

Committee Secretary  
Senate Standing Committees on Rural and Regional Affairs and Transport  
PO Box 6100  
Parliament House  
Canberra ACT 2600

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**RE: Industry structures and systems governing the imposition of and disbursement of marketing and research and development (R&D) levies in the agricultural sector**

WoolProducers Australia welcomes the opportunity to provide a submission to this Inquiry. WoolProducers supports the process as it is an opportunity to constructively review and refine industry functions associated with grower levies.

The content and recommendations in this submission were developed by more than three rounds of consultation and feedback with growers and State Farming Organisations (SFOs), via email, teleconference and face-to-face meetings.

Further to this, in the interests of unity, WoolProducers has shared a summary of these recommendations with other wool grower representative groups, Australian Association of Stud Merino Breeders (AASMB), Australian Superfine Wool Growers Association (ASWGA), and the Australian Wool Growers Association (AWGA).

Please find WoolProducers Australia submission to this Inquiry attached.

Sincerely



Richard Halliday  
President  
WoolProducers Australia

**INDUSTRY STRUCTURE AND SYSTEMS GOVERNING THE IMPOSITION OF AND  
DISBURSEMENT OF MARKETING AND RESEARCH AND DEVELOPMENT (R&D)  
LEVIES IN THE AGRICULTURAL SECTOR**

WOOLPRODUCERS AUSTRALIA

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## Executive Summary

WoolProducers Australia is the peak industry body for Australian wool growers, advocating for them, and a unified wool industry, in policy decisions at a national level. WoolProducers Australia is a representative, democratic organisation that is driven by grower feedback, through State Farming Organisations and three independently elected Directors.

WoolProducers is a supporter of Australia's agriculture-related Research, Development, Extension and Marketing (RDE&M) model. Levy collection enables critical research and development, coordinated extension and marketing activities to take place that may not otherwise be deliverable and market failure could occur. The significant public good that results from this type of investment suggests the Commonwealth contribution is essential and should be continued.

WoolProducers supports our wool industry RDE&M body Australian Wool Innovation (AWI) and their remit to initiate, commission, and manage research and development, extension and marketing for the purposes of improving the Australian wool industry and its competitiveness and profitability. AWI should continue with this remit.

However, specific review should occur into the consultative arrangements that occur between AWI and industry and more effective consultative arrangements should be prescribed for the industry, encouraging unity and collaboration. Specifically, the WoolPoll and its mechanisms, the Industry Consultative Committee (ICC), and consultation with SFOs need to be better prescribed.

WoolProducers offers two potential pathways to rectifying these problems. WoolProducers asserts the wool industry would greatly benefit from increased unification and arm's length oversight via a legislated relationship between the peak policy and advocacy industry body, WoolProducers Australia and the RDE&M Corporation AWI.

In lieu of this high level of consultative arrangement, WoolProducers makes the suggestion that the Statutory Funding Agreement (SFA) between the Commonwealth and AWI be adjusted to codify consultative arrangements to a level of best practice management. This detail is further discussed in the submission.

One further note, WoolProducers have made a series of "preliminary recommendations". Through our consultation and interaction with growers we have a very clear picture of wool grower expectations. However, we are providing our recommendations as 'preliminary' to promote and support further interaction on these specific issues with the very people who pay the levies and to whom, all research, development, extension and marketing efforts are ultimately accountable to.

## Preliminary Recommendations

1. WoolProducers supports our wool industry RDE&M body AWI and their remit to initiate, commission, and manage research and development, extension and marketing for the purposes of improving the Australian wool industry and its competitiveness and profitability. AWI should continue with this remit.
2. WoolProducers supports the collection of levies, and the continuation of the Commonwealth contribution, as in the current levy scheme for the benefit of all Australian wool growers.
3. WoolProducers supports the democratic method and function of WoolPoll.
4. A legislated relationship be created between an adequately resourced and independent peak industry body, WoolProducers Australia and the industry RDE&M body, Australian Wool Innovation to ensure policy and RDE&M activity unity and collaboration in the Australian wool industry.

In lieu of a legislated relationship as suggested by recommendation 4,

5. An independent, thorough and specific review of WoolPoll and related functions to take place as growers continue to express frustration in the grower consultation process.
6. A robust review, specific and targeted take place into the consultation mechanisms of AWI with growers, specifically the mechanisms surrounding the ICC and SFO consultation, and this review be separate from the standard three-yearly review.

