

Move towards establishment of a Tropical Grass Fed Beef Supply Chain and / or Brand
– A Discussion Paper

Situation

The third largest tourist destination is on our doorstep in Cairns and the Far North and whilst there are probably a number of restaurants that serve local beef, I only know of one restaurant that actually serves Tablelands “branded” beef as displayed on menu. There are, however, a number of restaurants that serve King Island, Margaret River or Cape Grim branded beef. Tourists want to sample local produce including our Grass-fed Tropical beef. There is potential to develop a high-end supply chain for locally-produced grass-fed MSA beef into our Northern restaurants.

Background

Whilst the northern and western areas of the former Mareeba shire and Southern former Herberton shire have large extensive cattle breeding operations (there are some 289,293 estimated head of beef cattle within the total Tablelands Regional Council); this discussion paper will focus on the potential for cattle fattening on the Tablelands (includes the former Atherton and Eacham shires, the Wetter parts of the former Herberton shire and the Mareeba-Dimbulah irrigation area and Mt-Molloy Julatten areas of the former Mareeba Shire) and Wet Tropics coast.

The DPI&F Beef Extension team estimate that the Region has the potential to turn off 40,000 head of high quality cattle on a yearly basis (MSA grade) from an estimated 700 beef producers. Value of this industry, using an average figure of \$750/head is \$30M at Farm Gate.

The major issues facing the Far North Beef industry include inadequate scale (more closely settled areas), significant cost escalations in both overheads and direct costs, doubling of debt per LSU over the last decade while return on assets (ROA) has declined to very low levels of 0.3% to 2.0% on average (MLA Northern beef situation analysis 2009). Beef fattening on the Atherton Tablelands averages a Gross Margin/head of between \$150 and \$200/head so returns on a GM/ha basis is about a 1/3 of dairy.

Average stocking rates are a beast (AE – adult equivalent) to 1.5 to 2 acres (1AE to 0.6 – 0.8/Ha). The Tablelands region, dominated by sown pastures, is described as an intensive grazing system. The DPI&F Beef Extension team estimate there is about 62,000 head of which 60% would be fats and store cattle (37,200) and 40% Breeders and followers (24,800). There are estimated 491 beef producers across this area with herds ranging from a few head to 250 head (Mason 2008 Unpub. Data). Over 80% of producers have off-farm income. From a local DPI Beef Extension Officer - there are only about 3-4 or so producers that actually employ someone else apart from themselves here on Tablelands, with most deriving the majority of their income off-farm (Spies 2008).

The dairy deregulation has seen a number of dairy farms being converted to beef cattle production. There were approximately 185 Dairy farmers in April 2000 producing approximately 130ML to now less than 56 dairy farmers producing less than 56ML. This would contribute less than \$30M by way of value at farm gate to the region with Most operations being smaller family operations with fewer than 300 cows and do not employ much external labour (Spies 2008).

Do beef producers want to work with others? The Tablelands is, historically, a fiercely independent region (Spies, 2010, 2012) with low levels of collaboration (in terms of Agriculture i.e. Potato cooperative, previous beef alliances) and very parochial.

The notion of a tropical grass Fed beef supply chain does put control into the hands of producers and may provide a higher degree of certainty of income. Producers can get insurance on mobs of cattle (so risk is shared and do not need to go through agents). Regional beef specifications could move towards domestic/heavy domestic, rather than Jap Ox.

Major influences on the local market over recent years include:

- The abattoir closure in Innisfail (2006)
- Swift & Co in Townsville is the nearest abattoir of large scale and is now paying for MSA grade
- Rocky Creek Abattoir is the nearest abattoir but is small
- Establishment of small-scale “Boutique” abattoirs processing Biodynamic or MSA grade meat to domestic markets (Bingal Bay beef, Jervoise etc.)
- Some limited establishment of local brands (Morganbury, Bingal Bay Beef)
- Local slaughter yards and butchers take only limited numbers
- Local store and private sales for good quality cattle - weekly cattle sales are conducted at the Mareeba Sale Yards and a store sale at Malanda monthly
- Increased meat consumption due to improved, consistent eating quality (MSA)
- Local MSA accredited operations – Bingil Bay to IGA stores and Swifts in Townsville
- Increased feed costs and cost price squeeze on inputs increasing due to increasing prices of molasses, fertiliser, grain, protein and fuel
- Land prices have increased astronomically since 2000 (Tablelands Basalts average \$5000/acre).
- Better quality Genetics available, including Regional stud operations, with objective measurements and data on cattle. Tools include Breedplan (EBVs - Estimated Breeding Values), Genestar testing and DNA profiling for eating quality, growth and fertility parameters.
- Live cattle export suspension to Indonesia (2011) has made Northern producers look towards other marketing options
- Move towards composite breeding programs by larger pastoral operations and increased use of non-Indicus Tropical breeds from Africa and Caribbean for Fertility and MSA compliance.



