

Cattle Industry Fund

Primary Industry Funding Schemes (Cattle Industry Fund) Regulations 2015

Management Plan 2018-2019 to 2022-2023



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Introduction

The *Primary Industry Funding Schemes Act 1998* provides South Australian primary industries with a legislative based ability to raise funds within their sector so they can favourably position themselves in the national and international marketplace.

Section 4 of the Act allows the Governor to make regulations establishing a fund for a particular sector of primary industry. All existing funds are administered by the Minister for Primary Industries and Regional Development.

Primary Industries and Regions SA (PIRSA) is the Minister's agent for the administration of these funds.

The Cattle Industry Fund (CIF) is established by the *Primary Industry Funding Schemes (Cattle Industry Fund) Regulations 2015*.

Contributions are payable at the rate prescribed in the Regulations. Cattle producers contribute to the fund.

Collection agents are the bodies authorised by Regulation to collect contributions from contributors and forward them to the Minister to be paid into the fund account. Collection agents for the Cattle Industry Fund are authorised tag manufacturers.

Contributors may seek a refund of their contributions. If a refund is paid to a contributor, the contributor is deemed to be 'in default' of the fund and not entitled to receive benefits or services from the fund.

Payments are made from the fund for the purposes defined by regulation 10. These purposes ensure the fund is used for the benefit of contributors to the fund.

Under regulation 6, the South Australian Cattle Advisory Group (SACAG) is the consultative committee representing the cattle industry to advise the Minister in relation to the application of the fund.

In accordance with Section 9 of the Act, this management plan has been developed in consultation with SACAG. It covers a five-year period and must be updated annually, but may be updated at any time.

This management plan guides the operation of the fund and helps contributors understand how their contributions are to be used.

Estimate of Contributions to the Fund

The contribution rate for this fund is \$1.50 is payable for each permanent identification device (PID) purchased from an authorised manufacturer, or authorised recycler, of PID's.

After shrinking by 2.5 million from 29.3 million head at 30 June 2013 to 26.8 million head at 30 June 2016, MLA reports that the Australian cattle herd rebuilt to 27 million at 30 June 2017.

This rebuild was slowed in 2017 by a dry finish to winter and an exceptionally warm and dry September which ensued across much of the country, however spring rain across southern Queensland and northern NSW has reduced market yardings indicating stronger restocker buyer activity.

Australian cattle numbers are forecast to continue growing in 2017–18 to 27.6 million head, approximately 200,000 more than forecast by MLA in January 2017.

Assuming average seasonal conditions over the medium term, Australian cattle numbers are predicted to gradually increase to around 28.9 million head by 30 June 2021.

Within the dairy sector the Australian herd is currently hovering above 1.5 million head. Over the 2016-17 period the herd is estimated to have reduced by 30,000 head from 1.56 to 1.53 however ABARES forecast that this will grow to 1.54 at 30 June 2018.

This growth is based on strengthening demand for butter in western countries and for most dairy commodities in Asia. As a result Australian farm gate milk prices are forecast to rise by 6 per cent in 2017–18 as a higher export returns to processors reward the supply chain. Therefore Australian production is forecast to recover, reflecting by increased milk yields and some herd rebuilding.

Locally, the South Australian dairy herd has been steadily declining since 2011 down from 91,000 cows to 67,500 as of 30 June 2017 and it is estimated that this may return to 69,200 as of 30 June 2018.

In 2016-17 the South Australia region produced around 486 million litres of milk, this represents 5% of the national milk output.

For the purpose of estimating the potential number of National Livestock Identification (NLIS) PID devices sold (which is the point at which Cattle Industry Fund contributions are collected), it has been assumed that South Australia's total breeding herd will continue to grow in line with the national breeding herd (assuming average seasonal conditions over the medium term) resulting in a 36,000 head increase during the next 5 year the period, 2018-19 to 2022-23 from 622,575 as of 30 June 2018.

Industry production estimates have been derived from the following reports:

- ABARES Agricultural commodity statistics, September quarter 2016
- MLA 2017 Cattle Industry Projections – October Update

The estimated contribution income for the coming five financial years is provided in Table 1.

