



**The Australian Livestock Exporters'
Council's submission to:**

**Modernising the Research and
Development Corporation system
Discussion Paper**

December 2019

NFF House
14-16 Brisbane Ave, Barton ACT
Locked Bag 9, Kingston ACT 2604

Phone: (02) 6269 5690
Email: info@livexcouncil.com.au
Web: www.auslivestockexport.com



Introduction

The Australian Livestock Exporters Council (ALEC) thanks the Australian Government for the opportunity to provide a submission on this important discussion paper. This process offers the opportunity to fine-tune what is already an effective and world-leading system.

ALEC is a Peak Industry Council (PIC) within the existing Red Meat Memorandum of Understanding Structure meaning that it carries responsibilities to represent livestock export levy payers and provide strategic oversight and direction to its Research and Development Corporation (RDC), the Australian Livestock Export Corporation (LiveCorp). ALEC values this role and considers it an immense responsibility.

ALEC is fortunate within the broader RDC landscape in that it has a very close working relationship with LiveCorp. Both operate small and nimble teams, and both have largely common memberships. ALEC is also extremely fortunate that it has an RDC with a track record of high performance and outcomes.

ALEC and LiveCorp have resolved that we should pursue the amalgamation of our two organisations. The full ALEC resolution is at Attachment A. This resolution supports the need for the livestock export industry to have its own entity, and not be subsumed into other RDCs. There is no desire amongst livestock export levy-payers for LiveCorp to be merged into other RDCs.

Both ALEC and LiveCorp have written to the Department of Agriculture, Water and Environment (the Department) in a joint letter seeking support for an amalgamated entity to be the recipient of both statutory and voluntary levies, along with access to matching funds from government.

We believe that an amalgamated entity can align with a restructured red meat industry as proposed in the Red Meat Memorandum of Understanding Review, as well as any reform stemming from the *Modernising the RDC System* process. In fact, it will be these processes that drive the success of the amalgamation.

This submission focuses on the key areas of opportunity from ALEC's perspective, and where we believe the Minister's advisory panel can recommend meaningful change. We have also offered some thoughts on the questions posed in the discussion paper.

As a starting point, we contend that it is not the number of entities in the RDC landscape that is the issue. It is the mechanisms that connect them. The well-established relationships between RDCs and PICs cannot be ignored. ALEC seeks to strengthen the relationship between RDCs and PICs, as well as enhance industry's connection to the broader red meat supply chain through the Red Meat Industry restructure process. If the Red Meat Restructure process is successful, it can deliver greater collaboration within the sector, and potentially other agricultural industries. We believe this ultimately meets the objectives of what this process set out to do.

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The Importance of the Livestock Export Industry

The key role of the livestock export industry is meeting the food security needs of its markets. Over the next 20 to 30 years, the challenge for Australia's livestock and red meat industry is to continue to grow while demonstrating that it is a sustainable and important industry sector within the Australian economy, sustaining 440,000 jobs and turning over A\$65 billion every year. However, the broader red meat industry will not meet this challenge if food security is not a driver. It is in Australia's national interests that it meets the food security needs of its trading partners and indeed food security will be one of the great global issues going forward.

ALEC proposes that a stand-alone livestock export entity that recognises its role in the broader red meat supply-chain by taking its place within a restructured red meat industry is a logical outcome of this process.

In support of the industry's need to have its own entity, ALEC provides the following findings from the Mecardo's study on the value of both the live cattle and sheep trades, which highlight the scale of the industry.

Between 2012 and 2017, on average:

- 1,095,325 Head of cattle were exported annually
- This represents an annual value of \$1.2 billion, \$620 million of this revenue is retained by producers
- Cattle were exported to over 23 countries
- The live cattle trade was found to be 13.3% of the Australian cattle industry's value
- The industry employed 9,799 full time equivalents

Between 2014 – 2018, on average;

- \$1.8 million head of sheep were exported
- This represents an annual value of \$220 million, \$100 million of this revenue is retained by sheep producers
- Sheep are exported to 18 countries
- The live sheep trade represents 6.5% of the sheep industry's value
- The industry employed 3,443 people

This indicates that the live export sector plays an integral role in underpinning price, which assists in growing the overall value of the sector. Many chilled and frozen markets have been established off the back of the live export industry's initial presence, providing a pathway for chilled and frozen exports.

There are also significant other benefits of the trade beyond economic. These include:

- Some countries do not produce enough livestock to feed their population and as a result they rely heavily on Australian livestock for their food security and in some cases, social harmony.
- Processing animals locally, for some nations, is often cheaper than buying boxed or chilled meat slaughtered in Australia, which is a high input cost industry compared to its global competitors.
- Religious requirements, particularly around festival times, dictate the slaughter of animals (under Australian controlled conditions where Australian animals are involved).
- International processors prefer to use not just the meat, but the entire animal for different products.
- The export of livestock supports a wide range of consumers and different market segments that live animals processed locally are most suited to (for example, wet markets).
- Exporting breeder and dairy livestock strengthens breeding and herd numbers with quality genetics and aids many developing countries in achieving self-sustainability goals.
- Australia's live exports support the development of a local processing sector in developing countries.
- Live export supports public policy programs to increase meat and dairy consumption and the endeavours of importing countries to provide food security.

