

Australia's Red Meat Sector

Red Meat Strategy Discussion Paper

2019



Introduction

A Shorten Labor Government will develop and implement a Strategic Red Meat Industry Plan. The key objectives of the plan will be reducing costs and improving the sector's international competitiveness, increasing domestic processing capacity, security of product supply, and the availability of an appropriately skilled workforce. Input from key stakeholders will be critical to the success of the plan.

Through our consultations with key stakeholders Labor has identified the following challenges:

- Increasing competition in global markets
- Tariff and non-tariff barriers to trade
- Australia's climatic conditions
- Securing producer returns sufficient to maintain supply
- Workforce and cost issues in the processing sector
- Productivity performance
- Growing and maintaining Australia's herd size in a more challenging climate and potentially, declining natural resource base
- Rising community animal welfare expectations
- Changing consumer preferences

These consultations have also identified opportunities including:

- Rising demand for high quality, clean, green, safe and ethically produced red meat product and Australia's reputation for providing that product
- Our existing market access framework
- Potential spare capacity in Australia's meat processing sector
- A well developed and funded research and development architecture
- Significant experience and knowledge in both the production and processing sectors backed by a strong research architecture

The role of Government

The main drivers of economic well-being in the red meat sector will be those prepared to invest in it and those who work in it.

But Labor believes government has a significant role to play in creating the right investment environment including:

- Improving access to capital and encouraging investment in productivity enhancing innovation
- Optimising the allocation of our natural resources and ensuring they are utilised in a sustainably profitable way
- Keeping costs including energy costs and regulatory burden as low as possible
- Improving the VET System and encouraging investment in an appropriately skilled and motivated workforce in Australia
- Promoting competitive and fair markets and constraining abuses of market power
- Maintaining a strong biosecurity framework
- Incentivising investment in research, development, innovation, commercialisation and extension
- Providing key road, rail, port and telecommunications infrastructure
- Developing, expanding and maintaining export markets
- Helping to identify new niche, high value premium product markets and market segments

The red meat sector

The red meat sector is a foundation stone of the Australian economy contributing over \$18 billion to Gross Domestic Product and annually earning \$15 billion in export income. Nearly 70 per cent of our production is exported. Australia is the world's third largest beef and veal exporter, the world's largest sheep meat exporter and the world's largest goat meat exporter¹.

Labor believes the red meat sector offers the potential for further growth which can be realised by lifting productivity, improving its international competitiveness, growing its share of the global markets, and the pursuit of higher value market segments.

Further growth and profitability will drive stronger regional economies, more employment opportunities and growing export earnings. Labor will work with industry, unions and other stakeholders to develop and prioritise a suite of policies to achieve this objective.

¹ [State of the Industry Report 2018: The Australian red meat and livestock industry](#)

Labour

Improving labour skills and efficiency

Despite being located in areas of high unemployment many meat processors can't secure the workforce they need to meet their needs. Increasingly, the owners of abattoirs are turning to overseas sources of labour, both higher-skilled and low-skilled.

At Labor's Canberra Workforce Roundtable key stakeholders identified the following issues:

- The need for a whole-of-Government approach to education and training
- A lack of informative data for policy making
- TAFE curriculum and facilities don't match need
- More needs to be done at high school level to engage and encourage interest
- Regional towns must be more attractive places to live (health, education and other services)
- A more effective and workable visa system for temporary overseas workforce
- Well defined career paths to incentivise better employment engagement

The AMIEU identified constraints on developing and sustaining a skilled workforce, particularly issues surrounding shift arrangements in some abattoirs.

They argue that some current arrangements are adversely impacting on the sector's ability to attract and retain a workforce. For example some work rosters involve a 38 hour four-day week. These long days make the work a more physically demanding occupation. Not only does increase the risk of injury, it also restricts the capacity to share family responsibilities and enabling partners to work especially if the couple have children.

A complex challenge

It is obvious that there exists no single policy solution to the processing sector's workforce challenges. Given the evidence, the responses range from the adequate funding of early childhood, school, and vocational education, through to initiatives designed to break the cycle of intergenerational unemployment.

