

Pastures for prosperity.

1. The global environment of pasture-based industries — beef and sheep meat

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Background

In the beginning, there were 4 cows and 2 bulls. They came out with the first fleet in 1788. The bad news is they escaped.

The good news is they found lush pastures and bred up. Seven years later in 1795, 40 then wild cattle were found outside Sydney at what is now known as Cow Pastures. Governor Hunter issued an order that they be protected — a momentous decision for this industry made 200 years ago.

Now we have a \$5 billion plus industry, a major employer, with over half our production being exported. We are the largest meat exporting country in the world.

The industry evolution is interesting.

Hunter's "wild" herd was built up using British genetic stock.

The export industry was based on Britain and is now based on over 100 countries, albeit with 4–5 key markets, and Britain buying much smaller quantities.

Bos indicus genetic stock helped achieve adaptation in the north (since the 1950s) and more recently European breeds have provided improved growth and leanness in response to changing market demands.

Live export sheep and cattle markets were developed.

A lot feeding industry became established.

Australia became the largest exporter of meat in the world.

Throughout this 200-year period, there has been one notable common thread — pasture management — and that means you. Better utilisation and sustainability of native pastures, improved grasses and legumes and the extension of better grazing management systems are why the meat and livestock industry has developed.

Pasture agronomy, whether it be species introduction, plant breeding, soil fertility, extension or

management systems combined with livestock utilisation of these pastures, is one of the biggest success stories of this country. Just look at the size and success of the meat, dairy and wool industries that pastures underpin. Mr Chairman, I will leave it to you to judge whether you are all "sung" or "unsung" heroes.

Production

The ABARE forecasts of total beef and veal, mutton and lamb production can be seen in Figures 1–3. Note that the lamb data are in numbers slaughtered, and beef and mutton are in carcase weight.

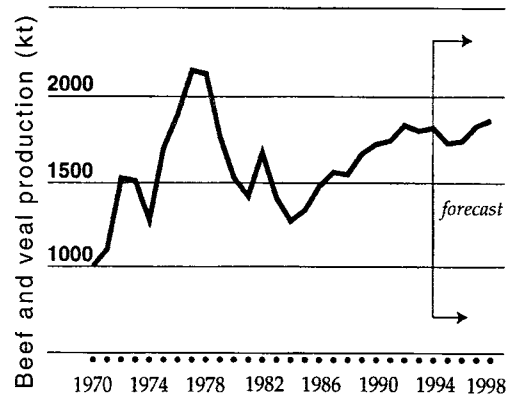


Figure 1. Australian beef and veal production since 1970 and forecasts to 1998 (ABARE 1995).

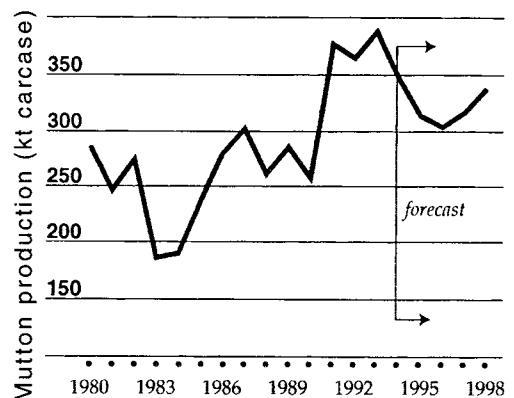


Figure 2. Australian mutton production since 1980 and forecasts to 1998 (ABARE 1995).

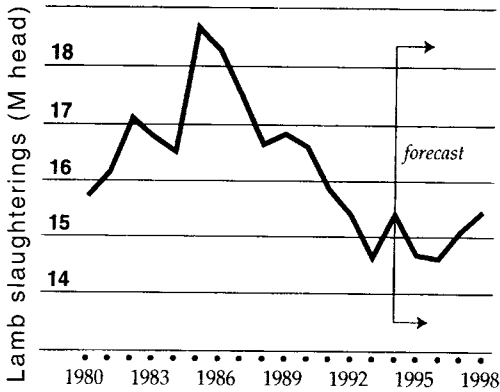


Figure 3. Australian lamb slaughtering since 1980 and forecasts to 1998 (ABARE 1995).

