



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS
AND TRANSPORT

Reference: Meat marketing

TUESDAY, 17 MARCH 2009

CANBERRA

BY AUTHORITY OF THE SENATE

THIS TRANSCRIPT HAS BEEN PREPARED BY AN EXTERNAL PROVIDER
TO EXPEDITE DELIVERY, THIS TRANSCRIPT HAS NOT BEEN SUBEDITED

INTERNET

Hansard transcripts of public hearings are made available on the internet when authorised by the committee.

The internet address is:

<http://www.aph.gov.au/hansard>

To search the parliamentary database, go to:

<http://parlinfoweb.aph.gov.au>

**SENATE STANDING COMMITTEE ON
RURAL AND REGIONAL AFFAIRS AND TRANSPORT**

Tuesday, 17 March 2009

Members: Senator Sterle (*Chair*), Senator Milne (*Deputy Chair*), Senators Farrell, Heffernan, Hutchins, McGauran, Nash and O'Brien

Participating members: Senators Abetz, Adams, Back, Barnett, Bernardi, Bilyk, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Feeney, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Furner, Hanson-Young, Heffernan, Humphries, Hurley, Johnston, Joyce, Kroger, Ludlam, Lundy, Macdonald, McEwen, McLucas, Marshall, Mason, Milne, Minchin, Moore, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Stephens, Troeth, Trood, Williams, Wortley and Xenophon

Senators in attendance: Senators Colbeck, Farrell, Fisher, Heffernan, Hutchins, Milne, Nash, O'Brien, and Sterle.

Terms of reference for the inquiry:

To inquire into and report on:

Meat marketing, with particular reference to the need for effective supervision of national standards and controls and the national harmonisation of regulations applying to the branding and marketing of meat.

WITNESSES

ANNISON, Dr Geoffrey, Deputy Chief Executive; Director, Health, Nutrition and Scientific Affairs, Australian Food and Grocery Council	25
CARTER, Mr John Edward, Director, Australian Beef Association.....	52
LEIGHTON, Mr Kim, Director, Food Policy and Regulation, Australian Food and Grocery Council	25
MURNANE, Mr Simon, General Manager, Livestock Industries, Department of Agriculture, Fisheries and Forestry	39
NEIL, Ms Heather Maureen, Chief Executive Officer, RSPCA Australia	2
PLOWMAN, Ms Kathleen, General Manager, Policy, Australian Pork Ltd	13
REAGAN, Ms Amanda, Issues Manager, Australian Pork Ltd	13
SRIRAM-PRASAD, Ms Usha, Manager, Food Regulation and Safety Section, Department of Agriculture, Fisheries and Forestry	39
TENSEN, Ms Melina Caroline, Scientific Officer (Farm Animals) RSPCA Australia	2
WILLIAMSON, Mr Gregory John, Acting Executive Manager, Agricultural Productivity Division, Department of Agriculture, Fisheries and Forestry.....	39

Committee met at 3.35 pm

ACTING CHAIR (Senator Milne)— I declare open this public hearing of the Senate Standing Committee on Rural and Regional Affairs and Transport. This committee is hearing evidence on its inquiry into meat marketing. This is a public hearing and a Hansard transcript of proceedings is being made. Before the committee starts taking evidence, I remind all witness that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or to disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as contempt. It is also contempt to give false or misleading evidence to a committee.

The committee prefers all evidence to be given in public, but under the Senate's resolution witnesses have the right to request to be heard in a private session. It is important that witnesses give the committee notice if they intend to give evidence in camera. If a witness objects to answering a question, the witness should state the ground on which the objection is taken and the committee will determine whether it will insist on an answer having regard to the ground on which it is claimed. If the committee determines to insist on an answer, a witness may request that the answer be given in camera. Such a request may, of course, also be made at any other time.

[15.37 pm]

NEIL, Ms Heather Maureen, Chief Executive Officer, RSPCA Australia

TENSEN, Ms Melina Caroline, Scientific Officer (Farm Animals) RSPCA Australia

ACTING CHAIR—Welcome. The RSPCA has lodged submission No. 26 and supplementary submission No. 26A with the committee. Do you wish to make any amendments or alterations those submissions?

Ms Neil—No, Senator.

ACTING CHAIR—Do you wish to make a brief opening statement before the committee asks questions?

Ms Neil—We would like to if we could.

ACTING CHAIR—Please go ahead.

Ms Neil—Thank you very much for having us. Retailers, brand owners and producers have recognised that consumers are becoming increasingly interested in how their food is produced. Labels such as ‘free range’, ‘grain fed’, ‘organic’ and ‘cage free’ are appearing much more regularly on products on the shelves in supermarkets and on restaurant menus. This means that a growing group of consumers are including production system as a key component of their decision-making process when choosing food. Unfortunately, there is not consistent use of many of these terms and this can lead to consumers being very confused about what they mean.

The RSPCA believes that nationally consistent definitions for terms such as ‘free range’ and ‘bred free range’ describing minimum requirements for the housing and conditions under which the animal has lived should be developed and incorporated in the Australian standards for the welfare of animals. Agreed definitions provide the baseline for either voluntary or mandatory labelling schemes. Labelling allows producers to differentiate their product and to attract a growing number of discerning consumers. A survey of British shoppers showed that concern about animal welfare rose from 29 per cent in 2006 to 45 per cent in 2008. This trend is sure to manifest itself here in Australia and producers should be prepared.

The RSPCA strongly supports the labelling of foods according to production methods as we believe it encourages practices that increase the welfare of production animals. What we would really like to recommend to the committee is that it initiate a discussion about production method definitions with all stakeholders. It recommends that the government introduce the agreed definitions into relevant standards and that it further investigate labelling options, both voluntary and mandatory.

ACTING CHAIR—Thank you. Ms Tensen, would you like to add anything?

Ms Tensen—No, thank you.

ACTING CHAIR—Thank you very much for your opening statement. I am now going to vacate the chair and hand over to the chair, Senator Sterle. I might go to Senator Heffernan to begin with questions.

Senator HUTCHINS—I will start off, if you like.

ACTING CHAIR—Okay. Is that all right?

Senator HEFFERNAN—Yes.

Senator HUTCHINS—Thank you very much for coming along today to appear before the committee. I agree that to a degree the heart of this inquiry is labelling, which Senator Heffernan has advocated for some time. As you rightly say, consumers are now looking for eggs and poultry labelled ‘free range’, ‘open range’ and all that. Does the RSPCA have a uniform definition of those terms that you outlined and is that definition adopted by the entire organisation? Does the Australian definition vary from that adopted in New Zealand and North America?

Ms Tensen—RSPCA Australia itself does not have definitions for those terms. To some extent, particularly when it comes to defining the production system related to eggs, there are definitions that are set out in the Model Code of Practice for the Welfare of Animals: Domestic Poultry. The RSPCA itself has obviously considered what these definitions should entail. However, rather than coming up with a final solution, we consider it important that these definitions include information about the facilities that are part of the production process, the production process itself and whether that should include aspects such as humane slaughtering of the animals, and also aspects that relate to the condition of the animals themselves, including aspects relating to the welfare of those animals, for example, stress levels.

Senator HUTCHINS—I suppose it is more obvious with chickens and eggs. If I wanted to market my product as ‘open range’, ‘free range’ or whatever else, would you dispute that if you saw it on a supermarket shelf? Would you go to, say, Heffernan Brothers, which is producing eggs, and say—

Ms Tensen—That is at the heart of this problem.

Senator HUTCHINS—‘We have had a look at your sheds and we have seen how you treat your chickens and there is no way in the world that they are anything other than caged hens’?

Ms Tensen—At the heart of the problem is the fact that terms such as ‘free range’ are ‘bred free range’ are open to interpretation. That leaves various organisations free to fill in the definition as they see fit. Therefore, the consumer may see the words ‘free range chicken’ on a packet of chicken fillets, for example, but they really have no way of being assured that that animal has been subjected to a production process that adheres to minimum standards. The RSPCA would like to see these terms subjected to minimum standards; for example, that they are included in the standards and guidelines for the welfare of animals that are currently being developed as the model codes of practice are reviewed so that the consumer can be guaranteed that minimum animal welfare standards have been adhered to.

Senator HUTCHINS—Are the standards that you highlighted a second ago the standards that you would require someone to comply with if they wanted to label their product ‘free range’?

Ms Neil—I might be able to add on to what Melina was saying. RSPCA Australia has a set of standards that goes with our accreditation program. We have that for layer hens and for pork. Our pork production system does have pigs ranging free in a paddock. Some people will call that a ‘free range’ system. But if you go to another organisation that has standards, the definition of how many pigs they can have in that paddock or how they raise the piglets will be different. One of the confusing issues is that there is no underlying baseline for all of those definitions to which organisations can then add.

The RSPCA in the United Kingdom runs Freedom Food, which is an accreditation program. It has standards for poultry for chicken meat. We are only developing chicken meat standards here in Australia at the moment. Again, they try to set the compliance level definitions in the United Kingdom. But Freedom Food standards are up here again. We are really asking for that baseline to be set so that if you see the words ‘free range’ or ‘free range bred’, everyone is talking the same language. Other organisations in a voluntary system will add value to that. That is what we would do, and we would focus on particular things and other organisations would focus on other issues.

Senator HUTCHINS—So if a consumer went to Coles at Manuka now and there were free range eggs advertised, there would be no way in the world they could be assured that they were free range eggs, is there, unless someone actually does sell free range eggs and can prove it?

Ms Neil—Eggs in the ACT are a bit different. Eggs in Queanbeyan are a better example, because in the ACT they must be labelled and there is some certainty.

Senator HUTCHINS—Did you have input into the process for labelling the—

Ms Tensen—It was before our time.

Ms Neil—Eggs were done in the late 1990s. It was introduced in a model code early in 2001.

Ms Tensen—We certainly did have input into the process. In the model code of practice for poultry there are definitions for caged, barn and free range. The requirement in the ACT and Tasmania is that these terms are actually put on the egg cartons so that the consumers know that they are buying cage eggs, free range eggs, barn laid or otherwise.

Senator HUTCHINS—Is that because those eggs are laid here in the ACT, or can you bring them in from Queanbeyan and then sell them?

Ms Tensen—If they are sold in the ACT they must have a production system label on the carton.

Ms Neil—One of the reasons we know consumers are interested in the production system is that for 25 per cent to 30 per cent of consumers who choose eggs one of the really significant decision-making factors is the production system. It is probably the area where consumer awareness is highest. If you have a conversation over dinner about free range eggs, barn eggs or

cage eggs it is something people are quite familiar with. In the meat context it is quite confusing. But we can see that companies are trying to give information to consumers. In fact, they are being bombarded. In a local takeaway shop just down the road here there is a sign about chicken which states that there are no chicken-meat chickens in Australia raised in cages. It is telling consumers a story that is not quite correct.

Senator HUTCHINS—Does the ACT legislation impact on any other type of meat, or product, such as pork?

Ms Tensen—No, it relates only to eggs.

Senator HUTCHINS—You were talking about pork earlier and the Freedom Food definition. Does it have an accreditation stamp in the United Kingdom that says that the animal was raised this way so that you know that if you want to buy that way it can be done?

Ms Neil—Freedom Food has a label brand. The RSPCA also has a pork system. Products that meet our standards—

Senator HUTCHINS—Is this in the United Kingdom or here?

Ms Neil—Here in Australia. You can buy pork in Australia that bears an RSPCA logo. We know that consumers trust us and that they are trusting us that it must be okay. A smaller group of consumers will investigate what those standards are and how the pigs were actually raised.

Senator HUTCHINS—So it covers pigs and eggs. Are there any other animal products, such as beef or lamb?

Ms Tensen—The RSPCA accreditation program covers eggs and pork at the moment. We are looking into developing standards for meat chickens as our next step.

Ms Neil—In the United Kingdom the RSPCA has layer hens, pork, dairy, salmon, and so on. It has quite a wide variety of products. It really has come very strongly through the supply chain. It has been taken up quite strongly. All the food sold by, for example, Marks & Spencer meets Freedom Food standards.

Senator HUTCHINS—Thank you.

CHAIR—Thank you, Senator Hutchins, you have asked half my questions. I know that, like me, Senator Heffernan will have questions too.

Senator HEFFERNAN—I am busy doing something.

CHAIR—I can see that. You are beavering away and while you are writing you are not abusing anyone, so we will leave you alone. I will start by congratulating RSPCA on the fine work that it does.

Ms Neil—Thank you.

CHAIR—Are you familiar with the group Voiceless and Brian Sherman?

Ms Neil—Yes.

CHAIR—And the fine work that they do?

Ms Neil—Yes.

CHAIR—That is great. I think that dovetails into the work you are doing. I know that it is a little bit different from the work you do. I am sorry but we must leave to attend a division.

Ms Neil—We will wait for you.

CHAIR—It is always the way that it happens when I am asking questions.

Proceedings suspended from 3.51 pm to 3.55 pm.

CHAIR—We can guarantee only that we are here until the next bells. We can come back and kick off so we do not keep you waiting too long. As I was saying, with organisations such as yours—the RSPCA—and, of course, Voiceless, it is not a case of trying to force everyone to be a vegetarian. You are concerned about the humane treatment of animals. Members of this committee could not agree more with that sentiment. We have undertaken a trade trip to Egypt to watch the production of Australian beef in a far more humane way; it is run by Australians, which is all good news. I am not a vegetarian, but I am really on your side.

Ms Neil—We are not vegetarians either.

CHAIR—I really want to make this very clear. This is a good committee. We all work together well and we all want what is best for Australia and Australian farmers and producers. There is no doubt about that. Please describe to me what is ‘free range’. I know that is a loaded question.

Ms Neil—Are we talking about eggs or laying hens?

CHAIR—Eggs and chooks.

Ms Neil—We will talk about laying hens first.

CHAIR—Yes, please.

Ms Neil—Do you want to give a legal definition?

Ms Tensen—According to the model code of practice a free range hen has access to the outdoors for a minimum of eight hours a day.

CHAIR—Is the outdoors described like outdoors for smokers in clubs, where it is really confined?

Ms Tensen—That is the thing; ‘outdoors’ is not specifically described.

Senator HEFFERNAN—So they have to walk back inside to lay their eggs rather than be cage laid?

Ms Tensen—That is right.

Senator HEFFERNAN—That is about it.

Ms Tensen—That is right.

Ms Neil—I suppose some key words are ‘access to the outdoors’. Some of the uncertainties are about how many do go outside. Is their environment outside inviting from a hen’s perspective? Is it something worth going out for? Can they actually physically get outside?

Senator NASH—How do you judge what makes an inviting environment for a chook?

Ms Neil—How many go out.

Senator NASH—Do you have a cut-off number?

Ms Neil—I suppose it depends on how many you have in the shed. One of the issues for consumers is that they do not have a very good picture of commercial production anyway. When you are talking about a commercial farm, you might be talking about 8,000, 10,000, 20,000 or 40,000 hens. That is not the picture that I think a lot of consumers have in their mind when they are thinking about laying hens. They have to have access to outdoors for eight hours, but they do not necessarily go out.

Ms Tensen—For broilers there is a similar requirement. I am saying ‘requirement’, but that is not the right word to use, because there are no requirements for free range. Again, there is the assumption that they have access to an outdoor area. Certainly when you see the label on a packet of free range chicken meat, there is a suggestion that these animals are walking around in paddocks.