Young Australians must also be made more aware of the increasing automation of the meat processing sector and the growing number of more sophisticated and more rewarding job opportunities on offer.

Stakeholders also identified the concerning number of potential employees failing drug tests. It's an issue which requires proper investigation, a whole-of-government response and better education and community support.

A Shorten Labor Government has committed to protecting workers and to ensure they get a fair deal by tackling unfair labour hire and cracking down on dodgy labour hire companies that rip off and exploit workers.

Labor will legislate to ensure that workers employed through a labour hire company will receive the same pay and conditions as people employed directly.

Skills

Labor has announced that it will commit \$100 million towards a new Building TAFE for the Future Fund, restore Gonski funding and waive up-front TAFE fees.

The Building TAFE for the Future Fund will help to:

- Re-establish facilities in regional communities that have lost campuses or course facilities
- Establish new facilities areas of transition, population growth and industry expansion
- Provide facilities and equipment to support up-to-date teaching in the digital economy and technology
- Support expanded course offerings and new areas of study that meet the needs of the local community and industry.

Temporary workers

The red meat sector will continue to rely in part on temporary overseas worker programs. Care needs to be taken to ensure overseas workers can be accessed when needed and justified, such as through appropriate labour market testing, and the integrity of the visa program must always be maintained. The latter demands the eradication of temporary worker exploitation.

However, putting Australians into Australian jobs must be our priority.

Product Supply

Abattoirs can't operate without product. The main cause of recent supply restrictions is the severe drought conditions. Working with industry, state and federal governments need a comprehensive drought strategy and a productivity agenda.

While supply constraints can raise prices for producers in the short run, no benefit is delivered at any point along the value chain in the medium to long-run. Certainly, the end-consumer accrues no benefit. Price-sensitive consumers matter to everyone in the red meat supply chain.

Forward looking policies are required in recognition of the fact that producers are likely to face more difficult climatic conditions. Drought policy must be developed at the national level in cooperation with State and Territory Governments.

The foundations of drought policy must be the objectives of greater adaptation and the building of resilience. The current Government has failed to progress this important component of drought policy. Some success can come from an on-going focus on incentives for capital investment in resilience building and “drought proofing”. Initiatives like accelerated capital depreciation and Farm Management Deposit Funds have enjoyed both success and bipartisan political support.

Drought policy should also recognise that income support may still be required in times of severe drought but there may need to be a further emphasis on the need to make it conditional upon the capacity to demonstrate on-going farm business viability.

Cutting the regulatory burden

While any sector producing food for human consumption can expect to face regulatory hurdles, the red meat sector faces a particularly heavy regulatory burden.

The policy response to the regulatory burden carried by the red meat industries must be considered in the context of our competitors in major export markets, not just the domestic environment. In particular, it should be noted that in addition to all the regulatory costs faced by all Australian businesses, the meat processing sector has to absorb quarantine and inspection costs.

The Coalition Government charged the Productivity Commission with the task of reviewing the “regulatory burden imposed on farm businesses” with Labor’s support in November 2015.

The Productivity Commission delivered its report twelve months later. Sadly, the Coalition Government has only recently responded.

In its Overview to the [Report](#) the Commission noted:

“Regulatory burden matters because it can weigh heavily on farm businesses and undermine the agricultural sector’s productivity and competitiveness. Reducing regulatory burden, and improving the efficiency of the regulatory environment, is important for all sectors of the economy, but particularly for the agricultural sector given:

- *its high dependence on international markets — around two-thirds of Australia’s agricultural output is exported (with most producers being price takers in international markets)*
- *most Australian farms are small businesses, and regulatory burdens can have a significant and disproportionate impact on small businesses.*

For farm businesses, reducing regulatory burden means less time spent dealing with regulation and more time spent on productivity-enhancing activities. For the community, less regulatory burden can mean lower prices (because farmers face lower costs), fewer taxpayer dollars spent on regulation and improved living standards. For governments, lower regulatory burden means that more resources can be devoted to higher priority areas”.

