



Submission into the inquiry into impediments into business investment

May 2018

Red Meat Advisory Council
Level 3
National Farmers Federation House
14- 16 Brisbane Avenue
Barton 2604 ACT



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Ms Sarah Henderson MP
Chair, Standing Committee on Economics
PO Box 6021
Parliament House
Canberra ACT 2600

Impediments to business faced by the Australian red meat and livestock industry

Dear Ms Henderson

Congratulations on your appointment as chair of Committee inquiring into and reporting on impediments to business investment in Australia. The Red Meat Advisory Council (RMAC) welcomed the announcement in March by the Treasurer, the Hon Scott Morrison MP, into the inquiry and we welcome the opportunity to present the economic realities of a vital piece of Australia's agricultural and food production industries.

RMAC is a network of producers, lot feeders, manufacturers, retailers and livestock exporters representing 75,000 Australian beef, goatmeat and sheepmeat businesses from gate to plate. We work across the supply chain, working together present a unified industry voice to government.

Our industry is an Australian success story. We contribute \$18 billion annually to the economy, almost three quarters of which are in export earnings for the Australian economy.

Red meat production is also an industry in growth. Last recorded turnover across the sector grew some 11 percent, allowing the industry to grow the combined Australian workforce to over 400,000 people. The growing middle class in Asia, combined with a world-renowned reputation for quality, has led to increased demand for Australian meat in important growth markets.

However, our industry faces several significant challenges. Many of these are in the form of unnecessary government legislation and regulation. Our comprehensive 2017 report, *Feeding the Nation*, outlines our supply chain priorities¹. These can be broken down into four broad areas:

- **Expanding trade and investment** opportunities for the red meat industry
- Maintaining the **wellbeing of people and livestock**
- Achieving **better policy settings** for our industry

¹ *Feeding Our Nation - Our Supply Chain Priorities in 2018*, Red Meat Advisory Council, Canberra, 2017

- Enabling more effective **supply chain collaboration**

We believe that our 26 recommendations contained within these four pillars, if enacted, would help enable our industry to grow \$7 billion in value by 2030².

As the indicated in the committee's terms of reference, heads of Treasury recently surveyed the complex mix of structural and cyclical factors that influence business investment in Australia³. The Intergovernmental review also investigated the institutional and policy factors leading to Australia not fulfilling its maximum potential for business investment.

Red meat production is an important part of the social fabric in rural Australia. Around 57 percent of all Australian farms carry beef cattle, making it the most common agricultural activity in Australia. It is also the most widely dispersed regionally. Farms running beef cattle manage more than 75 per cent of the total area of agricultural land in Australia.

Red meat production is also heavily export-reliant. In 2015, 74 percent of all beef and veal produced in Australia, 72 percent of all sheep and lamb meat and 92 percent of all goat meat was exported. Australia is remains a leader exporter of beef, goatmeat and sheepmeat across the board⁴.

There are community expectations around animal welfare and environmental stewardship that our members from across the red meat supply chain take very seriously. In many parts of regional Australia, red meat producers are the custodians of the land and ensure the safe and stable upkeep of the land is maintained. Part of our commitment to our businesses and the Australian community, we released in May 2018 the Australian Beef Sustainability 2018 Update which highlights key areas where the industry is actively working to address welfare and environmental concerns.

Getting red meat policy settings right means more jobs, more economic earnings, a better eating experience and Australia continuing to lead the world in producing and exporting red meat.

We welcome the opportunity to contribute the ideas and priorities of the red meat and livestock industries into this important inquiry and our responses to the committee's questions are to be found overleaf.

I would warmly welcome discussion on any of the points raised below and would be available to expand on these points during the course of the inquiry.

