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AUSTRALIAN LOT FEEDERS' ASSOCIATION

13th July 2010

Yvette Goss
Inquiry into Rural Research and Development Corporations
Productivity Commission
Locked Bag 2,
Collins St. East,
Melbourne, VIC 8003

By email; rural-research@pc.gov.au

Re; Productivity Commission Issues Paper into Rural Research & Development

The Australian Lot Feeders' Association (ALFA) writes in response to an alarming proposal made by the Australian Meat Processor Corporation (AMPC) in its submission to the Productivity Commission Issues Paper into Rural Research & Development.

This correspondence forms the basis of a supplementary submission to that already lodged by ALFA in response to the review (ie number 19).

Specifically, ALFA opposes the proposal made within the AMPC submission that states "*In the event of any restructure of Rural Research & Development Corporations, the AMPC would look to receive and manage all statutory levy funds paid by members, including \$4-6m a year of production transaction levies from red meat processing firms with feedlot and grazing activities*".

The rationale for the proposal as stated within the AMPC submission is as follows;

- That processors who are vertically integrated with the grain and grass fed sectors currently pay the beef cattle transaction levy several times as cattle are transacted along the supply chain.
- That it would harness all aspects of processor experience and entrepreneurship towards increasing productivity and reduce impacts along the vertical supply chain.

Neither ALFA nor Cattle Council of Australia as the peak representative organisations for the beef cattle producing sector, have been consulted by the AMPC with respect to this proposal. ALFA would firmly reject such a move were it to be initiated by the AMPC.

Currently grain and grass fed beef transaction levies are managed by Meat & Livestock Australia regardless of whether they are derived from producers or processors. These levies currently fund a range of marketing and Research & Development (R&D) programs which serve to provide cross sector benefits for the beef industry as a whole.

ALFA does not support the proposal for the following reasons;

- It is in diametric opposition to the intent of Government and industry to increase collaboration and harmonization of R&D across the supply chain. If it were to proceed, it would arguably increase duplication of resources and costs and would confine R&D and its benefits to only one segment of the supply chain.
- By reducing the amount of available grain fed R&D funding, it would diminish the ability of the grain fed R&D program to deliver meaningful productivity and efficiency benefits for the whole sector as well as spillover benefits for the wider community. Such R&D includes environmental management, greenhouse gas emission abatement and animal health & welfare. Ironically, the removal of such R&D funding would also negatively impact these vertically integrated processing companies at both a feedlot and processing level.
- Given that a reasonable portion of AMPC R&D funding is provided to individual processing plants for their own commercial benefit, the proposal would deliver outcomes that would be in direct contrast to the spirit of jointly funded R&D programs which serve to socialize benefits across the beef supply chain. There are less than 10 albeit vertically integrated processing companies in Australia. In contrast there are over 500 accredited feedlots and more than 43,000 specialist beef cattle producers. The effect the proposal would deliver benefits for this small minority of processors to the detriment of the larger majority of grain and grass fed producers.
- Beef processors already have a significant market power advantage over grain and grass fed producers due to their ability to pass on cost increases. Given that grain and grass fed producers are largely price takers, the proposal would exacerbate and perpetuate such market power disparities to the competitive detriment of the producing sector.
- It ignores the fact that the beef industry also contains an array of other vertically integrated grain and grass fed sector participants that similarly pay multiple beef transaction levies across the supply chain yet do not support the compartmentalization of levy dollars and benefits.

ALFA requests that the Productivity Commission oppose such a step on the basis of the above mentioned arguments.

Yours sincerely,

Jim Cudmore
President