With upward trends for all three products there will be increasing demand on pasture resources and extension relative to grazing management and improvement in pasture condition.

Markets

However, it is the market mix which is more important. The aim is to “focus pasture strategies on market objectives”. There is no single meat market, but a diversity of markets and Figure 4 illustrates the relative importance of domestic and export markets for beef and veal.

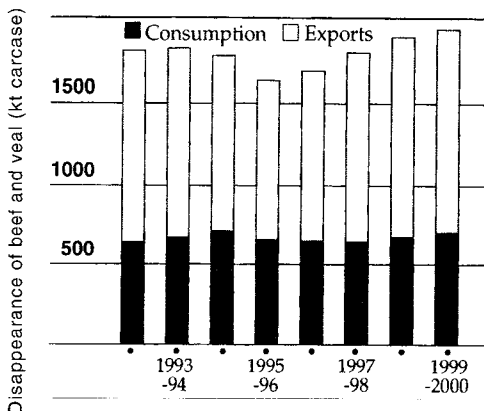


Figure 4. Australian domestic consumption and exports of beef and veal and projections to the year 2000 (ABARE 1995).

Figure 5 demonstrates the change in market destinations for exports of Australian beef and veal since 1990-91.

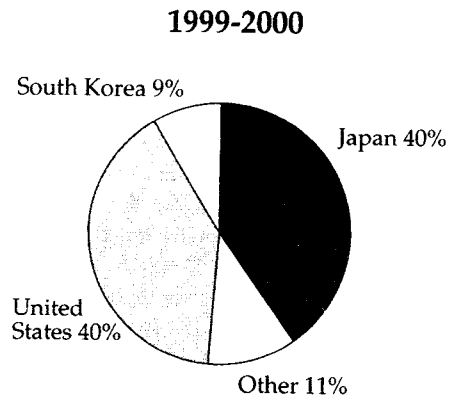
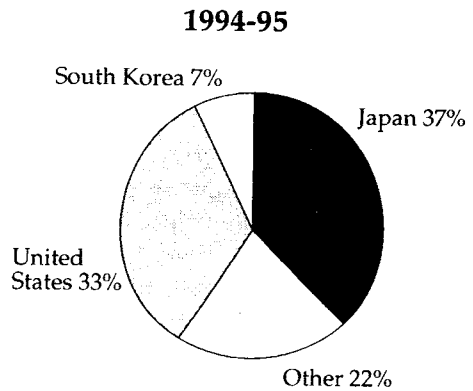
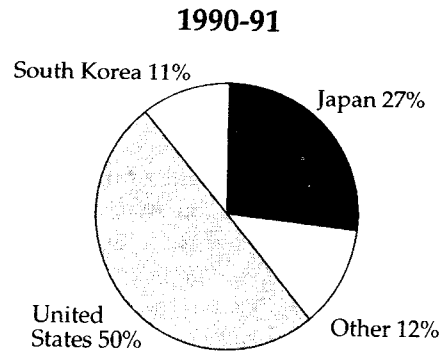


Figure 5. Change in destinations of Australian exports of beef and veal since 1990-91 and forecasts for 1999-2000.

It can be seen that our export business for beef and veal will continue to be largely based on 4–5 countries. Can we as an industry be so tightly committed to so few customers ?

The feedlotting industries of the Philippines and Indonesia will continue to source large numbers of Australian feeder cattle with over 300 000 being sold in 1994. The live sheep export trade to the Middle East will continue above the 5 million head per year level. The value of live-stock exports is currently about \$300 million.

