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Dear Mr McDonald

ACCC Cattle and Beef market study update – request for update

As you are aware, in 2016-17 the Australian Competition and Consumer Commission (ACCC) Agriculture Unit conducted a market study of the cattle and beef sector. The market study examined competition, transparency and efficiency in cattle and beef supply chains.

In our final report published in March 2017, the ACCC identified certain long-standing and industry-accepted practices which, when combined with other industry features such as intersecting personal and professional relationships, are characteristics which risk damaging transparency, competition and efficiency in the industry.

The ACCC found that significant gains could be achieved through improvements to information flows and transparency. This required greater engagement between parties at each stage of the value chain, with buyers, agents and representative organisations all having a role to play in ensuring that producers have clear signals that allow them to better match production to market demands.

The market study provided an opportunity for meaningful improvements to be made to the cattle and beef supply chain. A number of recommendations were made with the aim of bringing about those improvements. Certain recommendations were aimed at improving the work of specific organisations, while others were more general and required industry leadership and agreement by multiple stakeholders in order to be implemented.

As foreshadowed, the ACCC Agriculture Unit is now conducting a review of industry progress toward implementing these recommendations. While some progress has been made on certain recommendations, the level of voluntary reform has in general been disappointing.

In the first quarter of 2018, the ACCC intends to publish a short update report summarising where progress has or has not been made by industry. As foreshadowed, we will consider whether to strengthen our recommendations where progress has been limited.¹

Approximate timeline

24 th January 2018	Requests for updates issued
16 th February 2018	Final date for responses
By 30 th March	Update report published

Our understanding of steps taken by industry is outlined at **Attachment A**. We seek your feedback on the issues and progress detailed in Attachment A, and would appreciate the Australian Livestock Saleyards Association's responses by 5pm 16 February 2018.

Please note that the ACCC may quote sections of your response in our report.

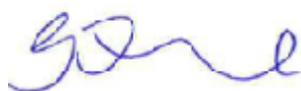
If the Australian Livestock Saleyards Association wishes to claim confidentiality over some or all of the information provided to the ACCC, we ask that such information be clearly identified in the Australian Livestock Saleyards Association's response. The ACCC will accept confidential information on the basis that:

- there is no restriction on the internal use, including future use, that the ACCC may make of the information consistent with its statutory functions;
- the confidential information may be disclosed to the ACCC's external advisors and consultants on condition that each such advisor or consultant will be informed of the obligation to treat the information as confidential; and
- the ACCC may disclose the confidential information to third parties (in addition to its external advisors or consultants) if compelled by law or in accordance with section 155AAA of the Competition and Consumer Act 2010 (Cth).

Please refer to the [ACCC and AER Information Policy](#) for more information.

If you have any questions regarding this letter, please contact Amy Bellhouse on 03 9290 1997.

Yours sincerely



Gabrielle Ford
General Manager
Agriculture Unit

¹https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/RedMeat45/Additional_Documents

Transparency in cattle markets

Price grids should be made publicly available

1. **All processors and other major purchasers of prime cattle should make their price grids publicly available in a timely manner.**

Public availability of price grids will increase producers' ability to access and compare prices. This will increase price discovery and the ability of producers to negotiate and make informed decisions about who to sell their cattle to.

Industry progress:

The ACCC is not aware that any progress has been made towards recommendation 1. Processors have expressed reluctance, raising concerns that it may over-simplify the decision-making process, cause confusion or increase pricing volatility.²

The Senate Inquiry report into the effect of market consolidation on the red meat processing sector, released in September 2017 ('Senate Inquiry')³, noted that calls for increased price transparency have continued. The report called for the establishment of a national price disclosure and reporting system.

Despite this, we understand that only one major processor makes price grids publicly available on its website (Bindaree Beef, as was the case prior to the ACCC report), and that other processors continue to only provide grids upon request.

We are aware of a proposed online price comparison platform for over-the-hook cattle sales⁴. Online tools such as this have the potential to enhance transparency and make pricing decisions more efficient, but are reliant on timely access to processor grids.

Price grids should be easy to interpret and compare

2. **Buyers, agents and producer representative bodies (led by the Cattle Council) should expand their engagement with producers to enhance industry understanding of price grids and their interpretation.**

All buyers should simplify their price grids, where possible, to ensure they are easy to interpret and compare.

