

Policy Area addressing COMPETITION and REGULATION

Timeline and history behind this submission-

I have been involved in this pastoral business for the last 40 years since leaving school and have grafted a successful family business- that is until the events of the last three years which have been the hardest to endure so far. For several years I was a director at the Aust Beef Assoc and a member of Agforce Qld in its inception year. A blogsite that I inherited called <http://justgroundsonline.com/> has been mine for about four years and about 3400 members have input and I develop discussions for advocating change on rural and national matters.

Cattle and sheep production and the associated "Industry" structures and their levy machinations have all been thoroughly researched by myself along with the "Acts" underpinning the grassfed levy system. To remain viable and successful -I have sold into every livestock scenario except Live export and this has given me great insight into this particular section of this white paper process. It is both commendable and long overdue for a Government to have initiated this review. With a very clear vision and solutions to many overlapping problems and issues looming in the New Year I will list a timeline of significant events. The purpose is to show the actions and experiences that I have witnessed which in turn become the basis for my plan-

- # Apr2010 Processors, WSPCA and AMIEU form "The Unlikely Alliance" with the shared aim to close the live export business down.
- #June2011 ABC Four Corners "A Bloody Business" leads to temp shut down of Indo live export.
- #Apr2012 I have a dispute with JBS about feedlot payweight times and shrinkage at delivery.
- #Mar2013 All feedlots fill in a week with hungry pentup cattle numbers from NT and north Qld (formerly Indonesian liveex) A lot @ 99cents/kg liveweight delivered to the downs!
- #Winter/spring2013 Collapsed prices, space grids only for months ahead.
- #July2013 I entered 14 head to the RNA Paddock to Palate competition. First hand dispute with JBS over downgrades (\$160 per head) due to "D" muscle- along with other contestants.
- #July 2013 Justgrounds member sends me a photo of a "Teys" rump at \$70 aud per kg in meat counter at Chengdhu China.
- #July-Sept2013 I researched the US Packers and Stockyard Act PSA circa 1921 it was introduced. This was Australianised to formulate a realistic facsimile for our demographics.
- #Sept2013 This was written up in a simple "Bill" format to be considered by our parliamentarians. I named it the PRIMARY PRODUCTION PRICING Bill (PPP) which would require a fairly simple trade practise rule for one section of commerce. In turn -I contacted the NFF, SFO's, CCA with PPP for discussion and feedback
- #Oct2013 Appalling response to inquiry and even after following all up- most didn't even bother to read it!
- #Nov2013 After pressing them - I got a short email from CCA that they had met with SFO's, affiliates and sponsors and deemed PPP to have "No Merit".
- #Nov2013 Start an email dialogue with five largest meat companies ceo's in Australia and have 25 politicians cc'ed in as well. Titled "To the Meat Moguls"
- #Dec2013 Ian McLeod ceo of Coles responds.

- #Jan2014 I have a meeting with ceo of JBS Aust , Mr Brent Eastwood and John Berry in Toowoomba.
- #Feb2014 St George Qld- crisis meeting- drought/poor farmgate prices. Minister Joyce and 400 plus a lot of media present . The organisers gave me 10 minutes to present my PPP plan for first time publicly other than on the internet.
- #Feb2014 Norman Hunt, Theresa Curr and myself rally most of the 200 submissions to the RRAT Senate inquiry into Grassfed Levies
- #Mar2014 Presented accumulated notes and "executive summary" of PPP to Paul Morris in Toowoomba for the Green Paper process.
- #Apr2014 Drove 2400kms to Cloncurry and back to address a meeting of Southern Gulf Producers (rep 400000 head of cattle)- good reception and media - about 60 people.
- #May(5-10<sup>th</sup>) China Austrade trip to broker a joint venture in the exporting of restaurant beef up there.
- #May2014 Paul Evans and myself applied to Christine Gilbertson interim ceo of MLA -for a grant to research and then write up a feasibility and modelling of the PPP were it to be legislated.
- #May2014 Drive 1400kms to Rockhampton and back to speak on my submission to the senate inquiry on Grassfed Levies
- #June2014 Spoke at the Regional University Networks "Digital Rural Futures" Conference in Toowoomba and used the PPP plan plus the website experience as a model for advocacy groups. Eg Producer groups -online interaction, policy formulation, voting etc
- # June2014 Met with Richard Norton ceo of MLA in Brisbane(with Paul Evans) re the grant/tender to get the PPP ball rolling.....
- #Aug2014 MLA issue tender- a much dumbed down version of what we had presented earlier and it was really an "inquiry to see whether we need and inquiry".I had no choice to tender along with 13 others and even though the results were to be released by Sept 1st- on this very day-12-12-14, I read that they have appointed a firm- AGINFO to report mid next year!
- #Nov2014 Meat grading stories appear in rural press showing more questionable grading with the many discounts. This leads to RMAC and MLA to oversee a 8 month " Industry Language" review. A most unsatisfactory situation with nobody representing cattle producers due to the state of flux over the ruling grassfed entity!

