

Red Meat Sector Update

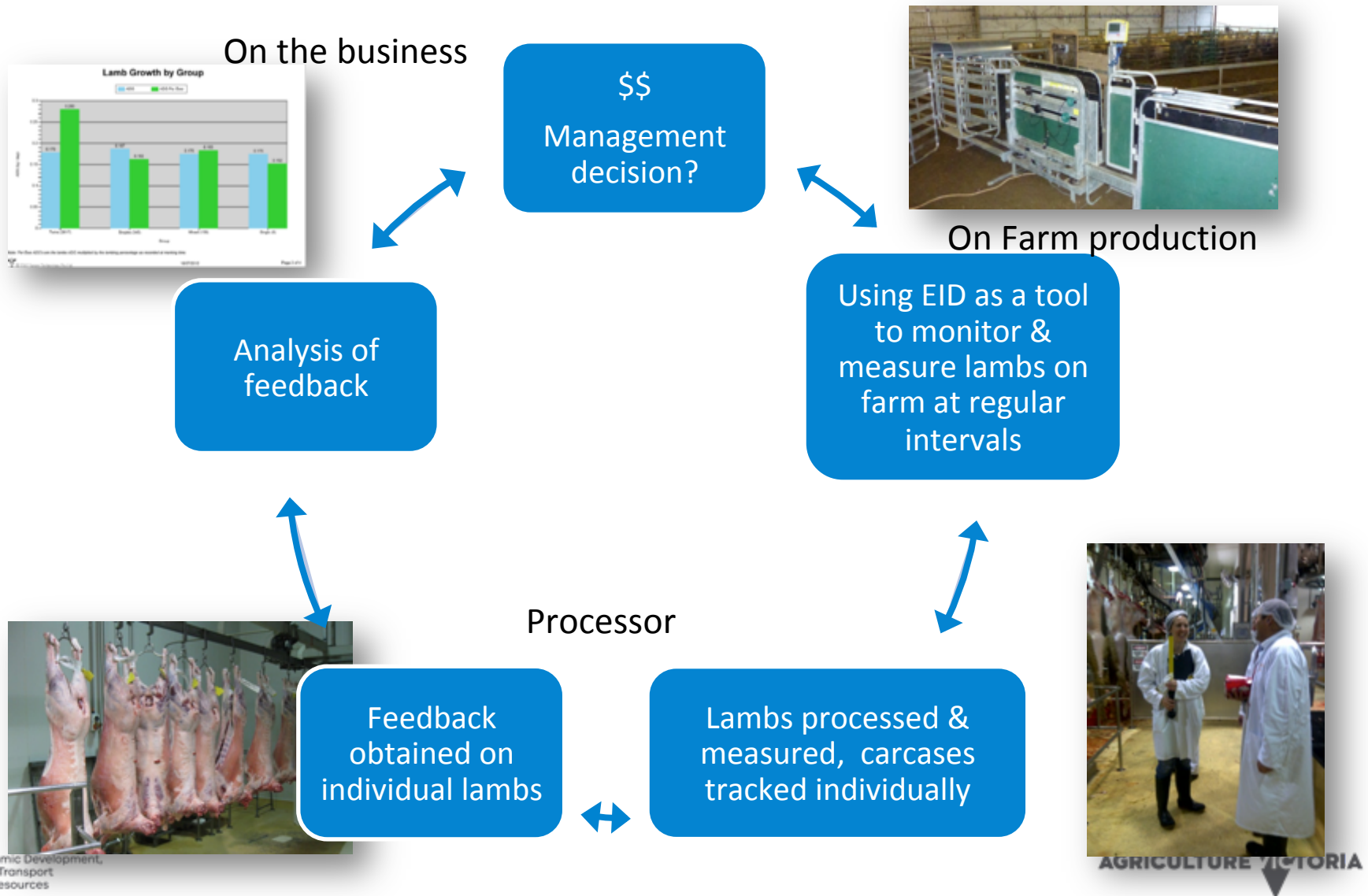
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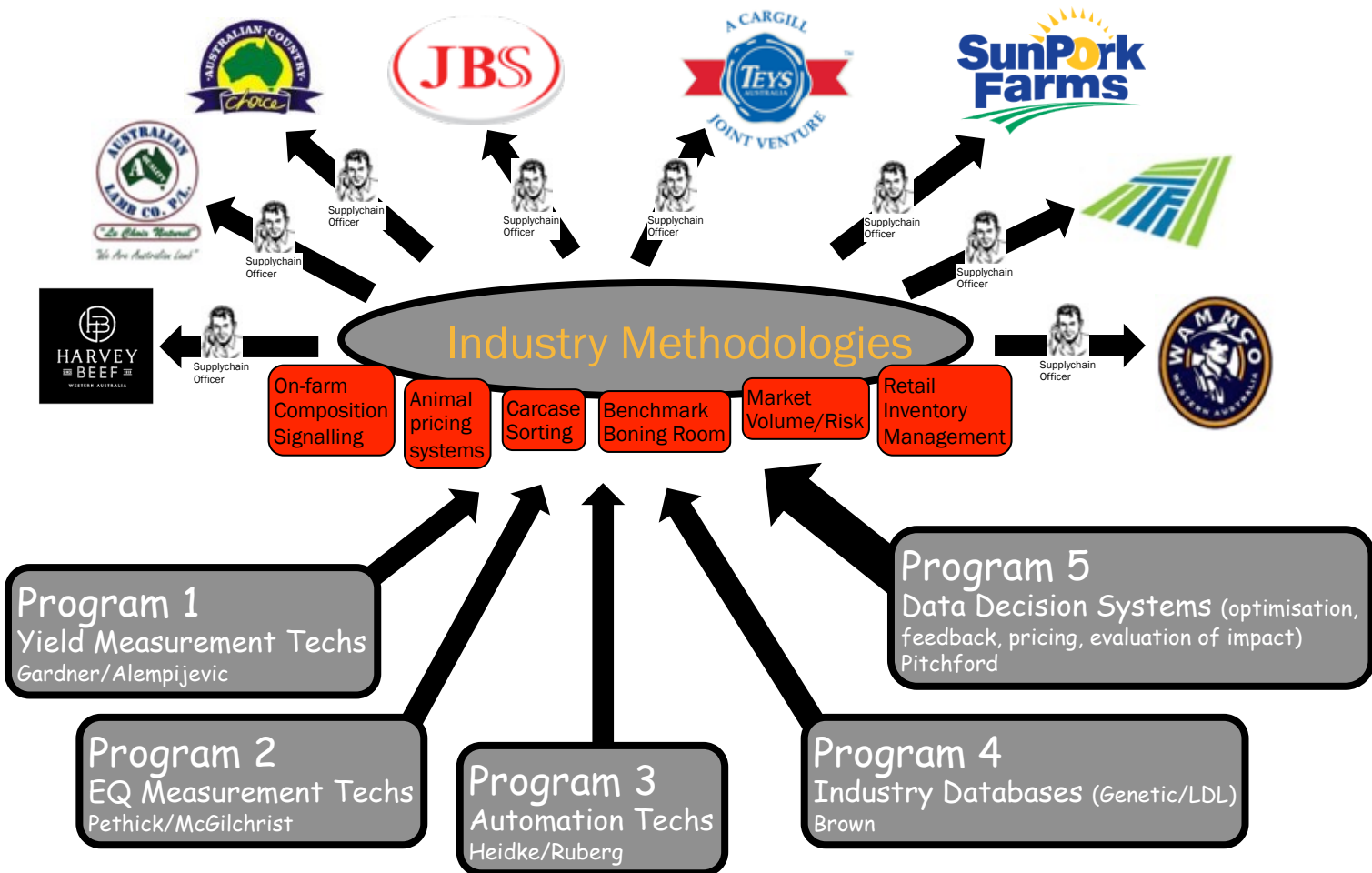
- Red Meat Value Chains
 - Value add Sheep EID
 - Feedback systems
- Beef Development Program
 - Betterbeef Network
- Sheep Development Program
 - Bestwool/Bestlamb Network
 - On farm development projects
- Land Health Program
- Farm Demonstrations