Critical to addressing regulatory burden will be greater cooperation between the Commonwealth and the States. That means restoring a formal COAG process for the agriculture sector.

Labor seeks feedback on the Productivity Commission’s report and views on how government might reduce the cost to industry of quarantine and inspection services.

A targeted Research & Development program

The broad framework for planning, funding and delivering rural R&D in Australia is highly complex.

There are multiple funders and suppliers of rural R&D, with public funding spread both across and within levels of government. While this often makes it difficult to track funding and spending flows, the Commission estimates that governments provide around 75 per cent of overall funds, with nearly two thirds of the public contribution coming from the Australian Government.

The Rural Research and Development Corporations’ (RDCs) main role within this broader framework is to procure research from other institutions on behalf of industry and the Australian Government.

The RDCs are funded primarily by industry levies and Australian Government contributions, with the latter mainly on a matching basis up to a cap based on industry gross value of production.

The RDC governance arrangements broadly involve the translation of industry and government priorities into five-year strategic plans and annual operating plans, with after-the-event reporting on outcomes and performance.

Whilst the RDCs are often characterised as operating under a single model, there are considerable differences between them.

A key difference is between the statutory corporations, which are solely responsible for funding R&D and associated extension activities, and industry-owned corporations which also have marketing and, in some cases, industry representation functions.

However, there are also differences within each of these groups in regard to governance and consultation arrangements.

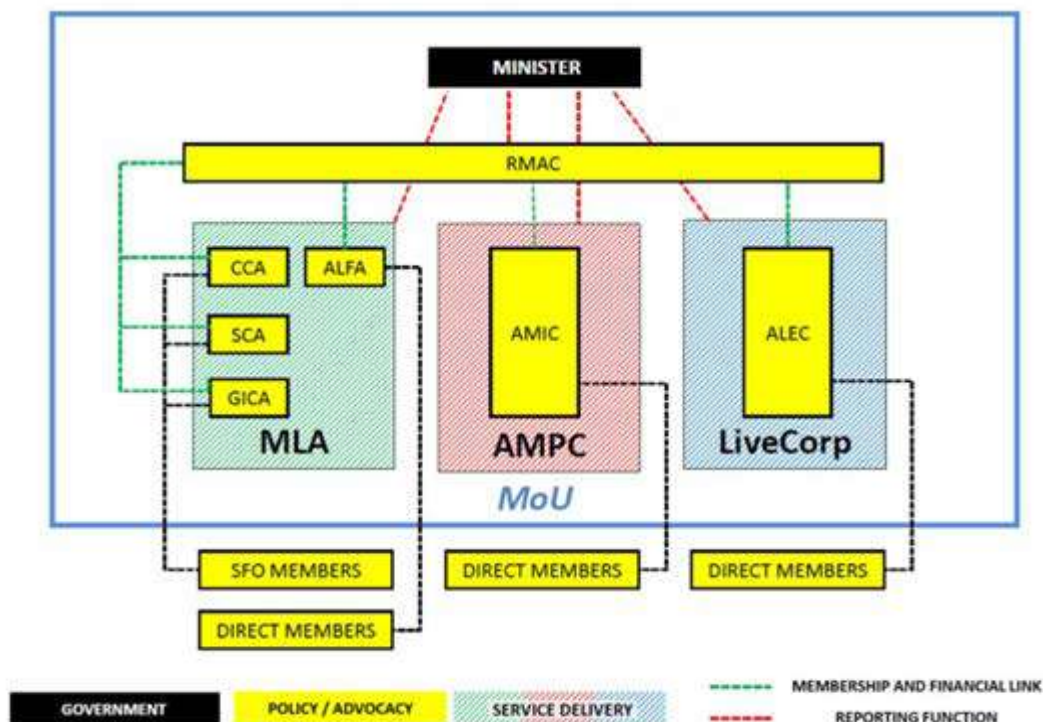
Further, there is considerable variation in the levy arrangements that provide most of the industry funds to each of the RDCs, with some further differences in the way that the government contribution is paid to certain RDCs.

