

**SUBMISSION
TO THE SENATE INQUIRY
IN TO THE RED MEAT PROCESSING INDUSTRY
By the Rural and Regional Affairs and Transport Committee.**

This Submission will deal seriatum with the four specific Terms of Reference. In doing so I will deal particularly with:

- **It is vitally important that all sectors – buyers, processors, wholesalers, transporters – and vendors! Can trade profitably.**
- **One bid purchase of cattle**
- **Withdrawal of bid on last animal in mixed pen**
- **Need to encourage more buyers, and vendors to endeavour to sell in larger lots to enhance competition**
- **Advantage of commission buyers acting for several (generally smaller) clients, disadvantage of one buyer for 2 or more major companies**
- **Advantages and disadvantages of consolidation in processing industry.**
- **Advantage of large processors selling on world market.**
- **Opportunities for “niche” marketers**
- **Strong support for pre sale weighing in Victoria**
- **Competent buyers, vendors and transporters better served by pre sale weighing in Victoria**
- **Comments on various selling methods**
- **Regulatory Code of Practice for auctions, with “spot audit” system to ensure compliance – and check on possible collusion**
- **Personal experience of downgrading in direct selling.**
- **Regulations inhibiting entry of new processors to abattoir industry.**
- **Committee hearing will assist better informed public debate**
- **Damage done by Four Corners, and need to avoid giving comfort to activists.**
- **Welcome sitting of Committee in Albury or Wodonga.**

I am a small producer, breeding cattle generally for the store market, and generally selling at the Wangaratta saleyards. Currently I am downsizing my breeding herd, as I am now 80 years old running a one man farm with 125 breeding cows and replacement heifers, weaners sold at Blue Ribbon store sale, with fat sales of cows culled either on age or non breeders and a small number of reject weaners.

It is vitally important that all sectors of the industry can trade profitably –

buyers, processors, wholesalers, transport operators – and producers!
I acknowledge that to do so each sector must be efficient – that inefficient operators have no right to expect to be “propped up” by market conditions.
At the time of preparing this Submission cattle prices in this district are at record high levels, after a period of very substantial fluctuations with prices in cents/kilogram varying by 20 to 30% over those of three or four months ago.
Over the past 20 years my prices have fluctuated wildly with an average rising plane of 70%, while costs at the same time have increased by 90% - costs including fertiliser, municipal rates, insurance, vet fees, and fuel, telephone, electricity etc. - a deterioration in the terms of trade.
This forms part of the efficiency requirement referred to above which I must meet if I am to remain in business.

Dealing with the four specific Terms of Reference:

(a) The potential for misuse of market power.....

- **In times of oversupply such as drought or spring flush I have noted that frequently lots of cattle, particularly small lots, ones and two's – in Wangaratta and Barnawatha for example – attract only one bid, and different commission buyers buy in turn leaving a clear impression that they are “taking it in turns” leaving the vendor with a “take it or leave it” choice.**
- **I have noted that when several small lots are penned together but sold individually a buyer will bid (say) 180 c/kg (I have heard them bid thus)– have the cattle knocked down at that price then say “I bid 160 c/kg” - cattle then re-auctioned, buyers have moved on – and that is the final price. The vendor can “no sale” but then faces fixed costs such as yard dues, freight and pre-sale weigh fees, insurance etc adding up to 5% or more.**
- **Two ways of overcoming this situation occur to me – encourage more buyers, and endeavour to sell cattle in bigger lots – this last encourages competition. And, of course, enforce the rule of change of ownership on the “fall of the hammer” - difficult for the auctioneer who fears offending a good customer. See later comments on independent compliance supervision**
- **Some producers object to a commission buyer acting for several clients seeing it as a reduction in competition, but in Victorian saleyards such as Wangaratta and Barnawatha, many smaller clients, such as local butchers or small farmers would be excluded from the market – cannot spend the time to attend a sale to purchase only three or four head. If possible it may be reasonable to exclude a single commission buyer from acting for more than one major client processor but this imposes severe restrictions and may in fact operate to the disadvantage of competition. For example, illness or similar valid reason may make it impossible for a major company representative to attend a sale, in which case a proxy is reasonable.**

(b) Impact of red meat processor consolidation.....

- **This leads to fewer (particularly high volume) buyers and less competition particularly in times of full supply. Supporters of consolidation will claim that**

consolidation increases efficiency, but efficiency does NOT require super size entities, which would certainly act to the detriment of the producer – who surely has a reasonable right to expect to trade profitably – see comment above.

- Regional facilities fulfil a benefit by catering for local needs and particularly time spent on cattle trucks. They also will benefit by more personalised ownership management.
- I referred above to wild fluctuations in prices at local saleyards in the last four or five months. A significant factor pre Christmas was an oversupply due to drought and spring flush of cattle epitomised by the long waiting time to book cattle for direct sale – four to six weeks was generally quoted – as local abattoirs were unable to cope with supply, severely depressing local auction prices. This issue will be referred to later.
- An advantage of having large and international processors is their ability to gain and supply overseas bulk markets particularly for processing – (grinding) – meat. They will also have contacts to supply “niche” markets, but here individual suppliers can develop and maintain small but important outlets overseas. We must remember however that “niche” markets by their very nature deal with only part of the carcase, and a profitable outlet is needed for the remainder.

(c Processes at saleyards.....)