Table 1 Estimated Contribution Income to the Cattle Industry Fund (2018-19 to 2022-23)

Financial year	2018-19	2019-20	2020-21	2021-22	2022-23
Contribution rate per cattle PID tag	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50
Estimated no. of cattle tagged (head)	569,855	577,206	585,023	592,645	592,645
Estimated income	\$854,783	\$865,809	\$877,534	\$888,967	\$888,967

Investment of the Fund

PIRSA administers the financial operations of the Fund on behalf of the Minister in accordance with the regulations and the *Public Finance and Audit Act 1987*.

Contributions are held in a separate interest bearing account at the Department of Treasury and Finance. Interest is paid quarterly on monies held, and is treated as income to the fund in accordance with the Act section 4 (6)(b).

Application of the fund

The fund is to be applied according to regulation 10 of the *Primary Industry Funding Schemes (Cattle Industry Fund) Regulations 2015*:

- (1) The Fund may be applied by the Minister for any of the following purposes:
 - (a) payment of outstanding claims for compensation made or pending against the Cattle Compensation Fund under the repealed Cattle Compensation Act 1939;
 - (b) payment of compensation and other amounts under Part 3;
 - (c) the undertaking of programs relating to cattle, cattle products or any other aspect of the cattle industry recommended to the Minister by the consultative committee;
 - (d) repayment of contributions to the Fund under regulation 7;
 - (e) payments to a body that, in the opinion of the Minister, represents cattle producers for 1 or more of the following purposes:
 - (i) the reasonable operating and management expenses of the body;
 - (ii) promoting the cattle industry;
 - (iii) participation of the body in regional, State or national cattle industry forums;
 - (iv) undertaking or facilitating research and development, or the collection and dissemination to cattle producers of information, relevant to the cattle industry and, in particular, to the improvement of practices in the industry;
 - (v) fees for affiliation of the body with regional, State or national bodies representing or promoting the interests of the cattle producers;
 - (vi) other purposes of the body;
 - (f) payment of the reasonable operating and management expenses of the Cattle Advisory Group (whether sitting as the Cattle Advisory Group under the Livestock Act 1997 or as the consultative committee under these regulations);
 - (g) payment of the expenses of administering the Fund (including expenses incurred in assessing compensation payable under these regulations and expenses incurred by an inspector under regulation 13 if those expenses exceed the proceeds of sale obtained under that regulation).

Investment priorities

Regarding the undertaking of programs relating to cattle, cattle products or any other aspect of the cattle industry recommended to the Minister by the Cattle Advisory Group (regulation 10(c));

South Australia's cattle industry strives to be sustainable and profitable. To support this goal, South Australia's cattle industry, through the SA Cattle Advisory Group, have identified the following priority outcome areas that are the basis of CIF investment:

1. Maintaining market access and securing new markets

The SA cattle industry recognises that consumer confidence in beef and dairy products and SA's ability to supply, is important and must be maintained. This consumer confidence underpins market access and provides a sound basis to gain and support access to premium markets.

Initiatives that align with this outcome and may be funded by the CIF include those that address market assurance, traceability, animal disease preparedness and management.

2. Efficient and sustainable production

Efficiency and sustainability require a focus on best practice and continual improvement. All members of the industry from peak bodies to individual producers should strive for best practice, which are reflected in industry policies and procedures. The proactive adoption of innovative and new technologies will also assist industry at all levels in achieving the goal of efficient and sustainable cattle production.

Initiatives that align with this outcome and may be funded by the CIF include those that address animal disease management and welfare, on-farm biosecurity, genetic improvement, farm productivity (including activities related to pasture management and climate change), innovation and cutting edge technologies.

3. Business management and skills development

A successful cattle industry relies on its people. It is important that all current industry participants as well as the next generation and new industry entrants are provided with training and development opportunities that support and encourage them to build skills and experience in South Australia's cattle industry. This will ensure there is a strong future for the cattle industry.

Initiatives that align with this outcome and may be funded by the CIF include those that address skills development, encouraging the next generation, quality assurance and networking.

4. Advocacy

It is important that South Australia's cattle industry has a strong voice to advocate on its behalf. A robust relationship between government and producers is critical in supporting industry in its goal to be sustainable and profitable. State peak bodies play a vital role as the

reference point in shaping policy decisions that impact the industry. It is also important that industry prioritise building its capacity to have strong advocates representing the industry.

