



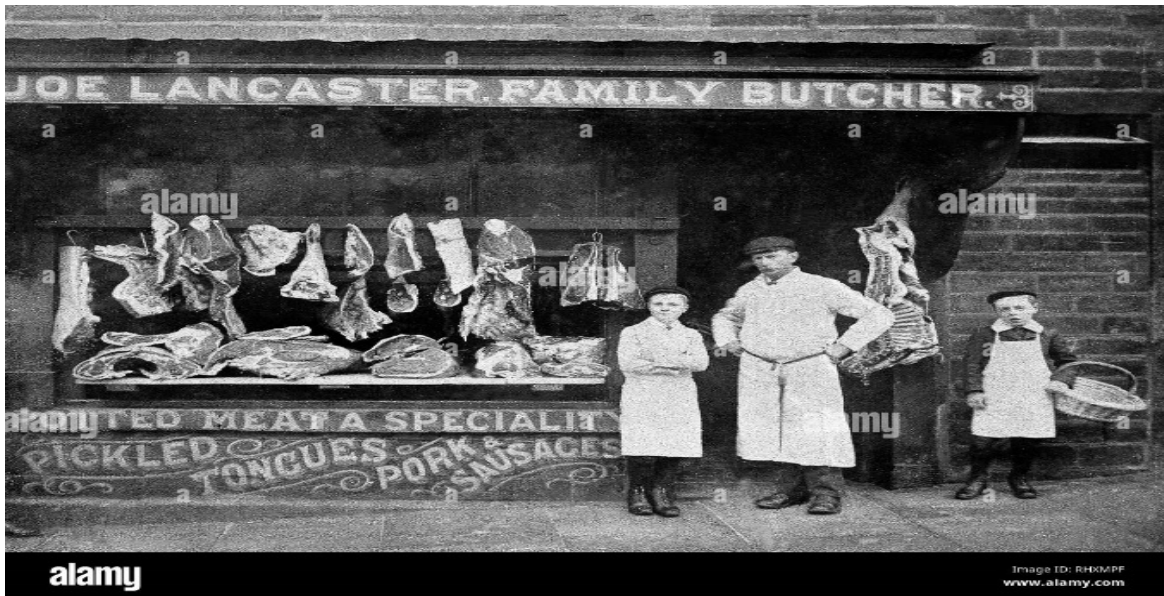
SUBMISSION
TO THE
SENATE SELECT COMMITTEE
ON
SUPERMARKET PRICES
SUBMITTED BY
AUSTRALIAN BEEF ASSOC.

MR. DAVID BYARD

CEO – AUSTRALIAN BEEF ASSOCIATION

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In years gone by, every suburb had a butcher shop and this was the only way people could buy beef and lamb. By the late 60's / early 70's Coles and Woolworths had started selling beef and lamb. Initially they were cheap and probably made a loss, however they had the ability to offset these losses, whereas butcher shops did not have the ability to discount so led to butcher shops closing.



Traditionally, the only way to purchase livestock was through the sale yards. In the auction system, at the fall of the hammer, the stock purchaser takes responsibility for any losses due to the animal not meeting the buyer's specifications, by being too fat, too lean, injured, or diseased. Although the butchers may have tried to collude, this created a fair as possible competition for stock purchase and pricing.