In lieu of recommendation 6 occurring,

7. Section 15 of the Statutory Funding Agreement (SFA) be adjusted to include codified, specific and prescribed arrangements according to good governance principles for consultation with industry bodies via *the ICC*. These arrangements to be made in agreement with industry bodies according to mutual requirements.
8. Section 15 of the SFA be adjusted to include codified arrangements to meet and consult with *SFO representatives* according to good governance principles. These arrangements to be made in agreement with SFOs according to mutual requirements.

## WoolProducers' Roles and Responsibilities

WoolProducers Australia is the national Peak Industry Body (PIB) representing and promoting the needs of Australia's wool growers. Our membership covers the industry's commercial, superfine and stud breeding sectors.

WoolProducers is nationally representative through our State Farming Organisation (SFO) members and three democratically elected Independent Directors. Through the engagement of Independent Directors, WoolProducers is able to ascertain the needs of growers both within, and external to the SFO system. This sets WoolProducers apart from other wool grower representative groups and gives it the mantle of the only true democratic and representative voice of the Australian wool industry.

WoolProducers is the only wool growing member of Animal Health Australia (AHA), and as such, carries a significant responsibility for decision making on behalf of the industry. This role includes the oversight of the wool industry health and welfare levy collected and administered by AHA, of which approximately \$8M has been invested on behalf of the wool industry into national sheep health and welfare initiatives since 2010.

AHA is empowered under the *Australian Animal Health Council (Livestock Industries) Funding Act 1996* and is an essential component of sheep health and welfare in Australia – it is important that any recommendations from this review result in no unintended consequences on these levies as they are critical to the health and welfare in the sheep and wool industries.

WoolProducers work also includes the provision of advice to AHA, State and Federal Governments on behalf of the wool industry on a day to day basis through representation on national animal health and welfare committees.

WoolProducers is the wool industry signatory of the Emergency Animal Diseases Response Agreement (EADRA), and as such plays a critical role in the preparedness activities working across industries and State and Federal Governments.

As the only wool grower organisation with membership of the National Farmers' Federation, WoolProducers is responsible for providing key policy advice on behalf of our members, and other wool growers, to Australia's peak farm body.

WoolProducers also works closely with the Federal Department of Agriculture on key issues such as animal health and welfare, biosecurity, pest management control, natural resource management, drought preparedness, emergency animal disease outbreak preparedness and industry development, including research and trade.

The Australian sheep industry is still predominately Merino-based and continues to be the world's highest producer of fine apparel wool. Australia shored over 81 million sheep in the year 2012/13 producing 360.52 kt of greasy wool. In 2012/13 Australia exported 438kt of greasy wool with 342kt going to China. The total export value to Australia in the 2013/4 period was \$2.5B, with \$2.2B of that value being exported to China.

### WoolProducers Supports Australia's Agriculture-related Research, Development, Extension and Marketing Model

WoolProducers is a supporter of Australia's agriculture-related Research, Development, Extension and Marketing (RDE&M) model, which is underpinned by commodity levies paid by individual grower and matched by Government funding (in the wool industry this is up to 0.5% of the gross annual value of production). As there is a strong economic benefit and public good associated with competitive agriculture industries, there is a sound case for levy collection matched by government funds to continue.

Levy collection enables critical research and development, coordinated extension and marketing activities to take place that would not otherwise be deliverable and market failure could occur. Indeed, WoolProducers believe it is essential to the future growth of Australian agricultural industries that RDE&M organisation continue to be funded by levy dollars and the associated matching Commonwealth government funds.

More specifically, WoolProducers believes the wool industry RDE&M organisation Australian Wool Innovation (AWI) is critical to the success of current and future Australian wool growers and WoolProducers is committed to a strong and productive AWI. AWI has produced and supported some excellent research and development programs that have been of benefit for Australian wool growers, and the health and welfare of the sheep they own. WoolProducers supports ongoing efforts to ensure wool growers are receiving value for money and that it is demonstrably so.

Any changes to the levy collection system should be carefully considered and supported by a majority of levy payers, as well as enhance the competitiveness of our industry and improve returns to farm-gate.