From farm to feedback



ALM Tech - Supply Chain Engagement



Marketing...

Choosing the market most suitable and profitable for a particular line of animals.

- ✓ Understanding your customers and their specifications.
- ✓ Producing animals to consistently meet market specifications for the target market.
- ✓ Selecting and presenting animals for sale so as to maximise potential returns.
- ✓ Obtaining feedback to identify problems and opportunities to improve compliance.

Australia Sheep

KEY POINTS

- Lamb production to be similar in 2018
- Mutton production to decline with lower slaughter
- Strong international demand to continue to support prices
- NZ production and exports to remain steady

Trends

Slightly down - Lamb slaughter: **22.5** million head

Slightly down - Sheep slaughter: **7.2** million head

Steady - Lamb production: **514,000** tonnes cwt

Down - Lamb exports: **241,000** million head

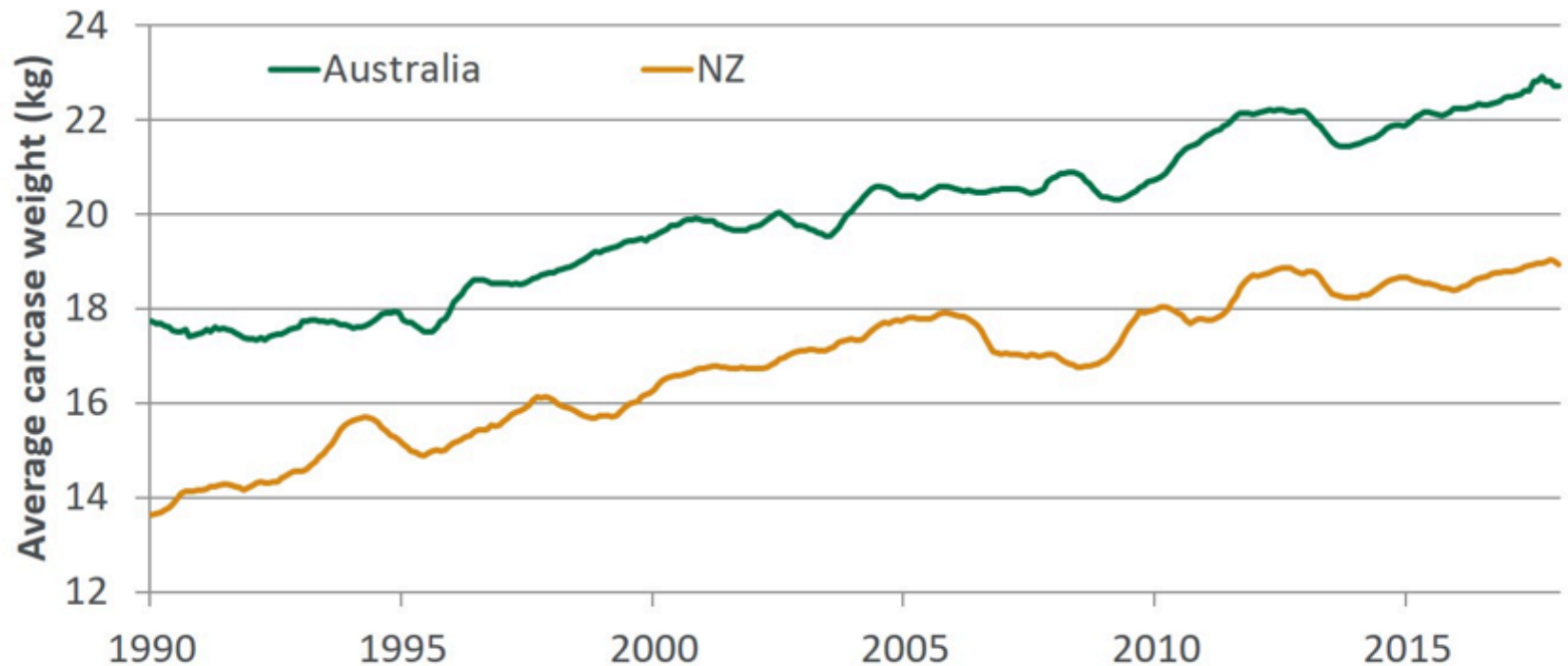
2018 Forecast - MLA

- Stable lamb production and a decline in mutton production is forecast for 2018
- As producers maintain intentions to expand their flocks
- High wool prices provide an incentive to retain Merino wethers.