Over 100 countries export live animals with Australia having the highest standards in the world. Indeed, through the Livestock Global Assurance Program (LGAP) which is an initiative of the Australian industry, due to be implemented in mid-2020, a global standard will be set for live animal exports.

Australia's increased efforts to help improve animal welfare is recognised as contributing to wider social and ethical change, better treatment of local livestock, improved worker safety and better meat quality. This positions the sector as a key driver of animal welfare improvements, which has resulted in innovative and world-class projects recognised by international agencies such as the World Organisation for Animal Health (OIE) for its contribution to global animal welfare.

Industries Should Determine Their Own Structure

The ongoing review of the levy collection system has highlighted that there is no like-for-like RDC industry structure across Australian agriculture. Enabling legislation sunsets at different times and there is no consistency in terms of levy expenditure oversight processes.

Some pundits view this as a weakness of the system and consider that there should be a standardised or uniform Peak Body/RDC structure. While it is true there are areas that more consistency could be applied, the diversity in structures between sectors reflects the diversity of the industries they serve.

What is needed is consistency in the principles that apply to levy use, not consistency in the structures that house them.

These principles should be:

- That levy payers should have the ability to determine the structures that they feel best serves their industry. The livestock export industry has sought this through both ALEC and LiveCorp resolving to pursue the amalgamation of the two organisations.
- That RDCs, or permutations thereof, should be afforded enough autonomy to give effect to activities that levy payers consider a genuine investment. For example, if levy payers determine that their levies are best invested in policy, research or advocacy, this should be acknowledged and accommodated.
- Consultation with levy payers must be rigorous and extensive so that an accurate determination of preferred levy-spend can be found.

ALEC/LiveCorp Amalgamation

On 5 December 2019 ALEC and LiveCorp held the first Amalgamation Working Group (AWG) meeting. The AWG comprises the Chairs, CEOs and a nominated director from ALEC and LiveCorp. As an outcome from this meeting, we are now jointly seeking support from the Department of Agriculture for an amalgamated entity to be the recipient of both statutory and voluntary levies.

Amalgamation is driven by a desire from our common memberships to see the current functions of both ALEC and LiveCorp come together in a single entity to streamline delivery of Industry's strategic objectives and ensure the industry maintains autonomy of its levy-funded activities.

Consistent with identifying a unique approach for livestock exports, ALEC believes, within a revised structure, that it is incumbent on each sector to define a model that works best for them in retaining their identity. This includes defining their own relationship with RDCs.

The Unique position of LiveCorp

LiveCorp and the Australian Meat Processor Corporation are unique within the RDC framework as they are both post-farm gate service providers for the broader export supply chain, with strong connections to producers, the transport industry and our trading partners. It receives marketing and research and development levies, but it does not receive Australian Government matching funding directly.

Both entities were originally established as donor companies, and as a legacy matching R&D funding is funnelled through Meat and Livestock Australia to attract matching government funding. This is something that would need to be adjusted for an amalgamated entity to be successful. It would be advantageous for LiveCorp, and the amalgamated entity when established, to be the recipient of matching government funds directly as this would boost the significant and highly regarded research and development portfolio. This would also make the administration of an amalgamated body much more straightforward.

The current structure of industry's levy funding also lends itself to Marketing, Research and Development sometimes being done in isolation from the broader red meat supply chain. In the context of livestock exports it is a well-established fact that the industry has also assisted the growth of chilled and frozen exports in many markets. The two trades are inextricably linked, and this cannot be escaped. A revised industry structure must reflect livestock export's place in a broader red meat supply chain. It must also provide the mechanism for collaboration across the sector. It is for this reason that the live export industry supports the Red Meat MoU restructure process. We are quite rightly a key component of the broader red meat supply chain.

Red Meat Industry Restructure

The Red Meat Industry was well advanced in its restructure considerations when this Discussion Paper process was announced. As a signatory to the Red Meat Industry Memorandum of Understanding (MoU), ALEC has been a participant and advocate for this restructure process. The Red Meat Whitepaper, which was the outcome of this review process, proposed a structure that implements three new entities that would form the new red meat structure. This proposed structure is at Attachment B

At the time of writing MoU signatories have met twice to consider their response to the Whitepaper and the proposed structure has evolved slightly – these changes are captured in the communiqués at Attachments C and D.

However, there remains a commitment from all parties to the restructure process. This is a clear demonstration of sectors determining their own structural arrangements. It is critically important that this process occurs in parallel with the Red Meat Industry restructure and is a conduit to installing the mechanisms that can give effect to the restructure.

