Submission to the Standing Committee
on
Rural and Regional Affairs and Transport

Inquiry into Meat Marketing.

by the Australian Beef Association.

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Forward.

ABA welcomes the initiative by the Senate RATT Committee to investigate the meat marketing chain. ABA has been very disappointed at the lack of implementation of the rather small recommendations of the 2002 Senate RATT Committee Inquiry into Meat Industry Structures (see appendix 4) and hopes that this inquiry will achieve some practical improvement.

ABA Background.

-The Australian Beef Association was formed in 1997 following the setting up of the new meat structure. Cattlemen were very concerned that a 'closed shop' had been created and wanted an organisation to safeguard their interests. They were correct in their fears.

Since then ABA has publicly highlighted problems for producers in over 250 press releases. They have asked over 80% of the questions asked at the MLA AGMs. They have achieved up to 53% of the vote on issues at the MLA AGM—against large pastoral holdings and multinational feedlots with huge voting entitlements. Many of those voting with MLA have received funds through MLA on joint venture projects. The power of veto as Special Members of MLA held by the four Peak councils at MLA AGM's has made it impossible for ABA members to get any change to the constitution of MLA.

However when Cattle Council attempted to raise the MLA levy in 2003 the ABA vote prevented it. In 2005 Cattle Council went outside its powers listed in the MLA Constitution and with MLA and Ministerial connivance conducted a vote outside the MLA AGM, refused to allow scrutiny of the voting register and achieved a levy rise to $ 5 per head sold.

On the NLIS issue ABA held meetings across NSW and Queensland, had 3000 attend and saw all vote against the introduction of NLIS. It conducted a newspaper poll and had 1778 of 1815 vote for NLIS. Yet Cattle Council, MLA and Governments said that industry wanted NLIS! Like R-CALF USA in the USA our role is to look after the real cattle producer interests. In that role we are seen as the opposition to the fast shrinking Cattle Council membership.

Summary of Issues

Major Meat Marketing Chain Industry Problems

1.The Producer. See appendix 1

The sector that all the industry live off. Without a producer there is no product. The following issues have placed the Australian producer in an unsustainable position at a time of World protein shortage. Australia's producers are receiving lower prices than European,US and Brazilian producers yet have much higher regulatory costs. The average age of producers would be close to 60, one third of farm labor had left since 2002. We believe that Beef producers will follow the pork industry producers out of business unless there is major change. The US producers have had some protection from dishonest activity through the Stockyard and Packers Act since 1921. Australian producers have none.

2. Retail -Australian Supermarket Duopsony. See appendix 2

The Australian supermarket duopsony sees Australian consumers paying twice what US consumers pay for beef yet Australian producers receiving up to 45 % less than US producers. US producers currently receive 47% of the consumer dollar, Australian producers receive between 22 and 28%. The US consumer consumes considerably more beef than the Australian consumer. There is a major "rip off"—The whole issue is currently being investigated by the Government ordered ACCC Grocery Inquiry.

3. The Japanese influence. See appendix 3

The Japanese "mark up" on beef purchased through their Australian abattoirs- either owned by Japanese interests or by Australians tied in with contracts. This sees losses in Australia and huge profits in Japan.

4. The 1997 Meat Industry Government re-structure --See appendix 4

The changes brought in 1997 have been an unmitigated disaster.

a) RMAC-

Red Meat Advisory Council is a closed, unaccountable club of Peak Councils funded by the interest on $40 million of producer /processor levies left over after the scrapping of AMLC/AMRDC. As Senator Buckland said during the previous Senate Committee hearing in 2002, "This is much worse that compulsory unionism". Nothing has changed since then.

The body is meant to advise the Minister. Its producer Council members- Cattle Council, Sheep Meat Council, ALFA and Goat Council are meant to determine policy for the MLA Board. They also change hats and expense sheets to attend Safemeat meetings.The concept was farcical, the delivery has been a disaster. It should be scrapped by the Minister.

b) Meat and Livestock Australia.

Last year MLA received $161 million and is estimated to receive over $170 million this year. They are receiving more money and have a larger staff than their predecessors had when they were dissolved .They have become an unaccountable, self aggrandising establishment divorced from the needs of the average producer who funds them. Processors have only given 5% of MLA funding since the 1997 decision to make their levy a voluntary one. This is a measure of how they value the MLA work. They have now come under a compulsory levy but many, including the major new abattoir company-JBS Swift are very unhappy

5. Meat Inspection—see appendix 5

a) Trade Policy and Quarantine

ABA like R-CALF USA are very concerned at imported beef from countries afflicted with serious animal diseases. The importation of beef from FMD affected Brazil two years ago and the recent sloppy quarantine performance in Sydney which triggered the Equine Influenza disaster reveal a very sloppy culture as well as a very deep Free Trade ideology in the Department.

b) Domestic Meat Inspection.