PROCESSOR SLAUGHTER GRID

GRADE		FAT	TEETH	HGP FREE PRICE													
MSA & PREMIUM				500+	440+	400+	350+	330+	300+	280+	260+	240+	220+	200+	180+	140+	
HGP Free Index 52+	MSA	5 - 32	0-6			4.80	4.80	4.80	4.80	4.80	4.70	4.55	4.50				
		33 - 36				4.60	4.60	4.60	4.60	4.60	4.60	4.45	4.40				
MSA Index 50.0+	5 - 25	0-2			4.60	4.60	4.60	4.60	4.60	4.55							
			26-32			4.55	4.55	4.55	4.55	4.50							
	5-25	4-7			4.55	4.55	4.55	4.55	4.50								
			26-32			4.50	4.50	4.50	4.50	4.45							
	5-22	8 Tooth Male			4.45	4.45	4.45	4.45	4.45	4.40							
	23-32				4.40	4.40	4.40	4.40	4.35								
JAP OX Female -5c	5-27	0-4			4.50	4.50	4.50	4.50	4.45	4.45							
	28-32	0-4			4.45	4.45	4.45	4.45	4.45	4.40							
	5-27	6			4.45	4.45	4.45	4.45	4.45	4.40							
	28-32	6			4.40	4.40	4.40	4.40	4.40	4.35							
	5-27	8			4.35	4.35	4.35	4.35	4.35	4.30							
	28-32	8			4.30	4.30	4.30	4.30	4.30	4.25							
TRADE & EXPORT GRADES				500+	440+	400+	350+	330+	300+	280+	260+	240+	220+	200+	180+	140+	
Y & YG Female -5cMSA Index 50.0+	5-22	0-2			4.50	4.50	4.50	4.50	4.50	4.45	4.40	4.35	4.30	4.25	4.20		
	23-32	0-2			4.40	4.40	4.40	4.40	4.40	4.35	4.30	4.25	4.20	4.15	4.10		
PR Female -5c	3-22	0-7			4.45	4.45	4.45	4.45	4.45	4.40	4.35	4.25	4.20	4.15	3.95	3.75	
	23-27	0-7			4.40	4.40	4.40	4.40	4.40	4.35	4.30	4.20	4.15	4.10	3.90	3.70	
	28-37	0-7			4.30	4.30	4.30	4.30	4.30	4.25	4.20	4.10	4.05	4.00	3.80	3.60	
OX	3-22	0-8			4.40	4.40	4.40	4.40	4.40	4.35	4.30	4.25	4.20	4.15	3.85	2.85	
	23-27	0-8			4.35	4.35	4.35	4.35	4.35	4.30	4.25	4.20	4.15	4.10	3.80	2.80	
	28-37	0-8			4.25	4.25	4.25	4.25	4.25	4.20	4.15	4.10	4.05	4.00	3.70	2.70	
MANUFACTURING OX	0-2	0-8			4.30	4.30	4.30	4.30	4.30	4.25	4.20	4.15	4.10	4.00	3.95	2.95	
MSA Cow MSA Index 48.56+	5-22	8			3.70	3.70	3.70	3.70	3.70	3.70	3.65	3.60	3.55	3.50	3.45	3.15	2.15
	23-26	8			3.60	3.60	3.60	3.60	3.60	3.60	3.55	3.50	3.45	3.40	3.35	3.05	2.05
Cow	0-2	0-8			3.25	3.25	3.25	3.25	3.25	3.25	3.20	3.15	3.10	3.05	3.00	2.95	1.95
	3-18	8			3.60	3.60	3.60	3.60	3.60	3.60	3.55	3.50	3.45	3.40	3.35	3.30	2.30
	19-26	8			3.50	3.50	3.50	3.50	3.50	3.50	3.45	3.40	3.35	3.30	3.25	3.20	2.20
	27-37				3.40	3.40	3.40	3.40	3.40	3.40	3.35	3.30	3.25	3.20	3.15	3.10	2.10
Bull		0-8			3.60	4.10	4.10	4.10	4.10	4.10	4.00	3.95	3.85	3.80	3.60	3.50	2.50
HGP Treated less 10 Cents off Base																	

By the late 80's over the hook trading of slaughter cattle at processing plants had moved to a grid system and processors have every animal assessed prior to the weighing scales to the specifications of the grid with discounts for fat depth, teeth, weight, butt shape and HGP free or not etc. Some branded names have carcasses chiller assessed before arriving at a price. After this rigorous assessment of the carcass, it seems none of this information appears to make its way to the retail shelves for the benefit of the consumers. After all this carcass information is collated, it should not be too difficult to grade the product into maybe three grades such as:- "GOLD", "SILVER" and "BRONZE" and priced accordingly, so the consumer can make an informed choice.