CHAIR—That is certainly true give some of the advertising of these products. I think there is one advertisement in Western Australia with someone whistling in a chook to come in to lay.

Ms Tensen—Given the drought in most areas in this country is it unlikely that there are going to be grassy paddocks. But, again, there is an assumption among consumers that that is obviously the case when we are talking about free range.

Ms Neil—We have a number of free range producers in our egg accreditation scheme. We have requirements in our standards as to what the range will look like and the sort of shade that should be available. We have to be realistic about the weather conditions. So they have to have a certain amount of space per hen and they have to have various pieces of shade and covering, again, to try to make it an inviting place to go.

CHAIR—Great. So where do all these laying hens come from?

Ms Neil—What do you mean?

CHAIR—If there are no roosters, where do all the laying hens come from?

Ms Tensen—There is actually a whole system in place from great grandparent flocks that produce the grandparents and the parents of the actual hens that end up in a cage or free range system. Egg producers will source their chicks from a producer of chicks; that is, the hatchery.

CHAIR—They separate the boys from the girls?

Ms Tensen—Yes. About 50 per cent of the chicks are discarded at the hatchery.

CHAIR—What does discarded mean?

Ms Tensen—They are rejected because they are small, sick or they have some other defect that will prevent them from laying eggs in the coming year.

CHAIR—So they are sent off to a lovely paddock somewhere.

Ms Tensen—They are macerated

CHAIR—What does that mean?

Ms Tensen—They go on a conveyor belt system and fall into a chute, and at the bottom of that chute there are several blades turning in opposite directions. They are dead within seconds.

CHAIR—That is all those fluffy little colourful things at the show we are talking about?

Ms Tensen—The other option is gassing. Our understanding is that 70 per cent of chicks are macerated, and most of them are males.

CHAIR—Tell me that affirmative action is not unbalanced there.

Ms Tensen—Maceration does sound quite awful, but when you compare the welfare of a macerated chick versus that of a gassed chick, the gassed chick takes a lot longer to die. Maceration takes a fraction of a second and the chick is dead.

CHAIR—I may be wandering a little far from the terms of reference for labelling, but I think it is important that members who did not understand that that happened get a handle on it. I turn now to the chickens raised for meat.

Ms Tensen—Meat chickens are both male and female.

CHAIR—Why do not the little boy chicks become meat chicks?

Ms Tensen—Because layer hens and meat chickens or broilers are different breeds. Meat chickens are bred to produce big breast muscle, because that is what the consumer likes; whereas

layer hens are a much scrawnier bird and they are bred genetically to lay a maximum number of eggs within the time frame.

CHAIR—We never know what will happen given today's technology, but I do not want to go there. One day there might be no little boy chicks born. We will talk about that later. I am sure that Senator Nash would like to ask some questions, so I will wrap it up.

Senator NASH—I would.

CHAIR—I meant I would wrap it up in a minute. I was going to ask about the legislation or regulations state by state, but carry on, Senator Nash.

Senator NASH—I have a simple, practical question. You might have covered this earlier before I arrived. I am sorry I was late. How many eggs do they lay in any given space of time?

Ms Tensen—They lay 300 eggs a year.

CHAIR—We do apologise. Please stay put.

Proceedings suspended from 4.03 pm to 4.07 pm.

Senator NASH—So they lay about 300 eggs a year. What is the natural life of a laying bird?

Ms Tensen—They are probably sent to slaughter at around 72 weeks—at the end of laying.

Senator NASH—Is this commercially?

Ms Tensen—Yes, because that is when production goes down. Most producers prefer to depopulate the shed, as it is called, and get in a new flock.

Senator NASH—How do they get rid of them?

Ms Tensen—They either go to a normal chicken slaughtering plant. Sometimes they are killed on farm and composted, simply because the transport costs exceed the value of the bird.

Senator NASH—What sort of audit procedures do you have in your accreditation process? We see all this labelling, but we wonder how stringent the audit process is. What is the process after accreditation?

Ms Tensen—We have a fairly strict and regular auditing process. Pig producers are audited twice a year and egg producers are audited every two months.

CHAIR—What producers?

Ms Tensen—Pork and eggs. They audit according to the RSPCA standards. They check whether the producer is meeting those standards.

Senator NASH—This is probably difficult to say, but roughly what percentage do not meet the accreditation standards?

Ms Tensen—Of our producers?

Senator NASH—Yes.

Ms Tensen—One hundred per cent have to meet them otherwise they cannot stay in the scheme.

Senator NASH—That is what I mean. In a 12-month period, what percentage would not meet that?

Ms Tensen—Over the past couple of years that we have been with the RSPCA that has not been the case. With good QA systems there is minor non-compliance and major non-compliance. On most farms there might be a couple of minor non-compliance issues that need to be fixed between visits. But, in terms of significant issues that have an impact on welfare, it does not happen very often because our inspectors go very regularly.

Ms Neil—Most of them do it for the right reasons rather than try to sneak through.

Senator NASH—That is good.

Senator HEFFERNAN—Is it your observation of the farming community that they are pretty respectful of their animals?

Ms Tensen—Our general observation of the farming community?

Senator HEFFERNAN—Yes.

Ms Tensen—My general observations have been that they are respectful of their animals. I guess that is in their interests, because in the end it will affect their bottom line if they do not. Of course, from an RSPCA point of view, our main interest is the welfare of the animals. We always say that things can be done better or differently.

Senator HEFFERNAN—And they can. Science can help.

Ms Tensen—They can.

Senator HEFFERNAN—There must be some pretty rough animal conditions at present in parts of North Queensland. They are stuck on islands without tucker and it is all pretty grim. There is nothing much we can do about that. They are easy crocodile tucker.

Ms Tensen—There are no hungry crocodiles there at the moment.

Proceedings suspended from 4.11 pm to 4.15 pm.

CHAIR—Sorry, Ms Tensen and Ms Neil. Senator Heffernan was—

Senator HEFFERNAN—How are we going for time?

CHAIR—We have mucked around. We have finished, but we will go for a bit longer and try to make up time.

Senator HEFFERNAN—It is hardly an RSPCA thing, but in a sense it is. I am intrigued by organics versus cage versus free range, and how much of that is fair dinkum. You can obviously tell whether an egg is free range by the colour of the yolk generally. If it is not white, spewy and anaemic looking, it is a fair chance that the chook got out and ate some grass or something. You do not have to answer this if it is not within your ambit, but is the organic and free range thing fair dinkum?

Ms Neil—To answer directly, that is why an audit or a QA system is important. In that case, if you are going to make a claim you can actually back it up.

Senator HEFFERNAN—It is like saltbush lamb. Saltbush mutton is better than prime succour lamb. It has been raised from day one on saltbush and it is really tender. But they have a thing called ‘saltbush lamb’. Some of it is fair dinkum. However, in some cases they put the lamb on a bit of Old Man Saltbush somewhere for the last six weeks or month of its life and then call it saltbush lamb. That is garbage; it is not saltbush at all.

Ms Neil—I think retailers, whether they be specialist butchers or supermarkets, are fairly careful. I hope they are fairly careful if they are making claims about a product they can actually back it up in some way. They have a lot to lose if they are found to be misleading people.

Senator HEFFERNAN—So what is an organic egg?

Ms Neil—The Organic Federation of Australia would probably be better placed to talk about that.

Senator HEFFERNAN—Generally I reckon our farmers are pretty fair dinkum about looking after their animals. Some people neglect their animals when they get depressed and lose their self-esteem et cetera. They neglect themselves as well as their animals.

Ms Neil—That is right.

Proceedings suspended from 4.17 pm to 4.23 pm.

CHAIR—Thank you. I am terribly sorry about that. We really have run out of time, but in all fairness we should continue. Senator Milne, do you have a couple of burning questions for the RSPCA, bearing in mind that we will try to make up time as we go through?

Senator MILNE—I understand that. I want to follow up on the issue of setting a benchmark in terms of animal husbandry practices and so on. I know you touched on it before a little bit. Is there a standard that can easily be incorporated into Australian law?

Ms Neil—We would be delighted if they would take the RSPCA standards as the starting point. Some producers may say that that is a very high step. But we would suggest that that would be the starting point.

Senator MILNE—Is the RSPCA standard based on any European standard or a standard that any government anywhere has already incorporated, developed or implemented?

Ms Neil—Our standards are usually above compliance pretty much everywhere in the world. But they are informed by the science of what is happening, particularly in Europe and the United Kingdom.

Senator MILNE—I am interested in the ones that the British government has implemented.

Ms Neil—Yes.

Senator MILNE—As far as you are concerned, what is the weakness with the standards that they have implemented?

Ms Neil—We could come back to you with some more information about that.

Senator MILNE—Yes. I accept the rationale and the need for clarity in labelling and all that sort of thing. But it would be very helpful to this committee if we could have something that has already been implemented elsewhere.

Ms Neil—Yes.

Senator MILNE—And also identify the weaknesses in that and where your standards address those gaps.

Ms Neil—We will certainly come back to you with some more information.

CHAIR—Please keep up the fantastic work that you are doing.

Ms Neil—We certainly will.

CHAIR—I welcome representatives from Australian Pork Ltd.

[4.26 pm]

PLOWMAN, Ms Kathleen, General Manager, Policy, Australian Pork Ltd

REAGAN, Ms Amanda, Issues Manager, Australian Pork Ltd

CHAIR—Ms Plowman and Ms Reagan, before we go to questions, I invite you to make a brief opening statement. Through no fault of your own, time has tightened a little bit. It would be appreciated if we could keep the opening statements as brief as possible to allow as much time as possible for questions.

Ms Plowman—I will be brief. We are here before you because I understand the terms of reference of this committee were broadened to look at the issues of labelling, particularly around free range. We have provided you with a second submission in relation to that. We certainly believe that a necessary first step if you are going to pursue labelling of any kind of welfare-based production system is defining that system and providing production descriptors. You then need to have some form of quality assurance system and make sure that it is also independently verified. Then you can address the issues around labelling. Thank you.

CHAIR—Thank you, Ms Plowman. Ms Reagan, do you wish to add anything to that opening statement?

Ms Reagan—No.

CHAIR—We will go straight to questions. Very clearly this committee sees the need for harmonisation and consistency. Are you aware of any producers who have been guilty of mislabelling?

Ms Plowman—Not in terms of animal welfare; no, not at all. I think there is some confusion for consumers. But that would not be unique to animal welfare labelling, either. If you watch consumers trying to figure out what is on a package, there is so much information it is confusing. If anything, we need to tread carefully in what we provide to consumers. We should not overburden them with information. I am cognisant that there are segments of our community and our consumers who do want to have choice. Some consumers want to have a specific choice around animal welfare. There is also an emerging demand about choice with regard to environmental or carbon friendly products.

Senator MILNE—I want to address this issue of ‘Product of Australia’, country of origin and the fact that the two are not necessarily compatible.

Senator HEFFERNAN—Bone in; bone out.

Senator MILNE—A lot of Australian consumers would be horrified to know that when they buy some pork in the supermarket with ‘Product of Australia’ in some form or another on it that it contains some imported pork. I think many people are worried about parasites, in particular, and all those issues. Can you tell me where your organisation is up to in terms of lobbying, or what is your proposal to deal with this ‘Product of Australia’ versus country of origin labelling?

How can we actually get to a point where consumers can pick up a product and know whether the animal in it was actually raised in Australia?

Ms Plowman—It is a very difficult and longstanding issue for my industry. ‘Product of Australia’ and ‘Made in Australia’ confuse consumers. They think that made in Australia naturally means that and they think, ‘That’s great. This product was born and raised here and I am doing the right thing.’ They can have more comfort if they buy an item with the label ‘Product of Australia’. It is confusing. It does not apply only to my industry; it is across the board. Unfortunately, when you are dealing with this labelling issue, you can be confronting many broad sectors with vested interests. It is just huge.

One of the things that has been promising for us is the country of origin labelling requirements. We are happy that they still stand. It is still confusing. If you stand at a deli cabinet and you look at all the product that is there, some say ‘mixture of imported’, or ‘mixture of domestic’ et cetera. That is still confusing to consumers. My industry believes that perhaps the only way forward is for us to promote Australian grown pork through our own labelling scheme.

Senator MILNE—How much imported pork is there in products that are churned out as ‘Product of Australia’ that you know of?

Ms Plowman—It is difficult. I can tell you that most of the bacon, ham and smallgoods that Australian consumers eat are imported product.

Senator MILNE—Say that again. Most of the bacon—

Ms Plowman—A large component of the bacon, smallgoods and ham that you eat is imported product.

Senator MILNE—People would be horrified to know that. Where is it coming from? Which countries is it coming from? Is it correct that it is put through an Australian processing facility, wrapped in a bit of plastic and comes out the other end as a product of Australia?

Ms Plowman—Yes. Under our quarantine protocols, we import pork principally from the United States and Canada. That pork is used to make ham. We also import pork from Denmark. That principally goes to make up bacon. Other products come in from other countries, but they are the three main suppliers.

Senator MILNE—Why is it more cost effective to bring pork from the USA and Canada, turn it into ham and then get it into supermarkets here than it is for Australian pork producers to market their meat? It strikes me as extraordinary, especially given that the USA and Canada have similar wage structures to ours. Then there is the transport cost and so on. How can they do that?

Ms Plowman—When we break down the cost of production across countries, we have to be careful what we compare, because we are not necessarily comparing apples with apples. For example, we do not enjoy the economies of scale that the US and Canadian pork industries enjoy. The pig industry is also huge in Denmark. Economies of scale are the thing. This is a small margin business and economies of scale drive a lot of the profits. The weight the pigs are grown out to is also an issue. In Canada and the US they grow their pigs a lot bigger than we do

because of the way the pig is cut and the demand for that product. The other thing to remember is that when you are cutting up a pig, it all adds up to the total value of the pig. Parts of pigs are traded internationally. In the US and Canada legs are not prized for anything. They are low value. But in Australia, because we like our legs of ham et cetera, or the way it is cut, we prize that cut. We are one of the few markets in the world that pay for that particular product.

Senator MILNE—Are you saying that a large percentage of all those legs of ham in supermarkets before Christmas were imported from Canada and the US?

Ms Plowman—Not the ones with bones in. If it has a bone in it, it can only come from Australia.

Senator MILNE—Therein lies a message.

CHAIR—Why can we not grow our pigs as well as the Americans and the Canadians?

Ms Plowman—I would not say that. We are very competitive on some of the benchmarks.

CHAIR—Perhaps I have used the wrong word.

Senator MILNE—It is a question of size and age.

Ms Plowman—One of our strategies in our previous strategic plan was to grow out larger pigs. The market here does not want a larger pig. If you are supplying fresh pork, it is usually a smaller pig than what you would have in the US. There are different market structures and different demands. That is essentially the reason.

Senator MILNE—You said before that one of the ways we may be able to overcome this so that consumers can be much more aware of what they are buying is for the industry itself to develop its own logo saying ‘Grown in Australia’.

Ms Plowman—Or ‘Australian pork’, really.

Senator MILNE—People will not understand the difference between ‘Product of Australia’ and ‘Australian pork’. At least if it says ‘Grown in Australia’, people will actually know that the animal was grown here. Where are you up to in terms of developing an industry label that gives more information to consumers so that they can make an informed choice?

Ms Plowman—That is under discussion now. We have just started developing our new five-year strategic plan. I understand that is one of the issues being raised for discussion with the board around where our opportunities are in terms of processed pork product in Australia and how we can raise consumer awareness about that.

