Agricultural Competitiveness White Paper Submission - IP692
Cattle Council of Australia
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CATTLE COUNCIL OF AUSTRALIA

Submission

Issues Paper

Agricultural Competitiveness Whitepaper

April 2014

Introduction

Cattle Council of Australia thanks the Australian Government for the opportunity to provide a submission to the Agricultural Competitiveness Whitepaper.

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, Cattle Council adopted a new structure which also provides for direct producer membership..

In additional 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, Cattle Council, like the other Red Meat Industry Peak Councils, has an oversight role of its service providers i.e. Levy Expenditure.

Cattle Council sees tremendous value in strategic processes such as these. As cattle producers running our businesses day-to-day it is easy to become focussed on the here and now. However, it is vital that we consider the long-term vision for our industry – our industry cannot exist unless it continues to be competitive.

Currently we are experiencing circumstances that are challenging the industry's competitiveness. The expansion of the cattle herd on the back of consecutive years of good seasonal conditions in major cattle producing areas is now causing hardship due to continuing drought. Record slaughter numbers, which have also prompted lower prices, have only just begun to ease. The Northern Beef Report, released by Meat and Livestock Australia on 16 April 2014, has indicated that the majority of northern beef businesses are not economically sustainable at present.

Our exposure to international markets has recently been highlighted by the 2011 Live Export ban to Indonesia and the closure of the Russian beef market in 2014. The collapse of a market can overnight have significant and long term impacts on production practices and ultimately our profitability and competitiveness. That is why maintaining and improving market access is the most important opportunity for Australian beef producers (Cattle Council CATI survey 2012)

As an industry we strive to be on the front foot. Cattle Council has taken responsibility for its strategic direction through the development of the strategic plan 'Beef 2015 and Beyond', released in February 2013. A copy of this strategic plan is provided at Attachment A. It was developed after broad consultation with Australian grassfed beef producers. Listed in the plan are 18 strategic imperatives for the industry that we are working towards. This submission should be read in the context of these imperatives.

Given that many of the issues are overlapping, this submission is not broken down to directly reflect the terms of reference. Instead is broken down into the policy priorities of Cattle Council that are relevant to the terms of reference. In addition to this submission, Cattle Council will be contributing to cross-sectoral submissions such as those being prepared by the the National Farmers Federation. However, through this submission we hope to highlight the key issues affecting competitiveness that are unique to our sector.

I would like to share with you some of the results of a CATI phone survey Cattle Council undertook in 2012 as part of the development of ‘Beef 2015 and Beyond.’ While the data is now becoming dated, it remains relevant as it provides an insight into how industry and government can focus its efforts into the future.

- The most important opportunities for the beef industry were improved and new export markets (26%); improved and clean quality organic products and genetics (14%) and better market access (13%).
- The most important issues currently facing the beef industry varied across States and between the northern and southern production systems in Australia. The main issues were rising input costs (16%); weak or low commodity prices (9%); and market access (8%).
- The second main issue facing the industry were: seasonal and climatic conditions including drought (14%) and rising input costs (9%).
- The future issues that the beef industry will face varied across States and between the northern and southern production systems in Australia, with the main ones being: rising input costs (12%); exports related to overseas markets and economies (9%) and the viability and profitability of production (8%).
- Producers felt that the responsibility of resolving these future issues fell to: the Government or related agencies (44%); Meat & Livestock Australia (28%); themselves (23%); Cattle Council of Australia (10%); and the National Farmers Federation (7%).
- Overall, producers felt that they had a poor relationship with the Government (very poor 17% and poor 31%), which was mainly driven by the perception that the Government is unsympathetic and out of touch with agriculture (48%), the banning of live exports (37%) and poor or bad government policies (26%).
- An average relationship with the community (48%), with the poor relationship (16% - 3% very poor and 13% poor) being driven by a lack of understanding of the difficulties and obstacles that producers face (35%), being city-centric and out of touch with agriculture (31%), media coverage and representation (26%) and the community not having an understanding of where their food comes from (25%).
- A good relationship with other agricultural industries (5% excellent and 51% good), with the poor relationship (4% - 1% very poor and 3% poor) being driven by a lack of communication 29%).
- An average relationship with the other non-agricultural industries (59%), with the poor relationship (20% - 4% very poor and 16% poor) being driven by a lack of communication (27%), mining interests (26%), no concern for agriculture (22%) and a lack of understanding about agriculture (21%).

With these results in mind, Cattle Council looks forward to contributing to this process further and the positive outcomes that should follow.

Andy Ogilvie

Andrew Ogilvie
President of Cattle Council of Australia

Key Points

- Differentiating our product is key to the industry's competiveness.

- Returns at the farm gate can be improved by ensuring product quality assessments are science-based.

- Producer to producer engagement between Australia's key trading partners must be viewed by the Australian Government as a key component of trade negotiations.

- The production sector must be involved in technical market access issues as producers ultimately implement market access requirements on-farm.

- An assessment of the costs of production from paddock to plate should be undertaken and compared with other major beef producing countries to pinpoint where inefficiencies and opportunities lie in Australia's supply chain relative to our competitors.

- Greater flexibility should be afforded to industry to adjustment apportionment between streams of the $5 Cattle Transaction Levy.

- In the beef industry market failure exists in policy development, industry management and strategic planning. Peak bodies require access producer levies to undertake these activities for the collective benefit of all levy payers.

- Economic sustainability for the industry is dependent on the maintenance and/or expansion markets.

- It is imperative that producers drive discussion about what constitutes sustainable production.

- Exposure for policy makers to rural and regional Australia is vital for effective policies to be developed.

- The next generation must be empowered to enter the industry.

- Government red tape must be removed to make way for industry self-regulation where the latter delivers greater production efficiency and profitability.

- Producers are the frontline in maintaining Australia's biosecurity integrity. To support their efforts industry/government partnerships must be adequately resourced and contemporary federal legislation in place.

Australia has a unique product to sell

The key to the Australian beef industry's competitiveness is differentiation of our product against that of our competitors. 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 only increasing production, but refining it. We need to ensure true profitability at all points in the beef supply chain and hence industry is focusing efforts on 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 are 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.

