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## SENATE

STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS  
AND TRANSPORT

**Reference: Meat marketing**

THURSDAY, 26 MARCH 2009

MELBOURNE

BY AUTHORITY OF THE SENATE



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**SENATE STANDING COMMITTEE ON  
RURAL AND REGIONAL AFFAIRS AND TRANSPORT**

**Thursday, 26 March 2009**

**Members:** Senator Sterle (*Chair*), Senator Milne (*Deputy Chair*), Senators Heffernan, Hurley, Hutchins, McGauran, Nash and O'Brien

**Substitute members:** (As per most recent Senate Notice Paper)

**Participating members:** Senators Abetz, Adams, Arbib, Barnett, Bernardi, Bilyk, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Ellison, Farrell, Feeney, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Furner, Hanson-Young, Hogg, Humphries, Johnston, Joyce, Kroger, Ludlam, Lundy, Ian Macdonald, McEwen, McLucas, Marshall, Mason, Milne, Minchin, Moore, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Stephens, Troeth, Trood, Williams, Wortley and Xenophon

**Senators in attendance:** Senators Colbeck, Fisher, Heffernan, Hutchins, McDonald, McGauran, O'Brien, Sterle

**Terms of reference for the inquiry:**

To inquire into and report on:

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.

**WITNESSES**

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**Committee met at 9.07 am**

**CHAIR (Senator Sterle)**—I declare open this public hearing of the Senate Standing Committee on Rural and Regional Affairs and Transport. The committee is hearing evidence on the committee's inquiry into meat marketing. I welcome everybody here today. This is a public hearing. Before the committee starts taking evidence, I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee. Such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee. The committee prefers all evidence to be given in public, but, under the Senate's resolutions, witnesses have the right to request to be heard in private session. It is important that witnesses give the committee notice if they intend to ask to give evidence in camera. If a witness objects to answering a question, the witness should state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. If the committee determines to insist on an answer, a witness may request that the answer be given in camera. Such a request may, of course, also be made at any other time. Finally, on behalf of the committee I would like to thank all those who have made submissions and sent representatives today for their cooperation in this inquiry.

[9.09 am]

**POLKINGHORNE, Mr Rodney John, Private capacity**

**CHAIR**—I welcome Mr Polkinghorne. You have lodged submission No. 70 with the committee. Do you wish to make any amendments or alterations to that submission?

**Mr Polkinghorne**—No, thank you.

**CHAIR**—I invite you to make a brief opening statement before we go to questions.

**Mr Polkinghorne**—My interest in meat science, meat description and consumer grading started in 1970 when I was an exchange student at the University of Minnesota. I spent a lot of time looking at US grading and tracking university judging teams around abattoirs back then. I came back to Australia and started one of the first feedlots, Charlton Feedlot. I spent 20 years in the feedlot industry, where, of course, we always thought we had a better product—certainly a more expensive one—so there were a lot of industry efforts to grade, describe or brand beef.

I was president of the Lot Feeders Association for three years and on their executive for 10. In nearly all that time the No. 1 issue was probably branding beef or grading beef. I moved down to Bairnsdale as a breeder and got called back in by industry to do a little job on branding that was supposed to take two weeks in 1992 and that grew into MSA. I have run what is called the pathways committee, the group of scientists that actually manage the research for Meat Standards Australia. We have done it formally since 1996 to the present time. So I have spent a good bit of my life worrying about trying to describe beef.

I guess where we got to—and it was so evident that nobody got there really—was: what was the point of it? We always went off and looked at carcasses and described them and said all these lovely things from 1970 on about carcasses having a lovely red interior, even fat cover and all rest of it. There was a sort of an implied point that it had something to do with whoever eats it, but in fact it does not. It tells you those carcasses look lovely and they all look the same.

I guess where I have got to now—I have slowly distilled it down with the wisdom of age, or the problem of senility or something—is that the only point in grading a bit of beef is to tell someone how it is going to eat. The only bit they are interested in is the 200 grams that is sitting on the plate or going to sit on the plate. They could not give a shit about the rest of a carcass or whether it was black or whether it was pink; whether it was grain fed or grass fed; wagyu or aged or anything else. The point with the consumer is to try to say, 'Here is a piece of beef and this is the meal experience you're going to get.' End of story. The only dollars that any of us ever get in the industry come from the person who eats it. The rest of it is just fighting about who gets what share. If we want more dollars in to fight over, we have got to deliver a better value proposition. Without something that really tells people how a piece of beef will eat, you cannot have a value proposition; you can only have a price.

If you pull up at a petrol pump you have three hoses there and no-one has a clue what the oil well was or what the refining process was or what the hell they added to make this hose worth 20c more than that one, but you have got three hoses, three propositions, three prices and you make a choice. You can jump on an aeroplane and fly to London and you can pay 18,000 bucks or something and lie down up the front, you can pay \$1,800 and sit down the back, or \$6,000 or \$8,000 to sit in the middle. No-one thinks the plane is going to crash. They are all going to get to London within about one second of each other—the nose is not that far ahead of the tail—but there are really clear value propositions. When you go to buy a fish finger, a chicken nugget, a frozen pizza or a tub of yoghurt, you have a very good idea of what you are going to get. You can make a judgment and there is a price. Any sort of contemporary consumer product that works has got that proposition. Even if you do not understand the proposition, if you just buy the dear one it will usually be better than the cheap one.

None of that works in beef. You say, 'All I want is a good beef meal. How do I buy it?' You can say: 'Only buy at this shop, because it is good,' and we hope that is right in one case. But it has not proven to be a good system worldwide. So you go and buy a cut and you say, 'I want this cut, but what did it come off?' The same cut can be the worst thing in the world and the best experience in the world—it is still called a cut. Price is notoriously unreliable in terms of quality. So you get back to appearance, and looking at a bit of meat tells you absolutely nothing. Any number of butchers get up at three in the morning to get the window right—to get the parsley in the right place and the lights just right and the trays looking beautiful. That helps sell it, but it does not say a damn thing about how it is going to eat. That to me seems to be the problem.



We have had grading systems in the industry. The US one started in 1926; I do not know whether there are any earlier ones. They were not put in to tell people how things would eat; they were put in to sort carcasses into lines to trade. It was a description system. It would say that these carcasses look the same and these look different but the same within the group. Later on that was presumed to also have something to do with how they ate. In fact it does not. The European system strictly describes yield—how much weight you are going to get. That is how they are priced and from there that drives what people do right down the chain. It is not focused at a consumer. The American system is not really either, though they might think it is.

There are a few issues. Some say, ‘Why can’t you grade carcasses?’ The first reason is they look the same but they do not eat the same. That is a problem in itself. The second one is it is not a uniform item. A carcass includes a tenderloin, a shin, a chuck and all the rest of it, but those bits eat differently. So as for this notion that I am going to describe a carcass, well, how am I going to do that? I do not buy a carcass; I buy a meal. Consumers buy individual 200-gram portions; they do not buy 500-kilogram slabs that they eat from one end to the other. It is not a bit of fish or chicken. The inference underlying that is probably that individual muscles are constant so everyone knows we do not buy a carcass but presumably a carcass grade would describe a striploin or a porterhouse so if I know what a porterhouse is I can say that a tenderloin would be 20 per cent better or something else would be 30 per cent worse. But in fact that does not work.

**CHAIR**—On that, Mr Polkinghorne, it has been brought to my attention that we only have half an hour, and there are definitely questions that we would like to ask.

**Senator HEFFERNAN**—I have a couple of questions, Chair. I think everyone has got the message, Mr Polkinghorne. Who in the industry disagrees with you?

**Mr Polkinghorne**—In principle no-one.

**Senator HEFFERNAN**—I went down to DJ’s food hall yesterday after we left here just to see what their meat looked like—and this is not on beef. They had a rack of lamb. It is an interesting marketing tool because they do not sell it by the kilo anymore but sell it by the bone. I said, ‘How much a bloody kilo for that stuff, Mate?’ He said, ‘Well, Mate, it’s by the bone.’ I said, ‘Weigh it and we’ll work out how much a kilo it is.’ Anyhow it was 50-odd dollars a kilo. I said, ‘That’s cute marketing but it’s quite dishonest.’

**Mr Polkinghorne**—It is actually illegal in Victoria too, unless they put goo on it.

**Senator HEFFERNAN**—Just so you know where we are up to with this, we have had the argument with Herd about why we should have a dentition test for lamb so at least you know it is bloody lamb. They want to have it so that if it looks like a lamb, it feels like a lamb and it is a three-year-old ewe then it is a lamb. We understand that.

**Mr Polkinghorne**—I’d come from the other end and say, ‘How does it eat? Who cares what it looks like?’

**Senator HEFFERNAN**—That is the point. We want to try to protect the skill of a prime lamb—until I get punched out by that other bloke anyhow. We have heard this argument for years. How much added cost—which, I presume, will be passed back to the grower and not go forward to the consumer—would this add to do the grading that you need?

**Mr Polkinghorne**—To be honest, it is as I was saying to someone the other day. If it was camel that we were talking about and we had all the same knowledge, and you said, ‘How am I going to sell it?’ it wouldn’t look like beef. If you set up and designed the chain to deliver from the consumer back it would not cost any more. Every piece of beef that is ever eaten gets down to something that will fit in your mouth on a fork or in chopsticks, so somebody does the work. The question is really about who does it and where it is done. We already round up an animal, take it to slaughter, kill it, get the hide off, get the guts out, sort it into muscles, break the muscles into bits and ultimately get it down to an eating size bit. It is more in the mind than in anything else.

**Senator HEFFERNAN**—And you take the risk on BSE.

**Mr Polkinghorne**—Yes, that is right.

**Senator HEFFERNAN**—Take the proposition that the Koreans and Japanese, for instance, would like to impose on us so we would have full cut traceability instead of animal traceability. If we are going to do this grading system—and I have not heard any strong objections to it; I have often worried about how much it is going to cost—should we then go the full hog and include the full cut traceability?

**Mr Polkinghorne**—In our instance we trace every individual muscle. You can buy a hamburger in our store and I can tell you what animal it came from—or which two or three animals it came from. That is not easy

conventionally. But if anyone is going to do traceability it sure as hell makes sense to attach grading to it as it gives you something to get paid for. There is an argument as to whether you get paid for safety or if it is just a given that is expected. An ability to trace back to something that had BSE is not something that people would pay \$1 extra for usually. But if it eats better it is better. We trace individual muscles because we know that tomorrow they will eat differently from what they did today, because they age. They might eat differently as a roast or as a grill. So to actually be able to put them into the right box we need to trace them. There are a couple of large-scale boning rooms in Australia that have spent huge money on trying to get full cut traceability.

**Senator HEFFERNAN**—So it is a lazy system at present. We now have budget rump steak, which is either broken bull pizzle or brokenmouth cow but it looks all right in the tray.

**Mr Polkinghorne**—It is a commodity system. At the moment there are two competing cultures: one is purely a commodity system. Can we put around 75 per cent VL beef into the US cheaper than Brazil.

**Senator HEFFERNAN**—That might be a slight exaggeration on my part.

**Mr Polkinghorne**—But there is that commodity culture. Traditionally meat has been for trading, and the bit in the middle legitimately. They make their money on a margin so they do not care whether they sell the consumer bits, only whether they get more money for it. The other end of the thing is to say, 'No, we are now in the food industry; we have a food product and it is a consumer product.' At the moment it is an industry that says, 'The consumer can take the risk. You're supposed to know all about cuts and cooking and all that stuff, and if you don't you are bloody stupid.'

**Senator HEFFERNAN**—So why do you think, if the industry wants it, the industry does not get it?

**Mr Polkinghorne**—I think the industry does get the principle, and it has grown over the last 10 to 15 years as they have understood it.

**Senator HEFFERNAN**—But why do they not have a system?

**Mr Polkinghorne**—It looks a bit challenging; it is frightening.

**Senator HEFFERNAN**—Mr Polkinghorne, are you comfortable with the non-mandatory removal of SRNs and wearing the risk on BSE? I realise that it has nothing to do with this issue.

**Mr Polkinghorne**—Personally I am not. I am not sure whether we understand BSE well enough, but from our point of view we would take them out.

**Senator HEFFERNAN**—The industry is self insured.

**Mr Polkinghorne**—Exactly.

**Senator HEFFERNAN**—That is crazy.

**Senator COLBECK**—I apologise for missing the first bit of your conversation, but I do have sympathy for your direction of the eatability, if you like, of the product. How do you build that into a system in which, as you say yourself, you have variability in the product from day to day as it ages? While I agree that it is desirable that people get a good understanding of what they pick up on the supermarket shelves or through their butcher, with their personal interaction, which is probably the best way to do it, how do you manage that without imposing a significant cost back to the producer, who is the poor bugger who usually ends up paying for all this stuff?

**Mr Polkinghorne**—I put a fair bit in the paper under the heading 'background'. Within MSA grading we have done two critical things: one is that 85,000 people eating seven bits of beef in seven countries have found that what you put into your mouth you know what you have. From that we said, 'Here's a target.' Having got that, the database at the moment has 54,000 cuts in it that 10 people have eaten and we have 144 columns of information about age, sex, breed and anything we can find out about a bit of meat. From that has come the development of a computer model that says, 'If we look at these 10 things and do a heap of good statistical stuff in the background, we can say that this bit of meat we will eat today and next week.'

Part of the science on that says that some cuts age a lot. So if we are talking about a strip loin it will be significantly different in two weeks. If we are talking about a topside or a tenderloin, it will not be. So it is muscle dependent. Basically, if someone has graded a carcass there is enough information. At the moment what tends to happen is that someone puts a label on the end of a box that says 'it's three star today', or that it has so many eating quality points, and next Tuesday it will turn into a four star. So that information can just be put on dates. For example, this bit of meat is four star and is out of date. So you can either hold it until the

date, in which case you need no knowledge of the butcher shop, you buy it as a four star or 70 points or whatever it is, or you have a chain of responsibility that says, 'I've brought this box in and today I can describe it as this and next week I can describe it as something else.' It is really about where you want to put the responsibility—at the retail level or at the wholesale level?

**Senator COLBECK**—What about level of understanding of the consumer. What sort of education needs to be put out to the consumer, whose real concern is, 'Is this going to be a reasonable piece of meat when I cook it?'

**Mr Polkinghorne**—It is a real debate. I think we have built ourselves a terrible problem with consumers. We have advertised—I think we spent the worst \$100 million ever spent in the 1990s, promoting beef. People saw those lovely ads that won the awards and dashed out and bought meat and found out that it was variable, like last time. I think there is a bit of a consumer belief that there is nothing you can do about it, that beef is just like that. Sometimes it is good and sometimes it is bad. But I do not think there is a large number of consumers out there who believe that we can control it, which is why they buy tenderloins, which is usually pretty good, and they buy mince, which is pretty reliable, and everything else is in this black bag that their mother knew about.

We have the technology to beat that. We can go right past it. But I do not think that consumers understand that. There has been a huge debate. Do you have a grading system, where you spend a lot of money and get to the point where every consumer knows that if it has a blue dot on that means X and if it has a red dot on it that means something else? Does that hurt individual efforts and promote brands? Someone might use the technology and say that their premium brand is going to be fantastic all the time—and it will be, because it is supported by the science, but the science will be invisible. From where we come, and we will show you this afternoon if you have the time, the problem at the moment is that you are trying to put a really sophisticated but simple system on top of a complex one that does not work. Retail description at the moment is all about anatomy. Who cares about the anatomy? Did you want a rump or did you want a good meal? But if you are going to try and say, 'Here's a good meal and it's a rump and here's an even better one that is still a rump and here's a shitty one and it's a rump,' you have two competing systems, and one of them does not help but it is traditional.

Our call is to say that at the retail level we should forget all that. If it was camel and you did not have cuts and you were just going to market this brand new product and you had all the knowledge, you would just say: 'Here's your occasion. This is dinner party meat and it's \$50 a kilo; this is much better than average, and it's going to be \$40; and this stuff is good every day stuff, and it's \$20.' That is all you have to say. Why would you talk about anything else? But we do. We talk about all this stuff that is largely irrelevant. That is where the confusion comes from.

From a consumer end, they have this impression that it is just beef. They love it when it is good, and that is why it is the No. 1 choice at restaurants. Someone else is going to cook it, so they cannot muck it up. There is this issue of people coming back to a butcher and saying, 'That was a bit chewy?' and the butcher says, 'How did you cook it, love?'—almost saying: 'You silly bitch. You must've bloody mucked it up; you should've known better. Why did you bloody do that to it?' There is that sort of thing. We blame the consumer. We give them no information and leave it to them to figure it out.

If you are in a contemporary consumer industry, you have to deliver a product that works. You do not have to know anything to cook a fish finger; you just open the bloody packet, turn some knob and it works. Beef has to do that. Technically, it can do it. We know exactly how to do it by cooking method. We can get every piece of meat of every carcass in the Australia—or the world, it would seem now—and say: 'This is how it is going to eat if you slow cook it; this is what will happen if you do it shabu-shabu; this is what will happen if you do it Yakiniiku and this is what will happen if you roast it—those are the results that you will get.'

**Senator COLBECK**—But aren't there other variables in that process, too—even down to the way that an animal is handled as it is going to slaughter? It is not specifically just the product, but the handling of an animal through the process can impact on its edibility at the end of the day. How do you factor in a load of animals that have had a rough ride and have not necessarily had time to settle and relax before they go through the slaughterhouse? How do you manage that?

**Mr Polkinghorne**—At the moment, we try and control it. We say 'to grade the carcass, you cannot mix the animals within 14 days of despatch'. You have to truck them straight to slaughter and they have to be killed within 24 hours of coming off feed. Then we put them through tests on pH and temperature decline, which has a big effect on ageing. That is the best that we can do to try to control it. We can estimate muscles, and we get

a variance of about seven points out of 100. The bit that we do not know, some of which will be temperament and so on, is part of that seven points. But consumer accuracy is about seven points, too. If we could get all of us to eat the same steak, we would score it within about seven points per hundred.

**Senator HEFFERNAN**—Just say I have a place at Burlagal and I send my cattle into Wagga and you buy them out of Wagga, does it work?

**Mr Polkinghorne**—It probably does, but we will not let you do it. We would say that there is too much risk.

**Senator HEFFERNAN**—So, with the bulk of the cattle that goes through Wagga—there might be 3,200 there today—how do we need to alter that to make the system work?

**Mr Polkinghorne**—I do not care what you do at Wagga. I am infamous for having been asked—

**Senator HEFFERNAN**—But I am talking about the bulk of cattle. They might have come of Else Station in the Northern Territory or something.

**Mr Polkinghorne**—You try to get them to go straight to slaughter. If they have a long distance to travel, you try to rest them and feed them properly before you slaughter them. That is the bottom line. I have made myself very notorious. In answer to the question, ‘What’s the best thing that you could do to sale yards to try and improve eating quality?’ I once said, ‘Burn them.’ And that is about right. Ideally, the cattle would—

**Senator HEFFERNAN**—You sound like you would be useful on this committee. Can I clarify something? I went to DJs food hall. They sell the chops by the bone and the rack by the number of bones. Did you say that that is illegal in Victoria?

