



Australian Government

Australian Government response to the
Senate Rural and Regional Affairs and Transport References
Committee Second interim and final reports:

Effect of market consolidation on the red meat processing
sector

December 2018

Introduction

The Australian Government welcomes the Senate Rural and Regional Affairs and Transport References Committee's reports (interim and final) on the effect of market consolidation on the red meat processing sector (the Reports). The Australian Government thanks the Committee members for the work in delivering the Reports and associated recommendations.

The Reports provide a number of insights into the selling structures and processes used to transact livestock and the impact of red-meat processor consolidation on market competition and returns to farm gate.

The final Report documents how scale efficiencies through expansion, investment in new technology and greater security of access to cattle through vertical integration into lot feeding have helped to address some factors that have in the past adversely affected the international competitiveness of Australian beef processors. Nevertheless, it is reasonable to expect these competitive pressures to remain and industry rationalisation to continue.

The Australian red meat industry is a multi-sector industry that includes cattle, sheep, lamb and goat producers, meat processors, lot feeders and live exporters. Producers range from having large extensive to small intensive farming systems and cover interests ranging from large corporate enterprises to the small family farm. There is also a clear divide of interests between northern and southern cattle producers. This means that commercial outcomes for producers vary and are not necessarily an indication of the state of competition. There is however scope for gains to be achieved through industry committing to enhanced information flows and industry improving its structural and representative arrangements. This will require engagement between parties at each stage of the value chain.

The Australian Government is supports the red meat industry improving industry self-determination and self-regulation. Industry adoption of practices that support improved transparency in information sharing; and promote strong and effective representative organisations; can play a key role in driving competitive and profitable markets.

Effect of market consolidation on the red meat processing sector — Final report

Recommendation 1

2.7 The committee recommends that the Minister for Agriculture and Water Resources consider requesting Meat and Livestock Australia to conduct a study into pre- and post-sale weighing to provide the southern industry with an evidence-base on which to consider selling methods at saleyards.

Response to recommendation 1

The Australian Government notes this is a matter for industry.

Pre- and post-sale weighing provides differing benefits and costs to the parties involved, and the decision to weigh livestock before or after sale is a commercial matter. It is the responsibility of saleyard managers to determine which weighing system, and length of curfew, that will be used at their saleyard and to communicate this clearly to involved parties in advance of the sale.

The Australian Government notes the efforts already underway by Meat and Livestock Australia to investigate pre- and post-sale weighing and welcomes the development of an evidence base to assist both vendors and buyers on the preferred method of sale.

The Australian Government notes these efforts go towards addressing the Australian Competition and Consumer Commission's 2017 *Cattle and Beef Market Study*, which called for improved transparency at saleyards.

Recommendation 2

2.103 The committee recommends that the Australian Livestock Property Agents Association (ALPA) lead the development of industry Standards of Practice that cover all commercial transactions in relation to livestock – including online, paddock and saleyard transactions. The Standards of Practice should include guidelines which encourage all parties to conduct transactions in good faith, do not mislead other parties, and ensure that all such transactions are negotiated under the law.

Response to recommendation 2

The Australian Government notes this is a matter for industry.

Open, fair and transparent trading rules support consumer and competition policies. The development of industry-led Standards of Practice for the conduct of livestock transactions may provide a non-legislated solution to improve conduct and fair trade.

The need for improved transparency in trading was a finding of the Australian Competition and Consumer Commission's 2017 *Cattle and Beef Market Study*.

Recommendation 3

4.108 The committee recommends that the Department of Agriculture and Water Resources conduct a review of AUS-MEAT to determine whether it is the most appropriate body to oversight the installation, inspection, calibration, replacement and quality assurance auditing processes of the new DEXA technology. The review should also identify what reforms and resources AUS-MEAT would require to fulfil this role.

Response to recommendation 3

The Australian Government agrees with this recommendation.

The roll-out of DEXA (Dual Energy X-ray Absorptiometry) technology in abattoirs is a major investment for industry. The success of the roll-out will require broad support and the confidence of industry participants. This will require industry commitment to quality assurance, integrity, safety, performance and efficiency at every-step. The roll-out will also require extensive training, process-modification, construction and industry education. A united-industry approach will be central to achieving national standards, industry benchmarks, consistent reporting and an efficiency in effort.

The Department of Agriculture and Water Resources will undertake an assessment to determine if AUS-MEAT, the not-for-profit industry owned company, is the appropriate body to oversight the technology in operation. To achieve this review, the department will seek input from industry stakeholders and technical experts.

Recommendation 4

5.77 The committee recommends that the Australian Government provide immediate support, including appropriate financial assistance, to the grass-fed cattle sector in its efforts to replace Cattle Council of Australia with a transparent and accountable producer-owned body as the sector's Peak Industry Council.

Response to recommendation 4

The Australian Government notes this is a matter for industry.