Initiatives that align with this outcome and may be funded by the CIF include those that address public perception of animal welfare, maintaining the right to farm, social licence to operate, recognition and value of the importance of the agriculture sector, all levels of Government prioritising agriculture including the value chain's production base.

Eligible Activities

To be eligible for funding, activities must fit within the prescribed purposes and investment priorities of the Fund as outlined in this management plan and in regulation 10 of the *Primary Industry Funding Schemes (Cattle Industry Fund) Regulations 2015*.

Ineligible Activities

Activities that will not normally be funded include:

1. infrastructure items
2. retrospective activities or expenditure
3. duplication of research, programs or projects
4. purchasing of major equipment or activities that could be considered part of normal business operations
5. any other activities that are deemed inappropriate under the *Primary Industry Funding Schemes (Cattle Industry Fund) Regulations 2015*.

Funding Guidelines

Eligible Organisations

Organisations eligible to apply for CIF funding include:

- non-profit organisations – including registered charities or incorporated associations
- private enterprise businesses
- co-operatives
- local and State government bodies
- non-departmental government agencies – including tertiary education institutions, land councils
- Regional Development Boards and Natural Resource Management (NRM) Boards
- research organisations.

All organisations must have an ABN or an ACN to apply for funding.

Organisations that are not incorporated under state or Commonwealth legislation may submit an application sponsored by an eligible organisation. In this situation, the sponsoring organisation becomes the applicant.

Applying for funding

The CIF is open to receive applications, subject to the availability of funds each financial year. The availability of funds will be determined by the Minister based on the available balance of the Fund, less an amount sufficient to cover audit and administrative costs (of the Fund and the Advisory Group), and a contingency, in particular, an allowance for any refunds in accordance with regulation 10.

For programs recommended for funding to the Minister by SACAG (regulation 10(c)), SACAG will invite service providers to submit funding proposals in February to March each year, according to CIF investment priorities and the financial position of the Fund.

Other applications for funding of activities that meet the purposes governed by regulation 10 of the *Primary Industry Funding Schemes (Cattle Industry Fund) Regulations 2015* may be made directly to the Minister by 31 March each year. Where appropriate, these applications may be referred to SACAG for consideration with other investment priorities.

Refund requests may be submitted via the form available on the PIRSA website at www.pir.sa.gov.au/cattle-industry-fund

Application assessment and approval

The Minister makes all final decisions regarding how the Cattle Industry Fund is applied. The Minister will assess applications to the Fund in line with the framework detailed in this Management Plan in May to June each year. Once approved, the Minister will advise the applicants of the outcome of their funding application.

For programs recommended for funding to the Minister by SACAG (regulation 10(c)), SACAG will assess funding proposals against the following criteria prior to their recommendation to the Minister:

- benefit to the SA beef and dairy cattle industries
- direct benefit to fund contributors (cattle producers)
- alignment with Cattle Industry Fund investment priorities outlined in this plan
- alignment and collaboration with other state and national beef and dairy industry priorities and programs, ensuring no duplication of investment
- support from industry stakeholders
- value for money (cost of the program compared to the outcomes it will deliver)
- innovation in program delivery
- for ongoing programs, previous program performance and achievement of outcomes

- the organisation's capability and capacity to undertake the program, including:
 - demonstrated project management experience
 - evidence of a project plan, including a communication plan and risk management plan
 - identification of measures of success and a plan to report on them.

Where relevant, these criteria also apply to decisions made by the Minister for other activities that meet the purposes governed by regulation 10 of the *Primary Industry Funding Schemes (Cattle Industry Fund) Regulations 2015*.

Payments to fund recipients

Payment and milestone schedules will be negotiated directly with fund recipients.

Reporting requirements

Fund recipients are expected to provide an annual report within 45 days of the end of the financial year. Other reporting requirements will be negotiated directly with fund recipients.

Fund administration

Process for changing the contribution rate

The fund contribution rate is prescribed in Regulation 7. A variation to the contribution rate may only be made following a request to the Minister and subsequent consultation with the industry. Acceptable evidence of support for a variation to the contribution rate is to include results of any contributor survey held for the purpose and may include outcomes of any other consultation with industry.

Contribution rate changes should be made at a time allowing sufficient notice of the rate change to collection agents (authorised tag manufacturers) or producers directly submitting contributions.