Yours faithfully

Anna Campbell
Chief Executive Officer
Red Meat Advisory Council

² *Meat Industry Strategic Plan 2020*, Red Meat Advisory Council, Canberra 2015

³ *Intergovernmental Review of Business Investment*, Heads of Treasuries, Australian Government, Canberra 2017

⁴ *Feeding Our Nation - Our Supply Chain Priorities in 2018*, Red Meat Advisory Council, Canberra, 2017

At a glance: Business Impediments & Solutions

By Terms of Reference

Business Impediment	Business Solution
Regulatory burden	<ul style="list-style-type: none"> • Commit to an agenda of red tape reduction for the sector or a sector-specific regulation policy • Commit to an interjurisdictional harmonisation program where it creates supply chain efficiency • Reform the government fees and charges export system • Reinstatement of agricultural connectivity programs for road investment and infrastructure – such as the Strategic Regional Fund • Improvements made to workforce planning for more flexible and consistent access to local and international labor • Revisit international investment policy settings under the Foreign Investment Review Board (FIRB)
Innovation	<ul style="list-style-type: none"> • Continued support of Innovation 2030 • Continued to support matched funding arrangements for Research & Development Corporations • Adoption programs – across the value chain – are developed to commercialise Australia’s world class research
Taxation	<ul style="list-style-type: none"> • An agribusiness specific taxation reform agenda be considered as set by the 2016 <i>Tax in Agriculture</i> report
Energy	<ul style="list-style-type: none"> • Urgent business-to-government (Federal and State) talks on how to reduce energy costs and create a sustainable energy plan for the red meat manufacturing sector
Supplier payment times	<ul style="list-style-type: none"> • Government in partnership with industry create a sector-specific competition policy developed from real insights from real red meat businesses

Impediment: The interaction between regulatory frameworks across all levels of government and how the cumulative regulatory burden can be reduced to support greater business investment?

Key Solutions:

- Commit to an agenda of red tape reduction for the sector or a sector-specific regulation policy
- Commit to an interjurisdictional harmonisation program where it creates supply chain efficiencies
- Reform the government fees and charges export system
- Reinstatement of agricultural connectivity programs for road investment and infrastructure – such as the Strategic Regional Fund
- Improvement's made to workforce planning for access to local and international labor
- Revisit international investment policy settings under the Foreign Investment Review Board (FIRB)

The Australian red meat industry is a supply chain with very slim margins. It is also an industry with higher operating costs as a proportion of revenue than almost all other industries.

At every stage of the supply chain red meat producers face regulations. These include land acquisition, farming, animal welfare, processing, transport, marketing, sales and export. Much of the regulation is there to ensure security and safety in the food market and, as such, is regarded as a fact of doing business. However, there is evidence that the duplicate layers of legislation and regulation place a particularly heavy burden on the red meat and livestock industry.

The Australian red meat and livestock industry contributed significantly to the 2016 Productivity Commission Review into Agricultural Regulation with a specially commissioned report examining the regulatory costs associated with the industry⁵.

The report found that the regulatory impact on red meat producers is significant. The cost of regulation for Australian red meat and livestock businesses is extremely high and can be anywhere from 5 to 25 percent of total profit margins. This is particularly high among livestock producers, with those producing beef facing costs of 15 percent of revenue, while those producing sheep to be facing regulatory costs of around 16 percent of revenue⁶.

Despite the depth of the research, the red meat and livestock industry is disappointed that no response has been formulated by either the Productivity Commission or the government more widely. The committee's final report makes no mention of our collective findings.

⁵ *Submission by the Sheepmeat of Australia Council and Cattle Council of Australia into the Regulation of Agriculture*, Productivity Commission, Canberra 2016

⁶ *Regulatory costs in the Red Meat and Livestock Industry - Final Report*, ProAnd Associates Australia for Meat and Livestock Australia, Canberra 2016

It does, however, find a common concern of the broader agricultural sector about the number of regulations all farmers face. This is compounded in meat production: in Queensland it is estimated that it complies with, or takes account of, over 300 government acts, regulations and codes⁷. These include federal, state, local government and shire council laws.

The regulatory burden within Australian agriculture is effectively a cumulative one; resulting from the impact of many individual regulations of which each regulation, seen in isolation, does not appear to represent a significant imposition.