**Mr Polkinghorne**—As I understand it, it is a problem—

**Senator HEFFERNAN**—I thought it was rather cute and I said so.

**Mr Polkinghorne**—Did it have anything on it?

**Senator HEFFERNAN**—No.

**Mr Polkinghorne**—If it is value added you can sell by the piece; if it is raw meat you have to sell by the kilogram.

**Senator HEFFERNAN**—If you trim the bone, does that mean you have value added it?

**Mr Polkinghorne**—They is probably where you get into a grey area—that would be what someone is hoping.

**Senator HEFFERNAN**—I thought it was a bloody con job.

**Mr Polkinghorne**—We buy by the point and have to sell by the kilogram, which is a bit of an irritation for the same reason. There is an issue with beef that is a serious problem in some ways in that people look at the cabinet and say, ‘Fifty bucks—why would I pay that?’ But they buy 200 grams and that is 10 bucks. Here is a steak that is as good as you will ever get, here is one that is pretty good and the cost per steak difference is \$2. A hell of a lot of people would happily pay \$2 extra for a good steak, but the fact that it is 50 bucks a kilo does tend to send them running. That is an issue at retail butcher shops, whereas at the supermarket they look at a pack price.

**Senator COLBECK**—I just want to go back to the comment you made that you were aware of a couple of businesses that had put a fair investment into full muscle traceability. Can you give us a sense of the impact of that on their business, positive or negative, and how that has worked out through the system? Again, if they are spending a lot of money it has to have a flow on to somewhere.

**Mr Polkinghorne**—That is right.

**Senator COLBECK**—Where does that end up? Are they getting a premium for their product because they are doing that or is it being built into their business and they are having to mitigate it through what they pay for product?

**Mr Polkinghorne**—In one case, which is at Oakey in Queensland, there is a point of entry for Japanese oriented cattle. Within Japan you have to be able to identify the carcass, so that is probably just a cost of doing business. In the other the system is not working properly. It has a lot of electronics that are playing up. It is a business that is closely attached to Coles in Queensland, so I am not sure why they did it, but it is potentially there. In terms of eating quality, the next step is that you try to group cuts rather than individually identify

every one, so you put cuts within a range and treat them differently to other runs that are within a different range. That is not as tight.

The other thing I would like to attach to that is that in our system we individually identify cuts and their eating quality and we charge how they eat. That drives our pricing. If you do that and you run that back to animal level, from a retail point of view—in our experience anyway—within a group of 20 cattle that you think are a very nice little load and worth one amount, there is actually something like \$500 to \$800 difference in true value that you do not see. At farm level that is about \$150 or so and often \$300. So there is this latent efficiency dividend lying around in beef that is totally lost at the minute. You look at the dairy industry—in 20 years it has gone from here to there. How did it get there? They herd test to know which cow gives how much milk, how much fat there was and how much protein there was, and they get paid for fat and protein. If you had the technology and you were trying to grade meat and price reflected a mix of yield and quality, suddenly you ask, ‘What am I paying for with this animal? How much three-star, four-star or five-star meat is there? How much fat and bone?’ You know the value of that animal and the information on that animal is attached to its ear tag. There is a potential in beef to become like the dairy industry and double efficiency. I think that is the biggest dollar we have in the whole industry, but it requires people to get off flogging commodities and start thinking, ‘Here’s a group of cattle that are the same or a group of carcasses that are the same, or even a carcass that is the same. What are all the consumer results? Here’s 500 meals. How could we identify how they eat and attach a true consumer value to them and then run that back through the chain?’ We do that but at a minuscule level, but when you do that you get the scope for real change. There is a huge potential out there.

**Senator COLBECK**—With the variation in the product and the marketing of it in the way that you are talking about, how does that have an impact on the overall saleability of the entire beast? You have a whole range of cuts and a variability in product. You might be selling one that is going to be a great steak, one that will be a good steak and one that might be average. Does that have an impact on the overall value of the product, increased or reduced wastage or things of that nature and therefore impact on the overall value of an animal?

**Mr Polkinghorne**—It does. Our principle is that, as you bone this animal, you keep cutting until a bit of meat is uniform. With something like a conventional rump, for example, you have five different big muscles in it, and they all eat differently, so we will pull that into five bits. In doing that you will get some more trim, you will lose some fat and you will get rid of a lot of gristle and sinew, but you have less weight to sell. You will then say, ‘Okay, this bit is best as a roast’—it might be four-star, so it is worth \$45—‘this bit is best as stir-fry’—and you sell it as stir-fry, because it is four-star—‘and this bit is best as steak’. That takes a bit of management. In our instance we say, ‘These are all uniform bits; how do you eat best?’—because that is how we are going to charge for it. So you will have all this trim—35 to 40 per cent of the animal is trimmings. How are you going to sell that? You say: here are some bits that are best slow-cooked as casseroles. People at Albert Park at seven o’clock at night are not going to go home and cook a stew, but they will happily buy one. So our approach is to have a kitchen attached to the boning room and we say to the chef: ‘Every kilo of steak you buy, you have to sell five kilos of cubes.’ They come back with a Rendang curry, a pie or a beef and burgundy casserole—20 different things made from beef cubes—and you value-add those cuts. We have sold a balanced carcass for seven years now. We might have been lucky or we might have been smart—I don’t know—but it has certainly worked. We have been able to shift the whole body uniform, but we have done a lot of it by going cooked. About a third of our business is cooked meals, ready to take home and eat.

**Senator COLBECK**—Do you think that approach can translate into the wider industry?

**Mr Polkinghorne**—Yes, I do. It is a consumer-back process. That is the point. You have to think about it from the point of view of meals and work downwards.

**Senator IAN MACDONALD**—Mr Polkinghorne, I am not sure that I heard your answer to Senator Heffernan when he asked what a grader system, like you are talking about, would add to the cost.

**Mr Polkinghorne**—The actual cost of grading in one plant in Australia—the one in Brisbane I was talking about—is about 19c a head. I think that is what they say it is.

**Senator IAN MACDONALD**—Nineteen cents a head?

**Mr Polkinghorne**—That is to get the data. It does not cost a lot to grade cattle. Most of the information is there already, and the computer does the work, so it is more in the physical management—‘Okay, what do I do with the information? How do I translate it?’

**Senator IAN MACDONALD**—That leads on to my next question. I am more familiar with the fish industry, where you are supposed to sell fish under the proper name for what it is, but that is not done. Nobody really has a clue what they are buying; retailers put a tag on it and people buy it. But for a grading system to work it would have to be enforced. It is not enforced in the fish industry. It would be almost impossible to enforce a grading system that people could rely upon, wouldn't it?

**Mr Polkinghorne**—I think if you are going to use it, you have to enforce it. You could have a right not to use it, but if you choose to be in you need to be properly in. We can trace individual bits of meat with DNA. There is a routine. We take a DNA sample on every carcass. So I guess you have that ultimate thread.

**Senator IAN MACDONALD**—But at what cost? If you have 10 inspectors in Melbourne alone running around doing DNA tests, the cost is going to be prohibitive, isn't it?

**Mr Polkinghorne**—I would hope not. The industry at the minute in its wisdom, and certainly much against my advice, elected to let companies grade their own meat. So we have a certification process where companies can send people in, they are trained as graders and they apply their own grading within their normal QA.

**Senator IAN MACDONALD**—So, as a consumer, what confidence do I have that this is prime quality that I should pay a bit more for?

**Mr Polkinghorne**—The theory would be that brand X cares that much about its reputation and its brand that it will care more than an inspector. That is the classic argument from the meat industry. And the regulators would come the other way and say no, you want somebody there to make sure they do the right thing.

**Senator HEFFERNAN**—What do Coles and Woolies think?

**Mr Polkinghorne**—To date, that it is a wonderful idea. And they have adapted bits of the technology. Coles cattle in Queensland are all tender stretch, which means they are hung by the hip—which makes them a lot better—they age their meat longer and they have adapted quite a lot of processing technology that has improve their product. And they actually grade it: they have five graders on site at ACC. But, having graded it, they put it all in the same box, because it is too hard to separate.

Interestingly, we have just had an approach from Coles at the national level with someone saying that they have to have total transformational change in their meat category. They want us to do a trial in 10 stores in Victoria where we put the whole system in from farm gate through. Whether I was dreaming when I heard it and they will change their mind when I meet them next week or whether they will actually do it and do it well and we make it work, I do not know. But it will be a really pivotal point.

**Senator IAN MACDONALD**—As a consumer, if I see Coles or Woolworths saying this is grade 1, grade 2 and grade 3, I am going to have less confidence than if I have a certificate from the Meat Council of Australia inspectors saying this is grade 1, grade 2 and grade 3.

**Mr Polkinghorne**—Certainly initially. If every time you pick it up, though, Coles' top brand or Woolies' top brand always performs, slowly you would get confidence. But from day 1, because it is beef they will not believe it to start with, because they will think: 'How can they do that with beef? They can't. Experience tells me it'll be different.' It is fairly long-term job. The original MSA vision was that the little green MSA sticker or the purple one or the gold one would be an independent certification. That is something like what the US do, where they have signs saying, 'We only sell US choice beef,' on the cabinet.

**Senator IAN MACDONALD**—Why don't they do that? Is it because of cost?

**Mr Polkinghorne**—No. The debate here was more about independence. Coles and Woolies were saying: 'If we both have the same sticker in the corner, we're just competing on price. We want our brand to stand alone, so it's our brand name and reputation that stands for the quality.' In point of fact, they have not been able to deliver that. No-one thinks that the internal store branding works. The notion of this private branding deal, where brands really stand for quality is—

**Senator HEFFERNAN**—You get on to it after a while. For some time, Woolies had better meat than Coles. Now there is nothing to talk about. You get on to it.

**Mr Polkinghorne**—That is right. Consumers work it out. That is one of the things. We have had 85,000 of them world wide eat seven bits of beef. They know what they get. Eventually, they figure it out.

**Senator IAN MACDONALD**—It is a bit like politics. Coles and Woolworths versus the butcher shop: what is the Australia-wide retail—

**Mr Polkinghorne**—I have lost it now. It varies by state. It got as high as 70 per cent supermarket, but it has moved back a bit more to the independents of late. And it varies a lot by state. But I do not have the data at hand.

**CHAIR**—So we are seeing in some states a return to the family butcher.

**Mr Polkinghorne**—Yes, there is bit of a trend that way.

**Senator HEFFERNAN**—I will put in a plug for Junee gold lamb here, because they do a great job. Wherever you go, you should buy Junee gold lamb.

**CHAIR**—And declaring an interest.

**Senator HEFFERNAN**—I declare an interest, might I add.

**CHAIR**—We thank you very much for your time, and we look forward to seeing you this afternoon.

[9.43 am]

**OLDFIELD, Mr Christopher John, Chief Executive Officer, Tasmanian Farmers and Graziers Association**

**CLEMONS, Mr Roger, King Island beef producer, King Island Brand Committee; Senior Vice-Chairman, Tasmanian Farmers and Graziers Association Meat Council**

**THORN, Ms Jennifer, Economic Development Officer, King Island Brand Management Group, King Island Council**

**CHAIR**—I now welcome representatives from the King Island Brand Management Group. I invite you to make a brief opening statement before we go to questions.

**Mr Clemons**—I am the designated person. I will table a brochure for the senators to peruse at some stage. Thank you for the opportunity to appear before the Standing Committee on Rural and Regional Affairs and Transport inquiry into meat marketing. King Island is located in the middle of Bass Strait and is part of the state of Tasmania. King Island is a significant part of the Tasmanian beef industry. Twenty per cent of the Tasmanian beef herd is on King Island. There are about 140 producers. The meat is processed at the King Island abattoir. Over the past 20 years, King Island has developed a good reputation as a region for branded products. The King Island Brand is well known in the market place for two major products, speciality cheeses and beef.

The King Island brand has two major issues that we believe need addressing . The King Island brand needs protection. The King Island brand needs to be a genuine product that is produced and processed on King Island. The King Island brand is being used and abused in the marketplace. I will give you two examples. King Island rabbits—there are no rabbits on King Island. King Island chicken—to my knowledge there is no chicken industry on King Island except for a few backyard ones.

Our major focus and concern today is the King Island beef brand. The beef brand has been built on quality and numerous other attributes, including HGP free, grass-fed et cetera, to differentiate it in the marketplace. The meat is processed at the King Island abattoir under AQIS licence No. 790. The beef brand is the most recognised beef brand in Australia, according to an AC Nielsen survey in May 2007, with CAAB coming second. We believe that the King Island beef brand product must be processed on King Island as live shipment off King Island compromises the brand in terms of quality and being the genuine article. Let us take quality. Live shipments have the potential for stress, bruising—which compromises the meat quality, as with dark cutting—and toughness of meat. Let us take the genuine article. We have numerous examples where we believe King Island beef is being sold as King Island beef and it is clearly not.

**CHAIR**—Sorry, but King Island beef is being sold as King Island beef when it is clearly not? So beef is being sold as King Island beef, but it is clearly not.

**Mr Clemons**—Yes. Is that clear to you?

**CHAIR**—Yes, it is now. Thank you, Mr Clemons.

**Mr Clemons**—We believe the King Island brand needs protection, as we believe all successful regional brands need to be. They must be produced and processed in their region. I believe that we are able to make some changes to our submission. Is that so?

**CHAIR**—Yes, you are.

**Senator HEFFERNAN**—You can do whatever you like here, Mate.

**Mr Clemons**—Right. We will have to make some additions in light of recent events, with Swift Australia announcing the closure of the King Island abattoir to assess its viability.

**CHAIR**—Thank you, Mr Clemons. Mr Oldfield, do you wish to add anything?

**Mr Oldfield**—Yes, thank you Chair. I want to say two things. Firstly, in the main we are very concerned about the brand integrity of King Island. A brand is more than just a trade name. A brand is a promise and is a reflection of the reputation of a product. If that brand is not protected and guarded jealously, then the value of that brand diminishes. The other very important thing is that a brand has to be of value to the people who grow the product. When that brand is diminished the value to those farmers diminishes accordingly.

Our concern, concerning an event in recent days which Mr Clemons just mentioned, really highlights this dilemma. On Monday we heard—and we were not even advised—that JBS Swift, who own the abattoir on



King Island, had taken a decision to close the abattoir for at least eight weeks pending a review. Our argument to that is that once that beef ceases to be processed on the island it can no longer be King Island beef. We fail to see how beef that is transported live from King Island and processed in Melbourne—or in fact it could be processed in Brazil or North America—can be really branded as King Island beef. That is a concern that we currently have. Under existing legislation, and this is after further discussions with the ACCC as recently as last evening, there is nothing enforceable regarding the processing. So as long as that beef is grown on King Island it can be processed anywhere, according to the ACCC, and still be called King Island beef.

One of the tests of the value of a brand is what the consumer expects when they buy that brand. In their eyes what do they think they are buying? I would argue that the people throughout Australia and in fact internationally who buy King Island beef believe they are buying a product that is grown, fed and processed on King Island. We actually think that the brand integrity is damaged enormously when that beef is processed somewhere else. That is even assuming that the people who process it are doing the right thing and are actually segregating King Island cattle. Of course we do not know how that happens when the cattle go into very large pens on the mainland or overseas. So putting that aside, even if they do that properly, the beef is not being processed where we believe the consumer thinks it should be processed.

That is a major argument we have been advocating. We had a range of meetings with government in Tasmania yesterday and they are continuing today. We are arguing very strongly that to be a King Island branded product it must be processed and at the moment there is no legislative framework that protects that.

**Senator HEFFERNAN**—Is King Island a licensed brand?

**Mr Oldfield**—There are two things: there is the brand of King Island, which the council owns several trademarks to, but to go and register a trade name as King Island really does not require any reference to King Island at all.

**Senator HEFFERNAN**—That is my point.

**Mr Oldfield**—In Church Street, Middle Brighton here in Melbourne, there is King Island butchers . They do not sell King Island meat. At Rosebud—

**Senator HEFFERNAN**—If you had a licensed arrangement where no-one could use your brand, you would be set.

**Mr Oldfield**—We cannot stop people using the King Island brand. This goes to the very heart of our submission: there is no protection to protect a regional name. Swift's own a brand label called King Island Beef. They do not have to sell King Island beef under that brand label necessarily.

**Senator HEFFERNAN**—We are coming to get Swift eventually.

**Mr Oldfield**—What the council could do is have its own brands, which it does, and then license those brands to someone else to use under a certification arrangement.

**Senator HEFFERNAN**—Just to clarify in my head—and I declare an interest; I have cattle—what do you do with your old broken-mouthed cows and broken-pissled bulls? Do you sell those as King Island broken-pissled bull?

**Mr Oldfield**—I will get Roger to answer that.

**Mr Clemons**—I can answer that. There is a specification for the King Island branded product. The rest is exported as commodity beef. There are specifications, which is naught to two teeth; five to 15 millimetres of fat et cetera, et cetera. That is the specification. That is the marketing of King Island beef.

**Senator HEFFERNAN**—So that saves further complications. So you do not mind if they take your aged cows et cetera over to the mainland and do whatever they like with them?

**Mr Clemons**—We do not want that branded as King Island beef, no. That is commodity product.

**Senator HEFFERNAN**—But, in fact they could brand them as King Island old cow, because they come from King Island, if you cannot win the argument about it having to be killed there to be called that?

**Mr Oldfield**—Correct. We have an issue at the moment with a pie manufacturer who owns a label called King Island Pies. They are registered in Bairnsdale and I think they produce their pies in Queensland, don't they?

**Ms Thorn**—Victoria.

**Senator HEFFERNAN**—So this is a problem like ‘Made in Australia’ or ‘Proudly Australian, where it is 50 per cent value-added here but is from Thailand or whatever?’

**Mr Oldfield**—Correct.

**Senator HEFFERNAN**—It is a similar branding lurk.

**Mr Oldfield**—It is, and perhaps in the further processed product is where the ACCC may get interested. They were surprised to hear that there were people marketing pies under the name of King Island regardless of what their trade name is. That may be a separate issue.

The **Senator HEFFERNAN**—I would not put too much confidence in the ACCC. They did a really good job on fertiliser!

**Mr Oldfield**—There are two issues: firstly, there is our argument that we do not have any legislative framework that really protects the brand in terms of origin—that it really needs to be processed at the place they are claiming it is grown and manufactured; secondly, the protection of the brand in retail at the moment is very weak.

The **Senator HEFFERNAN**—Could I just get away from that. I have had some concerns about the Brazilian takeover of Australian Meat Holdings et cetera. It was marked as retail consolidation, which is a Woolies-Coles type operation and market power. You will know—and I suppose anyone in the industry will know—that cattle and beef prices have never been so bloody cheap as they are at the present time, and there is a fair bit of market power from one processor these days. Do you think they have an ulterior motive in doing what they are doing to you fellows—to just consolidate the market?

**Mr Oldfield**—This is, I guess, the question in Tasmania we have been trying to seek an answer to. This morning at 11 o’clock one of their directors is meeting with the Treasurer in Tasmania so they can eyeball him and try to find out. We still do not know if their intention is simply to close King Island and process that beef in Brooklyn and call it King Island beef or whether they have a genuine interest in opening up the King Island abattoir again. When I have spoken to them they have said that the cost of production at King Island was a problem and they specifically mentioned energy and power, and the cost of an environmental upgrade. The mill needs between \$1.5 million to \$2 million spent on it to bring it up to a satisfactory level of environmental performance. The question is: if the state government assists them in doing that, will they reopen the works?

**Senator HEFFERNAN**—Is it allegedly a service works—pardon my ignorance—on King Island?

**Mr Oldfield**—Sorry?

**Senator HEFFERNAN**—Can you kill anyone’s beef there? Can I gate-take in and get mine killed there?

**Mr Oldfield**—On a contract or you mean sold to—?

**Senator HEFFERNAN**—Yes, on contract.

**Mr Oldfield**—No, it is straight—

**Mr Clemons**—It is King Island producers selling King Island—

**Senator HEFFERNAN**—So I cannot bring them from the mainland and kill them?

**Mr Clemons**—No. You would incur a large cost.

**Senator HEFFERNAN**—It would be stupid, but if for some reason I have the shits with the rest of King Island and I do not want mine to be King Island, I want it to be Wombat Meats Pty Ltd, can I get them killed at your abattoir?

