



PRE-BUDGET SUBMISSION: 2024/25

Date: 25 January 2024

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 \$22.5 billion in value-add and \$75.4 billion in industry turnover in 2021-22.¹ A large proportion of this value is generated through exports, with meat and offal exports valued at \$17.6 billion in 2021-22.

The post-farm gate meat industry employs around 120,000 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 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 invest in biosecurity measures to protect itself. Additionally, investment in Australia's animal welfare and sustainability credentials is increasingly important to maintaining our markets and consumers, which is a task that requires close collaboration across government and industry.

This submission highlights (1) *Workforce Shortage*, (2) *Measures to support Business*, (3) *Trade and Market Access* and (4) *Animal Welfare*, and (5) *Sustainability* 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 and their contribution to the Australian community and economy.

¹ MLA (2022). *State of the Industry Report: 2023*. https://www.mla.com.au/globalassets/mla-corporate/prices--markets/documents/trends--analysis/soti-report/mla-state-of-the-industry-report-2223-web_updated.pdf

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 from paddock to plate across a range of food sectors. Workforce 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 boarder array of interested candidates to participate.

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>.

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.

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 several 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.

The housing crisis has hit an all-time high, and a solution is of the highest importance to assist with maintaining workforce numbers. Whilst the labour shortage is still prevalent for our industry, we have seen a small reprieve with migrant worker numbers increasing. However, without accommodation the numbers do not provide any assistance to fill the void of labour issues.

Affordable housing is needed across the board to assist with many industries that are struggling. Strategies are needed now to get our nation back on track. We have been struggling since the Covid pandemic and there is no end in sight, even now well after Covid it is still the first excuse for more expense, lack of available goods, and cost of living.

Whilst Covid has subsided and we are learning to work through Covid to regain business as usual, we need the housing supply chain to also come back to life to support business and supporting population growth.

At present, the pace of housing construction is not keeping up with increase in the population, due to a surge of migration or the domestic market needs.

Recommendation 1.3: We are at a pivotal point for many industries and significant strategies need to be implemented to get things moving again. The supply chain needs to open up and allow the flow of goods to support construction. Money needs to be spent in the right areas to promote houses being built. There is no point giving a bigger first home buyers grant when we cannot build houses due to supply issues, or there is not enough supply for the ever-growing demand.

Government needs to open up supply channels, support industry with growth of domestic labour workforces and assist with reducing red tape and slow timelines that are impeding industries across Australia.

Government needs to do more to reduce the cost of living and halting mortgage rate rises in a bid to reduce inflation. Spending money creates jobs, increases money in community, supports growth and generates business, which puts confidence back in business and consumer spending.

2. Measures to Support Business

Red Meat industry businesses continue to face several challenges across all AMIC's membership streams, including meat processors, exporters, smallgoods processors and independent retail butchers. These include access and retention to staff, meat industry careers attractive, cost of goods, inflation and energy. To help manage these issues, there are a range of measures in particular that could support small business, as outlined in the following recommendations:

Recommendation 2.1:

- A continuation of the asset write-off threshold at \$20,000, for a 12 month period
- Energy savings applied to small businesses to have \$ deducted from their power bills. \$ increase from \$325 to \$650 and eligibility net widened
- Continuation of the \$20,000 in bonus tax rebates per asset under the Small Business Energy Incentive scheme, to encourage businesses to install energy efficient appliances.
- Small business cyber security program – enhanced to provide small business with greater knowledge and insight
- Enhanced programs in recruitment of skilled and on skilled workers and apprenticeship take ups and school based / pathways programs
- Development and expansion of access to mental health programs available to small businesses and their employees

3. 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, the ability to export cuts and products less popular amongst Australian consumers is vital to the ongoing viability and profitability of the industry. These opportunities have only grown through 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. In this respect we support the negotiations with India and the UAE to secure improvements for red meat access to these markets. In respect to the EU, AMIC welcomed the decision to hold out in the face of an unacceptable offer and conditions on red meat access and encourages ongoing negotiations with the EU to reach a deal which provides enhanced opportunities without further conditions on the trade.

In addition to FTAs, 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 and resourcing pressures within the Department of Agriculture, Fisheries and Forestry because of their budget issues means the task is constant, growing and in need of investment in technical capability. 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 3.1: That the Australian Government Commit \$40 million over 4 years 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.