This is now a real Dog's breakfast. The level of inspection has declined greatly since 1990.It is now in the hands of many bodies- from generic Health bodies at State level to health inspectors at Local Government level to no inspection at all. Interstate movement of meat was once subject to re-inspection and certification. Now only an account rendered is required and meat tracing has almost disappeared at the same time as huge tracing costs(NLIS) have been foisted on producers. Branding of hogget and mutton as lamb is common and in beef "anything goes" as there is no official grading /branding system, the Ausmeat and MSA languages are applied by company staff and are feebly policed in Ausmeat abattoirs and not at all in non Ausmeat works. See appendix 5.

Solution.

The solutions to the above lie with the Government, however we believe that a Royal Commission into the Meat Industry Chain is essential as the complexity of the industry and its incestuous relationships are beyond any committee or departmental body. The last Royal Commission was into Meat Substitution in 1982 by Mr.Justice Woodward . His findings led to major changes for the better. We need a full rethink again.

The following issues should be included in the terms of reference for a Royal Commission.

• Grading, product description and labelling to the consumer –as in all other Pacific Rim countries.

• Promotion and advertised pricing. To investigate unit pricing per 100gm to put beef on an equal footing with similar foods and to match the product to serving size.

• Prices transparency and mandatory reporting of wholesale meat and livestock prices, including imported meats and forward contracts for these products. The US has a Stockyard and Packer Act to enforce price transparency and impede buyer collusion. The US producer is paid on the day of sale –by law.

• Volume and price controls on imported product where they compete with domestic product

• Retail meat trading rules to ensure fair competition, including commercial arrangements between tenants and landlords

• Enforcement of meat safety regulation by responsible authorities including quarantine against exotic disease.

• Australia's on-farm and food chain food safety systems, specifically the cost of NLIS and its value(or lack of) in an exotic disease emergency or food contamination event.

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• The excessive ($5 as opposed to the US $1) compulsory levies and the structure and governance of meat industry organisations

Appendix 1

The Producer

The Australian beef industry has a large number of professional and casual producers. Beef cattle are run in a range of environments including tropical, semi arid and temperate environments. About one third are finished in feedlots. (Meat and Livestock Australia. fast facts 2007).

The number of beef production units is not reliably known. MLA (fast facts 2007) states there are 74,352 properties running cattle in Australia but there are 160,000 Property Identification Codes (PIC) issued by MLA (a property needs a PIC to sell cattle). There were 85,000 properties running cattle in NSW in 1989 (NSW Meat Industry Authority levy)– subdivision since then will have increased this number.

The Australian beef industry has a history of low profitability. Returns are too low to attract significant investment capital. There is only one publicly listed specialist cattle production business. There are no publicly listed Australian processing companies. Decades of poor returns have sapped the manpower and energy of the production industry. The average age of beef producers is well over 55 and increases almost one year, every year, as few young people chose a careen in agriculture. Skill levels, experience and competence are declining as experienced farmers depart and are not replaced by qualified trainees and graduates. Tertiary entry scores for agriculture are low. Entry scores for Melbourne University in 2008 were agriculture 70 and horticulture 50, compared to commerce 96, engineering 85 and veterinary science 99. Australia has low cattle prices compared to most developed countries. Cattle prices (feeder and finished cattle) in the US are 25% to 50% higher even at recent exchange rates.

Comparisons with the United States show the Australian meat chain is very inefficient and delivers a very low proportion of the retail value to producers .

<u>In summary US cattle are over 25% above Australian prices and retail beef is half the Australian price.</u>

The Irish Farm Journal chart comparing global beef prices on 12/4 showed the following in $AUD d/w--UK ($5.29), Ireland ($5.42),Italy{ $5.93},USA ($3.31), Brazil ($3.04) and poor old AUSTRALIA on ($2.83). We now trail the developed world in price received but have the greatest regulatory input costs!

Australia’s excessive margin between farm gate and retail price is indicative of an inefficient marketing chain. The root cause is uncompetitive markets that have inhibited investment in modern processing and the adoption of progressive marketing practices.