**Mr Oldfield**—No, you would probably ship it to Swifts Abattoir, in Devonport, where they do contract kills and butcher kills.

**Senator HEFFERNAN**—Isn’t there a problem there? Aren’t they having some market consolidation with skins?

**Mr Oldfield**—That is at Longford.

**Senator HEFFERNAN**—But it is the same company?

**Mr Clemons**—Yes, it is the same company.

**Mr Oldfield**—Three things have happened in the last couple of weeks. There is the closure of the abattoir on King Island; there is a major issue between Cuthbertson Brothers and Swifts on the selling of lamb skins;

and, finally, Swift's have announced that they no longer do contract kills for the Australian Lamb Company, which were a buyer of lambs in Tasmania.

**Senator HEFFERNAN**—So they were a service works?

**Mr Oldfield**—Devonport is their main service works, but they were taking Australian Lamb Company lamb through Longford. They have now stopped that, so if those lambs are being slaughtered for domestic consumption they could go to Devonport. If they are to be exported, they now have to go to the mainland to be processed.

**Senator O'BRIEN**—Do you have details of the proportions or the number of cattle killed on King Island versus those shipped off?

**Mr Clemons**—About 28,000 to 30,000 are processed on the island annually, and about 9,000 to 12,000 go off the island either to feedlots or to other outlets. Currently, you would have to say that Greenhams are taking cattle.

**Senator HEFFERNAN**—Does that relate to 100 cattle per day, for instance? How many do they kill per day?

**Mr Clemons**—It is 160 a day, which is roughly 800 per week.

**Mr Oldfield**—There is one point that I should have mentioned. The second part of our submission relates to the protection of the brand once it goes to a retail level. If you wander around South Melbourne markets, just down the road here, you will see so much King Island beef on display that, if you had that much King Island beef being produced, it would have to be a bloody big island. How do we protect that brand integrity going forward? You see some very poor standard cuts of meat with the King Island stickers stuck in them. To the extent that, when I was there on Sunday, I started to think that some butchers are simply getting some King Island beef, cutting out the label, sticking it on the spike and whacking it into the meat. Again, that will affect the integrity of the brand, and that is the second part of our concern.

**Senator O'BRIEN**—A throughput of 160 is small by today's abattoir terms, and I suspect the economy of the processors has been a concern for the current and the previous operators of the plant. Is there some way that the throughput could be increased by working with the producers?

**Mr Clemons**—We are covering that now with forward contracts. We were not too keen on that, but they offered them and we are in the process of doing it again this year. Swifts have bought up to 1,400 head of cattle, and they are out on agistment and out on backgrounding on the island now. When they arrived on the island we said to them that it would take 18 months to get this new focus going. We have changed our production systems. It used to be bullocks when SBA Foods owned it two owners ago and it all went to Japan. The focus is now on the domestic market, and we have changed our production programs to do that. As far as the producers are concerned we are heading in the right direction.

**Mr Oldfield**—If you are producing a commodity type product through there it would be a major problem. That is why it needs to be a specialty market going through that abattoir and a high brand recognition. The point is that Swifts bought that operation in May last year. They did not have to buy it; they knew what they were buying. They knew when they were buying it that it was noncompliant on some environmental issues.

**Senator O'BRIEN**—They bought all the one-operator plants, didn't they?

**Mr Oldfield**—But they did not have to. They had the option of buying bits and pieces, but they chose to buy the whole lot.

**Senator HEFFERNAN**—So do you think they bought it for the brand?

**Mr Clemons**—They stated quite clearly when they came to King Island: 'We've bought this plant because we believe that the brand is valuable.'

**Senator HEFFERNAN**—So will they have the same problem with the Melbourne markets that you fellows are having?

**Mr Clemons**—Yes. They have been complaining to us about leakage from the system.

**Senator HEFFERNAN**—So are the kill costs any different on the mainland?

**Mr Oldfield**—Yes. One of the reasons is the energy cost, and the labour cost to some degree.

**Senator HEFFERNAN**—Is it double?

**Mr Clemons**—The energy costs are three times that of the Longford plant, which is the other plant they operate in Tasmania. Everyone has been aware of that for the last 15 years.

**Senator HEFFERNAN**—Is that reflected in the premium for the meat?

**Mr Oldfield**—The farmer is not getting a premium for the meat; the owner of the brand is getting the premium.

**Senator IAN MACDONALD**—The King Island brand is good around Australia. Do you have a quantifiable percentage that people pay for the name, whether it is used properly or improperly?

**Mr Clemons**—There are three cuts that attract a premium in the marketplace. With the rest we were trying to get the value adding going, and Swift had started down that track with sausages, mince and all that sort of thing. We were going down the track of trying to add value to the whole show so we all share in the profits, them and us. However, they seem to see it differently—

**Senator FISHER**—Senator Macdonald's question raises an important issue because, if you are fighting for your future and you want to argue that King Island has an added value which it loses by others being able to assume your identity, it would bolster your argument if you were able to somehow substantiate in monetary terms that added value.

**Mr Oldfield**—But that added value is not coming back to the farmer. That added value is coming back to the principal who is currently marketing the beef. The value to the farmer is that if that brand value does not exist there is not any point in having the abattoir, and that is when it hurts the farmers, because the farmers need their own processing—

**Senator FISHER**—Exactly.

**Mr Oldfield**—But the farmer is not getting the premium price.

**CHAIR**—It is all very relevant, but I believe Senator O'Brien has some questions.

**Senator O'BRIEN**—I am interested in the economics of the operation as well as the brand because obviously business is business and if we want to keep a business there it has to be economic. The overall power costs on the island are higher than on the mainland of Tasmania and mainland Australia. Is that likely to change?

**Mr Oldfield**—It may change in a perverse sort of way. As the price on the Tasmanian mainland goes up they tend peg it on the island. They are arguing now to government that the differentiation is less in recent times, not because power has come down on the island; it has gone up on the mainland of Tasmania. So there is still a discrepancy and that is something that the Tasmanian government has today said it will actively look at. As part of the so-called rescue package there may be a chance we get a better slice of power. There is one other very important point: until about two weeks ago the representative from JBS Swift was the chairperson of the King Island branding committee. That committee, under the leadership of someone from Swift's, argued very strongly that beef had to be processed on King Island to be a King Island product. That was Swift's position until two weeks ago, when they made the marketing manager redundant and changed their view.

**Senator HEFFERNAN**—Can I just ask a couple of questions?

**CHAIR**—No, we have others who want to ask questions. If we have some more time we will come back to you.

**Senator O'BRIEN**—In terms of the carcass proportions, you are talking about the three cuts that are marketable under the brand and possible future ones. What sort of proportion of the meat is currently not able to be marketed under the King Island brand?

**Mr Clemons**—There is a person in the room who could answer that question.

**Senator O'BRIEN**—You could take that on notice.

**Mr Oldfield**—That would have to be answered in a technical way.

**Senator O'BRIEN**—I think what you are telling us is that it is those three prime cuts to which any extra value adds for the processor and the other cuts do not. Is that right?

**Mr Clemons**—They do not, but we were down the track of value adding other cuts. For example, Patties Foods and Tasman Meats, who owned the processing plant before, had a contract. They were doing a gourmet pie. The pie was, I think, 32 per cent chunky meat. It was a very successful item and that was value adding to

the lesser cuts. That process was on track. If you can make extra money out of the poorer cuts then you cover your costs.

**Senator O'BRIEN**—Regarding the labour market on the island, in the past I can recall there were problems getting labour to the island and problems with accommodation for labour brought on to the island. What is the situation now?

**Mr Clemons**—The employees are housed; there are enough employees there; the plant has been operating. It is an issue. We had a group of Koreans there on temporary work visas. They have done a fantastic job. In fact, a couple arrived at the plant on Monday as others went back and their jobs were not there. It is an issue. We are in an isolated area.

**Senator O'BRIEN**—I am just wondering what sort of labour issues exist at the plant as well in the context of what is going on at the moment.

**Mr Clemons**—Perhaps there will be a bit of labour around that will be skilled and that will come back to the meat industry. I think it is a problem for the meat industry, anyway.

**Mr Oldfield**—This is a major problem for the island at the moment. Swifts have taken this extreme action of an unannounced closure for eight weeks. Every day that closure continues the less chance there is of that works starting up again because the labour will move away. They cannot stay on the island if there is no work.

**Senator HEFFERNAN**—How many cattle on the island and how many cows?

**Mr Clemons**—There is roughly 100,000 head of cattle—

**Senator HEFFERNAN**—That is a reasonable herd.

**Mr Clemons**—It is 20 per cent of Tasmania's beef herd. And 7,000 of those are dairy cows; the rest is beef. There are about 40,000 or 50,000 in the breeding herd. As I said, 28,000 to 30,000 cattle are processed through the works and 9,000 to 12,000 are shipped off the island to feed lots or other places.

**Senator HEFFERNAN**—Do you think the viability of the cattle herd is going to be put under great stress when the works shuts? How much is the hook price at the King Island abattoir?

**Mr Clemons**—The hook price is extremely competitive. We are basically happy with the price being offered to farmers

**Senator HEFFERNAN**—Is it the same as the mainland?

**Mr Clemons**—It is. Greenhams and our price is basically the same. Greenhams are paying the freight to take the live animals off the island. That is what they are doing at the moment. Whether that continues with the abattoir not operating—

**Mr Oldfield**—One of the issues now is that the port simply could not deal with the increased volume of live animals going off. It does not have the ability.

**Senator HEFFERNAN**—Australian beef producers are going to have to get used to this because I think we are going to get done in by this Brazilian mob.

**CHAIR**—Senator Heffernan, your colleague wants to ask some questions too, so I would like to—

**Senator HEFFERNAN**—Can I just put on the record that when Australia Meat Holdings sold out to this crowd—when there was contingency quota in America that could have been available when we had meat quotas into America—they wanted the contingency quota spent somewhere else in the world because it was in their better global interests not to bring that quota to Australia. These blokes will give us a proper one up the back passage in due course.

**CHAIR**—Senator Heffernan, I am sure you can have a private conversation in those terms if you want to. That terminology does not have to be on the record.

**Senator COLBECK**—Mr Clemons, can you just define the three cuts. There is obviously the cube roll, which is probably one of the prime cuts. What are the other two cuts that are the prime—

**Mr Clemons**—The eye fillet, the porterhouse and the rump.

**Senator COLBECK**—And the rest of the product, apart from the ones that you are trying to develop into value-adds, effectively goes through into the commodity market?

**Mr Clemons**—That is right.

**Senator COLBECK**—You have talked about the impact on the supply of labour. What about the level of integration of the employment at the abattoir with the rest of the island economy? Surely there is a lot of crosspollination. Given that it is a very defined community and economy, that would obviously have to have some impact on other employers on the island. That is the experience that I have had from my visits there.

**Mr Clemons**—Do you mean if the abattoir closes, what happens to the employees? They will leave the island.

**Senator COLBECK**—And that could potentially impact on the dairy and a whole range of other businesses that—

**Mr Oldfield**—It will affect everything down to fuel costs. If all of a sudden the abattoir closes the cost of energy will probably rise on the island, strangely enough, because the volume of fuel coming in to run the energy component of the works will change, and the average consumer will have to pay more. That goes to the whole core of why we want to maintain the brand integrity. The islanders need to benefit, and employment is critical on the island. So if you lose the works and are able to process that meat elsewhere then the islanders miss out on the value of the brand. And the whole value of the brand will be of value only to Swifts, and not to the island. That is the dichotomy at the moment, I guess.

**Mr Clemons**—It is unfortunate that the abattoir has closed, otherwise this would be a straight argument about a branded product being protected and the integrity of it assured. This has clouded the issue. If the abattoir closes, King Island is back to the 1960s. It is as simple as that. You have got to get your cattle off on a boat. Logistically, at the moment that is basically impossible. Whilst I am happy to canvass closure and its impact on King Island, I would really like to focus on the brand, because I think that is the only way that we will keep the abattoir going. I am not hopeful, but if you do not try you never find out.

**Mr Oldfield**—As we have said, there is no legislative protection at the moment for that brand.

**Senator HEFFERNAN**—I think it is a reasonable thing for this committee to take a really keen interest in. It is a pity I did not know; I would have gone down there and had a crack at them.

**Senator COLBECK**—You will have a chance next week, Bill. Let me come back to the point.

You mentioned that the representative of Swifts was the chair of your branding committee. My understanding is that there was some concern. Greenham's were obviously providing some competition in the market for cattle on the island and the cattle were being shipped off to mainland Tasmania and processed at their Smithton plant. Obviously, Swifts, while they were still in the system, were concerned about that potential competition of branding product that was coming off the island and being processed somewhere else and potentially being marketed as a King Island product. It appears that their perspective has changed significantly somewhat in that short period of time, given that they now plan to process their product here in Victoria, as I understand it, at Brooklyn. There has obviously been some concern for a period of time about the cattle going off to Smithton and being processed at Greenham's although that does provide some competition in the local market for cattle at farm gate.

**Mr Clemons**—The irony of it all is we are here to support Swifts and to keep the branded product a genuine article. It just happened that last week they closed the abattoir and we have a different perspective on things at the moment. Our initial submission and the reason why we were attending today was about our supporting Swifts, because we wanted the brand for King Island and not for every Tom, Dick and Harry.

**Senator COLBECK**—There has been a growth in regions around the country looking to brand themselves and to market themselves as a branded product. Obviously, your submission supports a process whereby there is a capacity for some legislative protection, whether it be King Island or whether it be Yarra Valley or whether it be Coonawarra or something of that nature, although there is some protection within the wine sector. So you are looking to see some complementary types of measures put in place to actually support that process.

**Mr Clemons**—As well, we came here to really look at the broader picture and the picture for Tasmania in particular. It is about the broader regional areas, to say that if they have got a brand it should be protected. Jenny could probably expand on that.

**Ms Thorn**—The main problem that we have faced in the last year or so in which I have been involved is that we, as producers of King Island products, are expected to provide the evidence against misuse of our name. Under the country of origin divisions, the evidentiary burden is on the person that puts the label on a product to verify the truth of that label. That is not as it is on King Island, with producers having to say, 'Well, this product is clearly not a King Island product.' How are we as a group supposed to find the evidence and

produce the evidence? Then, as at the moment under the Trade Practices Act, our only recourse is to take civil action. In the year that I have been doing this since April 2008, there have been 19 cases brought to our attention of misuse of the King Island name. We have not sought that information; people have brought it to us. Only seven of those cases have been resolved. So we have 12 unresolved cases in a year of the misuse of the King Island brand.

**Senator HEFFERNAN**—What happened with the seven that got resolved?

**Ms Thorn**—One of them was a very simple one. KI was Kangaroo Island, not King Island. It was a misprint. Other ones that we have asked people—

**Senator HEFFERNAN**—Did they remove the labels?

**Ms Thorn**—Yes. There was actually a misprint in a magazine and they printed—

**Senator HEFFERNAN**—That was the seven?

**Ms Thorn**—That was one of them.

**Senator HEFFERNAN**—I see. With the bulk of the seven what happened to them? Did they get rid of their King Island labels?

**Ms Thorn**—Yes, they changed their printing or their website to truly reflect what they were selling in one case. They were fairly minor items. The more expensive and bigger items—such as Pattie's Pies or the—

**Senator HEFFERNAN**—But, if we go down to the Melbourne market today, can I find branded 'King Island' Gippsland meat, as it were?

**Mr Oldfield**—You will find allegedly King Island meat all over the place, and you would not know where it came from.

**Senator HEFFERNAN**—So what is the legal position, other than misleading advertising?

**Mr Oldfield**—You would have to go through state consumer legislation to see whether there was some protection there. But the mere gathering of that evidence, as Jenny said, becomes a major issue. To go to a retail butcher and say, 'Start producing your receipts', would require some legislative support. South Melbourne Market on Sunday was marketing King Island crumbed schnitzels. Lord knows where they came from!

Could we just offer up two pieces of supporting documentation that is in relation to brand names? You will see—

**Senator HEFFERNAN**—So what you need is full traceability, don't you?

**Mr Oldfield**—You need full traceability. You need a legislative framework, first of all to define where the meat should be processed—as the senator said, like there is in the case of wine—and then you need the framework to be able to enforce that. Unless you can enforce it, there is no point having strong brand legislation.

**Senator IAN MACDONALD**—Can I ask one question. You cannot buy Australian 'champagne' anymore. I think that is a WTO ruling, isn't it? Is that of any comfort to King Island in the context of a regional name?

**Mr Oldfield**—We were just talking about that before. With the French appellation control, you cannot even call it 'champagne' in France for export—champagne has to come from Champagne. We would see that sort of approach to King Island as being something worth supporting.

**Senator IAN MACDONALD**—In the French example, that is an international convention somehow?

**Mr Oldfield**—Yes, it is.

**Senator IAN MACDONALD**—You have looked into this, obviously.

**Mr Oldfield**—I have not. I am aware that it is through international agreements. If you remember, champagne was the first one to go. Then they started to work through Australian bordeaux, burgundies and a whole range of things. I think Jenny probably knows more about the international part of that than I do.

**Ms Thorn**—I understand that the country of origin subdivision of the misleading practices clause, going to not being allowed to mislead the consumer, was really introduced to fit under the World Trade Organisation rules. There are rules specifically for country of origin products that are not Australian products. But, as an Australian product, we do not have the same clear laws that would allow us to—

**Senator IAN MACDONALD**—But champagne, as Mr Oldfield was saying, is part of that.

**Ms Thorn**—Yes. Our law protects Champagne but not King Island.

**Mr Oldfield**—And there cannot be a state law to offer that protection, because we could not enforce a Tasmanian law in Victoria.

**Senator IAN MACDONALD**—Perhaps I am asking the wrong people, and we should do the research to find out just how the champagne thing works, because it is obviously international. One would think that it must have a base in France. Kerry, do you know—

**Senator O'BRIEN**—Champagne is a place.

**Senator IAN MACDONALD**—So is King Island. Do you know the origins of where that champagne law comes from?

**Senator O'BRIEN**—Through negotiations between Australian and the European Union about—

**Senator IAN MACDONALD**—I think it is worldwide, isn't it?

**Senator O'BRIEN**—I think we have had specific negotiations, and France, through the European Union, has been very protective of place names associated with wines—and now cheeses as well, I believe.

**Senator IAN MACDONALD**—Anyhow, someone should perhaps do the research.

**Senator COLBECK**—In Australia it is under the Australian Wine and Brandy Corporation Act.

**Senator HEFFERNAN**—Could I just ask a question. Congratulations, by the way, on the King Island branding proposition. It is a great innovation; a bit like Yellowtail wine—it does not necessarily mean their wine is different from anyone else's, but it is a great advertising thing. So is King Island. I don't know whether your grass is any different from my grass—

**Mr Oldfield**—Yes, it is!

**Ms Thorn**—Absolutely!

**Senator HEFFERNAN**—We will argue about that. But do you think it would be fair to say to this committee that perhaps the viability of your beef industry could be on the line here?

**Mr Clemons**—It is certainly compromised, purely because now we are dependent on a boat putting cattle off the island. So, if there is a missed sailing because of the rough weather in Bass Strait, and you have a thousand head of cattle to go this week, there is a backlog and you have to keep your cattle in your paddock.

