

19<sup>th</sup> February 2009

The Secretary  
Senate Standing Committee on Rural and Regional Affairs and Transport  
Parliament House  
Canberra ACT 2600

Dear Secretary,

**Re: Inquiry into Meat Marketing**

Thank you for the opportunity to present a submission to the Inquiry into Meat Marketing, with particular reference to beef grading and related truth-in-labelling issues. In December 2008, I introduced The Food Amendment (Meat Grading) Bill into the NSW Parliament. This Bill is aimed at addressing inconsistent eating quality which is the single greatest factor undermining the marketability of beef in Australia. It is an anomaly that in a Nation noted for producing some of the best beef in the world, our domestic consumers have had to put up with unreliable product labelling for so long.

Inaccurate or deceptive labelling of meat is an issue that has not only hurt producers who offer a higher quality cut of meat, but has also contributed to an alarming decline in overall beef consumption as consumers in Australia have reacted to inconsistent quality by turning to other products such as poultry and pork over the past 25 years. Consumption of beef has decreased by 30 percent since 1977 when Australians consumed (on average) 70 kilograms of red meat per person per year. Over the past 10 years beef consumption has fallen from 41.3 kilograms in 1997 to 36.3 kilograms per person in 2006-07.

As a consequence of declining red meat consumption, 7,800 abattoir jobs were lost in regional Australia between 1996 and 2001 (2001 Census). A further 2,160 jobs were lost from abattoir closures by October 2003. The Australian Meat Processor Corporation has predicted that 20% of the remaining Australian abattoirs are likely to close within the next 10 years. Most of the Australian abattoirs that have closed in the last 15 years have supplied the domestic market. It is apparent that voluntary measures to address the impacts of declining red meat consumption in Australia (such as the Retail Beef Labelling Agreement) have largely been unsuccessful. It is clear that countries that have implemented legislation to provide comprehensive consumer-based beef grading systems (which deliver consumers a guaranteed quality product) have experienced positive outcomes in relation to beef consumption.

Over the period 1998 to 2003 the United Kingdom, USA, Canada and Japan, where national beef grading legislation or government restrictions on slaughter age exist, experienced increased beef consumption per head of population or at worst a very modest decline. During the period 1998 – 2003 consumption in the United Kingdom increased by 4.8 kg per person, in South Korea by 1.4 kg per person, in Japan by 600 grams per person, in the United States by half a kilo (500 grams) per person and in Canada a modest decline of 600 grams per person. In Australia and New Zealand where there is no national beef grading legislation, beef consumption declined dramatically (by 4.1 kg per person in Australia and by 2.6 kg per person in New Zealand).

At current retail domestic prices, if each Australian ate another 250gm meal of beef every 2.5 weeks (as they did in 1997) this would increase beef consumption from the current annual level of around 35 kilograms per capita to 43 kilograms per capita with a return of

well over \$1 billion a year to the Australian beef industry. It is therefore clearly in the National interest for legislation to overcome the impasse that exists in relation to meat grading standards (due to competing interests) within the Australian Meat Industry.

Supporters of beef grading generally have been cattle producers who produce quality beef cattle and consumers through consumer associations. The problem of relying on a voluntary industry scheme is that it is not necessarily in the commercial interests of all relevant participants in the beef supply chain to the domestic market, to adopt a national beef grading system. Neither the hot boner nor the large exporter is reliant on a vibrant domestic market for its bottom line and neither is particularly concerned with the effect that dumping poor quality meat onto the Australian market may have on consumption levels. Processors are almost unanimous in their support for federal legislative underpinning of the AUS-Meat descriptive trading language for exports because they want to preserve its integrity. Many of the same processors, however, have been reluctant to support a trading language for domestic consumers underpinned by legislation.

The Food Amendment (Meat Grading) Bill 2008 which I have introduced into the NSW Parliament addresses industry concerns. It is comparable to the US system where its Department of Agriculture beef labelling code operates as a voluntary system backed up by legislation. Under the USDA beef labelling legislation wholesalers and retailers who adopt the grading system are bound to comply with its provisions. A system of inspection from the abattoir through to the retailer or restaurant is provided to enforce the labelling program and penalise those who do not conform. Under my amendment to the Food Act, breaches would incur a \$55,000 fine for an individual and \$2.7 million in the case of corporations.

