



Improving market transparency in perishable agricultural goods industries

Chicken meat industry second workshop 28 September 2021: Workshop communique

Background

In late 2020, the Australian Competition and Consumer Commission (ACCC) conducted an inquiry into bargaining power imbalances in supply chains for perishable agricultural goods (PAG). The inquiry recommended that the government explore measures to increase price transparency in PAG industries to increase competition in those industries.

In response to this recommendation, the Australian Government, through the Department of Agriculture, Water and the Environment (DAWE) has committed \$5.4 million to improve price and market transparency in PAG industries by:

- delivering co-design workshops with PAG industries to understand their market transparency issues, opportunities and requirements
- delivering a grants program to develop and implement tailored mechanisms to improve price and market transparency.

The workshops provide an opportunity for participants to discuss price and market transparency issues in their sector, brainstorm ideas to improve transparency and co-design the details of solutions going forward.

Workshop 2 outcomes

Fifteen industry and government representatives attended the second workshop for chicken meat growers to progress opportunities to improve price and market transparency. The workshop's objective was to generate ideas for potential projects that could either form the basis of a proposal in the department's upcoming grants program or be progressed outside of this program.

Participants ([Appendix A](#)) worked in small groups to progress concepts for 2 opportunities that were identified in the first workshop:

- 1) Benchmarking/data sharing/modelling
- 2) Develop a code of conduct

Individuals self-selected themselves into 2 working groups to generate ideas for each of these projects, which considered:

- Purpose – project’s intended outcome
- Details – the project’s scope
- Stakeholders – the people or organisations that would manage or contribute to developing, implementing, and maintaining the project
- Risks and benefits – the risks that could impact the project and their mitigation strategies, as well as the long-term benefits of the project.

Groups then presented their project ideas to each other to gather further input and discuss next steps.

Table 1 provides an overview of the potential projects that were developed.

Overall, the group considered both projects to be interlinked with the code of conduct taking priority and enabling the benchmarking project. The group considered the merits of both a voluntary and mandatory code of conduct (preferred).

Next steps

The outcomes of the workshop, including the potential projects, will be summarised and presented to the processors group at a separate workshop.

Table 1 Potential projects

Project	Key purpose, risks and benefits	Stakeholders and resourcing	Next steps
<p>Benchmarking</p> <p>Data sharing and benchmarking across the supply chain to address information asymmetries and build price indexes. For example, this could include data on:</p> <ul style="list-style-type: none"> • prices • costs • debt levels • contract lengths and renewals. <p>Data would be de-identified and aggregated to provide a layer of security and commercial confidentiality for all parties.</p> <p>Benchmarking could be dynamic based on live data or static based on data collected annually. It may need to start as a basic tool and build on the data over time.</p> <p>Two examples in the dairy industry could provide guidance on an appropriate tool, depending on whether the project is enabled by a code of conduct:</p> <ul style="list-style-type: none"> • The Dairy Farm Monitor Project • The Milk Value Portal 	<p>Purpose</p> <p>Address information asymmetries across the supply chain, including greater transparency about who is paying for different costs.</p> <p>Provide a fairer playing ground with increased understanding of price signals, tenure, returns on investment.</p> <p>Produce publication of data identifying lines of profitability.</p> <p>Provide data that helps governments to design policy and industry support.</p> <p>Risks and mitigations</p> <p>Won't address many of the problems in the industry, such as the complexity of contracts and security of tenure – mitigated by a code of conduct.</p> <p>Data holders may not be willing to share data – mitigation includes mandated in a code of conduct or incentivised by working towards a benchmarking tool that provides benefits across the industry.</p> <p>Accuracy of data – mitigated by publishing the data (accountability) and de-identification of data.</p> <p>Benefits</p> <p>One element of a toolkit to solve bigger problems in price transparency.</p> <p>Addresses information asymmetries.</p> <p>Demonstrates unfairness in the industry, for example different pricing for growers in different states, thus enabling more balanced approach nationally.</p>	<p>Stakeholders</p> <p>The project could be taken forward by the National Farmers Federation and the Australian Chicken Growers Council, working with their state bodies.</p> <p>Consultation and collaboration with Commonwealth and State agriculture departments during the development stage.</p> <p>Consultation and collaboration with processors, retailers, and the food service sector, who hold much of the data.</p> <p>Resourcing</p> <p>Much of the data is unavailable publicly, but some available information includes pool system prices – annual figure.</p> <p>Industry bodies such as the VFF hold information on initial capital investment and potential return.</p> <p>Processors hold information across the supply chain with each company holding their own information.</p> <p>Opportunity to partner with retailers and the food service sector for data inputs.</p> <p>Need to provide incentives as well as aggregate and de-identify information to encourage data sharing.</p> <p>Requires further analysis to identify the most useful inputs.</p>	<p>There are no similar initiatives existing in the industry to leverage.</p> <p>The first step would be to conduct a cost-benefit analysis.</p> <p>Benchmarking would form part of a voluntary or mandatory code of conduct.</p>