AgForce submission to Productivity Commission into the Regulation of Agriculture

This complex web of regulation adds to cost. In 2012, the Cattle Council of Australia cited rising input costs as one of the biggest issues facing the beef industry alongside export market access⁸. Between 2013 and 2016, input costs (excluding labour) for beef producers rose from \$1.78/kg to \$2.21/kg in the southern half of the country and from \$1.73/kg to \$2.10/kg for those in the north⁹. This came at a time when average prices for beef cattle decreased.

Some of the price increases, around fertiliser prices for example, are dependent on exchange rates. However, others such as increased expenditure on repairs and maintenance (which increased by 18-24 percent over the past three years) reflects a tighter legislative landscape.

In this context, further increases in regulatory compliance costs reflects a potentially very damaging additional impost. Major regulatory costs common to livestock producers were around transport, inspections, labour on-costs, land rates, environmental regulation and time taken to comply.

One form of regulatory-led efficiency is a harmonisation program across jurisdictions for key production matters. RMAC have recently established a harmonisation register that spans animal welfare, biosecurity, food safety, licensing and product integrity; and this could be led by the Agricultural Ministers Forum (AGMIN) moving forward.

Inspections

Australian meat trades on its safety as much as its quality. Effective food sanitary checks are essential to maintaining this reputation globally. However, the cost of the current inspection regime is burdensome to Australian producers and out of step with international norms.

The Department of Agriculture, Water and Resources is the sole inspector for meat processing plants and operates under a cost-recovery model. This costs the industry some \$80-\$85 million a year in certification fees. In contrast, inspections in the United States are provided largely free of charge by the US Department of Agriculture, with a nominal fee estimated at around 15 percent the true cost of provision. This is despite USDA inspectors being present at all times in over 95 percent of slaughterhouses. In much of Europe, similarly, governments fund inspections carried out by state veterinarians on behalf of the pan-EU European Food Safety Authority.

The partially privatised Australian Export Meat Inspection Service (AEMIS), meanwhile, has added a further cost of some \$40 million onto producers, despite originally intended to reduce costs¹⁰.

⁷ *Australian Agriculture Overview & Recommendations*, Productivity Commission, Inquiry Report No. 79, Canberra 2016

⁸ *Beef and Beyond*, Cattle Council of Australia Canberra 2012

⁹ Peter Martin, *Cost of beef production*, Beef farms - Industry overview, Department of Agriculture, Canberra 2018

¹⁰ Sarina Locke, *Cost of privatising meat inspection creeps up as Europe rejects the industry inspection model*, ABC Rural, Australian Broadcasting Corporation, Sydney 5 November 2014

One of the more progressive meat inspection charging regimes can be found in Sweden, where a company's risk evaluation is factored into its fees amounts. In Sweden, as well as in New Zealand, fees are charged for non-compliance that then triggers additional inspections¹¹. This system of reward would be compatible with Australia's audit-based oversight of establishments.

Unlike many other government fees for service, there is no stated rationale for cost recovery being applied to the inspection programme¹². The programme's budget grew by over 150 percent between 2009 and 2014, largely due to departmental operating costs, rather than any benefit¹³.

Road transport

There is a lack of harmonisation in road transport regulations between state and territory jurisdictions, meaning rule around driver fatigue, weight, effluent spill and the use of road trains or B double trailers differs around the country. This is of particular concern to the beef industry, with cattle sometimes moved several times at state border onto different vehicles. Federal government also has a role to play in ensuring strong road transport infrastructure exists around agribusiness supply chains, which go some way to evening out jurisdictional differences. An example is the Strategic Regional Fund, which we believe needs to be reinstated¹⁴.

Labour

Common to other labour-intensive industries, occupational health and safety and workers' compensation are among the regulatory costs facing the red meat industry. In a recent audit of regulatory impact, we found that beef producers were required to comply with over 50 separate labour laws, both state and federal. The cost of training and complying with safety audits is also onerous for many in the industry, especially meat processing facilities.

