



2019 Federal Election Key Policy Messages



CEO Message

Patrick Hutchinson

THE MESSAGE

The Australian Meat Industry Council

The Australian Meat Industry Council (AMIC) is the peak meat industry body that exists to help Australia's post-farmgate meat sector achieve and maintain profitability in a world that has never seen more change. With the Federal Elections this week our mandate to be a powerful voice for the meat industry has never been more critical.

A United Voice

AMIC has worked hard to ensure the voice of our members is heard. Recognition, growth, profitability and sustainability of our sector is what matters the most to our members, resulting in four key messages that AMIC will bring to the table during the federal pre-election campaign and throughout 2019:

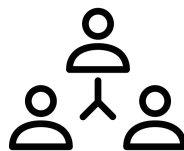
- Energy
- Labour
- Supply Chain
- Regulatory Burden.

AMIC's focus is to ensure our sector is recognised for the crucial role it plays in the agribusiness supply chain by taking on the industry's most pressing challenges. Through uniting industry and government we will endeavour to help find solutions for the prosperity and sustainability of businesses within our sector, future proofing Australia's meat industry and Australia's second largest manufacturing industry.

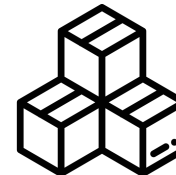
Energy



Labour



Supply Chain



Regulatory Burden



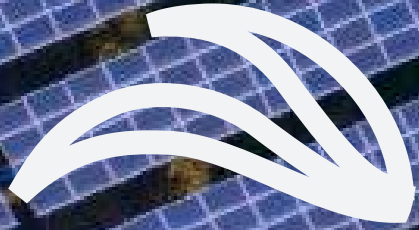
ENERGY

From red meat and pork processors, exporters, wholesalers to smallgoods manufacturers and retail butchers, every business in the Australian meat industry is feeling the effects of rising energy costs.

High energy prices, monopolistic supply practices and supply unreliability prevent businesses investing more in their operations. Reduction in cash flow, capital expenditure and staff hours and ultimately jobs are the byproducts of the rise in energy. In turn, this impacts the industry's ability to achieve profitability and create jobs. These are jobs and businesses that regional Australia should not easily forego. Between them, businesses in these parts of the supply chain directly or indirectly employ close to 200,000 people, but they're being held back by out-of-control energy costs and policy uncertainty.

The performance of our national politicians on energy over the past 12 years has been abysmal. None of the major parties is close to being blameless.

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AMIC's Priority Ask

A Cohesive Energy Policy

AMIC wants a more effective and cohesive energy policy to solve the “energy trilemma - clean, cheap and reliable energy”. Increasing prices for electricity, gas and other energy sources have a deleterious effect on all businesses. AMIC is therefore looking for national policies that have ongoing bipartisan endorsement from all levels of government to ensure business viability in the communities that our members help underpin. Our industry needs support to find solutions around security in costs and helping businesses make the most of a new generation of power sources.

AMIC advocates that the priority focus must be on the energy user and that supply is an essential service that must be government-guaranteed. The strategy needs to cover:

- lowering costs (and prices for users) across energy networks
- reliability of supply for meat processors
- energy use in red meat retail businesses
- environmental considerations
- enhancing consumer experiences and
- improving business outcomes.

These are just some of the key areas that will help ensure business viability in the communities that our members help underpin, especially those in rural and regional towns, who are commonly the largest local employers.

LABOUR

Our sector is a huge contributor to the national economy and our members are an essential part of the supply chain. Whether they be processors, small goods manufacturers or retailers, a lot of the challenges are the same and our industry's inability to access enough skilled and unskilled workers in regional and rural Australia is a major ongoing concern.

Our industry directly supports 100,000 jobs in Australia with labour accounting for 54.8% of the total cost to operate for processing establishments. But members are held back by labour deficits and a visa system not fit for purpose. Together with inadequate funding for training, this has meant that nearly two thirds (63%) of Australia's red meat processors are prevented from running at full capacity.

These labour market challenges reverberate down the entire supply chain. Independent butchers, most of whom are SMEs, are finding it increasingly difficult to fill job vacancies and do not have funding support to take on apprentices. Government red tape is a drag on enterprise. Duplicated bureaucracies, i.e. Federal and State, are particularly galling.