These measures will improve transparency and the ability of producers to negotiate and make informed choices about who to sell their cattle to.

Industry progress:

The ACCC understands that on 10 March 2017 Beef Central and Future Beef hosted a webinar for producers on price grids and carcass feedback, featuring a discussion between representatives from Meat Standards Australia and AUS-MEAT. The webinar was

² <http://www.beefcentral.com/news/flaws-seen-in-acccs-advice-to-publicly-disclose-processor-price-grids/>

³ Effect of market consolidation on the red meat processing sector, Final Report, 12 September 2017, https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/RedMeat45/Report

⁴ <http://www.agcentre.com.au/>

subsequently published online,⁵ and Beef Central published a follow-up article answering further questions on 18 April 2017.⁶

The ACCC is unaware of any other measures taken by buyers, agents and producer representative bodies, including the Cattle Council, to expand engagement with producers to enhance industry understanding of price grids and their interpretation.

The ACCC is also unaware of any measures taken by buyers to simplify their price grids, where possible, to ensure they are easy to interpret and compare. RMAC has expressed that it 'supports the simplification of grids where feasible that sends the right price signals for the right products', but has also noted that 'across the RMAC membership there has not been widespread feedback either pre-or post-farm gate these are complex to deal with'.⁷

Improvements are needed to market reporting

- 3. Meat and Livestock Australia (MLA) should continue its work to improve the collection and public reporting of cattle sale prices, including:**
 - a. Reporting cattle prices across sales channels on the same basis so that indicative prices for each channel are easily comparable**
 - b. Making improvements to the reporting of prices throughout the supply chain, including wholesale, retail and export beef prices (less shipping costs).**

MLA's ability to improve market reporting will require increased market information from other industry participants, such as live exporters, processors and retailers.

Industry progress:

The ACCC welcomes the steps taken by MLA to improve its market information services, and its ongoing support for making further changes in consultation with industry.

Between the ACCC's Interim and Final Report, MLA made improvements to its Market Reports & Prices section of its website following the ACCC's interim recommendation on historical pricing. The database is now easier to interrogate.

Following the release of the ACCC's Final Report, MLA committed to further enhancing its market reporting, noting that it would work through the ACCC recommendations that were within its remit in consultation with industry.⁸

The ACCC understands that cattle prices across sales channels continue to be reported on an inconsistent basis in regards to weight range (and that this is due to different reporting methods throughout the supply chain). The ACCC is also unaware of any improvements to the reporting of prices throughout the supply chain.

The ACCC welcomes feedback on any action taken by MLA, or which supports MLA's ability to further improve its market reporting, particularly in relation to reporting prices across sales channels on the same basis, and making improvements to the reporting of prices throughout the supply chain.

⁵ <https://www.youtube.com/watch?v=MrVATW98eDo>

⁶ <https://www.beefcentral.com/news/multimedia/understanding-price-grids-and-carcase-feedback-webinar-your-questions-answered/>

⁷ http://rmac.com.au/wp-content/uploads/2017/08/August_ACCC-Beef-Cattle-Market-Study.pdf

⁸ <https://www.mla.com.au/news-and-events/industry-news/mla-committed-to-further-action-on-accc-recommendations/>

Additional market reporting is needed

4. **Data collection and reporting should be expanded to cover prices paid for:**
 - a. **Direct (paddock) sales**
 - b. **OTH sales, noting that some processors pay prices over and above those quoted on their price grids, and**
 - c. **Cattle sold to the live export market.**

MLA's ability to expand market reporting will require increased market information from other industry participants, such as live exporters, processors and retailers.

Industry progress:

The ACCC understand that there has not been any expansion of data collection and reporting to cover prices paid for direct (paddock) sales, OTH sales or cattle sold to the live export market.

Over the hooks transactions and grading

Objective carcass measurement should be prioritised

5. **The introduction of objective carcass measurement technology should be prioritised by the industry and adopted by processors as soon as possible.**

Objective carcass measurement technology will increase accuracy and transparency of value assessments. Appropriate auditing and verification systems will be needed to support the technology.

