



PRE-BUDGET SUBMISSION: 2023/24

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Australian Meat Industry Council
28 National Circuit
FORREST ACT 2603

Mr Patrick Hutchinson
CEO
Email: phutchinson@amic.org.au
Mobile: 0435 357 942

About AMIC

The Australian Meat Industry Council (AMIC) is the peak industry body representing 2,000 post-farm gate red meat businesses. AMIC members include meat processors, smallgoods manufacturers, boning rooms, cold stores, wholesalers and distributors, through to exporters and independent retail butchers.

The Australian meat supply chain makes a substantial contribution to the national economy each year, accounting for over \$13.5 billion in value-add and \$67.7 billion in industry turnover in 2020-21.¹ A large proportion of this value is generated through exports, with meat and offal exports valued at \$16.1 billion in 2021-22.

The post-farm gate meat industry employs around 200,000 people directly and indirectly and is often the single biggest employer in rural areas, underpinning the vitality and sustainability of Australia's agricultural sector and regional communities.

Summary

The post-farm gate red meat industry is a major part of the Australian economy and contributor to the nation's tax-base. However, rising input costs and shortages, notably with respect to employees, have restricted output and made the industry more vulnerable to external shocks. These challenges will become more acute as the post-drought rebuild in Australia's cattle herd and sheep flock leads to increased numbers of livestock coming through the supply chain.

Making it easier to trade and the opening of new export markets will bolster the resilience of the sector and mitigate the risk of geopolitical and trade shocks. Australia has an enviable animal disease-free status but recent developments in the Indo-Pacific region have emphasised the need for Australia to remain vigilant and maintain investment in biosecurity measures to protect itself. A major disease outbreak would be devastating for the industry and represent a shock many meat businesses would be unable to recover from.

This submission highlights (1) *Workforce Shortage*, (2) *Trade and Market Access* and (3) *Biosecurity and Traceability* as areas where public investment to support cooperation between the red meat sector and the Commonwealth Government is critical in protecting the livelihoods of thousands of people across Australia.

1. Workforce shortages

The Australian livestock and red meat processing sector supports investment in infrastructure, training, awareness programs and visa arrangements to better attract and retain labour across all skill levels. Access to a suitably skilled workforce is critical for the meat processing sector to function properly and in underpinning the prosperity of regional and metropolitan communities in which the industry operates.

The National Food Supply Chain Alliance recently estimated a worker shortage of 172,000 people from paddock to plate across a range of food sectors. Workforce

¹ MLA (2022). *State of the Industry Report: 2022*. https://www.mla.com.au/globalassets/mla-corporate/prices--markets/documents/trends--analysis/soti-report/2879-mla-state-of-industry-report-2022_d6_low-res_spreads.pdf

shortages and rising input costs are fuelling food price inflation and adding to the cost-of-living pressures felt across Australia. The Producer Price Index for meat processing was 32% higher in the September quarter last year in comparison the same quarter in 2019 (well above the 23% increase experienced by all manufacturing industries).² Labour shortages are significantly hampering the ability of the sector to contribute to the ambitious target of a \$100 billion agriculture industry by 2030.

The Australian cattle herd and sheep flock have grown in recent years on the back of favourable seasonal conditions. If the processing sector doesn't have the people to manage the increased capacity required to process greater numbers of livestock, supply chains and markets will not function properly, and Australia will forego the economic benefits and taxation revenue.

One source of agricultural and meat processing labour shortages is the lack of clear pathways via education and training for careers in the industry. AMIC supports the effort and funding that has been committed through previous budgets to improve access to tertiary-trained agriculture graduates (e.g. Delivering 480,000 fee-free TAFE places and a \$50 million TAFE Technology Fund to modernise TAFEs, announced in 2022). However, these measures do not go far enough to address the diversity of jobs that are required to support our sector now and into the future, which includes graduates from the VET stream.