Coles in-store butchers face the chopping block as supermarket considers all pre-packaged meat

ABC Radio Brisbane / By Lucy Stone and Rebecca Levingston

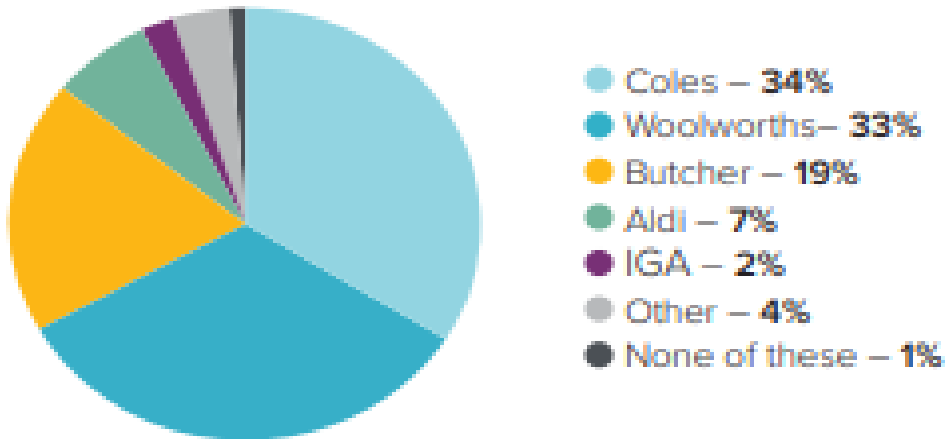
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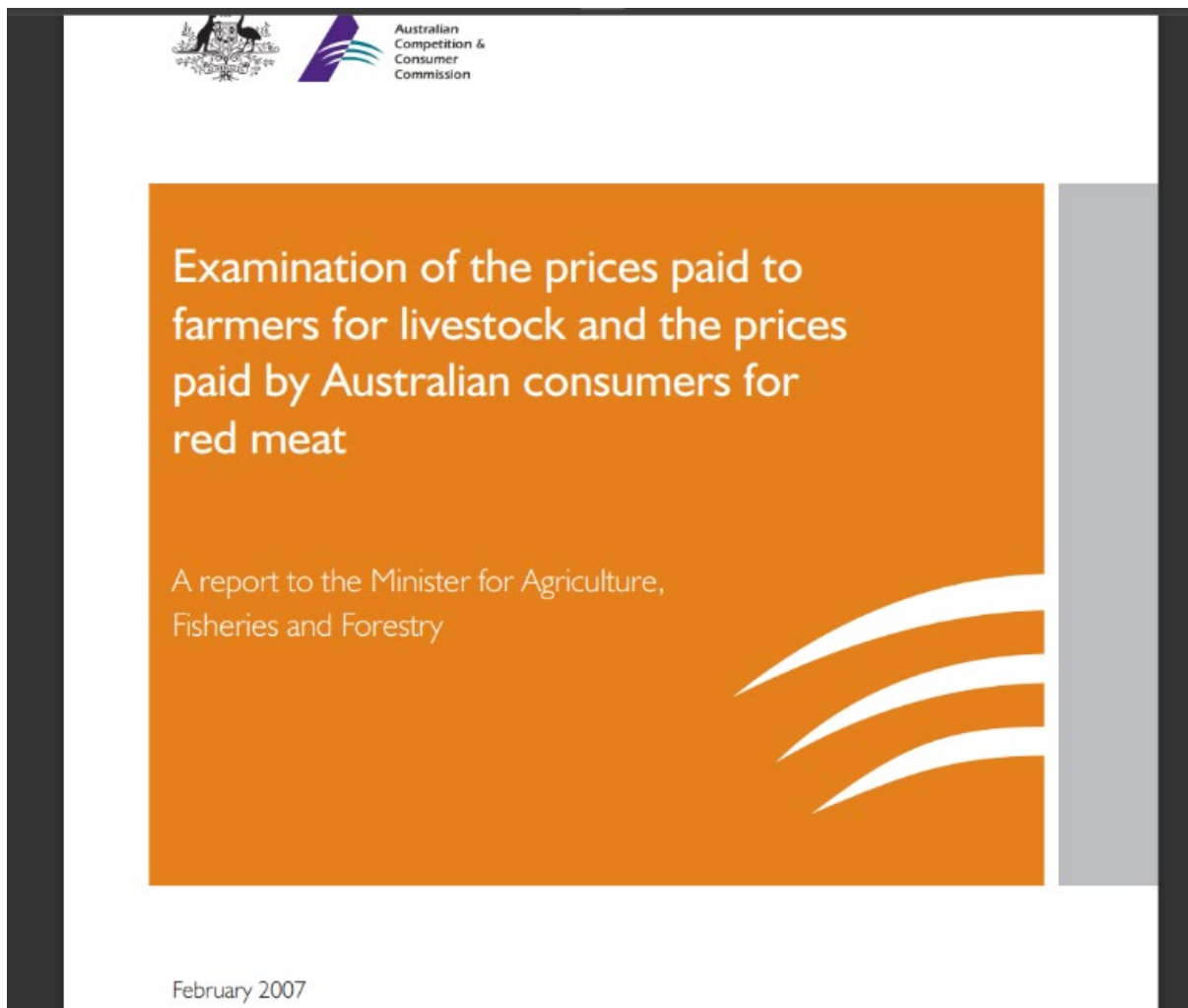
Supermarkets have brought major change to the meat industry. For instance, they have closed their own butchering/meat packing rooms. This has cost the jobs of around 1200 butchers at Coles, reported by the ABC online 8 July 2021. Now, in most cases they contract abattoir operators to purchase, slaughter and butcher the carcasses. The supermarkets receive packaged, case ready meat, that is priced and carries promotional literature.