Next I will copy the "Executive Summary" and then expand on how I see it working and the many benefits.

#### PROBLEM

Australian Primary Producers- being "price takers" suffer from a chronic lack of Market intelligence which is vital to make informed commercial decisions.

*think* Fuelling up your car if their were no fuel prices displayed outside any service stations!

The supply"Chains" and "Alliances" are NOT transparent and it follows that when products and produce "On Consignment" and "Private treaty" consist of the majority of commerce -in a particular industry THEN the true market is not known or subject to competitive forces such as supply and demand dictates. A flat lining and sharing of supply becomes the norm.

#### SOLUTION

A simple Trade Practise Bill must be legislated by parliament - specific to Primary Production aimed at the "Farmgate" to secondary Industry phase ONLY

The PRIMARY PRODUCTION PRICING Bill (PPP) has been submitted to the Aust Dept of Agriculture (AUDA) on November 13 th 2013.

It is based on an American Meat Act bought in to ensure "Equal Access" for all primary producers to supply product

for a "Transparent" set of pricing specifications.

All forward offers from secondary Processors would be mandatorily listed on the AUDA- Single Desk Listing Site ( a window for each commodity). There would be NO further Government intervention- other than providing the Facility and the format for all offers to come through.

Total freedom and choice will be maintained by buyers and sellers in a secure ( logged in) environment  
*think* ebay without any costs, Aust Stock exchange ASX, securing air tickets on the internet...no  
big deal these days!

## APPEAL

To Industry Leading Representative Bodies, Processing Companies and Politicians who will be required to shoulder this unprecedented BUT simple and fair Bill, consider this-

#Combined Agribusiness Debt is \$70 Billion and rising rapidly.

# Our production @ secondary stage is bringing record or near record returns globally *think* red meat, grains, dairy products.

#Profitability in most Primary Industries @ farmgate is near terminal- with 1980 prices on offer and 2014 record costs to contend with!!

# There is a guaranteed collapse ahead -WITHOUT this PPP measure- which if this happens will in turn impact on the downstream supply chain as well.

# Foreign control/Ownership of almost all of our processing will be tolerable if there is genuine COMPETITION introduced via the PPP bill.

## END RESULT

All farmgate commerce will be tracked and recorded as in grouped up market reporting historical auctions OR in the form of the AUDA "Offer Board" which will show all forward supply contracts- describing-Quantity , Delivery Point ,Specifications and Pricing grids.

ie The Price on offer will discover the products/produce - not the prod. blindly discovering what is a secretive uncompetitive price

So to tie this backdrop and idea together-I shall put the rules of the new game in practical form for you decision makers. RULES and EXAMPLES-

The PPP would be a mandatory trading rule that would apply ONLY to primary (farmgate) to secondary (feedlot,abattoir,Live export, backgrounder of the same).....commerce....that does not currently pass through a competitive auction situation ( saleyards, Online-auctions+,Bid the Grid-Landmark). Put another way- in the cattle/beef industry- the 80% of this class of commerce that goes direct for untraceable results.