Additional to this is Australia's world-leading efforts in reforming animal handling so as to maximise animal-wellbeing outcomes. This is being applied by industry across the production and marketing chain, including within the livestock export sector. While animal welfare falls under the purview of jurisdictional governments, the Federal Government has a vital role in ensuring cross-jurisdictional harmonisation of jurisdictional laws and the efficient application of laws governing animal exports.

Pasturefed Cattle Assurance System

Increasingly, consumers are demanding proof that products have been produced as claimed and are becoming more sensitive to treatments applied to meat animals.

In response to this, in 2013 Cattle Council developed and launched the Pasturefed Cattle Assurance System or PCAS for short. PCAS is a voluntary on-farm assurance program that enables producers to verify raising claims relating to production methods. Underpinning PCAS are the PCAS Standards which govern the on-farm feed requirements and traceability of the cattle as well as pre-slaughter handling practices influence eating quality. The PCAS Standards also include two optional modules to support claims relating to the freedom from antibiotics and hormone growth promotants (HGPs).

Cattle Council was heartened that key industry processor Teys Australia saw value in the PCAS system to underpin its brands. Just a year after the launch of PCAS, Woolworths has also announced that it will use PCAS to underpin a new brand driving greater premiums above existing MSA and EU premiums, for certified producers.

The uptake of PCAS by a major Australian processor and retailer gives confidence to producers that the demand for pasturefed certified product is set to increase. Cattle Council is also investigating international marketing opportunities for PCAS, particularly in the United States where consumer demand for a grassfed product is rapidly increasing.

For the first time a quality assurance program has been developed and implemented for grassfed beef producers which has commercial market pull all the way to the consumer.

Ultimately it is industry that is best placed to develop initiatives such as PCAS. Policymakers should give due consideration to fostering this innovation across all agricultural industries. By differentiating Australian produce, there is potential for increasing our competitiveness and ultimately farm-gate returns.

A fundamental role for the Federal Government is to continue its long-running financial support for research and development (R&D) conducted by industry in the development of such important initiatives.

Beef Language Whitepaper

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 to value add their cattle is an evolving process and as science and knowledge improves the criteria should evolve further.

The Australian cattle industry has requested MLA undertake a visioning and exploration exercise to better understand how future developments in science and technology and our growing understanding of consumer and customer requirements can shape the Australian beef trading language.

Cattle Council, in conjunction with MLA is in the process of developing a White Paper detailing beef and veal language categories and carcase 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 finalised with disregard to any specifications and structures developed in the past.

The outcome should have producers receiving returns based an assessment of quality determined by current science. We ask that the Australian Government note this process is underway, and investigates means of supporting industry initiatives such as this that will improve farmgate returns and, as mentioned earlier, restates its commitment to supporting such research and development.

Industry Involvement in Market Access

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 Cattle Council's membership of the Five Nations Beef Alliance that includes producer groups from the USA, Canada, Mexico and New Zealand. The alliance has the goal of ultimately growing beef consumption globally.

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, particularly through its many overseas offices.

While we acknowledge and appreciate efforts by the Government to include Cattle Council during high level trade negotiations at a policy level, involving the Cattle Council in negotiations on technical market issues is key to protecting the interests of Australian producers. Production systems and businesses are modelled on the markets for which they produce.

Producers are also responsible for making the necessary disclosures and maintaining the industry systems on which exporters rely to assure markets that their requirements are being met. Should market requirements change quickly, as we have seen on a number of occasions recently, it is producers feel the ramifications. Therefore it is appropriate for Cattle Council to participate in all Australian Government processes and committees that consider issues relating to the export of beef products.

Supply chain competitiveness

Producing beef from paddock to plate does not just involve on-farm activities. It covers all aspects of the supply chain including sale, transport, feedlot, processing, shipping, retail and food service. Australia is one of the most efficient producers of beef in the world. However, it is at the farm gate that this claim stops. Freight costs, access to infrastructure, the cost of processing (predominantly labour and energy costs) and a lack of competition in the retail sector are where we fail to compete globally.

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.

As part of the implementation phase of the Whitepaper, we would ask the Australian Government to undertake a review of the Australian beef supply chain from paddock to plate, and compare the results with those of other major beef producing nations eg. New Zealand, the United States, Canada and Brazil. Ultimately supply chain inefficiencies are passed on to the producer. Such a study could also consider other agricultural commodities and would pinpoint areas of the supply chain where efficiencies could be gained. It would be a valuable resource for making decisions around enhancing our competitiveness and ultimately the increasing producer returns.

Greater Flexibility between Levy Streams

As previously indicated, one of Cattle Council's core functions is playing a significant role in the oversight of levy expenditure. This includes undertaking consultation with producers to determine the best use of their levies. Cattle Council, along with the other red meat peak councils, are the only industry bodies with the ability to oversee all levy recipient bodies.

The service providers that receive the levy under various 'streams' are Meat and Livestock Australia (MLA), Animal Health Australia (AHA) and the National Residue survey (NRS). Currently if the industry wants to amend any one of the levy components that make up the $5 Cattle Transaction Levy Cattle Council must forward a proposal to the Minister. The Department of Agriculture assesses the proposal against the Levy Principles and Guidelines and provides advice to the Minister. As outlined previously, developing a proposal is a significant and costly process for industry. If the proposal is approved, the Government drafts the legislation to implement the amended levy.

Cattle Council believes that the industry as a whole would benefit from a more flexible approach to adjusting the apportionment within the $5.00 levy. 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, its levy expenditure evolves with it.

The Government has clearly stated that it has an objective to reduce legislative impediments (red tape). The lack of flexibility to apportion funds efficiently 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.

It is acknowledged that any proposal to change the quantum of the levy (i.e., away from its current $5 per head) should be assessed against the levy raising principles and guidelines. Having said this, there is scope for the principles and guidelines to be reviewed given their age and clumsiness. This is a role for the Federal Government and would fit well with its intention to review existing red tape.

Appropriate Representation

Across the entire agricultural sector there is an expectation for Government to consult with industry in order to form sound policy. On numerous occasions Cattle Council has been informed by Government officials that the input provided by industry representative groups is invaluable to informing the policy decisions they make and for maintaining a connection with the industries they serve. However, this relationship will only be effective if representative bodies are adequately resourced, enabling them to truly reflect the wishes of the sector they represent.