Industry progress:

The ACCC understands that the following developments have taken place in terms of industry progress toward implementing the recommendation:

- On 10 November 2016, MLA announced a plan to install dual energy x-ray absorptiometry (DEXA) objective carcass measurement (OCM) technology across the Australian meat industry.
- In February 2017, the Australian Meat Processing Corporation (AMPC) and Australian Meat Industry Council (AMIC) jointly commissioned Ernst and Young (EY) to undertake an independent review of MLA's plan. EY published a final report on 9 June 2017,⁹ recommending that the industry advance OCM initiatives in an open, consultative and collaborative manner, driven by a clear common purpose.
- In May 2017, MLA announced it would invest \$10 million to co-fund the installation of DEXA systems in sheep meat and beef processing plants.
- In July 2017, MLA formally sought agreement from AMPC to jointly fund an accelerated roll-out of DEXA OCM technology.
- On 27 July 2017, *Beef Central* reported that the AMPC board had given its unanimous support to MLA's request for processor levies to jointly fund an accelerated \$150 million of DEXA technology. However, the AMPC board qualified its

⁹ <http://www.ampc.com.au/research/final-report-of-independent-review>

support and suggested that greater clarity was required before finalising the exact extent of its specific commitment.¹⁰ MLA's joint funding proposal included:

- 50 per cent from the MLA Donor Company (which comprises matching Government R&D funding)
 - 25 per cent private funding from each processor who installs a DEXA unit under the voluntary roll-out
 - 12.5 per cent producer levy funding; and
 - 12.5 per cent processor levy funding.¹¹
- The ACCC understands that the funding proposal is yet to be accepted across the industry, and that a solution to funding has not yet been established.¹²
 - Following considerable public debate, in July 2017, an OCM taskforce was established comprising representatives from each peak industry council, processors, a representative from MLA, AMPC and DEXA expert Professor Graham Gardner. The ACCC understands the taskforce will assist in managing industry OCM adoption and commercialisation, dealing initially with DEXA and then with subsequent OCM solutions.¹³
 - In September 2017, the Senate Inquiry found that 'while advances have been made in terms of measurement technology, the industry is no closer to reaching a common viewpoint about the benefits (or otherwise) of OCM technology.'¹⁴
 - In October 2017, Farm Online reported that thirty beef processors had expressed interest in adopting the DEXA technology.¹⁵ At that time, the OCM taskforce was conducting a budgetary review, with an engineering report underway to determine on a plant-by-plant basis how much DEXA implementation would cost predicted to be completed by autumn 2018. Taskforce chair Gary Burrige told Farm Online there were other projects running concurrently, and other emerging OCM technologies showing promise on the three-to-five year horizon.
 - The ACCC is aware of the following processors that have begun to install or use DEXA technology:
 - Teys installation of DEXA in its Rockhampton abattoir¹⁶, is expected to be concluded by March 2018, providing meaningful data by mid-2018.¹⁷ Teys plans to use DEXA technology in its Wagga abattoir from early 2018.¹⁸
 - It is understood that JBS has been experimenting with the technology in SA and Queensland¹⁹ and plans to implement the technology, as do Australian Country Choice and Nolan Meats²⁰.

¹⁰ <https://www.beefcentral.com/news/ampc-backs-mlas-dexa-rollout-plan/>

¹¹ Effect of market consolidation on the red meat processing sector, Final Report, 12 September 2017, https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/RedMeat45/Report, page 83-84

¹² <http://www.weeklytimesnow.com.au/agribusiness/cattle/objective-carcass-measurement-funding-needed-first/news-story/4bbd2511a6821630ed4bbdf0ed24d03?nk=413f52303b1443f6530a49f29395ca56-1515978582>

¹³ <https://www.beefcentral.com/news/industry-taskforce-to-drive-dexa-adoption/>

¹⁴ Effect of market consolidation on the red meat processing sector, Final Report, 12 September 2017, https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/RedMeat45/Report, page 85

¹⁵ <http://www.theland.com.au/story/5011585/processors-nut-out-dexa-return-on-investment/?cs=5195>

¹⁶ <http://www.teysaust.com.au/dexa-technology-beef-industry/>

¹⁷ <http://www.theland.com.au/story/5011585/processors-nut-out-dexa-return-on-investment/?cs=5195>

¹⁸ <http://www.teysaust.com.au/dexa-technology-beef-industry/>

¹⁹ <https://www.beefcentral.com/processing/keeping-up-with-dexa-heres-a-guide-to-bring-you-up-to-speed/>

The ACCC welcomes feedback regarding progress made towards the introduction of OCM technology and adoption by processors, including progress made by the taskforce, further DEXA installations, or negotiations in relation to funding. We also welcome feedback from Teys and JBS on the results of their installations and trials.