**Senator HEFFERNAN**—So, from Swift's point of view—and obviously, they are a commercial operation and their directors have an ASIC obligation to maximise the profit for their shareholders—

**Mr Oldfield**—They are not an Australian listed company.

**Senator HEFFERNAN**—In any event, the reason they would say that they are closing it is that it is not economic. Would that be correct?

**Mr Oldfield**—They have given two reasons: power costs and the environmental work that is needed. The test for them will come if the state government offers assistance, which they may well do. What will they do then? If the state government offers that assistance and Swift chooses still to close the abattoir, we would strongly argue that the abattoir be sold to someone who wants to run it.

**Senator HEFFERNAN**—That was where I was heading. Obviously we will create a bit of comfort for you out of this. If it is good enough to put bloody pink batts in people's houses then it ought to be good enough to spend a couple of million to sort out your abattoir.

**Mr Clemons**—I think that is a very positive statement.

**Mr Oldfield**—I would have to say that to date the action of the Tasmanian government has been supportive. They have been concerned about the actual event of the closure but equally concerned about the way it was done.

**Senator HEFFERNAN**—Hopefully when the people of King Island wake up tomorrow morning they will hear the bugle and that will be the cavalry coming.

**Senator COLBECK**—Mr Clemons, you just talked about the focus on the domestic market. My understanding is that since Swift took over they have actually started to move back towards export. I know that Tasman was very much focused on the domestic market and their predecessors were effectively sending the product to Japan, largely. But my understanding is that there has been a bit of a focus back towards particularly the US market with the network that is available to the island through Swift.



**Mr Clemons**—Swift Australia have got markets all over the world. King Island is a branded product. They stated quite clearly that the King Island brand is for the Australian domestic market. The specifications given to us are generous ones. We have changed our production systems to meet that specific market. They do export Jap Ox to Japan—one a fortnight from King Island, under a King Island name.

**Senator COLBECK**—So the other stuff that would be going out would be more commodity based stuff?

**Mr Clemons**—Yes. Old cow is an export commodity. I have not got an argument with that. But when you have a specific product aimed at a specific market under the King Island brand, that is how you are going to get the viability of the King Island abattoir and the viability of the King Island economy.

**CHAIR**—Thank you for your evidence.

[10.22 am]

**POINTER, Mr Michael Alexander, President, Australian Branded Beef Association**

**MORICE, Mr Dan Hamilton, Owner/Director, Hereford Prime**

**CHAIR**—Welcome. The Australian Branded Beef Association has lodged submission No. 40 with the committee and Hereford Prime has lodged submission No. 30. As you have both stated that you do not wish to make any amendments or alterations to your submissions, I invite you to make brief opening statements.

**Mr Pointer**—First of all could we acknowledge the fact that you have extended this inquiry to include beef in particular, and we thank you for that. Our original submission was dated 2 May 2008 and that basically set out the background of the Australian Branded Beef Association—who we are and what we represent—and that constituted our detailed submission.

Before going on I would like to comment on Rod Polkinghorne's presentation and very strongly support virtually all of the things that he had to say. I would like to make the comment that the brands are genuine brands—not labels on boxes—which have a discernable proposition for their development and they are delivering the value proposition that Rod talked about. And those brands are taking out the variability; they all give the consumer certainty in the product that they are buying. They are also delivering education to the consumers and they are delivering, in the most part, full traceability, by a cut, through the use of DNA technology at the point of grading.

The wine analogy was used a little earlier and it is a very good analogy to use in the case of branded beef. The brands are in fact presenting the same sort of proposition to the consumer that the wine brands present to the consumer and then delivering on that proposition. To summarise the submission that we put forward, there were really three components to it. One was misrepresentation of brands and terminology—breed claims and certification claims. On the matter of misrepresentation, for instance, there is a big difference between prime beef and cow beef and to assert that cow beef is budget beef is a euphemism for trying to sell something as in fact better than it is. They both have their place in the market but the consumer is entitled to know what he or she is buying and eating. I guess the recent problem of wrapping imported pork in Australian bones and calling it Australian pork is another matter that falls into that category. We go on to talk about the use of terms such as 'tender', 'natural', 'free range' et cetera without any technical or scientific reasoning backing up that proposition. How can anyone sell a product they are calling 'tender' when it has not been subject to the Meat Standards Australia grading system? It is purely and simply a guess.

**CHAIR**—It is misleading.

**Mr Pointer**—That is exactly right. If you use the term 'organic' as another example, at least there are organisations—although there are six of them—that are certifying the term 'organic'. There is a system there to determine that. We believe that there should be systems in place to do that. The other issue is that of regional claims, and you have just heard a very, very good argument as to why regional claims should also be included in that. That was an excellent presentation by our colleagues. There are not only King Island products but also other regional claims being made for beef and there should be a method of determining whether a product does emanate from those regions.

Our second proposition is on breed claims. Of course there are brands out in the marketplace that claim to be wagyu, hereford, angus or other breeds. We would assert that there should be a proper definition of what constitutes a breed, and there is a major difference in the eating quality of various breeds of cattle. To give you two examples from one end of the spectrum to the other, wagyu and brahman are vastly different products. They cannot be lumped together and just sold as beef. If there are claims being made then the product needs to be precisely what it says it is. I think the wagyu example is an interesting one because there is a lot of product being marketed that is in fact wagyu-friesian cross. You could ask: is it wagyu or is it friesian? It is a marketing point.

In that area there are three members of the Australian Branded Beef Association who in fact make breed claims. One of those members has a specification for a minimum of 50 per cent of their breed. Another one has a specification that requires 75 to 100 per cent of that breed to be able to be branded with that name. The third one requires 100 per cent. So there are people taking action there but that needs to be underpinned. We are advised that in fact those sorts of things could be underpinned by regulation and they do not need legislation to do it. We believe it would be extremely helpful if this committee were to make some recommendations on that matter.

The third matter that concerns us is the use of certification and certification processes. We would assert that for any product to be able to claim the word 'certified' the product should be the result of a documented and transparent process which clearly sets out the process that guarantees delivery against the certification statements. The certification statements should be publicly available. They should be overseen and audited by independent third-party approvers such as Aus-Meat Limited and AQIS—and the systems are there to do that. We go further to say that, where that certification name is added to a breed, the relevant breed society should tick off on the certification process. The breed societies are the owners of the herd books and basically the owners of the intellectual property of those genetics. They should be the ones to tick off on the process that is certifying that that product is the breed that it purports to be. With those brief comments, I would like to turn over to my colleague. I would then be very happy to answer any questions.

**Mr Morice**—I will give you a bit of background. I am just an old cocky who bought a hereford prime meat brand and decided to give it a run. I have been in the game for a couple of years. I see a lot of anomalies in this area, and when I look at this I look at a couple of issues. One is that the farmer goes out and does all his paperwork and get everything right. The second thing is the processor, who has AQIS and Aus-Meat in there jumping all over them. The meat is put into a box and, as the King Island fellows will tell you, it goes out into the never never and people can do whatever they like with it. I think it is time that we actually got together and put a system in place where the three things work together—having not just two groups working hard but also the third group working hard to tell the consumer the truth about what is actually in that box. I think they have the right to know from their butchers and their wholesalers through to the maitre d's in restaurants et cetera exactly what they are getting on their plate.

**Senator HEFFERNAN**—Is that an argument for full traceability?

**Mr Morice**—Basically, yes it is. I think it is an argument for that and I also think people have to stand up and be counted in the whole of the industry. I think that particular issue canvasses most of what we have been talking about today—traceability and getting it right for the consumer so the consumer is educated.

**CHAIR**—Thank you, Mr Morice. Where I am struggling with this is that I cannot see why a consumer cannot walk into a shop, look at the price tag, look at the meat and make their own educated decision—whether it be based on what their tummy tells them or what their wallet tells them. I really struggle with why we cannot have that here.

**Mr Morice**—I struggle with why we cannot have that as well, but there is a component in there called money. Everybody wants to make a quid.

**CHAIR**—Yes, and we all want everybody to make a quid as long as it is done honestly.

**Mr Morice**—That is exactly right and that is my point.

**CHAIR**—Could you tell us why—and we know about the Meat Standards Australia system that Mr Polkinghorne was talking about—this has been so unpopular with retailers?

**Mr Pointer**—I think Mr Polkinghorne gave you the state of play with the supermarkets. The problem is that there is a very high percentage of beef product that will fail to grade under the MSA system and there are a lot of people who want to be able to sell that meat basically as a commodity. There are lots of butcher shops that are simply selling a commodity. The brands that we are talking about are not in every butchers shop; they are in some of the supermarkets. Some of the supermarkets take them on as premium product brands, and a lot of retail butchers take them on as premium product brands—and they are priced accordingly.

What we are saying in that respect is that the brands do perform a useful function in educating the consumers you are talking about, who understand why they are being asked to pay X dollars a kilogram more for brand A, B or C than they are for the generic commodity product. Indeed it is happening, because these brands are growing, as consumers are beginning to understand that they are delivering on the value proposition that they are presenting and that they are in fact worth what they are being charged for because they perform and the variability is taken out of it.

Rod Polkinghorne made the point that you can buy a piece of meat as a commodity and one day it is fine, the next day it is tough and the following day it is different again. The brands are taking that variability out of it. All the brands that are members of the Australian Branded Beef Association are in fact using the MSA technology to underpin their brands. Some of them go over and above that technology; some of them just use the basic MSA technology. They have their own value propositions that they are putting forward and consumers are understanding that. It is the same reason you would buy a bottle of Grange Hermitage the day

you won the election whereas the day you lost it you would probably go and buy a bottle Jacobs Creek—you know what it is you are going to buy.

**Senator HEFFERNAN**—I think that is a con job.

**CHAIR**—I think that is a very good point, because to go and buy Jacobs Creek you have got to be a bit sad.

**Senator HEFFERNAN**—Plenty of good wine gets put into no-label bottles—

**Mr Pointer**—Particularly in the Riverina, Senator.

**Senator HEFFERNAN**—and cask wine gets put into bottles. Can I go to the question of who fails the MSA test. You say that a lot of cattle would not make the grade. What sort of cattle?

**Mr Pointer**—First of all you make a division between bos indicus and bos taurus cattle. A lot of bos indicus cattle will not make the grade. That is a fact.

**CHAIR**—Sorry, Mr Pointer, that has gone flying over my head.

**Mr Pointer**—Bos indicus cattle are Brahman, Santa Gertrudis—fundamentally, the northern cattle; the bos taurus cattle are the British and Euro breeds. In the work that Rod Polkinghorne did there was a very definite difference in eating quality. In the MSA grading there is a component for the percentage of bos indicus cattle that might be included in the product. That impinges on the eating quality of the product. There are also cattle that have been stressed, cattle that are well over maturity, cattle in plants that do not meet—

**Senator HEFFERNAN**—I hear what you are saying—

**Senator IAN MACDONALD**—Can you let the rest of us hear what he is saying.

**Mr Pointer**—Cattle in the plant that do not meet the temperature pH decline and cattle do not meet the ultimate pH test. All the requirements under the MSA system are all measuring the things that impinge on the eating quality of the product. There are a whole lot of reasons why cattle can fall out of that.

**Senator HEFFERNAN**—But there are a whole lot of reasons why the producer might be the loser in this. I mean, things can go wrong after they leave the farm to fail the test.

**Mr Pointer**—That is right.

**Senator HEFFERNAN**—There could be some penalties due to bad transport, bad abattoir management—a whole range of things. The poor old grower says, ‘Crikey, mine didn’t make the cut, and they should have.’

**Mr Pointer**—That is one of the reasons these brands are able to deliver against the value proposition, because they have created a supply chain and the supply chain is managed by somebody within that system. In some cases it is the brands themselves that manage the supply chain. So they are managing what takes place on the farm; they are managing all those things that you were talking about.

**CHAIR**—Mr Morice, were you going to add some commentary to Senator Heffernan’s question? Please feel free to jump in.

**Senator HEFFERNAN**—Yes, throw things; do what ever you like.

**Mr Morice**—I basically want to back up what Michael was saying about the MSA grading system. I think it is extremely good. Senator Heffernan was asking: would I be penalised. You would only be penalised if you were not doing the right thing.

**Senator HEFFERNAN**—No, no; the point I was trying to make is—

**Mr Morice**—What I am saying here is—

**Senator HEFFERNAN**—No, you are not going to get away with that.

**CHAIR**—Hang on.

**Senator O’BRIEN**—You have got all the time in the Senate to say what you like. This is time for the witness.

**Senator FISHER**—I want to hear the witness.

**CHAIR**—We would like to hear Mr Morice’s explanation.

**Mr Morice**—How I see it is this: when these cattle go through the processing system, as farmers we—you and I—do our very best to put up the best that we can. When we do that we do it in various ways. You do it differently from me. I do it differently from my next-door neighbour. When it comes to the MSA, they do not let any farmer get away with anything. They mark it as it should be. The pH has to be right; the fat balance has

to be right—everything has to be right, to a grade, so that the consumer has a product that is absolutely guaranteed. If farmers are not getting the right money for their products it is because their cattle do not grade. That has nothing to do with the processor—it is in what is delivered to the processor. It is about what you have done on your farm. Maybe you have mixed your cattle before you sent them in. MSA will only let you put those cattle direct from your farm to the abattoir. They cannot go into a sale yard because they cannot be mixed.

Therefore, MSA is giving you a better chance of guaranteeing that specific product to the consumer, because it goes through the rigours of a test—the MSA grading system. I think that is very important. As farmers we have to realise that we have a component to play in this. We all have to do it, and when we have it right it will work simply. I think this MSA system is extremely good.

**CHAIR**—So what you are saying, Mr Morice, about the MSA grading is contrary to what Senator Heffernan has just said, which was that once his cattle have left his farm gate he cannot be blamed—I think that is what I am getting—if there is breakdown in the supply chain: the cattle are killed wrongly or left in a feeding lot too long. You have just dispelled that, under the MSA standards.

**Senator HEFFERNAN**—Or not put on water or—

**Mr Morice**—It is basically the system these cattle have to go through. I honestly believe that this is the track we should go down, because it gives us records. It tells us exactly what has happened to a beast. If you get your cattle into the yards and they are mixed with other cattle, they scrap their pH, everything changes physically and they do not die well. There is room for sale yards—don't get me wrong—for store sales and all sorts of things, but if we want to get it really right, and protect our brands, this is what we have to do. We have to make sure our brands are protected at all times.

I back up Michael Pointer's point. The breed societies carried the genetics of these cattle, so they should okay that that is exactly what it is. I believe in honesty and truth in the whole goddam thing.

**Senator HEFFERNAN**—How do you supply market power, though, if you do not have a sale yard?

**Mr Morice**—I said that you do have a sale yard, but not necessarily for the type of cattle we are talking about. You must have sale yards for store cattle and you must have sale yards for other areas but if you want to get a really good graded product you have to go past the sale yards.

**Senator HEFFERNAN**—I sell direct to the abattoir but the abattoir would eat you if you did not have sort of market indicator and market power out there. You might not say that but, mate, they are all likeable rogues. We know that.

**Mr Pointer**—Senator, you have plenty of competition amongst the feedlots and the abattoirs to buy your cattle.

**Senator HEFFERNAN**—Yes, I have heard all that before.

**Mr Pointer**—The fact is that you have. Today the majority of cattle are going into high quality products. Rod Polkinghorne is right.

**Senator HEFFERNAN**—I agree with him.

**Mr Pointer**—We have two different industries: we have the commodity trade—and that looks after the sale yard business—and we have the high-quality products that are represented by the brands. Most of the branded product is going directly from the farm to either the feedlot or the plant. I would suggest to you that in most cases the farmer who is supplying directly to the processor—it doesn't matter to which major processor—are getting a better price for their cattle than if they put them into the sale yards.

**Senator HEFFERNAN**—But there has to be market power there for the abattoir to strike a price.

**CHAIR**—Mr Morice, that made it very clear to me. What we are talking about here is the top end of the pyramid in beef.

**Mr Morice**—And it has got to be totally protected and honest and open so that the butcher shop or someone selling it down at the markets says, 'This is King Island, and it bloody well is King Island. It is nothing else but King Island.' It is CAAB. It does not matter what it is, as long as they say it as it is. I have been through many a butcher shop and I have seen mislabelling. An instance is with MSA. The MLA have let a specific company put their MSA stickers on the outside of their cryovacs.

**CHAIR**—What sort of sticker?

**Mr Morice**—An MSA sticker. It certifies that that piece of meat has been MSA graded. So when the housewife comes in and buys it directly from me if she sees MSA on there she knows that it has jumped all the hoops and gone through all the hurdles. So she is getting exactly what it says she is getting. But, when processors are allowed to stick the MSA sticker on the outside of the cryovac bag instead of inside on the meat, it leaves it open, as you would all understand very clearly, to it being put on other products. We have got to get this—it is simple.

**CHAIR**—While we are on that, I notice that you, Mr Morice, stated in your submission that Aus-Meat should have a stronger regulatory role with stiff penalties available for misleading conduct. How efficient are Aus-Meat in policing this.

**Mr Morice**—Good question. I might pass that over to Michael because he has been in the industry longer than me and he might hate me for it.

**Mr Pointer**—The short answer to your question is that they are pretty good. They have got some rigorous processes in place. That is my experience in dealing with them and watching what they do. That is one of the reasons that we say to you in our submission that Aus-Meat and AQIS are to two appropriate bodies to be regulating some of this sort of thing.

**CHAIR**—Have there been any high-profile prosecutions for mislabelling?

**Mr Pointer**—I think there have been. I suppose the kangaroo substitution would be the classic one. I cannot think of any off the top of my head. I know of some slaps over the wrist that have worked. And there are genuine mistakes. I saw one the other day when I was in a butcher shop in Tasmania. I said to the butcher, ‘It might be a good idea if you took the MSA sticker off that tray of pork.’

**CHAIR**—You probably frightened the living daylights out of him.

**Mr Pointer**—But it was a genuine mistake by the employee in the butcher shop. So there are those sorts of things. But I think part of the problem is that a lot of this is industry self-regulation.

**CHAIR**—I am not keen on self-regulation.

**Mr Pointer**—But unfortunately when these things get thrown back to industry you finish up with the lowest common denominator and it is therefore not difficult to jump the hurdle.

**CHAIR**—Not only that, those who are trying to do the right thing are usually the ones who end up getting blistered.

**Mr Pointer**—We are suggesting to you that there is a role for regulation in some of these things that needs to be over and above the lowest common denominator in accepted industry practice.

**Senator HEFFERNAN**—I was in a butcher shop in Sydney the other day and the butcher said that he had just sent a load of branded lamb back to Victoria because it obviously was not lamb, and it bloody well was not. But they still get away with it.

**Mr Pointer**—Sure. We are aware of instances of a product certainly being misrepresented. But, in the current environment, for some of that misrepresentation there is no regulation to in fact impale anybody on.

**Senator HEFFERNAN**—Why would we not have harmonised meat regulation right across Australia instead of having an argument like we do over the rivers at the borders.

**Mr Pointer**—We should, of course.

**Senator O’BRIEN**—In terms of misrepresentation. We have got a process for discovering it and prosecuting it. Do you say that Aus-Meat should be charged with that process, or how else are we going to go down the path of discovering the misrepresentation and prosecuting it?

**Mr Pointer**—Aus-Meat is the body that is there. We do not believe we need to reinvent the wheel. There is a body there that has the expertise to be able to prosecute those things. Let me use the word ‘tender’ as an example. There is a claim being made every day of the week that beef is tender and there is no scientific evidence to back that up—it is somebody’s guess that it might be tender. Now they might be right or they might be wrong.