We also believe that an amalgamated livestock export entity can sit within a restructured red meat industry by:

- Maintaining a seat on Red Meat Australia (NewCo 1);
- Continuing to undertake levy-funded Research, Development and Marketing on behalf of the industry;
- Maintaining an Agri political arm that is funded by voluntary contributions

The Agri Political Dilemma

It is already reasonably well-established what levies can be used for policy development, which can in turn inform advocacy. However, their utilisation around advocacy and what constitutes advocacy as opposed to Agri political activity remains a grey area and something should be resolved in this process. Indeed, resolution will be necessary to give effect to an amalgamated entity.

The issue of what levies are permitted to be utilised for is also a relevant consideration for the Red Meat Industry Restructure process in implementing NewCo1 (notionally 'Red Meat Australia'). This

entity is proposed to be the single voice for the entire red meat industry as well as a recipient of levy funds for the development of policy for the sector.

An assumption that is often made about the Agri political preclusion is that it is given effect by regulation. While it is true that Statutory RDCs have a direct legislative preclusion through the Primary Industries and Energy Research and Development Act 1989, the preclusion for industry owned RDCs is contained within the statutory funding agreements (SFA) between the Australian Government and RDCs. This means the preclusion is a contractual clause based on the principle that tax-payer funds, or funds collected by the commonwealth in the form of levies, should not be utilised for political purposes.

This in turn means that what constitutes Agri political activity is open to interpretation by the administrators of the SFAs. This leads to ambiguity surrounding what is Agri political activity.

ALEC believes there is are two elements opportunities in reshaping the Agri political dilemma:

- Narrowing the political definition to ensure greater certainty and clarity for RDCs and peak Bodies alike; and
- Broadening the permissibility of RDC's or other levy funded bodies, in our case an amalgamated entity, to undertake Agri political activity provided the activities are funded by voluntary funding and appropriate safeguards are in place to quarantine those funds and activities.

We note that there are active discussions and an open-mindedness from the Department to narrowing the definition of Agri political activity. We do believe that the definition of Agri political activity should be narrowed to effectively exclude clearly partisan activities such as supporting political candidates or parties. However, we are acutely aware that the Livestock Export industry is the subject of considerable political scrutiny and may have to engage in what would be considered Agri political activity, both under the current or narrowed definition, in order to protect the industry.

The precedent for combining advocacy, marketing, research and development functions is Australian Pork Limited (APL). While this is a suitable model for that industry, we understand that practically APL carefully monitors its behaviour and applies caution to its advocacy activities. Certainly, a narrowing of the Agri political definition would of great assistance for a structure such as APL's, but it would still be too constraining for the livestock export industry.

In considering the prospect of amalgamation, LiveCorp and ALEC commissioned a cost-benefit analysis. In preparing this analysis, the consultants considered several models used both in Australia and in internationally. One of the models considered was the National Cattlemen's Beef Association (NCBA) in the United States. The NCBA is a recipient of the US equivalent of the levy, the 'check off.' However, it also operates an arm of its organisation for political lobbying which is funded entirely by voluntary contribution. Chinese walls are in place within the organisation to ensure there is no inter-mixing of levy funds.

We believe such a model would be ideal for Australia's livestock export industry and we believe that it is achievable practically and is permissible under the current regulatory frameworks governing RDCs provided it is supported.

In seeking to utilise voluntary levies for Agri political activities, we believe the following undertakings could be given to provide surety:

- Separate bank accounts;
- An undertaking not to litigate against the commonwealth;
- Separate staffing and accountability arrangements within the organisation; and
- Strengthened terms within the entity's statutory funding agreement to provide accountability for all activities.

RDC Discussion Paper Questions

1. *Is the current RDC system delivering value for levy payers and taxpayers? In what ways?*

ALEC is firmly of the view that LiveCorp is delivering value to its levy payers and taxpayers. The MLA report - Impact Assessment of MLA Expenditure 2010/11 to 2014/15: Economic quantification of benefits (February 2016) found that the Live Export program provide industry returns of \$705 million, from expenditure of \$49 million with a BCR of 14.5:1. Some 54 per cent of the benefit accrued during the assessment period with 46 per cent to be captured in coming years.

The Live Export Program (LEP) was evaluated as an MLA/LiveCorp partnership, with the conclusion that the LEP had added considerable value to the industry in several key areas:

- Animal welfare — the LEP provided significant assistance in enabling the Exporter Supply Chain Assurance System (ESCAS) requirements to be met, speeding up reopening of trade and avoiding trade closure in other cases;
- R&D — LEP R&D activities had contributed to a reduction of on-board mortalities by 40 per cent and a reduction in ESCAS compliance costs;
- Market access — added considerable value to the live export sector and a BCR of 10:1 was agreed.