MLA annually justifies its levy use by claiming increases in the amount spent on meat in Australia- <u>this makes producers three time losers</u>—less for their cattle, big expense on the $5 levy and NLIS (often over $30) and then having to pay more for any meat that they buy.

Appendix 2

Market structure -domestic The Supermarket Duopsony.

“Roughly, 68% of beef used domestically is sold through retail.” (MLA, 2008). The major supermarket chains, Coles and Woolworths, jointly sell about 50% of all retail beef. (AMLC, Meat Marketing Trends, AC Nielsen, consumer surveys, mid 1990s).

Independent meat retailers account for the balance of retail sales. These are mainly family owned and operated business. The number of independent retail butchers has declined since the 1970s, along with their market share of sales. This decline has stabilised in recent time.

There are 3,275 independent retail butchers in Australia (authors estimate). (The Australian Meat News database has 2,978 independent meat retailers. Primesafe (Victoria) has 1,038 butchers on its schedule of licensed premises in Victoria (AMN has 931 in Victoria).

There are in excess of 120 abattoirs and 236 boning rooms processing all species including poultry and game. (authors estimate, Australian Meat News database and Primesafe licenses are about the same) .

The need for competitive livestock and meat markets

Until something is done about the Coles and Woolworths duopsony, farm gate prices in this country will remain unsustainable. Very shortly food agriculture will need massive financial assistance from governments to alleviate already severe economic, environmental and social problems.

Agriculture has the potential to earn good farmers decent livings, make a massive contribution to the environment, support the nation in its response to climate change and increase export earnings. But to achieve any of this we have to get our own house (markets) in order.

A truly competitive domestic market for livestock will go a long way towards increasing export returns.

North Asian importers can and would pay more if they had to. And north Asian consumers would not necessarily need to pay more.

Australia is not a cheap place to grow food. It is an expensive place to grow food. We have poor soils. We have poor and erratic rainfall and water supplies. We have to import our nutrients and fossil fuels. We are undermanned with an aging and under skilled workforce. We have to pay first world wages.

Striving to be the cheapest is an unsustainable ambition. The Australian beef industry can only survive if it is allowed to adopt strategies that align with its natural strengths and weaknesses.

Laws that facilitate business and marketing practices that favour the price obsessed commodity trade must be changed. New laws must encourage an innovative, quality driven culture that can deliver fair prices to consumers and fair margins to merchants and processors and sustainable prices to producers

Appendix 3

Japanese influence--Market structure -International

About 64% of the beef produced in Australia is shipped overseas. 90% of this product goes to three destinations: Japan (43%), USA (33%) Korea (14%) and all other destinations (10%). (ABARE 2006/7)

Japanese importers control the trade into Japan. The average FOB price of beef shipped to Japan is A$5.50 per kilo. (ABARE 2007) Importers pay a tariff of 38%. The average retail price of Australian beef in Japan is about A$50.00/kg. This is a commercial mark-up in excess of A$40.00 per kilo.

The $2.2 billion of beef trade with Japan is totally controlled by Japanese importers. This massive trade has less than ten Australian executives based in Japan.

The relationship between Australian beef producers and Japanese consumers is similar to that of Asian sweatshop workers who manufacture running shoes for western consumers in Melbourne and New York.

US exporters compete successfully in Japan and South Korea. (Pre BSE, the US had a greater market share than Australia in Korea and a similar market share as Australia in Japan. In both these markets the US achieved greater unit prices ($/tonne) for its beef than Australia.

An Australian grading system is not in the interest of Japanese importers. Importers pay a 38% tariff calculated on the value of the product. It is not in their interest to describe and potentially revalue product before it leaves Australia. It would reduce effective price-transfer, increase the tariff and reduce margins in Japan.

Australian beef imported by the Japanese has improved significantly in the past 15 years. Lot feeding, a small industry the early 1990s, has become a major industry producing cattle for Japan.

Australia also produces “long fed” beef using selected Angus and Wagyu genetics to produce beef that can be substituted for premium Japanese Wagyu product. This product has ten-times the unit value of standard grain fed product.

Resistance to the introduction of grading has been a major impediment to the establishment of fair and balanced cattle and beef markets.

Australia has little power to influence Japanese trading companies, but it has the power to ensure fair and balanced domestic markets which would put price floor on Japanese companies.

Appendix 4

Meat Industry Regulatory Structure.

