

Department of Industry, Technology and Commerce

**THE AUSTRALIAN  
MEAT PROCESSING  
INDUSTRY**

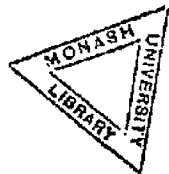
International Development Opportunities for  
Processed Red Meat Products for Human  
Consumption

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Canberra

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## FOREWORD

This study is one of an occasional series and has been undertaken to determine whether additional scope exists for domestically producing value added red meat products for human consumption which can be sold on the international market. The study seeks to identify the impediments to exploiting the identified opportunities and to develop strategies for overcoming these constraints and encouraging the growth in exports of these products.

During the study discussions were held with a number of companies in the red meat products industry and with appropriate public sector administrative and research organisations. Their assistance was of considerable benefit.

The research for the report was conducted by Stephen Tregrove-Jones. Dr John Hagan and Ken Pettifer were responsible for the supervision of the project.

August 1989

M. D. Fitzpatrick  
*First Assistant Secretary*  
Light Industries Division

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## EXECUTIVE SUMMARY

The purposes of this study are to identify the potential for expanding exports of red meat products for human consumption, to identify the impediments to exploiting this potential and to develop strategies for overcoming these constraints and encouraging growth in exports of processed meat products.

Annual turnover in the red meat and bacon, ham and smallgoods industries taken together amounts to more than \$4 billion. These industries account for about 3.6 per cent of total manufacturing employment and 2.8 per cent of the manufacturing sector's annual value added.

While about 50 per cent of the volume of meat produced in Australia each year is exported, most (more than 95 per cent) is in a relatively lightly processed fresh, chilled or frozen form. Less than 5 per cent comprises more highly processed products such as cooked, boiled or salted meat and other smallgoods.

Within the constraints imposed by quantitative trade restrictions opportunities do appear to exist for increasing the unit value of fresh meat exports and for exporting value added processed meat products, including smallgoods and convenience/portion control foods. The potential appears greatest in Japan, South-East Asia and the Middle East.

If these opportunities are to be exploited more fully, then the fresh meat industry must intensify its efforts to efficiently produce products of consistently high quality which are appropriately packaged. Producers of more highly processed meat products should seek to produce and sell quality products aimed at specific market niches at the upper end of the spectrum.

The study has identified a number of impediments to exploiting the identified opportunities and recommends strategies to overcome these constraints and encourage exports of red meat products for human consumption.

It is most important for the fresh meat industry to promote the sale of branded products of consistent quality. To do this the Department makes six recommendations:

### *Recommendation 1*

AUS-MEAT should support Australian meat exporters efforts to devise and introduce a grading system which will yield a net benefit for Australia's fresh meat exports (refer Chapter 4 part 3).

*Recommendation 2*

The Australian Meat and Livestock Corporation (AMLC) could actively encourage Australia's fresh meat exporters to offer for sale branded meat products (refer Chapter 4 part 1).

*Recommendation 3*

AUS-MEAT should assume responsibility for the industry-wide adoption of appropriate Total Quality Management systems in the fresh meat industry (refer Chapter 4 part 3).

*Recommendation 4*

All segments of the industry (including employers and the Australasian Meat Industry Employees Union) should give high priority to supporting the recent initiative by the AML Industry Policy Council to conduct a comprehensive examination of meat industry training needs. The Department of Employment, Education and Training and State Departments of Education should subsequently establish professional accredited courses for industry workers to fulfil the identified training needs (refer Chapter 4 part 4).

*Recommendation 5*

The Department of Industrial Relations should initiate a program for award restructuring and workplace reform to foster improved industrial relations in the industry (refer Chapter 4 parts 1 and 4).

*Recommendation 6*

The Australian Agriculture Council should give serious consideration to establishing uniform abattoir licensing arrangements for all States. Licensing should depend only on compliance with the necessary hygiene standards (refer Chapter 4 part 2).

In the more highly processed meat products industry the most significant issues were found to be the level of management expertise and the capacity of the many small firms to undertake the costly market research and promotion necessary for a successful export effort. To alleviate these impediments the Department makes a further five recommendations:

*Recommendation 7*

The Council of Australian Sausage and Smallgoods (CASS) and the National Meat Processors Association (NMPA) should identify dynamic producers which should then be targeted by the National Industry Extension Service, relevant industry

research organisations and Austrade to develop in these companies an enduring international competitive advantage based upon the manufacture and marketing of quality products (refer Chapter 4 part 1).

*Recommendation 8*

CASS, the NMPA and the AML R and D Corporation should actively increase the industry's awareness of available assistance arrangements for export market research and encourage identified dynamic producers to undertake such research using this assistance (refer Chapter 4 part 2).

*Recommendation 9*

Following investigation of overseas markets, industry organisations should actively encourage dynamic companies to utilise available assistance arrangements and expertise for the development of products (and, if necessary, the appropriate processes) suited to consumers tastes. This should include the development of Total Quality Management systems to ensure products of consistently high quality (refer Chapter 4 part 5).

*Recommendation 10*

CASS and the NMPA should give high priority to ensuring the participation by the processed meat products industry in the study recently initiated by the AML Industry Policy Council to comprehensively examine training needs in the meat industry. Following this, the Department of Employment, Education and Training and State Government Departments of Education should establish professional accredited courses for industry workers (refer Chapter 4 part 4).

*Recommendation 11*

The Australian Quarantine and Inspection Service (AQIS) should pursue the introduction of Approved Quality Assurance programs for the processed meat products industry to replace the present inspection arrangements. CASS and the NMPA should also work with AQIS to demonstrate to target importing countries that, where meat is further processed, use of fresh meat from export licensed abattoirs (as opposed to domestic abattoirs) is unnecessary (refer Chapter 4 part 3).

# CHAPTER 1

## INTRODUCTION

THE REPORT SEEKS  
TO IDENTIFY THE  
POTENTIAL FOR  
DEVELOPING  
EXPORTS OF VALUE  
ADDED MEAT  
PRODUCTS

This report focuses upon the red meat processing industry and its use in the manufacture of bacon, ham, smallgoods and meat-based portion control/convenience products. In the first instance it seeks to identify the potential for expanding the production of value added meat products for human consumption which are capable of competing on the international market. The report then examines the reasons for the industry's relatively poor performance in producing and exporting value added products and, importantly, concludes with some strategies for addressing the constraints perceived to be facing the industry.

The focus of the study upon red meat products for human consumption does not imply that there is no potential for the production and export of value added poultry products or of a wide range of products manufactured from the by-products arising out of the processing of meat for human consumption. Rather the decision to concentrate on the red meat industry arises from its dominant position and recognises the different characteristics of, and issues confronting, these livestock processing industries.

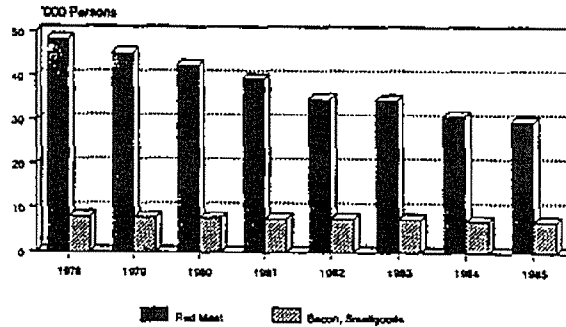
## CHAPTER 2

### MAJOR INDUSTRY CHARACTERISTICS

THE RED MEAT INDUSTRY IS THE LARGEST FOOD PROCESSING SECTOR IN AUSTRALIA

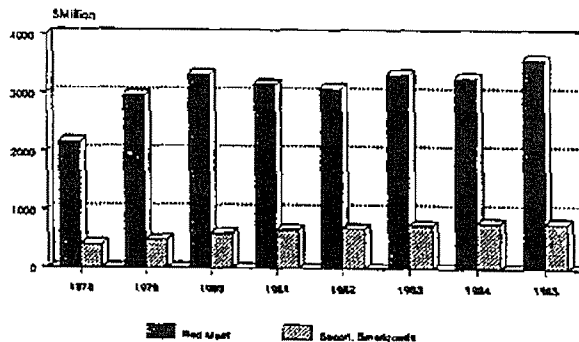
ABS data show that in 1984-85 the red meat industry was the largest single food processing industry in Australia having a turnover in excess of \$3.5 billion and employment of 29 600 (i.e. about 17 per cent of total turnover and employment for the food, beverage and tobacco sector).