Across the spectrum of Australian agricultural representation, there are numerous reviews taking place considering the efficacy of agricultural advocacy. Activities like Strategic Planning, Industry Management and 'Strategic Policy Development' by their very nature are such that a private investor would not profit from supplying these services. The use of a strategy or policy by one person or organisation does not affect the ability of others to use it. This encourages the 'free rider effect'. Individuals realise that they can benefit from the development and subsequent communication of a strategy or policy without contributing to the process financially.

To overcome funding limitations, Cattle Council is utilising service agreements with AHA, NRS and MLA to enhance capacity. 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 our services providers by expending the levy.

The overwhelming message from producers during the development of 'Beef 2015 and Beyond' in 2012 was that they wanted more direct access to Cattle Council. The introduction of the MLA Service agreement in 2013 allowed Cattle Council to introduce policy subcommittees, develop a new web presence and hold consultative producer forums around Australia.

Our Policy subcommittees provide the opportunity for a producer (regardless of their membership status with state farming organisations) to contribute to the policy development process and gives them direct access to Cattle Council and MLA.

Cattle Council producer forums that were held in 2013and will be held again in 2014also give producers across Australia the opportunity to talk directly to Cattle Council, raise their concerns and discuss policy issues. The forums also allows MLA to provide information about its programs at the same time.

Through the utilisation of service agreements Cattle Council was able to meet with over 2000 beef producers directly in 2013. These issues were recorded and fed into Cattle Council's policy development process. These policies ultimately direct how the CTL will be utilised and also to inform our representation to Government.

The use of service agreements has enabled Cattle Council to be more responsive to the demands of industry but they do not allow Cattle Council to work with complete autonomy or flexibility.

Cattle Council believes market failure for strategic planning, industry management and strategic policy exists, as the market is failing to provide desirable outcomes in this area as communicated to Cattle Council during recent producer consultation. Cattle Council believes there is a case for government action.

Cattle Council proposes that with the exception of its core Political Advocacy functions, all the other core functions of Cattle Council (Strategic Planning, Industry management & Strategic Policy) could be funded by diverting a portion of the Cattle Transaction Levy. This belief is based on the acceptance that such activities benefit all levy payers, not just those willing to fund the Council through the existing voluntary membership structure.

Precedent has already been established through Australian Pork Limited that industry management and strategic policy development are not political in nature and are for the benefit of the industry as a whole and can be funded via a levy.

It is the view of Cattle Council that with the appropriate governance and reporting requirements to Government in place, Cattle Council should receive a portion of the Cattle Transaction Levy to directly to fund its strategic planning, industry management and strategic policy development functions..

Economic Sustainability

A sustainable industry is ultimately an industry that is economically sustainable. Parts of Australia's beef industry are currently faced with the situation where its sustainability is questioned. As mentioned earlier, the Northern Beef Report, released by MLAon 16 April 2014, has indicated, based on its data, that the majority of northern beef businesses are not economically sustainable at present.

The report analysed in detail the performance of the northern beef industry for the 12 years from 2001 to 2012. There was considerable variation in performance between beef businesses within the industry. The Top 25% of performers (across all regions, herd sizes and markets) consistently outperformed the average and have businesses more likely to be economically sustainable over the long term. This indicates that there are successful business models for producing beef in northern Australia.

The findings of the Northern Beef report contrast heavily with the findings of the Southern Beef Report where profits of southern beef enterprises in the last year are high in relative terms and second only to 2002 levels. Although beef production was found to be less profitable then prime lamb and cropping enterprises, this finding was heavily influenced by record Sheepmeat prices and periods of high crop prices during that period. The most efficient and profitable beef producers have a combination of higher productivity and a lower cost of production.

Cattle Council believes that the findings of both these reports indicate that strong opportunities exist in both the northern and southern industries provided that an economically sustainable business models are adopted. However, a sustainable business model will always be dependent on having a market to sell to, highlighting again the need for both industry and government working towards developing markets for its producers.

Global Roundtable for Sustainable Beef

The discussion around what constitutes a sustainable beef industry is also happening globally. The Global Roundtable for Sustainable Beef (GRSB) is a global, multi-stakeholder initiative developed to advance continuous improvement in sustainability of the global beef value chain. The GRSB envisions a world in which all aspects of the beef value chain are environmentally sound, socially responsible and economically viable.

The magnitude of the topic of sustainable beef production shouldn't be underestimated. There is a need to manage sustainability in a way that all participating entities are not adversely affected. It must be a priority for everyone, across all sectors of the supply chain.

Cattle Council joined the GRSB in March 2013 on the basis that it should be engaged in the discussion as consumer preferences begin to value the sustainability of products, and to engage in the global debate around the sustainability of beef production into the future. Other members of the GRSB include the National Cattlemen's Beef Association, Canadian Cattlemen's Association, Cargill, JBS and McDonalds amongst others (a full list of he GRSB members can be found here.

The global beef industry supports millions of people worldwide and the global demand for beef is projected to rise significantly by 2050, placing greater constraints on resources. Cattle Council sees that involvement in the GRSB offers a great opportunity to demonstrate our commitment to improving the sustainability of beef production. Cattle Council has found its involvement in the GRSB process to be overwhelmingly beneficial;ot only has it helped cement Australia's reputation as a world leader in best practice product,it has also ensured that we are engaged in the debate representing the interests of producers. We have encouraged other members of Five Nations Beef Alliance to ensure producer representation in the GRSB is strong.

In Cattle Council's view, it is vital that producers have a seat around this table, as there is a risk that developing formal frameworks around sustainability may increase the cost of production. However, there is also a significant opportunity, particularly for Australian producers with our international reputation as being a 'clean and green' beef producer and the world leading industry systems we have in place.

The GRSB released its draft Principles and Criteria for Global Sustainable Beef for public comment on 18 March 2014 for comments by 16 May 2014. The document endeavours to identify the key areas in the beef value chain that must be addressed to ensure beef production around the globe is environmentally sound, socially responsible and economically viable. The consultation period will give producers an opportunity to provide input and comment integral for ensuring that the final Principles and Criteria are workable for the Australian beef industry.

Cattle Council has undertaken an assessment of Australian industry practices against the draft Principles and Criteria and found that we are already engaging in sustainable practices. Continuing our sustainable practices will have real economic benefits as global consumers trend towards shifting their preferences. Of particular concern to Cattle Council of Australia is ensuring economic sustainability for the Australian industry. The Australian beef industry is one of the most efficient in the world, but by no means is it the most economically viable.

