

Senate Rural and Regional Affairs and Transport References Committee
Inquiry into the effect of market consolidation on the red meat processing sector
Public Hearing
Wednesday, 16 August 2017

Red Meat Advisory Council

Responses supplied by RMAC on 4 September 2017.

Supplementary Notes: Engagement with the ACCC

RMAC did participate in the policy consultation around the Interim Report. This did not include consultation on Recommendation 15 in the Final Report.

RMAC received a briefing from the Agricultural Commissioner the day of the report release. RMAC subsequently liaised with the ACCC on confirming a meeting on various occasions from March – July. Correspondence was limited to securing meeting arrangements.

RMAC met with the ACCC in August.

RMAC is committed to working with the ACCC Agricultural Unit moving forward to benefit Australian red meat and livestock businesses competitiveness and consumer protection.

Response to Questions on Notice

Recommendation from RRAT Inquiry into levies on grass-fed cattle and RMAC representation

RMAC comprises a diverse range of interests – beef, sheepmeat and goat meat production, exporters, feedlotter, retailers, wholesalers as well as livestock and boxed meat exporters.

QUESTION: How do you respond to the observation that the RMAC structure inhibits its capacity to represent the whole of industry?

There is no requirement under the Red Meat Memorandum of Understanding, RMAC articles of association or internal procedures for a consensus position.

Our agenda and decisions are determined by what benefits the overall economic and reputational interests of Australian red meat and livestock businesses from paddock to plate which has a clear value driver for all RMAC members.

Our key policy reform is published in our annual advocacy statement Feeding Our People 2017: <http://rmac.com.au/our-policy/feeding-our-people-2017/>

Where RMAC can provide support on individual supply chain or RMAC member areas they will do so in consultation with other RMAC members and have done so on a range of areas including live cattle imports into Indonesia (breeder policy and quotas) and the establishment of an interdepartmental working group for red meat exports.

QUESTION: Given the conflicting interests of the members of RMAC, how can it provide a consensus position and advise government accordingly?

As above, RMAC is actively working on a range of policy positions to provide advice to the government through our annual advocacy statement Feeding Our People 2017: <http://rmac.com.au/our-policy/feeding-our-people-2017/>.

RMAC have also provided a range of whole-of-industry positions in 2017 alone including our view on future international engagement through the Foreign Policy White Paper, investment and regulatory reform priorities for Transport and Infrastructure through the National Freight and Supply Chain Strategy and providing support and advice on a range of trade related matters.

We have also responded accordingly to key reports (I.e. the Agricultural Competitiveness White Paper's Inquiry into Agricultural Regulation Report) and provided media leadership on key industry matters such as the launch of the Red Meat Integrity Systems company.

The RRAT committee's recommendation in September 2014 was that:

... the Minister for Agriculture dissolve the Red Meat Advisory Council. The committee further recommends that the Minister for Agriculture establish a new system to manage and disperse earnings from the Red Meat Industry Reserve Fund, in consultation with industry.

In response to the committee's recommendation, the Minister indicated that RMAC would not be abolished because it had a function to perform in administering the industry fund. He did, however, acknowledge that RMAC needed to "lift their game".

QUESTION: Given the criticism levelled at RMAC by the committee (and the committee's recommendation), could you outline what RMAC has done since 2014, to "lift its game"? RMAC seriously considered the Recommendations of the RRAT and has undertaken to reform all aspects of corporate governance and policy leadership and industry / government communications. This has included the appointment of a new Independent Chair, Chief Executive Officer and an entirely new Board of Directors since late 2014.

RMAC wrote to Minister Joyce in relation to this in January 2017. For the benefit of RRAT, key actions undertaken by RMACs by our functions include but are not limited to:

Industry leadership on economic and reputational issues affecting our value chain

RMAC collaborates on key issues and initiatives that benefit and defend the bottom line of all Australian red meat and livestock businesses. Some key examples of actions taken since early 2016 to provide greater leadership to the sector are:

- Establishment of a red meat supply chain issues preparedness plan, including an issues card, register and simulations (RMAC Issues Preparedness Framework).
- Leading flagship projects including the Australian Beef Sustainability Framework and the Equitable Funding Models project. The inaugural Australian Beef Sustainability Framework was launched in April 2016; and RMAC has subsequently recruited and appointed a new Sustainability Steering Group of industry leaders.
- Provided a facilitative forum which resulted in finalising a consensus position on major industry reform process for the Australian Beef Language White Paper
- Provided leadership on ongoing political and media issues including the Red Meat Integrity Systems company and the release of the Productivity Commission Report into Agricultural Regulation.
- Ongoing digital and media promotion of the Australian red meat industry via the RMAC media and through face to face engagements with RMAC members and stakeholders. This includes the launch of a new website and a regular engagement with key Members of Cabinet, political advisors, the Department of Agriculture and Water Resources and all signatories within the red meat and livestock industry.