Project	Key purpose, risks and benefits	Stakeholders and resourcing	Next steps
<p>Code of conduct</p> <p>A code of conduct would be based on risk apportionment and principles of fairness and acting in good faith.</p> <p>Specifically, it could include minimum terms for contracts, such as:</p> <ul style="list-style-type: none"> • pool payment system terms • minimum pricing • termination of contracts • quality assessments • payments for facility upgrades/maintenance. <p>The code may also include a standard contract.</p> <p>Other matters which the code would likely deal with include:</p> <ul style="list-style-type: none"> • provision of an adequate dispute resolution and an arbitration mechanism • provision of historical data reported annually – price points and price data enabling benchmarking • details for engaging with collective bargaining. 	<p>Purpose</p> <p>Appropriate risk apportionment between different stakeholders that would:</p> <ul style="list-style-type: none"> • protect growers against retribution • provide oversight on contracts and removal of potentially unfair contract terms • regulate industry contracts and clarity for growers on pricing and future investment • create price transparency across whole supply chain. <p>Risks and mitigations</p> <p>Processors not supplying price data – mitigated by aggregating data.</p> <p>No action or change from a voluntary code – mitigated by a mandatory code.</p> <p>Watered down code – mitigated by ensuring government is at the table.</p> <p>Mandatory code does not have compulsion for post-contractual arbitration – possible mitigation would relate to code contract terms including arbitration mechanisms.</p> <p>Unfair contract conditions imposed – mitigation could include standard contracts.</p> <p>Benefits</p> <p>A code of conduct would:</p> <ul style="list-style-type: none"> • create a fair market which in turn creates willingness to innovate and invest – decrease in investment cost • manage risks appropriately making the supply chain more efficient • improve transparency and profit distribution across supply chain • improve time management through less requirement for lengthy negotiations. 	<p>Stakeholders</p> <p>Government stakeholders identified for being involved in the development and management of a code:</p> <ul style="list-style-type: none"> • Department of Agriculture, Water and the Environment • ACCC • Treasury <p>Industry stakeholders identified for collaboration and consultation:</p> <ul style="list-style-type: none"> • Chicken meat industry supply chain – growers (representative bodies), processors (APIA), retailers. • RSPCA and FREPA (e.g. set standards for upgrading conversion of infrastructure to support free-range production) • Consumer representatives (e.g. Choice). <p>Resourcing</p> <p>Funding and resourcing (skills) required would include:</p> <ul style="list-style-type: none"> • professional legal advice • facilitation and negotiation • stakeholder engagement – to deliver and manage • project management/communication. 	<p>The group noted it's preference for a mandatory code, rather than a voluntary code.</p> <p>Government participants explained a policy decision would need to be taken to support this proposal.</p> <p>National Farmers Federation would take this project forward in consultation with:</p> <ul style="list-style-type: none"> • NSW Farmers Association • Victorian Farmers Federation • Australian Chicken Growers' Council. <p>The initial steps to produce a code would include:</p> <ol style="list-style-type: none"> 1) Professional legal advice to draft substance of code. 2) Stakeholder engagement across the industry. <p>Once a progressed draft is available, stakeholders would work with the Department of Agriculture, Water and the Environment and other government agencies.</p>

Appendix A: Participant list

- AgriFutures Australia
- Australian Chicken Meat Federation
- National Farmers' Federation
- Victorian Farmers Federation
- New South Wales Farmers Association
- Australian Chicken Growers Council
- Golden Cockerel
- Turosi
- Inghams
- Woolworths
- Australian Competition and Consumer Commission
- DAWE Agricultural Policy

© Commonwealth of Australia 2021

Unless otherwise noted, copyright (and any other intellectual property rights) in this publication is owned by the Commonwealth of Australia (referred to as the Commonwealth).

All material in this publication is licensed under a [Creative Commons Attribution 4.0 International Licence](#) except content supplied by third parties, logos and the Commonwealth Coat of Arms.

The Australian Government acting through the Department of Agriculture, Water and the Environment has exercised due care and skill in preparing and compiling the information and data in this publication. Notwithstanding, the Department of Agriculture, Water and the Environment, its employees and advisers disclaim all liability, including liability for negligence and for any loss, damage, injury, expense or cost incurred by any person as a result of accessing, using or relying on any of the information or data in this publication to the maximum extent permitted by law.