Agricultural Competitiveness White Paper – Submission IP123
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# AGRICULTURAL COMPETITIVENESS WHITE PAPER SUBMISSION

# PRODUCTION SHARE OF THE $

## Graziers 26% Wholesaler 14% Retailer 60%

## *OUTCOME:*

**To improve primary producers share of the retail dollar without affecting the price paid by the consumer.**

## *HISTORY OF THE INDUSTRY:*

Australia's market prices for beef, sheep meat and lamb prices are a result of what we call an open cry auction system. This system depends on the good will of buyers, wholesalers and retailers. It bears no resemblance to the final price paid by the consumer.
Over the hoof selling is also practised. This is stock being consigned direct to works and the price paid on an agreed price per kilo. This price is the result of what the open cry auction system is doing.
The interesting outcome of these systems is that the producer is forced to be a ***price taker*** while the rest of the purchasing chain then becomes a ***price setter***.
As you can see from the report given to you (append: 1).
The income received by the producer compared to the income received by the retailer shows how hard it is to remain profitable and sustainable.

## *INDUSTRY DEMANDS:*

In our industry we are told to consistently improve our efficiency. While we do this it doesn't improve our bottom line.
Over the last 20 years, lamb weights have improved by 6-10 kgs/hd approx. That is an increase of approx. 25% carcase weight.
Because of the marketing system it has not given us a return on our efficiency.
***We are a business but we can't operate as a business.***
***The flow on effect of the increase in kgs would be an increase in price. But this has not occurred and thus shows the overall corruption that is happening within our market***
***If our market place continues along the same line, then producers see very little future for their industry.***

## *INDUSTRY NEEDS:*

A new marketing system that allows a farm gate price that can be set based on domestic retail and export prices.
This would send a clear market signal to the industry on what their product was worth.
There is no way a producer should have to receive less than 50% of the retail or export dollar.

## *MARKETING STRUCTURE*:

- ***A marketing plan to be fair to all sections of the production chain as well as the consumer.***
- Substainable to all facets of the industry
- A share of the retail dollar that actually relates to the input delivered by the parties involved in the industry.
- ***Animal welfare to be highly considered***
- Practical traceability
- Independent appeals tribunal
- All sales to be transparent. I.e. products like offal, hides etc. to be priced into the price of the animal
- Need for efficiency throughout the industry chain
- Costs to be equitable and shared by the industry. (Not continually the farmer)

## *MARKETING PLAN:*

- The industry would need an independent government body to set the price. This would be controlled by the Minister for Agriculture without any interference from industry (i.e. Producers, processers or agents etc.)
- This independent body would set the price based on actual retail and export prices.
- The price has to be set 3 mths in advance. The price would re-set at the end of each calendar month to keep the price set for 3 mths. The price would move up and down depending on what the economy was doing.
- ***Producers would be paid on a cents/kg basis.*** Based on the animal fitting a grid.
- Independent Appeals tribunal.
- All offal & trim (in the case of cattle-hides) must be paid for by the processors. Not given in, as it is in the present system.
- ***Prime stock sales can only be conducted on a cents/kg basis (all stock must be weighed)*** This plan revolves around the producer receiving an equitable share of the retail dollar, (currently 26% of the consumer dollar). For an agricultural business to move forward it should be no less than 50% of the retail & export dollar.
- Sales would be direct to abattoirs which would give better traceability and ***animal welfare outcome.*** This would reduce the amount of stock handling.
- This would give transparency from the farm gate right throughout the whole industry chain.
- This plan would take the fluctuations out of the amount of stock presenting to the market.
- All abattoirs to have the same standard carcass trim.
- More efficient through put of stock (better labour outcome)
- Agents to make up consignments
- Industry expenses borne by the relevant sectors of the chain
- More efficiency needed in the abattoir industry. Currently it costs twice as much to kill a beast in Australia, compared to United States.

## *REASONS FOR CHANGE:*

- ✓ ***To create a viable business for primary producers***
- ✓ ***To have surplus income to plan for drought***
- ✓ ***To maintain our present situation of quality food for the domestic and export markets***
- ✓ ***This plan would enable agriculture to repay debt and increase production***
- ✓ ***This plan would stop the erosion of people from the bush to the city and stabilise our villages, towns and rural cities as well as continuing to provide for the 1.6 million people that gain their income from the associated rural industries. As well as to continue to be a major contributor to Australia through rural exports.***
- ✓ ***This plan will create the opportunity for young people to join the industry. (average age of a farmer - 61 yrs.***
- ✓ ***Financial stability and future***

## *BENEFITS OF CHANGE:*

- ✓ ***Lower Suicide rate***
- ✓ Thriving rural towns & businesses
- ✓ Increased trade figures
- ✓ Increase in employment
- ✓ Less drain on Govt. money (i.e. Social Security)
- ✓ Less rural crime
- ✓ Decent wage for the producer
- ✓ Cash reserves for drought
- ✓ **Sustainable production for McDonald's demands**

## *Consequences of No Action:*

- ❖ ***RISK OF HUMAN LIFE***
- ❖ ***WIPE OUT OF FAMILY FARMS (Not all areas can sell to corporate farms)***
- ❖ ***No young people joining the industry on the <u>ground level</u>***
- ❖ ***Loss of knowledge & expertise***
- ❖ ***Rural towns becoming Social Security towns***
- ❖ ***Loss of services: Police, Dr's, Hospitals, Schools. EVERY CHILD IS ENTITLED TO A PROPER EDUCATION***
- ❖ ***Divorce and destruction of farming properties***

# *IS AGRICULTURE A BUSINESS?*

***If agriculture is a business, then it must adapt this plan, so that Australia owns its best asset – "Its own food bowl", the best food in the world.***