

Senate Standing Committee on Rural and Regional Affairs and Transport Inquiry into Meat Marketing

Department of Agriculture, Fisheries and Forestry Submission

The Australian Government Department of Agriculture, Fisheries and Forestry (the Department) is pleased to provide this submission to the Senate Standing Committee on Rural and Regional Affairs and Transport Inquiry into meat marketing.

Terms of Reference

The Standing Committee on Rural and Regional Affairs and Transport is conducting an inquiry into concerns in relation to meat marketing, with particular reference to the need for effective supervision of national standards and controls and the national harmonisation of regulations applying to the branding and marketing of meat.

Roles and Responsibilities

The Department's role is to develop and implement policies and programs that ensure Australia's agricultural, fisheries, food and forestry industries remain competitive, profitable and sustainable.

Within the Department, the Australian Quarantine and Inspection Service (AQIS) Exports Division facilitates the export of Australian agriculture and food products by providing information, inspection and certification to meet the import requirements of overseas countries. The Department's Food and Agriculture Division liaises with the meat and livestock industry, particularly through representative organisations, on matters including international market access and export opportunities, as well as facilitating industry development.

AUS-MEAT Ltd is responsible for the uniform specification of beef, sheep, goat and pig meat nationally through the AUS-MEAT language. AUS-MEAT Ltd is jointly owned by two industry services companies, Meat and Livestock Australia Limited (MLA) and the Australian Meat Processor Corporation. Under a memorandum of understanding (MOU) between AUS-MEAT and AQIS, AUS-MEAT audits compliance with trade descriptions on behalf of AQIS at export-registered establishments. Meat processing establishments in Australia servicing only the domestic market have the option of becoming AUS-MEAT accredited but this accreditation is not mandatory.

National Standards and Controls

Meat Description Standards

The Australian meat industry has, for some time, had a comprehensive language for describing the quality grades of meat carcasses and cuts through the AUS-MEAT system. The AUS-MEAT language is a set of objective descriptions for use by producers, abattoir and boning room operators, wholesalers, retailers and meat exporters. It has been developed to ensure customers can purchase exactly what they require.

The language is based on product description and objective measurements of various carcass traits such as hot weight, fat depth, sex and age of animals. Processors use the language to define company specifications, which determine particular 'grades'. The language covers descriptions for primal cuts and offal products derived from beef, veal, sheep and goat. The AUS-MEAT language has been adopted throughout the Australian meat industry and is used by meat industry customers in importing countries when specifying the types of products to be purchased. In other words, it provides the purchasing specifications.

Labelling of Export Product

Compliance with trade description requirements is fundamental to the integrity of the export meat system. Principal responsibility for truth-in-labelling at export-registered establishments rests with AQIS.

AQIS ensures the legislative requirements of the *Export Control Act 1982* and the Export Control (Meat and Meat Products) Orders 2005, for trade description of export products, are met through on-going formal verification processes. Under its MOU with AQIS, AUS-MEAT is responsible for the monitoring of the trade descriptions as well as the ongoing verification of the accurate application of those descriptions. AQIS reserves the right under the MOU to make the final determination on any action arising from AUS-MEAT's verification activities in accordance with the *Export Control Act 1982* as well as AQIS's international obligations as the recognised national certifying authority for export of meat and meat products.

The AUS-MEAT language was developed based on trade descriptions and grades specified under previous export meat legislation. The current legislation, the *Export Control Act 1982*, still has prescriptive requirements for species and basic categories within those species (e.g. lamb, mutton, veal, beef and bull). The language is consistent with those basic categories and is applied at all establishments registered for export. The *Export Control Act 1982* requires that in all cases the trade descriptions used must be accurate.

Labelling of Domestic Product

The regulation of meat processing establishments in Australia servicing only the domestic market, including the accurate description of product from them, is the responsibility of states and territories. AQIS has no authority to regulate trade descriptions in these establishments. Although it is not a requirement under state/territory law, many domestic meat processing establishments are AUS-MEAT accredited and use the AUS-MEAT language.