We encourage public comment, including from the Australian Government, on the Principles and Criteria as future sustainability will underpin our competitiveness.

Raising Awareness of the Industry and Regional Communities

Each year 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. Through this tour government officials also gain an understanding of the broader issues affecting rural and regional communities.

Over 130 senior decision-makers have participated since the first 'RAT' in 1991, increasing their awareness of this strong and dynamic industry and developing a comprehensive network with people on the tour (including industry stakeholders, government officials and Cattle Council staff) and associated industries at the grass-roots level.

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 Australian Government to enable its officials to gain the exposure they need, with continued support for the RAT as the key enabler.

Cultivating 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. Parallels can be drawn to the nation's ability to attract skilled young people back to rural and regional centres.

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.

In 2013, the national Rising Champion Finalists met with the Hon Barnaby Joyce MP, Minister for Agriculture, and were invited to provide a submission to this Whitepaper. This has been provided in a separate submission.

From an industry perspective, Governments must be aware that young producers entering the industry today are faced with a different industry from 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, Cattle Council is of the view that key to enabling agriculture's contribution to regional communities, is empowering the next generation of producers to enter the industry. What often leads to communities declining is the exodus of young people searching for employment elsewhere. Incentives to 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 are 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.

Reducing Red Tape

In 2012, at the request of the red meat industry including Cattle Council, MLA commissioned a study into the regulatory costs the industry faces. The project report identifies major cost items; how regulatory burden has changed over the past decade; how the Australian cost of regulation compares to that in the USand NZ; assistance provided to red meat industries in other countries; and recommendations on which Australian regulatory costs should be targeted for further policy analysis and reform.

The key points raised for the beef production sector were:

- In 2008-09 regulation cost northern beef producers around 11% of total revenue and southern beef enterprises around 12% of revenue. Major costs were incurred by beef producers in association with environmental; transport; employment on-costs; occupational health and safety (OHS); rates and the time taken by producers to comply with regulatory requirements.
- In 1998-99 major cost items included rates; utilities; employment on-costs and the time taken by producers to comply with regulatory requirements. Environment and transport were not identified as major regulatory cost items at this time. Regulatory costs accounted for almost 17% of total beef producer revenue in 1998-99.
- In the US regulation costs cow-calf operations around 14% of revenue. Major cost items included environment, OHS and employment on-costs; rates; building code compliance; and administration fees. On this basis the US beef industry does not appear to have a regulatory cost advantage over its Australian competitors.
- Minimal government assistance is provided to the Australian beef industry. Fuel excise rebates are common to both the Australian and US situation. US beef producers may enjoy favourable government assistance indirectly through US Farm Bill packages, although the scale of this scheme may alter.

The report demonstrates that red tape is impinging on the productivity of beef producers and Cattle Council commends the Abbot Government on committing to cutting red tape. However, in seeking to cut red tape it is important industry self-regulation is differentiated from government regulation. There is currently a layer of industry regulation in place to manage its industry systems such as NLIS and LPA. This industry regulation supports our market access and must be left to industry to maintain. Only when industry self-regulation is underpinned by essential government regulation is government intervention desired.

Biosecurity

Throughout this submission the value of Australia’s reputation as a safe producer of beef has been mentioned numerous times. However, this reputation 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.

Cattle Council has recognised this and in 2013 initiated a partnership with the Sheepmeat Council of Australia and Wool Producers 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.

Cattle Council has also developed initiatives in the past such as a Cattle Buyback Scheme focused on the animals imported into Australia considered to represent a possible risk, albeit small, for BSE to incentivise the removal of these animals from Australia.

At all levels the major imperatives of biosecurity are the maintenance of Australia's high standard of disease, pest and weed freedom and the provision of robust data to support Australia's claims of such freedom.

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.

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.

Since 2012, the then Federal Department of Agriculture, Fisheries and Forestry (DAFF) was tasked with drafting new Biosecurity Legislation to replace the ageing Act; industry was invited to be involved, in a cursory sense, in the drafting process through DAFF's Industry Legislation Working Group.

Cattle Council has recently been informed further development of the draft legislation remains on hold following the 2013 Federal Election. Notably, the Working Group has not met for over 18 months.

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.

Cattle Council also insists on a continuation of industry input into the drafting and sign-off process.

Further Information

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

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BEEF 2015 & BEYOND

Cattle Council of Australia

National Strategies for Australia's Grassfed Beef Sector

CATTLE COUNCIL OF AUSTRALIA

BEEF
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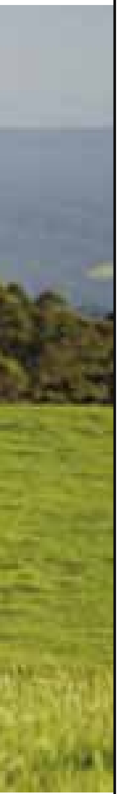
Table of Contents

CATTLE COUNCIL OF AUSTRALIA

President's foreword

Cattle Council of Australia (CCA) is the peak industry body responsible for representing and advancing the interests of Australia's grassfed beef producers. The CCA's Board and membership comprises Australian grassfed beef producers who contribute their time and experience with the aim of fostering a sustainable and profitable grassfed beef sector.



The development of 'Beef 2015 and beyond' is a key responsibility for CCA, and provides a framework for defining and focusing the priorities of the sector, and the broader beef industry through the Beef Industry Strategic Plan (BISP). 'Beef 2015 and beyond' will also assist in directing and mobilizing appropriate resources through the Council and industry service bodies Meat & Livestock Australia (MLA), Animal Health Australia (AHA) and National Residue Service (NRS).

'Beef 2015 and beyond' has been developed for beef producers and is built on extensive consultation with grassfed levy payers and other key industry stakeholders. Importantly, it will concurrently underpin and contribute to BISP3 and relevant components of the wider Meat Industry Strategic Plan (MISP).

In developing these strategies, a number of key priorities have been identified as critical to the grassfed production sector, and the wider beef industry. These include the need for enhanced coordination in achieving greater market access for Australian beef and live cattle, a stronger effort to reduce impediments placed on the industry through legislation, addressing a lack of suitable infrastructure to support industry competitiveness, and a need to reinvigorate our research, development and extension capacity.