A further reform urgently required by the meat industry is a review to foreign worker requirements. At present, meat processing facilities struggle to attract quality employees from the surrounding populations in regional Australia. There are a range of reasons for this, including high employment in other sectors of young Australians¹⁵.

As a result, the red meat processing industry looks outside Australia for much of its workforce. However, the current regulations around international labour are restrictive and proposals to tighten up on the rules surrounding semi-skilled labour are troubling for the sector. Put simply, without imported labour, the long-term viability of many red meat processing plants in regional Australia would be challenged.

In particular, we are concerned about the Meat Industry Labour Agreement (MILA) in its clauses around English proficiency, the number of key skills and the lack of availabilities assigned to certain visa classes. Additionally, the regional occupations list needs to include red meat workers and the Skilling Australia Fund needs adjustment to better reflect the training needs of the meat industry. We would be delighted to send supplementary details on any of these points.

¹¹ Sandra Eskin, *Meat and Poultry Inspection 2.0 - How the United States can learn from the practices and innovations in other countries*, The Center for Science in the Public Interest, The Pew Charitable Trusts, Washington DC 2015

¹² Cost recovery by government agencies, Productivity Commission, Canberra 2002

¹³ *Submission to the Independent Review of the Live Animal Export Program Cost Base*, Australian Meat Industry Council, Sydney 2016

¹⁴ *From Freight to Plate: Delivering the Goods - Submission to the National Freight and Supply Chain Strategy*, Red meat Advisory Council, Canberra 2017

¹⁵ *Submission to Senate Standing Committee on Rural and Regional Affairs and Transport Inquiry into the red meat processing sector*, Australian Meat Industry Council, Sydney 2018

International investment

As the world increases its intake of protein, high-quality Australian beef is particularly in demand across Asia. This has led to a number of investments in the Australian cattle industry in recent years from both domestic and international investors.

RMAC has been vocal in our calls to revise the FIRB in order to attract capital to the Australian red meat value chain. In our pre-budget submission, we called on the federal government to lift the FIRB screening threshold for agricultural land from \$15 million¹⁶.

The current screening level of \$15 million in land value and \$55 million for agribusinesses is too low, considering the threshold was previously \$252 million for agricultural land.

Although we welcome the scrutiny of foreign investment in agriculture, the current thresholds deter foreign investors from joining the Australian red meat value chain. Additional decisions by the Treasury on FIRB approvals may have sent a hostile message to potential future business partners of Australian companies.

¹⁶ *The Australian Red Meat & Livestock Industry Pre-Budget Submission 2018-19*, Red Meat Advisory Council, Canberra, 2017

Impediment: The impact of innovation policies, at the Commonwealth and State government levels, on business investment and the role of innovation policies in encouraging greater business investment, having regard to approaches taken in other countries

Key Solutions:

- Continued support of Innovation 2030
- Continued to support matched funding arrangements for Research & Development Corporations
- Adoption programs across the value chain are developed to commercialise Australia's world class research

As an industry, we are broadly supportive of the Office of Innovation Science Australia and the Australian Government's Innovation 2030 agenda. Innovation and science are critical for Australia to deliver new sources of growth, maintain high-wage jobs and seize the next wave of economic prosperity¹⁷.

But Australia is not very efficient at translating innovation into commercial outcomes¹⁸. Although Australia is slowly creeping back up the global innovation rankings, it is still only at 21¹⁹.

The Australian red meat and livestock industry also suffers from this relative lack of innovation compared with comparable countries. The productivity of the beef industry lags others. For example, from 2000–2013 Australian beef productivity grew 1.04 percent compared with 4.23 percent growth in productivity in the New Zealand beef sector.

To help counter this we recommend that the Department of Agriculture and Water Resources ensures its rural research and development corporations include industry adoption plans as part of their research agendas.