**Senator O’BRIEN**—So we have to regulate description, do we?

**Mr Pointer**—I think in some instances, and I would certainly say in the instance of breed claims and regional claims, yes.

**Senator O'BRIEN**—Most butchers shops do not specifically say the beef is of a particular breed when they put it in the tray on display. They will say it is sirloin, scotch fillet or rump.

**Mr Pointer**—Exactly, but the point of the pyramid that the chair referred to is a growing area of the market. It is the quality end that is being filled by the brands, and where those brands are making a claim and there is a butcher marketing a product under that brand then that product should be meeting the claims that that brand makes.

**Senator O'BRIEN**—It is simple to say that if he is selling a product as angus, certified Australian angus or as hereford prime and he is describing that in the cabinet as being that then there needs to be a process where that claim can be tested—and if it is inaccurate then there should be consequences. Is that what you are saying?

**Mr Pointer**—Yes, exactly.

**Senator O'BRIEN**—What about other descriptions? The use of the word 'tender' is marketing—it is like using the words 'fresh', 'juicy' or 'freshly dug potatoes' or whatever in terms of descriptives in a marketing sense. What are you saying about beef? Should we have a limited number of descriptors that are available? Is it public education that we need? Or is it something entirely to do with grading and should marketing only be based on the grading?

**Mr Pointer**—I think I would actually support that

**Senator O'BRIEN**—Which do you mean—the latter?

**Mr Pointer**—Yes, the latter. I think in the use of the word 'tender' there should be a scientific basis for claiming that. If you go and buy a piece of meat from a butchers shop and take it home and it is not tender then you have been misled. You cannot be misled if that piece of beef has been subject to the MSA grading technology.

**Senator HEFFERNAN**—Do you agree that half the breeding goes down the neck—that is what my father used to tell me?

**Mr Pointer**—Certainly the nutrition of an animal is very important.

**Senator HEFFERNAN**—I applaud the branded beef and the prime hereford. I think it is fantastic. But if I go to Rockdale—

**CHAIR**—Senator Heffernan, I am going to have to say that you have had more than your fair share of time. Your colleagues are asking questions. With the greatest of respect, you may be the farmer but there are some of us here who have pertinent questions that we do wish to ask

**Senator HEFFERNAN**—Could I just make one final point.

**CHAIR**—It will be your last one.

**Senator HEFFERNAN**—If you have a cryovac product out of Rockdale, they comply to a specification. It can be to various degrees but it is well feed and it is right on the money. If you buy their cryovac product then it is right on the money.

**CHAIR**—Okay, you have made your point, Senator Heffernan. Senator O'Brien did have the call.

**Senator O'BRIEN**—What about Aus-Meat's enforcement role? How are they going to go around and enforce these things at point of sale? That is what I am grappling with here. How are you going to make this work? You are actually going to have to get out there in the marketplace and make it work. I want you to tell me how we should make it work and I want you to tell me how this process would be funded.

**Mr Pointer**—I do not think it would require a great deal of funding. First of all, Aus-Meat are already performing audits in virtually all the plants in the country. At that time they can audit brands that those plants are producing. I think the other way then to deal with it at the consumer end is that Aus-Meat should be the body that a complaint in that area can go to. I am not suggesting that Aus-Meat go out and audit every butchers shop in the country, but they should be the point at which a complaint about misrepresentation can be directed and they should be able to deal with it.

**Senator O'BRIEN**—Most of the fair-trading laws are state laws, aren't they?

**Mr Pointer**—Yes.

**Senator O'BRIEN**—So if this process is going to be uniform then you are going to have to have uniform state laws and you are going to have to empower Aus-Meat in those fair-trading laws.

**Mr Pointer**—It has been suggested to us that the federal minister can actually act on this by regulation. That came to us from both Aus-Meat and AQIS.

**Senator O'BRIEN**—Have you got that in writing somewhere?

**Mr Pointer**—No, it was given to us in a meeting we had with them.

**Senator O'BRIEN**—The committee would appreciate more information on that as to how that could come about—obviously that is an important point.

**Mr Pointer**—I would be very happy to follow that up.

**Senator O'BRIEN**—I would appreciate it if you would.

**Mr Pointer**—That was certainly indicated to us.

**Senator O'BRIEN**—I would have thought that the logistics of monitoring at the point of sale—the fair-trading role—would be much more expensive than the monitoring at processing level. Would you agree?

**Mr Pointer**—Yes, I would agree with that.

**Senator O'BRIEN**—So where would the money come from?

**Mr Pointer**—That is a good question. However I would expect that Aus-Meat should be able to find that out of their own budget. It would be more expensive than the incremental cost of what is happening in the abattoir now but I do not think it would amount to huge amounts of dollars.

**Senator O'BRIEN**—They would have to have more powers, and, one suspects, more inspectors, a complaints monitoring process, an investigative process and a prosecutorial process.

**Mr Pointer**—I think that is right. But I think that probably the 'beware of the dog sign syndrome' would pick up a lot of the problems.

**Senator O'BRIEN**—So you think just the threat of it would work without anything behind it?

**Mr Pointer**—I think you would certainly have to have the ability to be able to deal with the problem in place. I mean just making the threat is not going to work. I think you would certainly have to have the ability to deal with the problem in place, but I think once that is in place then that would go a long way to solving some of the problems.

**Senator FISHER**—So, in the same way that you cited a couple of examples of firing the warning shots across the bows which resulted in changed behaviour, you would suggest here as well that as long as there is this system and structure in place behind it the same thing would occur?

**Mr Pointer**—I think that is right.

**Senator FISHER**—I would like to ask a couple of further questions coming off your answers to Senator O'Brien. If you get your rubbers in terms of a regulatory system, firstly, in referring to perhaps a power for the federal minister to regulate, are you saying you would prefer federal regulation to bit-by-bit state approaches on the issue?

**Mr Pointer**—Absolutely.

**Senator FISHER**—I just wanted to confirm that. Secondly, if you get your rubbers in terms of a mix between regulation and self-regulation—I am talking about mandatory regulation; by regulation I mean compulsory—if, for example, Aus-Meat bears extra costs because of that then you say they should be able to cope with those costs within their budget. But what about if they say they cannot? What if this added regulatory layer results in increased costs that cannot be borne within existing budgetary constraints? Give us a bit more information on your response to Senator O'Brien. Who do you think should bear the cost?

**Mr Pointer**—The cost would be borne by the consumer eventually. On where you levy that cost, it could come from part of the MLA's marketing level levy—and I am sure the board of MLA would not be happy to hear me suggesting that.

**Senator FISHER**—Exactly. I was going to say that you already have levies in your industry in the abroad which are contentious in themselves.

**Mr Pointer**—Sure, but there are various points through the production where there are levies collected for various things and it would be at one of those points, I would suggest, where that would be collected. I think it would be something for somebody with beyond my knowledge to work out where that would be, but there are points at which the levies are collected. I would not suggest for one minute that you introduce another levy.



**Senator FISHER**—I guess I am trying to test what you think is the preparedness of producers to foot a bill for an argument that you are running is ultimately for the benefit of producers, consumers and others.

**Mr Pointer**—In fact all those costs are borne by the consumers in the end. The consumer picks it all up in the end. My guess would be that a lot of producers would be prepared to pay to ensure that their product was getting to the consumer in the way they wanted it to. There is a growing—particularly amongst the cooperating producers in all these brands—awareness amongst those producers that they are no longer in the cattle business; they are in the food business. I think in reality that is exactly the business that they are in.

**Senator FISHER**—Indeed, may I place two questions on notice?

**CHAIR**—Yes, of course, because we only have four minutes left. These questions are on notice so you do not have to answer now—you can come back to the committee.

**Senator FISHER**—Yes, if you can come back to the committee on notice, can you give us more information as to your views about what can be done to better substantiate the regional claims of the origins of products? How do you do that? Is it related simply to from whence the product comes or do you need to look more into the production chain? Secondly, can you give us a bit more information about what you think could be done in terms of the budget brand—in terms of doing away with that and replacing it with something better.

**Mr Pointer**—Call it cow beef.

**Senator FISHER**—Perhaps you could respond on notice

**CHAIR**—That is a very important question but Senator Colbeck has been waiting to ask some questions and I am mindful of the time as we do have witnesses further down the program today who are on really tight timeframes. So, Mr Pointer, could you please take those questions on notice and come back to us on them.

**Senator COLBECK**—I would add my weight to the question of what you call budget beef because I think that is an important question as part of the overall process and I would be interested in your response to that, obviously on notice. It has come up in a lot of submissions we have received. Your organisation represents groups that are both breed specific and regionally based. I was interested in the comment you made in your submission at page 2 where you said it has become practice to ascribe the region of processing to a beef product and not the region of production of the cattle. As you would have heard, the previous group of witnesses from King Island had a specific view with respect to effectively both of those issues—the production and also the origin of the cattle.

Given that you actually have a foot in both camps with respect to breed and locality, how do you balance that? Effectively King Island are trying to protect their region on the basis of production. I suppose it is obvious to us all that it is not possible to have facilities to process in all of the regions, and yet it works quite contrary to what they are saying in respect to their particular product to protect the region of origin.

**Mr Pointer**—I was very interested in the strong position that they took on that, and I respect it too and understand exactly where they are coming from. In the submission we made we considered the hypothetical case—and this is the sort of thing that has happened—where cattle are bought from western Queensland, finish up at Warragul in Gippsland and are slaughtered there and the product is sold as Gippsland beef. The view behind what was in our submission was that beef that had a region ascribed to it should be from cattle coming from that region rather than cattle coming into the region and being processed in the region. I understand and have sympathy for the King Island position. If it were determined that a regional brand should constitute both cattle that come from the region and that are processed in the region, I think we would support that for what are very good reasons.

**CHAIR**—We are past time, but I would encourage you to squeeze another question in.

**Senator COLBECK**—I do have a couple. You talked about the labelling and the variation in product volume, where a product is ascribed to a region, it has some material added to it from a different region and the variation in the percentage of raw and imported product is prescribed on the label. It might be something you could come back to us with on notice. I come from the north-west of Tasmania, where we have had a huge argument over vegetable processing and imported vegetables and trying to get the labelling right, particularly with respect to a variability in the volume. How you do that without putting a huge additional cost on the processing and labelling of the product is something I am interested in.

On page three of your submission, you talk about how a product:

... claiming to be derived from a particular breed should be genotypically a minimum of 50% the claimed breed.

I am interested as to where you got that number from and whether you think that is actually enough. If I were to buy a piece of Angus or Wagyu or something like that and it was only half—

**Mr Pointer**—Or Hereford.

**Senator COLBECK**—Or Hereford. I do not want to discriminate here in any way but, coming from the dairy industry, if I had a Holstein-Friesian-Jersey cross, I would be very reluctant to describe it as one or the other; it would be a cross. So I am interested in the fact that you are saying as part of your submission that 50 per cent of a genotype could be claimed to be from that breed.

**Mr Pointer**—I explained earlier that amongst the members of the association there are three that make breed claims. One has a specification for a minimum of 50 per cent of that breed. The other two require 75 to 100 per cent or 100 per cent. I think your point is quite right. I also make the point about the Wagyu-Friesian cross: it is being sold as Wagyu. Why isn't it being sold as Friesian? There is a very good reason: if it were, no-one would buy it.

**CHAIR**—On that, we will stop. Do you want to put a question or two on notice, Senator Colbeck?

**Senator COLBECK**—No, that will do, thanks.

**Senator FISHER**—While Senator Colbeck is contemplating, can I place on the record that my husband and I own a farm and we produce Angus beef.

**CHAIR**—Mr Pointer and Mr Morris, thank you very much for your assistance to the committee. We do appreciate it.

**Proceedings suspended from 11.09 am to 11.21 am**

**MORLEY, Mr Phillip Paul, Chief Executive Officer, Certified Australian Angus Beef Pty Ltd**

**CHAIR**—I welcome Mr Morley. Before we go to questions, would you like to make a brief opening statement?

**Mr Morley**—Yes, I will, thanks, Mr Chairman. You will know that we have put in quite a substantial submission that was in confidence. I am quite happy to answer questions that may come from that confidential submission, but there may be a couple of questions that I would prefer not to answer in open forum. So, if you could take that into consideration, I would appreciate it.

I would say upfront that Certified Australian Angus Beef is a member of the Australian Branded Beef Association, so my opening brief is pretty well the same as what Mr Pointer and his colleague presented as far as the Branded Beef Association goes. Today, I think, my brief is one of wearing a consumer's hat—I think that is the most important thing—rather than getting too bogged down, with great respect, in whether they are saleyards cattle or feedlot cattle or whatever. It is really about how meat is described to the consumer in the marketplace.

As previously mentioned, misrepresentation has been out there; we are all aware of it. I will not go through it chapter and verse. You have been through the issue of hogget and mutton being described as lamb. There have been discussions about an Australian bone that was surrounded by Canadian pork and called an Australian product and issues raised about terms such as 'tender', 'natural', 'free range' and 'organic'. They are all out there—indeed, there is not a lot of science behind some of those. There certainly can be some science and some robustness behind descriptions such as organic, free range and natural, but I do not know, quite frankly, how the hell we will ever handle a term like tender. Certainly, Rod Polkinghorne has given a very good insight of what the MSA grading will do to guarantee how each cut from a specific animal, once graded through MSA, will eat. But words like 'tender', 'premium' and 'platinum' are out there every day of the week. I do not know how you handle that.

I want to talk specifically, if I could, on three matters. Before I get into those, using breed names to describe beef and certainly lamb and pork, and even poultry—I know poultry is not on the agenda today—is becoming very common in the marketplace and it is something that we have a particular interest in with, of course, me representing Certified Australian Angus Beef, which you may or may not remember is owned by the Angus Society of Australia with its approximately 3,000 members. One of the three things I want to talk specifically about is certification. That word certification seems to be popping up through the meat industry, both on the supply side and now in the consumer outlets, where the terms 'certified Angus', 'certified Wagyu' et cetera are starting to come up. We have a real issue when there is not a robust process behind that. We feel that there needs to be a certification process that is clearly visible to the consumer. If a consumer were to go to the website to find what the certification process is for Certified Australian Angus Beef, we clearly document what that process is, and we do auditing in our own right behind each segment of that certification process—from live animals to feedlot to processing to distribution and on to the retailer.

If there were a certification process which was a company secret, I do not believe that would be acceptable. Why would you not have a certification process that was out there and visible to consumers? That is what this is all about—it is about protecting the rights of consumers in purchasing a meat product. Our recommendation on that would be that a product that is derived from a particular breed should be classified as certified Angus, certified Wagyu or whatever it may be and that there should be satisfactory criteria behind that certification process. I would agree with the Branded Beef Association that the breed society of each particular breed should tick off on what that certification process is. You have heard it previously: they do own the genetics. Whether they are successful or not successful, their profit or loss will be based upon how they breed will work in the marketplace. They have a real vested interest. I firmly believe that a certification process on a particular breed must be ticked off by the breed society—not conducted by it, necessarily, but approved by it.

As I have mentioned earlier, a certification process should be publicly available and should set out all of the criteria behind that. I will talk about specific breeds, and this was mentioned. In recent years a number of beef products have appeared in the marketplace using breed descriptors. We have heard about our breed, Angus, and we have heard about Wagyu and we have heard about Hereford. Each of these has different eating characteristics. They are predominantly genetically—and I believe it should be predominantly—that breed, and a question about this was asked earlier. Our position on a breed specification is that, because of the genetic content, the improvement in the eatability of that product is in the main derived from the genes of the sire. We believe that a breed constitutes a sire that is preferably registered of that breed. If you like, it is no good having

a 50 per cent double breed content for the sire. So we are saying that the sire must be 100 per cent that breed content. We then believe that, on the dam side, it must be out of a cow that is either 100 per cent or 50 per cent of that breed. So the worst-case scenario, in the case of certified Australian Angus beef, is that it would be 75 per cent genetically certified Angus. In our situation—and this was at the last time we measured it—we were about 94 per cent, 95 per cent to 100 per cent Angus. There is a reason why we relaxed the breed content. That was in fact to support and encourage Hereford producers to change to an Angus herd. That was the reason, and there is certainly nothing wrong with a black dam with a full Angus bull over the top of that. But our position is a 75 per cent minimum genetically as to the breed content. Putting the consumer hat on, the consumer can be easily misled when purchasing meat products in the marketplace. We have heard the terms ‘export quality’ and ‘premium budget’. I saw products yesterday labelled ‘platinum Angus—150-day grain fed from Margaret River’ and ‘from Southern Gippsland’ et cetera. I think it is in the best interests of the consumer that the word ‘certified’ and/or the word ‘breed’, in reference to a meat product, really be addressed by this committee because there is just so much confusion out there.

I come to the conclusion and the recommendations that we would leave you with before I take questions. Labelling should be strengthened by legislation or regulation to ensure that the consumer knowledge and the understanding of meat products is there and that any product that carries the term ‘certified’ should actually have a certification process that is publicly available, transparent, fully documented and independently third-party operated and audited. The breed description of a meat product should be a minimum of 75 per cent genetically as to the claim of that breed. As previously said, a breed society must approve the breed certification process as they have the most to lose if their breed is misrepresented in the consumer marketplace. That is my opening briefing and I am happy to take questions.

**CHAIR**—Thank you very much, Mr Morley. I did cut Senator Colbeck short on the last one, so I invite him to start the questioning.

**Senator COLBECK**—Thank you, Chair. We have heard several people talking about the certification process. My concern would be that you would end up with a whole range of certification processes. They might be public but they might be very different. Do you know if there is a standard against which certification processes could be developed? So, when someone makes a claim about certification, there would be a certain—

**Mr Morley**—Some robustness behind that claim?

**Senator COLBECK**—The certification process has its own base, if you like. The organic sector, which I think has got seven or eight different logos based on the different certifiers, is currently going through a process of developing an organic standard through Standards Australia. If you have that base to it you then know that, if someone claims the certification, it is built around a standard and therefore you do not get this huge variation from 50 per cent through to whatever it might be of an animal being certified to the standard. There are some core competencies or standards, if you like, that each of the certifications is built around.

Is there a standard that exists for that process at the moment? I do not know the full range of standards that are available, but it would be desirable to have something around which those certifications are developed. If it is going to be organic beef, it can be certified as organic against the Australian standard for organic—you have a basis for that. But for these other things, particularly the breed based things, there are a set of criteria that have to be ticked off by all the certifications so that there is an even playing field. Then the development of a certification does not necessarily have the variation, which provides another level of confusion in the market.

**Mr Morley**—If I could answer in this way, since 1996, Certified Angus Beef, our company, has had a certification process in place.

**Senator COLBECK**—But what is the base for that certification? Is it against any form of standard or have you just designed your own certification?

**Mr Morley**—We were the start of a certification process within Australia on breed content. What is the basis of the certification process? If I take the Angus breed, we have got—and if you could bear with me, I do not want to name the players—four major processors in Australia that our company will be performing a certification process for on breed type. The product coming out of that breed type, the end material, will be going to a major consumer supplier of food products. They have accepted our process, as has the retailer of those food products. So if there is a benchmark to be set for Angus beef, we have set the benchmark and that now is being adopted quite substantially in a very big way. More will come forward on that that will be seen in the general public in the not too distant future.