The red meat and livestock industry recognises and applauds recent government investment in regional logistics hubs. However, AMIC recommends the need for further investment in physical rail export infrastructure to ensure meat exporting businesses,

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>

doing business from regional centres, can get time-sensitive products to the ports as efficiently as possible.

Additionally, as outlined in AMIC's submission to the Productivity Commission's (PC) Inquiry into Australia's Maritime Logistics System draft report, AMIC recommends further investment into port management of empty container parks and disagrees with the final report's finding that port congestion is transitory and will be naturally reduced with slowing pandemic-related pressures.

Terminal Access Charges (TACs), as supported by the PC's findings, should be negotiated on a commercial in-confidence basis between the stevedore and their contracted client (shipping lines), negating the need to impose charges on third parties who have no ability to influence service or price.

As goods must be collected from the entity (stevedore or empty container park) that is contracted by the relevant shipping line, transport operators do not have the ability to negotiate and cannot elect to use a different stevedore or empty container park. The outcome of this is that transport operators are forced to pay an 'Infrastructure Surcharge' (TACs) to collect and deliver containers for their clients. The reality of the situation is that stevedores and empty container parks effectively force transport operators into using their services. Stevedores and empty container parks have also regularly increased terminal access charges overtime without negotiation and usually, with very little justification.

As with all other businesses that incur unavoidable costs as part of their operation, stevedores and empty container parks should have to absorb operating costs or choose to impose them on their commercial clients (shipping lines). Their commercial clients then have the option of absorbing those costs or passing them onto exporters, importers and freight forwarders through negotiated freight rates and associated charges.

Should the Federal Government implement the PC recommendation, it is essential that it do so in its entirety as any watering down of this recommendation will have devastating impacts, leaving our essential trade sector exposed to ongoing and uncontrolled spiralling costs.

Recommendation 3.2: AMIC recommends that the Federal Government move to ensure that the Productivity Commission's findings on Terminal Access Charges are implemented wholly so that all Terminal Access Charges be negotiated on a commercial in-confidence basis between the stevedore and their contracted client (shipping lines) negating the need to impose charges on third parties who have no ability to influence service or price.

AMIC, along with the Red Meat Advisory Council (RMAC) notes and supports the aims and ambitions of the Simplified Trade System Taskforce (STS), particularly noting the potential for significant, cross-cutting system reform and improvement to deliver

significant efficiencies and savings to the red meat sector which is heavily involved in cross-border trade.

For the opportunities of the STS to be fully realised, AMIC and RMAC recommends significant investment in wholesale upgrades to systems and their interconnectivity across agencies and jurisdictions. Investments in the systems that underpin trade remain siloed and not fully integrated across agencies, resulting in only minor improvements, and retention of duplicated requirements and costs for traders. For the STS to be effective, this needs to be expanded to a broader, deep reform of Australia's trade processes and systems.

Recommendation 3.3: The Federal Government invests \$30 million over four years to facilitate generational-scale upgrades of Australia's trade regulatory and information systems. This should be focused on ensuring cross-agency systems are developed and agencies are better integrated, with single-point systems for import/export documentation, clearance and fees.

4. Animal Welfare

AMIC and our membership are committed to proper, stringent and accountable animal welfare practices across the supply chain. We are focused on understanding and implementing best practice and are dedicated to the timely development of a functional and effective national welfare standard to improve welfare.

A single harmonised and legislated minimum animal welfare standard across all jurisdictions to bolster animal welfare outcomes at the point of processing has been lacking. Currently, the Australian Animal Welfare Standards and Guidelines (AAWSG) for Livestock at Processing Establishments is being drafted by the Queensland Department of Agriculture and Fisheries (QDAF) under the purview of the jurisdictional Animal Welfare Task Group. This process started in 2022 and AMIC has formally engaged, along with other industry, welfare and consumer representatives via the Stakeholder Advisory Group. A draft has not yet been released for public consultation, nor has a Regulation Impact Statement been produced. Industry has supported the AAWSG process despite frustrations that the previous attempt in 2012 failed to be adopted by the states, prompting industry to self-regulate and develop the Australian Livestock Processing Industry Animal Welfare Certification System (or AAWCS). A national standard is highly desirable for processors. It strongly supports the industry's commitment to good animal welfare practices and outcomes and means that processors with plants in more than one state are able to understand and apply the same standards at all sites.