As we look to 2015 and beyond, the long-term fundamentals for the beef industry remain positive. Global beef demand is forecast to grow, and significant opportunities will exist for Australian beef to gain greater access to existing and emerging export markets.

It is now up to the grassfed beef producers of Australia, and the organisations that represent and service them, to take ownership of the priorities they have identified, and work together to deliver this strategy. Cattle Council of Australia is proud and enthusiastic to lead in this process.

Andrew Ogilvie
President
Cattle Council of Australia

BEEF 2015 & BEYOND

Summary

Beef producers reasonably expect an influential, adequately-resourced, professional and unified voice representing them in the public arena, with government and within the broader red meat and livestock industry. It is the objective of 'Beef 2015 and beyond' to help deliver on this expectation.

The drivers of change on the Australian grassfed beef industry are shifting and more change and uncertainty lies ahead. Overseas competitors are challenging Australia's export markets with a competitive product offering and alternative suppliers of protein such as chicken and pork are increasing market share domestically. Further, consumers and interest groups are influencing governments and value chain firms on their policies for ethical and sustainable production of beef.

Throughout the consultation process to develop 'Beef 2015 and beyond', producers expressed general optimism with regard to the beef industry's long-term prosperity. There was a clear recognition of the absolute need for better access to export markets, coupled with the need to enhance productivity and dilute production costs through quality research that delivers new and better technologies and has a practical application at an enterprise level. Levy payers noted throughout the consultation phase that any further consolidation of the meat processing and retail sector had the potential to restrict competition at a time when producer margins are increasingly under threat.

Industry participants in the strategy development process had a strong focus on industry structures, and called for a higher quality and co-ordination of resources and results associated with policy analysis and advocacy on behalf of the grassfed beef sector. They also expressed an expectation for improved return on investment from R&D expenditure and marketing services provided by levy-funded industry service bodies.

Key messages delivered throughout the consultation process clearly stated that the grassfed beef sector must be equipped to better deliver on those core functions that accurately reflect the interests of the industry.

It must be capable of achieving:

> Well researched policy advice to key industry organisations, relevant federal government departments and other bodies regarding issues of national and international significance to the grassfed beef sector

> A depth of capacity to analyse and assess the performance of industry service providers

> The formulation of effective and timely industry policies

> The development and monitoring of strategic imperatives

> A new representative structure that directly engages with producers and facilitates wide and ongoing consultation

> Appropriate direction of levy expenditure with knowledge and conviction

> Active representation of grassfed beef producer interests with industry, government and the community on areas including trade and market access, consumer marketing, research and development, animal health and welfare, and economics and infrastructure planning

Introduction

Australia is one of the world's largest producers of cattle, directly contributing approximately 1% of Australia's gross domestic product. The farm gate gross value of cattle and calf production in Australia is estimated at A$8.1 billion per annum. The Australian beef industry is vast and extremely diverse covering 48% of Australia's landmass and comprising more than 40 different cattle breeds.

Australia's national cattle herd is around 27 million head on over 59,000 properties. This represents 49% of all properties with agricultural activity. The industry employs approximately 173,500 workers across farm, processing and retail. In 2011-12, Australia produced around 2.1 million tonnes of beef and veal with grain fed cattle accounting for approximately one third of all adult cattle slaughtered. The off-farm meat value of Australia's beef industry is A$11.9 billion.

Australia is the world's largest exporter of beef. In 2011-12, Australia exported $4.7 billion worth of beef (65% of production) to more than 100 countries, contributing 15% of Australia's total farm exports (DAFF). Australian live cattle exports were valued at $650 million.

Domestic expenditure on beef was estimated at A$6.2 billion (MLA).

The beef industry today is an extremely diverse business. The industry is far less exposed to market changes than it once was and this is largely due to levy dollars spent by producers to ensure market diversification. The diversity and scale of the industry was reflected in the approach adopted to develop this strategy.

Cattle producers as well as other key stakeholders from all over Australia were engaged directly to contribute ideas and input for the designing of the strategy, which aims to unite grassfed producers with a single vision for their future.

The strategies

The Meat Industry Strategic Plan 2010-2015 (MISP) frames a holistic view of the strategic imperatives targeted by the Australian red meat and livestock industry across the production, processing and live export sectors. The integration of MISP in developing 'Beef 2015 and beyond' is an important concept. The two frameworks provide a "top-down" and "bottom-up" approach to delivering on their respective priorities, thereby retaining a high level of ownership and definition of the specific needs of the grassfed beef sector while delivering on the broader priorities of the beef and red meat and livestock industry in the BISP and MISP, respectively.

Throughout the development of 'Beef 2015 and beyond', a high priority was placed on producing a plan that cattle producers valued, and for which they have a high-level of ownership of its construction and content.

The strategy was developed in three phases:

1. Development of project objectives, measures of success, identification of stakeholders and compilation of all existing relevant information – informing the development of the overall project plan, and a broad communication strategy to raise awareness and encourage input and participation.
2. Strategy development, including a review and analysis of existing information, reports and plans, and consultation with key stakeholders (in each state and nationally), concluding with the synthesis and distillation of all information and finalisation of the strategy based on feedback.
3. Consideration of various industry structures that would best support the strategy's delivery (initially running in parallel with phase two), the outputs of which were derived from stakeholder consultation.

Key elements of the strategies

The overall vision for the industry is to be a trusted and respected grassfed beef sector that achieves long-term resilience and profitability.