It may appear that I'm confused in what primary industry that I see the PPP applied to. Since the concept is just a rule that would be equally beneficial to most primary pursuits, initially I thought that a broad base= broader support. This proved to be a mistake as each and every industry has it 's entrenched hierarchy , governance and vested interests and it needs life long experience and understanding to pull off change. My approach then was to focus the PPP model to Livestock trading ONLY as this is my domain. If it works there - it can be the prototype model for others to follow when they see the tangible results.

People say- why should Primary industry need government intervention? ANSWER- We are price takers. Geographicly diverse and isolated and the cattle industry is fully nationalised with over 200000

PIC numbers ( businesses registered on the NLIS database- a requirement to trade). The primary to secondary phase is a huge funnel where all these cattle ultimately must funnel through what is now in 2014, a very narrow band of secondary points of receipt . With 80% of trade here going undisclosed- it is a very compromised position for a producer against the might of what I guess would not be more than a hundred companies -nationally. The leading power block within this group are ALL multinationals.

This is why we need the PPP to restore power to us via straight forward Competitive tension for product. In 1921 the US legislated their PSA to counter exactly this problem and are currently ,for their producers enjoying record proceeds for their stock ( two and a half times the price here). The leading global meat companies are one and two here and there is a mere 24cents a kg to transport reefers to the west coast of US or China from Australia. These are undisputed facts and don't warrant any time researching.(MLA transparency-6 month tender). The "chestnut" is - what will rectify the situation. When one looks at the PSA- it has two planks underwriting its success

"No one producer should have an unfair advantage over another to supply a given product"

By definition this means that we must have "transparency" to establish whether there has been "equal access" to supply. Their act to achieve this has made processors divest land and feedlots to stop captive supply" situations which distort the supply/ demand cycles. They have a small army of beauracrats in their USDA that retrieves all the information on trading prices AFTER the event and the companies by law must furnish their figures. At a glance one realises that for Australia- this would be very intrusive and costly to enforce and with one tenth of the population and a lack of political will due to very little voter pull in rural Australia.....I decided that it would be foolish to ask and conceived the "Online Offer Board". It would achieve the goal, be very cost efficient, self regulating, up to the minute and completely fair to buyers and sellers, big and small -wherever and whatever sector they are trading in.

I have had two notable rural Legal Practitioners pass a cursory view that " while it is an interesting idea, there is no legal precedent" Bill Loughnan and Norman Hunt have both heard my pitch. I say to them and you decision makers- we are rapidly being ground into extinction via the existing precedents, so lets restore the balance immediately before it is too late. The PPP is just a game rule- think of how the referees in the NRL are constantly evolving the code.....

#### AN ANALOGY-

Game day at the MCG for the aussie rules fans. (the game could be Beef). If you want to see the game live you must buy your ticket( whatever level of price and comfort is your choice) and go through the turnstiles ( PPP rule). At kick off time we have the number of seats sold by the average seat price to give a TRUE barometer on the games value -today. This value takes into consideration factors such , as the weather, the economy, the exchange rates, job security, competition from other sports, player behaviour and so on. The "Offer board" for forward cattle contracts would be this exact same barometer for beef producers as the turnstiles are to the AFL executives.

The reason that the PPP must be mandatory only is that -imagine there was a hole in the back fence and the ground was filled with an unknown number of gate crashers..... the exercise would be meaningless. In effect it would make ABARE redundant in respect to the beef industry because for the first time - we would have up to the minute readings- the historical market reporting of the auctions (market reports) and all the forward contracts locked in. This information would be vital to giving producers choice and of course the "offers " will be competing for a "lock in" to insure supply. If this

situation doesn't suit the secondary companies, then they can source product traditionally. Either way - we will have competition and the market will find it's true level without all the distortions and misinformation that abounds currently. Not only will it allow choice re which processors- it will get the sectors, kill, live export and feeder cattle cos competing for potentially the same cattle.

This will not please the super 5 companies but the PPP will allow the second tier companies to get on an equal footing .It will be the perfect solution for all the off shore investors and companies to source product without fear or favour and this will become a huge plus next year. We have promised the supply of a lot of cattle BUT due to three years of dreadful returns and drought- there is an acute shortage ahead. To maximise opportunities in the fairest manner- the "OFFER BOARD" will be there for all to see and like at a Bull auction- if you don't pay up- you go home with an empty truck.

