-term strategy for agriculture to succeed, there is reliance by the Australian Government on industry representative groups to contribute these policy ideas based on consultation with their memberships. As long as there is this reliance, the government does bear some responsibility in ensuring these organisations are adequately resourced. By ensuring industry groups have a robust policy development process; governments can be assured that their own policies are likely to be appropriate and effective.

Cattle Council has been considering the recommendations Senate Committee for Rural and Regional Affairs and Transport completing an inquiry into Industry structures and systems governing levies on grass-fed cattle. Above all else, Cattle Council's primary responsibility is to ensure the best possible outcomes for Australian grassfed beef producers.

We will be proposing to the Hon. Barnaby Joyce MP, Minister for Agriculture that a new producer body be formed which will have the role of using the levy for strategic policy development and will also be responsible for investing the levy with service providers. We believe a body such as this can deliver on the expectations of Australian beef producers.

## Infrastructure

Infrastructure development is a pressing need for the industry. For example, Access to processing and port facilities is limited with cattle being freighted significant distances for processing or to Live Export ports. In addition to these freight costs, product from the few northern abattoirs is often shipped out of southern ports due to access issues for shipping companies. These infrastructure pressures can significantly impact on the profitability of beef cattle enterprises with costs being passed along the supply chain.

### Liaison between Government and Industry

Agriculture must have a dedicated liaison point during the prioritisation process to avoid being eclipsed by higher value sectors such as resources. While remotely-based agricultural communities also benefit from resource-sector focused infrastructure, there are areas where beef production is unable to piggyback on this investment, demonstrating the need for agriculture-focused forums. Ideally this should be managed through the Infrastructure and Transport Portfolio to avoid the 'silo-effect' within government.

### Utilising Data

A lack of data about transport movements in rural and remote parts of Australia can hamper governments' and industry's ability to prioritise investments that carry maximum value. The Cattle Council encourages the government to investigate "unconventional" datasets that will assist in making infrastructure investment more targeted.

For example, aggregated National Livestock Identification System data has the potential to help inform where transport bottlenecks may exist and to identify areas of high-use likely to require regular maintenance. Industry has already agreed to release data for a number of research projects aimed at mapping cattle movements.

### Improved Communications Infrastructure

In addition to infrastructure improvements specific to production, given the generally sparse population in beef producing areas and the scale of distances involved, improvements to communication infrastructure would be of immense benefit to the industry, offering business efficiencies such as remote monitoring and improved contacts with business communities. Improved communications infrastructure would also assist in generating data for infrastructure investment.

## Competition and Regulation

### Competition in the Supply Chain

As producers we can continually work to improve the efficiency of our production systems and expend our levies on research, development and marketing, but we are limited in how we can address some of these impediments off-farm. We must also be careful in passing comment on the business of other sectors. However, the efficacy of these sectors has a substantial impact on the bottom-line of producers and must be considered if reviewing competitiveness of the Agricultural sector.

Cattle Council has had intermittent contact with the Australian Competition and Consumer Commission (ACCC) since 2007 regarding concerns associated with the trend for consolidation of major beef processing plants in Australia. Cattle Council is concerned that the increasing rationalisation of the meat processing sector with respect to reduced competition and increased exposure to risk. Any action or activity that reduces competition in the marketplace is of detriment to the cattle industry.

#### Ensuring Fair Returns

Key to ensuring returns at the farm gate is enabling producers to receive returns on the quality of their animals based on the most recent and accurate science. The criteria on which producers are able value add to their cattle is an evolving process and as science and knowledge improves the criteria should evolve as well.

Cattle Council, in partnership with members of the supply chain, is in the process of developing a White Paper detailing beef and veal language categories and carcass specifications based on scientifically based eating quality measures and measures to satisfy consumer preference.

This White Paper will assess all relevant current technology, as well as outline technology necessary to be developed to ensure that the AUSMEAT language stays relevant into the future. The industry has called for complete overhaul and this paper will be completed with complete disregard to any current specifications and structures developed in the past.

The Cattle Council wants the new beef language to be used consistently post farm gate both domestically and internationally. The objective of the Council is for the new Australia beef language to be based on solid scientific research, measured through objective standards and for the language to economically reward producers that deliver products of an excellent eating quality to consumers.

The current system is not working effectively, as producers are receiving large financial penalties based on assessments that have no scientific basis and excellent eating quality products are not being utilised to their full market value.

Working with the States and Territories

#### Consistency in the application of Industry Systems

The Australian red meat industry has been on the front foot in developing industry run systems to ensure the industry's biosecurity, traceability and food safety. Having systems that are industry run decreases the burden on governments and builds flexibility and ensures that industry advocates national systems. State and territory jurisdictions then determine whether it is appropriate to adapt national industry systems into their own regulatory frameworks.

