

Briefing Note
Grower recommendations for Regulations and Code of Conduct
for the
Poultry Meat Industry Amendment
(Prevention of National Competition Policy Penalties) Bill 2005

1. Mission for the poultry meat industry

Regulations and codes must deliver sustainable industry growth from management and technologies to compete domestically and internationally.

➤ **Code Recommendation 1**

An industry mission to achieve sustainable investment in the processing and growing sectors.

2. The public good

The public demands confidence from contracts in writing for issues such as food safety, environmental management, animal welfare and disease control.

➤ **Regulation Recommendation 2**

All contracts must be in writing.

Contracts should also state that the quality of inputs relevant to the public good are assured by the responsible parties.

➤ **Regulation Recommendation 3**

All contracts include quality assurance of inputs based on the requirements HACCP programs with human health and environmental objectives.

3. Fair and reasonable negotiated outcomes

Sustainable investment is achievable through agreements that are mutually satisfactory to processor and grower.

➤ **Code Recommendation 4**

Sustainable investment for growers is measured by rates of return on investment over time.

The conduct of a negotiation influences the growers and processors perceptions of fairness and reasonableness.

➤ **Code Recommendation 5**

A voluntary Code of Conduct, written with the advice of independent professional negotiators and endorsed by the PMIC, is viewed as “best practice” processor grower interaction over price and contract terms.

Growers weak bargaining position requires all negotiations be bound by an agreed process for negotiation, the type of process being at the discretion of the parties involved.

➤ **Regulation Recommendation 6**

Contracts must describe a process for negotiating agreements between processors and growers. If not, then by default, the PMIC Code of Conduct will apply.

4. Scope of the Code of Conduct

Dispute resolution is essential for the industry.

➤ **Regulation Recommendation 7**

Contracts must describe a process for mediating and arbitrating disputes between processors and growers. If not, then by default, the PMIC Code of Conduct will apply.

Tabling of a growers' "model" contract during negotiations gives processors and growers the opportunity to transparently compare and assess alternative phrasing.

➤ **Code Recommendation 8**

The PMIC Code of Conduct include the ability of growers and processors both tabling their preferred contracts to commence and facilitate negotiations.

5. Variable risk within contracts

Increased risk of investment is the main cause of dispute between growers and processors, however risk can be offset by tradeoffs.

➤ **Code Recommendation 9**

The PMIC Code of Conduct include the tabling of incentive and penalty options to facilitate negotiations.

Growers have incurred high risk debt from investment on the basis of "letters of intent" from processors.

➤ **Regulation Recommendation 10**

Letters of intent, used by processors or growers, to obtain finance are unconscionable except where they refer specifically to supporting evidence within a contract.

Growers weak bargaining position requires that contracts state when prices will be renegotiated.

➤ **Regulation Recommendation 11**

All contracts must contain a price current at the commencement of the term of the contract, the period that price will cover, the dates from which that and subsequent prices will be renegotiated and a start and end date for payment periods.

Contracts that are kept confidential through binding clauses within them contributes to the growers weak bargaining position.

➤ **Regulation Recommendation 12**

Contracts must not contain clauses that force the contract to remain confidential.

Complex contracts make it difficult for growers to understand their obligations.

➤ **Regulation Recommendation 13**

Contracts must include an easy to follow, step by step calculator of income which processors use to determine growers payment.

➤ **Regulation Recommendation 14**

Contracts must include at the front and in laymans terms, either a summary interpretation or an index.

6. Incentive/Disincentive mechanisms

➤ **Regulation Recommendation 15**

Regulations for the PMIA 2005 will carry financial penalties.

Lessons can be learnt by growers and processors from reporting of disputes brought to the PMIC as occurs with the office of the Produce and Grocery Industry Ombudsman.

➤ **Regulation Recommendation 16**

PMIC supervise the publication of a quarterly review listing all disputes where growers or processors have stepped outside the PMIC Code of Conduct.

<u>Grower Recommended PMIA Regulations</u>	<u>Grower Recommended Code of Conduct</u>
All contracts must be in writing.	The industry mission is to achieve sustainable investment in the processing and growing sectors.
All contracts include quality assurance of inputs based on the requirements HACCP programs with human health and environmental objectives.	Sustainable investment for growers is measured by rates of return on investment over time.
Contracts must describe a process for negotiating agreements between processors and growers. If not, then by default, the PMIC Code of Conduct will apply.	A voluntary Code of Conduct, written with the advice of independent professional negotiators and endorsed by the PMIC, is viewed as “best practice” processor grower interaction over price and contract terms.
Contracts must describe a process for mediating and arbitrating disputes between processors and growers. If not, then by default, the PMIC Code of Conduct will apply.	The PMIC Code of Conduct include the ability of growers and processors both tabling their preferred contracts to commence and facilitate negotiations.
Letters of intent, used by processors or growers, to obtain finance are unconscionable except where they refer specifically to supporting evidence within a contract.	The PMIC Code of Conduct include the tabling of incentive and penalty options to facilitate negotiations.
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Contracts must not contain clauses that force the contract to remain confidential.	
Contracts must include at the front and in laymans terms, either a summary interpretation or an index.	
PMIC supervise the publication of a quarterly review listing all disputes where growers or processors have stepped outside the PMIC Code of Conduct.	
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