Objective carcass measurement data should be shared

6. **Measurement data produced as a result of objective carcass measurements should be shared for the benefit of the industry.**

The data produced as a result of objective carcass grading will be of wider benefit to the industry if aggregated and shared. For example, producers would be able to measure their own performance against the rest of the industry and make production adjustments.

Industry progress:

The ACCC is unaware of any progress toward implementing this recommendation. The ACCC considers much of the possible progress on this recommendation will be contingent on further developments in relation to industry adoption of OCM technology, but welcomes any update or feedback.

A uniform dispute resolution system should be developed

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

An independent system, in addition to processors' own dispute resolution systems, would provide an additional and independent option to the industry.

The independent system should apply to all purchasers and sellers of cattle, including for OTH and electronic cattle sales. The Red Meat Advisory Council, AUS-MEAT and buyers should provide information about how parties can use the independent process on their websites.

Industry Progress:

The ACCC understands that there has been no progress in regard to implementing this recommendation. RMAC have stated that it is not within their scope.²¹ However, the ACCC believes that it is clearly within RMAC's remit to call for and facilitate the development of a uniform and independent dispute resolution process.

In addition, the ACCC notes that during its meeting with RMAC, RMAC referred to AUSMEAT already operating a dispute resolution system. The ACCC does not consider that this dispute resolution system is adequate, particularly given that it does not consider commercial disputes. The ACCC also notes that AUSMEAT appears to be actively discouraging producers from using this system, by stating on its website that it does not operate any dispute resolution system²². The ACCC has also received anecdotal complaints from producers to this affect.

²⁰ <http://www.queenslandcountrylife.com.au/story/4743204/dexa-time-for-processors-to-get-on-board-opinion/>

²¹ RMAC, Getting the Competition Policy Settings Right, http://rmac.com.au/wp-content/uploads/2017/08/AUGUST_ACCC-Beef-Cattle-Market-Study.pdf

²² <https://www.ausmeat.com.au/training/producer-information.aspx>

Carcase grading audits should be strengthened

- 8. The carcase grading and auditing system should be strengthened by:**
 - a. AUS-MEAT and processors increasing communication and education about the process**
 - b. Increasing the number of random AUS-MEAT audits that review grading results and standard trim.**
 - c. Publication of audit results relating to grading and standard trim.**

There is a comprehensive training system for carcase graders and some random auditing of grading results ('procedural' audits). The above recommendations will improve industry outcomes in the following ways:

Improving the delivery of information about the grading and auditing and language systems will also help to decrease the level of misunderstanding in the industry. This information should be made easily and clearly accessible on AUS-MEAT and processors' websites.

Increasing the number of procedural audits at which grading results and standard trim measurements are audited will increase confidence in the system for producers and further reduce any risk of conflicts of interest occurring.

Publication of audit results will allow producers to make informed choices about which processor they use.

Industry Progress:

The ACCC understands that there has been no progress in regard to implementing parts (a), (b) or (c) of this recommendation.

Carcase feedback and producer education should be clearer

- 9. Carcase feedback should be clear and easy to interpret. To achieve this:**
 - a. All buyers and agents who routinely deliver carcase grading feedback to cattle producers should ensure it is presented in a clear manner.**
 - b. Buyers and agents, who routinely deliver carcase grading feedback, along with producer representative bodies (led by the Cattle Council) should increase their communication and education activities about interpreting grading feedback.**

Better industry understanding of carcase grading feedback will reduce disputes and encourage producers to focus on improving their operations to ensure that their cattle meet market requirements.

Industry Progress:

The March 2017 Beef Central webinar referred to above (under recommendation 2) focussed on factors that producers need to be mindful of when assessing carcase feedback and price grids, showing a positive start toward implementing this recommendation.

However, despite RMAC supporting the simplification of feedback where feasible, the ACCC is not aware of further steps taken by buyers or agents to provide more regular feedback and education.²³

Saleyards

A saleyard buyer register should be developed

10. A mandatory Buyers Register should be publicly available prior to the commencement of all physical livestock auctions

This register will increase transparency at saleyards and reduce the risk of conflicts of interest occurring.