Senator MILNE—Finally, is there any accreditation or enforcement with regard to organic pork, free range pork and all the other labels that are used, or are they just advertising slogans in most cases?

Ms Plowman—If you are buying an organic or biodynamic product, there is a lot of very good certification. By the way, most of that certification also has to be AQIS approved, because it is destined for export and it has very stringent requirements. In terms of free range pork, the RSPCA mentioned that they have a free range brand. So there are those validation systems around. If anyone wants to state that their product is free range they can, but I have never seen that in a supermarket.

Senator MILNE—At the moment it is just a marketing label. If someone wants to use it there is no way of checking it or if it is truth in advertising; there is nothing to substantiate it.

Ms Plowman—I have seen two cases go up to the ACCC. A particular producer group was upset; they thought that two producers were misusing that label. They were actually incorrect. Some of the media that I have seen lately around free range, particularly around pork, has been very misleading.

Senator HEFFERNAN—Obviously labelling is a point of contention for people who are thinking shoppers rather than budget shoppers, and there are going to be a lot more budget shoppers. There is a nice delicatessen in the supermarket at Junee and there are specials on ham. They do market Australian products and God knows what no label means. There was that semi scandal of the bone being inserted after the meat arrived in Australia to make it look as if it was ham on the bone. Has all that been sorted?

Ms Plowman—All that has been sorted. That product was withdrawn almost immediately. It just goes to show that people can be very clever.

Senator HEFFERNAN—They were a major producer. I have forgotten who it was, or I would name them. Would you care to name the company?

Ms Plowman—I cannot remember who they were. There is another issue around mislabelling of product that has been investigated by the New South Wales Food Authority. That particular company has now been charged with, I think, more than 100 counts of mislabelling.

Senator HEFFERNAN—Right. It is nice to see some action being taken. I presume that your association would be fully supportive of maintaining the integrity the pork industry.

Ms Plowman—Most definitely.

Senator HEFFERNAN—I turn to what makes up Australian product. The best example I know of is a bottle of water that I have in my office that has the map of Australia with a kangaroo and it carries the words, 'Proudly Australian', but it is actually Chinese water bottled in China. Is it still the case in Australia that as long as something is value added here by 50 per cent that you can put an Australian made label on it?

Ms Plowman—That is correct. That is why it is confusing for consumers.

Senator HEFFERNAN—I will go further into that. We used to have prawns coming into Australia that had a label with the proud boxing kangaroo, but you tipped the box on its side and

you found that they were imported. They value added 50 per cent. Can that value adding to the prawns simply be doubling the price they paid for it?

Ms Plowman—I cannot speak for the prawns.

Senator HEFFERNAN—Talk about pork.

CHAIR—You do not have to do it for prawns. We have enough people talking for prawns on this committee.

Senator HEFFERNAN—I am generally seen as a prawn.

Ms Plowman—The ham and bacon that we are talking about are the budget items in a shopper's overall purchases. Bacon is sometimes called the lead item. The supermarkets will use it to get shoppers through the turnstile.

Senator HEFFERNAN—The loss leaders?

Ms Plowman—Yes, the loss leaders. Marketing is not my forte. Had I known I would have brought the marketing general manager with me to answer all these questions. The amount of imported pork is one of the reasons that the prices are so low.

Senator HEFFERNAN—You may not be able to answer this, but it intrigues me that to put proudly Australian manufactured you simply have to value add to it 50 per cent. What is the description of value adding? Does it mean that if I bring it in for \$1 a kilo, mark it up to \$2 a kilo and sell it I have value added to it?

Ms Plowman—No, it is a manufacturing process. It is labour and—

Senator HEFFERNAN—Is it value adding if I bring it in for a \$1 a kilo and repackage it into a proudly Australian manufactured box and charge \$2?

Ms Plowman—Maybe in its simplest form. When they talk about made in Australia and the value adding component, there is a long list about what they are. I do not necessarily agree with it, but that list is there.

Senator HEFFERNAN—Can you provide that description of value adding?

Ms Plowman—Yes, no problem. I would be happy to do that.

Senator MILNE—I am interested in the animal husbandry practices in the pork industry. There has been a lot of adverse publicity about battery pigs and quite a few pictures of animals that cannot turn around because their stall is so small and so on. That has had a big impact in the community. I think a lot of consumers are concerned about animal cruelty issues and would perceive those pictures as portraying cruel conditions in which to raise animals. Would you care to comment on how the industry is changing standards, whether it is not changing standards or how it is responding to people's concerns about what are essentially battery pigs? How many of those kinds of production facilities do we still have in Australia?

Ms Plowman—The industry is very cognisant of the community's views around intensive farming. But we also balance that against the welfare of the actual animal. Those stalls are there and they do provide a welfare component for sows in the very early stages of pregnancy. In 2007, the primary industry ministerial council signed off on our new model code of practice, which has reduced the time that sows spend in those stalls. Like any mother they are vulnerable in the early stage of pregnancy. They can lose the babies. There is a lot of hormones rushing around in sows at that early stage and they can get very aggressive. We do not see photos of sows being aggressive, but it can be very unpleasant and serious injury can occur.

Under the new code, sows are kept in stalls for up to six weeks. That was based on the best available science. The EU also has sow stalls and is retaining stalls for the early stages of pregnancy, as does New Zealand. In terms of our own foundation animal welfare standards, we are up there with the best compared to the United States and Canada. Their animal welfare regulations vary from state to state and they have no limitations on sow stall use. The industry also makes significant investments in animal welfare and these production systems in terms of sow stalls. It has looked at how long they should stay there; whether we can shorten the period; and, if we are going to move our sow stalls, do we have sufficient labour available to do so?

If you are going to do that you have to have more manpower to help. It is not just any manpower; you need people with a specific skill set to manage animals. You have to really like your animals and be able to relate to them. We invest heavily in stockperson training. In fact, our training has actually been adopted in the EU and the US because it is so good. There are a lot of components to moving animals and no one system is the best system. It can vary around the labour you have. You can have a pig palace, but if you do not have good stockperson training and qualified people managing it, you will be compromising the welfare of your animal.

Senator MILNE—Basically what you are saying is that we could do away with sow stalls if we had enough labour to be able to manage the animals appropriately? Notwithstanding the wage costs and so on, it is just as a matter of whether you can do it. Are you saying that it is not possible?

Ms Plowman—No, Senator. Stalls are necessary for the first few weeks of the animal's pregnancy. From what I have seen of the science, there is danger to the babies. They will just abort at that time and their hormones are all over the place. It helps to manage the sow at that particular time and to give them individual attention. The industry definitely does not believe that sows should be in stalls for the entire pregnancy. That is why we are continually reviewing the science and also making those investments.

There are very many varieties of production systems in the industry. For example, some pigs start out in an indoor system and end up in an eco shed or outside. I know about other systems where they start out free range and end up in an eco shelter. Some people like to farrow indoors and some outdoors. There are myriad systems. That is one of the beauties of farming, because you can adopt the best system for where you are located and what you have available.

Senator HEFFERNAN—It would be fair to say that the pig industry is a very competitive industry and it must compete against the rest of the bloody world. Some parts of the rest of the world have highly intensive industries and some have very low wages. The global food task will double in the next 40 years. As long as people know that the RSPCA keeps an eye on us all and

everyone is fair dinkum, intensive farming will be a major problem solver in feeding the world as the population climbs to nine billion. I presume you have the figures for carbon emissions from intensive industries. I think 25 per cent to 30 per cent of production costs for cattle will be spent on the carbon tax contribution. Do you have the figures for the low-intensive pig and poultry industries? We would all like it to be as friendly as we can get it.

Ms Plowman—Yes, but they are at my office. They are much lower.

Senator HEFFERNAN—It is three per cent or something like that.

Ms Plowman—Yes, it is around five per cent. After beef and sheep meat, pigs are actually one of the larger carbon emitters, although it is very small. It is not about methane; it is has to do with nitrous oxide, which can be managed through effluent systems. We can also sell electricity back into the grid. I often find it interesting that when we are faced with animal welfare—and the industry is progressive and it is does want to address the community and consumer concerns around this—we are not going to do anything that will be to the detriment of the welfare of the animal. But we also have to weigh that against environmental sustainability and being carbon friendly. Intensive pig production is actually carbon friendly. We will have some consumers who want a carbon friendly product and something that is environmentally sustainable, and we will have other consumers who will want an animal welfare friendly product. That is just the way of the market. You have to be able to produce a product to meet different segments these days. You are going to have to have a variety of production systems to achieve that.

Senator HEFFERNAN—By the way, the same science says that in 50 years there will be a billion people on the planet unable to feed themselves and possibly, with the global food task doubling, 1.6 billion people possibly displaced. Could you supply to the committee with the carbon footprint for the intensive pig industry?

Ms Plowman—I can supply what we have to date. We are doing our own lifecycle assessment at present, so we will have a lot more detail later this year. But we are very happy to provide what we do have.

Senator MILNE—You said that if something is sustainable and carbon friendly it may not be animal welfare friendly. That is counterintuitive to me. I would think you could to all those three things together. I am interested in any information you have. Can you take on notice why you would suggest that being animal friendly is not compatible with being environmentally friendly or carbon friendly?

Ms Plowman—You could have all three ideally, but you will not have the whole pig farming system designed for that. You will have segments of that that will have degrees of animal welfare friendliness. It really depends on the consumer. You will have consumers who will want that specific product and they will pay for it, because that is not a cheap product to produce.

Senator NASH—I am fascinated with the idea of the pork industry selling energy back to the grid—it is pig power.

Ms Plowman—Right. We also have pigs that eat chocolate and that is turned into electricity.

Senator NASH—It is an amazing story. We are turning chocolate into electricity. That is quite extraordinary. I am interested in the statement in your submission about increasing volumes of piglet meat being imported. You talk about the traceability of food and the potential risk for disease outbreak. How concerned are you at the moment about those increased imports and the likelihood of a disease outbreak occurring? Have there been any recent examples of near misses? I know this has been quite a contentious issue for the industry for some time. I am trying to get a sense of where things are at the moment.

Ms Plowman—We are always very concerned about imports and disease. That could also involve people travelling into and out of our country and what they bring in simply because we have one of the world's best herd health statuses. That is a competitive advantage for us because you can imagine what would happen if we started loading up with diseases, medications et cetera. We are relatively disease free here and we are blessed in that regard. In future it could be a very good selling point for us going into other markets or providing live pigs into other markets.

We provided a submission to the Beale inquiry about some of our concerns about imported product once it has arrived, left the warehouse and gone into the processing plants. We have always had concerns that there is a potential to defraud that system. We do not have the confidence in the current auditing system provided by AQIS.

Senator NASH—Can you expand on that a little?

Ms Plowman—We pointed that out in the submission. I will be very happy to extend a section of that submission. It does explain very well how processing plants can divert certain product.

Senator NASH—That would be useful.

Ms Plowman—It does not actually go to where it should go, or perhaps it is moved from one warehouse to another from where it was supposed to be destined or it is supposed to be used in one state and it might have ended up in another state. I will be very happy to provide that. That does concern us and that is why we raised it with the Beale inquiry. It will be interesting to see what happens with the new body that has been established.

Senator NASH—Thank you.

Senator HEFFERNAN—Can I ask dumb question?

Senator NASH—You never ask a dumb question.

Senator MILNE—He does not normally ask permission.

Senator NASH—Precisely.

Senator HEFFERNAN—We have a reasonably low grade debate, which I would like to think could be non-political, going on about the importation of live foot and mouth virus, for which there is no scientific justification according to the chief scientist at the Animal Health Laboratories and the head of the department. That is a side issue. There are 800,000 feral pigs

estimated on Cape York peninsula. In the event of a foot and mouth incursion, has the intensive pig industry planned a defence?

Ms Plowman—It is a multi-species disease, so it would have to be addressed—

Senator HEFFERNAN—I appreciate that.

Ms Plowman—across all species, especially under the emergency animal disease agreement.

Senator HEFFERNAN—But in theory, if you had a really secure compound for an intensive food factory—which is what an intensive pig industry compound would be—and the right ventilation arrangements et cetera, that could actually protect food security in the event of an incursion.

Ms Plowman—You can do that. There is a movement now for compartmentalisation, which is really for vertically integrated industries or companies, such as the pork industry, where you can provide that level of intense biosecurity so that you could continue to provide product.

Senator HEFFERNAN—Have you done any planning on that?

Ms Plowman—Not on the security side.

Senator HEFFERNAN—If you have any information on that area, I would be interested, because there is another inquiry going on, which we cannot let interfere with this inquiry, about future global food production. We would be interested to hear from the pork industry to add to the information gathered for the other committee.

Ms Plowman—Certainly.

CHAIR—I want to clarify a couple of issues. On page 11 of your submission, halfway down, you talk about the Trade Practices Act administered by the ACCC, defining ‘Product in Australia’—which has already been talked about—and ‘Made in Australia’. Obviously, ‘Product of Australia’ is the premium claim. The following paragraph states:

The intent is that the ‘Product of Australia’ tag be reserved for products that have no, or virtually no, imported content. However, smallgoods processed in Australia from 100 per cent Australian pork are currently unable to use this label as brine, an essential ingredient in curing pork, is not produced locally and must be imported.

In my view that is absolute lunacy. It might not be the committee’s view.

Ms Plowman—I have not made the rules around—

CHAIR—I am not accusing you; you are safe, Ms Plowman. I am not having a crack at you; I am talking about the lunacy of this.

Ms Plowman—I totally agree with you.

CHAIR—Great. I will get over it. Why do we not make brine here in Australia? I thought it was just saltwater.

Ms Plowman—I think it is cheaper for us to import it. I would have to get back to you on the reason. There is a very good reason. We have asked about it. We have been over it in my industry for a long time. Technically you cannot use ‘Product of Australia’. The brine element is significant but it is small. Ham you know is sourced from an Australian grown pig could be labelled as ‘Product of Australia’.

CHAIR—Okay. Help me out here, Ms Plowman. You have been in the industry a lot longer than I have been a member of this committee. What is in the brine?

Ms Plowman—There are a few things.

Ms Reagan—It is a mixture of salts. I think some of them are not available in Australia and that is why they have to be imported.

Senator HEFFERNAN—There are various salts.

Ms Reagan—That is right.

CHAIR—Can we not bring that in and then mix it up, or would we create the same problem?

Ms Plowman—We would have same problem because the salt is still imported.

CHAIR—What a load of bollocks! Not your answer. I will not get wound up about that. I would like to clarify one thing. Senator Heffernan succinctly described the situation as bone in, bone out. So if a leg of ham is in a supermarket and it does not have a bone in it, do we take it as consumers that it is definitely not Australian?

Ms Plowman—It would be almost guaranteed that it is not Australian. Only Australian ham can be sold with a bone. The quarantine protocols prohibit boned product coming into Australia.

Senator HEFFERNAN—Can I ask silly question?

CHAIR—It would be unlike you, Senator Heffernan, but please fire away.

Senator HEFFERNAN—Where were they getting the spare bones from to shove in?

Ms Plowman—They were domestic pig bones.

Senator HEFFERNAN—They would just shove any old bone into the leg?

Ms Plowman—No, it was cut from a specific part. It was called spiral ham.

Senator HEFFERNAN—You would think they would run out of bones.