Currently our processor members have 3,780 job vacancies. Our members' priority is a stable, permanent work force and local labour would best ensure this. However, with many Australian workers unable to meet WH&S and other labour requirements or are unwilling to stay in the industry, the need for processing establishments to tap into willing overseas workers has never been more important.





Our industry directly
supports **100,000** jobs
in **Australia**

AMIC's Priority Ask

A Permanent and Stable Workforce

AMIC is calling on the Government for support in four key employment areas:

Training

- Both major parties need to confirm if funding incentives will be available to boost traineeships, given that they provide a strong progression towards a skilled workforce.
- There needs also to be a holistic approach by all levels of government, training institutions (schools and universities)/ organisations (TAFE/RTOs) and regional and rural community groups to assist the meat manufacturing industry to attract, recruit and train and retain local Australian workers of both genders and all ages.

Long-term unemployed in regional and rural Australia

- AMIC members want to join forces with government, secondary and tertiary educators, RTOs, healthcare authorities and community-focused organisations to develop solutions that help to upskill and provide lifestyle choice education for the long-term unemployed.
- Greater funding needs to be provided to treat illicit drug and alcohol addiction in the bush.

Access to overseas workers

- Clarification is needed on Labor's position on 417 and 462 visas.
- Reduction in cost of SAF levy. If a regional red meat processor has 150 foreign employees, the annual levy is over \$1 million, a severe impost, particularly in the face of recruitment and retention problems with many potential Australian employees.
- The SAF levy paid by regional businesses at the very least should go back to the regions to support local training.
- We call on a Shorten government to abandon its plan to increase the Temporary Skilled Migration Threshold (TSMIT) payment to overseas workers by \$11,000 to \$65,000, with annual indexing, from the current level of \$53,900.
- The party that is voted in to govern the country should show leadership in the bush and provide regional training centres. A divided Australia is a socially and economically weak Australia.

Permanent migration into regional areas

- The key to Australia's regional growth is to attract foreign workers and have them stay permanently in the bush so they can join and rebuild diminished communities and add to economic growth of these regions. Strong actions are needed to reduce the widening divide between over-populated cities and under-populated regional Australia.
- Allow for up to a 5-year period for an overseas worker to forge a career path in the meat industry. The aim would be to have a "Pathway to Permanency."
- The requirements for spoken and written English for temporary residency should be at a lower level than for permanent residency.
- Foreign worker salaries and conditions should be commensurate with the equivalent Australian worker in the same classification under the relevant award or enterprise agreement.



\$21 BILLION
in value add to the
economy in 2015/2016

\$8 BILLION
in household income

130,000
jobs created

SUPPLY CHAIN

One of the most important first steps to securing the future of our industry is ensuring appropriate recognition of the total red meat supply chain. A sustainable processing sector is essential for the entire agribusiness industry, including butchers and smallgoods manufacturers, as well as the farmers who sell their stock to processors.

In the same way, thriving and profitable farmers, butchers and smallgoods manufacturers are good for processors. Ensuring government and industry are on the same page in understanding this essential interlinking of the supply chain is crucial to creating the drive for policy refresh.

The Australian red meat processing sector, of which beef processing is the largest contributor, is estimated to have contributed over \$21 billion in value add to the economy in 2015/16, including over \$8 billion in household income and nearly 130,000 jobs. It's also the country's largest agricultural exporter with more than 70% of red meat and co-products produced exported to 124 countries. However, operating costs are our industry's greatest challenge, with AMPC's Cost to Operate Report finding that average cattle processing costs per head are 24% higher in Australia than in the United States, 75% higher than in Argentina and more than twice as much as in Brazil. This is weakening our international competitive position.



AMIC's Priority Ask

Competitive and Profitable Industry

Policy Consistency and Coherence

If our industry is going to be competitive and profitable, a broad sweep of policy issues from energy to drought support, biosecurity to free trade agreements and tackling non-tariff barriers to market access, need to be addressed urgently. We need policies with a strategic implementation plan that is appropriately resourced by government.

