



Australian Wool Growers Ltd

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The Chairman and Committee.
Live Export Senate Enquiry.

Dear Chairman and Committee members,

The Australian Wool Growers Association (AWGA) is a national independent wool representative body and lobby group, which represents farmers who also pay a transaction levy to Meat & Livestock Australia. Indeed woolgrowers may contribute the most levy out of all Australian Farmers, paying levies on sales of both wool (to Australian Wool Innovation) and sheep (to MLA). Woolgrowers are also dependent on live export of sheep for significant export income.

For the past 7 years, the AWGA has publicly and successfully;

- Defended the rights of woolgrowers to continue mulesing (with pain relief) until viable alternatives are commercially available
- Lobbied to change the wool industry's focus to a better balance between wool marketing & research. Prior to this marketing was not a legitimate role for AWI
- Defended woolgrowers democratic rights to elect AWI Board members & set compulsory Levy rates at Woolpoll every 3 years
- Promoted the wool & sheep industry's environmental credentials as part of the solution to excess carbon in the atmosphere
- Promoted the high animal welfare standards of Australian wool growers & encouraged innovation such as pre & post surgical analgesia (eg Trisolfen)

Following this cover letter are some Key points & figures to support our 3 main objectives to improve the transparency and governance outcomes of MLA. For the record, MLA has in the past funded some excellent investment in lamb marketing and sheep genetic research, but has been negligent in its duties to take animal welfare issues seriously.

1. MLA board elections: Currently, the MLA system of elections could be easily replaced with a model such as at Australian Wool Innovation (AWI), where any person is able to stand for wool board elections based on collecting 100 signatures of AWI shareholders.

At the moment, the MLA election process is a potentially discriminatory process and is seen by many producers as a "virtual closed shop".

Recommendation: MLA adopts the AWI election process immediately.



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2. Agri-political Funding by MLA. Funding of Agri-political groups who decide which candidates stand for MLA elections: The wool industry has successfully stopped all agri political funding from its peak body, AWI. Indeed, this was a pre-requisite for further Federal Government funding in the 2010 Statutory Funding Agreement between the Federal Government and AWI. Why should it be any different between the Commonwealth and MLA?

Currently, approx. \$ 2 - \$3 million per annum is spent by MLA to fund selected representative groups that are agri-political & who do not represent anyone but their members. Other groups are not funded, especially if they are critical of MLA. AWGA believes that this cannot stand, as the use of levy funds for such agri-political activity serves no measurable benefit for the majority of individual growers, indeed, only lends itself to system of “cash for comment”, enhancing the restrictive and potentially discriminatory current MLA election process.

Recommendation: That all Government & compulsory levy funding of MLA must be withheld until all agri-political activity funding ceases.

3. MLA POLL needed. In the wool industry, as a result of Commonwealth legislation, every three years a poll of all Levy payers is conducted; WOOLPOLL. This allows every wool levy payer to vote on the levy amount that AWI will receive for the next three years, with zero always being one option. There is no such process in place for MLA.

Recommendation: That an MLA poll be put in place, on a three year Poll cycle, so that all levy payers can democratically decide on a suitable levy amount.

Yours Faithfully,
The AWGA Board.



Key Points Summary

1. **MLA has a “skills based” Director election system that is not Democratic; ie a minority of large producers control the votes.**
2. **Independent Directors cannot stand for election to the MLA Board unless selected by a MLA/Peak body controlled committee.**
3. **Compulsory levies are used to fund Agri-Political activity to support MLA.**
4. **There is no regular voting Poll (as in WOOLPOLL every 3 years) to decide the level of levy to be paid to MLA by producers.**

2009 MLA AGM:

- 5,085 of approx. 47,000 MLA members (less than 20% of Australia's 200,000 producers) obtained their votes.
- The top 50 members can out-vote the other 5,035 by weight of their numbers of votes.
- Many producers do not know that if they apply to become members of the MLA, they can get their levies paid that year, converted into votes.
- Paying the compulsory transaction levy, does not automatically initiate membership of the MLA.

Levy funds totalled \$2,374,786 in 2008/9 for distribution to the Peak Councils from the Industry Reserve Fund, which is made up of compulsory levy money paid by producers and abattoir levies at 30/6/2009:

▪ Red Meat Advisory Council	\$254,251
▪ Cattle Council	\$542,413
▪ Sheep Meat Council	\$286,559
▪ Australian Meat Industry Council	\$796,140
▪ Australian Lot Feeders Association	\$307,336
▪ Australian Livestock Exporters Council	\$162,435
▪ Goat Industry Council	\$ 25,652
<u>TOTAL</u>	<u>\$2,374,786</u>



MLA Levies fund agri-political activity:

- Levy funded Cattle Council opposed the ABA motion at the 2010 MLA AGM aimed at bringing about change to the MLA voting system to a more democratic one, by using phrases such as 'beef producers to rise up and vote to oppose the shameless and destructive motion at the MLA AGM'.
- It is estimated that Levy funded Cattle Council membership represents about 10% of producers, through their association with State Farm Organisations.
- Some suggest that 90% of the Levy Cattle Council receive from the Reserve Fund comes from producers who don't share their views & whom they do not represent.

Popular support for Meat and Livestock Australia's R&D is questionable:

Levy funded Cattle Council of Australia have confused shareholder support with actual votes at MLA AGMs.

2010 MLA AGM:

MLA AGM held in Launceston on November 17, 2010.

Item 3 – Special resolution to wind up MLA:

- 1,734,673 votes were cast in favour (15.3%)
- 9,601,619 votes were cast against (84.7%)
- Almost 85% of the votes cast against the motion to wind up MLA.
- MLA only needs the support of 2% of members to win a majority on the floor of an AGM.
- MLA will not disclose how many individuals/corporations voted for or against the motion to dissolve MLA.
- Australian Beef Association estimates that well over 60% of producers who voted were in support of the motion to dissolve MLA.
- MLA votes are not based on “one entity, one vote”
- Votes are allocated on the basis of levies paid as declared by the entity that applies for votes. Major processors, lot feeders and pastoral companies dominate the voting register.
- Less than 50 entities control more than 8.5 million votes and dominate the votes cast at AGMs.
- At least 10 of these larger organizations receive R & D funds from MLA.

The MLA voting system is “gerrymandered”:

- **Australia has about 200,000 beef and sheep levy payers.**
- **47,270 recorded on the MLA member data base in 2010 (Producers must register with MLA even though levies are collected automatically).**
- **10,224 MLA members secured their voting entitlement**
- **5,188 members (individual/corporate entities) voted at the 2010 AGM, ABOUT 2.5% OF LEVY PAYERS.**
- **Less than 10 million votes were cast at the AGM of a possible 70 million.**

An analysis of the voting 2010 voting register shows:

- **The Top 20 control 30% of all votes**
- **The Top 50 control 40% of all votes**
- **The Top 100 control 50% of all votes**