

## **AUSTRALIAN MEAT INDUSTRY COUNCIL - QON**

### ***Objective Carcase Measurement (OCM)***

The ACCC's interim report (October 2016) recommended that:

The industry, **led by the processing sector**, should allocate a high priority to the adoption of technology to enable objective carcase grading to be introduced as soon as possible. This will, of necessity, include the development of appropriate auditing and verification systems that instil confidence in the integrity of such systems. [Recommendation 6, p. 12]

In its final report (March 2017) this recommendation had changed to read:

The introduction of objective carcase measurement technology should be prioritised by the industry and adopted by all processors in a consistent manner as soon as possible. Objective carcase measurement technology will increase accuracy and transparency of value assessments. Appropriate auditing and verification systems will be needed to support the technology. [Recommendation 6, p. 12]

**QUESTION:** In the interim report, the ACCC recommended that the processing sector should take the lead in the adoption of OCM technology. The final report doesn't indicate who should take responsibility for its implementation – what is AMIC's view of who should be taking the lead in relation to OCM?

**ANSWER** – Currently AMIC is working “hand in glove” with all other red meat and livestock industry peak councils to develop policy around OCM. This is being done around adoption and commercialisation with Meat and Livestock Australia (MLA) and our Research and Development Corporation (RDC), Australian Meat Processor Corporation (AMPC). OCM is a large issue that has many “moving parts” and AMIC is currently of the position that one organisation should not be managing all aspects, at this time. AMIC is comfortable in working on policy, adoption and commercialisation outcomes with the parties above, until industry agrees to a more central management structure that may also include more technical areas

**QUESTION:** Does AMIC have a view on who should be funding the installation of OCM technology?

**ANSWER** – Funding options are still be developed and discussed at the OCM Adoption and Commercialisation Committee (OMAC). This group has an independent chairman (Gary Burridge) and secretariat of MLA. It has all peak councils together with AMPC and individual processors and members of ALMTech as members. MLA will be providing funding options for discussion and decision to this group, whose next meeting is October 24<sup>th</sup>. It is far more prudent to finalise funding structures with this group. If this process agreed it should be processor funding along through levies and matching government contributions, AMIC would support that, as per our RDC AMPC.

**QUESTION:** Does AMIC have a view on who should be responsible for calibrating and auditing the OCM machinery?

**ANSWER** – As per AMIC evidence to this Senate Inquiry of August 8<sup>th</sup>, AMIC currently supports AUS-MEAT Ltd as the most appropriate body to independently manage calibration and auditing

### ***DEXA Technology***

**QUESTION:** When did AMIC first start giving consideration to objective carcase measurement (OCM) technology?

**ANSWER** – AMIC through a number of industry taskforces, Processor Advisory Committees (PACs) and through individual research have been working along these areas for approximately 20 years, in line with eating quality programs such as Meat Standards Australia. This has increased more over the last 5 years with work undertaken at MLA and AMPC on a range of technologies surround CT Scan and X-Ray linked to outcomes such as automated boning, as well as R&D work overseen by ALMTech.

It has been reported that a number of processors have been conducting trials of the DEXA technology. There have been conflicting reports about how far advanced the development of the DEXA technology is, when it will be available for installation.

**QUESTION:** Which processors have been conducting trials?

**ANSWER** – Currently AMIC members commencing trials include AMIC members Gundagai Meat Processors, Frewstal Pty Ltd and Wagstaff Cranbourne Pty Ltd. Those already conducting trials include JBS and Teys Australia

**QUESTION:** Please provide an update on where things are at in relation to the development and installation of DEXA technology.

**ANSWER** – This question AMIC believes is best put to the RDC companies MLA and AMPC, as AMIC has no involvement in the actual R&D around development and installation. AMIC's role is in the development of policy around adoption and commercialisation as well as management of industry standards through AUS-MEAT Ltd, when the program is mature enough to fit within these programs. We understand AMPC has provided a detail response as you have posed the same questions to them On Notice.

Concerns have been raised about the independent regulation of the new technology – for example, who is going to calibrate the system, conduct audits and be responsible for a complaints resolution process?

**QUESTION:** What is AMIC's response to these concerns?

**ANSWER** – As per the similar question asked under OCM, AMIC's response is that this should be managed by AUS-MEAT Ltd as the industry's independent body for language and standards.

**QUESTION:** Given processors' funds have been used in the development (and potential installation) of DEXA, will they actually own any part of the technology? Who ultimately does own both the machinery and the Intellectual Property rights in relation to DEXA?

**ANSWER** – AMIC believes that this issue will be further refine as MLA provides funding models to OMAC in October 2017. However, AMIC has reiterated as per its evidence of August 8<sup>th</sup> for this inquiry that any processor that utilises technology should also invest and have “skin in the game”. If processors decide as companies to pay for the whole system, or indeed pay back any investment, then it stands to reason all ownership of physical hardware would reside with the processor that has paid for this. However, AMIC awaits the funding models provided to OMAC. Again it would stand to reason in a competitive market place that IP on machines would be with the provider of technology and issues such as algorithms would be owned by industry through its RDCs.

**QUESTION:** Will smaller processors find themselves at a disadvantage if they are unable/unwilling to install the new technology?

**ANSWER** – AMIC believes that members of any size that wish not to take up this technology will have made a business decision in the best interest of their company at the time with the right amount of information provided. The “Opt In” process should ensure all information is available

## ***Dispute Resolution for OTH Sales***

The ACCC's interim report included a recommendation that:

Processors and buyers should review, and in many cases improve, their internal processes for responding to inquiries and complaints and OTH sales.

Cattle processors should develop a uniform and independent complaints and dispute resolution process, with AUS-MEAT filling the role of an independent and binding arbitrator. [Recommendation 7]

The ACCC's recommendation was changed for the final report to read:

The Red Meat Advisory Council should develop a uniform and independent complaints and dispute resolution process.

Some processors have their own dispute resolution systems. However, an independent system would provide an additional and independent dispute resolution option to the industry.

The independent system should apply to all purchasers and sellers of cattle, including for OTH and electronic cattle sales. The Red Meat Advisory Council, AUS-MEAT and buyers should publish information about how parties can use the independent process. [Recommendation 8]

**QUESTION:** Once a 'uniform and independent complaints and dispute resolution process' has been developed, does AMIC believe it should be made mandatory, and adopted by all processors?

**ANSWER** – AMIC has continued to support the current structures in place, being the Over the Hooks (OTH) dispute resolution process ([http://www.ausmeat.com.au/WebDocuments/Complaints\\_Handling\\_-\\_Over\\_the\\_Hooks\\_-\\_OTH.pdf](http://www.ausmeat.com.au/WebDocuments/Complaints_Handling_-_Over_the_Hooks_-_OTH.pdf)) for OTH purchases, and the ALPA Terms and Conditions for sale (<http://www.alpa.net.au/UserFiles/File/Documents/ALPALivestockTermsandConditionsFEB2017.pdf>) for saleyard purchases. This combination has the right amount of regulatory processes in place for vendors/sellers of livestock to progress a dispute. However, AMIC agrees that these processes need to be widely communicated and education on how to use these regulations to manage a dispute must be provided. AMIC rejects any further increase to an already heavily regulated industry, being red meat processing in Australia. It should be noted that adoption of any current, or future, process must be by ALL BUYERS. Whilst this inquiry continues to single out processors as requiring regulation surrounding livestock purchases, there are also purchases made by grass fed producers, grain fed producers, stock agents on vendors behalf, and live exporters. AMIC would like to see future discussions in this area including all buyers, at all times, at all sales, for all livestock.