



PRIME CUTS

AMIC PROCESSOR GROUP'S WEEKLY NEWSLETTER

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AMIC 2009 MEAT CONFERENCE

24-25 SEPTEMBER 2009
SHERATON MIRAGE RESORT,
GOLD COAST



ITEMS OF INTEREST THIS WEEK

- **Westpac Young Beef Achiever** – AMIC member Alistair Ferguson from Sanger Australia won the Westpac 'Young' Beef Achiever Award at this week's *Beef Australia 2009* for his work in developing Certified Organic Beef. Congratulations Alistair.
- **Brazil** – Brazilian media this week reported Brazilian meat processor Marfrig having its financial rating downgraded after poor results since the last quarter of 2008. The Brazilian media was also reporting discussions had begun between Marfrig and fellow Brazilian processor Bertin, towards a possible merger as the whole Brazilian beef sector looks to consolidate after difficult trading conditions since the global credit crisis hit last year.
- **EU & U.S. – A 45,000 Tonne HQB Quota in the Wings** – The E U and the US have reached a provisional agreement that could end the long running beef dispute over growth hormones. Under the terms of the agreement, the US would agree not to impose new so-called 'Carousel' sanctions which were due to come into force this week. These measures would affect a range of EU products including Italian mineral water, Roquefort cheese and a number of other food products. The US would also maintain the currently reduced level of existing sanctions against EU products (68% or US\$79 m lower) but would eliminate all sanctions beginning in the fourth year of the agreement. In return the agreement would provide additional duty free access to the EU for 20,000 tonnes of EU HQB (Hilton beef) in the first 3 years, increasing to 45,000 tonnes beginning in the fourth year. Before the end of the 4-year period, the two sides will seek to agree on the conditions for the settlement applicable beyond that period. MLA advise the deal does not address antimicrobials, a market access issue for the US in the EU. US plants can use steam pasteurisation and there appears an understanding on lactic and acetic acid washes as well. The current quota of 11,500 tonnes is shared between the US and Canada and is normally never filled. Canadian access will be in addition to the 20,000/45,000 tonne quota for the US but will operate as one quota. What opportunities this affords Australia to lift its paltry 7,150 tonne quota remains to be seen.
- **Korea** – While reports in the US suggest President Obama has asked the USTR to relook at the main issues (cars and beef) that are holding up ratification of the US-Korea Free Trade Agreement, the Korean Ambassador has countered that Korea will not renegotiate the FTA with the US although it is ready to discuss US concerns on automobiles and imported beef.
- **Kangaroo Exports Hit Animal Rights Snag** - NSW and Queensland police have raided the offices of the animal welfare group Animal Liberation, seizing documents and computer files in their battle against the slaughter of kangaroos and their export for human consumption. Animal Liberation said the warrant specified allegations that members of the group had wilfully contaminated carcasses for the purposes of causing "public alarm or loss" agreeing they entered kangaroo chillers (containers in which carcasses are held after killing and kept cool before being moved to processing centres) and had distributed contaminated material to produce adverse quality test results. Commissioned reports by Animal Liberation showed high contamination in some samples. The research, funded by another animal rights organisation, Voiceless, provided a damning report on the industry which included unhygienic practices and unacceptable suffering of young kangaroos. The paper, just published, was seized by police last week. Animal Liberation admitted they had gone into unlocked chillers in western Queensland and taken swabs for analysis. Last year the Russian Federation stopped 70% of kangaroo meat imports following port of entry testing in Russia. As Russia was taking close to 90% of those export operations production, a number closed once their Russian accreditation was removed. A further kangaroo plant has lost its accreditation over *Salmonella* this week - a concern for beef and sheepmeat exporters given that the Russians are testing for salmonella at Port of Entry.
- **New Zealand** – According to data from Statistics New Zealand, export slaughter and production this year October to March is down 13% on last year's levels. Meat and Wool NZ earlier in the year forecast lamb supplies to fall 23% in 2008/2009. The onset of winter usually sees the north island lamb kill start to taper off but according to trade sources, to-date the lambs have still been coming. Apart from the shortened kill weeks surrounding Easter, the north

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island lamb kill has been lifting week on week. Local sources suggest it is possible that the kill may surpass earlier projections but the safe bet say many would be the supply of lambs is going to tighten up very shortly.

