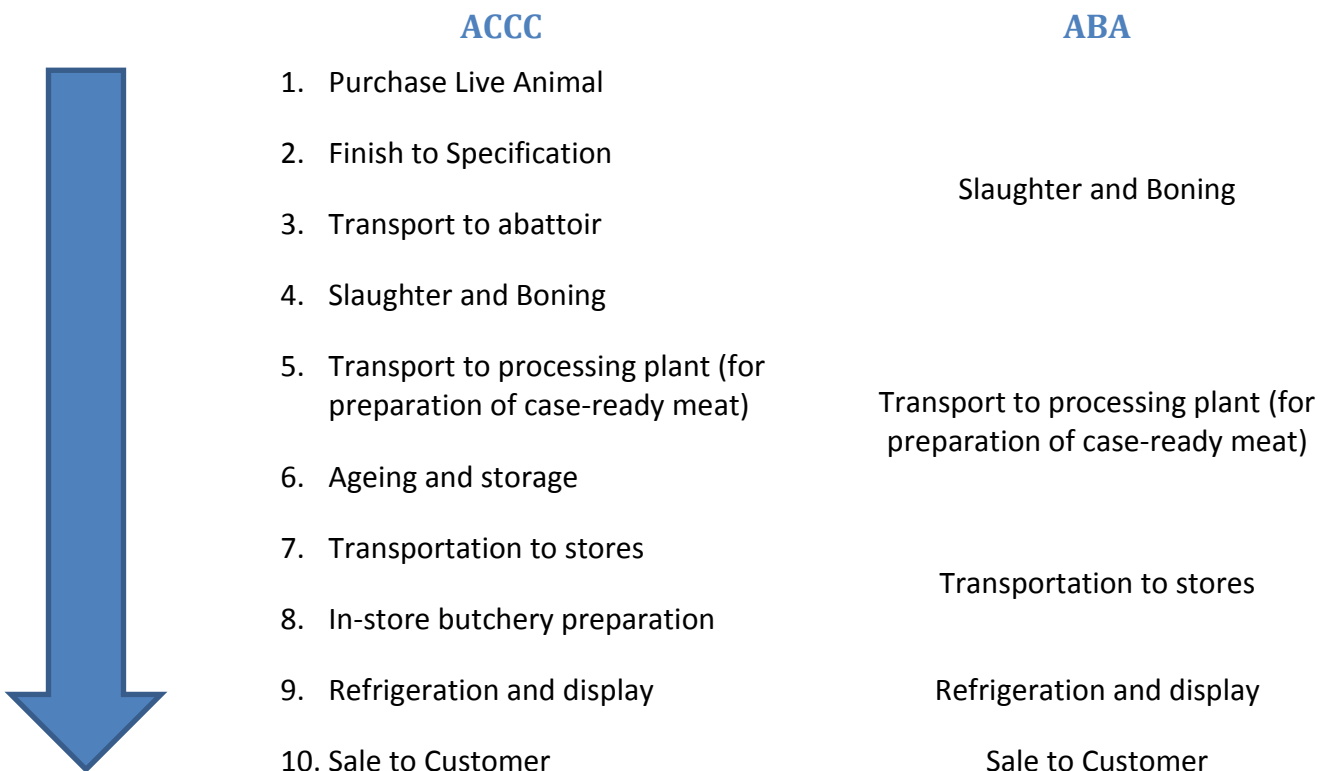


# Supply Chain – is it Long and Complex?

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According to evidence given to the ACCC in 2007 the supply chain is long and complex. The ABA contends that the supply is not so complex. ABA has a spreadsheet clearly showing how costs are distributed. This spreadsheet may be adjusted for variations in carcass, killing and other costs and variations in retail prices.



1. Supermarkets usually prefer to buy carcasses over the hooks rather than live animals.
2. Finish to specification is normally performed by the producer
3. Transport to abattoir is paid by producer
4. Slaughter and boning is normally a cost to the retailer
5. Processing Plant (for case-ready meat) is normally the same plant as the slaughter and boning. Therefore, no transport costs.
6. Ageing and storage is not an issue when preparing case-ready meat.
7. Transport to stores is a cost to the retailer
8. In-store butchery is not an issue with case-ready meat.
9. Refrigeration and display is a cost to the retailer
10. Sale to Customer is a cost to the retailer.