**Preliminary Recommendation:**

- **WoolProducers supports our wool industry RDE&M body AWI and their remit to initiate, commission, and manage research and development, extension and marketing for the purposes of improving the Australian wool industry and its competitiveness and profitability. AWI should continue with this remit.**
- **WoolProducers supports the collection of levies, and the continuation of the Commonwealth contribution, as in our current levy scheme for the benefit of all Australian wool growers.**

## About the Australian Wool Industry

AWI is owned by Australian wool growers as its shareholders. AWI initiates, commissions and delivers research and development (R&D) to Australian wool growers through alliances and contracts and, where possible commercialises R&D outcomes. AWI also provides trade development and maintenance services, and marketing services on behalf of Australian wool growers.

The Australian wool industry is governed by the *Wool Services Privatisation Act 2000*, rather than the *Primary Industries and Energy Research and Development Act 1989 (PIERD Act)*. Equivalent peak industry councils such as Sheepmeat Council of Australia (SCA) operate within



the structure of the *PIERD Act* which prescribes a legislated consultative relationship with their RDE&M organisation, Meat and Livestock Australia (MLA). This formalised relationship ensures independent oversight and accountability as well as a consultative mechanism with levy payers. Currently in the wool industry there is a lack of formalised feedback mechanism between the peak industry body that sets policy and the industry RDE&M organisation.

There is sometimes a lack of unity within the wool industry and WoolProducers asserts its recommendations will assist in providing a remedy for that fragmentation. This fragmentation disadvantages growers and prevents the administration of the levy and the relevant consultation process from being as effective as it could otherwise be.

WoolProducers views this Inquiry as an opportunity for the consultation associated with the WoolPoll levy and investment to be considered and some straight forward recommendations be made that will benefit growers.

### Clarification of grass-fed cattle levies Senate Inquiry notes regarding wool

WoolProducers notes that in the recommendations of the recent Senate Standing Committee on Rural and Regional Affairs – References Committee into *‘Industry structures and systems governing levies on grass-fed cattle’*, an incorrect assertion was made in regards to the wool industry.

The statement that indicated that the marketing, research and development activities and policy setting activities were undertaken within one organisation for the wool industry is somewhat misleading. Whilst AWI is responsible for marketing, research and development activities and whilst WoolProducers, as indicated above, is the policy making and advocacy body for the Australian wool industry and there is no legislated link between the two. In fact, there is a lack of any formal consultative mechanism between the peak industry body that sets policy and the industry RDE&M organisation.

The establishment of a legislated relationship at this level would facilitate more effective

grower consultation and resulting policy development activities, and would also dramatically improve unity and collaboration within a somewhat fragmented industry.

Oversight of the activities of AWI are currently managed via the Statutory Funding Agreement (SFA) between AWI and the Commonwealth Government. The SFA between government and AWI is useful instrument. However, while it clearly stipulates parameters that must be met by AWI to the Commonwealth, the level of accountability to growers could be stronger. A higher level of codification for grower consultation needs to be built into the SFA to ensure growers are comprehensively heard.

WoolProducers asserts the wool industry is at the right juncture to legislate and formalise arrangements between peak policy body and the industry RDE&M body.

#### **Preliminary Recommendation**

- **A legislated relationship be created between an adequately resourced and independent peak industry body, WoolProducers Australia and the industry RDE&M body, Australian Wool Innovation to ensure policy and RDE&M activity unity and collaboration in the Australian wool industry.**

## WoolPoll

AWI's main source of income is the wool levy collected by the Department of Agriculture Levies Revenue Service. The levy rate is currently two per cent of the sale price received for mechanically harvested greasy wool. The Commonwealth Government also contributes funding for other eligible R&D projects.

WoolProducers supports the mechanism of WoolPoll<sup>1</sup> arrangements whereby wool growers

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<sup>1</sup> In accordance with the Wool Services Privatisation Act 2000, Australian Wool Innovation (AWI) must conduct a poll of all eligible wool levy payers every three years to determine the rate of the levy to apply for the following three year period. Australian Wool Innovation must then make a recommendation to the Minister in accordance with the outcome of the poll. The Wool Services Privatisation (Wool Levy Poll) Regulations 2003 governs the conduct of the poll. In accordance with the regulations, AWI must propose three to five different rates of wool

have the opportunity to vote on the percentage of levy to be paid.