This register should include details of commission buyers and livestock agents intending to bid at the sale and the principals that those commission buyers will be acting for.

ALPA should work with its members to have this requirement incorporated into auction terms and conditions at saleyards.

This register will not be implemented in Queensland, as this would contravene existing legislation in that state.

Industry Progress:

The ACCC understands that this recommendation is not supported by RMAC or their member group of councils²⁴, nor by the Australian Livestock and Property Agents Association, Australian Livestock Markets Association, or Australian Livestock Saleyards Association.

The ACCC acknowledges that the legislation required to achieve this operates at a State Government level, adding complications to progressing the recommendation.

More detailed reporting of saleyard purchases

11. Saleyards, commission buyers, auctioneers and agents should provide MLA with information that enables regular standardised market reports for each reported saleyard.

These reports should include information about the identity of buyers, and the proportion of stock purchased by each buyer.

This will increase transparency at the saleyards and reduce the likelihood of conflicts of interest occurring. It will also allow principals and producers to make informed decisions about the commission buyers or saleyards that they use.

²³ RMAC, Getting the Competition Policy Settings Right, http://rmac.com.au/wp-content/uploads/2017/08/August_ACCC-Beef-Cattle-Market-Study.pdf

²⁴ RMAC, Getting the Competition Policy Settings Right, http://rmac.com.au/wp-content/uploads/2017/08/August_ACCC-Beef-Cattle-Market-Study.pdf

Industry Progress:

The ACCC understands that there has been no progress toward this recommendation. It has been met with resistance from RMAC and ALPA.

Terms of sales at auctions should be displayed

- 12. Selling agents should display the terms of auction in a conspicuous position at all saleyards.**

This will ensure all auction participants are aware of their rights and obligations, and encourage compliance with competition laws.

This should include a notice about the penalties for collusive practices under the CCA, in addition to any notices required by state and territory legislation. Since the Interim Report ALPA has included this in their updated terms and conditions. In addition, many saleyards and agents are already demonstrating industry leadership by doing this.

Industry Progress:

The ACCC understands that this is already a broad practice, and that RMAC supports its continuation.

Licensing and implementation

Livestock agent licensing should be consistent across states and territories

- 13. Legislation should be introduced requiring standardised national licensing of livestock agents, professional buyers (applying to commission and salaried buyers) and livestock auctioneers.**

This recommendation will raise the levels of CCA compliance and general professionalism within the industry. The ACCC understands that there have been unsuccessful attempts to complete this in the past, but still considers it is an important improvement to make.

Industry Progress:

The ACCC understands that this recommendation is supported by RMAC, their member representatives, and ALPA. However, there has been no progress toward implementing the recommendation. The ACCC understands that such an idea was unsuccessfully attempted a number of years ago by the National Occupational Licensing Authority, under the direction of the Council of Australian Governments.

Red Meat Advisory Council to drive implementation of recommendations

- 14. The Red Meat Advisory Council should have prime responsibility for overseeing the implementation of the above recommendations, and for monitoring compliance with these. The Red Meat Advisory Council should report progress annually to State, Territory and Federal Ministers.**

This will ensure that recommendations are progressed, given diverse industry interests. The RMAC should also prepare an annual report to the Australian State, Territory and Federal Ministers detailing progress in implementing these recommendations and any reasons for a lack of progress.

Industry Progress:

RMAC has stated that its role is not to implement competition policy reform, but that it will provide continued support and engage with stakeholders to provide increased information and awareness across the supply chain, and continue to provide policy leadership to improve competition policy settings for Australian beef businesses²⁵.

The ACCC knows that RMAC does not have legal authority to mandate implementation of the ACCC's recommendations by industry participants. However, we understand that RMAC is the only organisation that regularly holds discussions with a wide range of cattle and beef industry participants and advocates on behalf of members with policy-makers. Accordingly, RMAC is uniquely placed to facilitate discussions about implementing the ACCC's recommendations and to report on progress to relevant Ministers.

The ACCC welcomes feedback regarding any developments toward implementing this recommendation.

²⁵ RMAC, Getting the Competition Policy Settings Right, http://rmac.com.au/wp-content/uploads/2017/08/August_ACCC-Beef-Cattle-Market-Study.pdf