Biosecurity

Threats to biosecurity are big and real and they're here right now. AMIC seeks a commitment for better management of biosecurity, through innovation right across the supply chain. This will potentially position Australia with a clean and green biosecurity advantage to further secure our place in key international markets. With Australian innovation and ingenuity our safety record will be a powerful market access passkey.

Free Trade Agreements

Global nationalism is on the rise, creating very serious challenges for continued market access. We want the Government to provide greater opportunities for more free trade agreements, such as the recent Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA). Such agreements will support a more vibrant industry and help to balance out the global nationalistic trends.



Removing Non-Tariff Barriers to Trade

The Harris Report in 2017 found that the red meat export industry has over \$3 billion AUD in lost opportunities in export earning due to non-tariff barriers to trade, AMIC is seeking concerted government/industry action to remove some of the barriers, including:

- shelf life of frozen and chilled product;
- strictions on establishment listing for specific export markets; port of entry requirements and port marking;
- complex certification;
- labelling that addresses general and/or specific market requirements;
- document legalisation requirements;
- effective port of entry standards; and
- greater recognition of Australian standards and systems including export certification, permits and Halal and equivalence in testing and validation activities.

Industry Recognition

We seek urgent bipartisan support from MPs to give some confidence to our members and suppliers, as well as their employees and local communities that red meat businesses are valued by federal politicians. We need to see MPs' focus on drought-ravaged farmers extend beyond the farm gate to the wider meat supply chain. Processing plants may not get a vote at elections but our 100,000 direct and indirect employees certainly do.

REGULATIONS

The Cost to Operate Report (CTO) shows that cost reduction is a key to maintaining competitiveness in domestic and international markets. Right now normal operations are also being severely challenged by catastrophic drought and floods. The report makes it clear that amongst major manufacturers, Australian meat producers have the highest operating costs in the world.

The Cost to Operate Report highlights regulation and certification as significant contributors to operating costs, with half the costs in Australian processing (excluding livestock purchase) driven by some form of regulation. Australia's government-regulated inspection and certification costs for example, are 3.4 times higher than the USA and 4.5 times higher than Argentina. In Brazil, the Government absorbs all these costs. Regardless of Australia's high-quality product status, cost reduction, as highlighted in the CTO Report, is our best course of action to stay the course in global markets. The beneficiaries of effective processor cost control include farmers and the prices they receive for their livestock.

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AMIC's Priority Ask

Reduce Red Tape Burden

Red Tape Burden

AMIC calls for urgently-needed bipartisan solutions to cut the cost burden of excessive red tape. This has galvanised the red meat industry supply chain with processors, wholesalers, smallgoods manufacturers, transport groups and independent butchers, united in their goal to ensure we do not suffer the same fate as most of Australia's other major manufacturing industries. Streamlining the major federal and state regulatory burden would be a good first step to allowing the industry to compete on a more level footing with other red meat producing countries.

Export Certification Charges

AMIC is asking for relief in export certification charges, a significant contributor to our relative cost (un)competitiveness in global markets.

The Cost to Operate Report found that one of the key contributing expenses is export inspection fees, adding around \$110 million in costs each year, or around \$1 million annually per local processor. These inspection fees are not exclusive to Australian businesses; the difference, though, is that in other countries, the attitude is one of government support for business. In Australia, government sees export success as an opportunity for more government revenue (in effect, an export tax).

Finance

AMIC's small and medium businesses priority is to find growth opportunities. Easier access to finance will help them achieve this goal. Independent retail butchers alone provide 6,000 jobs. Most small businesses already have finance secured against any real estate assets. It is difficult for them to get additional funding for business growth. AMIC asks that conditions be established that will allow easier access to finance for growth, employment and profitability.

IN CONCLUSION

While the farmers are undoubtedly the face of Australia's worst drought in living history, its devastation has reverberated along the entire red meat supply chain, affecting many processors, smallgoods manufacturers and independent butchers, many of whom are small business owners in regional and rural Australia.

They have been facing escalating pressures and have now reached a point where many links are straining to breaking point. AMIC wants the entire meat chain to thrive. If it doesn't, it will be devastating for Australian manufacturing and for regional economies.



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