- With added stock retention and an improvement in marking rates, the national sheep flock is forecast to expand a further 2.5% in 2018.
- Latest ABARES figures are showing good returns in farm cash income
- Industry reports strong ram sales across the board.

Positive Signals for sheep meats

Increasing lamb carcass weight trend

Australian and NZ lamb carcass weights



Source: MLA calculations, ABS, Statistics NZ, MLA calculations. Rolling 12-month average.

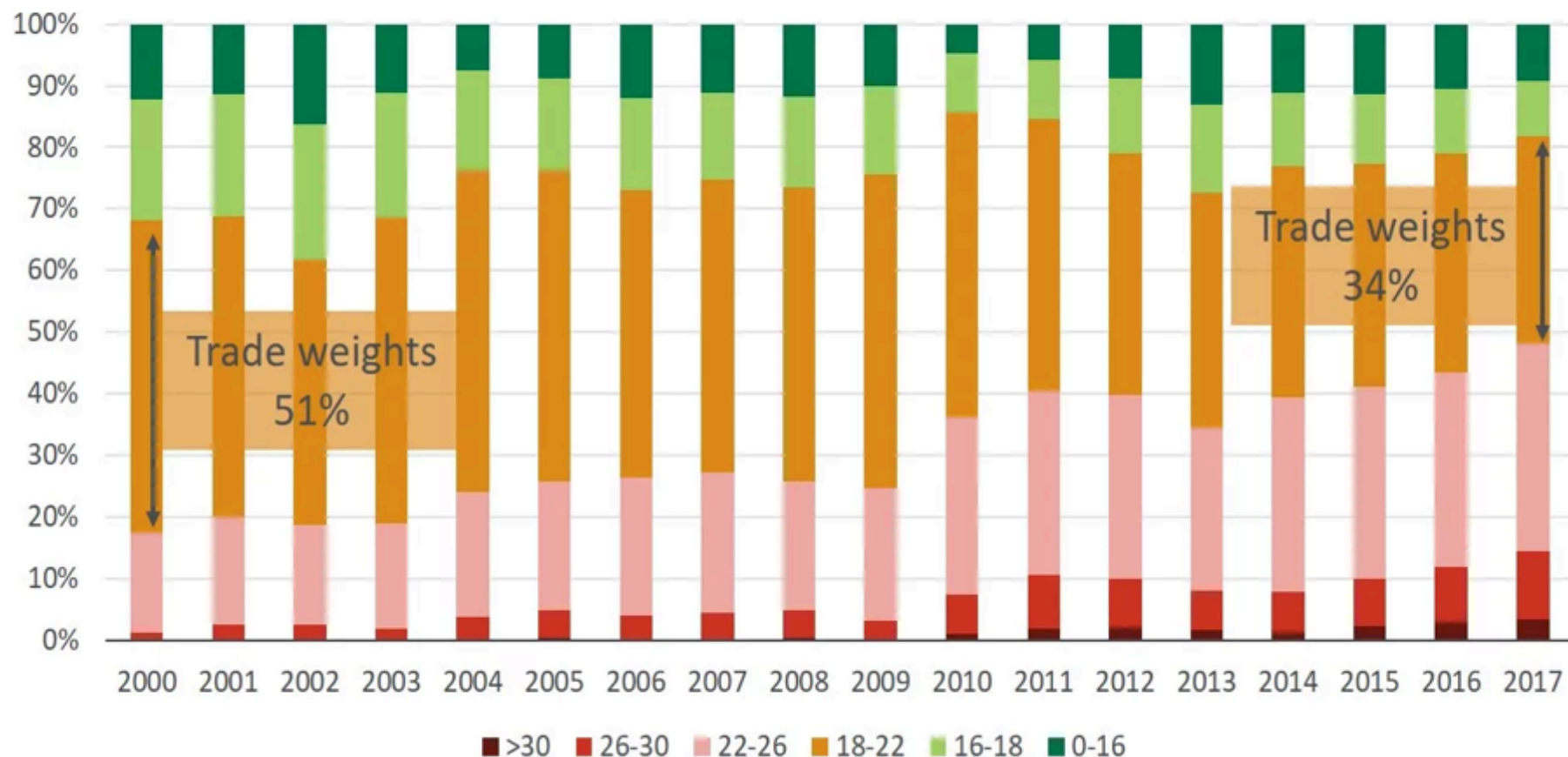
Increasing lamb carcase weight trend

- As highlighted in the recently released [global agri benchmark network results](#), Australia produces among the heaviest lambs in the world (it is behind the US industry but they were not included in the study) reflecting on farm productivity improvements but also the challenge of selling heavy lambs to a global market conditioned to lighter, leaner ones.
- While the additional weight per lamb has allowed the industry to produce more from less – 118,000 tonnes cwt, in fact, since 1990 or 23% of current production – it is slightly overstated as production volumes also include an increasing proportion of fat.

