

EXECUTIVE OFFICE

3rd November 2015



**Australian
Competition &
Consumer
Commission**

Committee Secretary
Senate Standing Committees on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600

GPO Box 3131
Canberra ACT 2601
23 Marcus Clarke Street
Canberra ACT 2601
tel: (02) 6243 1111
fax: (02) 6243 1199
www.accc.gov.au

Dear Committee Secretary

Inquiry into the effect of market consolidation on the red meat processing sector

The Australian Competition and Consumer Commission (ACCC) looks forward to our appearance before the Senate Rural and Regional Affairs and Transport References Committee's inquiry into the effect of market consolidation on the red meat processing sector.

Some submissions to the inquiry have raised concerns about the potential for the language and labelling used in the promotion of meat quality to mislead or deceive consumers. There was strong concern about the lack of consumer awareness as to the labelling of meat products at the retailer/supermarket end. In particular, submissions have expressed the need for a language review, and the need for heightened consumer awareness of the MSA grading system with regard to intramuscular fat, marbling, meat colour and tenderness.

Separately to the issues the Committee may wish to raise with the ACCC at the upcoming hearing, we would like to bring to the Committee's attention certain matters relating to the labelling and grade classifications of Wagyu beef.

Wagyu beef complaints

The ACCC has received complaints that several primary producers, supermarkets, independent butchers and restaurants use the term Wagyu without qualification, or with inadequate qualification, when marketing cross bred Wagyu beef. It has been suggested that this practice is misleading because consumers may consider that they are purchasing beef obtained from full blood Wagyu cattle when this is not the case.

There is currently no agreed Australian standard with regard to Wagyu beef and there are different views in the industry on the information that should be provided to consumers about what constitutes Wagyu and how Wagyu should be described when it is offered for sale.

Trade descriptions published by the Australian Wagyu Association (AWA) distinguish between different categories of Wagyu beef based on the level of genetic content. Under these descriptions, beef obtained from full blood Wagyu cattle with 100% of its genetic content originating from Japan and containing no cross-bred genetics, is described as full blood whereas other descriptions apply where the beef contains some degree of cross bred genetic content. While these descriptions are being used at the producer and wholesaler level, there is only limited use of these descriptions at the retail level. The information being provided to consumers at the point of sale and on the labelling of Wagyu products may be insufficient to ensure that they are making fully informed purchasing decisions.

Consumer awareness

The Wagyu industry in Australia is relatively new, beginning in the 1990s, and there is likely to be varying degrees of awareness and understanding about Wagyu beef. Wagyu industry members (including breeders, wholesalers and producers) and some retailers (high end restaurants and butchers) have a clear and high level understanding of what Wagyu beef is and the nuances of Wagyu breeding.

Consumers are likely to have differing levels of understanding, ranging from well informed consumers with a high degree of awareness about Wagyu beef, consumers who consider Wagyu beef to simply mean a premium quality beef with no awareness of differences in genetic composition and consumers with no awareness of Wagyu beef. Some consumers may be aware that the term Wagyu denotes a breed of cattle (whether pure bred or not) with its genetic origin deriving from Japan. Other consumers may understand the term to be associated with the fat marbling of the meat and/or the way the cattle have been raised to produce a particular taste or texture of the meat.

Wagyu claims made without qualification may give the impression to consumers that the Wagyu product is from full blood cattle. Given the lack of mandatory standards, and the fact that it is likely impossible for consumers to visually distinguish full blood and cross bred Wagyu beef, consumers are reliant on representations made by suppliers and in many instances they are not assisted by the information that is available at the point of sale.

ACCC's role

Truth in advertising is a priority area outlined in the 2015 ACCC Compliance and Enforcement Policy. The ACCC also has a focus on agricultural issues with a newly formed Agricultural Engagement and Enforcement Unit. The ACCC has considered this matter in relation to certain provisions of the Australian Consumer Law (ACL), specifically:

- Section 18 – misleading or deceptive conduct
- Section 29(1)(a) – false or misleading representation that goods are of a particular standard, quality, value, grade, composition etc
- Section 33 – conduct that is liable to mislead the public as to the nature, the manufacturing process, the characteristics etc.

At this stage, the information obtained by the ACCC does not clearly indicate that contraventions of these sections of the ACL are occurring and we are not pursuing the matter further at this time. However, the ACCC would like to bring this issue to your attention as we consider these issues are relevant to the Committee's current deliberations.

Establishing a more informative and improved labelling standard across the beef industry as a whole will ensure consumers are better informed. This would increase and clarify consumer awareness about the characteristics and qualities of Wagyu beef products. The outcome of the Committee's inquiry may also bring clarity to some of the issues we have considered and aid in any future investigation in relation to this matter.

Should you wish to discuss this matter further, please contact Lisa Anne Ayres at LisaAnne.Ayres@acc.gov.au or on (03) 9290 1980.

Yours sincerely

Rod Sims
Chairman