However, from a broader RDC landscape perspective, one of the key areas for improvement is collaboration between sectors. Over time various efforts have been made to encourage cross-RDC collaboration. The Rural R&D for profit is one such example. This program promised additional Australian Government Funding for collaborative RDC projects.

Projects such as "Precision to Decision" which focused on digital agriculture prospects had the potential to be game-changing for the sector. The National Rural Issues Forum, run by Agrifutures

Australia, seeks cross-sectoral funding for industry policy issues and is also another successful example of collaboration.

While these examples demonstrate that collaboration is possible and can indeed work well, both suggest that additional, or third party, intervention is needed for collaboration to occur. The question is why collaboration doesn't occur organically and why don't RDCs foster joint projects as par for the course.

There are probably several factors that contribute to this including competitiveness of RDCs, a desire by levy-payers for their RDCs to have focus on their own industries and lack of a natural pathway. What is needed is culture change from RDCs and levy-payers alike so that they can recognise the benefits and efficiencies that come with coordinated collaboration.

ALEC suggests that the Australian Government should preserve a fund purely for collaborative RDC projects – this could either be additional to the matching funding regime, or a proportion the current matching funding regime.

2. *What are some of the benefits of keeping the same number of RDCs?*

3. *What are some of the benefits of changing the number of RDCs?*

As already highlighted in this submission, it is not the number of entities in the RDC landscape that is the issue. It is the mechanisms that connect them and encourage collaboration. Simply focusing on the number of RDC misses the point. The number of industries that require RDC services does not change if the number of RDCs changes. In fact, combining RDCs runs the risk of disadvantaging the high-performing but small RDCs such as LiveCorp as the risk is the livestock export industry becomes lost in conglomerate-style RDCs that are focused on issues other than live exports.

There are other ways for industries to recognise their role in broader supply chains – this is what the red meat industry restructure is all about and there is a place for an amalgamated entity within this structure.

4. *What are some of the cross-sectoral issues being faced by the wider agricultural sector?*

Some of the issues being faced by the broader agricultural sector are:

- Animal welfare, on land, sea and in-market, and what steps can be taken to not only demonstrate continuous improvement, but also inform the community that this is the case.
- The need for well-defined and agreed animal welfare indicators to strengthen and reinforce the broader supply chain.
- Supply chain integrity is fundamental for protecting Australia's brand through providence and animal welfare. The red meat industry has recognised this by proposing a dedicated entity for industry integrity systems in its restructure. However, all industries face the challenge of demonstrating integrity in their supply chains and transparency in their

practices. This ranges from the application of chemicals through to environmental and land stewardship. When you contemplate the current African Swine Fever epidemic, our integrity systems have never been more important.

- There is significant opportunity in industry-led accreditation systems that can provide confidence and transparency in all our practices. The Livestock export sector has recognised this which has led to the development of the LGAP.
- Recognising food security as a legitimate basis for trade is something the broader sector must come to terms with. As a sector we have traded on our premium reputation and focused on high-value markets for some time and this is because generally Australia is not a trader of volume. However, the fact remains that some of our most important trading markets are not high-value in relative terms and we have a foothold in those markets because of our reliability – which in turn gives confidence to their food security. Therefore, industries such as livestock export are important and why efforts must be made as a collective sector to give confidence to those trading partners that depend on us to deliver their food security.

5. ***How can RDCs increase collaboration to ensure better investment in, and returns from, cross-sectoral, transformative and public good research?***
6. ***What are the cultural changes necessary in RDCs to achieve a modern fit-for-purpose RDC system?***
7. ***What other ways are there for increasing investment in cross-sectoral, transformative and public good research?***

It is important that the sector opens itself and recognises that it is a food and fibre industry complete with a supply chain – as opposed to simply a producer. Through mechanisms such as quality assurance programs Australian agriculture has an excellent story to tell. This story can then translate into areas such as public health, environmental stewardship, international development, tourism and employment. The work of RDCs has the capacity to provide an evidence base for the greater good and this should certainly be their remit.

However, culture change does not only reside in the RDCs, all parts of the RDC landscape including the Australian Government and levy-payers must adopt similar mentalities. Leadership from PICs needs to be recognised as does the role Australian Government has in allowing RDCs to open and encourage collaboration, not only between RDCs, but also universities and institutions such as the CSIRO. Collaboration with these entities already occurs, but the challenge is how do these projects shift from being ad hoc and isolated to being part of a genuine innovation ecosystem.

Co-operative Research Centres (CRC) are obviously an important collaborative tool. However, if there is one failing of the CRC system, it's that it lacks a mechanism to draw the outcomes into a common narrative for the sector. A critical discussion is what happens to the CRC outcomes? While many are commercialised, as is usually their mandate, is there a mechanism to share outcomes across sectors and even other industries?

Levy payers must also adopt a culture of recognising that co-investment of levies with other entities is leveraging and maximising their investment rather than a failure to focus on their respective sectors.