Lamb carcase weights forecast to continue growth

- As highlighted in MLA's [January sheep industry projections](#), lamb carcase weights are forecast to continue on their growth path; after averaging 22.7kg in 2017, weights are forecast to average 22.9kg in 2018, before reaching 23.3kg by 2022.
- Presented with ever-increasing weights, the challenge for industry is finding markets for the heavier end of the distribution, dealing with additional fat coming down the supply chain and innovating to cuts to control portion sizes.

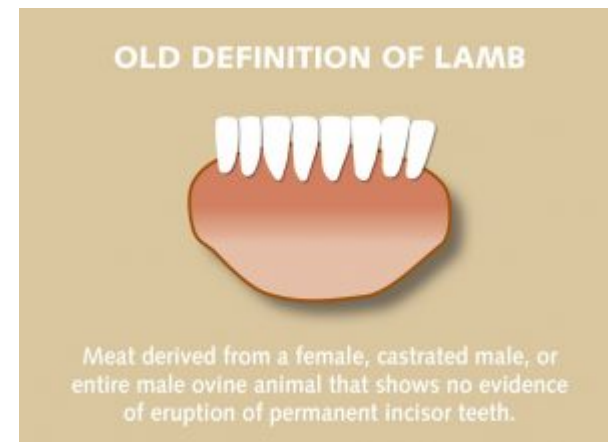
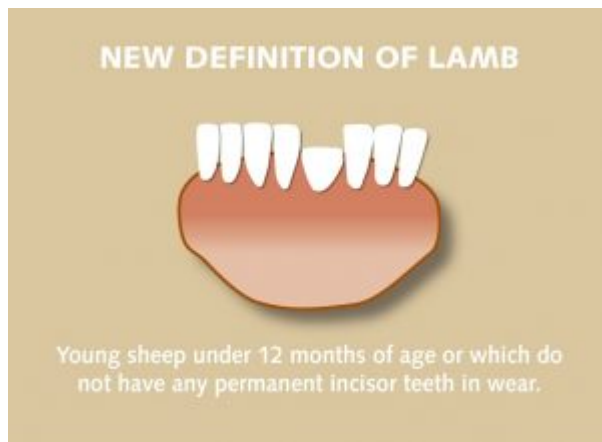
Lamb carcase weight distribution



Source: MLA, based off estimated weights through saleyard reporting

New Lamb Definition

- Sheep Producers Australia endorsed change to definition of lamb
- AMIC welcomed
- Align with NZ accepted criteria
- Spring 2019 roll out



Sheepmeat Market

- China brought more of Australia's Ag products in 2016 - \$ 10 billion to Ag Sector
- Lamb exports to Middle East and US still driving export earnings
- Top three markets for Victorian Lamb in 2017
 - Middle East (32, 693 tonnes)
 - Asia not including Japan, Korea or Taiwan (26,971 tonne)
 - USA (20,534 tonne)
- Trade war impacts (US & China) ???

Lamb Production 2018 – China

- Rabobank anticipates a slight increase in production following a recovery in ewe numbers, and lamb prices are expected to remain strong given the current demand from China, lower production from New Zealand and restricted domestic supplies.
- Victoria's strong biosecurity stance, evidenced in our Australia-first rollout of an electronic sheep tagging system, is also positioning us well with trade partners such as China.

Australian Beef

Key points

- Herd rebuilding to continue
- Cattle supplies to remain tight with small increase in slaughter
- Drop in cattle on feed from record highs
- Strong international competition from US and Brazil

Trends

Slight Upwards - Slaughter: 7.4 million head

Down - Carcase weights: 293kg/head

Slight Upwards - Production: 2.17 million tonnes cwt

Upwards - Beef exports: 1.05 million tonnes cwt

2018 Forecast – MLA

- Cattle supplies are anticipated to remain tight in 2018 with only a small rise forecast in adult slaughter to 7.4 million head, as the herd rebuild continues
- A dry winter/spring across many parts of Australia resulted in higher than expected turn-off in the second half of 2017, which is likely to result in another restricted year for cattle flow in 2018.
- If the three-month rainfall outlook from the Bureau of Meteorology (BOM) comes to fruition, it is likely to see tight supplies in certain regions, particularly through the mid part of the year.
- After a record year for carcase weights in 2017, 2018 will likely see this drop back in line with long-term trends.
- This, combined with the forecasted increase in slaughter, would see beef production lifting 1% to 2.17 million tonnes carcase weight (cwt).
- A lower number of cattle on feed is expected after the highs seen in 2017, where there were three consecutive quarters with over one million head on feed. A decline towards the 850,000–950,000 head mark
 - driven by increasing grain prices
 - growing gap between feeder and 100-day finished over-the-hook prices (¢/kg) – underpinned by restockers continuing to pay premiums in the young cattle market
 - increased US competition in key grainfed export markets.