While we acknowledge, that by the nature of the system, it is the prerogative of each jurisdiction to determine how to adopt the systems into their state regulation, there remains a need for industry to continually seek consistency in their application. Ongoing endorsement from the Australian Government of these systems and their consistent application would be of immense value to the beef industry.

## Foreign Investment

### Support for Foreign Investment

The Australian beef industry has had a long history of foreign investment. Australian cattle properties have previously received foreign investment from England, the United States of America, China, Japan and Brazil.

As an export orientated industry, exporting over 65% of our product to over one hundred markets around the world, foreign investment only strengthens relationships between Australia and these markets, securing vital market access for Australian producers.

However, there has been some concern amongst some sectors of the industry, and the broader community, there is too much foreign investment in Australian Agriculture. The foreign investment ownership debate is complex and quite often emotive. There are obvious economic benefits to be had. However, Australia's identification with the bush means that mental imagery of our identity, history and traditions not being Australian owned can be quite powerful.

However, at the end of the day, agricultural land remains in Australia; investment strengthens the Australian economy, creates Australian jobs and brings diversification to the sector.

### Consistent and Transparent Process

The Cattle Council understands that all foreign government investors must notify the Government and get prior approval before acquiring any interest in rural land and that the Foreign Investment Review Board must also be satisfied that the investment is in the 'National Interest.' The National interest is not defined by the FIRB and is determined on a case-by-case basis.

What is paramount for the Australian Government is ensuring that a transparent and consistent process exists for foreign investment in agricultural land. The process must not be burdensome which may deter investment, but must ensure investments are in the best interests of the Australian agricultural sector.

Foreign investment needs to be encouraged with the right policies, but monitored and reported, to ensure it continues to provide a positive impact on the sector, both at the time of investment and in the long-term. These include processes for ensuring taxation obligations are met (including right through supply chains for vertically integrated foreign businesses), that profits are accurately recorded and are not undervalued.

## Education, skills and training, and labour

### Raising Awareness

Each year the Cattle Council of Australia conducts the Rural Awareness Tour which provides government officials and key industry stakeholders involved in the development and implementation of federal policies affecting beef cattle producers with an on-the-ground understanding of the beef cattle industry and the effects of government policy.

Effective decisions for agriculture and regional Australia need to be made by policymakers that have exposure to these aspects of Australia. Without exposure and understanding, the full implication of policies can never be completely understood by those who make them and challenges such as reinvigorating regional communities will not be effectively met. As a first step we would encourage the government to enable its officials to gain the exposure they need, with continued support for the RAT as a key enabler.

The RAT tour is just one example of the agricultural sector “reaching out” to non-agricultural communities and educating them. Opportunities continually exist for mainstream education such as through schools and universities. The inclusion of Agriculture in the National Curriculum is necessary, as is the opportunity to develop vocational skills in high-school. As has already been indicated the Australian red meat industry has been on the front foot in developing industry run systems to ensure the industry’s biosecurity, traceability and food safety. Incorporation of these aspects of running a beef enterprise would also be worthy inclusions into vocational training modules.

#### Supporting the Next Generation

As is well documented, one of the great challenges facing the agricultural sector is the aging producer and the industry’s ability to attract the next generation of producers to the industry. The cattle Council has taken steps to foster the next generation by identifying and developing beef industry leaders through the Rising Champions Initiative.

The NAB Agribusiness Rising Champion Initiative commenced in 2010. The aim of the initiative is to inspire, empower and support young people, who are passionate about the Australian beef industry and to provide them with an opportunity to be directly involved.

However, from an industry perspective, Governments must be aware that young producers entering the industry today are faced with a different industry to that of previous generations. Social licence, high debt levels, a more complex trade environment domestically and internationally, climate variability, generational shift away from family farms and a greater rural/urban divide are just some of the differences.

However, the Cattle Council is of the view that key to enabling agriculture’s future, is empowering the next generation of producers to enter the industry. Incentives pursue careers in Agriculture is vital. These incentives must not just target those already in the industry – but look to also recruit new industry participants.

In addition, it is important to broaden the traditional concept of what a career in agriculture means. There equally credible careers in agriculture for ‘mainstream’ professions such as finance, management, marketing and allied health. These are just some examples.

Rather than reinventing the wheel, it is crucial that the Australian Government look to the systems that already exist and seek to capitalise on them. Incentivising is the key.

#### Access to Labour

The Cattle Council also supports the NFF’S urging of the Australian Government to announce the long-awaited Productivity Commission’s review of the Fair Work Act 2009. For many farm

businesses, labour is their single biggest cost. An independent, economic assessment of Australia's workplace relations framework offers the opportunity for in-depth industry analysis of rules that stymie business growth and productivity. The review should be commenced without delay.