National Harmonisation of Regulations

For trade descriptions in the main sheepmeat producing states, regulations differentiate between lamb and other sheepmeat, such as hogget and mutton. In New South Wales compliance with trade descriptions for sheepmeat is the responsibility of the NSW Food Authority and in Victoria the responsible agency is PrimeSafe. In Western Australia, the responsible agency is the Western Australian Meat Industry Authority and in South Australia it is the Meat Hygiene Unit of Primary Industries and Resources SA.

These agencies use lamb descriptions that are consistent with the AUS-MEAT language, which is that there is no evidence of the eruption of permanent incisor teeth.

Industry Codes of Conduct

If mislabelled meat or meat products are presented to the public, there is legislation in place to prevent false and misleading practices - Section 52 of the *Trade Practices Act 1974*, and state and territory fair trading legislation. In practice, the Department has been advised that complaints about mislabelled sheepmeat under these laws are not common.

The state regulation of trade descriptions at meat processing establishments is an important compliance tool. If the relevant state authority, particularly in the major lamb producing states such as NSW and Victoria, moved away from regulating lamb trade descriptions, then the incidence of mislabelling sheepmeat could intensify.

Should industry consider it appropriate, one course of action could involve the industry's development of a code of conduct to set out the expected standard for labelling of sheepmeat products. Such a code could be a non-prescribed voluntary industry code of conduct, a prescribed voluntary code of conduct or a mandatory code of conduct.

A non-prescribed industry voluntary code of conduct is administered by the industry itself and sets standards that are voluntarily administered by the industry itself. The Australian Government does not have a role in enforcing non-prescribed voluntary industry codes of conduct

A prescribed voluntary code of conduct is a code that is binding on signatories and is enforced by the Australian Competition and Consumer Commission (ACCC) under the *Trade Practices Act 1974*. A breach of a prescribed voluntary industry code of conduct is also a breach of the *Trade Practices Act 1974*. There are currently no prescribed voluntary codes.

A mandatory code would be administered and enforced by the ACCC. A mandatory code is binding on the industry it covers. There are three mandatory codes: the Franchising Code, the Oil Code and the Horticulture Code of Conduct.

A key issue for the success of any code is effective compliance against the trade description.

Sheepmeat Marketing

Over the past 20 years there has been a shift in the composition of the Australian sheep flock, with an increase in the proportion of ewes joined to meat breed rams. Reflecting this change, lamb production has been increasing even though the national sheep flock has been contracting. Total sheepmeat production in 2006-07 was estimated at 684,000 tonnes, with lamb production of 413,000 tonnes and mutton production of 271,000 tonnes. For the same period, ABARE estimates the gross value of production (GVP) of lamb and mutton was \$1.6 billion, with export earnings published by the Australian Bureau of Statistics (ABS) to be \$1.2 billion. Exports comprise 43 per cent of lamb production and 75 per cent of mutton production.

ABARE estimates that Australian per capita consumption in 2006-07 for mutton was 2.5 kg and for lamb was 10.9 kg. For the same period, MLA estimates indicate that Australian consumer expenditure on lamb was around \$2 billion with the majority of lamb sold through retail outlets and a smaller amount going into foodservice. Almost all mutton is used in further processing for tinned foods.

With domestic demand for lamb forecast to remain reasonably stable and continuing strong export demand for lamb, particularly in the United States, lamb production is expected to increase to 440,000 tonnes by 2012-13. The impact of the drought and the reduced national flock means that lamb producers will have to make trade offs between rebuilding their flocks and maintaining lamb production growth to meet demand.

The sheepmeat industry has worked to improve the consistency of lamb eating quality and actively promotes consumption in both domestic and export markets. The 2007-08 MLA annual operating plan identifies overall marketing expenditure of \$7.5 million for domestic sheepmeat promotion and a further \$6.1 million in sheepmeat export trade and consumer promotion. This is a significant recurring investment that is predominantly funded by statutory levies imposed on sheepmeat producers.