**Senator COLBECK**—The fundamentals, though, of most of the arguments that have come before us is this: when you go to buy something you want to know what you are going to get and the basis behind it, whether it be tenderness, MSA or any of those things. You need consistency in the process. You need to be able to go in and buy a piece of certified Angus beef and know that it is effectively going to be between 75 and 100 per cent Angus, as a genus.

**Mr Morley**—Correct.

**Senator COLBECK**—You might go in to buy another product—and we have seen it through the previous submission—that might only be 50 per cent. So getting something certified and having a certification is not necessarily a guarantee of what you are going to buy. Unless there is some process by which that is monitored or established, you are effectively throwing another layer of confusion into the market, unless there are some fundamentals that underpin it all.

**Mr Morley**—Do you mean, Senator, who would place it?

**Senator COLBECK**—There is a standard to which all certifications apply and there are a number of things that you tick off. From my perspective one that would be critical would be what percentage of the product is from that genus.

**Mr Morley**—Absolutely.

**Senator COLBECK**—If you do not have some of those core tenets of the certification process there, what does it mean? I think you are actually arguing that as part of your process. Anyone can put ‘certified’ but what does the certification mean? What is the standard to which the certification process is built?

**Mr Morley**—One hundred per cent right.

**Senator COLBECK**—Unless there is some commonality to that, it doesn’t mean anything, so everyone’s claim is diminished.

**Mr Morley**—Our position is quite clear: in the certification of a breed—guaranteed, validated, call it whatever you like—it would be flippant to call it a breed if it were not 75 per cent of that content.

**Senator COLBECK**—But there is nothing structural underpinning that with respect to a standard. You have seven different labels, seven different trademarks, for organics, for example, in Australia now.

**Mr Morley**—Correct.

**Senator COLBECK**—But there is no standard to which any of those claims are made. Each one of those different labels claims to be organic, but there is no standard to that. And that actually undermines the capacity of people like the ACCC, or anyone else in the market, to verify claims of being organic. The initial question is: are you aware of a standard to which the certification could apply? If you are not, I think there needs to be, as part of that process, as a part of your claiming a certification.

**Mr Morley**—I suggest that our process is the basis of that certification process, because not only have we had it running since 1996 but it has been accepted by four major processors, it has been accepted by a major food outlet and it has been ticked off by Aus-Meat and AQIS for export. So I would suggest that we have set the standard.

**Senator COLBECK**—Can I tell you that every one of the seven certifiers within the organic sector say exactly the same thing.

**Mr Morley**—Yes. But therein lies the problem. I am sure you are not—

**Senator COLBECK**—That is exactly right. So you are certifying something that you claim to be a certification for your product. Another genus says, ‘We certify this’. And the bases of them are different, for whatever reasons—and we do not even need to go into that. But you are saying a minimum of 75 per cent and the others are saying 50 per cent. Someone goes into a supermarket having no idea of the basis of that. Then you have absolutely no enforceability because there is nothing standing behind it, which is an issue that the organic sector have right now, until the process of developing an Australian standard for certification of organics. So every single one of the labels in the organic sector right now claims to be the standard. Clearly, they are not, because they are not all the same. It is a huge issue in the market. There is an enormous growth in demand for organics but nobody can enforce a standard, because there is no basis for it.

**Mr Morley**—The organic issue is an issue all on its own.

**Senator COLBECK**—But, effectively, what you are developing is the same thing.

**Mr Morley**—Not for a specific breed type. I think the certification of a specific breed type is easier to handle than organics.

**Senator COLBECK**—Not if you are saying it is 75 and someone else is saying it is 50, because then you go back to the customer in the supermarket who picks it up and says, ‘This is certified Y breed; I expect it to be X.’ That is why I asked the question when the previous submission said 50 per cent of the claimed breed. My expectation was different. And then someone else says something else. Then you come back to the other side of the whole process, the enforcement of the claims, which is one of the real issues that everybody has to deal with as part of selling food in the country. There are a whole raft of regulations but a real scarcity of enforcement in a whole range of areas within the sale of food products. But it effectively makes it impossible to enforce, if there is nothing that stands behind the claims. It merely becomes a marketing exercise.

**Mr Morley**—Well, that is what it is right now. The submission to the inquiry from Certified Australian Angus Beef Pty Ltd would be that, for a claim of breed type, it must be 75 per cent genetically. That is the basis of it. As to how that certification process is then performed, we have a protocol and a process in place to be able to do that. For all intents and purposes, that has been ticked off as being robust by processors, food retailers, Aus-Meat and AQIS. I think that sets the basis of a pretty good go-forward position.

**Senator COLBECK**—I am not arguing with that. I think you understand the point that I am making. You talked about ownership of the genetics. There is another inquiry that is going on at the moment through a different committee about gene patenting and things of that nature. It raised my alert levels a little bit when you talked about ‘ownership of genetic’. I suppose what you are looking at is more management of the genetic.

**Mr Morley**—Yes. When I say ‘ownership’, ‘management’ is right. What I really mean is that, a lot of the members of the Angus Society are the stud members. They not only have spent a great deal of time, money and effort in improving the quality of their animals through improvements in genetics—by importing different genetics, by improving the bull content and the quality of the bull.

When I say ‘ownership’ I mean they are in the business of improving the quality of that animal. So if you have a breed back to the Angus that is being misdescribed in the marketplace, when a consumer eats a piece of steak that was described as Angus and says, ‘That was bloody terrible’, one way or another that starts to send ripples back through the system. The reason why the Angus breed has been successful is it is delivering high-quality meat on a consistent basis and it is improving all the time. My view is that it is the Angus Society and the Stud Book members that have the most to lose if the brand is misrepresented behind the consumer.

**Senator COLBECK**—What happened to your complaint with Teys?

**Mr Morley**—We are not in a legal dispute with Teys Bros. We have a trademark issue with Teys Bros that is going through the normal course of events at the present time.

**Senator COLBECK**—But your letter to the ACCC—and the copy we have got is not dated—is not one of your confidential issues, is it?

**Mr Morley**—Yes, it is.

**Senator COLBECK**—I beg your pardon.

**Senator FISHER**—Richard Gunner, one of your directors, is a constituent of mine. I do not know the answer to the question that I am about to ask. I have never discussed it with Mr Gunner. I want to explore a little more the issues that Senator Colbeck was raising with you about the standard and the definition. Mr Gunner uses the term ‘Coorong Angus beef’. Where does the ‘Coorong’ or ‘King Island’ bit fit with your recommendation in respect of certification? Adding to the issue that Senator Colbeck was asking about, which was standards, where is the regional bit?

**Mr Morley**—It is not something that we have put into our submission. But, having listened to the argument this morning from the King Island group and the questions that were asked of the Branded Beef Association, my personal position and, I would say, the position of the Certified Australian Angus Beef would be that, if you make a geographical and breed statement in a brand, if I were a consumer buying Coorong Angus beef I would, first of all, believe that it would be Angus and, secondly, that it would come from the area that was stated. Similarly, if I were a consumer of King Island I would think that King Island is a brand and that the product was derived from King Island. Some people might have a different view.

**Senator FISHER**—What would your association say about that as part of your certification recommendations? Are you suggesting that there would be a standard to which the certification bid attaches and then producers could add something else—for example, Coorong or King Island?

**Mr Morley**—Yes.

**Senator FISHER**—That is the first part of my question. The second part of my question is: can you explore a little more what you mean by ‘comes from’, given the submissions earlier—for example, the evidence of King Island representatives is that they are concerned that if something ‘comes from’ there there may also need to be an expectation that it is then processed there in order to attach regionality.

**Mr Morley**—They are two issues, and even the first question has two issues. We are arguing that the breed content should be genetically 75 per cent to 100 per cent Angus. That is one issue. I will rephrase the next answer because I did not answer your earlier question well enough. If there was an overriding marketing term as far as the brand is concerned, as a consumer I would expect that the product not only would come from that area but would be processed in the area. As far as King Island is concerned, I believe that a consumer would say—I have my consumer hat on today—not only that King Island is the brand but that the product has been grown and processed on the island. That is my personal view.

**Senator FISHER**—And your organisation does not have a view on those issues at this stage?

**Mr Morley**—No, it does not. The geographical side of it becomes a separate issue for you to consider. Our issue is breed: the so-called certification of that breed and what constitutes breed? Quite clearly our position is a minimum of 75 per cent.

**Senator O’BRIEN**—If there were to be a process of full enforcement of the proposition that you put, would it be based on animal trace-back entirely, which in some cases may be difficult, given standards of proof, or would you require the ability to DNA-test the product? If you would, is that expensive and reliable?

**Mr Morley**—To answer your question, if I talk specifically of Certified Australian Angus Beef, every animal has a DNA sample taken from it. We can DNA test every animal. In the past, prior to me joining the company, a sample was taken in Japan and that was tested and traced right back to not only the processor—we knew who the processor was—but right back to the farm, to the sire, to the dam, the whole thing. We do have that. It would be an expensive exercise to say every piece of meat that was sold in Australia had to have a DNA sample extracted.

I thought a very good point was made this morning. I do not know how the committee addresses this, but we have always, as a company, got a policeman’s hat on. We go around talking to people or a restaurant that inadvertently may call a product Angus and it is not or certified Angus and it is not. The emphasis is placed back on us. I would like to see a retailer, a restaurant, whatever it may be, if they make a claim, required to justify the basis of that claim. I think that is a failing. Yesterday I was talking to a group of chefs and they were talking about product description of meat. They asked: ‘Do we have to call a rump steak?’ Quite simply, they can call it whatever they like. They can call it ‘beef medallions’, they can call it ‘Top End grill’. They can call it whatever they like. I have been in the meat industry for 40 years. It seems that in the retail sector we can say a lot of things and no-one ever challenges. I think there has to be a shift. Rather than us being worried about this and going out trying to protect our best interest, there has to be an emphasis on the person selling the product to be able to justify the claims. That is a pretty big task, but I really believe that that has got to be.

**Senator IAN MACDONALD**—But someone has to ask them to justify a claim.

**Mr Morley**—Is it consumer affairs? The question was asked: ‘How do you fund it? Who does it?’ But surely we have to be able to do that. The grocery manufacturers are tarred and feathered and rolled out of town if they make a mistake on an ingredient on a dry goods item. Yet, in a lot of fresh foods—we are talking meat today—there are statements made where I am sure that the person selling that product can never justify that statement.

**Senator O’BRIEN**—I was going to follow that up. In relation to the questions I asked earlier—Who should enforce these issues, who is going to pay for it and how much is that likely to cost?—can you help us?

**Mr Morley**—I have not got all the answers, obviously. But there is a National Food Authority. There is the consumer affairs office—

**Senator O’BRIEN**—In states.

**Mr Morley**—Who polices the grocery industry?

**Senator IAN MACDONALD**—Effectively, no-one. The states and the Commonwealth do claim to do it, but there would be one inspector per one million meals or something, wouldn't there? Just on that point, do you think the ACCC has sufficient powers to investigate claims of wrongful description?

**Mr Morley**—I would think that, if the ACCC has an issue, the issue is probably back to the senator's question. What is the basis that they can investigate on? What is the basis of their investigation? Is there a standard? What constitutes a breed? If there is no ruling now as to what constitutes a breed, how does the ACCC say it is right or wrong?

**Senator IAN MACDONALD**—I suppose it is false and misleading conduct under the Trade Practices Act. But you know how difficult it is to (a) get anyone to move on that and (b) then get a prosecution.

**Mr Morley**—Yes. And that is what it leads to. I guess today I would like to think we are talking about three basic things: what constitutes a breed, what the certification process is and whether there is robustness behind that—who does it, who monitors it, who ticks it off?—and the misrepresentation, I guess, of the first two things in the marketplace. We believe we have an answer on two of them, but who polices it in the marketplace? That becomes the dilemma.

**Senator O'BRIEN**—That was the purpose of me asking you how much we should pay for it and where the money would come from. You can take that on notice if you like. We would like an answer.

**Mr Morley**—I will.

**Senator O'BRIEN**—The other question that I asked which I do not think we got an answer to was: could you give us some sort of indication as to what DNA testing would cost, in the context, say, of a prosecution?

**Mr Morley**—If DNA testing became a criterion that processes had to adhere to, it would be somewhere in the vicinity of \$20 to \$30 per head, which is quite expensive. We take samples of every animal that we can DNA test, should we need to. We do not physically do a DNA test on every animal. But the criteria behind MSA was that DNA samples had to be taken of every animal. That has now been relaxed—the DNA testing does not have to be done on every animal. At Certified Australian Angus Beef all of our cattle are subjected to MSA grading and we still retain DNA samples.

**Senator O'BRIEN**—So would the solution be a process where an inspector, if someone was paying an inspector, would go in, see something in the butchers' cabinet and say, 'You say that's King Island beef; show me your receipt system,' and it would be traced through that?

**Mr Morley**—Yes, absolutely, and you would be amazed at the answers you would get. About six months ago a new retailer opened up in the western suburbs of Sydney and he had a product that he said was Angus. He was not calling it 'certified Angus'—that is when we get very touchy. A major retailer that we supply certified Australian Angus beef said to me: 'A new retailer's opened up in Western Sydney. This is the road he's in; this is the suburb.' I went up and had a look. He was not calling it 'certified Angus'; he was calling it 'Angus'. I said to him, 'By the way, how do you know it's Angus?' He said, 'Well, I buy it all from such-and-such a wholesaler'—and I will not mention that name. I said, 'Okay, but how do you know it's Angus?' He said, 'Well, he told me it was.' So then I rang up the wholesaler and the answer was, 'It comes from where they slaughter Angus.' I said, 'But have you got any record that it is actually that breed? The answer was no.

**CHAIR**—Is he still selling it as Angus?

**Mr Morley**—No, not any more. It is—God bless them—some meat wholesalers. Most are very, very good, but some with some meat wholesalers it is—'Have you got Angus?' 'Yeah, we've got Angus.' 'Have you got specific breeds?' 'Yes, we have. What breed would you like—

**Senator O'BRIEN**—They might have one per cent Angus and 99 per cent Hereford—who knows? Is that a fair way of saying that you could be very inaccurate with your description because when you say, 'Have you got Angus?' you are not saying, 'Have you got 100 per cent Angus'?

**Mr Morley**—There are not too many Angus brands out there; I just think that the gentleman probably sold a carton of whatever product it was and said, 'Yes, this is from Angus cattle.' It was as flippant as that. And The guy selling it in the retail outlet said, 'Yes, it's Angus.' When challenged—and that was my point earlier—if you ask them to prove it is Angus, King Island or Hereford, they will not be able to. Therein lies the problem.

**Senator HUTCHINS**—Mr Morley, you strike me as being a bit reticent about saying a few things. I wonder, Chair, if I could suggest we go in camera; then Mr Morley could be a bit more forthcoming. I do not



know if you would welcome that opportunity, Mr Morley, but you seem to be a bit restrained about what you are prepared to say publicly.

**Mr Morley**—If there are questions that you think you would like to ask me, I would be quite happy to do that.

**Senator HUTCHINS**—You keep alluding to these bodies and I think it would assist our inquiry if you could name them.

**CHAIR**—We have only a very short amount of time, but I think we will use that time to do that, if Mr Morley is happy.

**Mr Morley**—That is fine.

**CHAIR**—Everyone else will have to leave the room.

*Evidence was then taken in camera but later resumed in public—*

[12.10 pm]

**OOGJES, Ms Glenys Kay, Executive Director, Animals Australia**

**CHAIR**—I welcome Animals Australia. Animals Australia has lodged submission 22 with the committee. Do you wish to make any amendments or alterations to that submission?

**Ms Oogjes**—No.

**CHAIR**—I invite you to make a brief opening statement and then we will go straight to questions.

**Ms Oogjes**—As senators may know, Animals Australia is the peak animal protection organisation, and therefore is an umbrella body representing 40 member groups and many thousands of individual members as well. That Australians care deeply about the welfare of animals is fairly evident. Certainly in Victoria recently something like \$2½ million was pledged by Australians for wildlife victims. So I think animal welfare is in the forefront of people's minds. Increasing numbers of Australians are becoming aware and concerned about cruel practices inflicted on a large number of animals raised for food, yet the absence of labelling denies them the opportunity, as consumers, to support animal-friendly forms of production.

Of greatest consumer concern are methods of farming that provide animals with no quality of life—such as close confinement of pregnant sows in stalls, hens confined in battery cages and the intensive raising of meat chickens in sheds. These methods of housing lead to further cruel husbandry practices—such as the debeaking of chickens, castration and tail docking—which are not performed with any pain relief at this stage.

Worldwide there has developed a momentum of consumer demand for meat products derived from animals which have not been reared in intensive facilities or on farms which use cruel practices. There are many examples, particularly in the UK, where supermarkets are deciding what to stock on their shelves based on welfare. Some of the fast food outlets—for example, McDonald's, Burger King and others—are providing free range eggs in their meals. And they do that because they believe their consumers—their customers—are concerned about it.

Some of the larger animal production companies overseas are changing. Smithfield is one of the largest pig producing companies in the world. In fact, the number of their pigs eclipses the number of pigs that we have in Australian production systems. They are phasing out sow stalls ahead of any legislation. There are many, many examples of changes overseas.

There is also emerging evidence that Australian consumers, as well as international consumers, are willing to pay more for cruelty-free products. An example of that is the simple wording on egg cartons in Australia—it was introduced in about 2000; I was involved in that—whereby cage eggs now have to be labelled 'cage eggs'. As well there are 'free range' and barn 'laid'. In the year since 2001 when it was introduced, that was part of the reason for a three-fold increase in the numbers of free-range eggs that were produced and sold in Australia.

There is also recent evidence, as I am sure you aware, that overseas buyers of our wool are concerned about the mulesing practice. That has led to an increase in the number of lambs that will not be mulesed this year—something like 46 per cent or so—and has led to a new labelling system so that there can be a distinction between wool that comes from farms that mules and those that do not, or who are phasing it out.

I think the meat industry in Australia takes the view that Australian consumers will not pay for improved animal welfare practices. Certainly some of them have told us that. I think that is a fairly convenient viewpoint to take when Australians remain ignorant of intensive farming methods, and therefore consumers are not in a position to make an informed choice based on welfare.

However, increasing consumer knowledge and associated concerns have directly resulted in the organic and free-range sector of the food industry being one of the fastest growing sectors. Because of that demand, we have some sellers of animal food products prepared to even mislabel their products—for example, as 'free-range' or 'organic'—and thereby break the law in order to be able to meet the demand and charge higher prices for their product. Other producers try to mimic the appeal to consumers of free-range and organic products by using misleading images and wording. I will give you an example. Our office is near the Victoria Markets. La Ionica Poultry are one of the offenders. They actually advertise their 'intensive meat chicken product' as a product that is 'free to roam'. The chickens roam inside a shed with about 40,000 others. By the end of their short life, of five weeks or so, when they have got to about two kilograms or so, there will be

something like 20 birds per square metre in the shed. Yes, they are free to roam but there is not much to roam in or to do. Again, it is mimicking what they think consumers want of them.

I think the debate about meat labelling must be much more than just one about definitions of 'free-range'. I think consumers need greater information than that. Information identifying intensive methods of production is also needed to allow consumers to identify the source of product and the type of product; that is, the housing and the husbandry systems that are used. At the moment labelling that is silent in regard to those things means that ignorance continues; people do not know.

Intensive methods are a standard of welfare deemed acceptable by government. They are legal and they are seen to be acceptable by intensive industries. Therefore there should be no reason why there should not be complete support for accurate labelling of these products as well. Developments in the labelling of products in recent years have progressed, in line with consumer needs, to enable them to make informed choices. Animals Australia's experience, through our education campaigns and our awareness campaigns, is that most people do not know about the way we raise most animals in this country, particularly in respect of intensively farmed animals, and they are often distressed when they find that they have been supporting products that are from systems that they would not want to support.

