Beefing up our prospects

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Beefing up our prospects

In the global fish pond the Western Australian beef industry is a minnow. Production is only 5.5 per cent of Australia's total and around 2 per cent that of the United States. Our output has remained static for the last decade while competition throughout the world has expanded. Moving forward to share the benefits of growing world markets or being left behind is the long-term choice facing the industry, according to TREVOR BOUGHTON and BRAD McCORMICK.

Beef production has been a steady earner for many producers over recent years. About 75 per cent of local beef is sold on the domestic market with exports mostly serving low value manufacturing markets. And if some producers from the higher rainfall areas are not making large profits, they are comforted by the knowledge that the value of their real estate is appreciating steadily.

Local consumers favour young, high quality table beef from relatively light carcases (180-220 kg) so most production is geared to this market. Supermarkets dominate the retail scene and account for 68 per cent of retail sales with only about 32 per cent through butcher shops. The food service industry including hotels, restaurants and institutions probably accounts for about a quarter of all meat sales.

**Exports**

Our main traditional export market has been North America – the United States, Canada and Mexico. This market attracts low grade frozen beef suitable for making hamburgers and smallgoods. In the past, much of this meat came from the pastoral areas, but production of old cows and bulls is now decreasing as properties turn off young cattle for live export.

At the other end of the market, small quantities of prime beef are being sold in supermarkets and food service outlets in major Asian cities. These markets are expanding rapidly as incomes grow, but they are also extremely competitive.

Of the Western Australian beef shipped in 1993-94, only 5 per cent was high value chilled meat compared with 30 per cent Australia-wide. A major difference from other States is that we hardly participate in the Japanese market while 95 per cent of Australia's chilled beef exports went there in 1993-94.

**Japanese market**

This market requires a range of carcase types from grain-fed yearling beef to long-fed (grain-fed for over 250 days) heavily marbled beef for the premium market. Australian exports to Japan are now more than three times Western Australia's total annual beef production.
In order to participate in this market, considered to be a very promising export destination, the industry must be able to offer continuous supplies of high quality grain-fed beef at the right price. This needs a feedlot sector based on year-round grain feeding.

The feedlot sector in New South Wales and Queensland has expanded rapidly using investment from trading and importing companies. A few small Western Australian feedlots have produced test consignments for the Japanese market. Customer response has shown that we can produce the quality sought. Unfortunately sea freight services between Western Australia and Japan are less frequent, slower and more expensive than those from the east, making it difficult to compete on price.

Other markets
Western Australian exporters have been active in locating and servicing other markets. The increasingly affluent citizens of South-East Asia are buying high quality beef from an increasing number of supermarkets. These markets tend to want a large proportion of the primal cuts of beef such as fillet, rump and porterhouse, making it necessary to find alternatives for lower priced cuts such as blade, chuck and topside. Closeness to Asian markets and the frequent air and sea freight services means that an increasing amount of beef is chilled rather than frozen.

Substantial quantities of offal are sold to Asian and European countries, while other products have been sold to niche markets in the Middle East and North America.

Live cattle exports
The market sector showing the most spectacular growth is the export of live cattle to Indonesia and Malaysia. In 1986-87 less than 18,000 head were exported but this rose to 241,000 Australia-wide by 1993-94, 72,000 from Western Australia.

These cattle are placed in feedlots in rural areas and fattened on feeds formulated from agricultural by-products until they reach weights suitable for local markets. Some fatter cattle up to 500 kg are also exported for almost immediate slaughter.

These Indonesian and Malaysian markets favour Brahman-cross animals with liveweights around 300 kg. Different breeds have been sent, and best results have been with Brahman-cross or Shorthorn animals which are better adapted to the hot humid conditions. Changes in Government import conditions have widened the range of animals accepted by feedlots in Indonesia to include heifers and cows. These changes have let exporters meet the demand from the feedlots as numbers of feeder steers have become more limited.

Initial Western Australian shipments were from the Kimberley, but production has extended to the Southern Pastoral Region and other areas. Some exporters now shift northern cattle to properties in the south of the State so that suitable cattle can be shipped easily when mustering is difficult in the northern wet season. Others maintain Kimberley cattle on leucaena in the Ord River Irrigation Area. This ensures reliable year-round supply.

The region from Geraldton to Gingin, the West Midlands, has opportunity to supply live cattle to markets in South-East Asia from November to March when it is either too hot or too wet to muster cattle in the north. Purchasing light weight pastoral (preferably Brahman-infused) cattle in winter and turning them off in summer or early autumn is an enterprise which could fit well into many farm businesses. Other cattle producing areas may find it profitable to join this trade.

The live export trade has been supported by the activities of the Kimberley Beef Industry Development Team, which has visited Indonesia and Malaysia, hosted customers here and developed a strategy to increase supplies. This will change herd structure and management in pastoral areas to increase the production of shipper animals and decrease numbers of older cattle.
The Beef Industry Strategy Group was formed by the Minister for Primary Industry in January 1993 to address the lack of industry growth. Western Australian production has remained static while the beef industry in the eastern States has grown by over 50 per cent in the last decade. The Group is developing long-term strategies to increase the value of the industry to its stakeholders. The strategies will ensure that:

- production, processing and marketing techniques will be competitive and sustainable
- benefits are shared between producers, processors, marketers and consumers.

Members provide expertise in production, processing, marketing and strategic planning. The group has reviewed the specifications of meat and live cattle required by current and future markets. It has identified the areas most likely to be able to, and interested in, producing cattle to meet these specifications.

Strategies are now being developed to provide a consistent, competitively priced product for these markets.