The size and strategic importance of the USA and Canadian markets for beef are well known. After all, hamburgers represent 45% of total beef consumption in the USA. The market is based largely on cow beef and pasture strategies are directed at the progeny outcome of the cow rather than at production of cow beef *per se*. However, I recognise that the role of the female in the beef production systems in the north is now being addressed more closely in work being part funded by the MRC. Finishing and timing tactics to optimise returns from the cow for the USA and other markets are now very appropriate.

The above principle is also applicable to mutton. We grow sheep primarily for wool or lambs, with mutton as an important local and export product, exports earning \$315 million for Australia in the 1993/94 fiscal year.

Opportunities

Against this background, the remainder of this presentation will focus on the opportunities in Japan and Australia, which are the main drivers of pasture management strategies.

In Japan, several consumer market segments have evolved. Our opportunities lie in the “middle market”, in which our grain-finished and quality grass-finished products compete. This was identified in the MRC-commissioned McKinsey Report “Winning in the Japanese Market”, (MRC 1990). USA exporters and Japanese domestic producers of dairy beef are our main competitors. Product categorisation is based on marbling, meat texture and colour.

Pasture strategies of producers focussing on these markets would have the following outcomes and challenges:

- to use native pasture systems to enhance the reproductive performance of the breeding

herd and the finishing of the female component of sales;

- backgrounding operations to take steers to 400–450 kg by 18 months of age for the export feedlot industry;
- management systems which include traceback to sire (preferable but often impractical on an individual sire basis) in order to influence carcass characteristics;
- grass finishing at rates of up to 300 kg per year and above, to achieve target slaughter weights at no older than 6 tooth; and
- the production to specification of live export cattle for South-east Asian countries.

Markets are never constant. For example, there is an emerging market segment in Japan comprised of fat-conscious people who prefer lean meat at retail — not unlike our domestic preferences.

In the Australian domestic market, consumers like to buy lean (unmarbled and fat-trimmed) meat. However, in blind taste tests, they show a distinct preference for marbled meat. Therefore, there is a trend for the hotel and restaurant trade to buy marbled meat to ensure an enjoyable eating experience, while retailers of meat have to satisfy the lean meat appearance which consumers associate with a healthy lifestyle.

The main competition is from poultry, demand for which is growing, while red meat consumption is plateauing after a steady decline from 40 kg to 35 kg per capita in the past decade.

Pasture strategies relevant to the domestic retail lean beef product would have the following outcomes:

- weaners grow at the rate of 300 kg per year to a dressed weight of 190–200 kg with no more than 2 permanent incisors;
- understanding between processor and producer in timing of supply that meets the needs of the processor/wholesaler; and
- feeder steers and heifers to be in the range of 250–350 kg on entry to the feedlot, for short-term grain feeding.

In this paper, no attempt has been made to comment on genetics which has an important effect on growth, marbling, meat yield and eye muscle area. Nor has any attempt been made to comment on the importance of pre- and post-slaughter treatment to the eating quality of meat.

As participants in this Tropical Pastures Conference, you will be interested to see how your activities fit into the bigger picture and to note

the very important contribution you can make. I will endeavour to explain this in the context of the vision, goals and strategic direction for the meat and livestock industry as developed by the newly formed Meat Industry Council, which I chair.

The vision is: "Commitment to a sustainable and profitable, customer-driven meat and livestock industry". Right from the start, the importance of the part you play in sustaining tropical pastures is recognised. The vision also refers to sustaining processing facilities and infrastructure such as yards and transport, even though the worth of this downstream investment is diminished without sustainable pastoral systems. Your direct impact on profit is also critical and I will comment more later.

As I mentioned earlier, you have made major progress in the introduction or breeding of pasture species and in production-driven systems. Is your emphasis on sustaining the resource, relative to developing the resource appropriate to the future? Is your traditional skills base driving your strategy; or is our long-term place in the Asia Pacific region as a supplier of clean protein and the optimum utilisation of a pasture base to achieve this, doing the driving?

