

A silhouette of a cowboy wearing a wide-brimmed hat, riding a horse away from the viewer. The scene is set in a field with trees in the background, all bathed in the warm, golden light of a sunset or sunrise. The overall mood is serene and rural.

Red Meat Memorandum of Understanding Review



ADVANCING SUSTAINABLE AGRIBUSINESS

Responding to the Red Meat Advisory Council (RMAC) Green Paper on the Red Meat Memorandum of Understanding (MoU) Review

AgForce Queensland Farmers (AgForce) is pleased to be provided with the opportunity to contribute to the review of the Red Meat Memorandum of Understanding (MoU) as presented in the Green Paper.

AgForce is the peak rural group representing the majority of beef, sheep & wool and grain producers in Queensland. The broadacre beef, sheep and grains industries in Queensland generated around \$7.2 billion in gross farm-gate value of production in 2016/17. AgForce exists to facilitate the long-term growth, viability, competitiveness and profitability of these industries. Our members provide high-quality food and fibre products to Australian and overseas consumers, manage around 40% of the Queensland agricultural landscape and contribute significantly to the social fabric of rural and remote communities.

AgForce is a founding member of Cattle Council of Australia (CCA) and Sheep Producers of Australia (SPA), both being the national Peak Industry Councils (PICs) represented in the Red Meat MoU. AgForce also collaborates with Australian Lot Feeders Association (ALFA) and the Australian Live Export Council (ALEC).

AgForce members see this review as an opportunity to advance the system, modernise the MoU and deliver improvements to industry representation.

The MoU establishes the roles and relationships between the PICs and their service providers. The agreement has stood the test of time and delivered a greater level of harmony between competing sectors of the supply chain. That said there are a number of new considerations the MoU needs to incorporate in order to evolve, including:

- Finalising the Meat Industry Strategic Plan prior to commencing MoU governance review
- Clarifying roles and responsibilities of the industry PICs and RDCs
- Strengthening research and development capability and levels of adoption
- Strengthening integrity systems and providing clarity around funding arrangements
- Accommodating growing social license challenges
- Providing for flexibility to evolve the MoU to accommodate future challenges.

Industry is looking for an agile more transparent and resilient system. However, given the complexity of the agreement and its links to legislation, AgForce recommends that proactive changes are implemented over an appropriate timeframe and a dedicated group is tasked with evolving the MoU.

Meat Industry Strategic Plan

AgForce supports the position of both CCA and SPA, that the Meat Industry Strategic Plan (MISP) consultation and development should be completed before reforms are made to the governance structure of the industry through the MoU. The MISP, once developed, should provide clarity on the type of governance structure required to deliver the strategy outcomes.

The Red Meat Advisory Council's (RMAC) key role is the development, implementation and monitoring of the MISP. The MoU can add value by holding participants' accountable for the planning, development and delivery of outcomes of the MISP. Industry and government could increase the return on investment on their contributions if the link to funding agreements that the Commonwealth has with the service providers through the MISP was more structured and accountable. Clarity around the role of service providers and their obligations to the PICs would improve transparency and delivery of consistent programs.

Clarifying roles and responsibilities

When the MoU was drafted it was intended the agreement would help industry collaborate and unify on issues of strategic importance. The roles, responsibilities and funding of the signatories was defined in the framework to enable cooperation and accommodate competing interests along the supply chain. In many ways the agreement has achieved this however, there are a number of notable situations, including the live export ban in 2011 that stress tested the system and found it wanting.

The communication of purpose, roles and responsibility of the PICs and RMAC to the wider levy paying base has declined and trust in these institutions weakened. Industry consultation for the Green Paper development found that current perception of the MoU was that it reinforces division between different sectors of the supply chain and provides different levels of authority, funding and resources to each.

The MoU framework should provide the basis for industry cooperation within and across sectors and be able to accommodate the competing interests of PICs. The participants should feel empowered to act in the Red Meat Industry's best interests and industry should feel represented at the national level. The Green Paper suggests a realignment of the MoU could deliver better outcomes for industry.

AgForce believes in a strong representative voice for the Red Meat Industry, a role RMAC currently provides. AgForce is not opposed to the idea of a new group, if this leads to improved transparency, effectiveness and political clout. However, each sector must maintain the ability to clearly articulate their desires and pursue issues important to their sector. For example, the processing sector dominates the live export sector in size and financial capacity. A new system must accommodate the competing interests of live export and the meat processing sector such that each sector has control over their own R&D and levy spend. Further, the line of sight all PICs have to their levy spend on R&D must remain clear and achievable.

Funding

The MoU funding arrangements should be flexible enough to accommodate current and future risks to industry and articulate how integrity systems are jointly resourced.

The PICs are constrained by their funding arrangements and struggle to deliver the level of representation producers would like. The review needs to consider equitable funding arrangements and present options for improved resourcing. Without this, the level of trust in PIC's ability to make decisions and take a stand on issues will continue to be eroded. The longer PICs are unable to develop proactive policies due to funding constraints; the more industry will suffer, and government will command control over the levy spend.