Retailers would only have to comply if they agree to adopt the labelling scheme but they would be in breach if using the AUS-Meat code when they do not comply. The major supermarkets and a significant number of butchers are already signatories to the current voluntary retail labelling agreement using the AUS-Meat code. Under the code the terms Budget Ox, Budget Cow and Manufacturing apply to beef from older animals with eight teeth. The terms Yearling Steer, Yearling Beef, Young Steer, Young Beef, Young Prime Steer, Young prime, Prime Steer, Prime and Beef apply to beef from animals with less than eight teeth.

The majority of beef sold within Australia comes from AUS-Meat accredited abattoirs and therefore conforms with AUS-Meat accredited labelling. The major retailers sell approximately 70 per cent of the beef on the domestic market and the export abattoirs process 60-70 per cent of the beef produced in Australia. The export abattoirs also supply the majority of the beef sold on the domestic market by the major supermarkets. Under the Australian system no meat can be exported unless it has been processed at an accredited abattoir and is properly labelled. This is not the case with beef sold on the domestic market, irrespective of whether that beef is produced at a domestic abattoir or an export licensed abattoir. Meat and Livestock Australia (MLA) attempted to overcome this problem by introducing a voluntary standards system and it provides for fresh beef from animals that the retailer has reasonable grounds to believe may be derived from animals with 8 permanent incisor teeth to be labelled with the word "Budget". The difficulty with this arrangement is that it is voluntary and it only applies to the lower quality beef from older animals and gives the consumer no guide to the purchase of high quality beef. Not all retailers are signatories to the arrangement and whilst those that are signatories may pay lip service to the voluntary code, without sanctions, there is little incentive for retailers to observe the scheme's requirements in practice.

Under present marketing arrangements, low grade beef from cows and aged bullocks can be substituted for high quality table meat on the domestic market and sold at retail level with either no title or titles such as 'This Week's Special' or 'Export Quality Beef'. Under my Food



Amendment (Meat Grading) Bill 2008, abattoirs and retailers who use the AUS-Meat labelling code will be audited and will face a significant penalty if their products do not conform to the code.

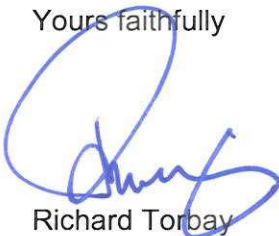
The Food Amendment (Meat Grading) Bill 2008 aims to amend section 22 of the Food Act 2003 as follows to ensure that low grade beef cannot be substituted for high quality table meat:

- a) to provide that meat is falsely described if it is described by words, letters or symbols that are used by the AUS-Meat descriptor language for the domestic market to designate or indicate the meat of a particular type or grade, but has not been assessed in accordance with requirements of that publication or does not comply with the standards set out in that publication with respect to that type or grade of meat.
- b) To provide that a person carrying on a food business is taken to have engaged in conduct that is misleading or deceptive (or is likely to mislead or deceive) in relation to the advertising, packaging or labelling of meat intended for sale, or in relation to the sale of meat, if:
  - i. the person advertises, packages, labels or sells meat described by means of AUS-Meat language, and
  - ii. other meat advertised, packaged, labelled or sold by that person is described by any other means.

New South Wales represents almost one third of Australia's domestic beef market and is therefore the market leader. I have therefore presented the legislation to the NSW Parliament as a positive way forward to restoring consumer confidence and to boost the sale of beef on the domestic market and provide more jobs and income across the beef industry. It is my belief that if the Bill is passed by the NSW Parliament, other states and territories may, in due course, adopt similar legislation.

I understand that the NSW Minister for Primary Industries has referred this matter to the Primary Industries Ministerial Council for consideration of a policy solution that can be implemented nationally. I am pleased to provide the Senate Inquiry into Meat Marketing with a copy of my second reading speech and look forward to working towards the implementation of national truth in labelling legislation to assist the marketing of beef and ensure Australian Consumers have confidence in relation to the quality of their beef purchase.

Yours faithfully



Richard Torbay

**Speaker of the Legislative Assembly**  
Member for the Northern Tablelands

**Food Amendment (Meat Grading) Bill 2008****Food Amendment (Meat Grading) Bill 2008**

Extract from NSW Legislative Assembly Hansard and Papers Thursday 4 December 2008.

**FOOD AMENDMENT (MEAT GRADING) BILL 2008**

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**Bill introduced, by leave, on motion by Mr Richard Torbay.****Agreement in Principle****Mr RICHARD TORBAY** (Northern Tablelands—Speaker) [5.46 p.m.]: I move:

That this bill be now agreed to in principle.