To allow the proceeds of the new competitive environment ( my estimate \$3-500 per head within 6 months) to stay at the farmgate will restore the decay we see unfolding daily with -debt, lack of staff, lack of funds to keep breeding herds alive etc. The regions will prosper in no time if the fair return stays where it originates from! This PPP solution will only take political capital and I don't see that there is any scope for party point scoring - this is a NATION interest measure that all sides must support.

PRACTICAL EXAMPLE of how I picture the online board.

Public(beef producer) wants a ticket ( sale contract) to fly from A to B. They google airlines (AUDA online portal for all forward offers) and then split down and check out Virgin, Qantas, Tiger..(secondary meat/cattle dealers offers all listed, state by state.)

Public then looks at timing , price, grade of seating/service, destination( Delivery period,pricing grid, grades and specifications, payment periods, point of sale ie weighbridge ,over the hooks, live export port)

Public takes in all the variables and then gets their mastercard and "locks" the seat in. That plane load of seats is the QUANTITY of the airlines offer. The seat is now taken on a first in basis till quantity is filled. Similarly - the offerboard would have a quantity and a time expiry listed and the first in to "lock" a portion with their PIC number- secures a binding contract ( ASX and ebay -slightly similar and with internet banking) - this is all quite standard business.

Like the airlines- complete control over what is offered is up to the companies and complete choice is at the fingertips of the producer. It would be self regulating as there would be a disputes tribunal at AUDA and like ebay - either side with a poor record could be barred from participating. The deterrent of this would be similar to a bad "credit rating".

The political argument for the need for the PPP would be to imagine the public outcry if there were no prices displayed on the street for fuel stations. Then one would have to drive into the bowser BUT worse still there are no cents a litre there either - you have to go and ask the console operator! The price you're given could be anything, high, low, different to the fellow in the high viz shirt and so on. By the time you have done this three times the public would be onto their local member for some transparency and action. Welcome to the lot of the primary producer and I for one will not tolerate it any longer!

It is flawed logic that -If the supply chain can find savings and efficiencies by whatever means, that these will miraculously result in more money at the farmgate. Business is not a charity and the PPP is the only linkage that will deliver any kind of a result. While it is obviously beneficial to remove tariffs

for our exports with FTA's, a fuller order book will not translate to higher prices for our stock. The last 3 years have seen global meat demand reach record levels with record retail prices being paid the world over-for Australians to have endured the lowest livestock prices in history in this same period also while suffering drought -is PROOF positive of the need for the PPP. JBS has increased turn over by 31% in the last two years to \$ 50 B usd. They have just paid \$1.45B cash for Primo which will reduce competition more. We have both our duopoly supermarkets posting record profits and I have this little costing by way of example-

I will set out the costings and gross rewards that are on offer in in a 380 kg "Coleworths " steer. These are prime young ( mainly british bred crosses) with no more than their 2 teeth. Far from average run of the mill

BREEDER 9 months for bull and mother then 15 months for calf = 2 years or 730 days input  
 380 kg live weight by \$2.10 current feeder price = \$798- approx \$38 delivery= \$760 GROSS in 730 days

FEEDLOTTER Costs- purchase \$798  
 -1Tonne feed -fed out= \$365  
 -Induction =\$27 Total \$1190

Current supply price =\$4.10 dressed weight so 75 days gain @ 2kg per day plus 380= 530 kg kill weight by 53.5%= 284kg dressed weight Supermarts use their own contracted feedlotterers so this is an arbitrary secret arrangement

284 by \$4.10 = \$1162 gives a \$28 LOSS in 77 days

SUPERMARKET 284kg carcass@ 72% retail meat yield by \$15.50 ( av retail meat counter price -2013) = \$3169  
 less costs of \$ 1162 plus \$66 freight to abattoir then store =\$1228  
 =\$ 1941 GROSS Profit  
 in 5 days( across meat counter.)