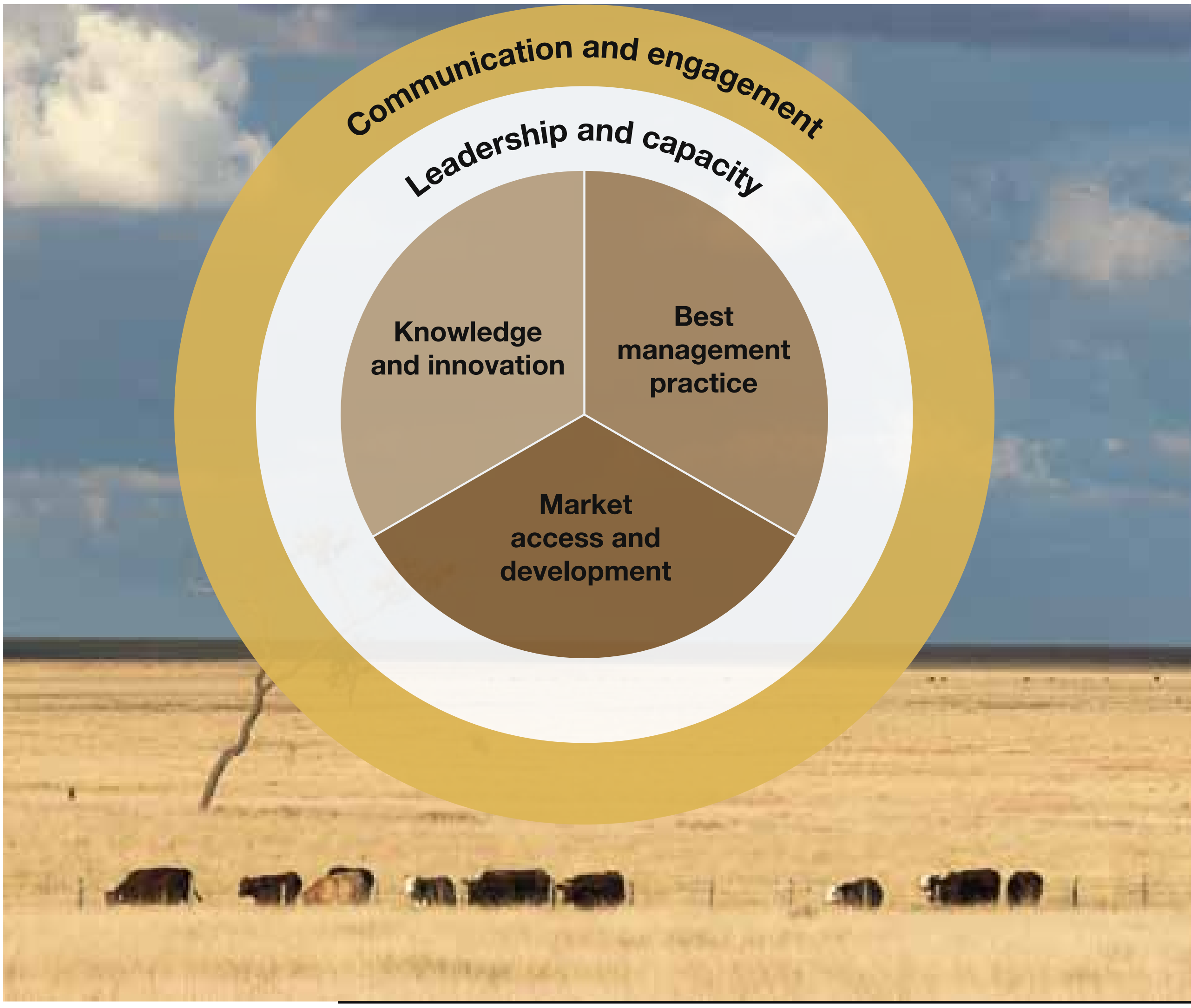
'Beef 2015 and beyond' has three strategic themes that provide the focus for industry effort, along with two core activities that enable and underpin each theme.

The three strategic themes are:

1. **Knowledge and innovation**
2. **Market access and development**
3. **Best management practices**

The two core activities that are necessary to the successful delivery of each strategic theme and underpin each element of the plan are:

1. **Leadership and capacity**
2. **Communication and engagement**



LEADERSHIP AND CAPACITY

Linked to MISP themes 'Our people' and 'Our industry'

Key feedback themes:

> Efforts in the past for all industry sectors to work together with one voice have fallen short of the expectations of grassfed beef producers. The fragmentation that exists within the industry, and through the supply chain, is considered as one of its greatest limiting factors for the industry to influence its own future.

> Industry must reinvent its representative structure, delivering a more inclusive, suitably resourced and accountable model for grassfed beef producers. The new structure must better enable two-way communication with grassfed beef producers on all issues associated with their industry, including trade, consumer marketing, research and development, animal health and welfare, economics, planning and corporate affairs.

> Industry must re-prioritise more of its resources towards increasing its capacity to undertake economic and policy analysis, policy and stakeholder communication, and industry administration.

> Industry must support the increased delivery of agriculture courses in schools and universities and promote beef production (and agriculture generally) as an attractive industry and career especially to young people. Industry acknowledges that this needs to be an all-of-agriculture approach, with the grassfed beef sector as an active contributor.

> Considerable concern exists within grassfed beef producers about the declining industry-support capacity of Government and how that may affect industry. The industry needs to act to ensure that producers have access to high quality services into the future.

Strategic imperatives

1. Examine the performance of peak industry councils, RMAC and service companies		
• RMAC reviews red meat memorandum of understanding	RMAC	November 2013
• Assess CCA performance against deliverables under the 'Beef 2015 and beyond' strategic imperatives	CCA	June 2015
2. Develop and implement a new representative model that is powerful, co-ordinated and can deliver a suitably-funded advocacy strategy that can influence Government, the community and the value chain		
• CCA achieves a sustainable funding model of more than $3 million which is supported by industry and Government	CCA	June 2014
• CCA implements direct membership and direct election	CCA	June 2014
3. Invest to attract and develop talented leadership and skilled personnel		
• CCA ensures continued support for PIEF through MLA	CCA/MLA	2015
• CCA undertakes young beef leadership program annually	CCA	Annual
4. Build a comprehensive, autonomous policy analysis capacity within the production sector's representative organisation		
• Minimum required resources identified to fund an autonomous policy capacity	CCA	June 2013
• Autonomous policy capacity is established	CCA	June 2014

COMMUNICATION AND ENGAGEMENT STRATEGY

Linked to MISP themes 'Our Industry'

Key feedback themes:

> Regularly review 'Beef 2015 and beyond' and BISP, which set the vision and strategic imperatives, and guide resource deployment, for the grassfed beef sector and industry respectively.

> The grassfed beef sector must work closely with the rest of industry to ensure a suitable, well-funded and nimble response strategy is in place in the event of future industry crises, including but not limited to trade disruptions, disease incursions and food safety incidents.

> Provide a mechanism for direct communication and engagement with grassfed levy payers in the development and implementation of sector policy.