Senator MILNE—You said that you would welcome some enforcement of the current labelling laws. Can you elaborate on that? What is your main source of concern here? Whilst we have labelling laws, regardless of how effective or otherwise they are in terms of identifying the product, are you concerned that there is not sufficient compliance or enforcement? Is that correct?

Ms Plowman—Are we talking only about ‘Product of Australia’ and ‘Made in Australia’?

Senator MILNE—All the different label terms.

Ms Plowman—Right. I would like to address the ‘Product of Australia’ and ‘Made in Australia’ labels. I do not see that those labels work for the consumers; I think they add to the confusion. I feel very privileged that I understand what they actually mean. I am sure that when you have been conversing with your friends and family they have no idea. It seems ludicrous to me to have a labelling system that does not achieve the outcome it is supposed to achieve.

Senator MILNE—What is the process to fix it?

Ms Plowman—If you could convince the relevant department that it needs to be totally reviewed, that would be the best way to go forward. It is a difficult subject; it is undoubtedly contentious. I am not sure there is an easy solution, but I certainly believe that it is time that this was reviewed. At least we would be able to have a sensible discussion about it.

Senator NASH—Hear! Hear!

CHAIR—Good luck. We will do our bit.

Ms Plowman—I am right behind you. If you achieve that I would be a very happy person. I have been working in this area for a very long time and it amazes me that we still stumble along.

Senator NASH—What sort of responses are you getting from the relevant departments about why we cannot review it, cannot change it, or should not be looking at it? Is it just too hard to find reasonable definitions in a slightly grey area?

Ms Plowman—We have not asked that question for a few years because when we did ask we were told it was reviewed only in 1998. I really cannot remember.

Senator NASH—So it would be quite timely to push for another review?

Ms Plowman—I think it is time for a review. People will say that we have reviewed the country of origin labelling, but I do not think that has added any clarity to ‘Product of Australia’ or ‘Made in Australia’.

Ms Reagan—Part of the confusion, or adding to the complexity of the argument, is that ‘Product of Australia’ and ‘Made in Australia’ do not cover only food; they cover all kinds of products.

Ms Plowman—Even the clothes you wear.

Ms Reagan—That is right. They cover all different types of things. While we may be calling for different definitions, there will be other Australian producers of different products who would be really against that.

Senator MILNE—So we just need a new category for food?

Ms Plowman—Absolutely. Perhaps we need to get a bit more specific. I think consumers are reasonably smart when educated. Perhaps we could have an entirely separate category, because if you have a labelling system that means nothing to people, what is the point?

Senator MILNE—Thank you.

CHAIR—I should declare an interest. I am a pig who gets into chocolate too. Ms Plowman and Ms Reagan, thank you very much for your time and the assistance you have provided to the committee.

[5.05 pm]

ANNISON, Dr Geoffrey, Deputy Chief Executive; Director, Health, Nutrition and Scientific Affairs, Australian Food and Grocery Council

LEIGHTON, Mr Kim, Director, Food Policy and Regulation, Australian Food and Grocery Council

CHAIR—I welcome representatives from the Australian Food and Grocery Council. Does either of you wish to make a brief opening statement before we go to questions?

Dr Annison—Yes, I would like to make a quick opening statement if I may. First, I would like to thank the committee for allowing us to speak here today. The council is the peak body representing food and grocery manufacturers here in Australia. We have about 150 members, which constitutes about 80 per cent of the gross dollar value of the processed food, beverage and grocery sector in Australia. We have annual sales in excess of \$70 billion we employ more than 200,000 people. It means effectively that one in five of the nation's manufacturing workforce is in our industry. In fact, we are the largest manufacturing industry. Approximately half of the manufacturing industry is based in rural and regional Australia. The manufacturing sector sources more than 90 per cent of its ingredients from Australian agriculture. This underscores the importance of the industry to Australia in terms of its wealth-generating capacity.

We are very grateful to be invited to the inquiry and particularly to talk about forms of regulation and to give some of the views of the Food and Grocery Council on the roles of independent and voluntary industry codes and how they can assist in bringing order to the market where regulation may not be appropriate. I am sure you are aware that industry voluntary codes, or self-regulation, sits on a spectrum which has at one end full regulation, or black-letter law, and the voluntary codes at the other end, and various forms of endorsed or authorised codes sitting in between. Australia has come a long way in this area.

The Australian Consumer and Competition Commission has over the past few years developed a very sophisticated policy framework that covers industry codes and self-regulation and co-regulation. The ACCC has recognised that self-regulation is a cost-effective means of addressing market failures on an industry basis through being flexible and sensitive to market circumstances, providing ownership to industry members over regulation of the industry, setting benchmarks for best practice in the industry—which is a particularly important one as far as the Food and Grocery Council is concerned—and including rapid dispute resolution mechanisms. All of this is available on the ACCC website.

They make a number of interesting points about what is required for industry codes to be successful. First and foremost, they must address recognised market failures. So there must be clear reasons for the codes to be in existence. It is important that there is consultation in the development of codes and clarity within the codes so that all stakeholders understand their intent. There must be formal mechanisms for code administration. There must also be transparency in the codes. For effectiveness, codes must have as wide a coverage of industry as possible. There must also be effective complaints handling procedures. Moreover, there must be

mechanisms for levying sanctions for non-compliance with codes. Also, importantly, codes must be communicated to the industry and there must be appropriate reporting, monitoring and review of codes.

Importantly, there must be enforcement of codes to ensure credibility. Of course—and this is something that the AFGC is particularly focused upon—there must be a high level of compliance with codes. To underpin that, there must be a high level of awareness and understanding of the requirements of codes within the industry. There must also be acceptance by those being regulated by the code or signatories to the code of the value of the market failure being addressed; in other words, industry members themselves must see the advantage of complying with the code. Coupled with that, of course, there must be effective enforcement.

Effective enforcement relies upon clear communication of the reasons for the code, regular monitoring, timely and independent complaint resolution procedures and the ability to levy sanctions. A number of examples of good industry codes are in operation not only across our industry but also across other industries. A recent example of a successful code within the food manufacturing sector has been the introduction of the daily intake guide labelling system of the Australian Food and Grocery Council, which was launched in 2006 and which provides a standard front of labelling scheme, and additional nutritional information to consumers regarding the nutrient content of packaged foods and how it may contribute to an average adult diet.

The scheme, which was introduced in November 2006, is now present on over 1,000 food products, that is, not just SKUs but also food products, and all the mainstream food products are now represented. It has demonstrated its value in the marketplace with high levels of consumer acceptance, and the AFGC is currently updating the scheme and will be providing more resources to support it. However, there are other examples within the industry but there is also an opportunity for legislative support for the industry codes. For example, within the food industry there is the horticultural code, which essentially prescribes transactions between parties in the horticultural industry and, in particular, between primary producers and wholesalers.

That is an example of a code being supported by legislation through the Trade Practices Act. There are a number of others. Within the therapeutic goods area, for example, the Therapeutic Goods Advertising Code is referenced within the Commonwealth act and the code is the Australian Self-Medication Code of Practice. Essentially, it is administered through the Australian self-medication industry but it provides all the characteristics of a self-regulatory and voluntary code, namely, complaint resolution procedures and pre-approvals for marketing claims, and it is all backed up by the force of the Therapeutic Goods Act, if required.

There are financial impacts on industry when voluntary or co-regulatory codes are set up and a significant amount of funding is required because you need a secretariat to run the code, you need to be able to communicate with industry members about the code and what it is for, and there must also be administrative costs to support the committees that are important to underpin the code. These may be administration committees, if the codes are complex, through to complaint resolution committees which will often have sitting on them independent stakeholders to the code, in particular, in those areas where there is a high level of community concern relating to the use of the code.

The main beneficiaries of the code of practice must, therefore, provide its funding. Underpinning that must be a strong industry association supporting the codes. In conclusion, there are many ways in which industries can collectively choose to adopt particular standards governing their activities. Codes, guidelines and industry standards are all examples of industries deciding that substantial benefit will flow from adhering to agreed ways of doing things. Their success, however, is dependent upon high degrees of compliance which, in turn, requires individual parties to perceive the value in complying, backed up by the effective enforcement of the code. This requires a strong industry association prepared to devote resources to promote the code to its members, coupled with an effective compliance program that includes complaints resolution and the capacity to impose meaningful sanctions. I have taken my comments from a document that we have prepared, and we are happy to leave that for members of the committee if it would be helpful in their deliberations. Thank you very much.

CHAIR—Thank you, Dr Annison. Your council has a serious membership. You referred in your opening statement to voluntary and self-regulating codes. How effective does the council find voluntary and self-regulating codes within your industry?

Dr Annison—There has been mixed success with codes in the industry. In some areas codes have been very successful, particularly when they have been focused on industry standards or on industry guidelines to good manufacturing practice. For example, a cold chain code of practice has been in existence for a number of years and basically that advises best practice on the way to manage frozen and chilled goods down the cold chain. On the other hand, in the area of labelling there have been attempts to introduce codes that have been less successful.

However, the Australian Food and Grocery Council has been reviewing that and it is now convinced that this is a particularly useful form of regulation with a small ‘r’. In a sense, it provides an opportunity for industry to get behind particular labelling requirements for the provision of information to consumers. If it is done appropriately, and that means with the right resources and consultation with stakeholders, we believe that there could be a good deal of success in this area. The daily intake guide of the Australian Food and Grocery Council is an example of its success.

CHAIR—I again refer to labelling. You said that it had not been all that successful. Why has it not been all that successful?

Dr Annison—The main problems on which the Australian Food and Grocery Council has focused in the past include the lack of resources devoted to it and an appreciation of the role it plays in extending the intent of the full regulation, which is important. There has also been a sliding scale of expectations within the community, and indeed within industry, on how these codes of practice can or should work. Over the past 10 years the ACCC has been developing the very sophisticated framework that it now has, and it has led its weight to the concept not only of voluntary codes but also of co-regulatory codes. The industry believes that there is an opportunity to move forward to fit underneath that policy framework with effective labelling of food products meeting the needs of consumers, which extend beyond that which can be provided by regulation alone.

CHAIR—I come from an industry where voluntary and self-regulating codes were always doomed to failure. Maybe there were more ratbags in the transport industry than there were in

food and grocery product manufacturing; I do not know. However, in reading your submission I am trying to read between the lines. If I am on the wrong track please pull me up. If you cannot get a high level of compliance with codes it is because a certain element does not want to comply. You referred earlier to funding arrangements and all that sort of stuff. Would that be a fair comment?

Dr Annison—I think it would be a fair comment. It then begs the question: Why would they not want to comply? I think the simple answer to that question is that they do not see the value in complying. That means that it is incumbent upon the organisations supporting the codes to demonstrate the value of compliance.

Senator MILNE—Or they make a judgment that they are not likely to get caught. They are compliant and enforcement slack.

CHAIR—That is the way I see it. If they make a judgment that there is no value in doing the right thing they can get away with doing the wrong thing because they have an unfair advantage in the marketplace?

Dr Annison—Indeed. That is a characteristic not just of voluntary codes or of co-regulatory codes; it is also a characteristic of full regulation in some circumstances where compliance is high.

CHAIR—I understand. But while there is no deterrent there is a greater temptation to do the wrong thing. Some are very clear. There is no doubt about the fact that the majority of your members would like to do the right thing, not only for their industry but also for their employees and their markets. You made another statement that might be included in your submission that we have just received.

Dr Annison—Certainly.

CHAIR—That happens all the time and no drama is involved. We appreciate having a document that we can read later. You said to us that there was always room for legislative support. Would you like to expand on that statement?

Dr Annison—I think it is very much a case-by-case scenario. The advantage of legislative support is that it provides a greater force to the code and it extends its coverage across the whole of the industry. Voluntary codes, or codes that are strictly voluntary, are exactly that. Some members of the industry may decide not to work to the voluntary code. The ACCC is also quite clear on this. It made the point that it would consider endorsing and certifying codes if the argument could be made that extending legislative support would result in an increase in the coverage of the code across the larger industry, or the whole industry, and that benefits will flow from that not only to industry but also to the community.

It is important to recognise that this is a continuum. At one end of the spectrum there are some examples where voluntary codes, with perhaps even a small part of an industry adhering to them, have some value, in particular, to industry members, if they see a way of doing things. On the other hand, right at the other end there are good reasons for having full and frank black letter law regulation. Depending on the topic and depending on the industry, we have a spectrum and it is

up to the industry, working with the regulators, to decide the best form of regulation across that spectrum that provides the best outcome. Fortunately, we have guidance not only from the ACCC but also from some of the COAG documentation in that regard.

CHAIR—I suppose that is the \$64,000 question. From my experience, unless both arms of industry, that is, employers and employees, plead to the government to legislate to do the right thing, nothing will happen.

Dr Annison—I think the government, in the COAG documents that talk about the principles of good regulation, clearly understands that when it imposes regulations it imposes costs on the community that ultimately have to be picked up somewhere. There has to be a good argument for imposing regulation. In fact, the onus for justifying a proposed regulation is on those who are imposing it, not on those who might be against the regulation. To my knowledge that sound policy principle has been in existence since at least since 1992.

CHAIR—From the point of view of this committee, the first part of its meat marketing inquiry was into lamb branding. As an example, if you do the wrong thing in Western Australia you can go to jail. I would have thought that that would be a good reason to do the right thing, but that is certainly not the case in other Australian states. If you are going to be whacked around the head with a legislative bat I think that is a good reason to get into line. However, if the whole of the industry is not saying, ‘We want to improve things’ it is difficult for the government to impose costs or imposts on purchasers if industry is running a fantastic negative campaign.

Dr Annison—Indeed. You made a very good point about the differences between the jurisdictions. It is certainly the experience of the Australian Food and Grocery Council that there is a different level of enforcement of food standards across the jurisdictions, including in the area of labelling, which undermines some of the calls that there might be for national approaches in this regard, including national approaches to industry codes.

CHAIR—We read a lot of nonsense in the submissions of some of our earlier witnesses about brine, but I will leave it at that. However, that is an issue that is bugging me.

Senator NASH—The council has an impressive membership list. What is the difference between members, associate members and PSF members?

Dr Annison—Full members of the Australian Food and Grocery Council have to be businesses that are manufacturing food products. Associate members are businesses that are associated with the food industry, or the food manufacturing industry in some way. The PSF is the Packaging Stewardship Forum, which is a forum within the AFGC that deals specifically with packaging issues. As you can see, they include non-food manufacturing members such as Visy, but they fall under the AFGC.

Senator NASH—With an extensive list such as that how do you interact? When the council makes decisions how do you get a collective view from your members to take forward? What processes do you have in place for that interaction?

Dr Annison—The policy positions of the Australian Food and Grocery Council essentially are established by the board of the council, which comprises CEOs of some of the member

companies. The mechanisms for developing proposals to go into the board are through a number of standing committees and forums that exist within the AFGC, and member companies participate on those committees. Those committees are served by members of the secretariat, by my colleague and me, and by a number of others. It is our job to present issues to them, to distil their views, and to bring them to the board with recommendations as to what the policy positions might be.

Senator NASH—Just out of interest, do you have many instances where there is subsequent disagreement from some of your members who have not necessarily agreed with the groups that have put forward views on any particular issues?

