



Speech by

**Hon. KEN HAYWARD**

**MEMBER FOR KALLANGUR**

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Hansard 19 November 1998

**PRIMARY INDUSTRIES LEGISLATION AMENDMENT BILL**

**Hon. K. W. HAYWARD** (Kallangur—ALP) (4.17 p.m.): I support the Primary Industries Legislation Amendment Bill 1998. In particular, I wish to address the issues concerning the proposed amendments to the Brands Act 1915. The shadow Minister has made his position on this issue very clear.

As we know, most Queensland cattle producers brand their cattle to prevent the animals from being stolen. Some prefer large brands on the basis that the larger the brand the least likely it is that that animal will be stolen. All brands on the prime hide area have to be cut out by a user of the hide, which reduces the value of that hide, as was mentioned by the Opposition spokesman. The worst hide damage is caused by rib brands. The impression I got was that the Opposition is opposed to those amendments in particular. I can understand the argument in respect of custom and practice and what some graziers have become used to doing over the years. It is hard to get people to change. I understand that people have good intentions.

The simple fact of the amendment—and I hope to be able to demonstrate this; I am sure that the Minister in his reply will attempt to demonstrate it—is that, in the end, this is about increasing the value of those hides and, in turn, putting more money in the pockets of graziers. Queensland and, for that matter, northern Australian hides have traditionally had a poor reputation in the marketplace because of brand and cattle tick damage. I make reference to a paper prepared in 1990 for the Australian Manufacturing Council titled the Global Challenge: Australian Manufacturing in the 1990s. A person described as a senior scientist in the CSIRO says—

"Long-standing practices in the meat industry prevent farmers from getting any premiums for high quality hides ... In addition, Queensland insists on branding cattle on the shoulder, which greatly reduces hide value."

The issue of increasing the value and dealing with matters in manufacturing are important to establish that link between the production of the animal on the land and the final destinations for the meat, the hides and other parts of the animal. In the end, because of the way our system works, that will mean more money in the pockets of graziers.

**Mr Seeney:** No, it won't.

**Mr HAYWARD:** Yes. I am sure everybody in this Parliament would want to see, firstly, a competitive industry and they want to see people getting the best value for their hides. The presence of brands is difficult to detect in initial grading of hides without dehairing, which is done further down the tanning process. For this and other reasons, as I think the shadow Minister said, Queensland hides are largely sold from abattoirs in a "green" state, ungraded and pooled. Whether members opposite like it or not, they are sold on the assumption that the hides will have branding damage. That is the way it occurs. Those hides are then subsequently graded only on their weight, whether or not they are affected by ticks and, of course, whether the hides are cut. So they are not generally graded on the presence of brands and brand damage.

This paper is about the global challenge. We have to accept that, when we talk about hides and where the leather is going—the end products—we are talking about dealing on the international market. Overseas buyers then purchase on a discounted basis, arguing that Queensland hides will have brand damage. It is used as a way of keeping the price down, thus affecting the return to the individual grazier. Apparently it is difficult but it is not impossible to grade hides at the point of slaughter. This is where it needs to be done if any direct remuneration to the producer for quality hides is to occur.

It is the same with everything to do with downstream processing: the further in the process chain from the point of slaughter, the harder it is to link particular issues involving, for instance in this case, hides to the sellers. Most producers—most graziers—do not receive any feedback. I think that fits in with what the honourable shadow Minister was saying. One questions the value of what one is doing because one does not get any feedback on the value of the hides. People simply say, "We have sold those hides", and there is that general notion that they are just a by-product and, if they get a bit of money for the hide, that is well and good. As I said, in relation to the challenges that are around now, it is important to seek and to obtain as much return as one can for any part of the beast. That is the most important thing because, in the end, it is about trying to ensure that the greatest return is had by the graziers themselves.

A kind of hopeless situation has developed. Some producers—and we heard about that today—and industry organisations have argued that they should not sacrifice the opportunity to brand on the ribs until they are assured of a price premium for doing so. They are saying, "If you cannot guarantee us that we will get this extra money, why should we do it in the first place?" I think there is a different argument, and it is something to think about. Surely, the better argument is that we should be selling hides that are undamaged. That would then be the normal process; it would be normal for the hides to be undamaged. If they are damaged through branding, the penalty then comes to the person who has done that, rather than the current situation in which people are saying, "You cannot identify those brands, therefore there is no guarantee of a price premium, therefore I do not want to do it."

We all know that some pastoral companies now process their own cattle and market those hides. Those hides can be offered for sale with a guarantee that they are not branded and can command a premium on that basis. That is a situation usually based on the size of a particular grazing enterprise or entity. That can be done without the need to rely on a high grading system to identify brand-free hides.

The Opposition was talking about the matter of monetary incentive. It is saying that, until a monetary incentive can be demonstrated first, it does not want to be part of it. That is a kind of a lose-lose situation for the individuals and, I am sure, for the overall industry. All that does is retain the right to rib brand. Until the market can be confident that no Queensland hides have rib brands, the poor reputation and the lack of market acceptance of Queensland hides will continue and no extra value will flow back into the system. In the end, if we cannot get the extra value to flow back into the system, it does not come back to the individual graziers.

There are two elements that will determine whether the industry receives the full economic benefit from these amendments to the Brands Act. The first one, of course—and the one that one cannot argue with when it occurs—is the extra income from its customers, from the people who buy hides, through the improved hide quality that will result from these amendments. The market itself is understandably sceptical about claims from the suppliers who demand a higher price because of supposed improved quality. That is so because they have seen examples of supplier practice and a reluctance to change. Promotion of changes to the branding regulations for their main markets will be an important factor in overcoming any scepticism that exists with buyers. When the buyers see that the product is good, they will give great credibility to claims of improved quality.

The producers themselves—the graziers—are the ones who have to take positive action to add value to their herd. The marketing system for hides as it now exists does not reward producers who have good quality hides any more than it penalises those who have poor quality hides.

**Mr Seeney:** That is a crock.

**Mr HAYWARD:** It has been identified.

**Mr Seeney** interjected.

**Mr HAYWARD:** On that basis, there is no incentive for individual graziers—individual producers—to take the required action. This legislative change provides the opportunity for that action to occur. The member opposite himself said just then that that is the problem, so let us fix the problem. To get the full economic benefit of the amendments, the introduction of a value-based marketing system for hides is required to replace the averaging system that currently exists. That system will reward producers on the basis of the value of their hides.

Honourable members should make no mistake: this Minister and this Government are working to promote a value-based marketing system. That is being done—I am sure the member for Callide agrees with this—through our support of the national hide improvement project and through the Storelink project. DPI's Beef Research Institute has a program on product enhancement systems. The DPI itself has sponsored something like 20 marketing tours for producer groups involving hide feedback systems. In short, these amendments to the Brands Act will be great for the cattle industry. Most importantly, ultimately it will result in more money to producers. I commend these amendments and the Bill to the House.