The previous Government implemented the Meat & Live-Stock Industry Bill 1997--- eleven years ago. Most of its intentions have not been met-Both MLA and RMAC have failed to deliver the terms of the MOU with the Minister (under which the $5 per head levy is justified) including failure to deliver the Meat Industry Strategic Plan (MISP).

AMLC and MRC commissioned a number of major research projects in the early 1990. The overwhelming view expressed by professional marketers, academics and international and local business consultants was that the industry must move away from the commodity culture and develop quality products and adopt a meaningful product description system (grading).

Grading systems are used in the major Pacific rim beef trading countries -USA, Canada, South Korea and Japan -to communicate quality to end users and price signals to producers.

The adoption of a national uniform and regulated grading system has been a formally agreed industry objective and is incorporated in the Meat Industry Strategic Plan, the official meat industry strategy.

The MISP is administered by the Red Meat Advisory Council. The Federal Minister for Agriculture constituted RMAC It is responsible for overseeing and implementing the MISP. RMAC has failed to deliver the grading objective.

- RMAC has been an expensive waste of producer/taxpayer funds with its 2005 Annual Report saying it all. It is a dysfunctional body

- DAFF has failed (miserably) in its role of watchdog for the Minister. DAFF officials have accepted what they are told by MLA/RMAC .The removal of the previous position on AMLC for DAFF officer was a retrograde step.

- Cost Blow Out. The intention to reduce the AMLC/MRC bureaucracy and cost has failed as staff and expenses of MLA have grown to $161 million last year and an estimated $170 million income for this year
- No Audit. MLA has refused to do an audit of the industry. The March 1999 Strategic Planning two day meeting of industry leaders at Rydge's Lakeside adopted as its No 1 priority <u>an audit of the industry</u> Consequently, the industry does not have access to reliable and relevant commercial data. MLA/RMAC thought that there were 60,000 beef producers –they have now found over 150,000. The official measure of beef consumption is calculated by subtracting export tonnages from production tonnages and is reported in kilograms per person

per annum carcase weight. This methodology dates back half a century and is a meaningless measure in a complex food market. The US has actual consumption figures. Audits have been done in the US on at least three occasions and problems have been identified and addressed.

- Over the past 9 years we have written numerous letters to four Primary Industry Ministers. We have made many visits to these Ministers. We did achieve a Senate Rural and Regional Affairs and Transport Legislation Committee Inquiry in 2002 and provided most of the evidence. That Committee consequently made 8 recommendations to the Minister(See below), with only one recommendation being superficially acted upon by MLA. We are not aware of the Minister's office, DAFF or the Senate Committee, checking on the non enactment on any of these recommendations.

Things within the beef industry structure have worsened, and since 2002 we have gone to ASIC and the ACCC over voting fraud's committed by MLA, particularly the 2004 levy vote; and more recently the Farmonline NLIS poll rort committed by MLA staff when they completely reversed a voting poll. .

- MLA has developed a very large PR machine that works on justifying MLA programs, misleading producers on beef industry information (such as the need for NLIS for trade rules), and refusing to take any producers' concerns into account.

- MLA has become increasingly arrogant and unaccountable at the one time of the year that it should be able to be questioned—its AGM. It has discovered that the loose combination of Corporate Law, being unlisted, and the slack DAFF/Ministerial attention to the MOU, makes it untouchable to those who fund it. It is a Corporations Law company, compulsorily funded by producers under Government regulation.-A unique institution. The staff of MLA are members of the Commonwealth Public Service Union and have entered into a Workplace Agreement with the Commonwealth Government.

  The Minister is the representative of the Government and consequently has direct control on the remuneration of MLA (and its) staff.

  Constant statements by four Ministers that they have no control over MLA have been wrong and are the subject of ridicule when the Minister has final say on increasing the levy.

- The MLA Board refused to do a Cost Benefit Analysis for NLIS in 2002. The following year it refused to table a "No Confidence" motion on the issue despite the necessary legal requirements being met by the Members moving the motion. Over the next two years it became increasingly high handed over motions to remove directors over their refusal to analyse the problems with NLIS. The Chairman took questions as being a nuisance and a waste of valuable MLA lecture time. In 2004 and 2005 he achieved a new low in meeting chairmanship, and we recommend that your committee acquires a copy of the transcript of these chaotic meetings so that you understand our very real concerns Unlike previous years the transcript of the last four meetings were not released.