RDCs are significant entities spending serious amounts of money. For example, last financial year, the Australian Meat & Livestock Corporation raised \$100 million from compulsory producer levies. The levies were matched by \$52 million in taxpayer contributions.

Meat processors contribute a further \$22 million to their own RDC; the Australian Meat Processing Corporation (AMPC). A further \$4 million in statutory levies is paid by live exporters to LiveCorp.

The relationships between levy-payers, industry leadership groups and research organisations are complex and multilayered as the diagram from the Senate inquiry into industry structures and systems governing levies on grass-fed cattle shows below.

Diagram 2.1: Memorandum of Understanding arrangements ¹⁶



A review

While announcing a review is often an easy policy option, a re-examination of the architecture of the fifteen agriculture-based Research and Development Corporations is over-due.

The review should not be seen by stakeholders as a threat but rather, an opportunity to ensure levy contributions and matching Government funds are being spent as wisely, effectively and as efficiently as is possible.

Our research effort is critical to the success of the red meat sector. Dollars are too scarce not to be spent wisely. The review should ask some key questions including:

- *Are our RDCs conducting sufficient cross-sectoral research?*
- *Why do RDCs tend to spend only to the cap on matching Government funds?*
- *Is the co-funding model in need of review (the 2011 PC review recommended some changes)?*
- *Is there too much emphasis on marketing at the expense of research?*
- *Is too much money being spent on non-core activities?*
- *Could the RDCs do more extension work?*
- *Are RDCs captured by agri-politics?*

Rural R&D in Australia is also provided by State and Territory Governments, the CSIRO, Universities, CRCs and private providers. It's a pot pourri.

Labor is mindful that the Red Meat Industry Memorandum of Understanding is currently being independently reviewed and looks forward to considering its recommendations.

During the 2013 election campaign Barnaby Joyce raised concerns about the grass-fed cattle levy. He subsequently announced a Senate inquiry into industry structures and systems governing levies on grass-fed cattle, the report was tabled in September 2014. Labor's consultation with stakeholders suggests there remains resentment in the cattle industry about the failure of the Government to act on the Committee's [Report's recommendations](#).

In addition to the grass-fed levies Senate Inquiry the Government undertook another Senate Inquiry into industry structures and systems governing the imposition of and disbursement of marketing and research and development (R&D) levies in the agricultural sector. The [report](#) was tabled June 2015 making a number of recommendations.

Some questions remain:

- *Are processors securing enough funding for research projects beyond the farm gate?*
- *Should there be greater levy-payer democracy?*

- *Is there merit in more Government guidance regarding research priorities?*
- *Should the Committee's report be re-visited?*
- *Is another review justified? What would be the best process?*

Labor has recently announced that if elected, it will introduce a once in a generation inquiry into the Commonwealth's research system, led by former Chief Scientist, Professor Ian Chubb. The inquiry will focus on the coherence and efficiency of the overall research framework and could supply useful guidance for any proposed reform of rural R&D.

Innovation

A key to growing our international competitiveness is the commercialisation of the research findings and innovation. As in most industries, innovation and the embrace of technology will be crucial to the future success of both the meat production and processing sectors.

Labor has already made pre-election commitments including:

- A \$1 billion Australian Manufacturing Fund (AMMF) to promote innovation and the modernisation of facilities through equity investments, concessional loans and loan guarantees
- The Australian Investment Guarantee (AIG) providing accelerated depreciation for new capital investment.

Our innovation effort must go beyond physical infrastructure. Also required is a greater focus on our natural resource base, strengthening our biosecurity, tackling climate change and building resilience.

Improved transport infrastructure

A key to the long-term success of the industry will be getting its product from paddock to plate quickly, reliably and at lowest cost. The quality and adequacy of our nation's transport infrastructure will be critical to achieving these outcomes.

That's why the former Federal Labor Government doubled the roads budget, rebuilt a third of the Interstate Rail Freight Network and put in place strategies to attract new investment into the modernisation and expansion of our air and sea ports.

