

**HUNT PARTNERS
SUPPLEMENTARY SUBMISSION
TO THE SENATE STANDING COMMITTEE
ON RURAL AND REGIONAL AFFAIRS
AND TRANSPORT**

INQUIRY INTO MEAT MARKETING

on behalf of

**BINDAREE BEEF PTY LTD
ACN 056 599 163
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SUBMISSION

Forward

This supplementary submission is furnished in response to and by way of clarification of the evidence given to the Senate Standing Committee hearings on 17th and 26th March 2009.

In summary the supplementary submission deals with:

1. the benefits to **consumers** and **producers** that would flow from the introduction of a national beef grading system; and
2. the need for the proposed national beef grading system to **grade all the cattle** for the domestic market and include top quality grass and grain fed cattle as well as MSA graded carcasses;

1. BENEFITS TO CONSUMERS AND PRODUCERS

(a) Consumers

Most of the beef sold to Australian consumers is sold as a commodity with no differentiation between the good and the bad.

30-40% of the table beef eaten in Australian homes comes from old cows.

Consumers buy good steak one day but get bad steak the next time they buy.

Consequently consumer dissatisfaction with poor quality steak sets the price for both the good and the bad.

If a National Beef Grading System was introduced Australian consumers would be able to make a buying decision based upon the price and quality of the beef before they buy.

(b) Producers

If poor quality beef from older cows were clearly identified to consumers less prime cuts from old boner cows would be sold as table steak on the Australian market. Cow beef would therefore no longer undermine the value of the premium quality product.

If a National Beef Grading System were introduced into Australia, the producers of quality and well finished British breed beef cattle could achieve a premium in excess of \$100 a head over and above the price paid for standard grade cattle.

Cow prices are underpinned by the American hamburger market hence any cow price decline would be marginal.

Grading Premium

MLA research shows that over the hooks prices for MSA yearling cattle are between 7-26 cents more than for non MSA yearling cattle. For a 225 kg carcass this translates to a premium between \$16.00-\$58.00 a head. MLA research also shows that the average wholesale premium for MSA cuts was \$1.56 per kg and the average retail premium for MSA beef across all cuts was \$1.70 a kg.

In 2005 Cameron Dart (MSA Manager) and Dr Barry Griffiths (Beef CRC and NSW DPI Economist) Professor John Thompson (Beef CRC and UNE Professor of Meat Science) estimated that retail premiums on a whole carcass basis for MSA Graded Carcass was 0.39c per kg and the wholesale MSA whole of carcass premium was 0.29c per kg which translates into a \$78.00 retail wholesale premium.

At the moment abattoirs are getting about \$3.46/kg for MSA carcasses, \$3.30/kg for grain fed carcasses and \$3.19/kg for yearling grass fed cattle. The MSA premiums are mainly found in full cuts-rump, strips, cubes and tenderloins.

Rod Polkinghorne, the founder of MSA, told the Senate Standing Committee of the Rural and Regional Affairs and Transport Inquiry into beef marketing in Melbourne on 26 March that the MSA grading premium at the farm level was between \$150-\$300 a head.

Tenderness and Eating Quality

MLA research and genetic testing has proven that Hereford, Angus and Shorthorn breeds have more tender genes and better eating quality than Bos Indicus cattle.

A joint paper by Professors at the University of New England and Adelaide¹ noted that:-

“Australia has two different broad systems of beef production: northern and southern. In the North (Queensland, the Northern Territory and upper regions of Western Australia) cattle properties and herd sizes are very large, extensive cattle production systems, which are characterised by grazing native pastures at low densities. This production system represents 73% of the Australian beef industry and is mainly orientated to exports to the United States². On the other hand, southern farms are smaller and cattle graze intensively on improved pastures and fodder crops. These cattle are sold on the domestic market and exported to Japan and Korea”.

Increased Consumption

Based on the experience of overseas countries with grading systems and limitations on the age of beef consumed the introduction of a National Beef Grading System in Australia will lead to an increase in per capita domestic beef consumption because consumers will have more confidence in the quality of the product that they are buying.

The 1996 Meat Industry Strategic Plan forecast that a National Beef Grading System that guaranteed quality products to consumers would produce a \$1.2 billion annual payout to the beef industry.

This can be achieved if the 07/08 per capita beef consumption of 36.3 kg per person were to increase by 5 kgs per person back to the 1997 per capita beef consumption of 41.3 kgs.

To put it more simply, the \$1.2 billion payout could be achieved if every Australian ate one more beef meal every three weeks.

¹ Product and Branding Innovations in the Australian Beef Marketing System by L E Morales, E Fleming, V Wright, G Griffith & W Umberger.

² The United States export beef market is predominantly a market for hamburger meat.

2. GRADING ALL THE CATTLE

Abattoirs can only MSA grade cattle that come from an MSA accredited property. Currently only 12,500 out of over 160,000 cattle properties in Australia are MSA accredited.

The abattoir MSA grading assessment process is complex and takes approximately three times longer than normal AUS-MEAT chiller assessment. It is therefore not practical for many abattoirs to MSA grade all the cattle destined for the domestic market. To do so would increase costs and in some cases, bring the slaughter chain to a halt.

It is therefore proposed that the premium grades of the proposed National Beef Grading System will include top quality grass and grain fed cattle as well as MSA graded carcasses similar to the consumer grading model prepared by MLA and AUS-MEAT following the RMAC Beef Grading/Truth in Labelling Forum in 2004. (See Tab 12 to Hunt Partners May 2008 Submission No: 56 to this Inquiry.)