

Submission to the Rural and Regional Affairs and Transport References Committee

For inquiry into the effect of market consolidation on the red meat processing sector.

- a. the potential for misuse of market power through buyer collusion and the resultant impact on producer returns;

Our family farming business, Hermit Hill Pastoral Pty Ltd, has only been operating a few years is in the capital building phase of the enterprise. Being farmers in our late thirties-early forties, we represent a growing cohort of younger farmers intent on running a viable business for lifestyle and creating value for our family. We bought our first ewes and lambs just over a year ago and have recently sold our first lambs – 550 of them. We were surprised as to the behaviour of the buyers during this process as evidenced by the following points:

- The first lot were sold via the stock agent to JBS Swift (Bordertown). An example of the kill sheet is attached. Lambs were weighed prior to dispatch and based on quoted prices, and estimate of return was made. When the actual kill sheet was received, the final weights were less than expected. We requested via the stock agent a more detailed analysis of beast by beast weights to try and investigate this discrepancy. We were informed that the processor did not respond to those requests and we could not obtain this information. The kill sheet only shows number of beasts in a weight range. We suspect that beasts could be “trimmed” to fit into various categories that could benefit the processor, penalise the farmer.
  - This lack of transparency over final kill weights for lambs makes it impossible to reconcile records kept on-farm, and the resultant lamb final dressed weight.
  - The processor would have this detailed information to enable running an efficient business, but the farmer can’t obtain this beast by beast information.
- b. the impact of the red-meat processor consolidation on market competition, creation of regional monopolies and returns to farm gate;
- After talking to the stock agent it is commonplace for the processors to collude together to drop prices being offered for lambs. The stock agents themselves then collude together to hold back stock from the processors, then pushing the prices up.
  - The general impression from selling our second lot of lambs, when deciding who to sell to, as to who had the better price, is that the processors are playing games with farmers/stock agents. We were told there was a three week wait to send our lambs to JBS Swift and so we decided to send them to Hardwicks. When we informed JBS Swift of this fact, all of a sudden there was no longer a wait to get lambs killed.
- c. the existing selling structures and processes at saleyards, particularly pre- and post-sale weighing, as well as direct sales and online auctions, and whether they remain relevant;
- We have observed at the Bendigo sale yards, the various processors nodding to each other allowing each other to buy various lots of lambs. This indicates collusion between processors in controlling the saleyard market, and there not being completion in the sale.
  - We consider saleyards are a relevant market mechanism as they keep a floor in the market.

Regards, Hermit Hill Pastoral Pty Ltd