ALEC would also encourage the Review Panel to examine other socialised R&D systems not only in Australia but globally to. While ALEC is confident Australia would be found to be a world leader, similar systems in Europe, the US, New Zealand and Canada and should be examined.

The other culture change that needs to occur across the entire sector is viewing innovation as a commodity in of itself. There is no doubt Australia is world leading in agricultural innovation and this innovation is something that we should be willing to sell to the world.

There are examples where other countries have sought to cooperate and learn from Australia's technologies and development. However, these are often refused based on "why would we help our competitors?" This near sightedness means that Australia fails to become a truly global leader in Agriculture. For example, advancements in animal welfare can play a role in social and general wellbeing in developing markets. We must change the mindset about how we share out technologies how we effectively lead the world in agricultural innovation, particularly, as has been highlighted a number of times throughout this submission, there is an intense focus on food security within our trading partners.

8. *What is the best way for RDCs to engage with levy payers to inform investment decisions?*

ALEC is supportive of the National Farmers Federation (NFF) submission that proposes a set of principles for levy payer engagement. These principles include:

- development of a clear definition of effective consultation and distinguishing consultation from engagement
- identification of levy payers (or categories of levy payers) and the role they will play in the investment decision process
- engagement throughout the investment process on a strategic not a programmatic basis
- seeking opportunities to engage with levy payers in order promote an investment culture
- clear communication tailored to their specific needs throughout the decision process
- seeking and using levy payer feedback on the investment process for effective learning and continuous improvement.

The NFF submission goes on to further state:

"Levy payer consultation and involvement is variable in design and approach across RDCs. Some industries and levy payers are happy with consultation, others are not. Levy payer willingness and ability to be engaged also varies across the sector.

The ways RDCs engage with levy payers is influenced by their scope and size and may also be influenced by the size of the industry.

The complexity of these arrangements influence transparency and make judgements on their effectiveness and efficiency difficult, especially when comparing across RDCs.”

ALEC supports the notion that there should be a standard for levy payer consultation, recognising their fundamental contribution to the RDC system. In saying this, we are pleased with the consultation process we have with LiveCorp.

9. How can we encourage increased investment in the RDC system from the private sector and international partners?

Private investment in the RDC landscape at its essence is a contradiction. One of the key requirements for implementing a levy is demonstrating that there is market failure i.e. there is no commercial means for the work to be undertaken which justifies it being undertaken on a socialised basis. It is also important to note that this is not an agriculture specific issue; tax incentives exist in the private sector as a means to address similar market failures.

The principle of only implementing a levy where there is demonstrated market failure, by implication, excludes opportunity for genuine partnership with private investors. Should private-sector funding be part of a new system, it would be worthwhile also reviewing the levy principles and guidelines and whether they continue to be fit for purpose.

However, while this preclusion exists, there have been various ways RDCs have worked around this, with the most successful being the MLA Donor Company. The entity is used as a means of attracting private sector funding for research and development, which can then be matched by the Australian Government to the cap of the Gross Value of Production. While ALEC cannot speak for the Donor Company, it certainly represents a viable mechanism for attracting matching funding.

ALEC supports the need for stronger connections between industry and private sector research and development (R&D) in the agriculture food and fibre sectors. A *Review of the R&D Tax Incentive*¹ (the Review) was undertaken by Mr Bill Ferris AC, Dr Alan Finkel AO and Mr John Fraser in 2016. The Review was commissioned by government to identify opportunities to improve the effectiveness and integrity of the R&D Tax Incentive, including by sharpening its focus on encouraging additional R&D spending.

The Review found that the R&D tax incentive could do more to encourage additional research and research spillovers into other sectors. Unfortunately, the recommendations are yet to be implemented by government and the live export sector strongly encourages the government to urgently do so.

¹ https://www.industry.gov.au/sites/default/files/May%202018/document/pdf/research-and-development-tax-incentive-review-report.pdf?acsf_files_redirect

10. How can we form stronger linkages between the RDC system and the food value chain?

The link must be formed by an industry's integrity systems. Ultimately this is what underpins our market access and reinforces Australia's brand as a trusted safe, nutritious supplier of high quality protein, but it also the mechanism that reaches right from farm into the supply chain, which in the instance of the livestock export sector includes traceability to the point of slaughter in-market. Ultimately this is our main link to the supply chain, and it is the forum in which innovation and new technologies can be applied for the direct benefit of our most important private sector investors – our customers.

The red meat sector has recognised this, which is why the Integrity Systems Company has been formed, and why the red meat whitepaper proposed an integrity systems entity as part of the structure.

11. What changes might encourage improved RDC collaboration with the private sector, including those outside the agricultural sector?