Dr Annison—It happens, but it does not happen very often. Because of the robust way in which the standing committees work, and because the secretariat is quite well-resourced, we have time to give due consideration to most of the issues that we deal with. We also have an understanding of the portfolio areas that we will address. That means that we rarely bring up a policy position that does not have the full support of the membership. But there is a capacity within the organisation to accept the policy positions that essentially represent a majority or consensus position rather than necessarily everybody's opinion.

Senator NASH—Which I am sure would be difficult with a membership of that size. Could you expand on the issue of market failure, a matter about which I am interested? You state that the codes must clearly describe the reasons, that is, the market failure for their establishment and the intended outcomes direct affect stakeholder concerns. In English, what do you mean by the term 'market failure'? Specifically, what is it and what must the codes do to describe it?

Dr Annison—As you are probably aware, market failure is an economics term that—

Senator NASH—I understand that. I am asking you what you are doing. I understand the principle.

Dr Annison—As it applies to us, it is the identification of an area. If the industry works collectively it could do so, not only for the benefit of the industry but also for the benefit of the wider community.

Senator NASH—In laymen's terms is it when you do not have agreement when a voluntary code is in place? Is that what you are referring to as market failure in that instance?

Dr Annison—No. There might be no need for a voluntary code. If things are working well without any collective agreement on how they should work, obviously the market is working well and there is no need—

Senator NASH—There is no need to do anything.

Dr Annison—There is no need to do anything. There has to be a reason for doing something. That is the case for voluntary codes as well as for full regulation.

Mr Leighton—Let me give you an example in this area. You might not be aware but there is a long-standing requirement in the food labelling law that there should be a 'use by' date or a 'best

before' date on packages of food that have a shelf life of less than two years. Although it seems as though it is a common sense term—and it is almost self-explanatory what 'use by' and 'best before' mean—only recently the AFGC identified that there is confusion in the industry about how you determine what it is. Which one do you use and when? To that effect, industry got together a variety of different players and worked out that there were differences. Eventually it worked out how to develop a system of logic to establish under what circumstances you do it.

Rather than developing a code in this situation, industry was able to develop a voluntary guideline or explanatory note to help people understand the principle behind that issue. What we do is similar to what is done by the ACCC. The ACCC has broad requirements for protection of consumers from false, misleading and deceptive behaviour. It is a very broad requirement. As it is required in the context of food labelling, the ACCC developed guidelines to help explain the thinking behind it. There are also alternatives.

Senator NASH—In your view does the ACCC have the resources that it needs to do its job as well as it possibly could in this area?

Dr Annison—Only recently—in fact I think it was yesterday—one of the commissioners at the ACCC made a public statement that effectively put the food industry on notice again that it needs to ensure consumers are not being misled or deceived through food packaging and the statements that are made on food packaging. Consistent with that, a group within the ACCC works in this area. It is the experience of the Australian Food and Grocery Council that it devotes lesser or more resources to it through time, depending, I imagine, on its own reading of what is required. We certainly think that the ACCC has some good people working for it, and it is very helpful in certain areas.

One of the areas in which the ACCC, the AFGC and FSANZ—or Food Standards Australia New Zealand—are working together and will work more closely together, is in the area of food labelling. For example, it is unclear. There is an interface between the Food Standards Australia New Zealand Code labelling requirements and the ACCC's view of labelling and what labels should contain. Essentially, there is a clash that has not been resolved. The AFGC spoke about this as one of the reforms that we have been asking for in our submission to the reviews last year of the Productivity Commission into the manufacturing distributive trades. We have previously made this request of other inquiries into the food regulatory system.

The food industry standards interface not only with the Trade Practices Act but also with consumer protection legislation at a Commonwealth, state and territory level, as well as the Therapeutic Goods Act. At some of those interfaces it is unclear which legislation the food industry ought to be following.

Senator NASH—What will resolve that?

Dr Annison—Discussion and consultation.

Senator NASH—Do you have any idea how long that will take? As a matter of interest, how long has it been going?

Dr Annison—There have been issues involving the different treatments in the food standards code and the possible interpretation under the Trade Practices Act—under the Trade Practices Act it really is an interpretation rather than a clash with black letter law—for at least 10 years. The issues come and go and wax and wane.

Senator NASH—You referred also to meaningful sanctions. What do you believe to be appropriate and meaningful sanctions?

Dr Annison—Sanctions to encourage compliance with voluntary codes can vary significantly, and they do through industry. A meaningful sanction would depend on the issue and also on the companies. The types of things that can occur include the threat of withdrawal from membership of an industry association. It might be serious to some companies and less serious to others. There could be provision for naming and shaming of companies that fail to comply with particular requirements in a code.

It could also go through to financial sanctions. To impose financial sanctions normally there is a requirement to link it to legislation. There can also be sanctions. For example, this happens in the therapeutic goods area where they have powers to insist that companies withdraw label claims, withdraw advertisements, and withdraw products from the market. Those are the sorts of sanctions that can occur.

Senator NASH—I suppose that the level of financial sanction would be commensurate with the size of the company. Are there standard financial sanctions, or is it a sliding type scale? Obviously it would affect a smaller business more than it would affect a bigger business, which might be able to cope with some kind of financial sanction.

Mr Leighton—There are two ways of looking at financial sanctions. One relates to a penalty that is levied against the company. Of course, that can depend on the size or the volume of trade, and you can apply various measurements to establish what would be an appropriate size of sanction. But another important financial sanction can occur, that is, through the naming and shaming aspect that can impact on trade.

The reputation of a company and its ability to sell products to the consumer which, after all, is its lifeblood, and its reputation with its trading partners can be affected. The reputation of those retailers also stands on the reputations of the companies with whom they trade. If a company's reputation is damaged because of naming and shaming, or it is at risk of being damaged, there is a significant financial penalty because it will not have an outlet to trade its product.

Senator NASH—Do you have an example of where that has happened in the past that you could provide to the committee?

Dr Annison—Naming and shaming?

Senator NASH—Yes.

Dr Annison—I am not immediately aware of any under industry voluntary codes, but it is certainly happening at the moment in New South Wales. The New South Wales Food Authority is naming and shaming restaurants that do not comply with its food regulations.

Senator NASH—I find this very interesting. Is that naming and shaming process effected through the media to make the public aware of it? What is the process that is used?

Mr Leighton—I can give you an interesting example, which I will find for the committee if it so wishes. I think all the states now have some mechanism for naming and shaming food outlets that are found not to meet hygienic standards under the law and that have been prosecuted. Western Australia has a similar process. A recent circulation that came to us recognises a number of restaurants that have failed to meet hygienic standards. That document has been in circulation for months. There is a problem in establishing natural justice. How long should a company be pursued and shamed for its misdemeanours? What can it do to rectify the situation?' It is quite difficult.

Senator NASH—It is quite severe.

Senator MILNE—I wish to ask a supplementary question.

Senator NASH—I have concluded my questions.

Senator MILNE—You were talking about restaurants being named and shamed because they had breached health regulations. Coming back to grocery and food products, these are all voluntary codes. At the moment are any of the codes under which you operate legislatively controlled in a mandatory way so that the naming and shaming provisions apply to a grocery product?

Dr Annison—No, they are not legislatively controlled and, at the moment, we do not have provisions for naming and shaming. However, as we increase our activities in this area the concept of naming and shaming companies has been mooted within the council.

Senator MILNE—At the moment we do not have that and we do not have financial sanctions either, do we, unless you go through the courts?

Dr Annison—No, that is true. On the other hand, there is a high level of compliance within the food industry to the codes that are in existence at the moment. It has not been felt necessary to go in that direction.

Senator MILNE—The answers that you gave to Senator Nash implied that those provisions currently exist for grocery products when clearly they do not. I refer to the issue of mandatory truth in labelling as it applies to food products and, in particular, to meat, as this inquiry involves meat. What do you think of the move by the New South Wales government to have mandatory truth in labelling?

Mr Leighton—This creates a problem relating to national consistency. National consistency of the application of regulatory requirements is an issue for the food industry. To have New South Wales go it alone in introducing regulatory requirements certainly creates a problem.

Senator MILNE—Why does it create a problem if New South Wales sets a precedent by having mandatory meat labelling, or truth in labelling? Surely it sends a signal to the rest of the country that it is coming? Consumers in New South Wales at least know that they have recourse

to enforcement, compliance and penalties if people do not comply with the truth in labelling requirements. Surely you should look at it that way otherwise the lowest common denominator will be operating around the country?

Mr Leighton—As was mentioned earlier, currently Western Australia has a meat regulatory authority that imposes significant penalties, but apparently that has made little difference to the other jurisdictions. It is not logical to say that because New South Wales has adopted it everybody else will adopt it.

CHAIR—That is politics. They might not want it, mate.

Mr Leighton—That is another issue. I think that is the logic.

Senator HEFFERNAN—It is because they are all bloody gutless.

CHAIR—Industry does not want it.

Dr Annison—It is certainly true that consumers in New South Wales are protected by trade practices legislation anyway. There is a fundamental requirement that meat products have labelling that is not misleading to consumers because it is already there under the Trade Practices Act. The question then is: Referring to representational issues, when is it better managed by an industry association rather than by full regulation? It would be our contention that in most representational issues, with the backing of the Trade Practices Act—which goes across not only meat products but also all food products; indeed all products, period—that the basic provision to protect consumers against misleading and deceptive behaviour is important.

When it comes to descriptors of products that is better handled by industry associations that can collectively decide how the consumer is best served, as long as those voluntary codes or even co-regulatory approaches are effective. We would be concerned with the introduction of bills that, first, introduce differences between each of the jurisdictions and, second, set up the potential for different jurisdictions to bring different forms of labelling and different descriptors into meat products or any products. That just adds complexity to the industry. It certainly adds complexity for the regulators in relation to enforcement and it is difficult to demonstrate the benefits directly to consumers.

CHAIR—I disagree with you there.

Senator MILNE—I am just trying to get a handle on this issue. I am assuming from this that you do not think mandatory truth in labelling is necessary for meat products. I heard you state a minute ago that industry groups best know what consumers need. That is my interpretation of what you just said.

In my view, trade practices offer me no protection whatsoever. I can pick up a bit of meat in the supermarket that is described in a certain way, but the people putting the label on it are clever enough to know that they will describe it as something that cannot be proved or disproved under the provisions of the Trade Practices Act. We need truth in labelling so we know whether something that we pick up is not what it is claimed to be and we can do something about it.

Dr Annison—I do not think anybody is arguing against the proposition that truth in labelling is a requirement. The Australian Food and Grocery Council supports that. I do not think I said anything that would imply anything different from that. However, I think there is a role for full regulation when it comes to representational issues of food products, meat products, and all consumer products. There is a role for voluntary codes, for co-regulatory approaches, and for full regulation. In the past the government has been quite clear that these spectrums of regulation are appropriate, and they are applied in many industries. There is no reason why the same policy principles should not exist in the meat industry. That is the only point we are making.

Senator MILNE—I refer, next, to the responsibility of retailers with labelling. What responsibility do you think retailers should have for the accuracy of labels? Is any checking of, for example, the classifications given to beef cuts at the abattoir? Do the retailers check on any of this, or do they accept the meat label when it turns up at the supermarket?

Dr Annison—I state, first, that the Australian Food and Grocery Council does not represent retailers so, strictly speaking, I am not able to speak on their behalf. However, I know that the major retailers have sophisticated quality control systems. I would be surprised if they did not take with great seriousness the labelling that they put on their products and follow the path of the product through the supply chain to ensure that it is correctly labelled.

Senator MILNE—Senator Heffernan might refer to that issue later. I have another question to ask about the term ‘budget’. What do you think about sticking a budget label on a meat product? What do you think the consumer understands by the word ‘budget’ on a meat product?

Senator HEFFERNAN—A broken-mouthed cow.

Dr Annison—I am certainly not an expert on what consumers think about a particular label on a meat product. Generally, the Australian Food and Grocery Council does not cover that type of product. Speaking as a consumer, I imagine it would mean a value—a particular value proposition, perhaps associated with a less expensive piece of meat.

Senator MILNE—My understanding is that it is meant to be telling people that it is beef from older animals. As a consumer I would not understand that. If I saw the word ‘budget’ written on something I would assume it was a cheaper cut of meat; I would not assume that it was meat from a tough-as-old-boots animal.

Dr Annison—In fact, Senator—

CHAIR—You have not tried it then?

Senator MILNE—The point I am making is that the word ‘budget’ is a meaningless descriptor of meat.

CHAIR—Senator Milne, I think you are frightening yourself. It is pretty frightening to see budget meat. Senator Milne, Senator O’Brien and Senator Heffernan have some questions.

Senator MILNE—I am just trying to explore some of the issues.

Senator O'BRIEN—I am looking at your membership list, which I think is probably the big end of the grocery manufacturing industry. Would that be a fair description? It is the big guys and not the little guys.

Dr Annison—We certainly have a number of big players. We also have a smattering of smaller companies.

Senator O'BRIEN—That would be a fair description. There is a smattering of smaller ones, but mostly it is the peak of the peak.

Dr Annison—Could I follow up your point? You should appreciate that we take on board the concerns of the smaller companies. In fact, we have smaller company representation on the AFGC board.

Senator O'BRIEN—I was wondering what was your role in relation to the major supermarkets and access issues?

Dr Annison—Could you clarify your question?

Senator O'BRIEN—There are plenty of stories of manufacturers who find that placing their products on supermarket shelves is a difficult, expensive, and sometimes impossible task. Do you play a role in assisting manufacturers who have difficulties with the major supermarkets in placing their products on supermarket shelves?

Dr Annison—No, that is not the role of the AFGC. We do not enter into direct commercial negotiations between companies and retailers.

Senator O'BRIEN—I take it that there is not an industry position within your organisation to have a fair standard approach for all players?

Dr Annison—In the submission that the Australian Food and Grocery Council made, for example, to the recent ACCC inquiry into grocery prices, we underscored that we support there being a high level of competition within the industry. In fact, we favour high levels of competition not only between our members but also between the retailers. Of course, we would support fair business practices between different parts of the supply chain.

Senator O'BRIEN—Is that the policy position of your organisation? Do you believe that there should be a policy on fair access?

Dr Annison—I am certain that those sentiments are reflected in the policy positions that we put in our submission to the recent ACCC inquiry.

Senator O'BRIEN—A specific policy has not been adopted by the council on that issue?

Dr Annison—I do not think we have one that talks specifically about that issue.

Senator O'BRIEN—Does that mean it has never been raised, or has it been raised and it has been decided not to have a policy?

Dr Annison—You might be aware of the concerns that companies would have in discussing collectively how they might come to trade terms. There are specific provisions within the Trade Practices Act that warn companies against doing those types of things. Industry associations generally are careful about how they would work together in those sorts of areas. But as fundamental principles it almost goes without saying that an industry association would support fair business practices, certainly as defined by the ACCC, or any other definition I would imagine.

Senator O'BRIEN—I am interested in a proposition that you implied, so I feel I am obliged to put this to you. Your answers seem to imply that competition law would make it difficult for your organisation to have a policy on manufacturers' fair access to supermarkets because there would be some competition in access. Did I understand you correctly?

Dr Annison—No, your inference is not correct. We can have a general policy. I was saying that we do not become directly involved in negotiations, collectively or individually, between our member companies and the retail chains. We talk about supply chain efficiencies, about working together cooperatively on projects that address inefficiencies in the supply chain, with a way of taking costs out of the supply chain that will benefit both the retailers and the manufacturers and, therefore, ultimately the consumers. But we do not talk directly or discuss directly the commercial arrangements or terms of trade between organisations.