- MLA refuses to list individual expenditure or progress on R&D projects—many of which are past their completion dates, others of which are continuing on despite earlier completion. The annual accounts have very little detail and were heavily condemned by a leading accountant at the 2005 AGM before he was told to sit down. AACo, a private company (which wittingly or unwittingly claimed 150,000 extra votes in the levy poll) have been large recipients of MLA's consolidated revenue money—our levy money.

- The Australian Feeder steer index moves between 50% and 70% of the identical US animal. US have BSE and limited access to Japan and Korea. They have a $1 per head levy. Australian producers pay a $5 levy plus $ an estimated $37 total NLIS cost per beast sold. In August 2006 MLA staff rorted the Farmonline poll on NLIS changing the whole vote in a few hours. An ABA computer man picked it up; ABA did an immediate Press Release. Rural Press withdrew the poll, and found that the hacking was done on MLA computers. MLA spent $80,000 on an inquiry by Ernst and Young. The result was never released and the two accused of the hacking were not dismissed.
- MLA continues to use consultants who have lived off the meat industry for years and recycle advice paid for years ago. This shows in the Annual Report where the same vague 'research projects' are shown year after year.

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  MLA declined to do a submission into the ACCC inquiry into Grocery Prices stating that it did not sell any meat. At the same time, its sister body in UK, Meat and Livestock Commission was doing exhaustive submissions into the UK Competitive Commission inquiry into the prices in the FOUR major UK supermarket chains. This has finished with the appointment of an Ombudsman to watch supermarket prices. MLA is too close to the supermarkets with its chairman, Mr.Heatley doing a press release in late 2007 advising producers not to attack supermarkets.

  MLA annually justifies its levy use by claiming increases in the amount spent on meat in Australia- <u>this makes producers three time losers</u>—less for their cattle, big expense on the $5 levy and NLIS (often over $30) and then having to pay more for any meat that they buy.

- MLA has failed to deliver a beef grading system to the consumer despite spending over $70 million on MSA.
- Processors showed their regard for the MLA work by reducing their contribution from a compulsory 50% under AMLC/MRC to around a voluntary 5% . Minister McGauran forced them to contribute last year, after a number of abattoirs have not paid the voluntary levy for 9 years. This increase in processors levy costs will be passed on to producers, who pay all the costs with no return on investment.

We look to your committee moving to have these matters investigated. MLA is beyond common law and company practice. ABA/MLA members have put enormous hours into preparing motions and questions for 8 AGM's but have found that it is a waste of time and money attending. Attending producers (the levy payers) have to pay their own travel and accommodation whilst 75 % of those present have their expenses paid by MLA or RMAC –from producer/taxpayer funds.

As Senator Geoff Buckland said at the previous Senate Committee hearing in 2002 "This is much worse than compulsory unionism". Nothing has changed.

We seek an action by your Senate Committee to investigate the MLA's financial management, corporate governance, and accountability to its members. We believe this action to be essential for your Committee, and your Government's, credibility.

Our message is a simple one –we are being heavily levied by your Government to prop up an institution in which we have no influence, which is doing nothing to benefit us, as cattle producers, and which we believe should be re-constituted or abolished.

On 12/12/2002 a Senate Select Committee chaired by Senator Bill Heffernan handed down the following recommendations on reform of the Meat Industry Structure.

Recommendation 1: The Committee recommends that the Minister initiate discussions with the signatories to the MOU concerning reformed advisory arrangements. The Committee recommends that following these negotiations the Minister engage in detailed and open consultation with all sections of the Australian meat industry on options for a reformed or alternative industry advisory structure.

Recommendation 2: The Committee recommends that any new advisory body established for the Australian meat industry be empowered to initiate advice to the Minister. Notwithstanding this, individual industry participants, whether represented on the advisory body or not, must retain the right to make representations to the Minister on any matter of concern.

Recommendation 3: The Committee recommends that any organisations appointed by the Minister to the list of Prescribed Industry Bodies be eligible for appointment to the industry advisory body, and that the view of existing advisory body members should not necessarily determine the success of the appointment or membership of the advisory body.

Recommendation 4: The Committee recommends that the MLA board consult with its membership on democratic reform of the MLA.s Articles of Association. In the absence of progress on this matter before the 2003 MLA Annual General Meeting, the Committee recommends that the Minister engage in detailed and open consultation with levy payers on reform options for a more democratic board selection process.