Increased funding for an integrated VET package of programs and incentives to attract students into agriculture and meat production fields is critical to attract and engage the workforce of the future. This includes improved program training and support services, enhanced access to scholarships, as well as career advisory services, and incentives to both TAFE's and Registered Training Organisations (RTOs) to deliver a greater number of agriculture and meat production related courses.

While Agriculture was included in the 480,000 fee-free TAFE places included in the previous budget, the vast majority of red meat processing training is delivered by RTOs which are not automatically eligible for fee-free places. Funding should be extended to RTOs and criteria amended to allow a broader array of interested candidates to participate.

Recommendation 1.1: \$30 million over four years to provide a holistic Vocational Educational and Training (VET) package of programs and incentives to attract students into agricultural and meat production related vocations and to develop an integrated curriculum for agriculture as a career choice.

As a result of systemic workforce attraction and retention issues, the red meat production sector relies on employing overseas workers through a number of visa arrangements to supplement its workforce needs. According to pre-pandemic data, visa holders make up around 25 per cent of total processor employees.

² Australian Bureau of Statistics. (2022, September). *Producer Price Indexes, Australia*. ABS. <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/producer-price-indexes-australia/latest-release>.

Current visa arrangements are not fit-for-purpose, and dependency on visa labour creates significant amounts of complexity, uncertainty and high costs for most processors. Prior to COVID-19, the total sector cost of visa use was estimated to be \$30.75 million annually. Aside from the financial burden, this reliance results in an inability to flexibly expand and contract the workforce in response to external supply and demand changes.

The costs of recruiting, training, and employing visa holders on an ongoing basis adds to the disproportionately high labour costs faced by processors, further deterring the sector's ability to compete on a global basis.

There are a number of costs associated with current visa arrangements which contribute to the excessive financial burden of visa applications for processors. For example, the requirement for processors to contribute to the Skilling Australia Fund (SAF) with each application, of which limited funding flows back into the industry via the training of meat sector workers.

Recommendation 1.2: \$30 million to reduce the administrative costs of selected visas used within the red meat processing industry, including application fees, renewal fees, contributions, and mandatory payments.

Currently, the scope of the *Growing Regions Program* is only open to infrastructure projects that will deliver economic and social benefits to a regional or remote community, and eligibility is limited to local government entities and not-for-profit organisations.

The red meat processing industry is one of the largest employers in regional areas (and often the sole employer of size) and, as such, provides the critical economic and social backbone to underpin rural and remote communities.

An expansion of the *Growing Regions Program* to enable the red meat processing industry to access the program would underpin infrastructure investment that would deliver long term economic and social benefits, through the creation and fulfilment of thousands of jobs in rural and remote communities.

Recommendation 1.3: \$250 million to extend the eligibility criteria under the *Growing Regions Program* to include meat processing employers, to enable construction of new infrastructure or to upgrade / expand existing infrastructure that will deliver economic and social benefits to a regional or remote community.

2. Trade and market access

Access to global markets is vital to the ongoing prosperity of the meat processing sector and the livelihoods and communities that rely on the industry. Over 70% of Australian red meat is consumed in an export market. While the domestic market is central to the

industry, there are growing opportunities to sell cuts and products less popular amongst Australian consumers into export markets. These opportunities have only grown through the negotiation and implementation of Free Trade Agreements (FTAs).

The processing sector sells products into more than one hundred export markets around the world, allowing businesses to capture the maximum value from each animal – value which flows back to Australian livestock producers. Australia has a leading reputation for providing great quality, safe and natural products to consumers the world over, backed by integrity systems and an exceptional disease-free status.

The benefit to industry and regional Australia of removing tariffs and supporting free trade has been made clear following implementation of the current suite of FTAs, and we encourage the Australian Government to conclude negotiations with the European Union which will secure tangible benefits to the red meat sector. However, maintaining technical market access and removing non-tariff barriers is critically important to the industry.

The red meat industry has the ambition to remove \$1 billion in non-tariff barriers by 2030³ but efforts to reduce and remove barriers must be done in close collaboration with the Australian Government, which in many cases leads negotiations with trading partners. There are great examples of this relationship delivering significant outcomes, but the rise in overseas regulatory requirements means the task is constant and growing. Modest, ongoing investments in Australian Government personnel negotiating technical market access for food can provide a substantial return on investment, especially for a sector with the scale and reliance on trade as the Australian red meat industry.