Tropical Grass Fed Beef Forum

Agforce Queensland held a Tropical Grass Fed Beef Forum on 27th September 2012. Speakers included Bernie English (DAFF Extension Officer) who spoke on creating the right Pasture Balance/Nutrition, John Bertram (Tropical Breed Technology Services) who spoke on the Tropical breeder herd/Genetics, David Carew (MLA) on Menu Design, Value adding cuts (including sub-primal cuts) and innovations in beef marketing, Brett Campbell (Livestock Manager, JBSSA) on Branded beef opportunities and issues to consider in supply, Jake Phillips (MLA) on MSA and John Condon from Beef Central who summed up the day and ways forward. There were over 100 participants.

When the question was asked to audience *“Is there anyone against the investigation of establishing a Tropical Grass Fed Beef Supply Chain?”* Not one person objected. It was agreed to form a Steering Group to further investigate options. Paul Burke (Regional Manager Agforce), Alex Stubbs and Peter Spies (Producers) will drive the project and some volunteers for the steering committee also came forward on day.

Potential hurdles

- That for any Northern producer group to make any serious progress they need to concentrate on the four “C’s” - “Consistency” (of MSA grade product), “Continuity” (of supply of MSA grade product across the year), “Critical Mass” (of number of producers) and “Collaboration” (willingness to work together on a continuing basis, despite price fluctuations).
- A fifth - “Chain of Custody” (of cattle and processed beef) is a real issue. We heard story about shipments being not accepted if not exactly packed according to paperwork (i.e. pro-forma invoice, export documentation). Issues surrounding meatworkers handling the bodies. Consumers getting the beef that they paid for? The more times bodies/shipments are handled there is potential for human error and supervision at these ‘control points’ may be required.
- Does beef producer preparedness to work together collaboratively need to be established?
- Agents may not be supportive (i.e. taking marketing / selling away from agent esp. if Agents have the financial purse strings of producers with credit accounts/debt?)

Way Forward/Potential Solutions

- Establish Demand – approach Restaurants, Hotels and large resorts in Cairns, Port Douglas and Mission Beach. Airlines flying out of Cairns?
- Profile of genotypes – turnoff – meat quality. Within the turnoff figures – breakdown into weight ranges and any data on weight and rib fat etc. Any current evidence of MSA/boning group categories? Current selling system e.g. Mareeba saleyards vs. direct slaughter and the locations (J. Bertram 2012 *pers. com.*)
- Farmer interest for an off-farm income stream (potential investment)?
- There is the potential / opportunity for pooling of small lots (say neighbours/collaborations) working together to abattoir and locations.
- Focus of consumer requirement/customer specifications. Then develop the brand from the market analysis. Don’t develop a brand first. Not sure consumers are interested on feeding or breed i.e. “grassfed” vs. “grain-assist”, “organic/biodynamic” or “Lot-fed”. Customer is interested in tenderness, juiciness, flavour and, more-importantly, where the beef is from (i.e. what to try the produce of a region).
- Work in with existing major processor. JB Swift (?) Guarantee supply – trial for period. Negotiate higher premium for quality cattle – supply B-doubles down to Townsville in cooperative arrangement amongst producers. Once established work towards a Tropical North Grass Fed brand.
- Work with smaller processor i.e. Bingal Bay Beef (Blennerhasset) and upgrade existing facility – grow.

- Greenfield site (?) Whilst an abattoir would be good for us beef producers (competition for purchase of cattle)... one must ask is it viable to this scale? Economics and figures?
- Under last two scenarios may be potential for additional employment in Region (i.e. extra 25-30 people depending on size/scale). This may fit in with funding models based around “*Placed based Solutions*” - meaning funding is allocated based on the needs and aspirations of local communities, rather than in line with predetermined funding programs and models. This in no way compromises the accountability and governance of a project, but results in projects meeting the needs of the local community, rather than being stretched to fit into a funding program.
- Potential of export and learning’s (i.e. “Best Practice”) as “Tropical Expertise”. There is potential for funding around such initiatives through partnering (RDA FNQTS and JCU).
- Review of existing supply chains/Beef branding projects/cooperatives. Case studies and examples are available. We can take what has been successful, what has worked; learn about what has not worked/potential pitfalls.
- There is the potential for a person to be employed across the Tablelands and Wet Tropics Coast in Live Cattle Assessment to assist producers with MSA compliance (assess cattle lots invited prior to delivery date) (J. Bertram 2012 *pers. com.*) . This person could assess cattle liveweight, Rib and P8 fat, scans, muscling, condition, what is required to get cattle ‘up to specs’ and potential gains to be made under various feeding scenarios. Such a person could potentially be employed on project funds, by Membership of collaborator group of producers, by a cooperating processor or combination of above?

References

John Bertram (September 2012) *pers. com.*

Mason, Greg (July 2008). *Atherton Tablelands Economic Profile*. Unpublished. Queensland Government, Department of Primary Industries and Fisheries.

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