Recommendation 5: The Committee recommends that the Minister negotiate with signatories to the MOU on alternative arrangements for the disbursement of earnings of the Red Meat Industry Reserve Fund.

Recommendation 6: The Committee recommends that the advisory body develop a detailed industry strategic plan, and that consideration be given to the use of competitive contracts to deliver elements of the strategic plan.

Recommendation 7: The Committee recommends that the selection committee for the contracts include an independent probity auditor and a representative of AFFA.

Recommendation 8: The Committee recommends that the size and recipient of these contracts, and outcomes delivered, be placed on the advisory body’s web site, and reported by AFFA to the Minister.

Appendix 5

Meat Inspection

a) Quarantine, Trade Policy and Meat inspection

The Pork industry warning.

The importation of cheap pork from Canada, the US and Denmark has allowed the supermarket duopsony and their preferred large-scale suppliers to opportunistically import pork for manufacture. We fear that under the US Free Trade Agreement we will see high quality, graded US beef imported .

Australian Pork Limited reports about 60% of manufactured pork products are now made with imported products. The combined North American and Danish pork industries are 40 times bigger than the Australian industry and are subsidised. Using a combination of pork price fluctuations, currency movements and storage, pork can be imported at very low prices.

Imported pork competes directly with locally produced pork. (Productivity Commission, November 2007) This subsidised product has significantly reduced the price of pigs in Australia and returns to producers and primary pork processors.

Deceptive labelling regulations are used to hide the foreign origin of imported pork products. "Made in Australia" is used for ham made from 100% imported pork. The higher standard, "Product of Australia" can not be used for a ham made with Australian pork if it is made with imported brines. These labelling rules are calculated to deceive.

Soon Australian consumers will pay the price of a failed industry and in the longer term they will pay with fewer and poorer food choices. ABA does not want to see this happen to beef.

Appendix 5

b) Domestic Meat Inspection.

On both hygiene and meat quality inspection is very sparse and in the jurisdiction of many bodies.

Domestic abattoir hygiene is not a major problem because of the lack of disease in animals but the risk of E-coli and other serious health issues increases along the chain to the plate. Inspection decreases along the chain in defiance of logic and science.
On quality, domestic beef has only two officially recognised categories "Budget" beef derived from cows and older animals and the "balance", that is, everything else.
The term Budget is the result of an agreement between meat industry organisations and retailers and is required to be used as a descriptor on beef packs where the product is derived from older animals. Few consumers are aware of the meaning of the term "Budget". Product labelled "Budget" is usually cheaper. Most consumers assume it means, "special" in a sales sense, that is, normal quality but at a lower price. THERE IS NO POLICING OF THESE DESCRIPTIONS AT RETAIL LEVEL. Contrast this with the regulation of producers when one realises that the odds on a human falling ill through a livestock disease present in Australia is the equivalent risk to that of being hit by a meteorite.

Producers have seen Federal and State governments legislate for mandatory whole of life identification for cattle using radio frequency tags. (National Livestock Identification Scheme, NLIS. All cattle must have a tag when moved off the property of birth.

The NVD make all cattle equally safe, at least on paper. And NLIS provides some evidence that the farm of origin of an animal (but not meat) can be traced.

The prime purpose of NLIS and NVDs is to provide legal and public relations protection for both the supermarket duopsony and processors in the event of an adverse event.

In effect, it lets the supermarket duopsony continue to deal with cattle as a commodity, while allowing the duopsony to take no practical action to protect the security of its supply lines and the safety of its customers.

Neither NLIS nor NVDs provide any practical protection for consumers.

A NVD is, in effect, a release for the processor that says the producer will accept 100% responsibility in the event a product is found to be defective. It does not require any on-farm action.

The NLIS database is hopelessly inaccurate and the correlation with reality is very low (possibly less than 0.3). The database has never been properly audited but individual producer records show more than half their information is wrong.

Processors do not have the capacity to track product forward through their plants and on to the retailer. Retailers and processors do not have the capacity trace meat products back to the animal of origin.

The cost of NLIS is unknown. Government and industry refuse to do a cost-benefit analysis.

ABA believes that NLIS is estimated to costs about $500 million per annum, when tags, labour, tag reading, database management and enforcement are counted. The market system has transferred the entire cost to beef producers.

NLIS and LPA are an immense financial and administrative burden. The power to transfer its risk management costs to its suppliers, as much as anything else, demonstrates the power of the supermarket duopsony and the lack of research by MLA and Government Departments.