Research, development and extension

#### Distribution of Levies

The levy collection system enables all industry members to pay levies to fund research and development (R&D), marketing and promotion, animal health programs and residue testing activities. The compulsory system ensures that all industry members contribute to vital industry programs that benefit the whole industry and the government contributes through providing matching funding.

In the grass-fed cattle sector, a total of \$5.00 is collected per animal each time a transaction involving cattle is made. The cattle levy is distributed amongst various bodies in the following way:

- \$3.66 to Marketing (MLA)
- \$0.92 to R&D (MLA)
- \$0.13 to Animal Health Australia; and
- \$0.29 to the National Residue Survey.

#### Greater Flexibility

The issues affecting industry can alter rapidly and the current levy system lacks the flexibility required for industry to react effectively to altering priorities and new problems. The present system is not sufficiently flexible as the process for shifting funds between levy streams is very difficult and time consuming. When the grass-fed cattle industry wants to adjust the amount of the levy given to its various service providers, without increasing or decreasing the total paid by a producer, a costly and time consuming process must be undertaken.

The current process for the industry to amend any one of the levy allocations that make up the \$5 levy, is firstly Cattle Council must develop a proposal for altering the distributions. The development of a proposal places a time consuming and costly process on the industry. After development, the proposal must then be given to the Minister who seeks advice from the Department of Agriculture. The Department assesses the proposal against the Levy Principles and Guidelines, and provides guidance to the Minister. If the proposal is approved, the Government drafts the legislation to implement the amendment to the levy allocation.

The Cattle Council believes that all industries would benefit from a more flexible approach to adjusting the apportionment within their respective levies and this aligns with the Government's objective of reducing legislative impediments (red tape). The lack of flexibility to allocate funds to high priority issues within the industry, is severely limiting the ability of the beef industry to mitigate risks and take full advantage of emerging opportunities. Having the capacity to adjust levy rates using an appropriate, but less onerous, process would allow the industry to be more responsive to its changing needs ensuring that as the industry evolves and

develops new priorities, its levy expenditure changes to address these needs and target new priorities.

#### Strategic Policy Development

Greater flexibility could also be applied in interpreting the definition of 'Agripolitical Activity' for the purposes of levy expenditure.

Across the entire agricultural sector there is an expectation for Government to consult with industry to develop sound policy. The ability of this consultation to be effective is reliant on representative bodies being adequately resourced, enabling them to truly reflect the wishes of the sector they represent.

There is currently a problem in the ability of peak bodies to adequately fund such activities and this is illustrated by Cattle Council utilising service agreements with AHA, NRS and MLA to overcome these limitations. Service agreements provide Cattle Council with the financial capacity to increase producer consultation in order to receive producer feedback and develop policy, which is implemented by the service providers through levy expenditure. The ability of industry to effectively consult and formulate sound policy with government would be greatly assisted by such activities being better resourced.

Activities like Strategic Planning, Industry Management and 'Strategic Policy Development' are essential to achieving a robust industry. As these activities have no financial benefits for private entities, they have to be funded through industry and all industry members who are the benefactors of such activities must contribute. Currently individuals realise that they can benefit from the development and subsequent communication of a strategy or policy without any financial contribution. As these vital activities benefit the whole of industry it is appropriate that all industry members contribute, through levies, and this ensures that the 'free rider' situation does not occur.

Precedent for funding industry management and strategic policy development that is not political, via the levy has already been established, through Australian Pork Limited, and other industries would benefit greatly through having similar access to such funds.

#### Biosecurity

##### Importance of Biosecurity

Australia's reputation as a safe producer of beef cannot be maintained unless it is underpinned by a thorough and effective Biosecurity framework. Industry has a pivotal role in maintaining this framework as producers are the frontline in maintaining our integrity.

The Cattle Council has recognised this and in 2013 initiated a partnership with the Sheepmeat Council of Australia and WoolProducers Australia to form the Livestock Biosecurity Network - a network of state and territory-based Regional Biosecurity Officers whose role is to disseminate available information that will support a more prepared and responsive livestock sector in the areas of on-farm animal health, welfare and biosecurity.



Biosecurity must be a core focus of Government policy in the White Paper. The competitive advantage of Australian agriculture is our ability to produce and supply high-quality, safe, trusted products, which are fully traceable from farm to consumer and underpinned by our privileged pest and disease-free status. Our biosecurity systems have the potential to be an enabler of market access for Australian food and fibre, rather than a cost barrier, as long as governments remain committed.

#### Industry Government Partnerships

Fundamental to addressing these two imperatives is the application of a true government/industry partnership in the discussion and development of policies and programs that impact on Australia's biosecurity status.

While Animal Health Australia and Plant Health Australia represent existing structures that provide for such a partnership, they are both feeling the detrimental effects of waning resources from both levels of government membership (federal and jurisdictional); this must be addressed. In the absence of an increase in, or at the very least a maintenance of, government commitment, the influence of these organisations, which are the envy of the international biosecurity community, will continue to erode; industry members will be unable to make up any shortfall alone.