Government has initiated a review of the Research and Development Corporations (RDC) spend and there are suggestions the system will be overhauled, and an innovation fund implemented. AgForce supports streamlining R&D capability if industry control over the levy remains clearly defined and the marketing spend remains separate. Industry funds R&D and needs to maintain ownership over how the money is spent in order to value the output. Industry, not government, needs to set the strategic agenda for the marketing component of the levy, and it does this through the MISP.

Strengthen R&D capability and adoption

Twenty years on, Meat and Livestock Australia (MLA) has delivered ground breaking R&D, providing industry with the tools to make significant productivity gains. The MISP, with MLA reporting against it, has evolved and improved noticeably over time. MLA has matured, managing the pressure of government scrutiny, maintaining flow of matched funding, building the MLA brand and increasing responsiveness to industry. The introduction of two new companies Integrity Systems Company and the MLA Donor Company have expanded MLA capacity to capitalise on available resources and deliver for industry.

At the property level, R&D gains have however, begun to slow and return on investment is harder and harder to deliver. While it is important to strive for new gains, better technology and more affordable practices, it is also necessary to support industry to adopt existing technology and best practice.

Potentially, the MoU could necessitate industry and the RDCs to rethink extension, adoption and evaluation of R&D gains. Currently, extension capability sits in the MISP, and MLA reports against agreed key performance indicators. This is not being delivered, the number of producer demonstration sites has declined, extension services are fragmented and adoption rates on most measures has stagnated.

Twenty years ago, state governments invested heavily in extension services. Over time, this investment has declined, services have been cut and the private sector has not stepped in to fill the void. No simple solutions have been identified and it is unlikely government will choose to re-invest in this market failure.

Industry frustration with the direction R&D is taking and MLA in general could be reduced if productivity gains were more achievable by the average producer. Unless new pathways to adoption are considered and tested, this is unlikely to change.

RDCs also need to consider the capability of the research community they support and the need for new projects to gain commercial relevance and retain research capability in Australia. The MLA Donor company has facilitated growth in cutting edge commercial R&D and this could be further supported in the MOU.

Integrity Systems

The investment in industry systems, integrity and food safety is a growing area of concern that requires further consideration. All sectors of the supply chain benefit from the integrity of the system and all should contribute to its maintenance.

The divide between the states and commonwealth in the management of traceability and other integrity systems means the industry needs its own harmonised national approach.

How can the MoU support and underpin the resource allocation and integration of Integrity Systems Company, SAFEMEAT Partners and AUS-MEAT in the future?

This question requires further consideration in the White Paper discussion. There are multiple benefits to industry taking ownership of these systems and maintaining a voluntary education-based approach to delivering them.

Social licence

Community interest in the transport, saleyard operation and ethical treatment of animals requires a redirection of marketing resources to retain and grow consumer trust in industry practices.

MLA survey data indicates consumer purchasing decisions are primarily driven by “price” not “environmental or animal welfare” considerations; however, producers feel their practices are under greater scrutiny, increased political pressure, regulations and activist activity.

If community trust is eroded the ability for industry to rebound from each welfare related shock will be significantly diminished.

Government is increasingly interested in demonstrating “green credentials” and looking for simple wins in Climate Policy which are restricting producers’ ability to improve productivity. This will eventually increase the cost of production and price of the final product.

Industry has been calling for more investment in social policy for some time and the MoU might be the vehicle to drive the change.

RMAC developed a Crisis Management Plan to manage industry shocks and clarify roles and responsibilities in a crisis situation. It is clear from the recent Awassi Express issue this plan needs to be reviewed and strengthened.

Industry needs the confidence to back the plan and this will require increased transparency between the PICs and their members.

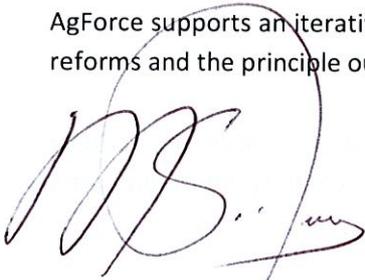
Other areas that will have an effect on the governance of the Red Meat Industry include the Review into Levy Structures currently being undertaken by Department of Agriculture and Water Resources (DAWR). Potentially, other levy contributions should be considered including increasing the levy and raising funds through other commercial means.

Conclusion

In conclusion, industry has called for reform and the Green Paper marks the start of a conversation about how to deliver a system that is resilient, flexible and able to withstand political pressure. Future-proofing the MoU will take time and skills to identify trends and manage risk. This will require a

commitment of resources to rethinking the complex relationships between the PICs, their service providers, government and industry as a whole.

AgForce supports an iterative process. The White Paper should provide a strategy for these reforms and the principle outcomes the reform aims to achieve for industry.

A handwritten signature in black ink, appearing to be 'M. Guerin', written over a faint circular stamp or watermark.

Mr Mike Guerin
Chief Executive Officer
AgForce Queensland Farmers Ltd