In November 2001 *Choice* published an article on food labelling and beef. It posed the question, "Have you ever wondered why you can get beef that melts in your mouth one day, but when you go back to buy more it will often be tough and tasteless?" Inconsistent eating quality has long been recognised as the single greatest factor undermining the marketability of beef in Australia. It is an anomaly that in a nation noted for producing some of the best beef in the world its domestic consumers have had to put up with unreliable product labelling for so long. Many in the beef industry have been trying to address this issue, viewing inconsistent quality as one of the major reasons beef has been losing market share. Australian consumers have been turning to other products.

Beef consumption in Australia has been falling alarmingly since 1977 when, on average, Australians consumed in excess of 70 kilograms of red meat per person per year. By 1982 that had fallen to 49.4 kilograms per annum and in 2007 it was around 35 kilograms per person per annum. Consumption of beef in this country has decreased by 30 per cent since the late 1970s. At the same time consumption of chicken and pork in Australia has been increasing. Since 1995-96 the total chicken meat produced in Australia has increased from 480,554 tonnes to 774,969 tonnes.

In 2003, for the first time ever, Australians ate more chicken, 35.7 kilograms per capita, compared with beef, 34.2 kilograms per capita. During the same period in the United States, while poultry meat consumption increased, beef consumption remained unchanged. Over the past 40 years red meat consumption, that is, beef and lamb, has fallen by 10 per cent in the United States and 37.5 per cent in Australia. If Australia was able to lift its domestic beef consumption from the current annual level of around 35 kilograms per capita to 43 kilograms per capita, which was the average in the 1980s, it would return well over \$1 billion a year to the Australian beef industry.

Over the last 10 years beef consumption has fallen by 5 kilograms per person, from 41.3 kilograms in 1997 to 36.3 kilograms per person in 2006-07. At current retail domestic prices, if each Australian ate another 250-gram meal of beef every 2½ weeks—to the level of 1997—the beef industry would achieve the \$1.2 billion per year increase, as estimated by the Meat Industry Council in 1996. The 2001 census figures show 7,800 abattoir jobs were lost in regional Australia between 1996 and 2001. A further 2,160 jobs were lost from abattoir closures by October 2003. Eating quality and consumer-focused grading continue to be a high priority to increase domestic consumption. Australia has no comprehensive consumer-based beef grading system that delivers customers a guaranteed quality product. By comparison, the United States has had a consumer-based mandatory beef grading system, underpinned by legislation and audited by its Department of Agriculture, since the 1920s.

In February 2001 the New South Wales Government's SafeFood Truth-in-Labeling Cow Beef Working Group recommended the introduction of a mandatory truth-in-labelling standard for beef cattle with eight or more teeth. The beef industry usually checks the age of cattle by the number of teeth they have. If an animal is over 3½ years old it has eight permanent incisor teeth. In response to the working group's recommendations the beef industry introduced a voluntary retail code for the labelling and sale of budget beef from cattle with eight or more teeth. Major meat processors in Australia estimate that around 30 to 40 per cent of the beef sold domestically is from cattle with eight teeth, and much of this ends up at the butchers or supermarkets as "prime cuts" when it should be labelled "budget" beef.

On the other hand, consumers in the United States get their table beef from animals with an average age of 22 months. In the United States, cows with eight permanent incisors are used almost entirely for processed beef, including hamburgers and sausages. Consumers in the European Union, South Korea and Japan also eat better quality meat, with import restrictions banning animals with more than four or six permanent incisors, depending on the country. It is clear that legislation on beef standards has had a positive impact on beef consumption in many countries. Over the period 1998 to 2003 the United Kingdom, United States of America, Canada and Japan—where national beef grading legislation or government restrictions on slaughter age exist—experienced increased beef consumption per head of population or, at worst, a very modest decline.

During the period 1998 to 2003 consumption in the United Kingdom increased by 4.8 kilograms per person, in South Korea by 1.4 kilograms per person, in Japan by 600 grams per person, in the United States by 500 grams per person and in Canada there was a modest decline of 600 grams per person. In Australia and New Zealand, where there is no national beef grading legislation, beef consumption has declined dramatically—by 4.1 kilograms per person in Australia and by 2.6 kilograms per person in New Zealand. Since being elected to Parliament I have worked closely with a major beef processor, Bindaree Beef, based in Inverell, to develop a fair and equitable grading system to ensure a consistent quality of meat to Australian domestic consumers. In 2002 Bindaree Beef chairman J. R. McDonald took out advertisements in *The Land* and the *Queensland Country Life* to promote a more rigorous beef grading system through appropriate truth-in-labelling regulations.