## Example of Saleable Meat Yield by Cut



This beast can be purchased as a live animal or over the hooks. Either way, the purchaser buys the whole beast from hide to hooves.

When selling over the hooks the carcasses are generally assessed to assure customer satisfaction. Rejection or penalties may be applied. Penalties are common and expensive.

When the beast is slaughtered and dressed, one could expect from a prime beast 55% carcass and 45% by-products.

products.

If this beast weighs 400kg live weight (lwt) or 220kg dressed weight (dwt) and bought at

- \$1.50/kg lwt (\$2.73/kg dwt) it returns \$600 to the producer
- \$2.00/kg lwt (\$3.64/kg dwt) it returns \$800 to the producer

**\*After slaughter at 55% yield the 400kg live animal the carcass weight would be 220kg.**



Liver, tripe and hides are three of the by-products that make up the 180kg of saleable product from the original 400kg beast. The offal and hide is worth about \$170 on export markets.

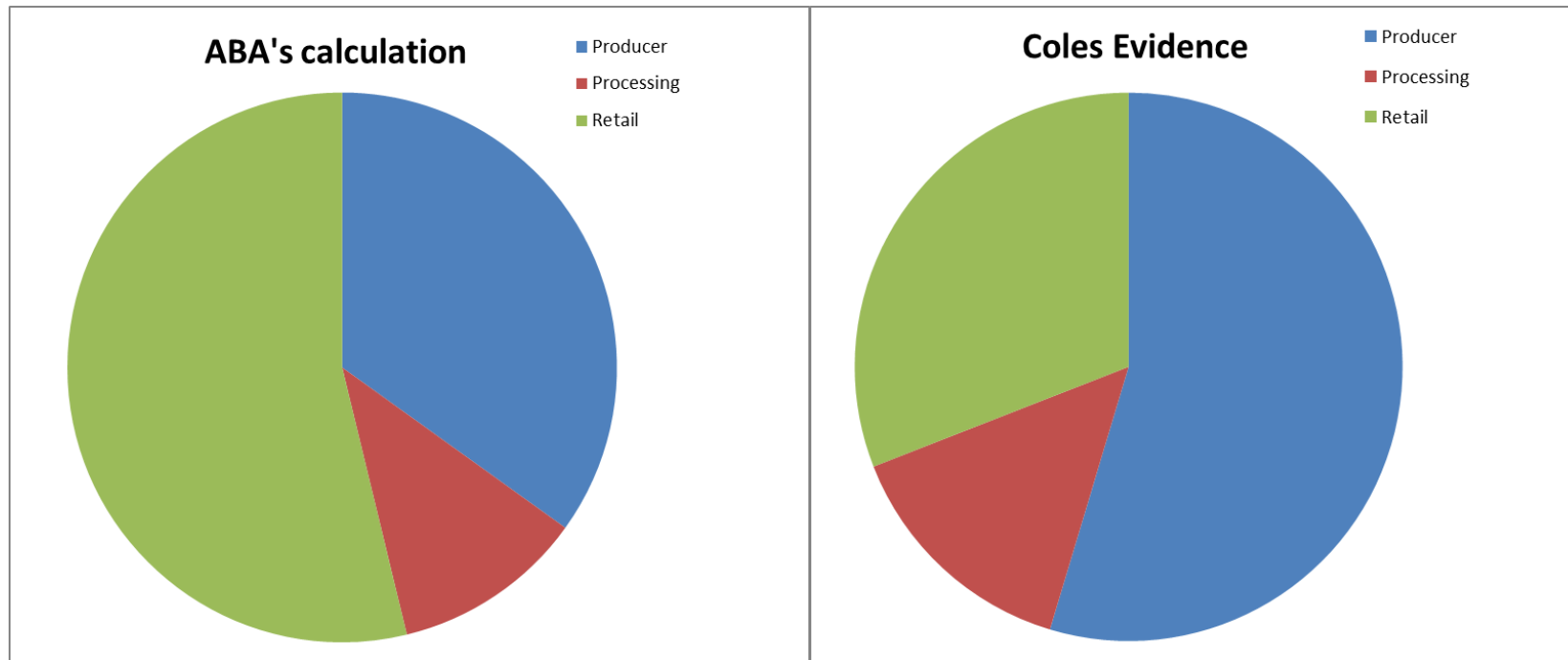
The carcass will give you, on average, 70% yield of salable meat and 30% fat and bone.



