

Submission to effect of market consolidation on the red meat processing sector.

**Nanthes' Park British White Cattle Stud – Indigo Valley – Victoria**

The following submission is made to address the inquiry terms of reference:

- the potential for misuse of market power through buyer collusion and the resultant impact on producer returns;
- the impact of the red-meat processor consolidation on market competition, creation of regional monopolies and returns to farm gate;
- the existing selling structures and processes at sale yards, particularly pre- and post-sale weighing, as well as direct sales and online auctions, and whether they remain relevant;
- the regulatory environment covering livestock, livestock agents, buyers and meat processors; and any related matter.

Nanthes' Park is small cattle stud focusing on British White rare breed cattle. As one of thousands of cattle breeders/producers we feel implored to make a submission to this senate inquiry to address the terms of reference, from the view of a small producer in order to be a catalyst for genuine change.

Why do we need action?

The simple fact is that the real rate of return for producers has steadily declined over the past 30 years. For smaller producers whose costs are proportionally higher per animal the real returns are even more stressed.

The returns for cattle producers are dependent on 'the market'. A true market operates effectively when there is real competition at all levels of that market. In order to have genuine competition there needs to be as many participants in that market as possible. The past 15 years has seen a consolidation at all levels of the market where by numbers of participants has shrunk especially in the processor and retails sectors. This loss of market participants has now reached a point where there has been a complete loss of operational transparency as evidenced by the recent boycott at the Barnawartha sale yards there needs to be changes to the sales process to improve operational transparency and thus support for the market

The first principle of these markets has to be 'what is best for the vendor (producer)". Each sale yard needs an enforceable code of conduct for all participants that ensures the rights of the vendor are protected and this in-turn directs the operation of the facility. The sale yards operation needs to be structured in ways that ensure that the vendor has every opportunity to best present their stock for sale.

With the above principle of 'what is best for the vendor' in mind the auction process itself needs to revised and a Dutch auction arrangement implemented at all sale yards.

#### Advantages •

- The seller recognizes their fullest economic benefits from the sale

- Descending prices ensure bidders will bid promptly when their internal price is reached
- Quick and simple to implement, easy to understand for bidders
- Everything is done out in the open, transparency to everyone involved

The Dutch auction system has been shown to benefit vendors and improve competition and is used in location such as the Sydney Fish Market where the same commodity is being sold. Additionally it speeds up the auction process with is particularly advantageous when livestock are being sold.

There also need to be real market competition by opening up opportunities for vendors to sell cattle outside of the current systems such as online auctions and direct to the public. For the small producer, such as Nantnes' Park who operates in the niche rare breed market the opportunity to sell direct to the public must be available. The burdensome and restrictive regulation concerning the sale of meat to public needs to be reconsidered so that options can be found to allow for flexible but safe operational models. One model could be to allow for a licensed Butcher to do the kill and approve the meat for sale and that meat sold under contract to clients. Buying selling under contract allows for clients to be fully informed of the process and for them to agree to purchase via that process.

As the 'Paddock to Plate' movement grows the community are

looking to engage with farmers and to purchase produce directly from the farm gate. By providing a solution that allows meat to be sold this way meets a community need, provides an opportunity for farmers to sell outside the current sale systems while value adding to their product and lastly increases market completion at all levels of the market.

The current systems for sale of cattle in Australia need reform in order for producers to get real return for their produce. The principle of 'what is best for the vendor (producer)' needs to front and centre in any system redesign. It is hope that this inquiry's recommendations enables facilitate genuine systems change that supports producers and a stronger cattle industry.

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