WoolProducers encourages a constructive and transparent review of WoolPoll and its mechanisms such as the related 'Roadshow' and WoolPoll Panel. WoolPoll has been in place for fourteen years and is due a specific review to ensure it is in line with best practice principles, is aligned with the expectations of growers, and is an efficient spend of levy dollars.

WoolProducers is aware of the three-yearly reviews undertaken by independent consultants to assess AWI but asserts WoolPoll have a specific and targeted review as growers continue to express a strong desire for a more cost effective and robust consultation process.

A legislated relationship between the PIB and the RDE&M body would enable continuous and arm's length grower consultation. In the meantime, a specific WoolPoll review is welcomed by growers.

**Preliminary Recommendations:**

- **WoolProducers supports the democratic method and function of WoolPoll.**
- **In lieu of a legislated relationship, an independent, thorough and specific review of WoolPoll and its related functions to take place as growers continue to express frustration in the grower consultation process.**

## Specific Grower and Industry Consultation associated with RDE&M

Consultation and interface between wool industry bodies and the RDE&M organisation currently takes place through the Industry Consultative Committee (ICC). It is chaired by AWI and includes membership, and one representative from:

- WoolProducers Australia;

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levy at the poll, including a zero rate. Under the regulations, AWI is to be assisted in the wool poll process by a panel which must include representatives of those growers that will be eligible to vote in the poll

- The Australian Wool Growers Association (AWGA);
- The Australian Association of Stud Merino Breeders (AASMB);
- The Australian Superfine Wool Growers' Association (ASWGA);
- Broad wool breeds; and
- Pastoralists and Graziers of Western Australia (PGA of WA)

The ICC was an initiative put in place in 2010 to promote effective industry consultation. WoolProducers actively engages with the ICC. However, as with WoolPoll and its consultative mechanisms, WoolProducers advocates that a focused and specific review of the ICC structure take place to ensure that not only are its deliberations robust and conducted in accordance within the principles of best practice, but also that the membership of this committee possesses a comprehensive diversity of relevant industry knowledge.

To illustrate what might be reviewed we offer the following. Recently, the call for agenda items and publication of the agenda by the ICC secretariat has become more consistent. However, WoolProducers asserts the formal protocol of the ICC can improve. For example, minutes may be taken but they are not distributed, and any list of actions and, or resolutions are absent. This leaves a considerable gap in the accountability and historical record of the ICC that if rectified will make ICC a more robust consultation mechanism with industry.

Similarly, quarterly presentations to State Farming Organisations (SFOs) were introduced to ensure these important stakeholders were engaged with AWI. Our consultation with SFOs has shown us this has taken place to some degree, for example with the Victorian Farmers Federation (VFF), but others such as the Tasmanian Farmers and Graziers Association (TFGA) have received no consultation whatsoever in the last eighteen months. Therefore, WoolProducers and its members believe grower consultation, in this case with SFOs needs to be reassessed and codified.

Accordingly, WoolProducers makes a preliminary recommendation the consultation mechanism of ICC, and quarterly consultation with all SFOs be codified and have their own specific and prescribed arrangements, and these specifics be instituted in Section 15 of the Statutory Funding Agreement (SFA). The SFA is strongly oriented towards compliance to

government but lacks sufficient stipulation in regards accountability to, and recognition of the needs of the growers the RDE&M is intended to serve.

**Preliminary recommendations:**

- **A robust review, specific and targeted take place into the consultation mechanisms of AWI with growers specifically the mechanisms surrounding the ICC and SFO consultation, and this review be separate from the standard three-yearly review.**

**In lieu of this:**

- **Section 15 of the SFA be adjusted to include codified, specific and prescribed arrangements according to good governance principles for consultation with industry bodies via *the ICC*. These arrangements to be made in agreement with industry bodies according to mutual requirements.**
- **Section 15 of the SFA be adjusted to include codified arrangements to meet and consult with *SFO representatives* according to good governance principles. These arrangements to be made in agreement with SFOs according to mutual requirements.**

Thank you once again for the opportunity to present the perspectives of Australian wool growers. Our President Richard Halliday is available for further clarification on any and all of the above points and to discuss the nuances of the historically complex Australian wool industry, and we look forward to presenting at this Senate Inquiry hearing next year.