- **Paraguay** – Drought continues to affect South America, especially Uruguay and Argentina. In Paraguay, the extra turnoff from the drought has most meat packers operating at 100% slaughter capacity, in many cases with poorly finished animals and a higher percentage of female slaughter.
- **U.S. – Risk-based Inspection** – Richard Raymond, former USDA Food Safety Administrator who spoke at AMIC's 2007 Conference on the Gold Coast, wrote this month that FSIS tried very hard to get risk-based inspection into US processing plants during the last 4 years of the Bush Administration but it was postponed until the new improved PHIS computer system was up and running to support it. *"Pretty simple, really" he says "A plant with a poor performance record making inherently risky product like ground beef or ground chicken will get more inspection than a plant with a good safety record and making a low risk product like canned hams. This could be applied across the board to all food products produced in the US. All products could be ranked based on science and attribution data and using expert elicitation panels. The riskiest products get the more intense inspection and the lowest risk products may be getting regular audits instead of daily inspections. Put the resources where the risk is greatest and take the resources from where the risk is lowest. This is the 21st Century".* This is what AMIC has been pushing through the Strategic Evaluation Group (SEG) and its Plant Performance Ranking tool; part of its submission to the Federal Government on the Beale Review. Dr Raymond went on to say *"Do we really need to be in every meat and poultry plant daily if most of what we are doing in some of them is temperature graph validation or HACCP procedures validation? A lot of that can be done by electronic communication just like we do for banking and shopping. By this E-inspection, time spent travelling from plant to plant today could be better used by increasing in-plant inspections in plants producing higher risk products"* - again what AMIC has been pushing through the SEG process and the iLeader remote audit web-based system. Dr Raymond was impressed with the iLeader system when he was in Australia in 2007.
- The Institute of Medicine of National Academy was asked by FSIS recently to review criteria developed by FSIS for ranking establishments based on relative risk. Overall the Committee found FSIS commitment to developing a risk-based inspection system commendable and agreed with the general concept of using process control indicators (PCIs) as part of an algorithm to rank establishments in different levels of inspection. The Committee also encouraged FSIS to continue to provide the rationale and scientific evidence as the basis for the proposed system and praised FSIS for its resilience as it improves the proposal with public comments. -

IMPORT / EXPORT / MARKET ACCESS

MALAYSIA – WORLD HALAL FORUM

The World Halal Forum took place this week in Kuala Lumpur, Malaysia. AMIC again led an industry delegation to the forum with the assistance of MLA and AMPC. Halal Committee chair Jon Hayes and AMIC Veterinary Counsel John Dorian participated. The Forum agreed on a framework for developing a new global Halal standard under the auspices of the International Halal Integrity Alliance (IHIA) chaired by Saudi Arabia and coordinated out of Riyadh. The standard has 12 units. High on the list of parameters in the standard is a commitment to non-stun slaughter for cattle, sheep and poultry, contrary to the Australian Standard. AMIC will have a full report shortly.

SWINE FLU – SCIENCE, POLITICS & NON-TARIFF TRADE BARRIERS

While international health officials have reiterated that people cannot contract the new H1N1 flu virus from any pork or other meat products, both China and Russia have used the issue to maintain bans on the imports of pork from various states within the United States. China is one of 17 countries that has banned pork from 36 US states. Russia has also banned import from at least 10 US states suggesting the bans may have other motives. Russia has also banned US poultry exports from some US states as a result of H1N1. Section 727 of the 2009 Appropriations Act in the US effectively bans imports of some Chinese chicken products without allowing the USDA FSIS to conduct appropriate risk assessments, an issue of concern to the Chinese. China currently is completely closed to US beef exports because of BSE contrary to OIE guidelines. The chicken dispute it is likely to impede ongoing efforts to open up China to US beef. One of the growing concerns in the international trading arena is the use of food safety issues as non-tariff trade barriers. Russia has also banned the import of pork from Britain. Reaction there suggests countries like the US and Britain are exposing themselves to misguided trade reaction because of the daily updates they provide to the public on issues such as H1N1. This leaves them open to greater public scrutiny. Most European countries do not provide such information.