In addition to answers provided earlier in this submission for questions 9 and 10, which go a long way towards answering this question, it is important to address the R&D market failure that exists. ALEC understands that government investment in the Australian red meat and livestock industry is 0.15 percent of industry turnover, and 0.35 percent of red meat sales value. This can only be considered a relatively minor investment in innovation and should at the very least be aligned with GDP contribution or exports for all agricultural industries. ALEC contends that there is a very strong business case for expanding, not reducing, government investment to meet this gap, particularly considering the \$100 billion target.

12. Where should the balance of investment between R&D and extension lie?

13. How could RDCs play a stronger role in extension service delivery, considering existing private and state government extension efforts?

14. How could RDCs help researchers, entrepreneurs and others better engage with producers to accelerate uptake?

15. How could industry and levy payers drive increased uptake of R&D?

Trying to articulate a proportion of where investment should lie is a subjective task and comes down to the circumstances of each industry. However, ALEC holds the view that there should be an obligation for RDCs to extend their innovations. Otherwise the application and ideally commercialisation of innovations will not occur.

There is no doubt that this has been a dilemma for RDCs of the last 10 or so years as state governments gradually retracted their investment in traditional extension services. This has led to RDCs devoting significantly more resources to extending their services and in some instances having to charge for them.

As stated above, in considering this question, it also must be asked what is the roadblock to uptake? Is it a lack of understanding or even dissatisfaction with the innovations of RDCs? Should we place greater expectation on levy-payers themselves to adopt? What it ultimately comes down to, and this is the case regardless of sector, is that levy payers recognise the commercial advantage of adopting. Consideration should be given requiring an RDC to have a strategic approach that incorporates adoption and extension, as a condition of receiving matching funds from government.

16. How might RDCs be able to increase their role in policy R&D and participate in policy debate alongside industry representative bodies?

17. If RDCs were to play a greater role in this area, how could this activity be clearly distinguished from partisan and political activity, which must remain a role for industry representative bodies?

As outlined above, it is already reasonably well-established what levies can be used for policy development which can in turn inform advocacy. However, their utilisation around advocacy and what constitutes advocacy as opposed to Agri political activity remains a grey area and something should be resolved in this process. Indeed, resolution will be necessary to give effect to an amalgamated entity.

In considering the prospect of amalgamation, LiveCorp and ALEC commissioned a cost-benefit analysis. In preparing this analysis, the consultants considered several models used both in Australia and in internationally. One of the models considered was the National Cattlemen's Beef Association (NCBA) in the United States. The NCBA is a recipient of the US equivalent of the levy, the 'check off.' However, it also operates an arm of its organisation for political lobbying which is funded entirely by voluntary contribution. Chinese walls are in place within the organisation to ensure there is no inter-mixing of levy funds.

We believe such a model would be ideal for Australia's livestock export industry and we believe that it is achievable practically and is permissible under the current regulatory frameworks governing RDCs provided it supported.

Conclusion

ALEC thanks the Australian Government for the opportunity to provide a submission on this important discussion paper. This process offers the opportunity to fine-tune what is already an effective and world-leading system.

The livestock export industry strongly supports maintaining its own entity, and not be subsumed into other RDCs. Pursuing the amalgamation of our two organisations is key to this and we look forward to receiving support and advice from the Department on this approach, particularly regarding whether the amalgamated entity can be the recipient of both statutory and voluntary levies, along with accessing matching funds from government.



A restructured red meat industry, as proposed in the Red Meat MoU Review, as well as any reform stemming from the *Modernising the RDC System* process is expected to drive the success of the amalgamation.

ALEC expects this process to result in recommendations that will deliver meaningful change. To do that, the Minister's advisory panel must recognise that the mechanisms that connect RDC's is more of an issue than the number of entities in the RDC landscape. Strengthening the relationship between RDCs and PICs is key, as is enhancing industry's connection to the broader red meat supply chain through the Red Meat Industry restructure process. A successful Red Meat Restructure process will deliver greater collaboration within the sector, and potentially other agricultural industries, thereby meeting the objectives of this process.

NFF House
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ATTACHMENT A

ALEC BOARD AMALGAMATION RESOLUTION

The live export industry is highly integrated, making it unique within the red meat structure and the broader Research and Development Corporation landscape. As an industry we are small and nimble and our peak body and RDC work closely and efficiently for the benefit of a common small membership.