Recommendation 2.1: \$60 million over four years (and commensurate Average Staffing Level increases) to boost the Australian Government’s technical market access negotiation capacity for Australian food exports to ensure existing export markets are maintained and to achieve optimal utilisation and returns.

AMIC applauds recent government investment in regional logistics hubs however more must be done to bring Australia’s export supply chains up to speed with international peers. AMIC recommends the need for further investment in physical rail export infrastructure to ensure meat exporting businesses, based in regional centres, can get time-sensitive products to port as efficiently as possible.

AMIC’s submission to the Productivity Commission Inquiry into Australia's Maritime Logistics System draft report, recommended further investment into port management of empty container parks and disagreed with the final report’s finding that port congestion is transitory and will be naturally reduced with slowing pandemic-related pressures.

³ RMAC (2021). *Red Meat 2030: A shared vision and direction for Australia’s red meat and livestock businesses*. <https://rmac.com.au/wp-content/uploads/2021/05/RedMeat2030.pdf>

Recommendation 2.2: The Federal Government invests \$2.5 billion over four years to expedite the establishment of an Infrastructure Fund focussed on investing in productivity improvements within Australia’s international freight supply chains.

3. Biosecurity and livestock traceability

Key to Australia’s favourable market access is our enviable animal health status. Australia has avoided a major ruminant livestock disease outbreak for decades, thanks in part to natural barriers but also by investing in and maintaining stringent biosecurity measures and integrity systems.

If Australia was to incur a major emergency animal disease, such as Foot & Mouth Disease (FMD) which is currently making its way through Indonesia, trade would cease overnight and the industry would be unable to service three in four customers. ABARES have estimated an outbreak of FMD would devastate Australia’s livestock sector and cost the nation \$80 billion over ten years.⁴ Lumpy Skin Disease (LSD) and African Swine Fever (ASF), diseases active in the Indo-Pacific region, would also cause considerable harm to the Australian livestock industry.

Recognising the immense impact that an animal disease outbreak would have on the Australian red meat industry, supply chain stakeholders have invested in traceability and integrity systems over many years as a means of protection.

However, pests and diseases also pose a significant threat to Australia’s unique native flora and fauna and ecosystems, with environmental assets estimated to be worth \$5.7 trillion.⁵ Moreover, with the ability for zoonotic diseases to affect humans, demonstrated recently by Japanese encephalitis, a functioning biosecurity system is critical for protecting Australia’s wider human health. Australia’s biosecurity system must be considered through the One Health lens, tying animal and human health together, as recognised by CSIRO.⁶ Biosecurity also plays a role in safeguarding supply chains from external shocks and in shoring up Australia’s food security. Weaknesses in biosecurity should be viewed as a threat to Australia’s national security.

Given the breadth and magnitude of damage that pests and diseases can cause not only to Australia’s red meat industry, but our ecosystem and public health more broadly, it is clearly in the national interest to ensure Australia’s biosecurity system is adequately and sustainably funded.

⁴ ABARES (2022). *Direct economic impacts of a foot-and-mouth (FMD) disease incursion in Australia, An update of ABARES 2013 estimate.*

<https://www.agriculture.gov.au/abares/research-topics/biosecurity/biosecurity-economics/fmd-update-of-2013-estimate>

⁵ DAW (2021). *Commonwealth Biosecurity 2030: A strategic roadmap for protecting Australia’s environment, economy and way of life.*

<https://www.agriculture.gov.au/sites/default/files/documents/commonwealth-biosecurity-2030.pdf>

⁶ CSIRO (n.d.). *Protecting Australia from emerging infectious diseases.* <https://www.csiro.au/en/research/health-medical/diseases/infectious-diseases>

Recommendation 3.1: The Australian Government must work with industry and State and Territory Government partners to ensure the country can maintain a robust and sustainably funded biosecurity system. Noting ongoing industry contributions and cost recovery targeting ‘risk creators’, any existing and projected biosecurity funding shortfall should be primarily covered via a long-term bipartisan commitment for increased budget appropriation.