Challenging year particularly for Beef Exports

2018 Forecast – MLA

- Expected increases in production and exports from many of our major competitors, including the US and Brazil.
- Australia's boxed beef exports are still expected to edge above one million tonnes shipped weight (swt) following the forecasted growth in production, which will be larger than any year prior to 2013, as many strong international demand fundamentals remain in place.
- A key factor will be if the US consumer continues increasing their per capita consumption – soaking up much of the growing US production and preventing a large portion of product from entering export markets.
- Prices will come under pressure in 2018 and 2019 as the aforementioned international competition intensifies, with a key watchout being the premium Australia can continue to command for its high quality product.
- Restocker interest throughout the year will again be a key driver of the Eastern Young Cattle Indicator (EYCI). The rally seen throughout October/November 2017, due to some good rainfall across Queensland and NSW, demonstrated restocker intent given the right conditions.
- How long will the continuing dry last will see herd liquidation continue. Longer dry drive prices up cattle and grain?.
- Grain / Livestock - piped water , cash flow , infrastructure, feedlotting

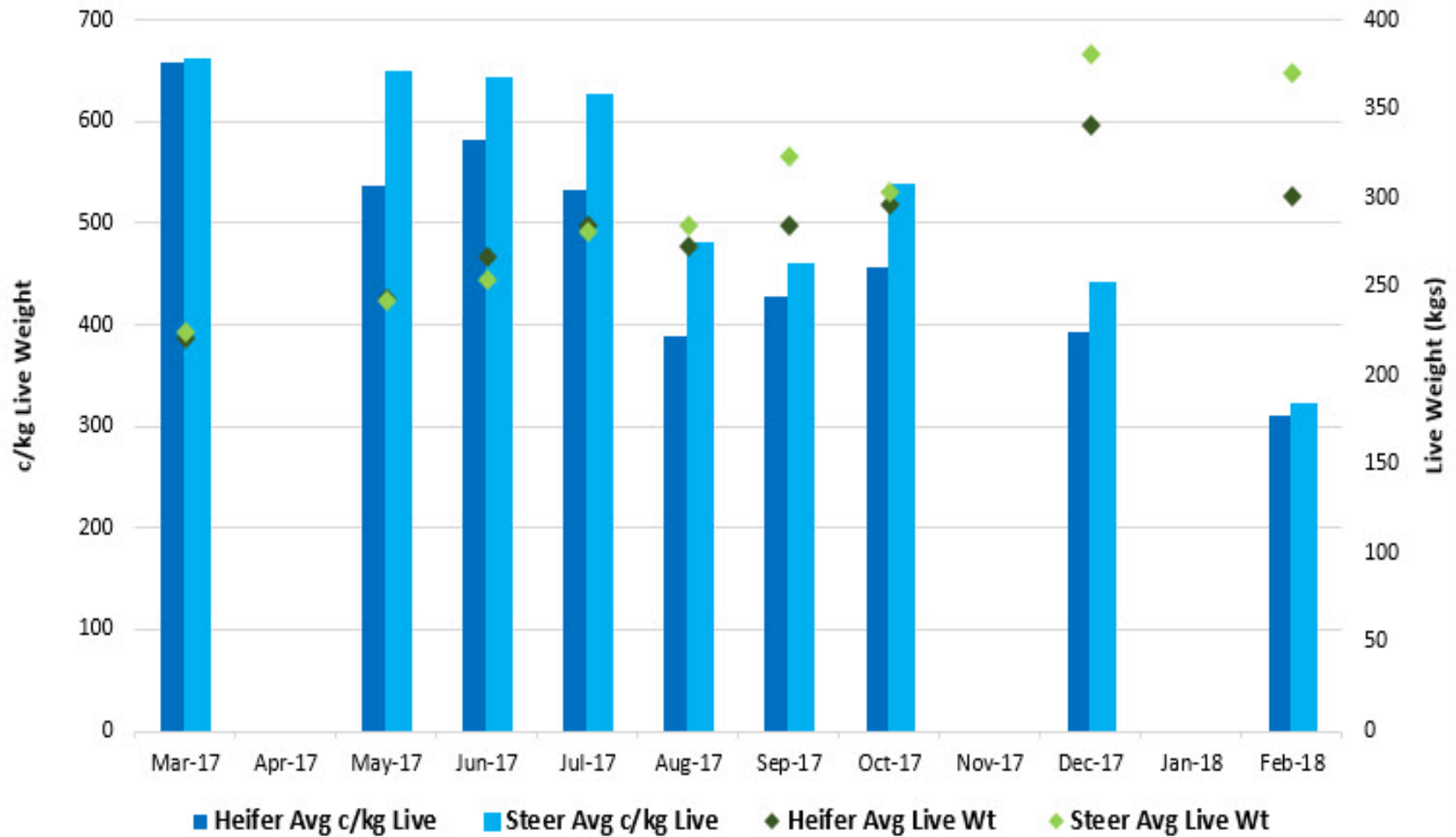
Feedlots

- Quarterly survey ALFA
 - 1,025,682 on feed
 - 12% above five year ave
 - Second highest on record
- Dry conditions Grain prices ?
- Consistent supply
- Branded products - evidence supported claims
- Sustainability triple bottom line



F1 Wagyu Backgrounder & Feeder Price Trend

AuctionsPlus, March 2017-February 2018



- **Wagyu F1 bubble bursts, under pressure of over-supply**
- **By Jon Condon, 22 March 2018**
- Long-held fears that the Wagyu beef industry may head into a period of over-supply – particularly for F1 feeder cattle of questionable genetic merit – are being realised, with some dramatic corrections being seen in the feeder market
- **<https://www.beefcentral.com/markets/wagyu-f1-bubble-bursts-under-pressure-of-over-supply/>**

Pasture Fed Markets

JBS - Farm Assurance Program
Brands 'Great Southern' & 'Pinnacle'



Pasture Fed Cattle Assurance System (PCAS)
Teyes/Woolworths brands
Independent brands



Coles - Grass-Fed
'Graze' Brand



Australian beef industry loses \$127 - \$163 million per annum, due to:

- Carcase downgrades (discounts) (\$51m pa)
- Carcase condemns (\$64m pa)
- Animal health and disease issues (\$12m - \$49m pa)

Which market?