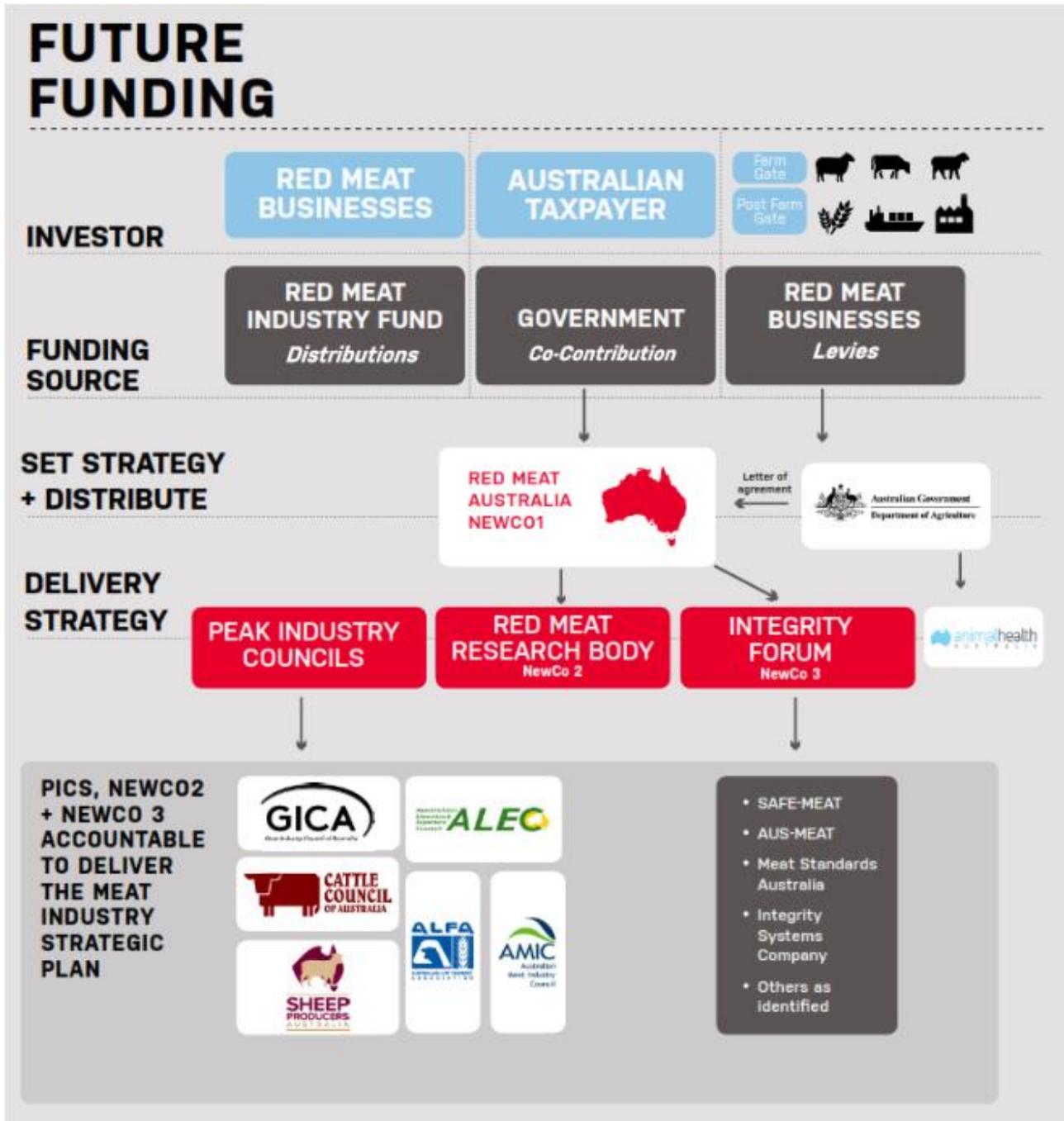
In contemplating an appropriate structure for the Australian livestock export industry there needs to be acknowledgment that levy funds that feed into such a system, while collected by government, are actually industry funds and that industry has a right to determine the best process for expenditure of those funds as well as a right to determine the framework that enables that expenditure. The industry also acknowledges that a proportion of the levy is matched by government funds which are received by the industry to further industry research and development.

The purpose of amalgamating ALEC and LiveCorp is about increasing industry capability by establishing a framework reflective of its unique nature. Cost efficiencies whilst important are not the primary driver.

There is capacity for an amalgamated body to fit within a nuanced red meat white paper structure by fulfilling functions through industry representation on New Co 1 and fulfilling levy funded functions in the space currently allocated to NewCo 2. We also see AniMark playing a critical role in the NewCo 3 integrity systems. However, this is conditional on a separate body for live export being maintained. Accordingly:

- ALEC and LiveCorp should merge for the purposes of achieving a structure that reflects the dynamics [better serves the dynamic nature of the industry and the multitude of challenges in developing capacity in international markets, in line with the expectations of the Australian community] of the industry with the goal of improving industry capability through streamlined structure.
- The definition of Agri political activity needs to be redefined to reflect the true role of advocacy activity, which is promoting and strongly pursuing evidence-based policy positions, and this should be undertaken by the amalgamated body.
- There must be the ability for Agri political activities to take place under the auspices of an amalgamated structure, if necessary, utilising voluntary contributions to the amalgamated body.
- The new model needs to be reflective of the relationship our industry has with MLA through the industry joint program (LEP) which preserves the capacity for producer investment in live export programs, as well acknowledging the contribution the live export industry already makes to producer levy streams.
- The amalgamated body must be part of the broader red meat industry reflective of its status as Australia's fourth largest red meat market.
- The amalgamated body must maintain its research and development capacity through the industry joint program (LEP), which is subject to receiving matching government funding for research and development activities.

