

Junee Abattoir

ACN 075 420 156. ABN 56 211 021 320

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10th April, 2008

Senate Standing Committee on Rural and Regional Affairs and Transport
P O Box 6100
Parliament House
Canberra ACT 2600

Thank you for taking 'on board' my concerns in relation to hoggets and in some cases four-teeth being substituted for lamb throughout the domestic lamb industry.

Whilst I cannot produce photographic evidence of current substitution, there is enough empirical evidence to suggest that my concerns are justified and I will outline them as follows:

I am informed by my Company's livestock buyers and by occasional personal observation that it is near impossible to purchase a hogget or 'sappy' 4-tooth at any of the major small stock sales in southern New South Wales or Victoria markets, as you would always be outbid by a "frenzy" of Victorian bidders and in particular two companies represented would box the mixed category livestock before it left the saleyard.

It is also common knowledge (and was confirmed in a recent conversation with an owner of a Victorian domestic abattoir) that mouthing and applying a category stamp to each carcass was looked on as an unnecessary cost – in NSW the previous Meat Industry Authority enforced dentition identification with appropriate category stamp but Victoria had legislation that required only 10% of the pen was to be mouthed in the antemortem yards, and the antemortem ticket would identify the number/category etc as the product was processed.

This practice is not allowed in export or theoretically in AUSMEAT accredited domestic processing plants, but the amount of domestic AUSMEAT plants being caught for this malpractice is amazing. It is thought that the mouthing of 10% of livestock is still practiced and one would have to be very naive to think that a loyal company employee such as a stockman would pick out other stock than the nice sappy 'fresh' lambs to mouth. I suspect that this culture still exists.

At this stage, I would like to explain to you the commercial advantage a wholesale processor would have if he substituted say 20% out of a 2000 kill or even 10% out of a 2000 kill with the weight and skin value of the mixed categories being equal.

1.	1600 lambs	@ \$80	=	\$128,000}	
	400 hoggets	@ \$50	=	\$ 20,000}	= \$148000



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2. 2000 lambs @ \$80 = \$160,000

A difference of \$12000 per day or \$60,000 per week.

3. 200 hoggets @ \$50 = \$ 10,000)
1800 lambs @ \$80 = \$144,000) \$154,000

Still a difference of \$6,000 per day or \$30,000 per week

What the Senate Standing Committee has to understand is that with this extreme financial advantage, as outlined above, the abattoir involved with the substitution can sell their top run of lambs at a much greater discount to the market than the actual physical cost demands.

By doing this, my Company if it wants to trade, has to meet the false market created by the substitution and which inevitably leads to penury, which is admirably demonstrated by the demise of the domestic trading abattoirs in New South Wales over the past 10 to 15 years.

Believe me, when we quote our price anywhere, we are always quoted what they are paying out of Victorian sheds and especially the two mentioned in the third paragraph. This problem is not only related to wholesaler, it then flows onto the shop butcher who is being quoted lambs from the quality wholesalers or those with substituted stock, which have this unbelievable advantage as demonstrated.

I could go on for some time telling you of incidents and accusations that I have heard of over the past 9 years, all in relation to the substitution racket, with no real proof attached. In the second paragraph, I used the words "evidence of current substitution", however I would now like to paraphrase a story of a meeting one of my employees attended as a representative of the NSW Domestic Meat Industry in February 1998. The meeting was organised by the then acting Chairman of NSW Meat Industry, Mr Barry Baillieu, in response to the same problem that now concerns me; that is a restricted ability to trade on an equal footing against the obvious substitution of two & four tooth as lamb carcasses and all emanating out of Victoria and whilst the meeting is dated, the relevance of the evidence submitted is as current today as it was then:

Present: Mr Barry Baillieu Acting Chairman NSWMI
Mr Peter Grant Senior Technical Officer NSWMI

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*Chief Executive Officer Victorian MIA Mr Richard Crossing
Senior Technical Officer of Victorian MIA
(whose name cannot be recalled)*

*AUSMEAT Representatives.
Sheep Meat Council of Australia Representatives.
AMLC Representatives*