One identifiable risk to the current success of the lamb industry is the temptation to misdescribe other sheepmeat as lamb. There are specific allegations that hogget is being misdescribed as lamb.

The description of sheepmeat is a product quality issue. Hogget is traded at a price discount in comparison with lamb, which attracts premium retail prices. Mislabelling hogget as lamb would provide those engaging in the practice with an unfair competitive advantage. Additionally, if hogget is being labelled as lamb it could negatively affect eating quality and undermine consumer confidence in lamb products.

Beef Marketing

The beef and veal industry in Australia has evolved to meet market demand. The beef industry has previously considered, but not endorsed, a mandatory beef quality grading system. The beef industry uses AUS-MEAT language to differentiate between beef and veal in the same way that the AUS-MEAT language differentiates between lamb and other sheepmeat.

ABARE estimates the beef and industry GVP was \$6.9 billion in 2006-07 and the ABS reports export revenue of \$4.5 billion for the same period. Predominantly grass-fed, the industry now has a well-established lot-fed/grain-fed sector, which is an important value-adding component of the Australian beef industry. In 2006-07, 33 per cent of the total adult cattle slaughtered were grain-fed. The growth in this industry has been stimulated by the increasing demand in our major export and domestic markets for consistent quality. Recently, high feed grain prices and unfavourable trading conditions due to the strong Australian dollar have substantially reduced feed lot throughput.

Australia produced just over 2.2 million tonnes of beef and veal in 2006-07. Exports comprised 67 per cent of total beef and veal production in that year. ABARE estimates that Australian per capita consumption in 2006-07 for beef and veal was 36.3 kg. For the same period MLA estimates that Australian consumer expenditure on beef and veal was around \$6.6 billion.

Australian saleyard cattle prices are forecast to rise in 2008-09. Underpinning the rise in prices will be a decline in numbers of cattle turned off for slaughter as producers commence herd rebuilding following several years of drought. The growing herd, increased beef production and increased competition in key export markets is expected to weaken cattle prices over the medium term. By 2012-13, prices are projected to be down 14% and production up 10% from 2008-09 levels.

The beef industry has worked to improve demand for Australian beef on the domestic market and actively promote consumption in export markets. The 2007-08 MLA annual operating plan identifies overall expenditure of \$22.9 million in beef export trade and consumer promotion and a further \$17.4 million for beef domestic marketing. The majority of this funding comes from statutory levies imposed on cattle producers.

AUS-MEAT has developed well-recognised language categories that describe beef cuts but not the quality. Australia does not have a mandated beef quality grading system. However, industry has recognised the need to provide consumers with a consistent and quality product. Meat Standards Australia (MSA) was developed to provide a non-mandatory grading system to predict the eating quality for individual beef cuts and it underpins a number of quality brands.

Following calls for a mandatory beef quality grading system, particularly for low value cuts, to be instituted in Australia, the beef industry consulted on the issue in 2003. It concluded that a legislative approach was not necessary as private company labelling initiatives would provide the necessary market incentive to maintain 'truth in labelling'.

Conclusion

Australia regulates for public health, food safety and trade descriptions through Commonwealth and state jurisdictions. Compliance with trade descriptions for export meat product is administered and monitored by the Commonwealth through AQIS, using AUS-MEAT language categories. The regulation of product description for domestic product is the responsibility of the states and territories.

Trade description is an important matter for Australia's red meat industry. The meat industry invests heavily in promotion and has the most to lose if the integrity of the lamb brand is diminished through product mislabelling. Individuals and organisations within the meat supply chain who choose to mislabel meat and meat products are the main threat to maintaining product integrity.

The basis for maintaining accurate trade descriptions is to ensure consumer confidence and the integrity of the product. Through the industry-owned standards body, AUS-MEAT Ltd, arrangements for product description are in place. It is important for industry to adopt a leadership role and develop an appropriate response on this issue.