I think the precedent is already in place. It is that we should label products to show whatever system they come from. As I mentioned before, the precedent is in the egg industry where we now have to have 'cage eggs', 'barn eggs' or 'free-range eggs' on each of the cartons so that consumers can make a choice. I do not think they should be denied that information. It is necessary so that they can make choices based on their personal ethics. Consistent point-of-sale consumer information is also going to be needed because, as I have said, I think there is significant ignorance out there.

In the past it has been in the interests of the intensive animal industries to keep consumers ignorant of their methods of production. However, governments should not be complicit in this. Rather, they should be supporting the need for complete transparency, which encourages and promotes the ability of consumers to make informed choices. This can only be forwarded by government addressing labelling requirements. It has been, and will continue to be, resisted by industry representatives charged with representing their constituents. Their obvious concern is that the greater the information they present to consumers the less likely they will be to receive consumer support for their product. If this is the case, then I think that is a more accurate society position on the welfare of animals and that, in any ethical society, such information and feedback should not only be encouraged by government representatives but be accurately sourced. That is why I think this review and the new terms of reference are so important.

Clearly, a first step in establishing a workable animal welfare labelling system is to establish a definition for a term such as 'free-range' and also definitions for the various intensive farming methods so that they can appear on labels. The absence of nationally applicable and legally enforceable terms which define the animal welfare status of meat products impairs the ability of consumers to make these informed choices. Of course, it also leaves the genuine cruelty-free producers, the free-range producers and others open to unfair competition by people who claim that their product is welfare friendly or imply that or mislead people to believe that.

In conclusion, the recommendations we made in our submission are really about a quantifiable labelling system that is properly audited, independent and set up by government. The main point, though, I want to leave with you is that there should be the establishment of a uniform nationwide labelling system identifying methods of production for all meat products—not just free range but all meat products—so that people have an idea of the husbandry, handling and housing of the animals that was involved. Then we will have an informed consumer and we will get the support that is required for welfare improvements. Often those welfare changes do cost money to the producers who are giving more space to animals or providing pain relief—those sorts of things. I think that only if there is accurate labelling and point of sale information will we come to a point where there will be a return for the extra work that is put in to improving animal welfare. This sort of thing is happening overseas. You might know there is a plan for a Europe-wide animal welfare labelling system. I think there will be trade implications as we go down the track if Australia does not keep up with that sort of informed marketing.

**Senator HEFFERNAN**—In another inquiry we heard that in the longer term, if carbon trading comes along and there is a 35 per cent increase in the productive costs of meat, it will be a vegetable based world, the global food task will double and 30 per cent of the productive land of Asia will have to support two-thirds of the world's population as it grows to nine billion. We cannot disagree with you—I am a farmer; we want a fair

go for our animals—but we have a moral obligation, as it were, to feed the world. The food task is going to double; it is going to be more intensive. Are you opposed to intensive farming?

**Ms Oogjes**—I am opposed to intensive farming where it means that the animals are not able to perform their natural behaviours or close to their natural behaviours.

**Senator HEFFERNAN**—So, if we are going to feed the world, you would prefer to do away with the intensive farming of animals and we would eat vegies? We have to feed the world.

**Ms Oogjes**—We do, but this is not a vegan or a vegetarian argument, although I personally do go that way and I do think that from a world environmental point of view we have to eat much less meat because it is intensive water wise and resources wise.

**Senator HEFFERNAN**—For instance, there are going to be 250 million people in the northern part of southern Africa who are going to have to be either moved or fed. There are going to be one billion people unable to feed themselves—according to the science. Do you think it is fair to say that, if there was a capacity in an intensive animal industry to feed them, we should not have that intensive industry and let them go and eat something else?

**Ms Oogjes**—No, I think we are going to have to have a whole change in order to feed the world. I think that we have to provide consumers with a better understanding of how much resources are required—

*Senator Heffernan interjecting—*

**CHAIR**—On that, Senator Heffernan and Ms Oogjes, you are going into the work of another inquiry. We will get back to meat labelling. Senator Colbeck.

**Senator COLBECK**—In your submission—and you mentioned this in your opening statement—you said that the system of labelling of eggs:

... whilst welcomed in principle and in the main, is not a good model because of several deficiencies in its introduction and use.

**Ms Oogjes**—No, I think—

**Senator COLBECK**—That is what your submission says.

**Ms Oogjes**—The primary concern is that there is not sufficient information.

**Senator COLBECK**—Point of sale information.

**Ms Oogjes**—Yes, and on the carton too. I have to say, because I was involved in the egg labelling Australian standard when it was brought in, that there was a requirement at the time it was introduced—it was a voluntary introduction; all the supermarkets got right behind it—whereby inside each carton lid was a description of what the labelling of ‘barn’, ‘free range’ and ‘cage’ meant. That disappeared because the industry said it was too expensive to include. That is a real shame. If you are going to reduce it to a couple of words on a label, you have to then somehow educate the community so they know what it is and can make choices. I have something here I meant to pass around when I was talking about misleading labelling. I think we have a real problem. This is the lid of a cage egg carton—this is the requirement for labelling in the national standard.

**Senator IAN MACDONALD**—Can you read that out, please. We cannot see it and neither can Hansard.

**Ms Oogjes**—It is the top of a label for half-a-dozen eggs from a cage system and it is labelled as such on the front. The company is Country Pride and on the top, which is what most people see, it says, ‘100 per cent natural, six extra large farm-fresh eggs.’ But the point is that the illustration is of a paddock of waving wheat with two chooks sitting on eggs in nests. That is not what happens. Most chooks in an intensive cage situation would not see the outside except perhaps on the day they are off to the abattoir. So this is the way in which intensive farms are trying to mimic the free-range situation and, of course, appeal to consumers. This says to us that consumers care both from an environmental point of view and perhaps, sometimes, from a health point of view. But, in any event, many of them do care about animal welfare.

**Senator McGAURAN**—What action did you take in regard to that?

**Ms Oogjes**—I bought that at great ethical cost to me because I would never buy cage eggs. I intend to raise it with the Australian Competition and Consumer Commission. I have had dealings with them in the past and they have, on a couple of occasions, pulled a few cage producers into line.

**Senator COLBECK**—Therein lies the point—there is a check and balance against misleading advertising already in place.

**Ms Oogjes**—Yes, but I am saying that in the egg world we have got to a point where, at least on the carton, we have cage, barn or free-range. My point is that yes, we have to get proper definitions of free-range, and auditing and such things, but we also need to put onto meat labelling—this is eggs of course—the sort of system products come from. That is, if it is an intensive indoor system, such as with the meat chickens, then I do not want the label saying ‘free to roam’, because that is going to imply to likely customers that this is a free-range situation or similar.

**Senator COLBECK**—Are you aware of anything within any of the quality systems of the major supermarket chains that demands reasonable labelling?

**Ms Oogjes**—No, I am not aware of anything. I am not saying there is not, but I have not seen any evidence of it—and I see labelling in supermarkets that is often quite misleading.

**Senator COLBECK**—I ask the question because of the fact that they are significant drivers of quality management systems right back through the agricultural sector. I was interested to see whether that actually existed and whether it was having an impact—and obviously it does not appear to be. We heard earlier in the day that once the supermarkets have some of the things in place they tend to protect that level of quality themselves, which also provides some of the actual, on-the-ground management of quality rather than it being through a state mandated process.

**Senator FISHER**—Thank you for your evidence. Coming off the back of what you have said, in your written submission you talk about reduced animal cruelty and increased animal welfare. What is your organisation’s view of the suggestion that cruelty does not necessarily go one way and welfare does not necessarily go another way? Sometimes what your organisation might consider to be cruelty may in fact be, in the view of the producer and the industry, necessary to increase the welfare of the animals they are producing.

**Ms Oogjes**—Do you mean: do we have arguments about what would be best for the animals? Is that the key?

**Senator FISHER**—Yes.

**Ms Oogjes**—Certainly that will be the case.

**Senator FISHER**—Sometimes it may be the perspective of some that you may need to be cruel to be kind. You may need to be what is seen by some as being cruel to an animal in order to better protect its welfare, maybe not of that animal itself but maybe of its mother, for example. So what is your organisation’s view of those sorts of concepts?

**Ms Oogjes**—Of course it will depend which issue we are talking about. We are obviously very aware and understanding of the need for what we would call mutilations, if you like, of animals—that is, tail docking or castrations and such things, some necessary things. What we would say is that if they are in the long-term interests of the animal, the flock, then we have to find ways to do it better—that is, we have to find ways of pain relief, for example. The obvious example there is mulesing, which is a procedure brought in in order to protect the welfare and lives of sheep that may be fly struck. Obviously we need to do that but we need to do it in a much better way than we have done it in the past. So there is not an argument in principle. It is just about the pace of change. We have even had to fly the flag in order to make some producers realise that they need to do something about the current systems to improve them. What we are talking about is not an argument in essence or principle.

**Senator FISHER**—In the view of your organisation, who will have to foot the bill for implementing that principle? You say in your submission: ‘reduced animal cruelty—will the consumer pay?’ That is one issue. Reduced animal cruelty—whatever that means—should the consumer pay? Who is your organisation saying should foot the bill?

**Ms Oogjes**—Certainly often the bill has been overstated, I would have to say.

**Senator FISHER**—On what basis do you say that?

**Ms Oogjes**—When we have had regulatory impact statement and such things when we are doing codes, some of the suggestions that have been made have not taken all elements into consideration. Often there is a reaction to any sort of change. Many in the farming community really think they will go out of business if they change practices. I do not think that is the case. There are usually phase-in periods. I do think that it is possible

to change but I also think that, as the community learn more about the way animals are treated, many of them—I hope most of them—will actually pay more.

**Senator FISHER**—Should they pay more? Should it be the consumer that foots the bill? That is my question.

**Ms Oogjes**—I think it is both. I think if industries want to stay in business in our community they will realise themselves that they have to improve their performance. That is really clear with environmental aspects. I think the environmental issues are a little bit ahead in the community progress than is welfare at the moment. I think a lot of pastoralists and others have started to realise that they have to adopt better practices to protect their land for the long term. They have paid much of that cost. That is because they have realised that, in order to stay in the market, market access is required. They have to do that. So I think it will be a shared responsibility and I think it should be.

**Senator FISHER**—You have actually taken me to my final question. I want to refer to your suggestion that caring for the land is because, in part, the producer or farmer has reckoned he or she or they, from a market perspective, have to. It may indeed be that they actually care. So on what basis is your organisation equipped in or expert at attributing intention to the producer community? I want to ask that question particularly in view of your opening comments. I might have got the words wrong, but I think you use the word ‘complicit’. I think you said something to the effect that the industry has been complicit in hiding things. On what basis is your organisation equipped to say that and on what basis do you make that allegation?

**Ms Oogjes**—Long experience. I have been involved for 25 years or so in the review of standards. When we had the debate—it went on and on—with regard to the battery hen issue, there was such resistance to putting the words ‘cage eggs’ on the cartons. In fact I believed it always should have been the words ‘battery cage eggs’; because that is what the community understand. They would not have that as well. That is what I mean about not wanting to be open. I can assure you that it was a knock-down, drag-out fight to get those words on them. I have seen the same thing with the pork industry. We have tried to correspond with the pork industry, without even a response, in order to have them label intensively farmed pig products so that the community can better understand, and they are not wanting to do that.

**Senator FISHER**—What is your definition of ‘intensively’?

**Ms Oogjes**—Indoor, certainly being bred, sow stalls—talking about pigs.

**Senator FISHER**—So intensive equals bad, does it, in the view of your organisation?

**Ms Oogjes**—Not in all cases, obviously—shelter and such things are absolutely required. But, where animals are not provided with even the most basic behavioural needs, then, yes, that is bad. Certainly there are good signs to indicate these concerns.

**Senator IAN MACDONALD**—My wife and I always buy free-range eggs, for a reason. But I am not sure that Australians who are not in our income bracket can be quite as choosy. What is the percentage of free-range sales to others? This is relevant to people being prepared to pay more for something when they know what they are getting, which is of interest to the meat industry as well.

**Ms Oogjes**—At the moment I understand that free-range sales are about 20 per cent—a little over that now. Barn-laid eggs add to that another five per cent or so. That is still not anywhere near where I think it should be. I do not think this sort of misleading labelling helps at all. The percentage of free-range sales has increased significantly since 2000, when it was only 5.5 per cent.

**Senator IAN MACDONALD**—That was my next question. Is it still increasing?

**Ms Oogjes**—Yes. It is the fastest growing—

**Senator IAN MACDONALD**—Surprising, I do a bit of shopping. I recall that cage eggs are about \$3.50 and free-range about \$5.50 to \$6.

**Ms Oogjes**—Free-range eggs are about \$5 or so. Yes, there is a significant difference, absolutely.

**Senator IAN MACDONALD**—People in our income bracket are prepared to buy them. It obviously comes at a cost. Cage eggs provide eggs for people on lower incomes. What is the solution to that contradiction?

**Ms Oogjes**—It is not an easy one, because it will always cost a bit more. Mind you, the Productivity Commission looked at the egg issue. The reality is that the actual extra cost of production is not nearly as much as what you see in the supermarket. At that point the difference between cage eggs and barn-laid eggs,

which is the primary thing they were looking at, was about 45c a dozen; yet by the time they got to the supermarket it was about \$1.50.

**Senator IAN MACDONALD**—So they are making a profit out of our goodwill, you say?

**Ms Oogjes**—The supermarkets would argue that because they are a lower volume there are higher handling costs. Over time that would change, and must be changing already. It is a difficult issue. There are some people in a very low-income bracket who may always have difficulty, but I think there are a lot of people in the middle who simply do not know. I am not talking necessarily about eggs at the moment. I am talking about intensive chicken production and particularly pig production.

**Senator IAN MACDONALD**—You were not here for the previous evidence. I suspect you would not disagree with some of the evidence we have got on proper labelling—getting what you pay for. Does your organisation meet regularly with—in this context I mention people like the beef brand association and the Angus group—those sorts of people?

**Ms Oogjes**—No, not as such. Obviously, through my advocacy work, I meet with the major industry group like the Cattle Council and Sheepmeat Council and people like that.

**Senator IAN MACDONALD**—I just think that your interests, in a strange sort of way, would converge. It might be relevant to both of you to get together. But we are not here to get my advice; we are here to ask you questions. Do you have any specific comment about the red meat industry?

**Ms Oogjes**—No, not from a labelling perspective.

**Senator IAN MACDONALD**—Most of them are free range!

**Ms Oogjes**—Most of them are. Mind you, when it comes to veal you cannot be sure exactly. There are issues within those industries such as dehorning and castration without pain relief. There are issues there, but those things are going to be much more difficult to translate into a labelling issue at this time, I think. But I do wish that the community had a better understanding of the practices involved in the meat industry.

**Senator IAN MACDONALD**—Finally—and this is not really part of this inquiry—did I hear you correctly that you are not totally opposed to mulesing?

**Ms Oogjes**—No. I am opposed to mulesing; I am not opposed to good fly strike control, because it is absolutely necessary. I think that mulesing has to go, but we need to replace it with more humane methods.

**Senator IAN MACDONALD**—What is your suggestion?

**CHAIR**—I am listening!

**Ms Oogjes**—I think that, as AWI themselves have suggested, breeding for less wrinkly breach and a plain-bodied sheep is the answer. All the other things that they are looking at appear to be a little better. I am very concerned about the so-called clip mulesing that is used, but certainly some of the other things that they have been researching look to be a whole lot better than mulesing.

**Senator IAN MACDONALD**—You come again to the same problem of cost and who can afford to pay for these sorts of things. But anyhow—

**Ms Oogjes**—They are not suggesting it is going to be greatly expensive.

**Senator IAN MACDONALD**—We will not go too deeply into that. All I can say is thank heavens the Senator Heffernan is gone!

**Ms Oogjes**—I have talked to him about it before.

**CHAIR**—I thank Senator Macdonald for structuring those questions in the way he did. That was very well handled. Ms Oogjes, obviously you are aware of Voiceless and Ondine and Brian Sherman. Do you work closely with them?

**Ms Oogjes**—Yes, we do. They are great. As a think tank and as a research body they are doing really well. You may know that they have put out a document called *From label to liable*.

**CHAIR**—Yes.

**Ms Oogjes**—It is quite comprehensive and talks about the labelling systems overseas, which, as I say, I think are going to eclipse what we are doing here unless we get a system in place.

**CHAIR**—Ms Oogjes, I thank you very much for your assistance to the committee.

**Ms Oogjes**—Thank you.

[12.43 pm]

**HUNT, Mr Norman, Legal Counsel, Bindaree Beef Pty Ltd**

**CHAIR**—Welcome. Bindaree Beef has lodged submission No. 56 with the committee. Do you wish to make any amendments or alterations to that submission?

**Mr Hunt**—No.

**CHAIR**—I invite you to make a brief opening statement before we go to questions.

**Mr Hunt**—Thank you for the invitation to appear. The gist of Bindaree's submission, which was lodged in May last year, is that, in terms of the domestic market for the beef industry, the introduction of a national beef grading system is the most important issue facing the industry. It is an idea that, in my opinion and in Bindaree Beef's opinion, is at least 40 years overdue.

Back in 1996, the meat industry strategic plan forecast that if a national beef grading system were introduced it could produce a \$1.2 billion annual pay-off to the beef industry. To achieve that, all you need to do, on current retail prices, is induce each Australian to have one more meal of beef every three weeks. It is not really that daunting a task, but in Australia for the last 25 years beef consumption has been falling, whereas in countries that have grading systems or legislation which restricts the age of slaughter for domestic table beef consumption has remained static or risen. I can certainly provide details later to support that statement.

My involvement in this issue started back in the year 2000 when I was appointed, along with others, by the then Minister for Agriculture in New South Wales, Mr Amery, to a SafeFood working group on truth in labelling on cow beef. My firm prepared a report to that committee and we also obtained and gave legal advice from a prominent Sydney QC in terms of the proposed legislative underpinning for cow beef truth in labelling legislation in New South Wales. In response to the recommendations of the SafeFood working group the industry, through Meat and Livestock Australia, introduced the retail voluntary agreement in relation to cow beef, which was to be marketed under the word 'budget'. That is how the budget retail agreement came into existence.

I was also a member of the RMAC—Red Meat Advisory Council—forum in 2003-04 and I was a member of the legislative committee established by that forum. In that capacity I travelled with Justin Toohey and spoke to the state minister for agriculture in every state in Australia and prepared advice on the legal issues in terms of the introduction of a legal underpinning to a voluntary grading standard. I might add that the report on safe food, the advice of the prominent QC and the legal advice given to the Red Meat Advisory Council forum are all included as exhibits in the submission that was lodged last May.

That is the background to my involvement. I would like to make one clarification point in relation to the findings of the Red Meat Advisory Council forum. In the submission, which I have read, that was submitted by Department of Agriculture, Fisheries and Forestry, they incorrectly indicated that that forum recommended a voluntary system not backed by legislation. The recommendations of the red meat forum are included in our submission. They were, in fact, for a voluntary standard to be underpinned by state and territory legislation. Although that recommendation was a consensus recommendation of the forum it was eventually scuttled by the Australian Meat Industry Council—the processor industry organisation—which was a participant in the forum. AMIC decided that the existing AusMeat language to the back of the retail door and MSA were sufficient and that there was no need for government intervention.