*P N (George) Sullivan NSW Domestic Meat Processors
Martin Iffland Secretary National Meatworks Assoc.*

*Plus representatives of the NSW Department of Fair Trading
Who were last minute inclusions at the request of Premier Bob Carr.*

It evolved that one of the abattoir owners had a budding political lobbyist working for him, and because the Country Meat Works and associated organization weren't too keen to put his other idea into practice, and that was a full page advertisement in the Sydney papers stating that if you purchased Victorian lamb you may be buying product other than lamb. All of this was done out of frustration of trying to trade lambs into Sydney and Queensland against the cheap price being quoted from Victoria and so the lobbyist was his next option to get back at the Victorian processors.

Mr Baillieu put forward the agenda basically using the same two points outlined in the opening paragraph of this letter, Mr Sullivan was then asked to put forward the Association's reasons as to why they thought the substitution was taking place.

The NSW representative then outlined the following:

How after AQIS, who were controlling the Victorian domestic abattoir at that time, did a random audit (at 9 pm) on one of the "suspects " found no problems in the chiller at that time of night (as if you would!) and then did an audit on the category of stock purchased as to stock rolled as lamb and all balanced, AND how, when the NSW representatives questioned their own buyers as to how this could be? (Considering there had been a photo in The Land some weeks before, with the suspect owner purchasing a "top pen of four tooth's.") After some weeks the buyers, after considerable pressure from management (talk about a closed school), informed management that the commission buyer acting for the suspect companies would purchase the two and four tooth's in their name, all accounts went to the commission buyer, who then would issue statements from his office

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and miraculously the two and four toothed would become lambs, thus satisfying the totally inept AQIS audit.

He next recalled how one of the Condemo Bros, who owned Griffith Abattoir (now shut), continuously phoned P N Sullivan (in his capacity of Secretary of the NSW Domestic Abattoirs Association), complaining that he couldn't buy a hogget for his general shop customers (28-30 per week) around Griffith, as every time he bid the Victorian representatives would "blow him out of the water" even to the extent of sometimes jumping the opening bid by a \$1, not the accepted \$0.10 as was the norm.

It was pointed out as to how many NSW operators had tried to sell lambs into Brisbane and southern Queensland, but all had decided that it was a "go broke" decision, but what they all couldn't understand was that they were all bidding in the same market (or so they thought) and that the NSW operators had a freight advantage both from the saleyards to processor and then to Brisbane.

Mr Sullivan then went on to explain how the company he worked for decided to bypass Brisbane and southern Queensland, and set up a new wholesale depot in Townsville with one of the expressed purposes to bypass the unequal competition of southern Queensland, but this idea was thwarted by the difference in the quality of the lambs presented for sale. The NSW lamb was first cross, with a youthful bloom, rounded rib bones with blood specs in situ. The Victorian lamb was usually dark, fiery, flat bleached rib bones but were near \$0.40/kg less than those offered by NSW operators, and after two years and a trading loss of near \$500,000, the NSW operator pulled out to cut his losses. Mr Sullivan talked with some authority on this subject as he had spent three months in Townsville trying to 'make a go of it' and even though the NSW product was much superior in quality, it just couldn't compete against the Victorian product in regard to price. The product was rolled and that was all that mattered, as far as the great majority of consumers were concerned if it had a red brand on it, it was a lamb.

Another point raised was of the contract buyer, based in the Wagga district, who would "flea" through the smaller local markets, buying small pens of two and four tooth at the correct price, holding them over until Thursday's Wagga market and then 'making a killing' as the southern buyers salivated as they waited to bid on his pen of two and four toothed.

The NSW representative finished his presentation by quoting a processor who had personally told him of this problem with hogget/lamb saga. It was put to the meeting that the processor contracted to kill and process lambs for a big Victorian supermarket chain, where the livestock was primarily sourced by their Victorian



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buyers and how he kept getting hoggets on a regular basis throughout the kill. The supermarket chain was adamant that their buying methods did not differ from their NSW or Victorian productions, and that they didn't get hoggets in the Victorian operation. The processor argued that because he was AUSMEAT accredited, he had to mouth every carcass that passed along the chain, but the innuendo coming from the supermarkets was that maybe this was overkill, and that it really didn't happen in Victoria. In the end, the processor agreed to purchase any hoggets that were mouthed out of their production.