Cross supply chain policy and advocacy activities – including trade, transport and innovation

RMAC for the first time in 2017 developed a whole of value chain annual advocacy statement *Feeding*

Our People 2017 which has been recognised by key decision makers and other partners alike as a range of objectives in this advocacy statement have already been completed.

Our policy solutions focus on the following critical areas for the prosperity of the red meat supply chain:

- Trade and market access growth
- Optimised meat statutory business
- Relevant and responsible regulation
- World class transport and infrastructure
- Driving improvement in livestock wellbeing
- People and productivity
- Red meat for an innovation nation
- Contemporary meat trading language

Task Forces formed under the direction of RMAC provide guidance to the Federal Government in the negotiations to agree new Free Trade agreements. These Red Meat Task Forces played a significant role in the FTA's agreed with Japan, China and South Korea. Current active Task Forces are assisting the Federal Government in their development of new trade agreements in Indonesia and EU/UK.

Our ability to develop a consensus position across the whole of industry was a significant advantage and the good results achieved for the whole sector was in no small part as a result of the clear guidance provided by these Task Forces; and has been commended by senior government officials.

RMAC would be delighted to provide a briefing to RRAT on *Feeding Our People 2017*. Some key achievements for the Committees reference include:

- Positively coordinated and influenced key members of cabinet around Indonesia breeder and quota matter (e.g. organised meetings between ALEC and Prime Ministers Foreign Affairs Chief Advisor, facilitated industry strategy forums via teleconference).
- Provided various policy leadership forums connecting the business community directly with decision makers (e.g. Red Meat Roundtable – Breakfast with the Deputy Prime Minister, Red Meat Roundtable – Shadow Cabinet “Meat and Greet”) which were effective forums to promote the industry and our policy asks.
- Sought agreement from key stakeholders on commissioning research for “Red Meat Nation” – an inaugural industry economic and social contribution snapshot and convening the launch for this in Parliament House in mid-October.
- With AMIC, coordinated an advocacy run through Parliament House on the beef imports and EU/ UK trade agenda.
- Developed technical submissions to the Foreign Policy White Paper (the only agrifood organisation to coordinate a submission) and the National Freight and Supply Chain Strategy (technical modelling concluded that revisions to red meat supply chains could result in up to 4000 extra jobs in the sector).
- Positively influenced the Department of Agriculture and Water Resources (DAWR) Fresh Beef Import Risk Assessment (IRA) through the development of a technical submission with 9 key recommendations which were adopted. This included submission development, convening a working group and media management and communications. DAWR has adopted the majority of the industry recommendations with this regard and commended the work of RMAC in several industry meetings in relation to this.

Additional collaborative achievements can be accessed via the RMAC website.

Ministerial Advisory Council to the Federal Agriculture Minister

RMAC completed two specific Ministerial Advisory requests which are currently sitting with that office which includes:

- A review of the Red Meat MOU
- The AFI Report which outlines reform agenda for statutory planning and coordination from a leading agricultural think tank

RMAC provides ongoing proactive and reactive advice on industry matters as needed to the Ministerial team.

Coordinate the Meat Industry Strategic Plan 2020 (MISP2020) – worth up to 7 billion in growth to our industry

In 2015 RMAC launched the Meat Industry Strategic Plan 2020 which is a partnership of all industry stakeholders under the Red Meat Memorandum of Understanding (MOU). This includes:

RMAC Members

- The Australian Livestock Exporters Association (ALEC)
- The Australian Lot Feeders' Association (ALFA)
- The Australian Meat Industry Council (AMIC)
- Cattle Council of Australia (CCA)
- Goat Industry Council of Australia (GICA)
- The Sheepmeat Council of Australia (SCA)

Service Providers

- The Australian Livestock Export Cooperation (LiveCorp)
- Meat & Livestock Australia (MLA)
- Australian Meat Processors Corporation (AMPC)

RMAC is unaware of any other agrifood sectors or indeed other industries working under such a sophisticated and collaborative planning framework.