This campaign raised the concerns of many within the industry and, at the behest of the then Federal Minister for Agriculture, in 2001 the Red Meat Advisory Council convened an industry-wide Beef Grading/Labelling Forum comprising independent and major supermarket retailers, meat processors, cattle producers, the Australian Consumers Association, regulators, meat industry organisations and other special interest groups to report back to him with recommendations for the introduction of a national beef grading system. In 2004 the Red Meat Advisory Council industry-wide Beef Grading/Labelling Forum recommended the development of a voluntary standard language utilising Aus-Meat labelling language augmented by research based extensions to Meat Standards Australia in the existing budget code.

It also recommended that State and Territory governments be requested to underpin any voluntary agreed language with regulation that would require those who adopt it to have compliance as a condition of their licence. Consequently the Australian Beef Industry organisations collectively developed the Aus-Meat beef grading language for the domestic market published in the Aus-Meat "Users Guide to Australian Meat" which is the subject matter of the bill being presented to Parliament today. This bill seeks to give effect to the recommendations of the industry-wide Red Meat Advisory Council Beef Grading/Labelling Forum. The main opposition to beef grading historically in Australia has been from special interest groups such as large, foreign-owned abattoirs that apparently have an incentive to dump inferior meat onto the Australian market; hot boners whose primary market is the United States hamburger industry, and who are able to sell old cow rumps, tenderloins and other cuts on the domestic market at a higher price than they can obtain for it as hamburger meat in the United States; Bos indicus cattle producers in Northern Queensland; and industry organisations which are associated with or influenced by the groups mentioned.

Supporters of beef grading generally have been cattle producers who produce quality beef cattle and consumers through consumer associations. The problem with relying on a voluntary industry scheme is that it is not necessarily in the commercial interests of all relevant participants in the beef supply chain to the domestic market to adopt a national beef grading system. Neither the hot boner nor the large exporter is reliant on a vibrant domestic market for its bottom line, and neither is particularly concerned with the effect that dumping poor quality meat onto the Australian market may have on consumption levels. Processors are almost unanimous in their support for Federal legislative underpinning of the Aus-Meat descriptive trading language for exports because they want to preserve its integrity. Many of the same processors, however, are reluctant to support a trading language for domestic consumers underpinned by legislation.

The Food Amendment (Meat Grading) Bill I am introducing today addresses this anomaly. It is comparable to the system in the United States where its Department of Agriculture beef labelling code operates as a voluntary system backed up by legislation. Under the United States Department of Agriculture beef labelling legislation wholesalers and retailers who adopt the grading system are bound to comply with its provisions. A system of inspection from the abattoir through to the retailer or restaurant is provided to enforce the labelling program and penalise those who do not conform. Under this amendment to the Food Act breaches would incur a \$55,000 fine for an individual and \$2.7 million in the case of corporations.

Retailers would only have to comply if they agree to adopt the labelling scheme but they would be in breach if using the Aus-Meat code when they do not comply. The major supermarkets and a significant number of butchers are already signatories to the current voluntary retail labelling agreement using the Aus-Meat code. Under the code the terms "budget ox", "budget cow" and "manufacturing" apply to beef from older animals with eight teeth. The terms "yearling steer", "yearling beef", "young steer", "young beef", "young prime steer", "young prime", "prime steer", "prime" and "beef" apply to beef from animals with less than eight teeth. The majority of beef sold within Australia comes from Aus-Meat accredited abattoirs and must conform with Aus-Meat accredited labelling.



The major retailers sell approximately 70 per cent of the beef on the domestic market and the export abattoirs process 60 to 70 per cent of the beef produced in Australia. The export abattoirs also supply the majority of the beef sold on the domestic market by the major supermarkets. Under our system, no meat can be exported unless it has been processed at an accredited abattoir and is properly labelled. This is not the case with beef sold on the domestic market, irrespective of whether that beef is produced at a domestic abattoir or an export licensed abattoir. Meat and Livestock Australia attempted to overcome the problem by introducing a voluntary standards system. Under this arrangement Meat and Livestock Australia operates a self-regulation labelling system through selected abattoirs and retailers. It provides for four classifications of beef. The difficulty with the arrangement is that it is voluntary, and while many retailers may pay lip-service to the voluntary code, without sanctions very few producers and retailers observe the scheme's requirements in practice.