Grass fed
programs

Supermarkets

Store
cattle

Prime
markets
saleyards

Export

Backgrounding
for feedlots

Live
export

EU

Market Requirements

- Market Factors
- Quality Factors
- Value Adding Factors



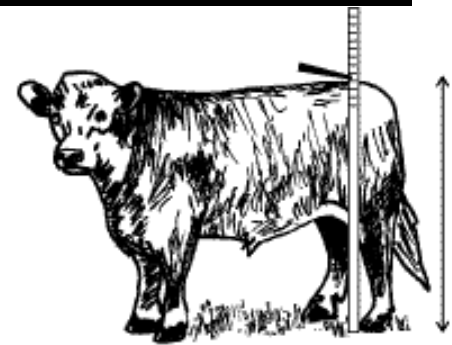
Market Factors

- Market Factors dictate where/which market the animal should be destined for.
- Factors included:
 - Fat score
 - Live weight
 - Maturity pattern of the animal

Maturity type

Animals vary in time taken to reach maturity – early maturing animals deposit fat sooner than late maturing animals in the same environment

Maturity Status	Frame Score	Height 12 m
Early maturing	1 – 2	104 – 109 cm
Mid maturing	3 – 5	114 – 124 cm
Late maturing	6 – 8	130 – 140 cm
Very late maturing	9 - 11	145 – 155 cm



Maturity type



15 months old



30 months old



Quality Factors

- These factors have a direct influence on the Meat Quality.
- Include
 - Age of the animal
 - Temperament
 - Breed
 - Sex
 - Previous history

Value adding factors

- These are what is expected of the producer. These factors aid the customer (processor or lotfeeder) in making an informed decision on purchasing the cattle, either as a first time or as a repeat.
- Can includes
 - Quality Assured stock/LPA
 - NVD which is filled out properly
 - Yard weaning
 - Vaccinations
 - Known genetics
 - Structural soundness
 - Preparation for transport
 - Others (dehorned, weight history, ID)

Livestock Production Assurance Level 1

Covers specific on farm practises (new in red since Oct 2017)

1. Property risk assessment
2. Safe & responsible animal treatment
3. Fodder, crop & grain treatments
4. Preparation for dispatch of livestock
5. Livestock transactions
6. Biosecurity Plan
7. Animal Welfare

Meet & demonstrate the standards of LPA Level 1.

What

How

When

For each of the 5 on farm practises

Templates & fact sheets are available on line at

<http://www.mla.com.au/Meat-safety-and-traceability/Livestock-Production-Assurance/On-farm-practices>

Livestock Production Assurance (LPA)

REMINDERS....

<http://www.mla.com.au/Meat-safety-and-traceability/Livestock-Production-Assurance>

LPA Management Console

User Login

PIC:

User Id:

Password:

TIP: Your LPA User ID is listed on the tax invoice provided with purchased LPA NVDs.

[Click here for further login help.](#)

If you are still experiencing difficulty logging in please email lpa@mla.com.au or call the NVD Hotline on 1800 683 111

au or
NVD Hotline on
111 or
e: 1800 683 111



Lifetime Traceability

The image shows the login form on the NLIS website. It has a light gray background. There are two main input fields: 'NLIS User ID' with the value '3prodcw8' and 'Password' with masked characters. Below each field is a link: 'Forgot your NLIS User ID?' and 'Forgot your password?'. A blue 'LOG IN' button is positioned below the password field. At the bottom left, there is a checkbox labeled 'Stay logged in' which is checked. To its right, a light blue box contains the text 'On shared devices, additional precautions are recommended.'

Don't have an account? [Register now](#)

Saleyards will transfer stock movements

But

Sometimes they get it wrong....

So check your NLIS database after

buying or selling to ensure transfer has been completed properly!

Receivers responsibility to ensure the transfer has been completed.

How useful is current feedback?



	A	B	C	D	E	F	G	H	I	J	K	L
1	Kill Date	Abattoir	Producer	Operator	Lot Identifier	Body Number	RFID	HSCW (kg)	P8 Fat Def	Dentition	Gender	Bruising
2	1/12/2014	Livestock	PICTEST1	OPR2	25418	219	982 123484318182	329.5	11	4 M		0
3	1/12/2014	Livestock	PICTEST1	OPR2	25418	220	982 123465391842	394.5	14	2 M		0
4	1/12/2014	Livestock	PICTEST1	OPR2	25418	221	951 000013507104	373.5	18	0 M		0
5	1/12/2014	Livestock	PICTEST1	OPR2	25418	222	964 001004387295	401.5	11	0 M		0
6	1/12/2014	Livestock	PICTEST1	OPR2	25418	223	982 123486900769	326	11	4 M		0
7	1/12/2014	Livestock	PICTEST1	OPR2	25418	224	982 123486486445	387	13	2 M		0
8	1/12/2014	Livestock	PICTEST1	OPR2	25418	225	982 123481137253	324.5	8	2 M		0
9	1/12/2014	Livestock	PICTEST1	OPR2	25418	226	982 123492341133	350.5	14	2 M		0
10	1/12/2014	Livestock	PICTEST1	OPR2	25418	227	900 116000259699	364.5	28	0 M		0
11	1/12/2014	Livestock	PICTEST1	OPR2	25418	228	982 000167530865	357	22	0 M		0
12	1/12/2014	Livestock	PICTEST1	OPR2	25418	229	982 000142526053	367	8	6 M		0
13	1/12/2014	Livestock	PICTEST1	OPR2	25418	230	900 116000533184	399	18	2 M		0
14	1/12/2014	Livestock	PICTEST1	OPR2	25418	231	951 000501075473	320.5	17	2 M		0
15	1/12/2014	Livestock	PICTEST1	OPR2	25418	232	982 123459676389	397	17	4 M		0
	1/12/2014	Livestock	PICTEST1	OPR2	25418	233	942 000005018325	315.5	12	4 M		0
	1/12/2014	Livestock	PICTEST1	OPR2	25418	234	982 000168427152	343	11	0 M		0
	1/12/2014	Livestock	PICTEST1	OPR2	25418	235	982 123477258938	443	14	6 M		0
	1/12/2014	Livestock	PICTEST1	OPR2	25418	236	942 000018672788	412	17	4 M		0
	1/12/2014	Livestock	PICTEST1	OPR2	25418	237	982 123487256194	391.5	22	4 M		0
	1/12/2014	Livestock	PICTEST1	OPR2	25418	238	982 000168396279	337.5	14	0 M		0