By this stage the Victorian MIA representatives were beside themselves, accusing the NSW abattoir representative of vilifying honest businessmen in Victoria who had created jobs, and wealth for producers, processors and workers alike.

Chairman Baillieu had to calm emotions down and insist to all concerned that proceedings were 'in camera', he then called on NSW MIA Senior Technical Officer if he had any input to the meeting and Peter presented evidence to support all the assertions made by NSW representative. This was theoretically the "coup de grace" that should have but never killed or changed anything.

Peter presented photos taken by his north coast inspector, Mr Andy Spencer, of a load of product consisting of 249 carcasses rolled as lamb and coming from a Victorian border abattoir into a supermarket distribution depot.

Peter went on to report that his inspector wouldn't even classify them as hogget, he said the whole load were more like sheep than hogget and presented photographic evidence to support his claim.

The product lacked any confirmation or bloom, the rib bones were wide and bleached, no sign of roundness or blood in bone, and there was little evidence of the ischio pulus symphysis being a well defined ridge.

At this stage, the Fair Trade representatives said that they would have to speak to their legal team in regard to this evidence, and consequently the meeting was terminated.

Some months later, the NSW representatives were informed that legal opinion was that it would be hard to convict anybody, as in their opinion "who was fooling who?" as obviously the supermarket chain had negotiated a cheap run of "lamb" to facilitate an in-store promotion, and because the product would have been so cheap compared to the real thing, the consumer must have known that they were buying something that was 'iffy', and nothing more came of it.

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Nothing has happened in the past ten years. As far as genuine lamb processors go, the status quo remain, there are less and less lamb trading processors in NSW. Ten years ago there was 12-15 trading abattoirs of any significance, some were and still are doing 3-400 lambs per week, for local shop trade. Today there is only Junee, Young and Cowra that trade any significant amounts of lamb into Sydney markets, let alone Queensland. They are nearly all supplied by interstate operators i.e. Victoria, and a few 'grubs' who will arrange a service kill when the market is very cheap, but drop out the moment it tightens up. Why is this so? I think that the information put forward at that meeting all those years ago is still relevant today, and unless something is done to make it a fair playing field for all the competitors; those processors in New South Wales might further diminish.

At present, I can recall quite a few operators who have been caught substituting two and four teeth for lamb, and NOTHING HAPPENS. They lay low for a couple of weeks and start up again. Rumour has it, that one of the processors caught substituting product was AusMeat accredited and was and may be still receiving industry levy benefits to trial the equivalent of MSA in lamb carcasses.

It amazes the writer of this letter as to how naive some of the representatives on the various Government Statutory organizations are to the reality of life, because when the teleconference, that was the catalyst to this inquiry, was held, all they were interested in was that the problem didn't reach the general public as it might decrease the consumption of lamb and dare I say the resulting decrease in levy collection. Their was no concern shown for the ever diminishing processor trader of lambs in New South Wales, who carries the brunt of this trade deception and I am confident in saying that if it isn't rectified there will be no one, of any relevance, processing and trading lambs in three years time in this state.

All the relevant government and governing statutory bodies IE MLA, Ausmeat and various State Meat Industry Authorities have either failed in their commitment or do not have strong enough legislative powers to stop this blight on the industry. The category identification procedures should be policed by an independent body and be uniform across Australia.

The problem needs to be under the auspice of the ACCC with punishment for the perpetrators of category substitution so severe that it far outweighs any financial benefits that might be obtained from this practice.

As an afterthought, Safefood NSW have an Officer employed on the North Coast of NSW (formerly from this area) who has the strength of character to carry out the investigation needed to change the culture of the recalcitrant processors who put the industry at threat.

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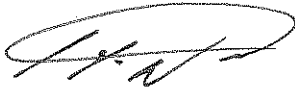
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Thank you for allowing me to present this submission to the Standing Committee.

Yours Faithfully



Heath Newton
Managing Director