This is based on economic modelling completed by the CIE and has up to a 7-billion-dollar growth opportunity and a 6-billion-dollar downside risk. Each partner is strategically working on this for every dollar spent on research, marketing, policy and advocacy in the sector by the industry.

Other key MISP related activities include:

- Aligning all RMAC member activities to MISP2020 outcomes through the Red Meat Industry Fund payments (up to 2 million dollars per year) made to our members from 2016.
- Measuring progress against the MISP2020 and achievements against the 7-billion-dollar target through the MISP2020 Progress Report.

Again, RMAC would welcome the opportunity to provide a briefing to RRAT on the details of the MISP2020 and how industry is working together to realise the 7-billion-dollar growth opportunity.

Manage the Red Meat Industry Fund (RMIF)

Management of the Red Meat Industry Fund investment continues to be managed prudently with an actual return achieved as of 30 June 2017 of inflation plus 7.6 per cent. The RMIF was valued at \$42,624,961 at year end 2017.

RMAC regularly reviews the performance of the RMIF, our investment strategy and our investment

planning strategy to ensure the RMIF is best serving industry in line with its stated purposes.

Lastly, RMAC undertook a complete review of governance systems which has resulted in a new performance based financial management, risk management and a new framework for distribution and investment decisions from the RMIF.

Relevantly, the RMAC external Financial Audit 2015 – 2016 commended the significant work undertaken to address and improve RMACs overall accountability and governance to be in line with accepted best practise for the not-for-profit sector.

QUESTION: What is RMAC's response to the ACCC's recommendations?

A copy of the RMAC response is below and has been supplied to the Committee previously with detail on each of the 15 recommendations.

Background

It is RMAC's understanding the Study was formed on the basis of voluntary provision of information; and that in informing the Study insufficient evidence was received about the distribution of profits throughout the supply chain; and specific evidence based pinpoints in anti-competitive practices.

We respect the role of the ACCC in their role as Australia's competition and fair-trading watchdog, and their new endeavors as part of the newly formed agricultural unit. We want to address the concerns and recommendations raised by the ACCCs Cattle & Beef Market Study – Final Report in an open and transparent manner.

RMAC has written to the ACCC and offered:

- To host a Red Meat Competition Forum featuring key industry players and the ACCC prior to every AGMIN in order to connect industry with competition authorities and decision makers in real time rather than through lengthy Market Study processes
- Writing to ACCC in relation to the above responses moving forward clearly outlining the positions taken on progress to date and continue to engage with the Agricultural Unit
- Advocate for increased financial and technical expertise in the ACCC Agricultural Unit under the Agricultural Competitiveness White Paper to empower it as the competition watchdog for the agrifood sector in this country
- Made a standing invitation to review the Terms and Conditions of sale in liaison with relevant stakeholders and the ACCC.

Recommendation One: All processors and other major purchasers of prime cattle should make their price grids publicly available in a timely manner. It is the view of RMAC that grids are widely available to sellers or potential sellers of cattle as standard operating practise.

Recommendation Two: Buyers, agents and producer representative bodies (led by the Cattle Council) should expand their engagement with producers to enhance industry understanding of price grids and their interpretation. A range of industry programs are in place to enhance this perceived or actual knowledge gap amongst the production community, including an Aus-Meat over-the-hooks dispute resolution process.

RMAC supports these being refined and improved and understands significant work has been undertaken with this regard by a range of industry players.

Recommendation Three: All buyers should simplify their price grids, where possible, to ensure they are easy to interpret and compare. RMAC supports the simplification of grids where feasible that sends the right price signals for the right products. Across the RMAC membership there has not been widespread feedback either pre-or post-farm gate these are complex to deal with.

Recommendation Four: Meat & Livestock Australia (MLA) should continue its work to improve the collection and public reporting of cattle sale prices, including:

- (a) reporting cattle prices across sales channels on the same basis so that indicative prices for each channel are easily comparable
- (b) making improvements to the reporting of prices throughout the supply chain, including wholesale, retail and export beef prices.

A range of industry programs are in place. RMAC supports these being refined and improved and understands significant work has been undertaken with this regard from MLA's perspective where the competition law allows it.