According to the Budget Papers, annual investment in the nation's roads and railways will almost halve over the next four years. Further, money is being allocated in annual budgets but is not being invested as promised.

The difference between the amount allocated in budgets to major road projects in the past four years and the amount actually delivered is \$2.8 billion.

When it comes to transport of livestock, the current Government has allocated \$145 million to its Beef Roads Program over the past three years but has invested only \$56 million - a 61 per cent underspend. The importance of getting it right on infrastructure cannot be overstated.

Without adequate transport capacity, other measures taken to strengthen the red meat sector could be wasted. We must increase investment in transport infrastructure and ensure budgeted allocations are delivered as promised.

Cutting energy costs

Meat processing is an energy intensive business. Therefore, higher energy prices impact on our international competitiveness and profit.

The last six years has been marked by energy policy inertia in Australia. This has led to uncertainty and reluctance to invest in new energy capacity. Under-investment has in turn, lead to higher energy prices.

There are examples of industry taking advantage of the benefits of renewable energy. A \$260 million high-tech abattoir with its own renewable energy facility in central Queensland has been given the go ahead by the state government and will be the first of its kind in Australia, it is expected to operational by 2021. ²

Labor will continue to argue for a policy settlement which meets Australia's carbon reduction commitments and provides certainty to investors. For example, gas plays a critical role in providing generating capacity for firming until technologies for storing renewable energy are better developed and operational.

Labor has a strong record in supporting meat processors in utilising settlement ponds to capture waste methane to be used as a source of clean energy, and our commitment to boost Clean Energy Finance Corporation funding by \$10 billion will support a continuation of these energy efficiency improving projects.

Labor has also indicated that a much more interventionist policy will be adopted towards gas producers to ensure availability and affordability of gas for generation and industry.

Growing markets

In recent years Australia has completed preferential trade agreements with a number of countries however there must now be a focus on overcoming non-tariff barriers and improving access to those markets.

In October last year, Labor announced it would establish a cross-agency team with officers made up from the Department of Foreign Affairs and Trade, Austrade and the Departments of Industry and Agriculture to help Australian exporters tackle non-tariff barriers to trade. The policy is based on a model adopted by the New Zealand Government to tackle these non-tariff barriers.

² www.queenslandcountrylife.com.au_high_tech_abattoir_planned_for_central_queensland

Labor is pleased the cross-agency initiative has been endorsed by a number of key stakeholders including:

- National Farmers' Federation
- Australian Chamber of Commerce and Industry
- Export Council of Australia
- Business Council of Australia
- Red Meat Advisory Council

Export markets with large and growing middle-class populations offer premium-market opportunities for high quality chilled and frozen red meat products with 30 billion middle class consumers expected in our region by 2030.

At the same time, the pursuit of new trade deals will be important in meeting our aspirations.

Live Exports

Labor supports the live export sector and understands a strong regulatory regime is needed to maintain community confidence in animal welfare standards.

The findings in the Moss review [report](#) found major failing in the Government's approach to live export regulations.

The McCarthy review [report](#) concluded that the live export industry was at a crossroads and that significant changes are required to maintain the health and welfare of sheep being exported to the Middle East. These changes will impact on the viability of the live sheep export trade and based on the scientific evidence from the Australian Veterinary Association Labor cannot continue to support the long term future of the live sheep export trade. The focus must be on a near-term ban on the Northern Hemisphere summer trade and a transition away from live sheep exports to maximise value-adding opportunities and jobs here in Australia.

In addition to the evidence provided by both the McCarthy and Moss reviews the live sheep export sector has now voluntarily suspended shipments in the northern summer period.

The Australian community no longer trusts or has confidence in the live sheep export sector and is demanding leadership from government.

Labor invites discussion with sheepmeat producers about how government can assist them in transitioning to domestic slaughter and value-adding including export opportunities.