- Science related rather than trade related, Canadian health officials report that a swine herd in Alberta has tested positive for Type A H1N1 influenza virus. If confirmed, it would be the world's first case of the influenza virus jumping from a human to pigs. Officials speculate that it may have been caused by a farm worker who became ill after a trip to Mexico. According to the Canadian Food Inspection Agency, about 10% of the Alberta farm's 2,200 pigs showed symptoms of the Type A H1N1 strain.



LIVESTOCK ISSUES

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- **The Livestock Transaction Levy** – In 2006 the Livestock Transaction Levy was increased from \$3.50 to \$5 (an increase of \$1.50) with a 5-year sunset clause requiring a review and ongoing support from livestock producers in order for the extra \$1.50 of the levy to be maintained. The Beef Marketing Funding Committee was formed to review the returns on the Transaction Levy. MLA announced the results this week at *Beef Australia 2009*; that the levy should be maintained suggesting the return to industry of the approximately \$20-\$25 million extra funding for promotion and marketing each year had provided fivefold returns to industry. MLA members will be able to vote on the resolution regarding the levy at the 2009 AGM on 19 November. A parallel vote will also be held for levy payers who are not members of MLA. The original vote in 2006 got through by a majority of around 62%. You would think it will need at least that amount of support this time as well. At last count up to 17% of the Beef Transaction Levy paid to MLA comes from AMIC processor members.

INDUSTRIAL RELATIONS –NO REPORT

OCCUPATIONAL HEALTH & SAFETY (OH&S)

- **Slips, Trips & Falls** - Did you know that last year, almost 6,000 people suffered serious injuries because of a slip, trip or fall at work? Don't let your employees fall victim to a preventable accident. WorkCover NSW has produced a kit that can help employers minimise risks and prevent most falls in the workplace. It contains an informative booklet, a comprehensive checklist, posters and reminder stickers for various workplaces. This kit is available free on request from AMIC NSW. Please call Member Services on 9086 2220 to order yours.

IN THE NEWS THIS WEEK

- **Emissions Trading Scheme – An Update** – The Government's decision to delay by 1 year the start of an Emissions Trading Scheme that sets the price of carbon at \$10 per tonne for the first year (July 2011) means there will no cap on emissions enforced until July 2012. An unlimited number of permits will be available at a fixed price to eligible companies and the policy will function during the phase-in year of 2011/2012 as a tax on emissions rather than a cap and trade scheme. Economist Ross Garnaut in his report on emissions trading last September advised a "soft start" to the scheme and a fixed price for 2 years, to minimise risk and uncertainty from price volatility. Garnaut's suggestion however was that the starting price be \$20 per tonne which is closer to the value of international permits. The \$10 price is well below the cost of the carbon credits that Australian companies would be most likely to buy on the world market which is generated under the Kyoto Protocol now trading for around 11 euro (around \$20). The market forces that are supposed to drive a cap and trade scheme will come into play only from July 2012 when the carbon price will be floated. An upper price of \$46 a tonne will operate in the first year and will rise by 5% for each of the following few years. If it goes above this level the Government will simply print more permits and be forced to buy international carbon credits to reach Australia's greenhouse gas commitments. This still doesn't address the meat industry's trade exposed nature and the issue of wastewater.
- The Greens have begun a public campaign on climate change with a television commercial highlighting job creation from greening up Australia's economy. The advertisement is critical of the \$7.4 billion compensation to Australia's biggest polluters from the Rudd Government.
- AMIC gave a presentation on the implications for food processing (in our case, meat processing) of the currently proposed Emissions Trading Scheme at the Australian Farm Institute Conference last week. The case for a review of trade exposed food processing industries such as meat, dairy and sugar is finally gaining real traction with the Department of Climate Change(DCC) with the key issue of the inclusion of wastewater in the current scheme (up to 60% of meat processing omissions) now on the table. AMIC met again with the DCC in Melbourne this week.
- **Domestic Processor Conference (5-6 May 2009)** – The Victorian Domestic Meat Processors Council held a very successful Domestic Processors Conference in Torquay with representation from 11 different operators. Presentations from AMIC, MLA, DPI, PrimeSafe and AMPC had a domestic focus and generated much discussion and debate. The ability to network with other domestic meat processors to discuss common problems and issues was agreed by all was the most valuable. A report on the outcomes will be provided.