TRENDS IN EMPLOYMENT  
(Year ended June)



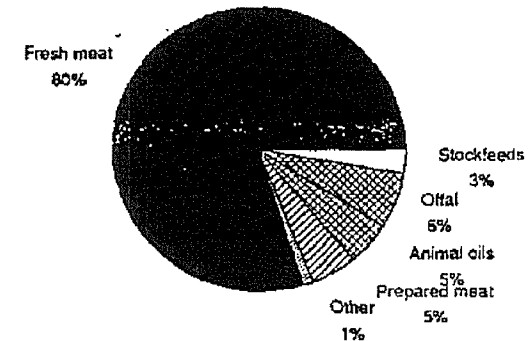
GROWTH IN TURNOVER HAS BEEN ACCOMPANIED BY A FALL IN EMPLOYMENT

TRENDS IN TURNOVER  
(Year ended June)



The chart below shows that the major share of this turnover comprised the sale of fresh meat for human consumption (\$2.9 billion or 80 per cent of turnover). Sales of prepared/preserved meat products (including canned meat products and portion control/convenience products) by manufacturers amounted to another \$177 million.

RED MEAT INDUSTRY  
Manufacturing Sales (1984-85)

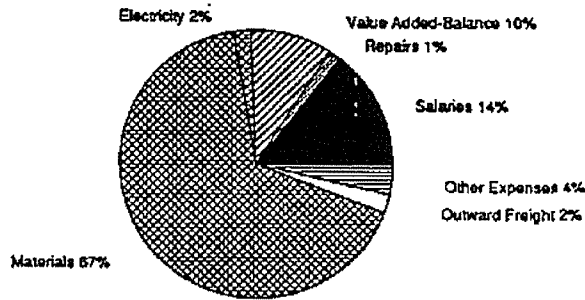


Total Value = \$3.6 billion

Some of the red meat suitable for human consumption was further processed into bacon, ham and smallgoods. Turnover in this industry amounted to \$775.5 million in 1984-85.

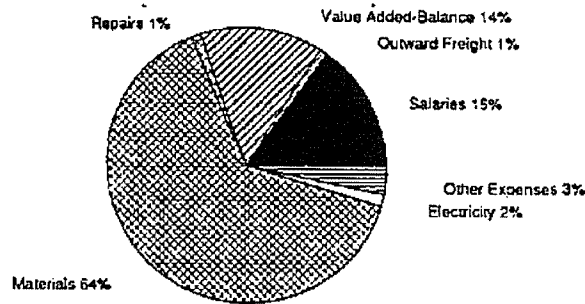
ABS data indicate that raw material costs are the most significant cost accounting for 70 per cent of the red meat industry's turnover and 65 per cent of the bacon, ham and smallgoods industry's turnover. This data is supported by industry sources which indicate that raw materials account for more than (sometimes considerably more than) 50 per cent of total production costs.

**RED MEAT**  
Distribution of Turnover (1984-85)



Raw materials constitute the most significant cost

**BACON, HAM, SMALLGOODS**  
Distribution of Turnover (1984-85)



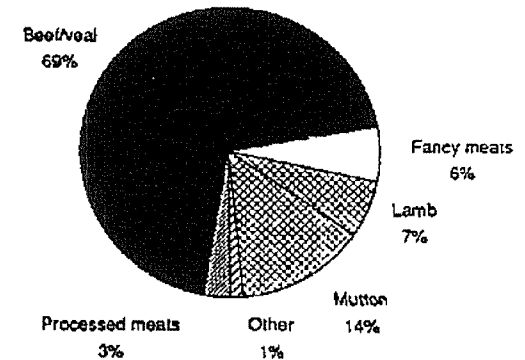
Again, raw materials constitute the most significant cost

**EXPORTS OF MEAT ARE PRIMARILY FRESH MEAT IN CHILLED OR FROZEN FORM**

Most red meat is relatively lightly processed. Value added as a proportion of turnover was only 24 per cent in 1984-85 as compared with 39 per cent for all manufacturing activities. In the bacon, ham and smallgoods industry value added comprised 29 per cent of turnover in that year.

AMLC data show that 800 000 tonnes of red meat were exported in 1986-87 at a fob. value of \$2.2 billion. Although these exports amounted to 46 per cent of the volume of meat produced in that year, by far the largest proportion (i.e. 97 per cent of the tonnes shipped) was fresh meat in chilled or frozen (i.e. in a relatively lightly processed) form. Exports of canned, cooked, corned, boiled or salted meat and other smallgoods accounted for less than 3 per cent of the volume of meat shipped during that year.

**AUSTRALIAN MEAT EXPORTS**  
1986-87



TOTAL EXPORTS = 799 748 TONNES

The US is the major export destination for meat taking 46 per cent of the volume of meat shipped. Most of this (96 per cent by weight) is manufacturing grade beef. Industry sources indicate that this beef is combined with feedlot beef in the US to produce beef patties.

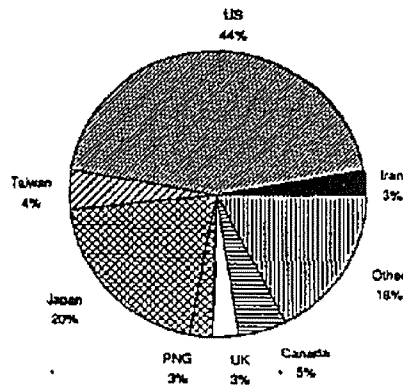
The second most important destination for Australian meat is Japan which absorbed 20 per cent of the volume of exports in 1986-87. Exports to Japan are also dominated by beef (79 per cent). A significant proportion of this (40 per cent) is in chilled form and AMLC information indicates that this is directed into the manufacture, food service and institutional trade for further processing rather than being consumed as table meat.

**MOST RED MEAT IS RELATIVELY LIGHTLY PROCESSED**

Both industry's are comparatively labour intensive. Salaries and wages accounted for 59 per cent of value added in the red meat industry and 51 per cent of value added in the bacon, ham and smallgoods industry in 1984-85 (as compared with 49 per cent for the manufacturing sector as a whole).

As indicated previously, exports of canned, cooked, corned, boiled or salted meat and other smallgoods are negligible compared with exports of frozen and chilled fresh meat (22 100 tonnes as compared with 777 600 tonnes in 1986-87). The major export destination for these more highly processed products is Japan which accounted for 91 per cent of the volume exported in that year.

### DESTINATION OF AUSTRALIAN MEAT EXPORTS 1986-87



TOTAL EXPORTS = 799 748 TONNES

**IMPORTS OF MEAT AND MEAT-BASED PRODUCTS ARE NEGLIGIBLE**

Imports of meat and meat-based products are negligible amounting to only \$44.4 million in 1986-87. The average effective rate of assistance for red meat was negative during the period 1982-83 to 1986-87. For the bacon, ham, and smallgoods industry the average effective rate of assistance was between 12 and 14 per cent during the same period. In addition to the tariff protection measures incorporated in the determination of these effective rates of assistance, AQIS administers quarantine procedures designed to facilitate the safe importation of animal products, including meat.