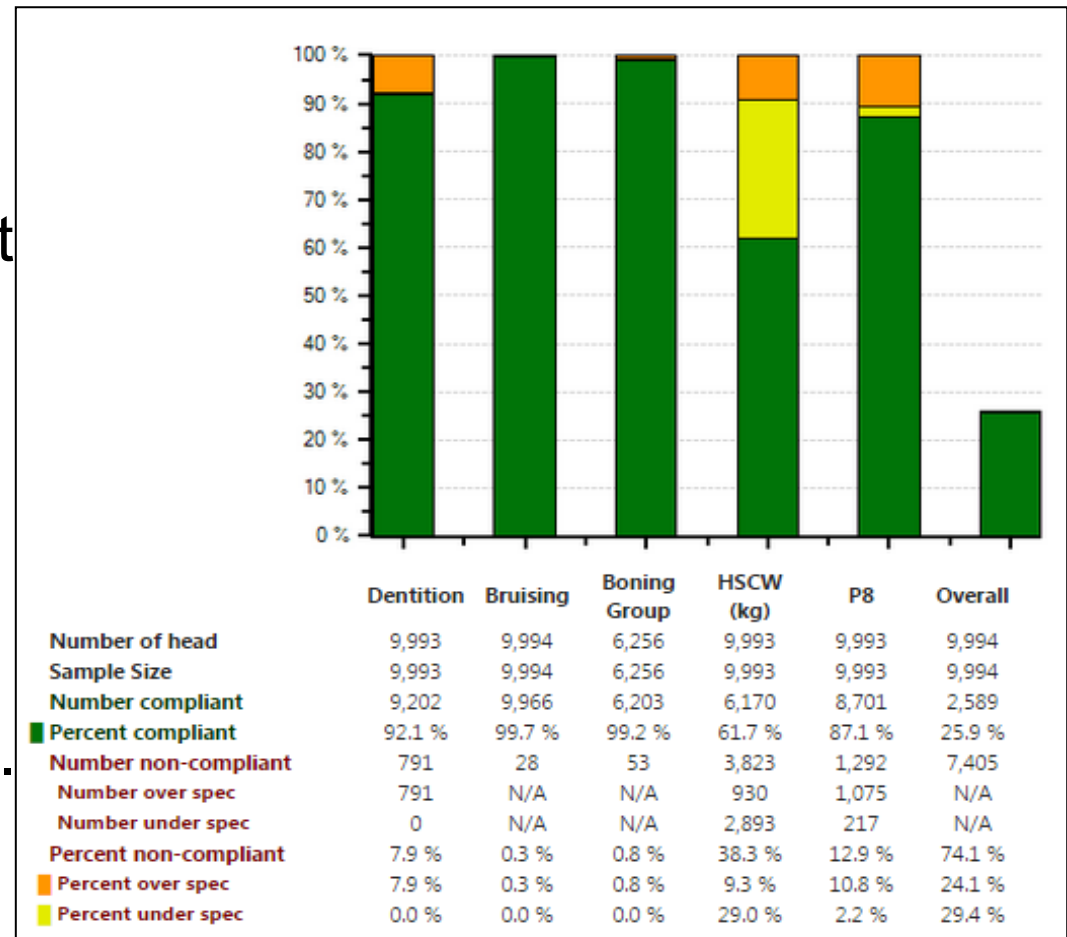
Estimated Carcase Weight*				
Breed	CWT	Low	High	Avg
1stX	0-12	612	652	632
	12.1-16	532	623	572
	16.1-18	-	-	-
	18.1-20	474	495	485
2ndX	0-12	-	-	-
	12.1-16	615	740	703
	16.1-18	555	593	571
	18.1-20	514	588	533
Comp	0-12	625	638	632
	12.1-16	550	669	598
	16.1-18	514	535	519
	18.1-20	-	-	-
All Breeds	0-12	612	743	594
	12.1-16	532	740	626
	16.1-18	514	593	601
	18.1-20	474	588	534

TYPICAL FEEDBACK SHEET INFORMATION						
SEX	DENTITION	FAT DEPTH	BUTT SHAPE	CATEGORY	BRUISE SCORE	HOT CARCASE WEIGHT
M	0	12	C	"Y"	1	225
F	0	11	B	"Y"	2	220
Mandatory for Pork. Sex is recorded as Male (M) or Female (F).	Mandatory for Beef. Dentition is recorded as the number of permanent incisor teeth from 0-8.	Mandatory for Beef, Sheep, Goat and Pork and is recorded in millimetres (mm) or fat class for Lambs & Goats.	Optional feedback for Beef assessed from A - E. A being most convex and E being most concave.	Optional for all species. Category for Beef and Sheep & Goats is determined by sex and dentition. Pork is determined by sex and weight.	Mandatory for Beef. Bruise Score is scored from 1-9 depending on the position of the scoreable bruise.	Mandatory for all species and is measured within two hours of slaughter.

