



South Coast Beef  
Producers Association Inc.

**Submission to:**

**ACCC – Perishable agricultural goods inquiry**

September, 2020

**Submission from:**

**South Coast Beef Producers Association Inc.**

Trading as: South Coast Beef®  
PO Box 9, Berry NSW 2535

## **Introduction to South Coast Beef®**

Our mission is to promote and implement respectful and ethical management of the land, our cattle and the environment.

As an association of over 40 beef producers and industry professionals, we produce about 1000 cattle annually from socially responsible production systems to supply premium quality beef to butchers and restaurants in Sydney and across the South Coast of NSW.

Our aim is to grow a responsible and ethical local beef industry based on world's best practice management.

To achieve this our members participate in skills and knowledge development projects and workshops conducted by industry professionals and experienced local mentors on topics such as:

- healthy soils and productive pastures
- best practice cattle management
- product development and marketing.

As a result our members grow and maintain highly productive pastures and breeding herds to supply premium quality South Coast Beef® to the discerning domestic markets.

## **Background**

As part of its annual programme South Coast Beef® hosts the annual South Coast Beef® School Steer Spectacular, to help develop our future farmers, agricultural scientists, technologists and advisors.

This event provides participating school students with real life educational experiences to develop their skills and knowledge related to the Australian beef industry.

To achieve this our members provide each participating school with two steers which they grow out and prepare over a 12 week period to satisfy domestic market specifications. Feed sufficient for the feeding period is provided by Manildra Stockfeeds.

During this time our members mentor the students and teachers in feeding and husbandry of the cattle.

At the completion of the feeding period the steers and carcasses are judged in a hoof and hook competition based on domestic market specifications. Over a week-long event students compete for awards and trophies in a range of competitions associated with industry best practice.

Each school must participate in the led steer (hoof), carcass competition (hook) and prepare and present a detailed project report that discusses the animal science, economics and husbandry aspects learnt during the course of the project.

The Champion School is awarded to the school which gains the highest aggregate points across all three competitions.

At the completion of the carcass section the carcasses are sold over-the-hooks to the abattoir/wholesaler by South Coast Beef® on behalf of the schools and the breeders.

## Issues

### 1. *The relative bargaining power of farmers, processors and retailers involved in supply chains for perishable agricultural goods*

The relative imbalance of bargaining power of each player in the supply chain was well demonstrated in the 2020 School Steer Spectacular.

Throughout regional Australia there are very few options for processing cattle particularly within easy reach of the production location. This limited choice is purely a factor of economics and South Coast Beef® understands the limitations on choice that this dictates.

For this event, which requires carcasses to be judged 24 hours post slaughter, there were less options/choices for abattoirs and in spite of conducting our due diligence with respect to payment terms for our carcasses the chosen abattoir failed to honour its policy.

As a result, the carcasses were not only valued at 20 percent under their current value at the time of slaughter (c/f three weekly liveweight sales across the region) the payment was delayed from seven days to 35 days.

The carcasses were apparently down-graded by the company grader because the meat was apparently “discoloured”. Those same carcasses were at the same time judged according to an industry standard carcass appraisal/judging system and found to have no such defect.

This alleged discolouration was not notified and the processors continued to “process” the meat into boxed beef cuts.

The imbalance of power in this transaction significantly favours the processor. South Coast Beef® was not otherwise able to remove the carcasses which was the option offered when both the carcass valuation and the terms of payment were disputed. The processor was able to dictate both the valuation and terms of payment with impunity.

Obviously this behaviour by the abattoirs delayed the ultimate payment for the steer carcasses to both the schools and the beef producers, and this is just one of many like examples across the industry. More importantly it does incredible damage to the reputations and relationships along the supply chain as producers are out-powered and are reluctant to build relationships with operators and sectors they can't trust.

### 2. *Possible options to address issues or concerns.*

The issue South Coast Beef® raises is one of imbalance of power. This power is exerted by meat processors/wholesalers when agreed-to terms of trade are not followed and the producer is forced to take what is given rather than what their due.

Prices are determined by in-company grading systems, often spurious at best, and payments made at the discretion of the purchaser.

The harm this causes is insidious across the industry by fostering distrust between stakeholders and destroying relationships across the supply chain. As a result, the most beneficial method of processing cattle, the one that best preserves the inherent eating qualities of beef ie sale direct from farm to processor, has its reputation trashed by unscrupulous operators. Ultimately this will drive beef producers to seek other marketing alternatives that understandably deliver more dependable terms of trade for them but at the expense of meat quality.

There are two issues here:

- i. Reliability and accuracy of the valuation of the carcass according to market requirements
- ii. On-time payment for the carcasses.

### **Possible solutions:**

The **first** issue was largely solved in export meatworks by the introduction of AUS-MEAT. This introduced codes of conduct which are regularly audited including:

- dressing carcasses to an industry determined standard ie hot standard carcass weights
- a standard AUS-MEAT language that increased reliability of measurement and assessment of carcasses leading to more reliable in-house grading of carcasses.

While the AUS-MEAT system was a compulsory accreditation system for all export processors and wholesalers before an export license could be obtained, this was not a requirement for domestic plants which come under state jurisdiction.

The introduction of similar codes of practice into the domestic supply chain would significantly overcome this power imbalance and enable trade on a more level “playing field” related to correct product description and quality assessment.

**Secondly** the issue of equitable terms of trade that protects producers from processors/wholesalers reneging on previously agreed terms could be largely overcome by the adoption of the Australian Cattle Trade Rules (2007 and most recent amendment 2013) or similar. These rules have been endorsed by ALFA, ALPA, Cattle Council of Australia and Dairy Australia.

These rules include the recommended use of the del credere agent system of payment insurance which provides for a guarantee of payment within a specified period.

The requirement for domestic meat plants/wholesalers to adopt an accreditation system encompassing a range of codes of practice would go a long way to improving the accountability of the meat industry and encourage the more widespread use of best practice processing of cattle that preserves the inherent eating quality of beef.

### *3. The potential impact of any such suggestions on the ability of Australian suppliers to compete in global markets for perishable agricultural goods.*

The introduction of the AUS-MEAT system in 1987 was a game changer that resulted in the export meat industry gaining credibility and rebuilding Australia’s reputation as a reliable meat export country following the disaster that was the “roo in the stew” debacle.

While there is no suggestion of any similar substitution racket in the domestic meat industry, the introduction of a similar accreditation scheme into the domestic meat trade, while not affecting the export trade, has the potential to make a substantial difference in the domestic supply chain.

If a similar system were to be introduced into the domestic meat supply chain, the outcome would be a similar game changer. The domestic meat industry would be able to mature into a reliable, reputable industry that valued and traded on good reputation and leave behind its current reputation as an industry that profits by its power imbalances and inequities.

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This submission was prepared for the ACCC inquiry into perishable agricultural goods and on behalf of the South Coast Beef Producers Association Incorporated, September 2020.