The " given in" - hide ,offal , trim, heart valves etc more than cover the kill costs . True competition via the pending Primary Production Pricing Bill (PPP) could easily see an extra \$400 transfered back to the breeder and an extra \$100 to the feedlotter and that would still leave the supermarket with \$1441 Gross margin out of our animals. This must happen urgently as the breeders "terms of trade" are terminal at present. The latest stats show that the average domestic price per kg @ retail was \$16.28 I think so near a dollar more by 280 retail meat yield. They would be sharing that with their feedlotter and themselves as \$2.10 to us is a bit high right now!

I have done similar cost/gross profit breakdowns for several cattle to meat supply lines and whether it be grainfed to the EU markets or grinding mince to the US, the result is the same. Gaping profits for he who owns the meat and the meatworks.

Co-ops get a mention as being maybe a quick fix but in our depleted state- no producers have the capital or the know how to go there. The Casino Co-op is the biggest of only a hat full of very small venues where one can custom kill and export from. Almost everyone must go through them if you want a joint venture partner. Otherwise you must build a new works like the AA Co. In preparing my prospectus for China- naturally I had to have current feeding,killing shipping costs and the figures are astonishing. Australia's current problem now is that things are so good and entrenched that the big boys now are cashed up and can consciously run any competition out of town if they choose to. We need their skill and capital and all would be fine if they would share the spoils via competition via the PPP rule!

For the Government to pass the PPP a great benefit would be to take the heat out of the FIRB and the

ACCC debate. Supermarkets would be competing with foreign exporters who are competing with state owned companies who are competing with Foreign live export front companies. For once we won't have to care who is ripping us off as the competitive price ruling the day will be the true price (whether that be high or low). No more "voluntary codes" to put up a veneer of competition and integrity. The obvious portability of the PPP to cover Dairy, Sugar, Grains, Horticulture should also get consideration but I will restrain myself to the core task.

Minister Joyce has a difficult job in the New Year to act on the Grassfed senate Inquiry report of which #Recommendation 7 is pretty well my effort and relevant to everything I've said in this submission. I support all of the recs. However with my three hour meeting with JBS ceo Brent Eastwood and John Berry, naturally I floated the PPP plan to them. They take the view that they abide by the rules of law and the land and they didn't see the PPP as any threat at that stage.

PROCESSORS are currently paying a transaction levy from their own breeding properties and feedlots to their own works. For JBS alone, this along with the Meat levy of \$2 per head would be several million \$ plus the savings in collection and compliance. The PPP would streamline stock procurement costs and would, in effect be a free advertising point.

MLA should be disbanded-the grassfed levy repealed. The AWI model where -if a levy MUST exist the first base step will be to identify the levy payers and how much they contribute. A new Grassfed entity to oversee this sector would be formed and a steering committee only from the levy paying roll should oversee a poll of all levypayers to decide on a scale of \$0-5 - just how much they wanted to pay. The rest will be self determined as it should be.

It is not my intention to put people out of a job but obviously if the MLA is not funded in its present form- it can be disbanded to more efficient roles within the industry. The Grassfed Group can retain the existing projects under new contracts if they see fit The meat companies could take up some of the marketing people ( they would have a saved budget to do so due to their levies going too). Some could have expertise to go into the AUDA listing site .All in all a migration to more productive outcomes!

The taxpayer co-contribution to the MLA now is about \$85 M and it is a hobby horse to the processors that they have to fund AQIS inspection and graders at their works ( competing nations govts fund their own). This costs exactly the same \$85 M amount so this would be a neat swap and worth approx \$10 per head saving to the processors.. This would soften any perceived inconvenience over the introduction of the PPP.

My China experience on the AUSTRADE trip showed me that we have some high quality staff up there and I see it as a duplication to have mla offices as well in all these cities. They could come under one roof and be more efficient. There could be a beef desk within Austrade at the new Beijing office that was just opened.

In concluding this submission, I would like to offer my services and time to further this goal of mine as I'm certain that it will produce many results. Over the last year I have second guessed many scenarios and "what ifs" and though far too tedious to list here, I feel that I need to stay involved I would be happy to answer any questions and would love to be part of any progress.

Yours sincerely,

Rob Moore

07 46257321