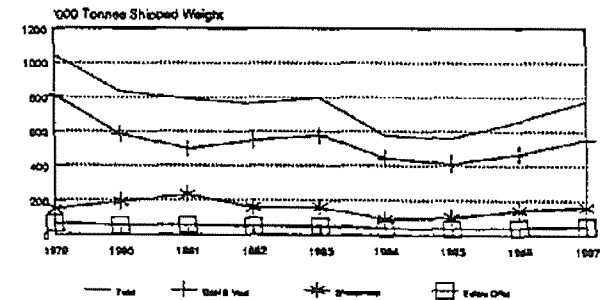
## CHAPTER 3

### POTENTIAL FOR EXPANDING THE PRODUCTION AND EXPORTS OF MEAT PRODUCTS

**QUANTITATIVE RESTRICTIONS REDUCE ACCESS TO MAJOR MARKETS FOR AUSTRALIAN MEAT**

Access to major markets for Australian meat in fresh, chilled or frozen form is subject to quantitative restrictions. In the US, for example, Australian beef, goat and mutton as well as prepared beef and veal items (except sausages) are periodically subject to a voluntary restraint agreement. In the calendar year 1987 the restraint level was set at 327 500 tonnes. This amounts to about 18 per cent of the volume of Australian beef, veal and sheepmeat production in 1986-87. Exports of lamb to the US (which only amounted to 81 17 tonnes in 1986-87 or 2.2 per cent of the volume of meat exported to the US in that year) are not subject to the voluntary restraint arrangements at present. In addition to the voluntary restraint arrangement which periodically applies to beef, goat and mutton, information supplied by the Department of Foreign Affairs and Trade (DFAT) shows that exports of fresh, chilled or frozen meat to the US are subject to a tariff which varies from 'free' for pork and goat meat to 2 cents per pound for beef and veal. Prepared and preserved meats (including sausages, bacon and hams) are also generally subject to tariff restrictions.

### FRESH, CHILLED AND FROZEN MEAT EXPORTS Total and Principal Products

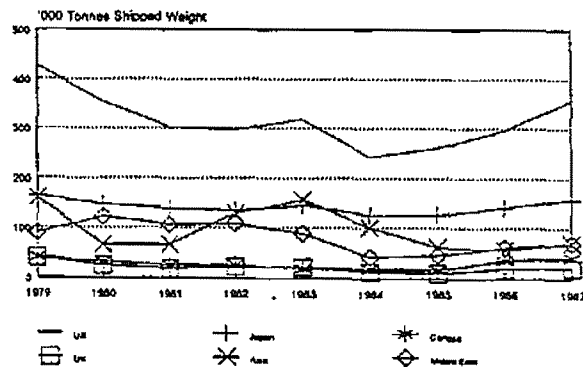


Exports have fluctuated considerably

Japan imposes quota restrictions on the access of cooked and raw beef and beef-based products into that country. In Japan's financial year 1987 this quota amounted to 214 000 tonnes and meat entering within the quota was subject to a 25 per cent tariff. Data supplied by the AMLC indicate that in calendar year 1987 Australia supplied 127 000 tonnes of beef (including boiled beef) within quota (i.e. 55 per cent of total Japanese imports within quota) and a further 7700 tonnes outside of quota (internal organs and tongues). Exports of beef and veal within quota amounted to 8.4 per cent of beef and veal production in Australia in 1986-87. Lamb and sheepmeat is not subject to quota or tariff restrictions while pigmeat is subject to a 5 per cent tariff. Prepared and preserved meat products containing beef, veal or pig meat, sausages and similar products and hams and bacon are subject to a 25 per cent tariff.

Industry sources indicate that products entering Taiwan (the third major export destination for Australian meat in 1986-87) face a tariff schedule in which tariffs may be as high as 75 per cent ad valorem. Trade with the Republic of Korea (ROK) has been subject to control by the Government of that country. Quota levels have varied quite considerably in recent years with the country being totally closed to beef imports in 1984 and proposing to allow about 50 000 tonnes to enter this year.

#### PRINCIPAL EXPORT DESTINATIONS



Exports to major markets have fluctuated significantly

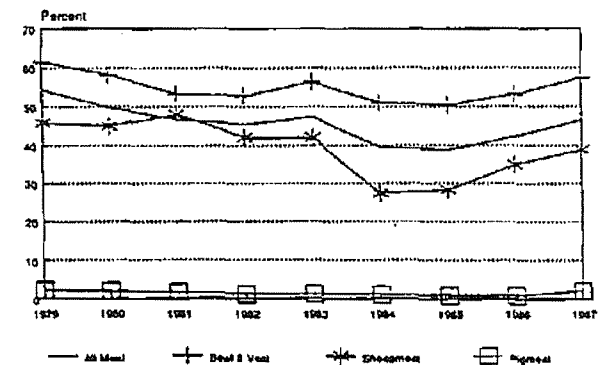
The EEC has an array of import quota and tariff restrictions on trade in meat products. DFAT information shows that price support mechanisms, export subsidies and quota restrictions obtain for fresh, chilled and frozen meat of cattle, sheep, lambs or pigs. Imports of sausages and prepared and preserved meat products are

subject to licensing arrangements and variable levies. In addition, all these products are subject to tariffs which may be as high as 24 per cent ad valorem.

Access to South-East Asian countries varies considerably. The information supplied by DFAT indicates that, apart from obtaining an import licence and complying with health and sanitary requirements, there are no tariff or quantitative restrictions placed upon meat imports by Singapore. Industry sources state that no restrictions govern the entry of meat products into Hong Kong. At the other extreme there is a total prohibition on access of fresh, chilled or frozen meat to Indonesia coupled with a global quota (supplemented by a 70 per cent tariff) on sausages and prepared/preserved meat products entering that country. Meat imported into Thailand (whether fresh or in processed form) is subject to a 60 per cent tariff and a business tax of 7 per cent. Imports of all meat and meat products other than sausages into Malaysia are subject to a 5 per cent tariff (sausages being subject to a tariff of 25 per cent). The Philippines imposes a tariff of 5 per cent on fresh meat imports and a tariff of 50 per cent on sausages and other prepared/preserved meat products. In addition, a sales tax of 10 per cent is levied on agricultural products and 'ordinary' articles.

In the face of substantial quantitative restrictions on international trade in meat, Australia has managed to export about half of its annual volume of meat produced with relatively little assistance. As previously mentioned, most of this is in fresh, chilled or frozen form. Hence Australia can be viewed as being highly competitive in the production of meat for human consumption in fresh form.

#### PERCENT OF MEAT EXPORTED



A substantial proportion of Australian meat is exported

THERE APPEARS TO BE POTENTIAL FOR INCREASING THE QUANTITY AND UNIT VALUE OF FRESH MEAT EXPORTS

There does, however, seem to be additional scope for increasing both the quantity of fresh, chilled and frozen meat exported and, more importantly, for expanding the unit value of these exports.

As previously stated, ROK has reopened its market to imports of beef. Japan has also agreed in mid 1988 to liberalise its global import quota for beef by 60 000 tonnes annually from 214 000 tonnes in Japanese fiscal year (JFY) 1988 to 394 000 tonnes in JFY 1990. During these three years the 25 per cent ad valorem tariff would remain in force. As from April 1991 import quotas will be abolished and replaced by an ad valorem tariff of 70 per cent in JFY 1991 but reducing to 60 per cent in JFY 1992 and 50 per cent in JFY 1993. The relaxation of these import restrictions offers an opportunity to increase exports of Australian beef. The extent to which this potential is realised will depend upon Australian producers' ability to supply products suited to Japanese tastes.

More importantly, the potential to increase the unit value of these fresh meat exports also exists by building upon the success achieved to date in the sale of quality cuts of beef and lamb in appropriately packaged form to the catering, hotel and restaurant trades in Japan, South-East Asia, the Middle East and Canada.

The demand for more highly processed meat products appropriately packaged such as continental smallgoods and portion control/convenience meals which target more particular market niches would not be so price sensitive. The development of a market presence based upon branded processed meat products which are of consistently high quality would result in a more enduring competitive advantage and therefore greater long term average unit profitability. Additionally, in the face of volume-based quantitative restrictions total returns would be increased if high value rather than low value meat products were exported.