However, the process of drafting animal welfare standards in Australia has proved ineffective at bringing the suitable expertise together to produce a timely and sound document. These shortcomings are not isolated to the AAWSG for Livestock at Processing Establishments. Many other animal welfare standards have not been produced or recently reviewed due to resourcing constraints and a lack of faith the process will produce a suitable outcome.

One shortcoming with the standard drafting process is its reliance on a jurisdictional representative managing the process, but this responsibility not being adequately resourced, and prone to competition with existing priorities of team members. Sufficient expertise and experience may also be limited if a state or territory is tasked with producing a standard that reflects the wide variety of animals (with and across species), facilities and environments across the entirety Australia. While stakeholder advisory groups have sought to correct shortcomings in expertise, they have been overrepresented by animal welfare groups, with few industry representatives involved directly. Unfortunately, this has led to unsubstantiated or ideological views, which are not supported by the latest scientific evidence or cognisant of the practicalities of how industry operates, being considered as part of the drafting process.

AMIC believes that those leading the writing process for all animal welfare standards should be a centralised resource of leading experts in the industry. Moreover, those selected to be consulted on various standards must be suitably vetted to ensure they bring adequate expertise and experience to the drafting process.

The current standard setting process needs to be comprehensively reviewed and overhauled to ensure that high quality, evidence-based standards, which are practicable to implement and regulate are developed.

Recommendation 4.1: Review and overhaul of the Australian Animal Welfare Standards and Guidelines setting process.

5. Sustainability

The Australian red meat supply chain is supporting Australia's international climate commitments and the transition to a green economy, reducing net greenhouse gas emissions by 65% since 2005.

Meat processors have invested heavily in technologies and initiatives to improve energy and water use efficiency and their environmental impact to date. However, meat processors remain limited in two key areas – the evaluation and reporting of sustainability credentials through the supply chain; and the high cost associated with the installation of infrastructure to reduce emissions and reliance on fossil fuels, particularly for smaller plants that lack scale.

Meat processing is just one part of a complex supply chain, and hence the measurement, collection and reporting of emissions data can be highly nuanced. This is particularly true for modern and emerging reporting requirements, such as that required under the proposed climate-related financial disclosures, which are based on highly structured and measurable supply chains and product transformations, where assessment and reporting of scope 1, 2 and 3 emissions is relatively straight forward. Measuring emissions, particularly scope 3, is particularly difficult for processors as livestock are sourced from thousands of independent producers, which vary substantially by scale,

production system and environment. The engagement of expertise to support an establishment through this process is extremely costly and still only captures one part of the broader supply chain.

The Australian red meat and livestock industry has great sustainability credentials and plays a critical role in underpinning our nation's food security – neither of these should be undermined by new reporting requirements, such as mandatory climate related financial disclosures, that are not fit-for-purpose.

Recommendation 5.1: New sustainability rules and reporting requirements, such as climate related financial disclosures, must be cognisant of industry nuances and challenges.

Individual red meat processing establishments have long invested in improvements to resource use efficiency and environmental performance. The industry has continued to improve their environmental credentials over the past few years, as is showcased in AMPC's latest [Environmental Performance Review](#). However, smaller sites tend to remain the most variable in environmental performance results, with these sites recording some of the best and worst results.

A lack of resources necessary to implement environmental improvement initiatives at these sites has been identified as one limiting factor. The costs associated with undertaking larger projects to improve emissions, water and waste on site are significant, given such projects generally require investment in new infrastructure. Infrastructure such as covered anaerobic lagoons and biogas capture systems, which simultaneously reduce scope 1 emissions via gas capture and scope 2 via reduced energy demand, remain out of reach to many smaller processors. These initiatives, along with many others have led to the observed improvements in the red meat processing industry's environmental performance over the past few years, and greater access to these initiatives by sites that lack scale will enable the red meat processing industry to take the next leap forward.

Recommendation 5.2: Government support and grant programs to encourage the reduction of emissions, water and waste should be open to and accommodate the needs for meat processors, especially those which lack scale to cover substantial investment outlays.

Conclusion

AMIC thanks the Commonwealth Government for consideration of our policy and investment initiatives and we look forward to 2024-25 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.

Contact Details: Mr Patrick Hutchinson, AMIC CEO

Telephone: 0435 357 942

Email: phutchinson@amic.org.au