- As indicated above, I strongly favour pre-sale weighing – particularly in Victoria. I make no judgement on the appropriate procedures in other States.
- A competent buyer will assess an animal's commercial value on a number of factors – age, sex, breed, conformation, fat cover, time of year and carcase weight and yield. Yield with grass fed cattle increases in spring, decreases in winter. Weight is an aid and a competent buyer will make calculations based on time of curfew. The best way to assist that process would be to note in readable letters, the time between arrival at saleyard and time of weighing on the pen descriptive poster – eg “Arrived 8 p.m., weighed 7 a.m. Curfew 11 hours.”
- Pre sale weighing allows cattle to be loaded onto trucks for transport immediately on the fall of the hammer – I note this process regularly at Wangaratta – while at a visit to post sale weighing Wodonga I noted unweighed cattle still in the sale pens an hour after sale. That is grossly inefficient from transport and animal welfare perspective, and gives the vendor no idea for a considerable time of the actual per head value – rather than an estimation – of the value of his/her cattle. I make no judgement of any efficiencies to be gained in pre sale preparation, lotting of like individual cattle etc, but certainly there logically appears to be advantages in doing as much of the sale preparation pre auction as possible, at least in Victoria.
- I understand that pre- sale weighing is also an advantage to buyers for feed lot cattle to know the actual weight of cattle pre purchase – often required to be within strict weight limits, and not having that information will induce buyer caution, and therefore a lesser price for the vendor – unsatisfactory for

both sides in the transaction.

(d) Regulatory environment.....

- **Cattle (and sheep) auctions are conducted under a strict and extensive regulatory code, but I doubt whether many actually know what that is, even in very general terms, and also doubt how well it is enforced. While certainly not favouring increased regulatory intervention, a better supervision and enforcement by independent assessors may well be productive.**
- **The process of “unannounced” supervisory visits that I am aware obtains in the supervision of Aged Care facilities could well have beneficial results, and bring greater confidence in to the integrity of the auction system.**
- **Systems such as direct selling, contract selling and even new systems such as Auction Plus have been around for a very long time. As a member of a now disbanded family partnership, I sold sheep “in the paddock” more than fifty years ago, and cull cows direct to abattoirs.**
- **Conditions for direct sale for an occasional vendor are unclear. I sent 15 cows direct to an abattoir in January 2014, one was condemned due to secondary cancer of an eye – I knew that she was doubtful – and accepted that result. The other 14 varied in price from 260 c/kg (est 132c live) to 240 c/kg (est 122 c live), down to 190 c/kg (est 93c) live. The last two were downgraded 50/70 c/ kg as “overfat”. That is a penalty of 50/70c/kg carcase weight. I understand that there will be a charge for trimming, but the trimmed fat will have a value – low perhaps – but the trimmed carcase – they were manufacturing grade cattle – should have had similar value. According to my somewhat inexperienced calculations, about one third of the initial body weight must have been trimmed. Really! I accept that the cows were very fat, but my concern is the independence of the judgement of the downgrade. I enclose a copy of the sale return, with the name of the abattoir removed, which shows the following values – 9 cows av carcase 294.1 kg, value \$841.30 per head, 3 cows av carcase 242.3 kg carcase , value \$591.60, 2 cows 342.5 kg (I believe untrimmed) value \$651. 50. Assuming the overfat cows as trimmed carcasses – a reasonable assumption- and comparing them to the 9 better cows, I was penalised \$190 per head. I will be much more careful in future! But my concern is the independence of the downgrade, which I believe was arbitrary and in-house, and in discussion with vendors who regularly sell direct, I understand that great care needs to be taken with regard to contract specifications – and that is not unreasonable – but I submit that the independence of assessment needs to be assured. Interesting to note the increase in price over the last 15 months – the cows would make about 80% more, approx \$600/head extra – now.**
- **I recently attended a VFF Meeting in Wangaratta where the possibility of a Senate Red meat Inquiry was discussed, at which a representative of MLA addressed the meeting, and he referred to the very severe requirements that a prospective abattoir must meet in order to establish, or to change categories from domestic to export. These Regulations can delay the establishment of an abattoir, with consequent inhibition of competition and hence lower prices to**

vendors and in the wider sense to Australia's export income. I do not favour unacceptable standards, but standards should be set that meet health requirement here and overseas, but not at a level to discourage investment in the processing industry.

- The issue of standards for handling live exports overseas has been publicly aired as the result of the Four Corners program. While the scenes shown were undoubtedly cruel and inhumane - indeed bizarre, I believe they were unrepresentative, the slaughterhouse workers were almost certainly paid to do what they did, (Senator Back from Western Australia later presented affidavits from one slaughterman to support this conclusion) and did unreasonable economic harm to northern cattlemen, many aboriginal, and damaged our relations with Indonesia, with results felt until the present day. However, it sounds a warning that there are those who are enemies of all domestic use of animals, who are prepared to go to any length to prosecute their obsession, and therefore those engaged in animal husbandry need to be careful to give as little ammunition to them as possible, by conducting all our operations to the highest standard and not tolerating poor management. That means that MLA must be doubly vigilant, while recognising that we can advise and assist overseas customers, but that we cannot control their laws or customs.

- I wrote to Four Corners following the program, and as a result had an exchange of e-mails with the presenter, Sarah Ferguson, and a one hour telephone conversation which she initiated. I drew on my own experience in dealing with cattle, and discussion with a vet and a departmental officer, both of whom had worked in the Northern Territory. An interesting interlude!

In conclusion, I believe that the Red Meat Inquiry is a valuable initiative that may well bring forward valuable changes in procedures , from the producer right through the industry chain to the butcher's shop or the supermarket meat counter, and by opening up processes lead to better informed public scrutiny.

I believe cattlemen from this part of Victoria would welcome a hearing in Wodonga or Albury, and should one be held here, I would certainly wish to attend, and would be prepared to speak to my Submission and answer questions.

Thank you for the opportunity to participate in this very valuable initiative.

Yours sincerely,

David M. Evans

May 13th 2015