United Nations data show that more than US\$3 billion worth of dried, smoked and salted meat and preserved/prepared meat products was traded internationally in 1986. ABS data show that Australian exports of such products amounted to only \$60 million in 1986-87—i.e. less than 2 per cent of total world trade in these goods (this compares with Australia's share of 10 per cent of world meat exports).

The UN data also show that Denmark accounted for 28 per cent of the value of world meat products exports with the Netherlands and Italy accounting for 15 per cent and 7 per cent, respectively. Approximately 90 per cent of Danish exports went to Europe (60 per cent) and the US (30 per cent). Most of these exports to Europe (i.e. 78 per cent) went to the UK. Japan received only 1 per cent. Apart from these European countries (Denmark, Netherlands and Italy), Brazil and Argentina feature as significant exporters, accounting for 9 and 5 per cent, respectively.

What factors have contributed to the export performances of these countries?

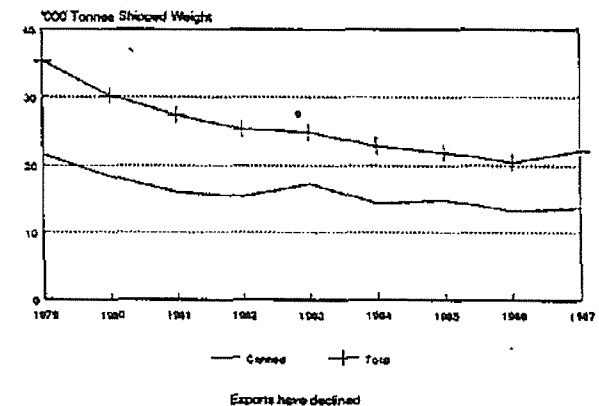
THE DEVELOPMENT OF A MARKET PRESENCE BASED UPON PROCESSED MEAT PRODUCTS OF HIGH QUALITY WOULD YIELD A MORE ENDURING COMPETITIVE ADVANTAGE

The grain policies of European countries have reduced feed costs for grainfed livestock such as pigs. In addition, these countries agricultural policies have led to the availability of meat for processing at low cost and the export of subsidised meat products. Foot and mouth disease in South American countries such as Brazil and Argentina prevents the export of meat for human consumption in fresh form. This meat is therefore available relatively cheaply for further processing. Producers also have access to relatively cheap supplies of labour.

In the face of competition from these cheap meat products from Europe and South America an appropriate strategy for Australian manufacturers of processed meat products may be to seek out niche markets for quality Australian meat products which are appropriately packaged rather than attempt to compete against products from these regions on the basis of price.

The value of this approach can be seen from the substantial contraction which has taken place in Australia's traditional processed meat exports (canned meats). AMLC data show that these exports fell from 14 800 tonnes in 1984-85 to 7100 tonnes in 1987-88. This has been primarily due to intense competition from cheap South American products. By contrast, exports of non-canned processed meat products (which includes cooked, boiled or salted meat, bacon, ham, and other smallgoods) increased from 7100 tonnes in the former year to 9300 tonnes in the latter year.

PROCESSED MEAT EXPORTS



## CHAPTER 4

### FACTORS AFFECTING INTERNATIONAL COMPETITIVENESS

FOR MORE DIFFERENTIATED FRESH MEAT PRODUCTS PRICE IS A LESS IMPORTANT FACTOR IN DEMAND

The factors affecting the ability of Australia's producers of meat products to expand exports of these goods vary depending upon individual company marketing strategies and capabilities.

In general, however, for the more undifferentiated fresh meat products, both price (and hence costs) and quality will be important determinants of sales. The development in the market of a consumer allegiance to quality, branded fresh meat products would reduce the importance of price as a factor governing purchase decisions but until such time as this is achieved, price (and hence costs) will continue to be of overriding importance. In the case of the more elaborately processed products such as smallgoods and portion control/convenience meat products, product quality and presentation rather than price considerations are likely to be a more important factor governing sales.

In the following sections, the major issues impinging upon these critical factors as they apply to the production of the different meat products will be investigated. Obviously the extent to which these factors constrain industry performance will differ both within sectors and between sectors. This report discusses the relative importance of each of these factors taking into account their implications for international competitiveness, the degree to which industry is aware of the issues and the extent to which efforts are currently being made to tackle them. Chapter 5 of the report then looks at some strategies for overcoming these constraints and encouraging the development of internationally competitive value added meat products for human consumption.

#### 4.1 Management Issues

One of the most important factors affecting the international performance of both the fresh meat industry and of the industry making more highly processed meat products for human consumption appears to be the attitude and expertise of management.

To date the fresh meat industry has tended to rely upon the AMLC to promote the consumption of Australian meat in domestic and overseas markets. In large part this has stemmed from the role of the AMLC which is to issue licences to export both meat and livestock, to operate schemes for the allocation of quotas where these are imposed by other countries (a situation which obtains in most major export destinations) and to promote Australian meat in both the domestic and export markets. This has led to little

THE FRESH MEAT INDUSTRY HAS GENERALLY GIVEN LITTLE ATTENTION TO MAXIMISING PRODUCT VALUE

attention being given to maximising the unit value of meat sold into these export markets through the development of quality fresh table meat products which are suited to consumers tastes and appropriately packaged.

More recently the AMLC has placed greater emphasis on providing feedback to producers on conditions in overseas markets and encouraging producers to explore opportunities for further adding value to meat slaughtered. The operations of the AML, R and D Corporation since its formation in July 1985 have also gone some way towards encouraging the development of improved meat products (see part 5 of this chapter) but, as discussed in the section on quality, there is a real need for management to address this issue as a priority in improving international competitiveness.

Management has also had little success in the industrial relations sphere. As shown in the section on labour issues, the level of industrial disputation is very high by industry standards and this has profound implications for both product quality and cost.

The many small firms in the sector producing more highly processed meat products (such as smallgoods) have generally focused on competing in the domestic market with a handful of major producers intent upon maximising their market share through price competition (and hence cost minimisation). Management has been primarily engaged in resolving day-to-day issues rather than developing strategic product and marketing plans. Little attention has been paid to the international marketplace or to formulating a competitive strategy on the basis of product quality. There has been very little effort expended by the industry itself to develop quality products suited to market tastes.

#### 4.2 Industry Structure

As stated in the previous paragraph, industry structure is also of great importance as a factor affecting the international competitiveness of the processed meat products sector in that it has significant implications for the motivation and capacity of firms to develop successful export strategies.

ABS data show that in 1984-85 there were 101 enterprises making bacon, ham and smallgoods and these collectively owned 116 establishments employing 4 or more persons. The data also show that, of these 101 enterprises, 30 employed between 4 and 9 persons and a further 42 employed between 10 and 49 persons. In addition, in 1984-85 there were a further 20 establishments which employed fewer than 4 persons.

The industry indicates that there has been substantial rationalisation since that time with Metro now having the Mayfair, Dandy and Presto brands and Bunge having acquired Dons Smallgoods from the Gilbertson family. Industry estimates are that Metro Meats (the Adsteam subsidiary) has a 28-30 per cent share of the

MANAGEMENT HAS FOCUSED UPON PRICE COMPETITION IN THE DOMESTIC MARKET

SMALL COMPANIES DOMINATE THE BACON, HAM AND SMALLGOODS INDUSTRY

domestic market, KR Darling Downs Co-operative a 10 per cent share with Dons and Castlemaine Bacon each having a 12 per cent share. Two of these major companies have placed emphasis upon maximising their domestic market shares with exporting being of secondary importance.

Along with the major producers, most small firms in the industry have concentrated upon competing in the domestic market and have not seriously addressed the opportunities offered by the international market. In addition, because of their small size, many of these firms lack the financial resources and expertise to individually tackle these foreign markets.

Concentration by these small firms on the relatively small domestic market also means that they are unable to reap the benefits of economies of scale and of scope. Most products are produced in batches and, depending upon demand and stock conditions, may be produced up to 5 times per week. A strategy aimed at selling products into clearly defined niche markets on the basis of quality, however, would of course reduce the importance of these economies as a means of marching competition.