ACCC 2007, Coles reveals that the price of a whole beast accounts for 53% of the end retail price. Our calculator clearly shows that the producer is only getting 35% at \$3.80 for a 220kg carcass. For Coles to be paying 53% of the retail dollar to producers they would need to pay \$5.80/kg dwt (or \$3.20/kg lwt).

Coles also state that they only get 60% salable meat from a carcass while our research has revealed that 70% is achieved. Additionally, we are informed that the supermarkets insist on a 71% yield when contracting boning of carcasses. This is a direct contradiction on their statement to ACCC of only 60% yield. This is one of many questionable statements.

## Margin Percentages – share of end retail dollar



**ABA's calculation:** suggests that a 220kg carcass at present prices of \$3.80/kg dwt and current retail prices of beef would result in 34.9% of retail value goes to producer.

**Coles Evidence:** Information provided by Coles to the ACCC reveals, “that the price for a whole cow (inclusive of producer and feedlot costs) typically accounts for 53% of the end retail price. Processing activities and costs (kill fee, boning, packaging and chilling) account for 14% of the end retail price while retail activities and costs (slicing and trimming, packaging, labour, shrinkage, promotion and advertising, store costs and retail margin) account for about 30% of the end retail dollar.”

### Who do you believe?

ABA has investigated the supply chain and has developed a calculator spreadsheet clearly showing the correct margins. For example at \$3.80 dwt for a carcass at present retail prices returns only 35% of the end retail dollar to the producer. At \$2.80 dwt would return less than 25%

# Carcass Yield and Margin Calculator

calculate your take on a carcass by modifying the retail prices and costings

Adjust the Cold Carcass weight and all cuts will be automatically calculated by %

Cold carcass weight: 220

Cutup to Retail Value				
cut %	Cut	Weight(kg)	RTL (\$/kg)	Total RTL (\$)
3.51%	Blade	7.73	\$ 10.00	\$ 77.31
1.39%	Oyster blade	3.05	\$ 12.00	\$ 36.58
3.89%	Chuck	8.55	\$ 12.00	\$ 102.58
2.03%	Scotch fillet	4.46	\$ 30.00	\$ 133.86
0.65%	Skirt	1.44	\$ 14.00	\$ 20.10
2.68%	Porterhouse	5.90	\$ 26.00	\$ 153.34
4.32%	T-bone	9.50	\$ 20.00	\$ 189.96
4.18%	Rump	9.19	\$ 20.00	\$ 183.78
0.78%	Eye fillet	1.72	\$ 40.00	\$ 68.92
3.66%	Round	8.06	\$ 15.00	\$ 120.93
5.80%	Top side	12.77	\$ 15.00	\$ 191.51
5.54%	Silver side	12.19	\$ 10.00	\$ 121.93
2.43%	Osso bucco	5.35	\$ 6.00	\$ 32.07
3.19%	Shin beef	7.02	\$ 12.00	\$ 84.29
19.65%	Mince	43.23	\$ 14.00	\$ 605.18
9.26%	Sausage	20.37	\$ 6.00	\$ 122.19
	Offal + Hides			\$ 150.00
	\$avg/kg	\$	14.92	
72.96%	Total Salable Meat*	160.52 kg		\$ 2,394.51
	*excl bone and fat	Producer's %		34.91%

change retail prices and costings in the white cells to see how margins are affected.