Senator O'BRIEN—I do not know what efficacy you have for individual members. I think what you are saying is that you do not go to the major supermarket chains and say, 'I believe that these principles should apply to access for everyone, whoever they are.' Is that a fair statement?

Dr Annison—To my knowledge—and I have been at the AFGC for 18 months—we have not done that in the past.

Senator O'BRIEN—I am happy for you to take that question on notice and to come back with a more complete answer.

Dr Annison—Thank you.

CHAIR—Senator Heffernan has a question.

Senator HEFFERNAN—I have not quite figured out exactly what you do, other than taking money off the people who are listed at the back of your submission. Do you represent Swift Australia, the mob that has taken over the AMH?

CHAIR—They are on the list.

Senator HEFFERNAN—Do you represent Swift Australia?

CHAIR—Swift Australia is on the list.

Dr Annison—If it is on the list we represent it.

Senator HEFFERNAN—It is into a whole lot of market shit in Tasmania, and we intend to have a crack at it. It is keeping people out of the market, et cetera. You do not go there, do you?

Dr Annison—No.

Senator HEFFERNAN—Your job is to ensure efficiency in the supply chain and your job is to ensure that consolidated retailers do not eat their suppliers. Do you worry about whether consolidated retailers eat their suppliers?

Dr Annison—The council, in the work that it does in the supply chain, looks at the way in which the supply chain works. It also tries to identify where efficiencies can be gained.

Senator HEFFERNAN—Do you look at market power? I do not think you look at any of that. You do not care that a monopoly has 100 per cent of the market.

CHAIR—Senator Heffernan, we are running out of time.

Senator HEFFERNAN—I was wondering what your real role was other than—

CHAIR—Senator Nash has a question that she wishes to ask on notice.

Senator NASH—Would you mind providing the committee with a list of your members that have an international parent company? It is fine if you want to take that question on notice.

CHAIR—In wrapping up I will ask the final question on notice. Your membership list is impressive, but after seeing some of the companies that are members of yours, would you take on notice those that produce or sell salt? Can you find out who produces salt so that we can add our own salt and we will not have that nonsense of labelling? I place that serious question on notice.

Dr Annison—When you say ‘salt’ do you mean salt or brine?

CHAIR—The brine.

Dr Annison—The brine that is used in the curing of ham?

CHAIR—Yes. Thank you, gentlemen, for your assistance to the committee.

[5.52 pm]

MURNANE, Mr Simon, General Manager, Livestock Industries, Department of Agriculture, Fisheries and Forestry

SRIRAM-PRASAD, Ms Usha, Manager, Food Regulation and Safety Section, Department of Agriculture, Fisheries and Forestry

WILLIAMSON, Mr Gregory John, Acting Executive Manager, Agricultural Productivity Division, Department of Agriculture, Fisheries and Forestry

CHAIR—Welcome. I remind witnesses that the Senate has resolved that an officer of the department of the Commonwealth or of the state should not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy, and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

Officers of the department are also reminded that any claim that would be contrary to the public interest to answer a question must be made by a minister and should be accompanied by a statement setting out the basis for the claim. I thank officers of the department for appearing today. It is nice to see you back, even though we are not dealing with estimates. The department lodged submission No. 64 with the committee. Do you wish to make any amendments or alterations to that submission?

Mr Murnane—No.

CHAIR—Do you wish to make a brief opening statement before we go to questions?

Mr Murnane—Senator, if it would be helpful, we can give you a brief update on what has happened to the recommendations in the committee's interim report.

CHAIR—That would be very helpful, Mr Murnane. We will then go to questions from Senator Heffernan.

Mr Murnane—Okay. The committee's interim report, which was tabled in September 2008, had three specific recommendations seeking action from the Minister for Agriculture, Fisheries and Forestry. In summary, they were: first, that the minister seek support of the states through the Primary Industries Ministerial Council to harmonise national standards for domestic meat slaughtering and processing establishments; second, that the minister, again through the Primary Industries Ministerial Council, consider the costs and benefits of applying the Western Australia model nationally; and, third, that the Minister for Agriculture, Fisheries and Forestry, and the Minister for Competition Policy and Consumer Affairs consider the findings of the joint review conducted by the Australian Meat Industry Council and the Sheep Meat Council of Australia on lamb branding control and verification.

Since the report was tabled, Minister Burke raised this matter at the Primary Industries Ministerial Council meeting in November 2008. The Primary Industries Ministerial Council

agreed to establish a working group to examine those issues and asked that the working group report back to the ministerial council meeting in April 2009. All states are represented on that working group, plus the Commonwealth, of course. Unfortunately, we will not be able to provide a final report to the ministerial council in April 2009 because one of the key documents to which the committee referred in its interim report—a document that will be important anyway—is the joint report from the Australian Meat Industry Council and the Sheep Meat Council.

Senator, I believe that a letter was written to the committee in December stating that they expect that that report will not be available until the end of March. That report will be an important part of the considerations of this working group. Because it will not be available for a couple of weeks at the earliest, we will not be able to provide a definitive report to the ministerial council in April.

Senator NASH—On what date in April is the ministerial council meeting?

Mr Murnane—I do not have the date with me. It is mid-April to late April.

Senator NASH—Sorry to interrupt your flow, but what is the process between the receipt of that report and the council meeting that requires a degree of time? What has to happen?

Mr Murnane—Basically, we and all the states need to consider the report and what recommendations it may make. I am starting to speculate a little, but if it goes down the path, as we heard earlier this afternoon, of various levels of industry codes of practice or industry self-regulation—

CHAIR—Clearly there are timing issues?

Mr Murnane—Yes. Each jurisdiction will need to establish what it thinks is an appropriate level.

Senator NASH—It will go to each state department for them to provide recommendations to their jurisdictions before they come together for the meeting?

Mr Murnane—That is correct.

Senator NASH—Sorry to interrupt you.

Mr Murnane—That is all right. I think I heard earlier this afternoon that in December 2008 a private member's bill was tabled in the New South Wales Parliament that proposed a mandatory system of meat labelling. New South Wales Minister Macdonald indicated that he supports the intent of that bill, but he also wants to raise that issue at the ministerial council meeting in April. As a working group of the Commonwealth and states we will need to wait for the outcomes of the ministerial council meeting to see what directions they want to give us about that.

Senator NASH—Excuse my ignorance, but who moved the private member's bill?

Mr Murnane—I believe it is was Richard Torbay.

CHAIR—Thank you, Mr Murnane. Is there anything else that you would like to add?

Mr Murnane—That is all I had to say on the updating of the report.

Senator HEFFERNAN—As you know, Mr Chairman, yesterday we were briefed by AMIC and the Sheep Meat Council, and they have a two-day meeting this week. However, they seem to be divided. In order to ensure that there is no prevarication by this committee, as I understand it, this committee, to a person, is of the view that we should be able to achieve Australia-wide harmonisation of standards. In the case of lamb we would like a dentation test and we thought that the Western Australian model was useful. Basically, Western Australia, South Australia and New South Wales are pretty relaxed and have signed up to the principle. Mr Chairman, it appears to me from evidence that we heard earlier that the supervisor is a retired guy who lives in Canberra. I took it from that evidence that it did not matter whether it was mutton branded as lamb, as long as it was not maggoty.

As you know, the Victorians are into buying hoggets in the paddock as much as in the yard and they are branding them as lamb. Last week, when I was in Sydney visiting butchers, one butcher directed me to a consignment that he sent back to Victoria because obviously it was mutton branded as lamb and he would not accept the consignment. He was getting the lamb from a New South Wales operator, and that is still going on. Obviously they are arguing internally about whether it should be five per cent or 100 per cent. The argument is that even if it is 100 per cent it will still not fix the problem, but it might bloody well go a long way toward harmonising the industry. Industry is trying to find a peaceful route and some common ground. We are of the view that if it cannot implement that process through the states maybe at a COAG level there ought to be some intervention by the Commonwealth on behalf of consumers, with the agreement of the states. Someone suggested that the Western Australian model did not work, but I have to say that it seems to work pretty well. If you are prepared to put someone in gaol, it is not a bad incentive for that person to play the game. I am sorry to take up the time of the committee, Mr Chairman.

CHAIR—There is plenty of time.

Senator HEFFERNAN—I refer to something else that I think would be of interest to the department. I have had a fair bit to do with prawns, and I have an interest in them. I do not know whether prawn meat qualifies under our terms of reference, but I want to tell members and officers a story in which I know they will be interested. Obviously there was some grievance in the industry when I discovered blokes fishing, chucking imported prawns into the fishing boat and then throwing them away, which involved disease issues and human health considerations. Were the green prawns with tails banned?

Mr Murnane—To be honest, Senator, I am not an expert on prawns.

Senator HEFFERNAN—Let me tell you what they are up to.

Senator MILNE—You should know; you always bring in a couple of prawns.

Senator HEFFERNAN—When I refer to ‘they’ I am referring to—

CHAIR—Senator Heffernan, we are investigating food labelling.

Senator HEFFERNAN—Listen to this. They are bringing in marinated prawns that escaped the green prawn net. When you chuck these marinated prawns into the water and wash them off they are green prawns, but they qualify to come through the process. I will tell you all about that in due course because we caught them in the act.

Senator NASH—That is very interesting, Senator Heffernan.

Senator HEFFERNAN—That is all.

CHAIR—That was the entrée.

Senator NASH—You might have been in the room earlier when one of the previous witnesses said that it would be timely to have a review of the labelling system. Would you agree with that?

Mr Murnane—It is difficult to make an observation on what is timely. From time to time it is good practice to review policies.

Senator NASH—Let me help you out, Mr Murnane. I think the last review was several years ago. At that time the witness was told—I am not sure whether it was your department or another department—that there had been a reasonably recent review. That was several years ago, which is why I am asking whether it is more timely.

Mr Murnane—Senator, are we talking about the meat industry?

Senator NASH—I think the witness was referring to general labelling laws—the overall labelling of products made in Australia.

Ms Sriram-Prasad—If it involves overall labelling, COAG has agreed to a labelling review.

Senator NASH—Could you give me some background on that?

Ms Sriram-Prasad—Yes. At the meeting in November last year COAG agreed that a comprehensive review of labelling should be undertaken. The Australia and New Zealand Food Regulation Ministerial Council will be undertaking that review. That independent review will be conducted over the next year or so.

Senator NASH—How come it is expected to take so long?

Ms Sriram-Prasad—The actual conduct of the review will take a year.

Senator NASH—Sorry, that is what I meant. Why is it expected to take so long? It seems to me to be quite a long period for a review?

Ms Sriram-Prasad—It is meant to be a comprehensive review of food labelling law and policy in its entirety.

Senator NASH—If it is comprehensive obviously it will take a reasonable length of time. Did you say that it was an independent review?

Ms Sriram-Prasad—Yes.

Senator NASH—Have the people been appointed yet? Will it be an independent panel, or who will do that?

Ms Sriram-Prasad—No, not as yet.

Senator NASH—Do you know when they will be appointed?

Ms Sriram-Prasad—The Food Regulation Ministerial Council will be considering the terms of reference for the review at its meeting in May.

Senator NASH—At that stage would you mind coming back to the committee and providing us with a timeline, if there is one, and would you inform us whether a decision has been made about who will be appointed to the independent panel? It might be quite useful for the committee to have at that information at that point in time.

Ms Sriram-Prasad—Yes.

Senator NASH—We discussed earlier this broad issue relating to ‘product of Australia’ and ‘made in Australia’. Let me try to phrase my question in the right way. From the work that you have done through the department, do you think that greater clarity is necessary? Do you necessarily get any feedback from consumers, or are you aware of any feedback from consumers who are finding difficulty in understanding what those terms mean or identifying the differences between the labelling?

Ms Sriram-Prasad—We have had some ministerial correspondence that indicates there is confusion around ‘made in’ and ‘product of’—mainly around the ‘made in’ provisions.

Senator NASH—That all feeds into this plan to have the review. Was that prior to that time or after it? I am trying to get a sense of the department’s understanding of the inability for this to work properly if there is confusion in the community. What level of confusion is there? I am trying to get a sense of what sort of priority it is for you, if you think it is a difficulty, if it needs to be addressed, and how aware you are of that issue?

Ms Sriram-Prasad—The country of origin labelling requirements for food products is made mandatory through the Food Standards Australia New Zealand Code, which is adopted into state and territory legislation. This standard relies on provisions in the Trade Practices Act for ‘made in’ and ‘product of’. That is the state of affairs at the moment. We rely on the Trade Practices Act.

Senator NASH—You can operate only as per the direction of the ACCC and the law as it stands.

Ms Sriram-Prasad—Yes.

Senator MILNE—What are the difficulties in enforcing the Trade Practices Act with regard to meat products? We heard earlier from the Australian Food and Grocery Council that that was its excuse for not supporting mandatory labelling of meat products. It said, ‘We can have sanctions under the Trade Practices Act.’ However, in our view, that is a difficult thing to enforce. From your experience what are the difficulties in enforcing the Trade Practices Act with regard to meat products?

Mr Murnane—Senator, I am not familiar enough with the sorts of complaints that the ACCC might receive to make an informed comment on what the difficulties might be in applying the legislation.

Senator MILNE—Let me put it another way. At the moment we have only the voluntary standards. Do you think that the Australian voluntary meat standard system has been effective? How might it be improved? People can market products as being all sorts of things because of the voluntary code. If you decide to try to pursue such an issue it will be difficult to get a case going through the Trade Practices Act. Do you think this voluntary meat standards code in Australia is working?

Mr Murnane—Senator, the other observation that I make is that recourse is also available to consumers under state fair trading legislation about misrepresentation of products. I am not saying that that makes it easier to redress complaints, but it is an additional avenue. As to the effectiveness of either of those avenues, the fact that this committee and the industry are looking at these issues is an indication that there is a sense that current arrangements could be improved.

Senator MILNE—Let me give as an example a couple of ways in which meat is described. It is described as free range, organic and budget. Referring to free range and budget meat, do you think consumers have any way of proving that someone is checking to establish that the organic label is accredited and certified as being organic? Are the retailers responsible for that? Do you have any concerns about the labelling of free range and organic beef and have you taken up any of those issues with the ACCC?

Mr Murnane—We have not directly taken up those issues with the ACCC. Earlier this afternoon I heard some evidence about the lack of clarity and consistency in relation to free range and organic labels, and I accept the evidence that was given. It is implicit in your point that if consumers see something labelled as free range or organic, they would expect, in our terms, for there to be some sort of verification process behind it.

Senator MILNE—Yes.

Mr Murnane—As you heard earlier this afternoon, those verification processes are not necessarily in place.

Senator MILNE—What can we do to take it up with the ACCC? How can we address this matter if everything remains as a voluntary standard?

Mr Murnane—Let me refer to the working group that I mentioned at the start. For the sake of the argument, if we were looking at a national mandatory system enforced through Commonwealth legislation, obviously we would be talking with the ACCC about enforcement.

There are also steps below that—mandatory codes such as those that you have with the horticultural code of conduct and there are industry self-regulation codes below that. Different levels of codes require different levels of enforcement.

Senator MILNE—As you heard evidence today relating, in particular, to free range and organic meat products, will you now make reference to that in the COAG or ministerial council process?

Mr Murnane—We will certainly include it in the ministerial council process, yes.