The structure of the fresh meat industry is also of significance in so far as it affects industry costs and product quality. ABS data show that there were 420 establishments producing red meat products as at June 1985. This represents a considerable decline from the 490 which existed in 1977-78 and reflects the contraction in the number of livestock (particularly cattle and calves) presented for slaughter since that year.

Despite the reduction in establishments, capacity utilisation remains low at about 55 per cent thereby raising average unit processing costs. Information collected by the Industries Assistance Commission (IAC) during its inquiry into the Abattoir and Meat Processing Industry in 1982<sup>1</sup> showed that short run per head operating costs could be reduced by \$5.50 in 1981-82 dollar terms (or 15 per cent) if capacity utilisation was increased from the industry average at that time (57 per cent) to 100 per cent. Although a utilisation level of 100 per cent only represents a theoretical level in an industry where seasonal and climatic variations produce fluctuations in throughput, industry sources indicate that a 70-80 per cent utilisation rate is necessary for profitability.

The ABS data also show that, of the 308 enterprises operating at June 1985, a significant proportion (97) employed between 4 and 9 persons only. Although some rationalisation has occurred since that time (notably the formation of Australian Meat Holdings in 1986 and the subsequent assumption of total control of AMH by Elders), there remain a large number of small operators. This, too,

1. Industries Assistance Commission Report 313, *The Abattoir and Meat Processing Industry*, AGPS, 1983.

PRODUCERS ARE  
UNABLE TO  
REALISE  
ECONOMIES OF  
SCALE AND SCOPE

ABATTOIR  
CAPACITY  
UTILISATION IS  
LOW

THERE ARE A  
LARGE NUMBER  
OF SMALL FRESH  
MEAT PRODUCERS

STATE LICENSING  
REGULATIONS  
IMPEDE INDUSTRY  
RATIONALISATION

QUALITY IS AN  
IMPORTANT  
DETERMINANT OF  
DEMAND

has implications for the cost competitiveness of the fresh meat producing industry. During its inquiry into the meat processing industry in 1982 the IAC found that the average processing costs of large abattoirs (those processing more than 200 000 cattle equivalents) were 25 per cent lower than small abattoirs (those processing less than 100 000 cattle equivalents).<sup>1</sup>

Regulations have inhibited changes in the structure of the abattoir industry. With the reduction in livestock throughput in the late 1970s and early 1980s the licensing authorities in NSW, Queensland, Victoria and Western Australia (States which in the year ended June 1987 accounted for 87 per cent of the volume of meat produced in Australia and 90 per cent of the volume of meat exported from Australia) effectively adopted a policy of zero capacity expansion for the slaughtering industry. These States have the most stringent legislation which specifies that the licensing authorities shall monitor slaughtering capacity and location in relation to the overall requirements of the State. In Tasmania and the Northern Territory requirements are less onerous and authorities have never attempted to restrict capacity. In South Australia the issue of licences is based solely upon compliance with hygiene and construction standards.

The IAC concluded in 1983<sup>2</sup> that there appeared to be no special characteristics of meat processing to justify government intervention aimed at maintaining profitability and that, on the contrary, such restrictions may impose a cost by precluding economically justifiable restructuring taking place.

No less importantly, the presence of many small fresh meat producers has implications for the ability of the industry to develop effective business strategies. Many of the smaller operators lack the resources and expertise to adequately address the issues of product development, product quality, product marketing and industrial relations, especially in the international context.

#### 4.3 Product Quality

As stressed previously, product quality is an important determinant of demand, especially in those developed markets such as Japan where real disposable incomes are sufficiently high to permit consumers to exercise a large degree of taste-based discrimination. The previous sections also highlighted the important implications which management expertise and industry structure had for attention to quality as a competitive tool and concluded that, to date, both the fresh meat and the processed meat products industries have inadequately addressed the issue. This section now discusses

1. Industries Assistance Commission Report 313, *op.cit.*  
2. Industries Assistance Commission Report 313, *op.cit.*

the efforts which have been made to date to address product quality.

At the national level inspection responsibility for the meat processing industry rests with the Department of Primary Industries and Energy through the AQIS. The AQIS Corporate Plan for 1987-92<sup>1</sup> puts its role as being to:

- provide an inspection service for export meat (and domestic meat in those States/Territories where an appropriate arrangement has been entered into with the Commonwealth);
- promote the development and adoption of new inspection procedures and technologies and the introduction of increasing industry responsibility and self-regulation;
- to facilitate the export of meat by negotiating with overseas authorities to eliminate additional inspection requirements where possible and to reduce such requirements to a minimum.

The industry has shown a deal of concern about the inspection system. A study commissioned from PA Management Consultants by the Australian Meat and Livestock Industry Policy Council<sup>2</sup> shows that in 1985-86 Commonwealth inspection fees amounted to \$43.2 million—i.e. about 2.5 per cent of the fob. value of Australia's meat exports in that year. To these direct costs must be added the indirect operating costs associated with the system which include the slowing of production, increased manning levels, delays due to unavailability of inspectors in some remote areas and management time spent completing forms and returns. Based on a sample of less than 10 plants, PA Management Consultants estimated that these indirect costs were of the order of \$130 million per year (in 1985-86 dollar terms) for the industry as a whole.

Data collected by the IAC in its inquiry into the abattoir and meat processing industry in 1982<sup>3</sup> also showed that export abattoirs have significantly greater unit costs, especially fixed costs, than those licensed only for the domestic market (\$8 as compared with \$2). This indicates the higher costs associated with the more rigorous standards imposed upon facilities producing for export markets and represents a cost disability for those competing in the international market. Such costs would be passed on in the form of higher raw material costs to manufacturers of processed meat

1. Australian Quarantine and Inspection Service, *Corporate Plan 1987-92*, AGPS, Canberra, 1987.
2. Australian Meat and Livestock Industry Policy Council, *The Cost of Converting Livestock to Meat*, 1986.
3. Industries Assistance Commission Report 313, op. cit.

A DEGREE OF  
QUALITY  
CONTROL HAS  
BEEN  
INTRODUCED

ADDITIONAL  
QUALITY  
ASSURANCE  
EFFORTS ARE  
REQUIRED

products and would, together with the higher overheads associated with the export facility requirements, impact on the international cost competitiveness of these producers. This impact could, however, be reduced by a strategy founded upon product quality rather than price competition.

While producers of meat and meat products show concern about the existence of the meat inspection scheme administered by AQIS, the industry itself has only recently moved to introduce a degree of quality control. In July 1987 the Authority for Uniform Specification for Meat and Livestock (AUS-MEAT) was established under Section 16 of the Australian Meat and Livestock Corporation Act to develop and manage a uniform description language for fresh meat and to supervise codes of practice, quality assurance and accreditation which ensure consistent product. The uniform description was introduced in July 1987 and the second objective is being progressively pursued. All export abattoirs have to be accredited by AUS-MEAT in order to produce meat for export but accreditation of domestic abattoirs is voluntary.

Indications are that if the fresh meat industry is to gain a reputation for the production of quality table meat additional significant efforts are required. While the AUS-MEAT quality control system introduces some consistency into the description and quality of meat cuts, it is not a fully fledged meat grading system such as exists in the US. In addition, the adoption by the industry as a whole of integrated quality management programs seems some way off.

The benefits of introducing such total quality management programs for the fresh meat industry have been investigated recently in a study commissioned by the AML R and D Corporation and undertaken by Arthur Andersen and Company.<sup>1</sup> The study concluded that over the ten-year period to 1998 total savings of \$42.09 million (in constant dollar terms) are achievable in meat inspection and quality assurance costs if an integrated total quality assurance approach to production is implemented. On the basis of benefits realised in other manufacturing industries, Arthur Andersen & Co. estimate that the introduction of the total quality assurance approach would also yield annual savings of at least 5 per cent in processing costs (they estimate these savings to be of the order of \$40 million).