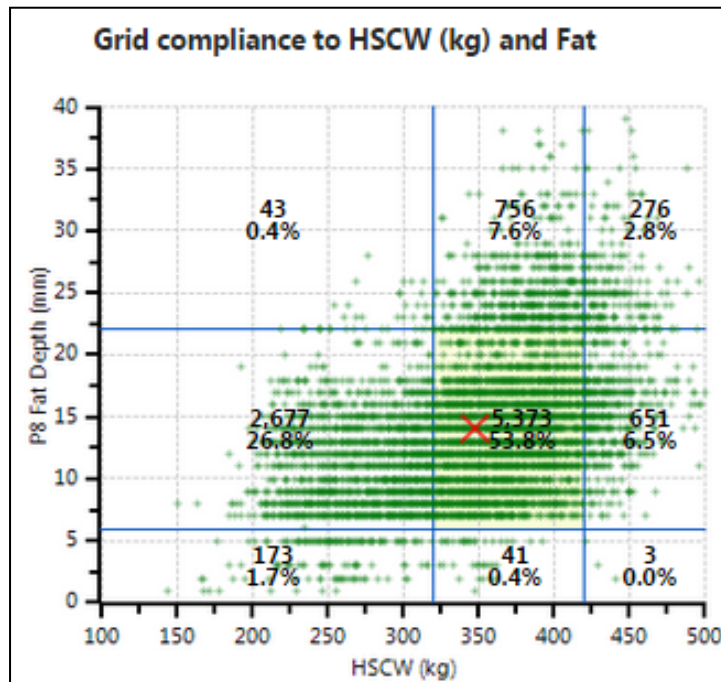
Any or all of the above carcase attributes may be specified in a company grade.
AUS-MEAT does not set or determine company grades.

Key benefits of LDL

- Centralised feedback system
- Identifies non compliant carcasses and the associated costs
- Performance benchmarking
- Support business management decisions.



How do I measure up?

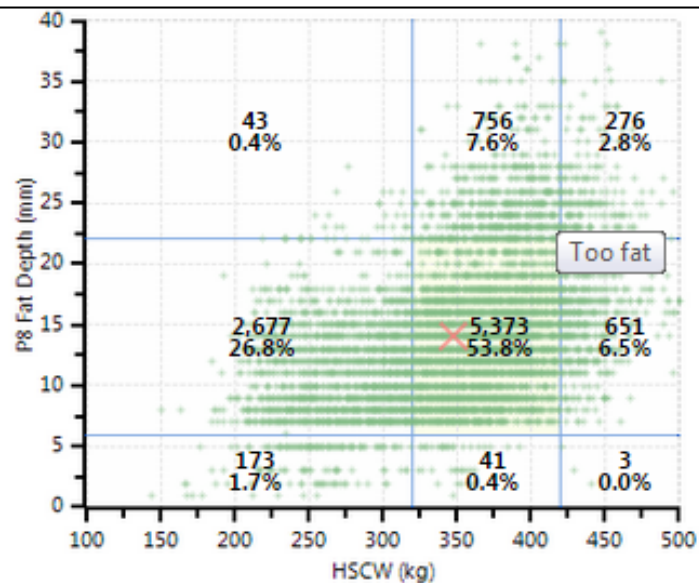


Summary of the number head, carcase traits and non-compliance cost				
	Male	Female	Unknown	All
No. Head	8,584	1,410		9,994
No. Condemed	0	1		1
Total HSCW (kg)	3,085,472.5	387,985.5		3,473,458.0
Max HSCW (kg)	542.5	489.5		542.5
Min HSCW (kg)	143.5	150.0		143.5
Avg HSCW (kg)	359.4	275.4		347.6
Max P8 Fat Depth (mm)	43.0	50.0		50.0
Min P8 Fat Depth (mm)	1.0	1.0		1.0
Avg P8 Fat Depth (mm)	13.8	13.0		13.7
Max Boning Group	1	1		1
Min Boning Group	U	U		U
Boning Group mode	3	6		3
Non-compliance count	6075	1330		7405
Non-compliance cost	\$230,985.70	\$80,528.50		\$311,514.20
Non-compliance cost/head	\$38.02	\$60.55		\$42.07

Compliance percentage to carcase traits	
Overall Compliance	41.4%
Compliance to HSCW (kg) & P8 Fat Depth (mm)	53.8%
Compliance to HSCW (kg)	61.7%
Compliance to P8 Fat Depth (mm)	87.1%
Compliance to Dentition	92.1%
Compliance to Bruising	99.7%
Compliance to Boning Group	99.2%

Graphical presentation enables easy interpretation of carcase performance

How can I improve?



Too fat

You are here: [Home](#) / [Cattle](#) / [Weight and fat](#) / Too fat

Compared to the target specifications, these carcasses are too fat although they have met the specifications for carcass weight.

The processor will need to trim excess fat from the cuts to meet the requirements of their customers. This is costly to do and reduces saleable meat yield.

These cattle may have met the specifications if sold earlier, when they were not as fat. In this case a lighter weight market may have suited them better.

Doing it better next time:

[Improving cattle that are too fat for the market](#)

[Am I aiming at the right target market?](#)

[Help with assessing fatness and carcass weight in live cattle](#)

[Reducing variation in the sale group](#)

- ▶ Too fat
- ▶ Too heavy and too fat
- ▶ Too light
- ▶ Correct weight and fat
- ▶ Too heavy



MSA Minimum requirements

- Met pre-slaughter MSA requirements
- pHu less than 5.71
- Min Rib Fat 3mm
- Fat cover over all primals

Other MSA measures of carcass quality

- Ossification
- Marbling
- Hump height
- Sex

Summary

- Number of simple selection techniques
- Consider the factors needed to get it right !
- Build the relationship with the customer whether a processor or lotfeeder.
- Understand your market & customer
(and maybe your consumer)