For example, when a 400 kilogram liveweight animal is sold directly to the processor, over the hook ownership does not change until the end of the slaughtering process at the weighing scales with a weight of 212kgs which is based on a 53% dressing percentage. The producer is paid at an agreed price per kilogram carcass weight. The carcass is assessed at the scales for market suitability in terms of carcass weight, fatness and age. All the hide, offal and byproducts belong to either the processor or supermarket or both. The yield (bone out) of a 212kgs carcass is about 70%, that is 154kgs of saleable meat. Assuming an average retail price of \$25/kg the beef would return about \$3850 to the supermarket. If the producer had received \$5/kg carcass weight, i.e. \$1060 then his share would be close to 30%. Recently a draft of young cattle dressed 250kgs and graded 96% MSA, to return to the producer \$1130. The yield on a 250kg carcass is approximately 70% meat which is 175kgs. Using \$25.00 retail per kilogram as per MLA data, the return to the retailer is \$4375.00 per head, a return to the producer of 24% not 54% as was suggested by the supermarkets.

Main supermarket of purchase – beef and lamb



As time has gone on, supermarkets have had a huge effect on farmers and consumers. In the 1970's, Australia experienced a crash in cattle prices, which was followed by a reduction in retail prices and a consequent increase in consumption of beef to 70 kilograms per person a year. Australian beef consumption has now fallen to 19 kilograms per person per year. One can only wonder, if this would now be possible, with the duopoly situation in Australia. As can be seen here, since the supermarkets have dominated the meat market, any increase in cattle prices lead to immediate price rise on the supermarket shelves. However, when the price of cattle falls there is every excuse possible why the retail price of meat hasn't come down. Subsequently, many families cannot afford the high beef prices.



In 2006 the minister of the day Peter McGauran requested the ACCC conduct an inquiry into why cattle prices were so low and retail price so high.

The ACCC urges caution when interpreting movements in the margin between saleyard and retail meat prices, particularly over short periods of time. This is primarily because short-term movements in margins do not necessarily mean that market conditions are moving in ways that are 'out of the ordinary' or caused by weaknesses in competition. There are a range of indicators of both saleyard and retail prices for red meat. Although the different price indicators vary in the amount, the margin between saleyard prices and retail prices for red meat has widened over the past few months. Movements in this margin, however, are not unusual and may be caused by several factors, such as changing costs throughout the supply chain and increased value added at the retail end. Coles submitted that 54% of the closing price went to the producer, 13% in processing costs and 30% retail costs.

One can go through the thirty-two pages and make quite the story of what was said and just show how inadequate the answers were. Upon making a promise to act, they stated this was on a desktop study and as such, they could not stand behind any statements made.

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CARCASS YIELD AND MARGIN CALCULATOR

adjust the Cold Carcass weight and all cuts will be automatically calculated by %

Cold carcass weight: 200.00 kg

Cutup to Retail Value			
cut %	Cut	Weight(kg)	Price (\$/kg)
3.51%	Blade	7.03	10.00
1.39%	Oyster blade	2.77	12.00
3.89%	Chuck	7.77	12.00
2.03%	Scotch fillet	4.06	30.00
0.65%	Skirt	1.31	14.00
2.68%	Porterhouse	5.36	26.00
4.32%	T-bone	8.63	20.00
4.18%	Rump	8.35	20.00
0.78%	Eye fillet	1.57	40.00
3.66%	Round	7.33	15.00
5.80%	Top side	11.61	15.00
5.54%	Silver side	11.08	10.00
2.43%	Osso bucco	4.86	6.00
3.19%	Shin beef	6.39	12.00
19.65%	Mince	39.30	14.00
9.26%	Sausage	18.51	6.00
	Offal + Hides		150
72.96%	Total Salable Meat*	145.92 kg	\$2,190.46
	*excl bone and fat	Producer's %	36.52%

change retail prices and costings in the white cells to see how margins are affected.