Some other policy issues

Labor is using this paper to secure some feedback on the following red meat industry policy options:

- Providing access to finance and direct support to enhance industry efficiency and productivity, through:
 - Australian Manufacturing Future Fund (AMMF) – access to \$1 billion (over four years) for equity investments, concessional loans and loan guarantees to help manufacturers modernise their facilities.
 - Australian Investment Guarantee (AIG) – accelerated depreciation incentive.
- Establish a Meat Industry and Producer Supplier Advocate to support the supply chain.
- Establish a Meat Industry Innovation Council to drive a progressive agenda of efficiency and profitability within the industry and support the transition from live sheep export.

Industry Consultation

Labor began consultations with the red meat sector's key stakeholders many months ago. In addition to one-on-one meetings formal round table events were held on:

- 11 August 2017 (Brisbane)
- 28 March 2018 (Canberra)
- 26 April 2018 (Brisbane)

Facilitated by the Red Meat Advisory Council, the initial roundtable was held during the 2017 Ekka and involved broad consultation with all the relevant stakeholders including those representing the live export sector. The roundtable held in Canberra at Parliament House focused on workforce shortage issues and the third roundtable in Brisbane focused broadly on all the issues discussed in this paper.

In the coming months, Labor will further progress its consultation process. Our key objectives are to encourage investment, lift productivity, promote sustainable profitability at every point on the value chain, and to create more jobs in Australia's red meat processing sector. Creating more jobs in the processing sector will be of great benefit to rural and regional Australia and will be critical to ensuring sheep meat producers are not disadvantaged by the phase-out of the live sheep sector.

Industry Leadership

Leadership in the red meat sector is fragmented and often the industry is marked by conflict. Leadership groups include:

- Red Meat Advisory Council (RMAC)
- Cattle Council of Australia (CCA)
- Sheepmeat Council of Australia (SCA)
- Australian Meat Industry Council (AMIC)
- Australian Livestock Exporters' Council (ALEC)
- Australian Lot Feeders' Association (ALFA)
- Australian Meat Processor Corporation Limited (AMPC)
- The National Farmers' Federation (NFF) and its state-based farm groups

The Red Meat Advisory Council (RMAC) is an industry advocacy group made up of producers, lot feeders, manufacturers, retailers and livestock exporters of beef, goat meat and sheep meat.

RMAC Ltd is a not-for-profit company limited by guarantee that is supported by the RMAC Scheme Rules, RMAC Articles of Association and the Red Meat Memorandum of Understanding (MOU).

On 20 September 2018, RMAC announced it would undertake a comprehensive review of the MOU. The MOU has been the foundation document for the red meat and livestock industry for over twenty years and the review aims to evaluate, enhance and elaborate on the current MOU. Labor support's the review and welcomes RMAC's Chair, Don MacKay's comments that *"it is my expectation that this review will strategically position the industry for future challenges and opportunities. I look forward to working with all the key stakeholders to produce a revised MOU that would ensure the sustainability and prosperity of Australian red meat and livestock businesses"*.

RMAC is a unique entity. It has around \$40 million (consequence of earlier restructuring) under management and has managed the funds since 2005. In the fiscal year 16/17 RMAC earned revenue from investments totalling \$2,860,802. Each year RMAC distributes money to "beneficiaries". In 2016/17 it distributed close to \$2 million to:

- | | |
|---------------------------------------|------------------|
| • Cattle Council of Australia | \$532,409 |
| • Sheepmeat Council of Australia | \$281,274 |
| • Australian Meat Industry Council | \$781,456 |
| • Australian Lot Feeders' Association | \$183,881 |

- Australian Livestock Exporters' Council\$ \$159,438
- Goat Industry Council of Australia - \$30,466

Some questions:

- *Does the above model still make sense?*
- *Is it serving the industry well?*
- *Is it productive that the Minister - through the MOU - has influence over funds being distributed to peak industry groups?*
- *Could RMAC play a greater leadership role?*

Make a submission

This discussion paper highlights the many opportunities and challenges the Red Meat Sector faces. Labor looks forward to further consulting with key stakeholders. Written submissions can be lodged at Sandra.crowe@aph.gov.au