#### Quarantine Act Reforms

Central to a robust biosecurity system in Australia is appropriate federal legislation. The Quarantine Act (1908) is well documented as being under strain, with its many appended amendments used as attempts to maintain its relevance to changing times.

In Cattle Council's view, the finalisation and implementation of this legislation must proceed; when implemented, it will have a marked positive impact on Australia's competitiveness in terms of agricultural trade and market access, particularly as they relate to the fair handling of imported products.

Accessing international markets

#### Importance of Free Trade Agreements

The Cattle Council recognises the outstanding achievements by the current government in completing three bilateral trade agreements with Korea, Japan and China.

The Cattle Council are delighted that the. The financial impact on the Australian beef industry of Korea-Australia Free Trade Agreement (KAFTA) entered into force on 12 December 2014, and thus benefiting from two successive tariff cuts within a short time frame will be positive to the tune of around \$20m - \$40m per annum.

Independent modelling suggests the Japan-Australia Economic Partnership Agreement (JAEPA) will benefit Australian beef export sales to the tune of \$5.5 billion over 20 years and thereby deliver an increase in the annual gross value of Australian beef production by up to 7%.

Once fully implemented an FTA with China has the potential to boost the gross value of beef production by \$270 million annually by 2024. Out to 2030, the total benefits for beef will approach \$3.3 billion.

We implore the Australian Government to continue working towards completing regional and bilateral trade agreements that deliver improved market access for Australian agriculture including the Trans Pacific Partnership Agreement, Indonesia, India and Taiwan.

#### Differentiation of Product

The key to the Australian beef industry's competitiveness is differentiation of our product. We export approximately 70 per cent of our beef production yet we could never compete on volume on a world scale. Instead we must compete on quality and food safety. In line with this, the focus of policy should not be increasing production, but refining it. A huge amount of effort is being put into this through industry initiated programs such as Meat Standards Australia and the Pasturefed Cattle Assurance System.

Our key markets have been built on our reputation as a clean and green producer of beef. Instrumental to this is the ongoing management of industry initiated food safety and biosecurity programs such as the National Livestock Identification Scheme, the Livestock Production Assurance and the National Residue Survey which underpin preferred market access into many export markets.

Continued Government acknowledgment, support and utilisation of these industry systems is vital to the security of Australia's beef production. Across all industries we also implore the Government to strongly promote Australia as unique and safe producer on the world stage.

#### Engaging with Fellow Producers

Recognising the importance of our export markets, Cattle Council has engaged with producer groups around the world in an effort to break down trade barriers and to grow the consumption of beef globally. This engagement has the ability to placate concern in importing countries that trade with Australia will flood their markets with produce.

Producer groups in many of our markets are well respected and politically powerful. After meeting with them, many of these groups are relieved to understand that often we target different sectors of the market, and more often than not do not directly compete.

Examples of our engagement include establishing a dialogue with the Korean Hanwoo Society during Free Trade Agreement negotiations and membership of the Five Nations Beef Alliance which includes producer groups from the USA, Canada, Mexico and New Zealand which has the goal of ultimately growing beef consumption globally.

The Cattle Council would encourage the Australian Government to view this producer-to-producer engagement as a key piece of the negotiating puzzle, and investigate ways of lending support.

#### Engagement on Technical Issues

While we are appreciative of efforts by the government to include the Cattle Council during high level trade negotiations, key to protecting the interests of Australian producers is also involving the production sector during consultation and negotiation on technical market issues. Production systems and businesses are modelled on the markets they produce for.

Producers are also responsible for making the necessary disclosures and maintaining the industry systems exporters rely on to assure markets that their requirements are being met. Should market requirements change quickly it is producers that feel the ramifications down the supply chain. It is appropriate for the Cattle Council to participate in all Australian Government processes and committees that consider issues relating to the export of beef products.

#### Ensuring In-Market Technical Expertise

It is imperative that technical expertise is maintained in our major markets and believe that it is incumbent on the Australian Government to ensure this is in place. The importance of having this expertise on the ground has been demonstrated on numerous occasions and has provided added security to our market access. Over recent years industry has filled the void as Australian Government technical positions have been reduced. We would urge government to again fulfil these roles.

On the ground expertise also lends itself to ensuring adequate contingencies exist to deal with Market Access incidents. Even over the past year a number of market access incidents have forced industry and government to manage the situations in an ad hoc manner. There is a need for frameworks to exist to assist government and industry to manage market access incidents. Industry and government has contributed significant resources into ensuring adequate response plans are in place to manage animal disease and food safety incidents. We would urge that similar contingencies exist for markets.

#### **Further Information**

For further information about the Cattle Council of Australia please go to <http://www.cattlecouncil.com.au/>

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