The Beef Industry Strategy Group has been assisted by the Department of Agriculture through provision of an executive officer and full support of industry development and research staff. The process of collecting background information for the group has stimulated discussion and information gathering on the role of the beef industry.

Preparation of detailed beef production budgets means that Department of Agriculture economics advisers now have accurate current figures on the economics of beef production in all agricultural and pastoral areas.

Part of the Group’s activities in 1994 included a study tour to examine the impact of large feedlots on the industry in the eastern States, and how those producers are part of an integrated operation linked to the final consumers in Japan. These close connections from cattle producer to importers have resulted in an efficient system that has assured access to a very demanding market.

Recent exchange visits have assisted Indonesian feedlots to formulate least-cost rations using local and imported feedstuffs. These rations will improve the profitability of the feedlots, allowing them to pay more for cattle as demand increases and supplies become more limited.

Enthusiasm for the live cattle market must be balanced by concerns about the loss of a potential resource to the local beef industry.

Cattle processed overseas do not provide employment in the Western Australian processing sector. The State also misses out on the benefits of by-products such as hides, offal and meatmeal.

Future issues

Over the next decade the industry will need to address important issues including:

- Need to increase the breeding herd to meet new market demand
- Need for all industry sectors to be cost competitive with the rest of the world
- Growth of the feedlot sector to provide consistent quality throughout the year
- Processing costs among the highest in the world
- Consumer demand for chemical-free food and development of quality assurance systems
- Need for a value-based marketing system so that producers are rewarded appropriately for producing quality
- Increasing pressure on land use in traditional production areas in high rainfall areas.

Market confidence

The Western Australian beef cattle industry will need to decide if it wants to retain its local market emphasis or enter the world market.

Unless local beef is competitively priced and suits its customers, our relatively high priced local market could face increasing competition from interstate and overseas producers.

Competition in traditional low value export markets such as the United States is set to intensify in the next few years if Argentina and Uruguay are declared free of foot and mouth disease. These countries have large areas of pasture land suitable for beef production combined with low labour costs (particularly processing costs) and proximity to the market.

Competition from large scale, grain-fed beef producers in the United States will continue to be fierce in the growing Asian markets. Developing cattle industries in South-East Asia have a dual influence. On one hand they are providing a market for our live cattle, but on the other hand their output will be competing with our meat.

Beef production will only increase if producers believe the returns from beef are as good or better than other alternatives and have confidence in future markets and marketing systems.

Much of the expansion in the eastern States has resulted from the very close relationship between end users and those in the production chain. This has ensured that market requirements are being clearly transmitted back to the processor, feedlotter and breeder.
The beef cattle industry in Western Australia is poised to take advantage of new markets for both live cattle and beef meat. The Department of Agriculture is well set to assist the industry to meet the challenges in these times of change.

Further north on the Ord River Irrigation Area another leguminous tree species, leucaena, continues to provide a valuable alternative forage for tropical cattle production. High stocking rates are achievable for young cattle, with efficient commercial management systems resulting from the pioneering research by the Department of Agriculture.

A future role for the Department may be in developing practical 'paddock to plate' quality assurance programs. Greater information flow and beneficial feedback, within and between different sectors of the beef industry, aimed at producing more consistent high quality beef, are vital.

The Department of Agriculture's role in the beef industry involves a strong research base aimed at promoting efficient production of products demanded by customers. Technology transfer is channelled through regional discussion groups and networks such as the Beef Improvement Association.

Emphasis is placed on objective measurement in production through promotion of Breedplan technology and the selection of both bulls and cows.

Research continues into supplementary feeding systems and feedlot operation which ensure year-round consistent quality and availability. A major project investigating the benefits of virginiamycin, a feed additive for grain-fed cattle, is nearing completion. Age, breed and processing effects on meat quality and consumer acceptance are high priorities.

Five focus farms in the South-West are being monitored closely to assess progress and the effect on profitability of management changes.

These activities on commercial properties aim to demonstrate key management changes using a whole farm or systems approach. Both pasture and animal management, together with economic performance, are monitored to ensure the changes have economic benefits to producers.

The benefits of perennial pastures and new establishment techniques continue to be investigated on the south coast. On-farm monitoring complements utilisation trials at Mount Barker Research Station.

Tagasaste in the West Midlands is the subject of major effort to allow better use of deep sandplain country. The commercial potential of this shrub is enormous, but its use is not without problems.

Collaborative work with both Murdoch University and the University of Western Australia is fine-tuning practical production systems for beef cattle browsing the rapidly burgeoning tagasaste stands north of Perth.

In some cases strategic alliances between producers and customers have reached the level where the farm breeding program has been decided in consultation with the feedlotter and end-user to ensure that the stock produced will meet requirements. Development of extensive feedback based on objective measurement of the animals' carcases is assisting this process. Already some premiums are being paid for stock that better suit market requirements, particularly for marbling score and yield. Relationships of this kind are beginning to be developed in Western Australia.

Feedlots in the eastern States use local grains extensively, adding value to their primary production. As a major grain producing State, we could do the same.

Clearer market signals and communication throughout the marketing system will need to be developed before all sectors of the industry are able to work together to meet customer demands.

Role of the Department of Agriculture

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Markets for Western Australian beef 1993-94

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<th></th>
<th>Domestic</th>
<th>Export</th>
<th>Total</th>
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<tbody>
<tr>
<td>Weight</td>
<td>75,700 tonnes</td>
<td>26,100 tonnes</td>
<td>101,800 tonnes</td>
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<tr>
<td>Shipped weight</td>
<td>72,674 head</td>
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Brahman cattle from northern areas are particularly attractive to live cattle buyers from South East Asia.