Recommendation Five: Data collection and reporting should be expanded to cover prices paid for:

- (a) direct (paddock) sales
- (b) OTH sales, noting that some processors pay prices over and above those quoted on their price grids, and cattle sold to the live export market.

A range of industry programs are in place to provide improved market reporting. RMAC acknowledges there is always room for improvement and understands significant work has been undertaken with this regard. RMAC will always encourage industry to provide market information where it creates value to any segment of the supply chain.

RMAC also acknowledges and supports the impracticalities of a mandatory price reporting structure.

Recommendation Six: Introduction of objective carcass measurement technology should be prioritised by the industry and adopted by all processors in a consistent manner as soon as possible. RMAC through the *Meat Industry Strategic Plan 2020* supports the adoption of objective carcass measurement technology on a commercial basis.

Recommendation Seven: Data produced from objective carcass measurements should be shared for the benefit of the industry. RMAC through the *Meat Industry Strategic Plan 2020* supports the sharing of information throughout the value chain where it returns value and appropriate protections throughout the supply chain.

The Australian red meat & livestock industry as a value chain should determine the process to achieve this and are actively collaborating with this regard.

Recommendation Eight: The Red Meat Advisory Council should develop a uniform and independent complaints and dispute resolution process. RMAC strongly encourages business level dispute resolution processes; and understands that Aus-Meat has a broader dispute process available for over the hooks trading.

Business to business dispute resolution is not within the scope of RMAC at this time.

Recommendation Nine: The carcass grading and auditing system should be strengthened by:

- (a) increased communication and education about the process by AUS-MEAT and processors

- (b) **increasing the number of random AUS-MEAT audits of grading results and standard trim and publication of audit results relating to grading and standard trim.**

Any integration and refinement of auditing processes is welcomed by RMAC; especially where it reduces cost of production pre-or post-farm gate.

Recommendation Ten: Carcase feedback should be clear and easy to interpret. To achieve this:

- (c) **All buyers and agents who routinely deliver carcase grading feedback to cattle producers should ensure it is presented in a clear manner.**
- (d) **Buyers and agents, who routinely deliver carcase grading feedback, along with producer representative bodies (led by the Cattle Council) should increase their communication and education activities about interpreting grading feedback.**

RMAC supports the simplification of feedback where feasible and understands there has been significant industry efforts to address this.

Recommendation Eleven: A mandatory Buyers Register should be publicly available prior to the commencement of all physical livestock auctions. This is not supported by RMAC and our member group of councils as it is unclear what benefits this would provide to all players within the supply chain.

Recommendation Twelve: Saleyards, commission buyers, auctioneers and agents should provide MLA with information that enables regular standardised market reports for each reported saleyard. Cost benefits are the ultimate determinants of industry funded market reporting. This recommendation should be investigated to see whether there is a cost benefit to expanding the existing scope of work being undertaken by Australian red meat and livestock industry corporations by their levy investors.

Recommendation Thirteen: Selling agents should display the terms of auction in a conspicuous position at all saleyards. This is already a broad practise; and is supported by RMAC to continue.

Recommendation Fourteen: Legislation should be introduced requiring standardised national licensing of livestock agents, professional buyers (applying to commission and salaried buyers) and livestock auctioneers. This is a move that would be supported by RMAC and our member representatives. This does however require commitment from the Council of Australian Governments and their relevant jurisdictional portfolios. Previous government led attempts to raise a harmonisation scheme have been unsuccessful.

Recommendation Fifteen: The Red Meat Advisory Council should have prime responsibility for overseeing the implementation of the above recommendations, and for monitoring compliance with these. The Red Meat Advisory Council should report progress annually to state, territory and federal Ministers. RMAC will provide continued leadership and facilitation support accordingly in relation to the ACCC Cattle and Beef Market Study – Final Report to provide increased information and awareness across the supply chain in relation to competition issues as opposed to “monitoring and compliance.”