While Australia’s biosecurity protects the country from unwanted pest and disease incursions, our traceability system helps minimise the damage of any outbreak or food safety incident and instils confidence amongst trading partners and customers around the world. The Australian livestock industry has invested in such integrity systems over decades, however rules and investments must match the ever-evolving risk landscape. Hence the recent decision by the sheep and goat industry to move towards electronic individual identification (eID) ear tags, as currently practised in the cattle sector.

Such enhancements to Australia’s sheep and farmed goat traceability will significantly improve our ability to quickly respond to an outbreak or food safety incident and return to trade sooner. However, such changes will come at significant cost to all participants along the supply chain and will mean a period of adjustment for many.

To ease this friction and to bolster the wider traceability system, AMIC applauds the recent commitment by the Australian Government to invest \$46.7 million to support national traceability reform. Nevertheless, ongoing and targeted support is required to ensure industry can make the required changes.

Based on ongoing smallstock processor eID trials, run in conjunction with the Australian Meat Processor Corporation, AMIC estimates that \$9 million is required across the country to support the processing sector in making the required on-plant upgrades to meet mandatory requirements. This would also enable the provision of additional incentives, via grants, to encourage businesses to further invest in their systems to unlock productivity enhancements that eID can provide.

We also recognise that the red meat industry is not alone in facing these types of challenges, and we welcome the ability to participate in the DAFF-led *Australian Agricultural Traceability Alliance*, a platform to lift integrity and cooperation across the entire agricultural industry. Improving livestock traceability will require ongoing support and coordination between industry, the Commonwealth Government and the State and Territory Governments.

Recommendation 3.2: The Federal Government finalise a cost-sharing arrangement with the State and Territory Governments for a national mandatory sheep and managed goat eID system, which will allow for a well-resourced, coordinated, and smooth transition to the new requirements, and will accommodate \$9 million to enable processors to make required investments.

Conclusion

AMIC thanks the Commonwealth Government for consideration of our policy and investment priorities and we look forward to 2023-24 Budget. Please do not hesitate to contact me or my office if you would like to discuss any of the issues raised in greater detail.

2023-24 Budget Recommendations

1.1: **\$30 million** over four years to provide a holistic Vocational Educational and Training (VET) package of programs and incentives to attract students into agricultural and meat production related vocations and to develop an integrated curriculum for agriculture as a career choice.

1.2: **\$30 million** to reduce the administrative costs of selected visas used within the red meat processing industry, including application fees, renewal fees, contributions, and mandatory payments.

1.3: **\$250 million** to extend the eligibility criteria under the Growing Regions Program to include meat processing employers, to enable construction of new infrastructure or to upgrade / expand existing infrastructure that will deliver economic and social benefits to a regional or remote community.

2.1: **\$60 million** over four years (and commensurate Average Staffing Level increases) to boost the Australian Government's technical market access negotiation capacity for Australian food exports to ensure existing export markets are maintained and to achieve optimal utilisation and returns.

2.2: The Federal Government invests **\$2.5 billion** over four years to expedite the establishment of an Infrastructure Fund focussed on investing in productivity improvements within Australia's international freight supply chains.

3.1: The Australian Government must work with industry and State and Territory Government partners to ensure the country can maintain a robust and sustainably funded biosecurity system. Noting ongoing industry contributions and cost recovery targeting 'risk creators', any existing and projected biosecurity funding shortfall should be primarily covered via a long-term bipartisan commitment for increased budget appropriation.

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AUSTRALIAN MEAT INDUSTRY COUNCIL

ABN 65 990 653 488

28 National Circuit
FORREST ACT 2603

Contact Details: Mr Patrick Hutchinson, AMIC CEO

Telephone: 0435 357 942

Email: phutchinson@amic.org.au