> Success of the industry's vision will depend on its ability to demonstrate to all audiences, from beef producers, State Farming Organisations, industry groups, politicians, the media and the general public, that the beef cattle industry is sustainable, responsible and is continuing to develop strong demand for its products.

> Considerable concern exists within grassfed beef producers about the declining industry-support capacity of Government and how that may affect industry. The industry needs to act to ensure that producers have access to high quality services into the future.

Strategic imperatives

5. Develop and implement a mechanisms to allow levy payers to participate in policy development		
• CCA provide resource which enables producers to participate in policy development online	CCA	March 2014
• CCA undertake annual policy conference	CCA	Annual
• CCA deliver six producer forums annually	CCA	Annual
6. Develop and implement a sector-specific communications and crisis management plan		
• CCA lead the development and implementation of a communications and crisis management plan, which is supported by the entire beef supply chain	CCA/MLA/ RMAC/ members	January 2014

MARKET ACCESS AND TRADE DEVELOPMENT

Linked to MISP themes 'Market access' and 'Marketing and promotion'

Key feedback themes:

> Industry must place significant emphasis on achieving improved market access outcomes over the next five years. This includes significantly strengthening the push for trade reform through multilateral, bilateral and regional agreements.

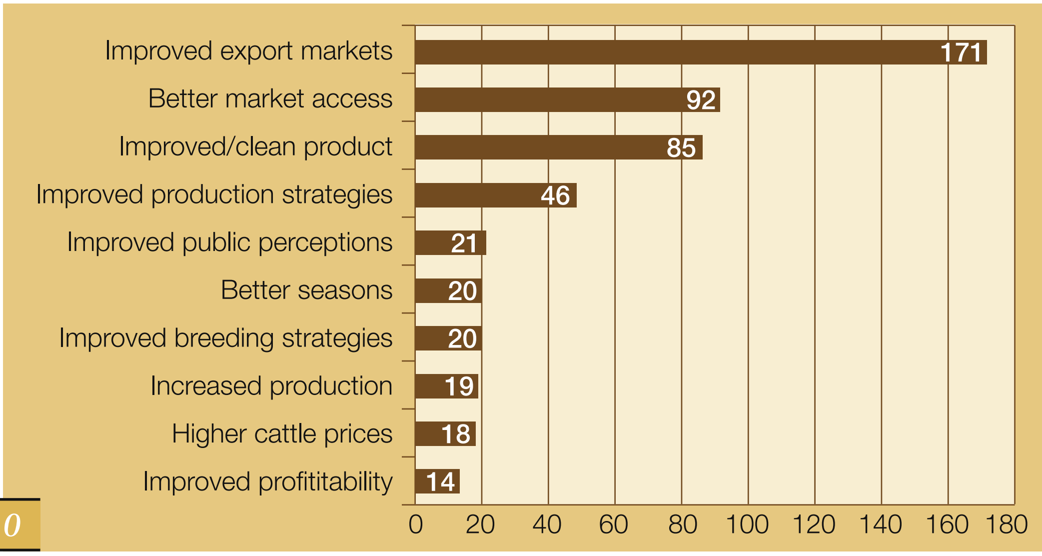
> The grassfed beef industry operates in an environment of intense competition from other protein sources such as chicken, pork and lamb, shifting patterns of consumer demand and ever-strengthening competition in export markets. If the industry is to compete, it needs to better promote the key attributes of beef, including the unique properties of beef finished exclusively on grass, as part of a healthy and balanced diet for domestic and international consumers. There is also relatively untapped opportunity to innovate and develop a more extensive and desirable range of retail beef products. This will all require a continued, relentless focus on building consumer demand for Australian beef.

> Generic beef promotion must deliver greater returns for beef producers. MLA must develop the capability to effectively and transparently measure, monitor and report on the extent to which marketing investments improve producer profitability.

> The AUS-MEAT language must be modernised and updated so that carcass specification measures are relevant and are aligned with established parameters around eating quality. This is especially critical in avoiding confusion in developing markets, in removing the paradigms of domestic beef retailers and in ensuring high quality beef isn't penalised by inappropriate or irrelevant carcass descriptors.

> The entire beef supply chain must work closely with Government to address the declining capacity of Government support services relating to our export systems, market maintenance and the facilitation of trade through improved market access. Equally, the grassfed beef sector must work with its upstream supply chain participants to improve the industry's response capacity to ongoing, single-market disruptions.

Industry research indicated that improving export markets and market access arrangements were seen as the two biggest opportunities for beef producers



7. Protect and advance market share in our most significant, established markets for grassfed beef (Japan, US and Korea)		
• Korean free trade agreement (FTA) impasse is resolved and an agreement is reached with the cattle industry receiving significant tariff reductions, as close to parity with Korea United States FTA as possible	CCA/MLA/ AMIC/ALFA	ASAP
• Build relations with Japanese beef producers to assist in Japan FTA negotiations through annual delegations to the market and to Australia	CCA/MLA	Annual
• Implement the Pasturefed Cattle Assurance Program and ensure the program is USDA verified	CCA/MLA	June 2015
8. Stimulate domestic demand for beef (and/or grassfed beef specifically) and reverse the long-term decline in domestic consumption of beef		
• CCA request and participate in a review of MLA nutrition and community communications program to develop a long term strategy that ensures improvements in key consumer attitudinal measures relating to beef	CCA/MLA	September 2014
• Analysis undertaken to develop an improved model or method to determine the cost / benefit of investment of producer levies in marketing	CCA/MLA	March 2015
9. Confirm which developing markets offer the highest value to Australian grassfed cattle and beef producers, and focus on improving access and increasing market share by working with the Australian government and the value chain		
• Identify the top five key market access issues in developing markets and develop action plans to minimise each issue	CCA/MLA/ Government	June 2014
10. Construct a comprehensive market access strategy that analyses bilateral, plurilateral and multilateral opportunities in existing and emerging markets for grassfed beef and cattle exports		
• Develop a work program with the Australian Government that addresses declining support services in export markets	CCA/MLA/ RMAC/DFAT/ DAFF	July 2013

BEST MANAGEMENT PRACTICE

Linked to MISP theme 'Environment and ethics'

Key feedback themes:

> Expectations of the industry to demonstrate its 'good corporate citizenship' will continue to grow over time. This must be addressed through a mature debate that continually looks at and reviews practices at farm-level while concurrently building a better community understanding of the challenges and realities of farming and food production.