Objective Carcase Measurement (OCM)

The ACCC's interim report (October 2016) recommended that:

The industry, **led by the processing sector**, should allocate a high priority to the adoption of technology to enable objective carcase grading to be introduced as soon as possible. This will,

of necessity, include the development of appropriate auditing and verification systems that instil confidence in the integrity of such systems. [Recommendation 6, p. 12]

In its final report (March 2017) this recommendation had changed to read:

The introduction of objective carcass measurement technology should be prioritised by the industry and adopted by all processors in a consistent manner as soon as possible. Objective carcass measurement technology will increase accuracy and transparency of value assessments. Appropriate auditing and verification systems will be needed to support the technology. [Recommendation 6, p. 12]

QUESTION: In the interim report, the ACCC recommended that the processing sector should take the lead in the adoption of OCM technology. The final report doesn't indicate who should take responsibility for its implementation – what is the RMAC's view of who should be taking the lead in relation to OCM?

By agreement the industry has established a Task Force to work through a transition plan for OCM technology and RMAC is supportive of this forum providing leadership in this instance.

QUESTION: Does RMAC have a view on who should be funding the installation of OCM technology? RMAC supports whatever our partners under the MISP2020; and the industry appointed Task Force agree to as appropriate to provide a long-term return on investment to Australian red meat and livestock businesses throughout the value chain.

QUESTION: Does RMAC have a view on who should be responsible for calibrating and auditing the OCM machinery?

This is a matter best referred to the industry Task Force for consideration.

Dispute resolution for OTH sales

The ACCC's interim report included a recommendation that:

Processors and buyers should review, and in many cases improve, their internal processes for responding to inquiries and complaints and OTH sales.

Cattle processors should develop a uniform and independent complaints and dispute resolution process, with AUS-MEAT filling the role of an independent and binding arbitrator. [Recommendation 7]

The ACCC's recommendation was changed for the final report to read:

The Red Meat Advisory Council should develop a uniform and independent complaints and dispute resolution process.

Some processors have their own dispute resolution systems. However, an independent system would provide an additional and independent dispute resolution option to the industry.

The independent system should apply to all purchasers and sellers of cattle, including for OTH and electronic cattle sales. The Red Meat Advisory Council, AUS-MEAT and buyers should publish information about how parties can use the independent process. [Recommendation 8]

QUESTION: Once a 'uniform and independent complaints and dispute resolution process' has been developed, does the RMAC believe it should be made mandatory, and adopted by all processors? RMAC understands that many individual businesses have dispute resolution processes in place and is

supportive of this practice continuing.

RMAC is supportive of Aus-Meat over the hooks dispute resolution service being further promoted and enhanced; as well as industry being aware and engaged with the ACCC Agriculture Unit as a pathway for competition complaints.

This is not however within the scope of RMAC currently.

AFI Report

In January 2016, RMAC announced that the Australian Farm Institute (AFI) would lead a review project to identify possible new operating models to support the industry's peak advocacy and policy bodies.

In announcing the review, it was indicated that the project would identify practical options for future funding models for the various red meat industry peak councils.

QUESTION: Has this report been completed?

Yes.

QUESTION: Have the results of the review been published?

This report has been referred to the Minister for Agriculture as this was a specific request to RMAC as an advisory body.

QUESTION: Can a copy of the review report be provided to the committee?

That is a question for the Minister for Agriculture.

New Producer Representative Body (Cattle Australia)

RMAC will be aware that an Implementation Committee (IC) has been set up, and that the IC has been requested to develop a proposed structure for a new representative body (to replace CCA) and look at ways to fund the new body long term.

QUESTION: Has RMAC had any engagement with the Implementation Committee?

RMAC has no formal role in this process which is a matter for the grass-fed cattle sector. RMAC is however providing assistance by working with the grass-fed sector and the Chairman of the Implementation Committee to expedite the process and move as quickly as possible to finalise the new body to benefit Australian beef businesses.

QUESTION: Under the MOU, CCA (as the PIC) has oversight of MLA, but is not sufficiently resourced to fulfil this role. What structural changes should be made to ensure that MLA is adequately oversighted?

RMAC has reviewed the Red Meat MOU and has a range of recommendations on how to better strengthen the partnership approaches between advocacy councils and service providers.

RMAC is currently waiting on advice from the Minister for Agriculture on how to best progress the review of the Red Meat MOU.

QUESTION: Does RMAC have a view on how the new representative body – Cattle Australia – could be structured and funded to avoid some of the 'contradictions' that currently exist between CCA (as the PIC) and MLA?

RMAC understands a reform agenda for Cattle Australia has been agreed to.

RMAC is supportive of any new representative model agreed by industry that substantially improves their ability to add value to the whole Australian red meat and livestock businesses; and will provide support wherever appropriate to ensure this is sustainably resourced.