Such savings would improve the fresh meat industry's international competitiveness both by reducing production costs and by giving customers greater confidence in the quality of Australian meat. If such cost savings were also passed on to producers of processed meat products lower costs (and hence greater price competitiveness) would ensue in this industry as well.

1. Australian Meat and Livestock Research and Development Corporation, *Review of Meat Inspection*, 1988.

THE PROCESSED MEAT INDUSTRY EMPHASISES PRICE RATHER THAN QUALITY

In the processed meat products industry emphasis has been placed upon price competitiveness as a means of increasing domestic market share with quality being of lesser importance. Little attention has been given by the industry to the development of high quality products which would be suited to consumers tastes. In addition, the industry's use of available quality control technologies has been very limited. If, as suggested, this industry is to exploit the identified opportunities in the international market by means of a strategy which emphasises the quality of the products, then much greater attention needs to be given to these aspects.

#### 4.4 Labour Issues

With the meat products industry being relatively labour intensive (salaries and wages being a higher proportion of value added in both the red meat industry and the bacon, ham and smallgoods industry than in the manufacturing sector as a whole) the skills and motivation of the workforce is of significant importance in determining the level of international competitiveness in terms of both price and quality.

UNSKILLED WORKERS PREDOMINATE

ABS data for 1986 show that, as opposed to the situation in all other major food producing sectors where semi-skilled workers predominated, in the meat products industry the number of unskilled workers was largest. In that industry unskilled workers accounted for 55 per cent of the total employed labour force in 1986 with semi-skilled workers (tradesmen, clerks, salespersons, personal service workers, and plant and machine operators) accounting for a further 36 per cent.

THERE IS LITTLE TRAINING AVAILABLE

With the exception of trade training for butchers there appears to be little training available for those in the meat industry. All accredited courses are general food courses and there are no specific meat science or meat technology courses. AUS-MEAT provides some industry training to support the AUS-MEAT scheme. During the year to June 1988, fresh meat quality assurance training courses were conducted regionally by AUS-MEAT with 254 participants successfully completing the course.<sup>1</sup> Other courses offered for the meat industry include a meat inspectors course offered by Sydney Technical College, short courses on smallgoods by the University of Western Sydney (previously the Hawkesbury Agricultural College) which are offered once per year and last for one week, and workshops held periodically by the CSIRO Meat Research Laboratory.

The low level of worker skills impacts upon product quality. While the industry has shown concern about the AQIS meat inspection regime and its associated costs, improved worker skills

1. Australian Meat and Livestock Corporation, *Annual Report July 87-June 88*.

INDUSTRIAL DISPUTATION IS HIGH

and motivation are necessary prerequisites for the introduction of effective industry-based quality assurance programs and a resultant reduction in the level of AQIS inspection activities.

In addition to the low level of skills in the meat industry, ABS data show that the level of industrial disputation in the meat industry is very high by industry standards. In 1984-85 the number of days lost per employee due to industrial disputes was 2.28 as compared with 0.86 in the food, beverage and tobacco sector and 0.29 in the manufacturing sector as a whole. The data show that 1984-85 was not an atypical year. Sources have stated that in the slaughter industry work is dirty, the degree to which workers participate in the decision-making process is minimal and career paths are almost non-existent. In the large number of small firms which make bacon, ham and smallgoods carter prospects are also severely limited.

THE INDUSTRY HAS A POOR OCCUPATIONAL HEALTH AND SAFETY RECORD

The PA Management Consultant's report to the AML Industry Policy Council (AMLIPC) in 1986 on the costs of converting livestock to meat<sup>1</sup> drew attention to the apparently poor occupational health and safety record and associated high costs in the meat industry, particularly at the abattoir level and recommended that this issue be further analysed. Following subsequent study by a Working Group established by the AMLIPC a report was recently published<sup>2</sup> which estimates that the meat processing industry is spending more than \$330 million per year on work-related illnesses and accidents. The report states that the known direct costs of injuries and illnesses in the industry amount to \$84 million and that, on the assumption that uninsured costs are four to five times the insured costs, the overall cost to the industry would exceed \$330 million per year. The report highlights an unsatisfactory approach to skills training by the meat industry as being one of the major causes of occupational injury and illness and recommends that a training needs analysis for the meat industry be undertaken with a view to developing a national industry training package.

The industry has shown some concerns about the effects of the 'tally' system of remuneration upon their operations. This system sets down the number and grades of workers required for the slaughter of any given number of livestock as well as the rates of remuneration of these workers. Abattoir operators argue that the tally system reduces capacity utilisation in the abattoir industry, retards the introduction of new technology and leads to industrial relations problems thereby increasing operating costs.

However, both the IAC in its inquiry into the meat processing industry in 1982<sup>1</sup> and PA Management Consultants in their investigations into the costs of the meat processing chain in 1986<sup>2</sup> failed

1. Australian Meat and Livestock Industry Policy Council, *op.cit.*  
2. Australian Meat and Livestock Industry Policy Council Report 9, *Occupational Health and Safety in the Australian Meat Processing Industry, 1988*.

IMPROVED  
MANAGEMENT  
AND INDUSTRIAL  
RELATIONS  
PRACTICES ARE  
NECESSARY

to establish any causal link between the tally and these other factors and considered that the problems faced by the producers could be corrected by improved management and industrial relations practices. This study tends to support this conclusion but, at the same time, draws attention to the link between the tally system and the emphasis in the industry upon the rate of slaughter rather than upon product quality. Appropriate skills training, together with the introduction of total quality management programs and improved industrial relations practices in the industry would do much to overcome these problems.

Work is currently being done on automated slaughter systems for sheep and cattle in both New Zealand and Australia. If successful, such systems apparently offer potential for reducing labour input per unit output by replacing workers with automatic slaughter equipment. The introduction of such systems may also contribute to greater consistency in the quality of output. If the full potential benefits are to be derived from the introduction of these automated slaughter systems, it will nevertheless be necessary to secure improvements in management and industrial relations practices.

#### 4.5 Product and Process Research and Development

Indications are that R and D efforts in respect of fresh meat products and processes are generally adequate. In July 1985 the AML R and D Corporation was established to improve the productivity and market performance of the meat and livestock industry and to improve accountability for expenditure upon meat and livestock R and D activities. The R and D Corporation receives its funds by way of levies on the slaughter and charges on the export of livestock and from the Commonwealth Government (which provides 50 per cent of levy receipts or R and D expenditure—whichever is the least). The bulk of the R and D Corporation's funds are disbursed by way of annual grants for approved R and D projects.

In 1987-88 approved allocations by the AML R and D Corporation were to be \$16.5 million. The Corporation's Annual Report for 1986-87<sup>1</sup> shows that, of these allocations, 38 per cent was for improving the efficiency of livestock production, 27 per cent was for improving the efficiency of converting livestock to meat and then 22 per cent was for improving product range, quality and marketability. The balance sheet for 1986-87 shows that the largest share of grant moneys went to the CSIRO (35 per cent)—

1. Industries Assistance Commission Report 313, *op.cit.*
2. Australian Meat and Livestock Industry Policy Council, *The Cost of Converting Livestock to Meat*, *op.cit.*
3. Australian Meat and Livestock Research and Development Corporation, *Annual Report 1986-87*.

A GREATER FOCUS  
ON QUALITY  
ISSUES IS  
DESIRABLE

R AND D IN THE  
MORE HIGHLY  
PROCESSED MEAT  
PRODUCTS  
INDUSTRY IS  
INADEQUATE

State Departments of Agriculture received 26 per cent and Universities received 23 per cent.

The CSIRO Meat Research Laboratory at Cannon Hill in Brisbane receives about 50-55 per cent of its funds from the AML R and D Corporation. To date much of the Laboratory's research has been directed towards the earlier stages of the transformation process (livestock characteristics, slaughter technologies, the characteristics of fresh meat and improved packaging techniques for fresh meat products) rather than on devising value added meat-based products and processes. The Laboratory has, however, recently started to expand its value added meat R and D area and is soon to have a fully operational pilot plant. It is intended that these facilities will be available to industry for R and D work either jointly with the CSIRO or on an exclusive basis.