There have been a number of developments following the breakdown of that process. The first development in terms of time was that the industry, through the AusMeat standards and language committee, and MLA, did some work towards the introduction of a consumer orientated language and classification system. That is included under tab 12 of the exhibits to our submission.

I will come to that in a moment, because considerable work has been done just latterly with industry in terms of developing that model further. Then, as you are probably all aware, in December last year, after we had lodged our submission, the Speaker of the New South Wales Legislative Assembly, Richard Torbay, introduced a beef-grading bill into parliament, which is still before parliament but has yet to come back after the initial lodgment. That bill effectively seeks to implement the original recommendation of the forum; that is, to have in New South Wales amendments to the Food Act to provide a legislative underpinning to a voluntary grading code that, if adopted by a retailer and breached by a retailer, would lead to fines, in an individual's case, of up to \$55,000 and, in the case of a corporation, \$2.7 million. As you are probably all



aware, the New South Wales minister for agriculture, Ian Macdonald, has publicly expressed support for that legislation. At his request, Tony Burke, the federal minister for agriculture, has placed, on the agenda of the Primary Industries Ministerial Council, to be held in Hobart on 24 April, a proposal for a national consumer orientated beef-grading system.

It is certainly my understanding that Richard Torbay is supportive of that process, supportive of it becoming a national standard and is supportive of the language being adopted being consumer orientated. Richard Torbay's bill is constrained by the lack of any current consumer orientated standard. The existing AusMeat standard is 'to the back of the retail door'. So, to my understanding, there is a great deal of commonality, I think it is fair to say, between Richard Torbay's view and the state minister for agriculture Ian Macdonald's view.

That is the background. Perhaps I could add a little bit to that. On page 7 of our submission, in terms of that which we lodged last May, our first point, in terms of a way forward, was that there needed to be consultation within the industry and with the Australian Consumers Association to develop the proposed grading system and standards. That process is underway. At this stage it is probably in its infancy. I have met with AusMeat, I have met with the Cattle Council, I have met with the lot feeders, I have met with New South Wales farmers and I have met with the Australian Consumers Association to develop and progress the consumer orientated classification system that I spoke about earlier and that was developed by AusMeat and MLA following the RMAC forum back in 2004. If there is a legislative will to proceed with a statutory underpinned grading system, I suspect that the crucial part of that whole process will be getting industry agreement on the content of that grading system, because there are various sectors of the industry that have their own legitimate commercial interests and they do not always coincide. Historically, a lot of the opposition to a statutory form of beef grading has come from interests who export the majority of their product or who are primarily or wholly involved in supplying the American hamburger industry. Of course, from their perspective the ability to dump old cow primals onto the Australian market makes commercial sense. So there is not complete agreement.

As I said earlier, the proposal of the RMAC forum, back in 2004, was eventually scuttled by AMIC, which was the meat processor organisation. Having said that, it is certainly not the case that all meat processors are opposed to or do oppose the introduction of beef-grading legislation. That is exemplified by the fact that I am representing one of them here today. Perhaps that is enough in terms of an initial statement other than to say that I am more than happy to discuss issues about whether it should be voluntary or statutory and issues about the use of the word 'budget'. I can talk to you in detail about the legislative options to introduce a statutory underpinned system. I think earlier on today someone was talking about regulation by the Commonwealth. In our submission, we have got the advices that I spoke about earlier. There is also an advice from the department in relation to the Commonwealth powers.

In reality, the legislative options open from the Commonwealth introduction of a standard are under FSANZ and not otherwise and perhaps in conjunction with state legislation underpinning a voluntary code. The states are not able to introduce a mandatory code because of the complications that arise from mutual recognition legislation and the food regulation act, which was formerly the intergovernmental act, under which the states ceded their powers in terms of food standards to FSANZ. For that reason there is a complex legal matrix that has to be complied with to enable that to happen. Having said that, I note that is a situation very similar to the situation that exists in the United States where the USDA has been their grading system, which has been in place successfully for 90-odd years and is a voluntary code underpinned by legislation.

**CHAIR**—Thank you, Mr Hunt. I will ask a couple of questions to start the questioning. You talk about a voluntary system. I would like to be proved wrong, but I do not know of any industry that has any voluntary codes that are actually effective. That is certainly only my view. As I said earlier, with the best intentions and goodwill, companies that involve themselves in voluntary codes put in huge efforts and huge resources and work their backside off but they are normally the ones that are disadvantaged. Unless it is mandatory and unless there is a legislative bat by which people can be whacked around the head, I do not see any benefit. I would be interested in your opinions, but I do not see any benefits in any forms of voluntary codes.

**Mr Hunt**—I agree with you completely. It is my own view that probably everyone who is over the age of 21 does or should know that voluntary codes are what industry calls for when they are faced with regulations that they are not happy with. A perfect example of this is when Minister Amery was about to introduce the Carr government's beef truth-in-labelling legislation back in 2001. That is when the voluntary code on beef

came into existence. It had not been in existence before then. It was in response to that proposal. That is what saw it arise.

**CHAIR**—When we talk about beef-grading systems, and I know you said in your opening statement that various sectors of the industry are opposed to them, obviously everyone who is not opposed to them has either been before us, has put a submission in or is trying to get before us. But could you point us to those various sectors of the industry that are totally opposed to any form of a mandatory grading system?

**Mr Hunt**—I can probably make comment historically. It is probably fair to say that a lot of the historical opposition is probably abating. So in that sense I think there is more likelihood of a broader consensus from the industry now than there was at the turn of the century, when I was first involved with it.

As I indicated, we have specialist hot boner abattoirs whose business is primarily based upon slaughtering old cows at the end of their breeding cycle and sending hamburger meat to the United States. Commercially, I can understand that they could be in front if they were also able to sell some of their prime cuts, which would be pretty tough eating from a consumer's point of view, onto the domestic market. Having said that, I am aware of some hot boners who are strong supporters of the introduction of beef grading.

The other ones are, of course, any export abattoirs, which, for similar reasons, are actually exporting an overwhelming percentage of their production. Again, their reliance on the domestic market, from a commercial sense, is less important to them, and therefore that will happen. Again, at the retail level, you were talking about compliance and voluntary codes and there are a lot in the industry who think that a number of retailers may pay lip service to the current voluntary budget code, but a quick check through their meat cases would suggest that it is more lip service than reality.

**CHAIR**—Sure. With your vast experience in the industry over a number of years, would you say that there are a lot more in the industry who would support mandatory grading as opposed to those who oppose it?

**Mr Hunt**—I guess the starting point is that the Red Meat Advisory Council forum, which convened in 2003 and 2004, was very widely representative of industry. All the main organisations were there: the lot feeders; the Cattle Council; various branded-beef organisations; the retailers; Phil Morley, who appeared here earlier, was there in his capacity as a Coles representative; Woolworths were there; IGA; and Metcash. The recommendations of that forum were for the introduction of a voluntary code that was underpinned by state and territory legislation. That was in 2003-04. My discussions with relevant organisations—without wanting to in any way bind or speak for the organisations—over the last two or three months have, I can simply say, been cooperative.

**CHAIR**—So five or six years ago there was a huge gathering of the majority of stakeholders in the industry, who supported voluntary—

**Mr Hunt**—Voluntary, underpinned by legislation.

**CHAIR**—Yes, underpinned by legislation. Would it be fair to say that that mood has probably changed now. We are hearing that at the time it was all hands on the table and a step forward, but it has not been as effective as had been hoped for.

**Mr Hunt**—It is worse than that. The recommendations were in fact effectively scuttled by AMIC withdrawing its support following the handing down of the recommendations of the forum back to the Red Meat Advisory Council. When the Red Meat Advisory Council met the following month to consider and then pass on the recommendations of the forum to the then minister, AMIC withdrew its support. That material is actually in the appendices to our submission.

**CHAIR**—That is interesting. As you would probably know with lamb branding, there has been a monumental shift in AMIC's view of how meat labelling should progress.

**Mr Hunt**—Yes.

**CHAIR**—I suppose if you have all or the major stakeholders in an industry requesting assistance from government, normally it is hard for governments to say no. We are not saying that they do not, but it is normally harder. So one would hope that the voices get louder.

**Senator O'BRIEN**—Your proposals about grading at processing level do not go to the retail level?

**Mr Hunt**—No, the proposal is that it be a consumer oriented grading system that goes right through to the customer. So it goes to the front of the retail outlet and not just to the backdoor.

**Senator O'BRIEN**—Okay. What do you think the cost of policing such a system would be and who should bear it?

**Mr Hunt**—First of all, in terms of a cost-benefit analysis, the benefits are overwhelming. As I have indicated, if we could get every Australian to eat one more meal of beef every three weeks, that would be \$1.2 billion a year. In terms of the cost of implementing the system, 70 to 80 per cent of the beef that is eaten in Australia is actually produced in AUS-MEAT accredited abattoirs that are already assessing quality. I heard earlier on the suggestion that USDA grading in United States costs 19c a beast. The figures that I got in 2003 was that it cost 37c. The equivalent of three million head of cattle are eaten in the domestic market in Australia each year. On that assessment, it would cost about \$1 million or \$2 million a year. Then it comes down to auditing.

Under the proposed legislation introduced by Torbay in New South Wales, the auditing would be done by the New South Wales Food Authority. It already does auditing on lamb and hoggett branding, and health and safety. So it would simply be another task added to the New South Wales Food Authority's audit process. So the cost, unless there was a user pays policy introduced by the New South Wales government, again, would be nil. There are those—I heard it expressed earlier—who feel that the system, to be really effective, may be best audited by AUS-MEAT. That is a view that I personally share. It would mean an increase in cost, but it may give a more effective outcome.

**Senator O'BRIEN**—It begs the question: if AUS-MEAT were going to do it, would that be funded by a levy and where would it be collected?

**Mr Hunt**—At the moment AUS-MEAT is funded through MLA and the AMPC—the Australian Meat Processor Corporation. If they were requiring extra funds they would need to be funded through that. Alternatively, they already do audits of all the abattoirs, so, again, at the abattoir level, the costs would be incremental. At the retail level it would be a new ball game for them.

**Senator O'BRIEN**—I suppose the easy sector is the supermarket sector, in the sense that most moral pressure can be brought to bear on them. The more difficult sector would be smaller private operators such as shopping centre butchers et cetera.

**Mr Hunt**—Yes. Again, it is important to understand that in the United States they have the USDA, which has a voluntary system underpinned by legislation. It has an audit process. The USDA have government graders and a government audit system. They have a number of prosecutions because, when you have a grading system, the temptation to 'upgrade', as they call it, to get a premium of course is fairly high.

**Senator O'BRIEN**—Yes. Do you know what the current New South Wales retail inspection system for lamb costs?

**Mr Hunt**—No. It would be a matter for the New South Wales Food Authority. I have no dissection of what their costs are. My understanding is that it is carried out as part of their normal food and safety audit inspections.

**Senator O'BRIEN**—Yes. But if AusMeat were to do it, we would have to look at, perhaps, some proportion of what the New South Wales cost was as a guide for the budget for AusMeat.

**Mr Hunt**—Yes. I think that is correct.

**Senator O'BRIEN**—I mean spreading it across the country.

**Mr Hunt**—Yes. Of course, it is one of the things for which the more funds that are committed the more effective the audit process would be. I was noting earlier on that there had been some discussion about the effectiveness of the existing AusMeat audit process. My understanding is that it is pretty effective. Interestingly, the processing industry has always strongly supported the legislative underpinning of AusMeat in their export abattoirs to maintain the integrity of the trading language, and yet historically some of them have been in opposition to that being extended to the domestic market.

**Senator O'BRIEN**—I think what has been suggested in some of the submissions we have is that, despite grading at processor level, some retailers can be a little loose with the truth when it comes to describing the product they have in the refrigerated cabinet that the customer is picking their meal from.

**Mr Hunt**—Yes.

**Senator O'BRIEN**—One would imagine you would need a specific set of regulations about being able to demonstrate a connection between the product on display and the purchase from the abattoir of, particularly, certified meat properties.

**Mr Hunt**—Yes. Earlier on there was discussion in relation to DNA testing, which MSA used to be involved in. Certainly, we were suggesting DNA in the safe food report that we produced in 2001. But it is expensive. In the United States their auditing is done by a documentary trail. What has been contemplated, as I understand it, in Torbay's bill in New South Wales is that the regulations would provide for a paper trail from the abattoir and the retailer would be required to keep that paper trail, which is exactly the system that is in place in the United States.

**Senator McGAURAN**—I have just one quick question. Are you licensed with Certified Australian Angus Beef? Do you have a relationship with them?

**Mr Hunt**—No, I am not in any way involved with the Certified Australian Angus Beef people. What I can say is that we certainly will be talking to them in the process that is taking place within the industry about the grading system. We have been looking at their standards as part of the consideration of what the premium standards for the introduction of any new consumer orientated system should be. Their standards for certified Angus beef are right at the forefront in setting the standards that we require for the very top grades.

**Senator COLBECK**—You mentioned in your submission, and you mentioned it again this morning, that export meat leaving Australia has a compliance process, whereas that does not exist in the Australian market. Can you give us a sense of the difference or what is expected of the product that goes to, say, the US market as far as compliance labelling is concerned—what the levels and standards are built around?

**Mr Hunt**—AusMeat has a set of standards and a language, which is essentially a trading language, which are adopted or accepted quite broadly in terms of the export markets. They are also used, or adopted, in terms of trading on the domestic market. In fact, in the submission, in the exhibit under tab 12, as I indicated before, we have a table that was produced by AusMeat and MLA back in 2005. It moves towards development of criteria for a consumer rating system. In that you will see they have grades which basically rely on age, dentition and ossification. So beef that is nought to two teeth and beef that is nought to four teeth all have a coded description. There is actually commonality in the use of it for trading domestically and for export, but of course not all the export abattoirs in Australia are AusMeat accredited.

**Senator COLBECK**—What about differentiation requirements in different countries—the US versus Japan or Korea, for example? Are there large ranges in those particular export requirements?

**Mr Hunt**—I think there are differences in terms of what the market requires. In terms of the export requirements, as I said earlier, a lot of the export countries actually accept the AusMeat language. That has been set out for this inquiry in the AusMeat submission. Interestingly, the only people in the world who eat table beef—we are not talking about mince or hamburger meat—from animals with more than eight teeth, that is, over 42 months old, are Australians. All our beef that is exported to Japan, Korea, the European Union, the UK and northern African countries is under 42 months old. A lot of it is under 30 months old. But the only people who eat Australian beef that is older are Australians.

**Senator COLBECK**—Is that because they do not really know what they are getting, effectively?

**Mr Hunt**—I believe so. There was some talk earlier about the use of the word 'budget'. I think that was canvassed in your earlier hearings. I agree with the comments that it is confusing. The Australian Consumers Association has been critical of it from the time it was introduced. Under the AusMeat code, for instance, a yearling steer has to come from a beast that is effectively no older than 18 months and young steer has to come from a beast that is no more than 30 months, but when we get an old cow that is at the end of its breeding life it can be called 'budget'. I wonder why it cannot be called 'old cow beef', which is exactly what it is.

**Senator COLBECK**—Yes, it is slightly incongruous that the largest meat exporter in the world has those standards, or lack of standards, as far as the process is concerned. Those are all the questions I have.

**Senator IAN MACDONALD**—Thank you for your submission, Mr Hunt. How would you ever enforce a grading system in Australia?

**Mr Hunt**—In the same way that the grading system in the United States is enforced: by compliance checks, audits and prosecutions.

**Senator IAN MACDONALD**—I am concerned about the fishing industry, which I used to know something. You are supposed to sell fish for what it really is, but that does not happen. My good friend and

namesake Ian Macdonald had me down at a fish restaurant and we had the fisherman with us who knew it was not what we were being sold—and it was a rather high-class fish restaurant. To do that properly, you need a team of inspectors out there, with all the red tape that that involves but more importantly the cost, which someone has to pay. I am concerned that any sort of scheme like this needs some enforcement which does not seem to happen elsewhere in industries that have some regulations.

**Mr Hunt**—There has been some success recently in prosecutions in relation to fish. But I also think in terms of the beef industry that, although main street and the butchers have fought back a little bit, fundamentally the major supermarkets sell close to 70 per cent of the beef that we eat. If they were to adopt the system I suspect that they would be less likely to not comply than the smaller operators, simply because they are substantial corporations and probably more mindful of their reputations.

**Senator IAN MACDONALD**—I have mentioned this to a few of the witnesses, but is there any material on this? You mentioned that in the United States 37c a head is the cost. Is that realistic for Australia as well? Obviously, we would have a more limited turnover than the United States would have.

**Mr Hunt**—There would be some truth in the concept that in the larger operations there would be economies of scale. But what is being contemplated—certainly in terms of the New South Wales legislation to the extent that it could be used as a model—is that the current system would still operate. In other words, the assessment and grading would be done at the plant level but be subject to audit by AusMeat or whoever the auditing authority would be. There are issues that will need to be addressed in terms of making sure that the grading system, when introduced, is workable and not too expensive in the abattoir. For instance, I am told that MSA assessment takes three times as long as the normal chiller assessment that AusMeat does.

There has been a lot of talk here about basing this whole proposed grading system on MSA. There are some issues in relation to that. First of all, to get MSA graded, the cattle have to come from an MSA accredited property. David Thomason from MLA told me this morning that there are 12,500 MSA accredited properties. I have no idea how many cattle producing properties there are in Australia, but I suspect that it is hundreds of thousands. That is one issue.

The other issue is that in some of the plants if every animal had to be MSA graded on the domestic market it would all grind to a halt. What is being contemplated in terms of Torbay's legislation and the MLA model that it is being based upon that is in our exhibit at tab 12 is a system that would embrace MSA but also include non-MSA grass feeding and grain fed. There would be criteria and a lot of the MSA science or technology would also be required to be complied with in terms of the non-MSA carcasses.

**Senator McGAURAN**—I want to return to the original question. I see that with this certified Australian Angus beef that they have the big licensed processors—the big ones: Cargill Beef in Wagga and Tamworth, and others. Out of interest, what is the benefit to them and what is the non-benefit to you? Why aren't you interested in being a licensed processor?

**Mr Hunt**—That is a question that I am not fully equipped to answer. I had not realised the gist of your reasons for asking it. I am Bindaree Beef's legal counsel; I am not at the operative level. I am not sure whether they are licensed or not. So I really cannot answer the question about a commercial reason as to why they are not or whether they have been asked to. I cannot answer the question.

**Senator McGAURAN**—I am interested because these big processors are part of a system of integrity. It is voluntary. It is of a very high standard. You come here, and rightly so, speaking of voluntary criteria et cetera. Therefore, I do not know why Bindaree Beef would not take the next step with Angus beef.

**CHAIR**—If someone in the back of the room knows, could they nod?

**Mr Morley**—We have a limited number of beef processors that we buy into. Going to your question, Senator McGauran, we do not see every processor in Australia processing CWB beef, because then there would be no advantage for individual processors to promote our brand. So it is by invitation. With due respect to Bindaree Beef, they have not been invited to come in for a whole host of reasons, as have other companies.

**CHAIR**—We will let that one go through to the keeper. I want to add to Senator Macdonald's questions about how it would be enforced and that sort of stuff. If one looks at the situation in Western Australia in terms of lamb branding, it is pretty well-known there that if you get caught substituting lamb with hogget you go to chair. There was that one very high profile case. The rogue went to jail—rightfully so. A lot of it sorts itself out as we go along, doesn't it? Mr Hunt, thank you very much for your assistance. That concludes today's hearing.

**Committee adjourned at 1.28 pm**