ATTACHMENT B – Whitepaper Proposed Restructure



ATTACHMENT C

Red
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2030

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COMMUNIQUE

RED MEAT INDUSTRY WHITE PAPER ROUNDTABLE

28 November 2019

Summary

The Red Meat Advisory Council (RMAC), chaired by Mr Don Mackay, yesterday (27 November) convened a roundtable of all signatories to the Red Meat MOU on *A better red meat future: A White Paper for the Red Meat Advisory Council* (RMAC) (the White Paper) (July 2019).

There was a broad discussion in relation to the key recommendations from the White Paper including:

- The need to engage and provide value for levy payers first as our 'true north' moving forward, and improve the delivery of advocacy across the sector
- The need for beef, sheepmeat, goat meat producers, livestock exports and processors to retain identity and oversight of their own levy expenditure
- The need for a strong and coordinated industry organisation led by red meat business people
- The various proposals contained within the White Paper and the feedback received from industry members, and
- The need for the Australian red meat industry, as a collective, to demonstrate leadership in RDC modernisation and other forums.

The Australian Livestock Export Council, Australian Lot Feeders Association, Australian Meat Industry Council, Australian Meat Processing Corporation, Cattle Council of Australia, Department of Agriculture, LiveCorp, Meat and Livestock Australia, Red Meat Advisory Council and Sheep Producers Australia were in attendance. The Food and Agribusiness Growth Centre was also invited to present.

AGENDA ITEM

Roundtable on industry and government views post White Paper

- NOTED: Supply chain segments needing to retain oversight of their own competitive areas across sheepmeat, grass and grain fed cattle, livestock exporters, processors.
- ACTION: Further scoping for NewCo 3 – a single integrity organisation – will be progressed with work currently underway by PwC coordinated by Meat and Livestock Australia; and addressing and solving key business issues across the board for industry and government including labour, energy, inspection fees.
- NOTED: The need for a Red Meat Australia style organisation that is led by representative leaders, not a skills-based board; for policy, advocacy, issues management and strategy; and the need for a skills-based board to manage any levy and tax payer investments that are currently administered through the Research and Development Corporations.
- NOTED: The value of well-resourced and high performing Peak Industry Councils.

RDC Modernisation: Looking beyond red meat

- NOTED: Red meat should consider taking a leadership role in the \$100 billion dollar agriculture plan, and the RDC Modernisation project. This could include broad scale whole of agricultural and food projects including improved horizontal research coordination for sheep (meat and wool) and ruminants, and major whole of agriculture issues.

Next Steps

- AGREED: Feedback would be collated on NewCo1 and NewCo2 and refined with the 'north star' being value for levy payers in any determinations regarding structure, culture and communications. NewCo3 is regarded as a sensible approach.
- AGREED: A second industry-government roundtable will be held in Brisbane on 6th December 2019.

ENDS

Contact: Anna Campbell, anna@rmac.com.au, 0448 692 245

ATTACHMENT D

Red
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COMMUNIQUE RED MEAT INDUSTRY WHITE PAPER ROUNDTABLE 12 December 2019

Summary

A second roundtable of signatories to the Red Meat Memorandum of Understanding (MOU), chaired by Mr Don Mackay, was held on 6 December 2019 in Brisbane.¹ The purpose of the meeting was to continue to progress discussions post White Paper and:

- Identify if there is a pathway forward based on the recommendations of the White Paper
- Modify recommendations of the White Paper or determine the alternatives
- Identify the beginnings of a pathway to progress for a renewed MOU

The Australian Livestock Export Council, Australian Lot Feeders Association, Australian Meat Industry Council, Australian Meat Processing Corporation, Cattle Council of Australia, Department of Agriculture, LiveCorp, Meat and Livestock Australia, Red Meat Advisory Council and Sheep Producers Australia were in attendance.

Discussion focussed on:

- The core focus of any changes to organisations within the red meat industry and the MOU should focus on improving efficiency and economic outcomes for the levy payers who support the system.
- The role of levy payers in determining funding and priorities for levies paid is crucial.
- Consideration of the White Paper; and alternatives to the White Paper is complex and will take time.
- Discussions will continue in 2020 and the Red Meat MOU signatories are committed to being transparent with stakeholders and will provide regular updates.

Next Steps

- An update would be provided to the Minister for Agriculture with a further Roundtable to be held in January 2020.
- There could potentially be a concurrent body of work to complement the Levies Streamlining project that takes a broader scope to look at the future of levies for red meat, and optional levies. RMAC will engage with government on this.
- There remains strong support for Newco 3. A scoping study undertaken by PWC will be concluded in early 2020 for further consideration.

Contact: Anna Campbell, anna@rmac.com.au, 0448 692 245