

Australian Wool Innovation Review - Submission

Background

Sheep Producers Australia (SPA) is the peak industry organisation for sheep and lamb producers. It works to enhance the industry's productivity, profitability and sustainability by representing all producers to industry decision makers and stakeholders.

As the recognised peak body for the sheepmeat industry under the *Australian Meat and Livestock Industry Act 1997* (the Act), SPA sets the strategic objectives to be pursued by the levy funded organisations Meat and Livestock Australia (MLA), Animal Health Australia (AHA), and the National Residue Survey (NRS), examining and approving their programs and budgets.

SPA is involved in priority setting for industry research and development and marketing activities both domestically and internationally as set out in the Red Meat Memorandum of Understanding (MoU). Under the MoU, SPA assesses the performance of services delivered by expenditure of lamb and sheep levies.

The sheep meat industry vision and plan is outlined in the Sheep Industry Strategic Plan 2020 (SISP 2020). In many instances the vision and challenges in the SISP 2020 align with those of the wool industry. Many sheep producers now regard meat and wool as genuine co-products of their enterprises. To deliver the ambitious outcomes outlined within SISP 2020, it is imperative that all stakeholders collaborate constructively where appropriate, in order to maximise the return on resources and avoid duplication on behalf of sheep and lamb producers. In particular, SPA collaborates with Wool Producers Australia (WPA) on many of the issues confronting the sheep industry.

While SPA has oversight of the industry's research and development body (MLA), this is not the case for WPA. This causes significant issues when it comes to strategic priorities and co-investment projects between the bodies. This critical issue and others are highlighted below.

Fundamental Elements of Successful Agricultural RDC's:

1. Strategic vision and plan
2. Formal oversight by a prescribed body
3. Excellent industry engagement – particularly with levy payers
4. Corporate Governance systems and structures
5. Robust board director election process
6. Ability to collaborate with other RDCs

SPA is in an enviable position as one of the prescribed bodies for the red meat industry RDC. From this viewpoint we can assess that MLA has in fact embedded these fundamentals (and others) within the organisation. From this perspective we are also able to assess how the lack of these fundamentals can play out in other industry RDCs. In particular our close association with the wool industry, interaction with WPA, Senate Committees, Department of Agriculture and Water Resources and other bodies has enabled us to understand some of the issues facing the Wool RDC.

In relation to the above fundamentals it appears that AWI is seriously lacking in following areas:

1. Strategic vision

SPA and red meat industry service provider, MLA, had historically fostered a close working relationship of co-investment with AWI. However, in recent years a number of crucial co-funded programs in the areas of genetics and animal health and welfare research have been withdrawn from by AWI at the direction of the AWI Board. These are vital research planks for the sheep and wool industry and withdrawal by AWI indicates failure to maintain strategic vision for the betterment of the industry.

There also appears to be no meaningful document outlining a consultation process with industry stakeholders to identify research and development priorities. This leads to lack of transparency in how the AWI Woolgrower Industry Consultative Committee recommendations align with those priorities identified by woolgrowers.

2. Formal oversight by a prescribed body

Lack of industry oversight is a major factor in poor RDC outcomes. Without this, levy payers have little opportunity to provide direction for the industry. This leads to closed thinking and an industry at the mercy of its directors. Given that AWI is funded by a statutory levy there is an urgent need to remedy the situation by amending legislation to enable a prescribed industry body to have oversight of AWI.

3. Excellent industry engagement – particularly with levy payers

Given this lack of a prescribed oversight body, further work in refining the Statutory Funding Agreement (SFA) may also be warranted to remedy any potential shortfalls in that agreement.

Breaches of the SFA, where it relates to AWI intending to influence public policy, also require clarification and action from the regulator. SPA has been continually frustrated by AWIs incursion into areas of policy, in particular where it relates to breach strike prevention, the practice and potential phasing out of mulesing in the sheep industry, and the use of pain relief when undertaking surgical procedures. AWIs often ill-informed commentary has had significant impacts on the outcomes of these issues and inhibits the ability of the sheep industry to have meaningful dialogue to promote improved management practices.

4. Corporate Governance systems and structures

Bad cultural practices within AWI have become obvious during the last year both from a media perspective and from recent Senate Committee meetings with the AWI Chair and CEO. While AWI does have Codes of Conduct and internal documents relating to good governance it appears that these are not being adhered to. This poses a high reputational risk for the industry and does not meet the expectations of levy payers nor government. Urgent internal cultural change is necessary.

These committee hearings have also highlighted some poor (or at least dubious) practices in relation to voting proxies. This situation needs to be remedied so levy payers can have confidence in casting their votes.

In summary there are a number of issues that require urgent rectification to enable the wool RDC to function at a level expected by the industry. Options exist in relation to overhauling of the organisation to attaining industry oversight and radically improving governance arrangements or combining this body with another appropriate RDC which has in place the required fundamentals. Leaving the Wool RDC as is however is not an option. Levy payers and Government deserve a much higher level of professionalism from the body in which they invest so much.

Should you wish to discuss any aspects of this submission please do not hesitate to contact either myself, sdillon@sheepproducers.com.au or SPA Policy Director, John McGoverne, jmcgoverne@sheepproducers.com.au.

Your sincerely

A handwritten signature in black ink, appearing to read 'S Dillon', written in a cursive style.

Sue Dillon
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Sheep Producers Australia