This is one form of buying by retailers and supermarkets, the other more favoured form is boxed beef. For example 5kg of rump costs \$30 with approx 200g of waste. So total value at checkout is \$96, which calculates to be a 220% margin of the original \$30 outlay before retail costs

Carcass Yield and Margin Calculator

calculate your take on a carcass by modifying the retail prices and costings

Retail Costings		
Item	Cost (\$)	Total (\$)
Purchase Price /kg	\$ 4.00	\$ 800.00
Kill Charge fee	\$ 70.00	\$ 70.00
Boning /kg	\$ 0.65	\$ 94.85
Packaging /kg	\$ 0.50	\$ 72.96
Transport	\$ 0.10	\$ 14.59
Other - use table on right	\$	\$ -
Total		\$ 1,052.40

Retail Value - Costs = Margin	
Retail Value	\$ 2,190.46
Total Costs	\$ 1,052.40
Total Margin	\$ 1,138.06

Percentages	
Margin	51.96%
Processing	11.52%
Producer	36.52%

All values in the white areas may be modified for the various situations. Totals and producer's share is then calculated accordingly.

Example: if a producer receives \$3/kg at retail the value of a 200kg carcass is \$2,190.46 giving the producer 27.7%
At \$4/kg the producer will receive 36.95%

From the Discussion that Paul Harker, Chief commercial Officer at Woolworths had on 2GB During December 2023:

“I think the big thing that’s often missed here is we actually pay our producers on forward contracts, and we pay them for the hot carcass weight, that’s actually the whole animal in the abattoir, and clearly when you pay a price for the whole animal, a lot of that product doesn’t make it onto retail shelves,” he said.



“Twenty-five per cent of the animal we buy goes into fats and render, another 21 per cent is cuts that we don’t use in this country and there’s a very small export market for them with very low prices, like lips, ears, various cuts that don’t make it onto supermarket shelves. That leaves us with just over half of the animal left that goes onto supermarket shelves, so by definition we nearly need to double the price per kilo that we pay for the whole animal to sell the half of the animal that Australian consumers buy.”

There is some discrepancies from the factual information Mr Harker had stated. Firstly, with the over the hook process, Woolworths DO NOT purchase the whole animal and only the dressed carcass. This does not include the skins, ears, lips and internal organs. As they weigh over the hook, they only purchase around 53% of the live animal. Is it possible that they have dropped their prices to the producer and not to the consumer? Since talk of the Senate inquiry there has been noticeable talk of discounts on meat, though the prices received by farmers are pitiful at best in the current economic world.