Senator MILNE—That is good. You will include that in the ministerial council process. Thank you for that. I now refer to the budget meat issue. Do you really think consumers understand what that means? Do you think it is an effective way of conveying what that meat is? I ask that question because when people see the word ‘budget’ on something they assume it is a cheaper cut of meat from the same beast from which they might have got a more expensive cut of meat. Consumers would expect to pay a certain amount for the most expensive cuts. Budget meat might be a cheaper cut of meat but, essentially, it is from the same animal. You would not assume that the word ‘budget’ equalled old boots, which is what I am getting at. People might also assume that budget meat is something on special. A retailer might have gone to a saleyard, bought a whole lot of beasts, had a critical mass and there was an opportunity to sell meat a bit cheaper. People have the notion that ‘budget’ means something is on special, or it is on sale. At no stage does the word ‘budget’ convey to me that the meat is from an older animal and the consumer is purchasing a tough old product. I am concerned about that sort of labelling. How could it be made more transparent for consumers?

Mr Murnane—I have one other observation on the use of the word ‘budget’. As you said, meat labelled ‘budget’ generally is a lot cheaper than other meat that might be sitting on the supermarket shelf. If a consumer saw a Styrofoam pack of budget rump steak for \$10 a kilo, I expect that consumer to assume it would be of lower quality than the prime rump steak for \$25 a kilo in a Styrofoam pack right next to it. I expect the word ‘budget’ to send those sorts of signals. In addition, it would send signals about the age of the animal and those sorts of things. I could not put myself in the mind of a consumer on that issue.

Senator MILNE—I think you should put yourself in the mind of a consumer on that issue. In my view it is a complete con. Most people might think it was meat of a lesser quality. They would certainly get the idea that budget meat was not premium meat. If you have not come from a property or you have had no experience of agriculture—and most of us around this table have—you would not assume that it was meat from an old animal. You would not make that assumption. I want this issue examined as I believe it to be a complete misrepresentation in labelling.

Mr Murnane—Yes.

Senator MILNE—The word ‘budget’ implies that something is on special because of critical mass and that it is a cheaper cut of meat. On looking at a chump chop I would know that it was a cheaper cut of meat than a loin chop. If I saw budget chops I would think that they were a cheaper cut of meat. I would not think it was meat from an old animal that had been sent to the abattoir. This issue needs to be examined as it is a misrepresentation in labelling. I ask you to

take this issue on board. Whilst there might well have been an agreement between retailers and sellers, this is a con on consumers. I would be surprised if this had been road tested with consumers. I would love to go and stand in a supermarket and ask 10 customers what they thought it meant. I bet that none of them would come up with that answer.

Senator HEFFERNAN—About the term ‘budget’?

Senator MILNE—Yes.

Senator HEFFERNAN—I know what it means.

Senator MILNE—Yes, you do because you are in the business.

CHAIR—Senator, I see your point.

Senator HEFFERNAN—It means low price and you pay for what you get.

Senator MILNE—Yes, a cheaper cut of meat, but it should not mean that it is old meat.

Senator HEFFERNAN—That is right. The same thing applies to lamb. You could have merino, first-cross, Dorset and Dorper lamb. It is all lamb. Just as oils ain’t oils, lamb ain’t lamb. At the same time, we do not want two-year-old or two-and-a-half-year-old mutton branded as lamb as it will bugger up the premiums.

CHAIR—Not if we are paying lamb prices.

Senator MILNE—I would appreciate it if you took up that issue for me.

CHAIR—I have a couple of questions. I refer to page 5 of your submission on which you talk about AUS-MEAT developed language and you refer to how Meat Standards Australia provides a non-mandatory grading system. The committee will be visiting a butcher in Melbourne who applies the Meat Standards Australia system. I would like to pursue this issue a bit further. Your submission talks about calls from the mandatory beef quality grading system, in particular, for low-value cuts to be instituted in Australia. You also state that the beef industry was consulted on the issue in 2003. I take it that you have consulted with the beef industry. Is that right?

Mr Murnane—This was before my time. My understanding is that the beef industry led consultations within the industry about what might be appropriate standards, descriptors and those sorts of things.

CHAIR—I would appreciate your assistance. If it was before your time—

Mr Murnane—I am happy to take the question on notice.

CHAIR—Take that question on notice. I would rather be able to talk about it now if we could, but I understand that. You state in your submission that the industry concluded that a legislative approach was not necessary as private company labelling initiatives would provide the necessary

market incentive to maintain truth in labelling. Would you be able to inform this committee whether the industry is still the same now?

Mr Murnane—It might be easier for me to get back to you with details of that consultation process, who led it, and who was consulted.

CHAIR—That would be interesting. After our report on the mislabelling of lamb, meat producers who visited me did not deliver that message to me. Their message was along the lines that they would like to have truth in labelling. When we ask industry whether it wants to do the right thing or whether it wants to have a system that does the right thing—that tells consumers what they are paying for—we never seem to reach agreement. Some parts of the industry do not want to do the right thing. We have received many submissions from industry in which it comes up with all the excuses in the world indicating why it does not want to do the right thing. This takes me back to our lamb inquiry. It would be interesting if you could provide us with that information. I ask you to take that question on notice. Senator Heffernan, would you like to ask some questions?

Senator HEFFERNAN—No.

CHAIR—You do not have to.

Senator HEFFERNAN—Do you blokes talk about AUS-MEAT standards?

CHAIR—Meat Standards Australia.

Senator HEFFERNAN—AUS-MEAT accreditation.

Mr Murnane—As you know, Senator, AUS-MEAT accreditation is required. AQIS inspects export-accredited abattoirs to ensure that they meet AUS-MEAT standards. I recall that one of the places this committee started was establishing the difference between export-accredited abattoirs and domestic abattoirs.

Senator HEFFERNAN—It appears to me that there is a crack in the floorboards. To be an exporter you have to have AUS-MEAT accreditation.

Mr Murnane—Correct.

Senator HEFFERNAN—To be a tier one exporter you have to have AUS-MEAT accreditation, do you not?

Mr Murnane—I believe so.

Senator HEFFERNAN—The tier one mob used to do the little markets and all sorts of other things. They are now getting into bigger markets, such as in the Arab area. We took evidence from a tier one abattoir which is a reasonably large domestic and well-reputed supplier. However, it is opposed to dentation. I fail to see how AMIC and the Sheep Council can continue to argue, given the success in New South Wales. New South Wales knows where it is up to with the accurate branding of lamb, as do South Australia and Western Australia. Why are there

golliwogs who state that 5 per cent dentation is okay when we are all likeable rogues? Producers, processors and retailers are all likeable rogues. We need some harmonised laws to keep us all driving on the right side of the road, as it were. Why is there resistance to a dentation test? Is that outside your bailiwick?

Mr Murnane—Senator, the best way for me to answer that is by saying that I, like you, am aware of resistance to more rigorous testing in some abattoirs and/or in some jurisdictions. I am not sure whether I am in a position to make any observations of my own.

Senator HEFFERNAN—If you are a lamb producer who drops lambs on 1 May and sells them on 1 September—four months is a pretty good effort for a lamb producer—and those lambs are 22 kilograms each, last year they were worth \$4.50, so it comes back at \$115 in four months. Someone who has a quality product is competing in the same market against someone who has a sheep that was born the year before last and that has had a tough time. Someone buys it and fattens it. It has cut two teeth but there is no dentation test because there is only a 5 per cent dentation requirement. You can buy 50 good lambs and 950 hoggets and still pass the test because you would perform a dentation test only on the 50 good lambs and not on the 950 hoggets. It is patently obvious that that will undermine the lamb market. In turn that will undermine our export lamb market if we allow it to proceed. I do not get it. I am sorry, that is not really a question, but I do not understand.

Senator MILNE—I wanted to ask whether the department provided advice to industry on the benefits or otherwise of a mandatory beef quality grading system. In particular, have you looked at the effectiveness of the United States regime for meat grading?

Mr Murnane—Not to my knowledge. We have not provided that advice to industry.

Senator MILNE—Have you looked at the effectiveness of the United States meat grading system?

Mr Murnane—I am not aware of us having a detailed analysis of it, but something may have been examined before I took up my current position. I can check that out for you if you like, Senator.

Senator MILNE—I would be interested to know whether you have given industry advice on the benefits of mandatory beef quality grading systems. You should have discerned from this committee that it is over voluntary standards and self-regulation. From the producer's point of view, the producer is doing the right thing but he is being undermined by people who are not. Consumers all over the place are being done in at the end of the process. It seems to me that the people who are meant to be enforcing and developing clear labelling and so on are not doing so. It has ended up in a bureaucratic mire from which we will never get out. Can we be confident that the government or the ministerial council process will come up with anything? I guess that as a department you cannot answer that question.

Senator HEFFERNAN—Mr Williamson, have you been asked a question today?

Mr Williamson—No, Senator, I have not.

Senator HEFFERNAN—Could I ask you a question just to brighten up your day and make you feel as though you are wanted?

CHAIR—What is the question, Senator Heffernan?

Senator HEFFERNAN—What does the food branch do?

Mr Williamson—The food branch?

Senator HEFFERNAN—Yes. What are you in charge of?

Mr Williamson—Senator, in the context of this inquiry, I am in charge of voluntary organic labelling.

Senator HEFFERNAN—There you go!

Mr Williamson—I do not look after food regulation.

Senator MILNE—When I asked about organic products why did you not say something?

Mr Williamson—Because Mr Murnane was answering the question adequately from the department's perspective.

Senator MILNE—Yes, Minister.

Senator HEFFERNAN—Have we already asked you to give us what you see as the standards that qualify for organic labelling? I have to say that there are some quaint ideas about what organic is all about.

Senator MILNE—Let us hear from Mr Williamson.

Senator HEFFERNAN—If you have enough information, go ahead.

Mr Williamson—Currently, domestically, organic labelling is a voluntary system. It is driven by accreditation agencies within the country that essentially accredit products to be labelled as organic. There are a number of private accreditation agencies that are not subject to government regulation at all, except of course the overarching requirements of the Trade Practices Act to ensure that a product is not misleading or deceptive to consumers. Domestically, that is the current situation within Australia. However, in the context of exports, there is a standard against which AQIS certifies a product to be organic before it is exported, and that satisfies the requirements of our international markets.

Senator MILNE—Why can we not have that made a mandatory standard domestically as well as for export? Why can we not give consumers the knowledge that at least the accreditation conditions for organic products are the same as the conditions for export quality?

Mr Williamson—At this point in time we are looking at a voluntary national standard that is under development by the organic industry.

Senator MILNE—Why can we not have the same mandatory standard that is required if you want to export organic products? Why do you have to have meat at that standard if you want to sell it domestically as organic meat? Why do you stick with voluntary codes all the time?

Mr Williamson—To date the policy difference in respect to why something is voluntary verses regulated comes down to whether or not it is a threat to food safety as opposed to a quality-based issue.

Senator MILNE—There is truth in labelling, is there not?

Mr Williamson—I guess so.

Senator MILNE—The issue about which I am concerned is that you are saying it is not a food safety issue; it is a question of the integrity of the product against the claims. You could sell something that is organic and it is not a food safety issue. It will not be contaminated or whatever but it does not necessarily mean that it is organic.

Senator NASH—But it might be a lie.

Senator MILNE—That is exactly right; it might be a lie.

Mr Williamson—Potentially that is testable under the Trade Practices Act.

Senator MILNE—Who will take that up?

Mr Williamson—It is a matter for the consumer and for any organisation to take that up, as well as the ACCC, if it chooses to do that.

Senator MILNE—But that is the problem. They want to get away with it.

CHAIR—As it is almost 6.30 pm, Senator Heffernan, would you like to wrap up with one final question?

Senator HEFFERNAN—You might not know the answer to this question, but organic labelling is a nice marketing tool. Most of it is a mirage. Does drenching a sheep rule you out if you are an organic lamb producer?

Mr Williamson—Senator, I am not an expert on organic production.

Senator HEFFERNAN—I am not saying that you were. You were sitting there quietly behaving yourself. If you know all the answers you are not letting on.

Senator NASH—That is a really important question.

Senator HEFFERNAN—It is. One of the problems with organic stuff is that out there in saltbush country there are no worms. These are genuinely organic sheep. Once you start to come east you have to put in a drench or do something else.

Mr Williamson—Senator, let me clarify this issue. Most organic production is accredited and subject to audit by those accreditation agencies.

Senator HEFFERNAN—Do you have the accreditation—

Mr Williamson—No.

Senator HEFFERNAN—But you are in charge. How come you do not have—

Mr Williamson—We are not in charge of the accreditation agencies.

Senator HEFFERNAN—Do you supervise them?

Mr Williamson—No.

Senator HEFFERNAN—I go back to my original question.

CHAIR—We are now out of time.

Senator HEFFERNAN—What does the general manager of the food branch do? You are in charge of organic produce but you do not know what goes on.

Mr Williamson—We are in charge of developing a voluntary national standard for organic produce.

CHAIR—Order! I call the committee to order. It is fantastic that everyone is wound up one minute after time.

Senator NASH—I have a question relating to organic produce.

CHAIR—You can ask one question and we will then hear from the next witness.

Senator NASH—Mr Williamson, could you find out for the committee whether or not drenched sheep can still be classed as organic?

Mr Williamson—Certainly, Senator.

Senator HEFFERNAN—Mr Chairman, I have a question.

CHAIR—Sorry, Senator Heffernan, we have gone over time. If we continue we will erode the time of the gentleman from the Australian Beef Association. I thank officers from the department for their assistance to the committee.

[6.33 pm]

CARTER, Mr John Edward, Director, Australian Beef Association

CHAIR—I welcome the representative from the Australian Beef Association. Mr Carter, before we go to questions I invite you to make a brief opening statement.

Mr Carter—Thank you. I thank the committee for extending its time to fit me in. I congratulate the committee on its enthusiasm for change. What I have to say to start with is pretty serious. The Australian beef industry is in steep decline, with producers receiving the second lowest prices in the developed world. In the next month they will be receiving the lowest prices as an out-of-touch government alters its legislation on exports. Worse still, we have the highest government-imposed costs in the world, and worse than that the Australian consumer is paying almost twice what the United States consumer is paying, as the Australian supermarket duopoly has by far the highest mark-ups in the world.

My third graph illustrates the shocking situation that exists. It has margins for the farm gate price paid, the processor margin and the retailer margin. The Australian supermarkets are taking \$1,400 of the \$2,200 that the consumer is paying and Australian producers are getting \$620, which gives them about 27 per cent to 28 per cent of the consumer dollar, whereas in the United Kingdom, the producer gets 50 per cent and in the United States of America producers get 47 per cent. Those are all facts that were presented by us to the ACCC grocery inquiry. I say in this place and anywhere else that it was the most corrupted event in which I have been involved in 45 years of public life. It was a whitewash.

CHAIR—What was?

Mr Carter—The ACCC grocery report on meat. Neither the chairman nor the minister wanted to know the horrible truth. I have since written to the minister.

CHAIR—I am interested to hear the truth. You have half an hour, Mr Carter. I urge you to come straight to the point. If you want to have a crack at me, that is fine, but we would like to go to questions.

Mr Carter—I am not having a crack at you.

CHAIR—I thought you referred to the chair?

Mr Carter—No.

CHAIR—I am sorry; excuse my defensive attitude. It is 6.30 pm, after all.