As it stands today, the Cattle Council of Australia is a prescribed industry body for the purpose of Section 59 of the *Australian Meat and Live-Stock (AMLI) Act 1997*. This does not mean the Cattle Council of Australia has a legislated role, and the Australian Government does not have an expectation about its industry-advocacy function.

Australian Government policy is that its matched levies are not to be used to engage in agri-political or advocacy activities.

The cattle industry is best represented through a strong and effective national representative organisation. The form and function of such representation is a matter for industry leadership and one for cattle producers across Australia.

Recommendation 5

5.78 The committee recommends that the Australian Government officially recognise Cattle Australia as the grass-fed cattle sector's Peak Industry Council under the Australian Meat and Live-Stock Industry Act 1997 and Red Meat Memorandum of Understanding once it is operational and has a membership structure in place.

Response to recommendation 5

The Australian Government notes this is a matter for industry.

The Red Meat Memorandum of Understanding (MOU) currently lists the Cattle Council of Australia as a peak industry council for the grass-fed cattle sector.

Should the Cattle Council of Australia undertake structural reform, or if the grass-fed cattle sector wish to add another peak industry council, it will need the support of other signatories to the MOU.

If there are to be changes to cattle industry representative structures that affect Australian Government regulated relationships relating to the levy funded industry services body, the Australian Government's preference would be for this to be confirmed by a majority of levy payers.

The Australian Government will support the decision and wishes of industry on its representation.

Recommendation 6

5.88 The committee recommends that a joint industry and government meat and livestock task force be established to conduct a comprehensive review of all aspects of the Red Meat Memorandum of Understanding (MOU).

Response to recommendation 6

The Australian Government notes the Red Meat Advisory Council has commenced an industry-led independent review of the Red Meat Memorandum of Understanding (MOU).

An industry-led review model is appropriate to achieve fit-for-purpose reform. This approach aligns with the original intent of the 1997 'red meat reform package'. The purpose of the package was to increase the role of the red meat industry in self-determination and self-regulation, and minimise the involvement of the government while continuing to ensure appropriate representation, governance and accountability of the industry. The linchpin of the reform package was the MOU between sector-based peak industry councils, producer owned companies and the Commonwealth. The MOU was designed to set out the framework under which industry would cooperate with the government and with its own sectors.

Recommendation 7

5.89 As part of the Red Meat MOU review, the joint industry and government meat and livestock task force should consult widely across the industry and consider options for reform.

5.90 The task force should present a report to the Minister for Agriculture and Water Resources within two years of its establishment. The report and its recommendations should be made public.

5.91. To ensure full transparency and encourage industry ownership over the reform process, the task force should endeavour to publish its preliminary findings during the review period as well as bi-annually.

Response to recommendation 7

The Australian Government refers to its response against recommendation 6.

Effect of market consolidation on the red meat processing sector — Interim report

Recommendation 1

6.19 The committee recommends that a transparent pricing mechanism be introduced at livestock saleyards and that Meat and Livestock Australia (MLA) in cooperation with the livestock and red meat industry, establish a national price disclosure and reporting system.

Response to recommendation 1

The Australian Government notes that this recommendation has been superseded by those made in the Senate Rural and Regional Affairs and Transport References Committee's final report (September 2017) on the effect of market consolidation on the red meat processing sector. Australian Government responses to the recommendations of the final report are provided above.

Recommendation 2

6.22 The committee recommends that industry and producers work together to establish best practice modelling for saleyard design in cooperation with producers and their representatives.

Response to recommendation 2

The Australian Government notes that this recommendation has been superseded by those made in the Senate Rural and Regional Affairs and Transport References Committee's final report (September 2017) on the effect of market consolidation on the red meat processing sector. Australian Government responses to the recommendations of the final report are provided above.

Recommendation 3

6.26 The committee recommends that the Australian Government introduce legislation to prohibit concerted practices as soon as practicable.

Response to recommendation 3

The Australian Government notes that this recommendation has been superseded by those made in the Senate Rural and Regional Affairs and Transport References Committee's final report (September 2017) on the effect of market consolidation on the red meat processing sector. Australian Government responses to the recommendations of the final report are provided above.

Recommendation 4

6.30 The committee recommends the establishment of a registration and training system for livestock agents. In addition, the committee recommends that a system of oversight be introduced by the registration body which includes a formal complaints mechanism.

Response to recommendation 4

The Australian Government notes that this recommendation has been superseded by those made in the Senate Rural and Regional Affairs and Transport References Committee's final report (September 2017) on the effect of market consolidation on the red meat processing sector. Australian Government responses to the recommendations of the final report are provided above.

Recommendation 5

6.36 The committee recommends that the Senate extend the inquiry reporting date to 20 December 2016.

Response to recommendation 5

The Australian Government notes that this recommendation has been superseded by those made in the Senate Rural and Regional Affairs and Transport References Committee's final report (September 2017) on the effect of market consolidation on the red meat processing sector. Australian Government responses to the recommendations of the final report are provided above.