



Improving market transparency in perishable agricultural goods industries

Chicken meat industry third workshop 7 October 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) in Australia. 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 3 outcomes

Nine industry and government representatives ([Appendix A](#)) attended a workshop for chicken meat processors to progress opportunities to improve price and market transparency. This was the second workshop on this topic attended by chicken meat processors.

The workshop's objective was to discuss project ideas generated by chicken meat growers at a separate workshop, and to provide chicken meat processors an opportunity to generate other ideas for potential projects. Projects aim to improve price and market transparency for the chicken meat sector and could either form the basis of a proposal in the department's upcoming grants program or be progressed outside of this program.

Participants were briefed on, and then discussed 2 project ideas that were developed by the chicken meat growers' group in a workshop held on 28 September 2021:

- 1) Benchmarking – Data sharing and benchmarking across the supply chain to address information asymmetries and build price indexes.
- 2) Develop a Code of Conduct – A code of conduct would be based on risk apportionment and principles of fairness and acting in good faith.

Details of these project ideas are set out in the *Chicken meat industry second workshop 28 September 2021: Workshop communique*.

The processor representatives reiterated views expressed at the first joint workshop – held 24 August 2021 – that there was no evidence of a market failure relating to price and market transparency. In its report, the ACCC identified issues with contracts – which were being reviewed separately by the ACCC – and not with price or market transparency.

Summary of views on growers' project ideas

Benchmarking

Processors did not support benchmarking across the supply chain. They raised the issue that prices negotiated between processors and their customers are confidential and they did not believe they were relevant to the price paid to growers.

They did not feel that comparisons to the dairy industry were relevant to this sector, as processors owned the chickens and supplied feed and therefore wear more risks, whereas dairy farmers owned their cattle and took on the majority of risk.

Processors did not see value in benchmarking and referred to models that had been used in the past but were discontinued due to a perceived lack of value. While they were not opposed to growers benchmarking their own costs, they did not believe there was an issue that would warrant it.

They suggested that growers could look at benchmarking costs such as infrastructure, land, management services, bedding, power and water. This should include performance and investment variables and grower returns.

Code of conduct

The processor group felt it was unclear how a code of conduct relates to price transparency and noted that introducing a mandatory code is a serious regulatory step that was considered an overreach in this process.

They felt there is no demonstrated market failure to support developing a code of conduct, noting that their experience for demand and investment from new and existing growers suggests the market is working.

There was a perception that a code of conduct would risk driving up costs in the industry. Due to the chicken meat being Australia's most popular protein, any price increase from over-regulation would be detrimental to the industry and consumers.

Variation to benchmarking project

The workshop provided chicken processors an opportunity to identify ideas for additional projects. While processors did not believe there was a transparency issue that needed to be addressed, participants generated ideas on a model for demonstrating farm return on investment to include in any benchmarking project on growers' prices and costs that might be developed.

If a mechanism was developed to benchmark costs and prices for growers, it should include a model for demonstrating farm returns as an essential part of the mechanism. A database could be set up to allow grower input, including inputs on costs, performance and investment.

Through-chain benchmarking is out of scope.

Purpose

Would contribute to benchmarking, by providing a consistent farm model across growers.

Risks and mitigations

- May present issues with competition.
- State based prices vary so would need to be factored in.
- Additional cost to develop and maintain when it is not needed.

Benefits

Benefits unclear but may assist with investment decisions for growers.

Stakeholders

- The project would apply to growers and possibly be managed by a grower organisation, although many growers are not part of the organisations.
- It would not apply through the supply chain and processors would not be required to provide data.

Resourcing

Funding would be required for:

- A database to be developed.
- An independent body on a fee-based tenure to develop database.

Next steps

The processor group recommended conducting a further workshop with corporate chicken growers to ensure a cross-section of views are represented. Chicken meat processors agreed to pass on details of appropriate contacts for these growers.

Appendix A: Participant list

- Australian Chicken Meat Federation
- Inghams
- Baiada
- Turosi
- ACCC
- DAWE Agricultural Policy Division

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