In light of the comments made in the previous sections of the report about the inadequate attention which the fresh meat industry has given to quality to date, it is important that R and D efforts undertaken on the industry's behalf continue to place emphasis upon the further development of appropriate quality management systems for the processing and packaging of fresh meat products and that the implementation of these systems by industry is promoted.

By contrast with the research efforts being undertaken in the fresh meat industry, R and D in the processed meat industry is inadequate. Industry sources indicate that there is little technical expertise in the industry. The research being done by the industry itself is small scale, usually being confined to the adaptation of products produced overseas for sale on the local market. With one of the very few grants supplied by the AML R and D Corporation for research into more highly processed meat products, the Victoria-based Werribee Food Research Institute is undertaking research into the development of fermented and processed meat products for new export markets.

Much greater attention therefore needs to be given to R and D efforts directed towards facilitating and encouraging the production of meat-based value added niche market products of consistently high quality specifically tailored to overseas customers preferences.

#### 4.6 Raw Material Issues

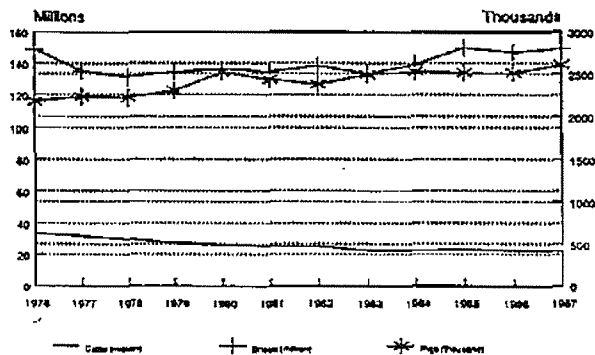
Meat accounts for more than (sometimes considerably more than) 50 per cent of the total cost of producing meat products. In general, discussions with industry have raised three broad issues—availability, cost and quality.

The meat processing industry has traditionally experienced substantial fluctuations in the volume of livestock presented for slaughter. For instance, after reaching a peak of 13 million in

**AVAILABILITY AND COST OF LIVESTOCK FLUCTUATES SUBSTANTIALLY**

1977-78, the number of cattle slaughtered fell to 8.4 million in 1980-81 before rising slightly to 9.1 million in 1982-83. In 1984-85 slaughtering of cattle and calves were only 7 million but rose to reach 7.9 million in 1986-87.

**LIVESTOCK NUMBERS**  
(Year ended 31 March)



Cattle numbers have fallen while pig numbers have risen.  
Sheep numbers have risen sharply since 1983.

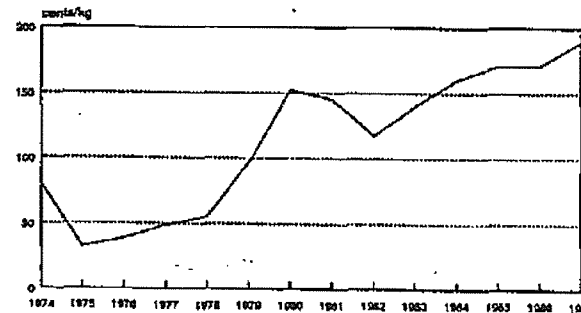
These fluctuations are due to a number of factors including climate, current domestic and export demand, anticipated demand conditions and relative returns to be derived from a range of agricultural activities. As shown in the next graph, these supply and demand conditions also cause substantial fluctuations in raw material (meat) prices. Industry sources indicate that following the announcement in mid 1988 of the liberalisation of the Japanese beef market, cattle prices rose by nearly 30 per cent as producers withheld stock for herd building.

The fluctuations in industry profitability coupled with the uncertainty about future supply and demand conditions resulting from these variations in the availability and cost of meat, may have dampened investment in new technology. At the same time, though, one important response has been the growth in lotfeeding operations. This regime offers greater security of throughput. Of perhaps greater significance, however, is the extent to which lotfeeding operations offer improved control over the quality of the livestock presented for slaughter—thereby enabling greater product specification which can much more easily take into consideration the preferences of consumers in target markets.

**LOTFEEDING OFFERS IMPROVED CONTROL OVER LIVESTOCK QUALITY**

**PRODUCTION OF QUALITY DIFFERENTIATED PRODUCTS HELPS INSULATE AGAINST INPUT PRICE FLUCTUATIONS**

**STEER PRICES**  
**SYDNEY LIVESTOCK MARKET**  
(cents per kilogram)



Although fluctuations in costs and hence prices flow through to producers of more elaborately transformed meat products such as continental smallgoods and meat-based portion control/convenience foods, a strategy aimed at supplying quality products to niche markets would help insulate producers from these effects.

A final aspect of raw material costs concerns the price difference between the cost of meat produced for the domestic market and that produced for the export market because of the more stringent conditions under which the latter must be produced. Manufacturers of continental smallgoods and of meat-based convenience products have expressed concern at the requirement to use meat from export-approved establishments for the manufacture of meat products for overseas markets. The requirement is seen as unnecessary and a substantial impediment to producing for the export market, especially where domestic production is to be retained.

Arrangements can be made with AQIS whereby production runs for export and for the domestic market are undertaken at different times. Additionally, the apparent disadvantage can be somewhat ameliorated where a product's position in the market is based upon its reputation for quality rather than its ability to compete on the basis of price. Nevertheless, the scope for freeing up the requirements in this area needs to be examined. If such requirements are necessary to meet the demands of the importing country then opportunities for introducing a degree of self-regulation by the industry merits investigation.

## CHAPTER 5

### STRATEGIES FOR IMPROVED PERFORMANCE

If the opportunities identified in Chapter 3 of the report are to be exploited, then strategies must be developed that address the issues discussed in the previous part of the report which are seen as inhibiting industry development and which, at the same time, lead to an improved appreciation and willingness by the industry to tackle the export market.

The most significant issues identified in Chapter 4 of the report for the fresh meat industry are management's limited marketing expertise, the inadequate attention which is paid to quality and the *poor industrial relations and training records*. Practical strategies addressing these should be a priority. While some suggestions are made on ways to tackle the constraints imposed upon the industry's structure these are of lesser significance. Similarly, extensive R and D is being undertaken into the characteristics and processing methods of fresh meat and it only remains to ensure that the results are of practical use to the industry and are effectively communicated to the industry so that they receive widespread adoption.

The most important issues impinging upon the performance of the processed meat products industry are the inadequate level of attention devoted by management to strategic planning and to product and process development (including the very important aspect of product quality and its use as a marketing tool), the lack of financial power on the part of individual firms in the industry to access international markets and the *absence of adequate training* for workers in the industry. Strategies to address these issues are developed below.

#### 5.1 Strategies for the Fresh Meat Industry

If Australia is to acquire a reputation in the international market for quality fresh meat products suited to consumer tastes it is necessary to move beyond the AUS-MEAT system of product description to a grading system whereby purchasers can with ease order, and be assured of receiving, meat of a specific quality. It is understood that the Australian Meat Exporters' Federal Council (AMEFC) has developed a grading system for grainfed beef which is to be trialled in Japan later this year. Also being discussed at this stage is a subsequent flow-on to grassfed table beef for export and the extension of the system to other South-East Asian countries.

This Department fully supports the introduction of a grading system appropriate to Australia's fresh meat industry as a

A MORE REFINED  
GRADING SYSTEM  
IS NECESSARY

BRANDED MEAT  
PRODUCTS MUST  
BE MARKETED

TOTAL QUALITY  
MANAGEMENT  
SYSTEMS MUST BE  
IMPLEMENTED

means of facilitating the international sale of quality fresh beef. It recommends that AUS-MEAT support Australian meat exporters efforts to devise and introduce such a system.