Evidence of this how this works in our sector can be found in the Meat & Livestock Australia Donor Company (MDC), the industry-funded research and development corporation. The MDC attracts investment from over 50,000 companies across the sector to deliver new and innovative products and services to the Australian red meat industry²⁰.

For example, the Superwhites ram breeding group, comprising White Suffolk breeders from around Australia, is participating in the MDC Producer Innovation Fast-Track program on a project to improve the rate of genetic gain in hard to measure traits, like eating quality and lean meat yield²¹.

Innovation is crucial in our sector, which is a capital-intensive industry. Roughly 35 percent of nominal investment per unit of output in agriculture is in capital costs, against around 10 percent in the

¹⁷ *National Innovation and Science Agenda*, Department of the Prime Minister and Cabinet, Canberra 2015

¹⁸ *Science & commercialisation*, The Department of Industry and Science, Canberra 2015

¹⁹ Klaus Schwab, *The Global Competitiveness Index 2017-2018*, World Economic Forum, Basle, 2017

²⁰ *Who We Are*, Meat & Livestock Development Company, 2018

²¹ *MDC Case Studies*, Meat & Livestock Australia Donor Company, 2018

services sector. However, this figure is half that of the same figure in 2005, when capital costs accounted for almost 60 percent of all investment in agriculture²².

This underlines the remarkable transformation the industry has achieved over the past decade in productivity and technological adoption. The red meat supply chain has led the automation charge within agriculture, leading to greater levels of productivity than in the wider agriculture sector.

For this to continue, the current matched funding arrangements provided to Australian agribusinesses through the research and development corporation need to continue²³. This mechanism should be continued as it provides overall support for businesses across the value chain.

It should also be noted, too, that although greater adoption of digital technology could increase Australia's annual GDP growth rate by around one percent, there are definite barriers to the introduction of many pieces of technology that rely on mobile telecommunications in many parts of regional and rural Australia²⁴. Innovation in the bush, therefore, relies on effective broadband by satellite and other high bandwidth data transfer technologies.

Elsewhere in the world, innovation in the meat production industry has focused on moving producers higher up the value chain through greater use of on-farm production facilities. In France, for example, the introduction of government-subsidised vacuum pack processing facilities in the early 2000s led to exports of speciality butchered products to various parts of the world. Often these are offal or parts of the animal less favoured by domestic consumers²⁵.

As Australia seeks free trade agreements with major meat-consuming markets such as the United Kingdom and the European Union, we need to explore all avenues including automation to reduce the cost of production²⁶.

Automation and robotics

One area where Australia leads the world is in the automated de-boning of animals. A ten-year project between the MDC and Scott Robotics has created the LEAP system of automated X-ray guided cutting systems, which are now in place in several Australian abattoirs. Able to create the primal lamb cuts such as middle, hindquarter and forequarters, savings of around \$6 per head have been achieved²⁷.

Such automation also further increases the quality of Australian red meat through increasing product consistency and yield. Automation also reduces the risk of workplace accidents.

We also need to ensure greater collaboration takes place between business and universities on research to successfully commercialise new technologies. To this effect, we also recommend the creation of two federally funded regional innovation adoption trials for the red meat industry looking to develop a best practise, regional adoption delivery model using peer to peer networks.

²² *Intergovernmental Review of Business Investment*, Heads of Treasuries, Australian Government, Canberra 2017

²³ *Co-investment opportunities*, MLA Donor Company, Canberra 2017

²⁴ *National Farmers' Federation Submission to the Australian Government 2030 Strategic Plan Issues Paper*, Canberra 2017

²⁵ *Industrialisation du secteur viande bovine - La nécessaire stratégie d'innovations*, Viandes et produits Carnés, Vol 22, Paris May-June 2001

²⁶ Shan Goodwin, *Eyeing off Europe's big beef eaters*, Farm Online, Sydney, May 2018

²⁷ Shan Goodwin, *Automated beef boning on our doorstep*, Farm Online, Sydney, May 2017

Impediment: The role that taxation policy, at the Commonwealth and state government levels, can have on the encouragement of new business investment

Key Solutions:

- An agribusiness specific taxation reform agenda be considered as set by the 2016 *Tax in Agriculture* report

The red meat industry is a crucial part of both Australia's domestic food production market and also export opportunities to over 100 countries. Our industry delivered \$60 billion in turnover in 2016, which supported a direct workforce of 178,000 Australians and a further 222,000 indirectly employed in the supply chain. Red meat is an Australian success story.