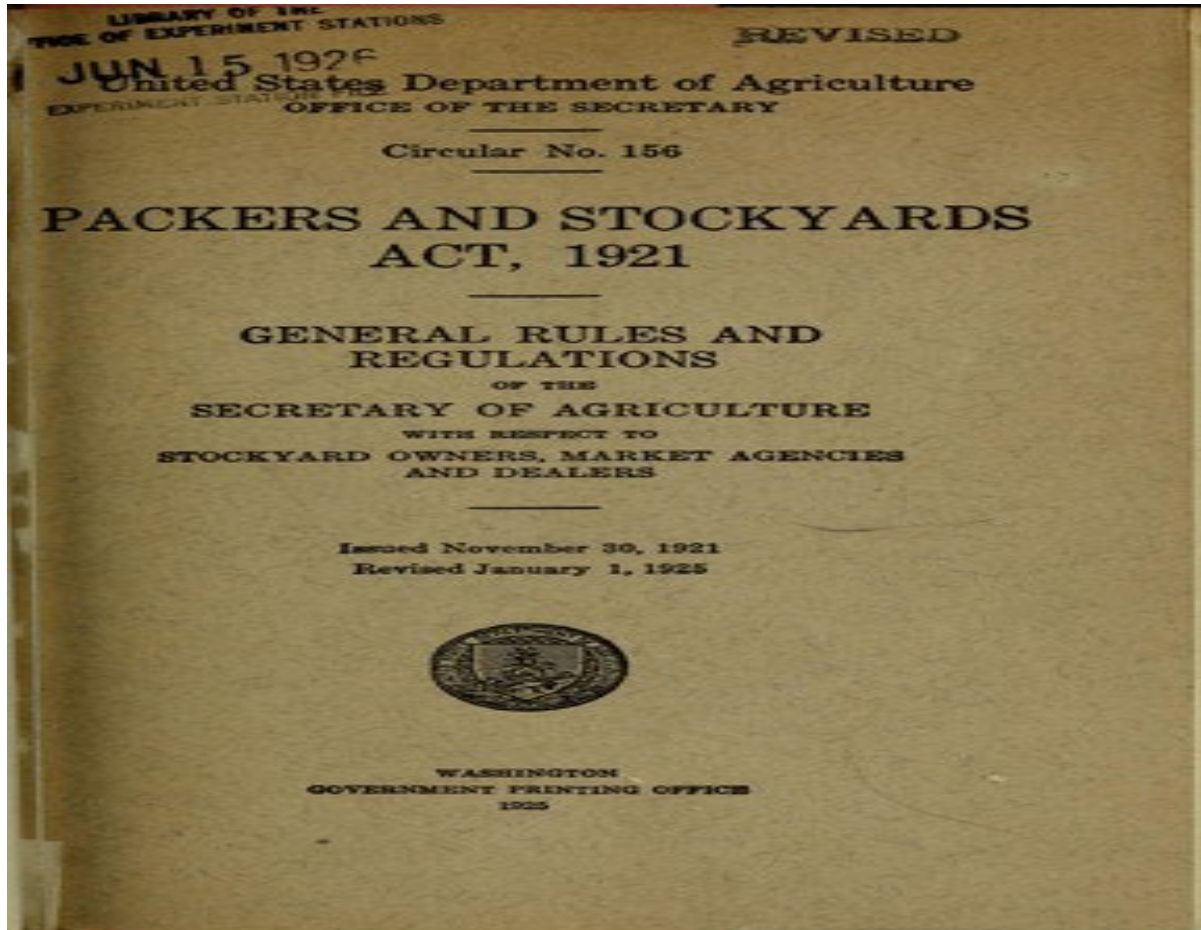
Cattle prices fall 40 per cent in recent months with supermarket meat prices slowly starting to fall

ABC Rural / By Hamish Cole and Cara Jeffery
Posted Sun 16 Apr 2023 at 8:48am



The supermarkets buy an enormous amount of box meat. They buy wholesale priced porterhouse around \$17 a kg and retailing porterhouse on average of \$45 per kg for 'premium grass fed'. This is a 246% markup. Even with the recent "reduction" in costs to consumers of around 4%, this is an unacceptable gouging of family and consumer pockets in the community. As Mr Harker stated in his interview: "a few things people that don't understand about the meat supply chain and what actually happens to a product after it's been purchased off a producer through to getting onto retail shelves". Where then is the information and structure from Coles and Woolworths to clear and transparently back up what they say.

POSSIBLE SOLUTION



The United States department of agriculture has the Packers and Stockyards Act of 1921 which a law that regulates:

meatpacking, livestock dealers, market agencies, live poultry dealers, and swine contractors to prohibit unfair or deceptive practices, giving undue preferences, apportioning supply, manipulating prices. With this, the possibility for anybody to price gouge, would make it rather difficult and would come to the attention of the authorities. For instance, when you look at the dressing percentage of processed livestock in the United States, one would expect to get 63% and in Australia you get 53%. These are the sought of questions that concern Australian cattle producers.

In 2014, a senate inquiry into the "Collection and Disbursement of the Grassfed Cattle Levy" made 7 recommendations, one of which suggested the Australian cattle industry move towards a similar regulation as the American Packers and Stockyards Act. However, like the other 6 recommendations, it was ignored.

THERE IS A STRONG INDUSTRY BELIEF THAT THE AMERICAN "PACKERS AND STOCKYARDS ACT" SHOULD BE FURTHER INVESTIGATED.