> On-farm best management practice systems with a science-/evidence-based approach must be prioritised. These systems should provide producers with a voluntary, user-friendly vehicle, facilitating where appropriate changes in management practice, to demonstrate the sector's credentials at an on-farm level. Industry must develop innovative ways of accurately measuring and communicating the positive work being undertaken.

> The industry must ensure the consumer is well informed of the extent to which grassfed beef producers are addressing concerns and how the industry performs relative to overseas competitors.

> The Australian beef industry's environmental and ethical credentials as perceived by government, the community and its customers are of immediate and future importance. Industry will work collaboratively on a whole of industry strategy, which delivers on community and industry expectations for standards for welfare and the environment. This will entail a review of the scope and budget allocation of industry's community engagement programs, with a view to increase / improve promotion of ethical and responsible custodianship of the environment, animals and resources used in the production of beef.

> Communication/extension efforts should also be targeted to provide producers with information on the economic benefits of management practices which improve both environmental outcomes and on-farm profitability. The development of product diversification schemes which give producers a market premium in recognition of their environmental and ethical production systems is also an important aspect of delivering on-farm adoption of best management practice systems.

Strategic imperatives

11. Gather baseline information on how industry is performing and perceived		
• Establish a baseline of current industry activity in welfare and sustainability from which changes and improvements can be measured and demonstrated to the community	CCA/MLA	September 2013
• Define and drive implementation of a best management practice program that delivers suitable practice change	CCA/MLA/ AgForce	September 2014

KNOWLEDGE AND INNOVATION

Linked to MISP themes 'Economics and infrastructure' and 'Innovation'

Key feedback themes:

> Transport, industry image, quarantine/biosecurity and unfair market power were identified as the biggest issues that industry must address. Reducing input costs and improving productivity and quality through innovative research, development and extension was identified as a significant opportunity for the grassfed beef sector

> The Australian grassfed beef sector must increase its engagement with state and federal governments to encourage the investment in infrastructure that is vital to the longterm success of the industry. The industry must increase its efforts in policy research, analysis and advocacy to foster economic reform and infrastructure investment to enhance the capabilities of our industry. Priority areas include transport, industry's image, quarantine/biosecurity, and market powers (anti-trust laws).

> The decline in infrastructure is a significant concern; transport costs are an increasingly significant business cost to producers. It is also critical to deliver technological advancements in communication and property management so that industry can innovate.

> Industry is demanding access to world class R&D; that investments are well targeted to meet current and emerging needs and that valuable research outcomes are rapidly translated into action by beef industry businesses.

> A strategy must be developed to manage the shift in provider mix of RD&E services as the traditional role of State agencies is declining and private providers are increasingly delivering commercial service. Industry must increase its activity in ensuring the Government's continued investment in innovation.

> Government decline in resources allocated towards Biosecurity is now a critical issue. Producers supported the need for industry to play a more active role in biosecurity management in future. Government's role must be clearly defined and delivered.

> Market distortion associated with retail, processing consolidation, foreign ownership and the producer share of the retail dollar must be researched by industry to identify possible actions.

> The sector must ensure that the Government's long-term investment in innovation continues as there is a genuine, significant decline in Australia's research and development capacity. Continued innovation is critical to industry's success, with a greater emphasis towards blue-sky research.

> Lack of adoption is a major limiting factor for the industry and extension services continue to decline. Producers acknowledge that there is a role for their industry funds to be used in making R&D accessible to producers and for validating R&D. New technologies must be 'packaged' appropriately for the market using multiple mediums and modern innovative delivery methods.

> Greater coordination and collaboration between producers, local producer groups, industry, research organisations and government departments and funding agencies. Engaging producers in the early stages of research is a critical aspect of on-farm adoption. This could be driven through the development of a coordinated network of local producers groups which feed into the current NABRC and SAMRC structures.

Strategic imperatives

12. Increase advocacy efforts for continued Government support and funding in innovation		
• Coordinate an all-of-industry approach to ensure that matching R&D investment dollars are retained in all future Governments	RMAC	January 2014
13. Build capacity to deliver improved development and extension services, utilising connections with commercial users		
• Develop a network where both not-for-profit and commercial extension/adoption providers are connected to an ongoing information service	CCA/MLA	June 2015
14. Modernise the process that (i) determines the sector's R&D priorities, and (ii) that directs and clarifies the role of industry service providers in R&D adoption models		
• Independent review of MLA R&D systems to scope, identify, select, develop, approve, contract, initiate, manage, measure and evaluate R&D projects undertaken	CCA/NABRC/ SAMRC/MLA	June 2014
• New planning process implemented within MLA	CCA/NABRC/ SAMRC/MLA	June 2014
15. Develop a strategy that encourages the young, early career researchers to develop their profession in Australia and in the beef industry		
• Ensure that 'discovery science' opportunities are increasingly made available to the beef production sector	RMAC/MLA/ NABRC/ SAMRC	August 2013
16. Establish a Livestock Biosecurity Network to assist with on-farm biosecurity awareness with beef producers		
• Network implemented and delivering information to the industry	CCA/SCA/WPA	December 2013
17. Identify and prosecute the ideal infrastructure improvements for the beef industry		
• Work with Infrastructure Australia to develop a first class strategy to support the future development of the beef industry	CCA/NFF/ RMAC	June 2014
18. Identify and prosecute government and industry red and green tape that that is unnecessarily hampering the profitability and productivity of the beef industry		
• Follow up to the earlier MLA-commissioned investigation into red tape costs complete	CCA/RMAC/ MLA	March 2013
• Action plan developed and implemented to improve priority areas identified by above study	RMAC	December 2013

Industry acronyms

AHA	Animal Health Australia
ALFA	Australian Lot Feeders' Association
AMIC	Australian Meat Industry Council
BISP	Beef Industry Strategic Plan
CCA	Cattle Council of Australia
DAFF	Department of Agriculture, Fisheries and Forestry
MLA	Meat & Livestock Australia
MISP	Meat Industry Strategic Plan
NABRC	Northern Australia Beef Research Council
NRS	National Residue Service
PIEF	Primary Industries Education Foundation
RMAC	Red Meat Advisory Council
SAMRC	Southern Australia Meat Research Council
WPA	WoolProducers Australia

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