The working party convened by the New South Wales Minister for Agriculture in 2000 was established to investigate the feasibility of introducing legislation for truth in labelling. It was a response to concerns by some producers that low-grade beef from cows and aged bullocks was being substituted for high-quality table meat on the domestic market. Under present marketing arrangements, this poorer quality beef can be sold at retail level with either no title or titles such as "This Week's Special" or "Export Quality Beef". Under this new legislation, abattoirs and retailers who use the Aus-Meat labelling code will be audited and will face a significant penalty if their products do not conform to the code.

Aus-Meat is governed by an independent chairman and a board of four directors appointed by Meat and Livestock Australia and the Australian Meat Processor Corporation Ltd [AMPC]. The standards body, which was formed under the Aus-Meat Ltd constitution, is known as the Australian Meat Industry Language and Standards Committee. It is responsible to the Red Meat Advisory Council [RMAC] for the development, approval and maintenance of the Australian meat industry language and standards. The committee comprises representatives from the Cattle Council of Australia, the Sheepmeat Council of Australia, Australian Pork Ltd, the Australian Supermarkets Institute, the Meat Standards Committee, the Australian Lot Feeders Association and the Australian Meat Industry Council.

The principal objectives of Aus-Meat are management of industry standards for trade description through the Australian meat industry classification system and the Aus-Meat national accreditation standards. The national accreditation standards are designed to protect the integrity of the Aus-Meat language and the interests of the Australian industry in relation to the sale, distribution and export of Australian meat and the reputation of Aus-Meat Ltd. The Aus-Meat language is a common language that uses objective descriptions to describe meat products accurately to meet market requirements, both nationally and internationally. A trade description that conforms to the Aus-Meat language is taken to be accurate for the purposes of compliance with export legislation, and the Aus-Meat approved quality system forms the trade description part of a registered establishment's approved arrangement with the Australian Quarantine and Inspection Service [AQIS]. Aus-Meat offers accreditation programs for abattoirs, boning rooms and non-packer exporters. Accreditation is required for all licensed exporters. Establishments wishing to be accredited by Aus-Meat must implement an Aus-Meat approved quality management system designed to ensure consistency of quality and accurate product description.

Aus-Meat language is the basis of a national uniform description system based on objective carcass measurements that is used in the classification of Australian meat and livestock. The language covers all sections of the meat processor sector. The Australian Beef Industry Language and Standards Committee developed the Aus-Meat domestic beef grading descriptors that are set out in the Aus-Meat "Users Guide to Australian Meat" in direct response to the recommendations of the Red Meat Advisory Council beef grading-labelling forum. These descriptors are specifically designed for the sale of beef on the domestic market. A different language is used for export beef. The bill that is presented to Parliament today aims to amend section 22 of the Food Act 2003 as follows:

(a) to provide that meat is falsely described if it is described by words, letters or symbols that are used by the AUS-Meat "User's Guide to Australian Meat" to designate or indicate the meat of a particular type or grade, but has not been assessed in accordance with requirements of that publication or does not comply with the standards set out in that publication with respect to that type or grade of meat.

(b) to provide that a person carrying on a food business is taken to have engaged in conduct that is misleading or deceptive (or is likely to mislead or deceive) in relation to the advertising, packaging or labelling of meat intended for sale, or in relation to the sale of meat, if:

- (i) the person advertises, packages, labels or sells meat described by means of AUS-Meat language, and
- (ii) other meat advertised, packaged, labelled or sold by that person is described by any other means.

Since New South Wales represents almost one-third of Australia's domestic beef market, it is the market leader. If this bill is passed I believe other States and Territories will, in due course, adopt similar legislation. The New South Wales National Party passed a motion in support of the beef grading system in 2003. The then leader of the National Party, George Souris, wrote to Mr McDonald at Bindaree Beef stating that his party was committed

to advancing the issue of truth in labelling for beef and would support appropriate regulations made under the New South Wales Food Act.

That same year the New South Wales Farmers Association gave its support for a more detailed retail labelling agreement to introduce legislative underpinning of a comprehensive voluntary truth-in-labelling scheme for beef. Similar support came from the Cattle Council. This bill is based upon advice from senior counsel obtained by the New South Wales Government SafeFood Truth-in-Labelling Cow Beef Working Group. I believe this amending bill should receive bipartisan support. I have dropped off a copy of the bill for the Minister for Primary Industries, the Hon. Ian Macdonald, because it meets the needs of consumers. It should also boost the sale of beef on the domestic market and provide more jobs and income across the beef industry. I commend the legislation to the House.

**Debate adjourned on motion by Mr Rob Stokes and set down as an order of the day for a future day.**