## Retail Costings

Item	Cost (\$)	Total (\$)
Purchase Price /kg	\$ 3.80	\$ 836.00
Kill Charge fee	\$ 70.00	\$ 70.00
Boning /kg	\$ 0.65	\$ 104.34
Packaging /kg	\$ 0.50	\$ 80.26
Transport	\$ 0.10	\$ 16.05
Other - use table on right		\$ -
Total		\$ 1,106.65

## Retail Value - Costs = Margin

Retail Value	\$ 2,394.51
Total Costs	\$ 1,106.65
Total Margin	\$ 1,287.86

## Percentages

Margin	53.78%
Processing	11.30%
Producer	34.91%

All values in the white areas may be modified for the various situations. Totals and producer's share is then calculated accordingly.

## Other Costings

enter item names and costings to account for any additional retail costs. The total will be inserted as Other

Item	Cost
item 1	
item 2	
item 3	
item 4	
item 5	
Total	\$ -

Use below to calculate on an average retail price /kg

Average price/kg	\$ 15.59	\$ 2,652.45
Total Costs		\$ 1,106.65
Retail Margin		\$ 1,545.80
Retail %		58.28%
Processor %		10.20%
Producer %		31.52%

MLA quote \$15.59/kg average (includes price entered for Offal and Hide)

Example: if a producer receives \$3/kg at retail the value of a 200kg carcass is \$2,190.46 giving the producer 27.7%

At \$4/kg the producer will receive 36.95%

This is one form of buying by retailers and supermarkets, the other more favoured form is boxed beef. For example 5kg of rump costs \$30 with approx 200g of waste. So total value at checkout is \$96, which calculates to be a 220% margin of the original \$30 outlay before retail

	Cold carcass weight:		220 kg				
	Cutup to Retail Value						
cut %	Cut	Weight(kg)	WSH \$/kg	RTL (\$/kg)	Total WSH	Total RTL (\$)	
3.51%	Blade	7.73	5.40	\$ 10.00	\$ 41.75	\$ 77.31	
1.39%	Oyster blade	3.05	5.40	\$ 12.00	\$ 16.46	\$ 36.58	
3.89%	Chuck	8.55	5.25	\$ 12.00	\$ 44.88	\$ 102.58	
2.03%	Scotch fillet	4.46	16.00	\$ 30.00	\$ 71.39	\$ 133.86	
0.65%	Skirt	1.44	7.00	\$ 14.00	\$ 10.05	\$ 20.10	
2.68%	Porterhouse	5.90	9.00	\$ 26.00	\$ 53.08	\$ 153.34	
4.32%	T-bone	9.50	9.40	\$ 20.00	\$ 89.28	\$ 189.96	
4.18%	Rump	9.19	7.20	\$ 20.00	\$ 66.16	\$ 183.78	
0.78%	Eye fillet	1.72	16.00	\$ 40.00	\$ 27.57	\$ 68.92	
3.66%	Round	8.06	6.10	\$ 15.00	\$ 49.18	\$ 120.93	
5.80%	Top side	12.77	6.10	\$ 15.00	\$ 77.88	\$ 191.51	
5.54%	Silver side	12.19	5.90	\$ 10.00	\$ 71.94	\$ 121.93	
2.43%	Osso bucco	5.35	4.20	\$ 6.00	\$ 22.45	\$ 32.07	
3.19%	Shin beef	7.02	5.20	\$ 12.00	\$ 36.53	\$ 84.29	
19.65%	Mince	43.23	4.45	\$ 14.00	\$ 192.36	\$ 605.18	
9.26%	Sausage	20.37	3.40	\$ 6.00	\$ 69.24	\$ 122.19	
	\$avg/kg		\$ 5.86	\$ 13.98		58.11%	
72.96%	Total Salable Meat:	160.52 kg	\$ 940.18			\$ 2,244.51	
	*excl bone and fat						

Please note: If the retailer pays \$3.80/kg for a carcass, at current retail prices he would receive a profit margin of 53.8% before costs. If he bought the same amount of meat in box form he would expect a return of 58.1%

According to MLA the average retail price of beef is \$15.59

### Who is representing Producer's Interests?

- Cattle Council Australia?
- Meat and Livestock Australia?

Where are they when this sort of misrepresentation of facts is distributed?