The achievement of 5 goals will take us to that vision. As pasture specialists, you play a vital role in 2 of them. The 5 goals are:

- Customer satisfaction;
- Food safety;
- International and domestic competitiveness;
- Enterprise ownership and accountability; and
- Market access.

Let us look at 2 of these in more detail.

Customer satisfaction

Here the word "customer" refers to all participants in the supply chain — the buyer of weaners for backgrounding or finishing is as relevant a customer as the processor or consumer.

The strategic levers (things that have to be addressed to make the difference) are:

- identifying and monitoring changing customer needs in each market;
- satisfying customer needs at all enterprise levels;
- consistent and reliable market-driven supply through market-based technical systems, such as value-based marketing, and feedback systems;

- strategic linkages between suppliers and buyers;
- accurate, uniform product description using the AUS-MEAT language;
- effective QA (quality assurance) management systems from plate back to farm; and
- positioning of beef and lamb by promoting them as desirable, enjoyable and healthy food.

Earlier I illustrated the relevance of pasture strategy outcomes to different markets. However, the optimisation of return on investment in pasture systems requires individual identification of animals and traceback along the supply chain. The breeder must know which sires or sire lines are producing the right carcass characteristics. For example, 55% of cattle entering a feedlot do not achieve the 300-day feeding target for marbling, and 35% do not achieve the 150-day feeding target for marbling. There are wide variations in growth rate (highly heritable) and conversion efficiency.

Companies such as Stanbroke Pastoral Company and the Australian Agricultural Company have internal systems that link the breeding paddock to their stock in their feedlots. The same benefits can be achieved by smaller operators through strategic linkages along the production chain from breeder through to processor.

Figure 6 shows possible outcomes for grain-fed beef exports. If we do not fill the gap the USA will. Very few export industries in this country have such an opportunity — let's get it right!

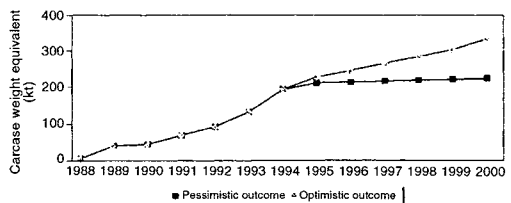


Figure 6. Optimistic and pessimistic projections for Australian grain-fed beef exports till the year 2000.

International and domestic competitiveness

The notion of competitiveness is to offer your customers (and we have already defined customers) something they value more than that offered by competitors. We want to invest so that our products offer superior benefits to customers.

Investing in pasture management and supplementation for early weaning provides more calves from breeding operations and may lower production costs per head. Producers adopting this strategy are in a stronger competitive position than their neighbours when selling those weaners.

Investing in pasture systems that enable a consistent supply of cattle to specification for live export results in recognition of a producer as a consistent supplier of quality cattle. This does not lower costs but offers superior value because of consistent supply — you are differentiating.

As we look to the future, the relevance and importance of the management of pasture systems does not diminish. Critical to our future success is the need to continually lower the cost of producing a kg of beef or lamb. Why is this so, if we have done well historically and we are close to our biggest markets?

There are 2 big reasons:

- American beef production is growing at the rate of 3% per year and their consumption is slowly declining. They are now seeing Japan as a real market rather than somewhere to take their overproduction. They are setting the price in Japan.
- In 5 years, 200 000 tonnes of grass-fed beef and 110 000 tonnes of grain-fed beef could be exported from South America annually, once countries achieve freedom from foot and mouth disease.

You and earlier pasture scientists have done well. This great industry remains dependent on you to find more ways to drive costs down and sustain our resource.

References

ABARE (1995) Proceedings of the National Agricultural and Resources Outlook Conference, Canberra, 7–9 February, 1995.
MRC (1990) The McKinsey Report. Winning in the Japanese Market.