Our industry's supply chain runs from paddock to plate. As such, it touches every aspect of Australia's tax system. We believe that the tax system should both foster improved productivity and also protect the national interests of agribusinesses to Australia.

There have been some recent changes to tax policy that have been welcomed by the industry. These include changes to depreciation and capital write-off provisions and reductions in corporate tax.

However, many challenges remain. In a recent report by the Rural Industries Research and Development Corporation, a number of taxation measures that impede agricultural efficiency, productivity and sustainability were identified²⁸. These include:

- Stamp duty on the transfer of land can lead to inefficient economic decisions. We believe stamp duty should be removed on all non-residential property conveyances.
- Inconsistency in payroll tax across jurisdictions creates an unnecessary administrative burden for primary producers and other small businesses. We urge greater consistency in payroll taxes between state and territory treasuries to assist cross-border businesses like ours.
- The non-commercial loss rules for business reporting have discouraged investment in agriculture and encouraged investment into sectors such as property, where negative gearing applies. We would like to see a revision of the non-commercial loss rules for agriculture.
- The mechanics of the Farm Management Deposits scheme, whereby farmers can set aside pre-tax income in a high income year and withdraw in a low income year, need adjusting. In particular, consideration could be given to allow deposits to be held at the entity level.
- Reform to the goods and services tax (GST) should focus on ways to simplify the system and reduce the compliance burden imposed upon businesses. Consideration should be given changes such as annual GST threshold reviews against turnover and revision to the grouping rules for related entities.
- Capital gains tax (CGT) is particularly pertinent to many intergenerational farmers and livestock producers. We would like to see CGT rollover relief being available for the transfer of assets within a wholly owned family group

²⁸ *Tax in Agriculture* - Publication No. 16/019, Boyce Chartered Accountants for the Rural Industries Research and Development Corporation, Cooma 2016

- Many vehicles used by primary producers, such as four-wheel drives, attract the luxury car tax due to their high value. We would urge a revision of this policy along vehicle usage grounds in line with recommendations in the Henry Review²⁹.

In common with others in the agriculture sector, we would oppose any extension of the GST to fresh food products. The supply chain for red meat is already strained, with producers under contact pressure to reduce costs. There is evidence from other countries that increases or impositions of value added taxes on fresh food, while initially absorbed by retailers, is passed on to primary producers within a two-to-three-year cycle³⁰.

²⁹ Dr Ken Henry AC, *Australia's Future Tax System Review - Final Report: Part 1 - Overview*, Commonwealth of Australia 2010

³⁰ Geir Wæhler Gustavsén and Kyrre Rickertsen, *Effects of Taxes and Subsidies on Food Purchases*, Norwegian Agricultural Economics Research Institute, Oslo 2010

Impediment: The role that energy policies, at the Commonwealth and State government levels, can have on the encouragement of new business investment

Key Solutions:

- Urgent business-to-government (Federal and State) talks on how to reduce energy costs and create a sustainable energy plan for the red meat manufacturing sector

Red meat processing is an energy-intensive activity. Energy currently accounts for around eight percent of total meat processing costs, but this figure is predicted to rise to around 13 percent by the end of the decade³¹. Such sharp increases in the cost of energy in Australia are putting significant pressure on the ability of processors to remain profitable.

In 2015 the Australian Meat Industry Council developed tools for the meat industry to measure and manage its energy costs³². The tool, developed in conjunction with Australian Government funding through the Energy Efficiency Information Grants Program, showed alarming increases in costs.

