

Submission to Senate Enquiry

Effect of market consolidation on the red-meat processing sector

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Trading Name: Mark Wortmann

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I do not request that the details of this submission be kept confidential.

Introduction

To whom it may concern I am a third generation farmer, in North East Victoria. I operate a commercial beef enterprise, comprising 150 breeders on 400 hectares. I predominately sell through local facilities under the auction system. The facilities I use are Wangaratta, Shepparton, and Barnawartha selling complexes, I need to use these facilities up to 10 times a year.

Terms of Reference

1. Misuse of market power through buyer collusion;
 - My concerns are that there is limited competition between buyers due to the fact that individual buyers may be buying for more than one meat company at the same sale.
 - Due to the lack of competition amongst buyers and meat processors, the auction system that I support is compromised and the true value of my stock is not realised.
 - Perhaps if there was no buyer collusion, one buyer for one company. This selling system may be able to function as a true auction.
2. Impact of the red-meat processor consolidation;
 - My concerns are that if too few meat processors operate in Australia, competition will be limited and market control and manipulation may be possible.
 - The affects of this limited competition will influence the profitability of my business.
 - The Government must exercise more influence on the take over of the smaller operators.
3. Selling structures and processes at saleyards;
 - Any changes to current selling structures and processes, e.g. upgrading of facilities, or post-weight sales, always seems to be paid for by the seller.
 - The affects of these extra costs once again affects the profitability of my business.
 - A possible solution to the post-weight sale would be that the buyer is to pay for the weighing. I am unsure of how this cost would be not passed on to the seller by the buyer adjusting his selling price.

4. The regulatory environment;

I have no knowledge of how the regulatory environment affects my business.

5. Any other matters;

I sold cattle at the Barnawartha saleyards when the buyers boycotted, I had no previous knowledge that this boycott would take place because the buyers wanted post-sale weighing.

- On that day I took cattle to Barnawartha in good faith that they would be sold under a fair auction system; this was not the case. I was not in a position due to transport costs, to withdraw these cattle from sale and was forced to accept a price below previous markets.
- As a stakeholder in the industry I can't understand that I had no knowledge of the dispute that existed between the operator of the selling facility and the buyers.
- I think this situation highlights the fact that the farmer has very little influence on the system that he is forced to sell his cattle under and is left at the mercy of the buyers and the operator of the selling facility.

Conclusion

I'd like to thank the committee for the opportunity to voice my concerns.

I would hope at the end of this enquiry that we have a fair and transparent system for selling red-meat in Australia.

Yours Sincerely,