Mr Carter—Fair enough. I am pleased that you have given me some time. We pointed out all the flaws in the ACCC's meat section of the report. The minister sent a letter to the ACCC. It came back with an even worse flawed argument and the minister said, 'The matter is closed.' We are confronted with a serious situation. In April 2008 I submitted a whole-of-beef-chain critique to the committee but, clearly, the committee has altered the original terms of reference and it

went on to grading or food labelling. I point out in paragraph (4) that in 1967 the meat board chairman Jack Shute recommended that Australia investigate the United States grading system.

I have worked on the beef grading system to the consumer since 1979, which is 30 years. They have had one in place in New South Wales, Queensland and Western Australia from 1984 to 1993. In New South Wales we were gold branding 350,000 carcasses a year and we were meeting careful specifications. In 1989 I brought out the top United States beef grader to educate the industry. Our scheme was taken over by the AMLC at the time which is now MLA and it was effectively destroyed in 1995 due to the pressure of the Queensland producers and the processing industry. Subsequently, the committee decided on the star system for EQSMSA, which would have made it a grading system, but that was removed. I was on the 2003 RMAC committee and, with Justin Toohey, steered a fragile agreement for a voluntary form of quality identification, to which the processor agreed but then abandoned.

That is basis of the current Torbay bill in New South Wales. The United States scheme started in 1927 but full implementation occurred the Second World War as troops complained of the quality, or the lack of quality. Canada, Japan and South Korea have all followed—South Korea in 1993—and all have grading systems that are set by the government and that are supervised by special branches of their departments of agriculture. You have to have a regulatory body to implement these systems. The United States has the USDA grading system. Australia's DAFF has no expertise in this area. It has AUS-MEAT but, as Senator Heffernan suggested, there may be cracks in the floor. I would suggest that the floor is more like the grating in a shearing shed.

AUS-MEAT is run by processors and is absent, in particular, in Victorian domestic works. The MSA has trained graders but no power and the National Meat Authority recommendations to Mr Anderson have not been adopted. To have a system of labelling you must have graders with integrity and you have to have follow-up. You also have to back it with legislation. In 1984 I got the states in a room for two days. They all agreed on the parameters, but only three implemented them—New South Wales, Western Australia and Queensland. The problem was to get a reluctant Victorian team to implement a mandatory grading system.

You have already been down the track with the lamb inquiry. It is vital for a structure to be worked out before we start getting down to the details. The current situation with budget beef is a joke. That is a cipher, which means anything. The MSA has been completely bastardised by the processors. They even moved to heavy eye fillets for all Brahman cows from the north to meet the MSA, as long as it was aged for four weeks, but we do not have anybody checking to establish whether butchers or retailers are ageing it for four weeks, so it is a joke. Mr Chairman, I am not impressed with what has happened over the past 30 years.

CHAIR—Thank you, Mr Carter. We will go straight to questions. Senator O'Brien?

Senator O'BRIEN—Mr Carter, when the grocery inquiry was on, I recall you being quoted as saying that Australian producers were getting a low price for beef compared to American producers, but that Australian consumers were paying more for beef than American consumers?

Mr Carter—That situation still exists.

Senator O'BRIEN—Not in my experience. Last year I was in the United States of America for three months. I can assure you that I never saw a price in a supermarket for beef that in any way compared to Australian prices.

Mr Carter—The United States figures make it quite clear that there is a big margin. We have had three Americans out in the past year who are experts in it and they have been amazed at how dear our beef is. I have also been to America. We must have been going to different shops.

Senator O'BRIEN—I guess we were. You might have been talking about nominal dollars, but when you applied the exchange rate, American beef was many times the cost of beef in Australian dollar terms. I presume that that is the sort of comparison you were trying to make?

Mr Carter—Yes.

Senator O'BRIEN—That is, real value and not nominal dollar value?

Mr Carter—It was real value and I still stand by what I said.

Senator O'BRIEN—In the period in which I was there—it was a period of about 12 weeks—I never saw a price of beef in United States supermarkets that compared favourably with Australian prices.

Mr Carter—That is what you saw. We are sticking to our guns on that.

Senator O'BRIEN—Okay. Your Queensland chairman issued a press release today that states:

Queensland cattle producers have been imposed with regulatory cost burdens that have made them uncompetitive on the world stage.

Your name is on that press release. The same press release states:

Queensland exports \$3.3 billion in beef products a year and Queensland is Australia's main producer and exporter of beef.

How do we rationalise the two statements? How can you be a successful exporter on a long-term basis, as Australia's main producers and largest exporter, exporting \$3.3 billion worth of beef, but on the other hand you say that you are uncompetitive on the world stage?

Mr Carter—We are going out of business because we have been priced out of business. When the legislation changes in the next two weeks we will have the lowest prices for producers in the developed world.

Senator O'BRIEN—We have low prices for a number of commodities; nevertheless we are major exporters, are we not, Mr Carter?

Mr Carter—But we have done it only because we have a small population, and we have an excess amount of beef. The trouble is that we are not being paid for producing it; therefore, the herd is falling.

Senator O'BRIEN—The beef herd is falling?

Mr Carter—Yes, it is.

Senator O'BRIEN—In Queensland?

Mr Carter—Yes. It is falling very sharply.

Senator HEFFERNAN—Could I put this into context? I declare an interest in this issue. Beef prices in the saleyards are terrible. Despite the floods in the north, the drought in the south, and the apparent lack of prime beef through the feedlots, when the grain went to \$500 a tonne it put some stress on this issue. In the yards they are now paying \$1.35 to \$1.55 a kilogram for a fat heifer, so \$350 for 180 kilograms is bloody cheap.

Mr Carter—In real terms it is the worst in my lifetime. In 1977 during the cattle depression I went right round the world. In real terms we are down to those sorts of prices. The other day heifer calves sold at Cooma for \$280, which is hopeless.

CHAIR—Was it quality meat?

Mr Carter—No, they were store cattle. I sold cattle in Wagga Wagga and they were magnificent. I got \$1.75 for them, which is just hopeless. Five years ago we were getting \$2.10. Getting back to Queensland, somebody might have read that the Australian Agricultural Company is in real trouble; it is trying to sell places. Packer's Consolidated Meat operation supposedly has been sold and I think Georgina has been sold. These people are not selling because the beef industry is going well; they are selling because they are going broke. Those companies are losing huge sums of money. The only way they have been able to cover it up is by increasing the value of their property each year. In November 2007 they raised the value of their land by 32 per cent to show their shareholders that they were making a profit.

Senator O'BRIEN—That is the case across the rural sector. Many farmers have been converting what has been an increasing equity into debt. That is probably the only way they have been able to do it. That involves not just the beef sector; it also involves the rural sector.

Mr Carter—It is unsustainable.

Senator O'BRIEN—It may well be.

Mr Carter—It is; there is no question about it.

Senator O'BRIEN—Recently I put some questions about that to AgForce at a food production hearing in Queensland. It would be interesting to compare your responses to the responses of AgForce in that regard. The National Livestock Identification System is a national scheme, is it not?

Mr Carter—Yes.

Senator O'BRIEN—It survived the national government and the MLA, did it not?

Mr Carter—It was pushed in by the tag companies. It was sold in a completely immoral way.

Senator O'BRIEN—That is a description you give, but in reality it was ushered in by the national government and by Meat and Livestock Australia?

Mr Carter—Meat and Livestock Australia denies that and the Cattle Council denies it. Everyone I know is trying to say that they were not responsible, simply because it has turned into an expensive farce. No other country in the world, except Botswana, has done what we have done.

Senator O'BRIEN—Are you saying that that this Aussie scheme was initiated by the national government and Meat and Livestock Australia?

Mr Carter—I believe it was pushed by certain individuals out of Victoria and the Cattle Council was certainly supporting it. Meat and Livestock Australia claimed that it was only explaining how it would be done; it was not politically involved. The COAG agricultural council made the decision that it would be national. I spent considerable time with the Queensland minister and we were explaining how it would not work, which has subsequently proved to be correct.

Senator O'BRIEN—You spend time with a lot of people, Mr Carter.

Mr Carter—I do.

Senator O'BRIEN—Including the national government and the national opposition?

Mr Carter—Yes.

Senator O'BRIEN—About this scheme?

Mr Carter—Yes.

Senator O'BRIEN—Have you been trying to persuade the national government and the opposition at the national level to cease to pursue it?

Mr Carter—Yes.

Senator O'BRIEN—Because it was a national scheme, was it not?

Mr Carter—Yes.

Senator O'BRIEN—Pursued by the national government?

Mr Carter—A national government can make mistakes.

Senator O'BRIEN—Yes.

Mr Carter—Currently we have the NLIS, but the governments are refusing to remove NVD, which is the paper trail. In Queensland they have to brand them as well, so you have three systems. It does not happen anywhere else in the world; it is silly. I have gone into my NLIS database. They have been working at it for four years, and about 26 per cent of the cattle that I have sold have not been taken off. We have talked to people who have gone into their accounts on that database and the average is about 15 per cent.

Senator O'Brien—It is a national data base, is it?

Mr Carter—Yes.

Senator O'Brien—Who maintains it?

Mr Carter—Meat and Livestock Australia. It is not their fault; it is the system in between. You can have the best computer system in the world, but if you are not feeding the right information into it then it is hopeless.

Senator O'Brien—The same as press releases.

Mr Carter—That is the problem. I have been to America twice in relation to this issue and a battle is going on over there. I do not think that they will go that way. Botswana did, and that is a pretty small operation. The government there thought that it might help to stop foot and mouth coming in from Zimbabwe, but it did not.

Senator O'Brien—The view of your organisation all along has been that the NLIS would never work as it was too expensive.

Mr Carter—Yes.

Senator O'Brien—You have campaigned extensively about that. You have campaigned about the ballots on levies that fund it?

Mr Carter—Yes.

Senator O'Brien—And you failed?

Mr Carter—We failed in the ballot the second time, but you are forgetting that we won in Townsville. We got 53 per cent of the vote and it was not agreed to. The next time they put it outside the constitution of the MLA. It was about 52 to 48 per cent. We requested that the voting register be independently examined. It was not done. We know for a fact that at least two very large players had the wrong votes. But getting back to NLIS, we had 3,000 people attend meetings. It was a unanimous vote against it. We did a poll in the *Land* newspaper. There were 1,800 against it and 22 for it, yet the Cattle Council said that that is what the industry wants. Earlier in the proceedings today we had a reference to what 'industry' is. An industry basically is what government wants industry to be. That is what it is. They were not representative of industry at the time.

Senator O'BRIEN—It is fair to say that the Cattle Council completely disputes your version of events.

Mr Carter—Of course they would. But they represent only a very small percentage of producers now. Some membership of their state organisations has pulled out, and others are just losing membership all the time. They represent less than 10 per cent of Australia's cattlemen. We represent a lot less than that, but we represent the thinking of the majority of Australian cattlemen.

Senator O'BRIEN—This has been an ongoing saga, Mr Carter. You have played a key part over many years. You referred to 1984 in your evidence.

Mr Carter—I became chairman of the Meat Authority in 1984, yes.

Senator O'BRIEN—It is a quest you have pursued without success over the last 10 years that I am aware of.

Mr Carter—Ten years is nothing. Mr Wentworth spent 40 years trying to get democracy into New South Wales.

CHAIR—You could argue he still has not achieved it.

Mr Carter—I think he achieved it, but I think it might have slipped backwards—put it that way. Time does not worry me. If we believe something is right and we are quite sure of the things we are on about, and our members are quite sure, we just keep pushing on.

Senator O'BRIEN—Your opponents would say 'despite the facts'.

Mr Carter—My opponents have been quite extraordinary in the way they have disappeared. All the people who have attacked me are pretty well all out of the industry now. I am still here. I have the oldest fire-brand in Australia—1853. My son is at home when he is not selling more meat into Japan than nearly anyone, and my grandson was helping me to sort cattle yesterday. I think we will outlast them, but we are going to get grading before we are finished.

CHAIR—That is what we are here to talk about. There are only six minutes left.

Senator NASH—Thanks, Mr Carter. I had better declare an interest as a farmer too. In your initial submission you stated that, under a market structure, until something is done about the Coles and Woolworths duopolies, the farm gate prices in this country will remain unsustainable. When you say 'until something is done', can you elaborate for the committee what that 'something' is?

Mr Carter—Under the Trade Practices Act, they will have to bring in stronger legislation, like the anti-trust laws in America, and the power to split up Coles, or Woolworths, or both. I know the power that Coles and Woolworths have with both the major political parties; they have covered the whole field. But the fact remains that what is going on is unsustainable. The cattle industry in this country will continue to shrink while it is going on.

Senator NASH—You mentioned earlier that there had been some correspondence around the time of the ACCC inquiry, from the minister to the ACCC and back. Is that something that you were included in that the committee could be provided with, or is that just information that you know about?

Mr Carter—You mean our letters to the minister?

Senator NASH—Yes.

Mr Carter—Regarding the failings?

Senator NASH—Yes.

Mr Carter—Yes, we would be quite happy to give you those.

Senator NASH—If you could provide any of that correspondence or his response to the committee, that would be very useful.

Mr Carter—I will do, with pleasure.

CHAIR—I wish to pursue the issue of budget labelling for a minute. It just seems to me to be the most ridiculous thing I have every heard of.

Senator HEFFERNAN—This, in your mind, is as bad as Cubbie is in mine.

CHAIR—It is just a stupid description for anything. It seems to me to be something that has been cooked up by somebody without any reference to the consumers. Can you just give me an insight into how this nonsense came about?

Mr Carter—Basically it was the—

CHAIR—The real story, as opposed to the official story.

Mr Carter—It was basically the processors and the retailers wanting flexibility. They need a lot of flexibility. Mr Heffernan referred to them as some very nice jolly crooks. There are some that are just crooks without being nice and jolly. We have had heaps of that over the years. The war I fought when I was getting that gold brand on the young cattle was something again. I had great power when the minister was backing me all the way.

CHAIR—Yes. What I want to know is: Were any consumer organisations ever consulted about this label?

Mr Carter—We have had *Choice* in some of these committees.

CHAIR—Excellent.

Mr Carter—They have not had the expertise. This has been one of the problems. The meat industry can become extremely complicated. As soon as you put different prices on different cuts, everyone's eyes start to glaze over.

CHAIR—Yes.

Mr Carter—But there is no question that, with the major supermarkets, it is a real lucky dip buying there. Budget I would not touch with a barge pole, but the rest does not have the USDA, Japanese or South Korean grading, which makes you pretty safe.

CHAIR—You argue there is not integrity in the grade.

Mr Carter—There is not any.

Senator HEFFERNAN—I have to say though, for consistency, the cryovac strip loin from some of the feedlots is pretty good.

Mr Carter—If you know it has been fed for a certain amount of time, the odds start coming your way fairly quickly. The fatted calf was the one that was selected in the *Bible*. The biggest problem in Australia, and nobody likes to address it, is that the vast majority of our beef—75 per cent plus—is manufacturing beef.

Senator HEFFERNAN—Yes, it can be.

Mr Carter—Some is finished. But the time should have come, 30 or 40 years ago, when we identified the good. We did have it, for about five, six or nine years.

CHAIR—Thank you, Mr Carter.

Senator HEFFERNAN—I thank Mr Carter for his persistence.

CHAIR—Thank you, Mr Carter, for attending and presenting your views. That concludes our inquiry this afternoon. I thank Hansard and the secretariat for their support for the committee this afternoon.

Committee adjourned at 6.59 pm