It is also noted that one major Australian processor of fresh meat for export has established a retail outlet for its beef in Yokohama, Japan. This will allow the packaging and sale to Japanese customers of a branded product. Moves such as this will also facilitate the development in international markets of brand loyalty thereby reducing the importance of price as a determinant of demand.

The Department supports the shift towards the sale in international markets of branded fresh meat products as a means of increasing the importance of quality as a factor in demand decisions. The AMLC should actively encourage Australia's fresh meat exporters to offer for sale branded meat products.

Integrally related to the success of a strategy aimed at selling branded meat products which conform to specific, high quality, grades is the introduction by the industry of appropriate quality assurance programs. Consequent upon the findings by Arthur Andersen in the study commissioned by the AML R and D Corporation<sup>1</sup> which highlight the benefits to be derived by the industry from the introduction of such a program, AUS-MEAT should assume responsibility for promoting the adoption of appropriate total quality management systems—in the first instance by meat exporters. AQIS also has an important contribution to make to the development of appropriate quality management criteria for export establishments.

It is understood that the AML R and D Corporation has reached agreement with two major meat companies to act as a facilitator for the introduction of Total Quality Management (TQM) systems. The objective is to develop TQM as a system for company wide commitment.

The Department recommends that, following the development (in conjunction with AQIS) of appropriate TQM systems, AUS-MEAT assume responsibility for promoting their industry-wide adoption.

The second major factor determining the success of the production and international sale of quality fresh meat products is the level of skills and commitment of the workforce.

AUS-MEAT has established a Meat Industry Training Committee comprising representatives from the Meat Exporters Federal Council, the Meat and Allied Trades Federation and the Australian Retailers Association to investigate whether the industry's employers see a need for improved training and workplace communication and how this could be achieved. At present the intention is only to do a stocktake of available training and the amount of training actually undertaken.

1. Australian Meat and Livestock Research and Development Corporation, *Review of Meat Inspection*, op.cit.

At the same time, the AML Industry Policy Council has, with the support of employers, the Australasian Meat Industry Employees Union, AUS-MEAT and the Department of Employment, Education and Training, commissioned a study into the adequacy of present training arrangements which will also recommend appropriate action on education and training.

THE TRAINING  
NEEDS STUDY BY  
THE AML IPC  
SHOULD BE  
SUPPORTED

The Department is concerned that there not be a wasteful duplication of effort amongst different industry organisations and, given the necessity of support from all industry factions, recommends that all segments fully assist the extensive study commissioned by the AML Industry Policy Council. The recommendations arising from this study should be referred to the Department of Employment, Education and Training (DEET) and State Departments of Education for appropriate action.

In the light of the poor industrial relations climate in the fresh meat industry, the Department also recommends that the Department of Industrial Relations (DIR) initiate a program for reform by assisting the process of award restructuring and workplace reform.

This Department understands that DIR has funds available to it for this purpose and, in light of the fact that exports of fresh meat constitute one of Australia's largest export earners, recommends that the fresh meat industry be one of the industries targeted for award restructuring.

Finally, reference was made earlier to the substantial variations in the powers of State-based Statutory Authorities to regulate abattoir capacity. This impedes the operation of market forces, particularly in those States where the powers of these Statutory Authorities are widest (in NSW, Queensland, Victoria and Western Australia).

This Department recommends that the Australian Agriculture Council give serious consideration to introducing uniform abattoir licensing arrangements for all States. It is recommended that, as is presently the situation in South Australia, the issuing of licences be dependent only upon compliance with the necessary hygiene standards and do not take into account current capacity and capacity utilisation levels.

UNIFORM  
ABATTOIR  
LICENSING  
ARRANGEMENTS  
FOR ALL STATES

## 5.2 Strategies for the Processed Meat Products Industry

The most important factors inhibiting the export of processed meat products is the expertise of management and the capacity of individual, small firms to undertake the costly market research and promotion exercises necessary for a successful export effort. A number of strategies are proposed to overcome these constraints.

In the first instance it is recommended that the Council of Australian Sausage and Smallgoods (CASS) and the National Meat Processors Association (NMPA) should identify dynamic

producers which should then be targetted by the National Industry Extension Service (NIES), relevant research organisations (including the AML R and D Corporation and CSIRO) and Austrade to develop an enduring international competitive advantage founded upon the manufacture and marketing of quality products.

The first step in this process should be to determine the characteristics and preferences of priority markets (Japan, South-East Asia and the Middle East). The AML R and D Corporation is willing to provide support for suitable proposals. Additionally, Austrade can provide (both domestically and through its Trade Commissioners in overseas posts) a range of market information as well as administering the Export Market Development Grants scheme and a range of discretionary programs including the Innovative Agricultural Marketing Program and the International Business Development scheme. These programs provide assistance for, inter alia, the research and development of export markets.

The Department recommends that CASS, NMPA and the AML R and D Corporation actively increase the industry's level of awareness of these services and programs and encourage identified dynamic companies to undertake export market research using this assistance.

Following this market research, products and, if necessary, processes should be developed to supply processed meat products which are appropriately packaged and suited to the tastes of consumers in these overseas markets. Given suitable proposals, the AML R and D Corporation would provide financial support for such product and process developments. In addition, the Federal Government may provide assistance through the 150 per cent R and D scheme and the Grants for Industry Research and Development scheme. Organisations such as the Meat Research Laboratory and the Sensory Research Unit (both within the CSIRO) as well as the Food Research Institute at Werribee (Victoria) are in a position to play central roles in this R and D.

The Department recommends that CASS, NMPA and the AML R and D Corporation create an increased awareness of R and D assistance programs and actively encourage collaboration between dynamic firms and research organisations on those commercially oriented projects previously identified. This should include the development of appropriate Total Quality Management systems to ensure the consistent production of products of high quality.

Following product development there are a range of options available to firms which would ease the financial constraints which accompany efforts to create a market presence for quality branded products. The assistance available from Austrade under the Export Market Development Grants scheme and the other discretionary

A MARKETING  
ANALYSIS OF THE  
JAPANESE,  
SOUTH EAST  
ASIAN AND  
MIDDLE EAST  
MARKETS SHOULD  
BE UNDERTAKEN

PRODUCT AND  
PROCESS R AND D  
SHOULD BE  
UNDERTAKEN

OPTIONS CAN BE  
EXPLORED TO  
GAIN ACCESS TO  
OVERSEAS  
MARKETS

programs (the Innovative Agricultural Marketing Program and the International Business Development scheme) have already been mentioned. The industry should also consider four other ways in which the financial impediments to penetrating these overseas markets might be overcome:

- small companies could use the services of large, export-oriented companies (whether they be manufacturers of fresh meat products, of other consumer products or Australian wholesalers distributing products internationally) which are already operating in these markets;
- these companies could enter into collaborative ventures with importers and distributors in these target markets;
- these processed meat product companies could themselves establish a joint marketing venture;
- greater use could be made of food brokers.

The attitudes of the different companies in this industry to each of these possibilities could be expected to vary depending upon their individual situations and preferences.

Encouraging better integration of Australian firms with the world economy through the development of international industrial co-operation is one of this Department's corporate priorities and the Processed Food industry has been targeted under this investment promotion program. In conjunction with Austrade, the Department is raising awareness (both in Australia and overseas) of the benefits to be derived from industrial collaboration and promoting practical mechanisms (including a fully operational, integrated investment promotion network) for such collaboration.

The Department has previously recommended that the fresh meat industry fully support the training needs study recently initiated by the AML Industry Policy Council. As this study is also to deal with training issues in the processed meat products industry, the Department recommends that CASS and the NMPA ensure their industry's full participation in the study. The findings of the study should be referred to DEET and the State Departments of Education for appropriate action.

Finally, in line with AQIS' objectives, the Department recommends that that organisation move speedily to establish Approved Quality Assurance guidelines for the production of processed meats for export so that producers can move towards greater self-regulation. CASS and the NMPA should also work with AQIS to demonstrate to target importing countries that, where meat is further processed, use of fresh meat from export accredited (as opposed to domestic) abattoirs is unnecessary.