In 2017, gas and electricity costs of the red meat industry were estimated to have risen by some \$1.2 million compared with 2016³³. This huge jump in energy prices limits the ability of meat processors in particular to maintain shift capacity. This in turn impacts direct employment and passes back along the supply chain to livestock farmers.

Often in remote and regional areas there is a lack of competition among energy suppliers. For example, for many producers, there is a sole gas provider, leading to significantly higher prices in many regions of Australia.

The sector has invested heavily in energy efficiency measures in recent years, such as the installation of energy efficient lighting and the replacement of blast freezers with plate freezers. Many farms and abattoirs are also investing in renewable sources of energy such as solar panels, bio-energy sources and steam heat exchangers. The uncertain regulatory environment around energy in general and renewables in particular has led to many red meat producers taking a long-term view on investments, in an attempt to reduce the risk and impact of further energy price increases

The part of the supply chain most keenly affected is the processing facilities. In one recent example, a leading lamb and mutton processing facility based regional Victoria with a capacity of 50,000 lambs per week saw its electricity and gas costs rise by some 70 percent in the first six months of 2017 alone. This amounted to \$1.1 million of additional costs to the business over the course of the year.

There is a very real danger of losing small and medium-sized meat processors if costs for essential inputs like energy continue to grow. In order to remain operational, costs would instead be reduced in other areas such as labour costs of prices paid for livestock. Both of these would have further detrimental affect on regional economies.

The red meat processing industry in Australia is the largest manufacturing sector in Australia with over 130,000 employees, mostly based in regional areas. Yet the uncertainty over prices and the high

³¹ *Policy Position Case Study -Cowra Meat Processors*, Australian Meat Industry Council, Sydney 2017

³² *Energy Efficiency Project Map - Red Meat Processing*, Department of Industry, Innovation and Science, Canberra 2016

³³ *Policy Position Input Costs – Energy*, Australian Meat Industry Council, Sydney 2017

cost of energy is forcing many abattoirs and meat processing facilities to consider offshoring meat production for the export markets³⁴.

We believe the federal government should be partnering with business and energy providers to minimise the impact of increased energy prices and in turn encourage employment growth. This can only happen with the support of state and territory governments, in whose jurisdiction energy prices sit. There is a need for urgent, concerted measures be taken across jurisdictions to reduce power costs, especially electricity, for the benefit of the many enterprises in the meat supply chain that rely on a competitive supply.

³⁴ Shan Goodwin, *Energy crisis could push red meat processing offshore*, Farm Online, Sydney March 2017

The impact of supplier payment times, including by governments, on business investment for small to medium enterprises.

Key Solutions:

- Government in partnership with industry create a sector-specific competition policy developed from real insights from real red meat businesses

The Australian red meat industry operates in a supply chain with very slim margins. The industry also faces higher operating costs than virtually any other. As such, there are many competing businesses at almost every step of the supply chain offering competition for prices.

This situation has led to a competitive landscape for the red meat industry and those with prompt payment terms are obviously well regarded.

At a time where it is arguable there has never been more market avenues up and down the supply chain, government-led interest through the Agricultural Competitiveness White Paper has placed transparency issues as a key government output.

RMAC has worked with the Australian Competition and Consumer Commission to overcome the agency's concerns about transparency of pricing in cattle and beef markets. The industry is implementing new systems and procedures to reduce the instances of mis-reporting or under-reporting cattle transactions in the supply chain³⁵. For example, the Prices and Markets portal of the MLA website aggregates price data nationally.

One solution proposed by the ACCC to reduce instances of mis-reporting is to use national price grids.

There are concerns around the practical implications of such a scheme given there are thousands of different price grids for thousands of different products. A consolidation of the various price grid formats in use around the country would constitute a major industry project. RMAC would be supportive of an industry funded audit of all price grids available over a single period and the range of product it supports as an initial first step to provide an evidence base for the case to make any changes in price presentation.

³⁵ ACCC Cattle + Beef Market Study Request for Update, Red Meat Advisory Council, Sydney, February 2018