

Submission to Senate Standing Committee on Rural and Regional Affairs Inquiry into Meat Marketing

Preface

Meat & Livestock Australia Limited (MLA) thanks the Standing Committee on Rural and Regional Affairs and Transport for the opportunity for a further submission to their inquiry into meat marketing, and wish to focus this submission on beef labeling and grading for the domestic market.

MLA is a producer owned company serving the beef, sheepmeat and goatmeat industries. MLA works with industry and government in providing marketing, research and development, and market access programs for the benefit of the Australian industry and community. MLA's membership is over 45,000 levy paying cattle, sheepmeat and goatmeat producers representing in excess of 80% of production.

One of MLA's key roles is in growing consumer demand for beef in Australia. This is pursued by undertaking consumer communications and promotion of the beef category, and by providing tools and working with retailers, foodservice operators and their suppliers to help improve their own effectiveness in promoting red meat to their customers. This work covers the five main drivers of consumer demand for red meat (integrity, enjoyment, nutrition, convenience, and value for money) through a number of programs.

MLA has a major stake in beef labeling and grading in Australia. We have made major investments in improving the eating quality and consistency of beef and lamb through the Meat Standards Australia (MSA) program. We are a 50% shareholder in the industry's standards organisation, AUS-MEAT. We facilitated the development of a voluntary retail labeling code for beef from older animals (BUDGET). And we provide development support to private brands that are underpinned by eating quality standards.

The committee should note that MLA's submission is based on providing information and is not about providing policy advice. Policy advice on beef matters is provided by the industry peak councils Cattle Council of Australia (CCA), Australian Lot Feeders Association (ALFA) and Australian Meat Industry Council (AMIC). Additionally, MLA is prepared to assist the Committee with any other information that may be pertinent to the committee's deliberations.

Submission

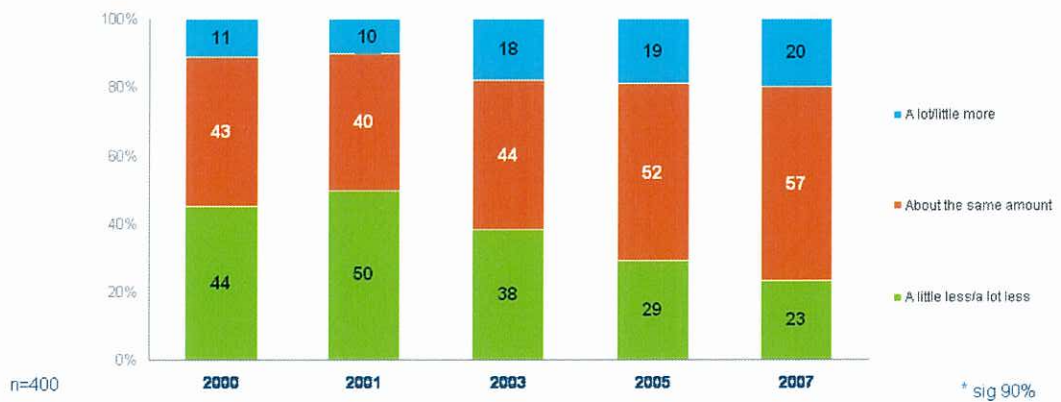
1. Consumer confidence in the eating quality of Australian beef has improved significantly over the last decade.

Quality ratings are high

Since 2001, MLA has conducted a bi-yearly survey aimed at measuring consumer attitudes to the different meats, across a range of key attributes. The 2007 survey was conducted by 'The Clever Stuff', and consisted of 400 main grocery buyers across Australia. The following charts indicate the extent of consumer satisfaction in beef.

1. More grocery shoppers say they are eating more beef, while fewer say they are eating less beef.

Compared to a couple of years ago would you say you ... Australian beef?



2. Grocery buyers rate the quality of beef they buy highly, substantially higher than the ratings for chicken.

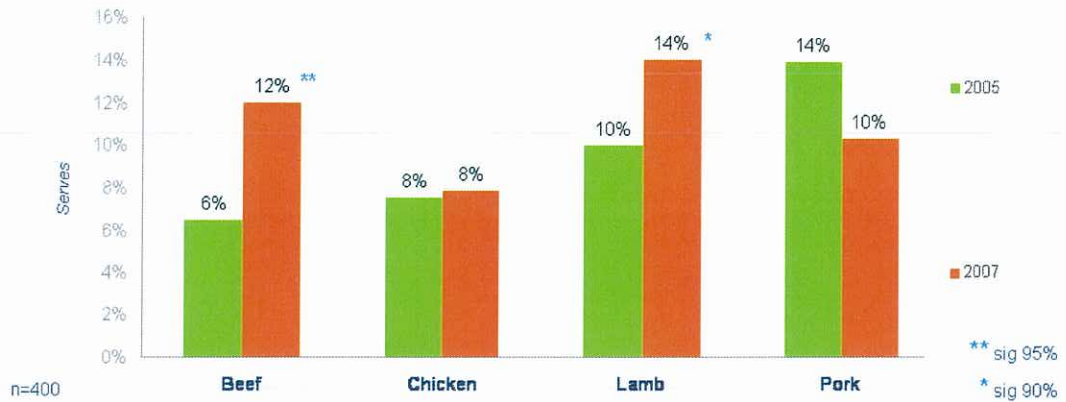
Generally, would you say that the quality of the ... that you buy is



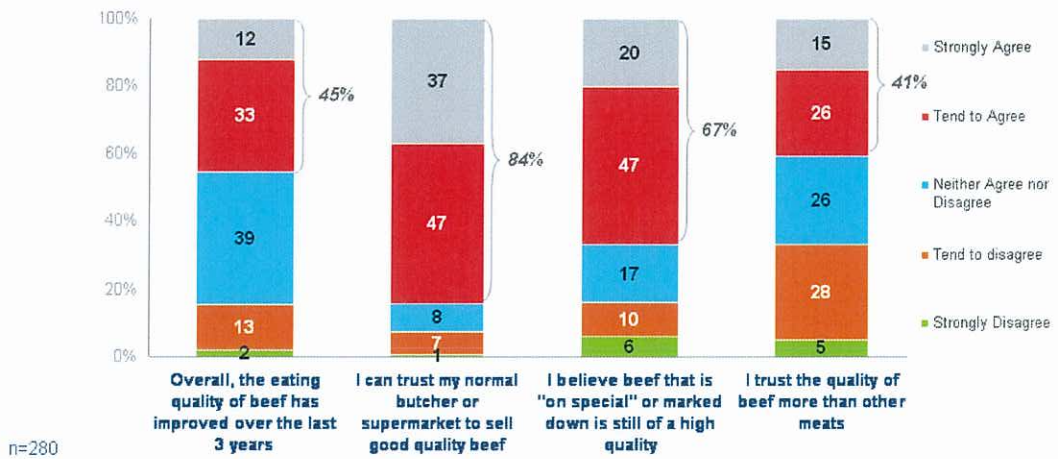
Beef n=280 Chicken n=179 Lamb n=257 Pork n=68

3. Grocery buyers expect to increase their consumption of beef and lamb with this intention significantly higher than in 2005.

Which of the following statements best describes how much beef you plan to eat in the next year or so? Do you plan to



4. Grocery buyers believe that quality has improved in recent years and have a high degree of confidence in their beef retailer.

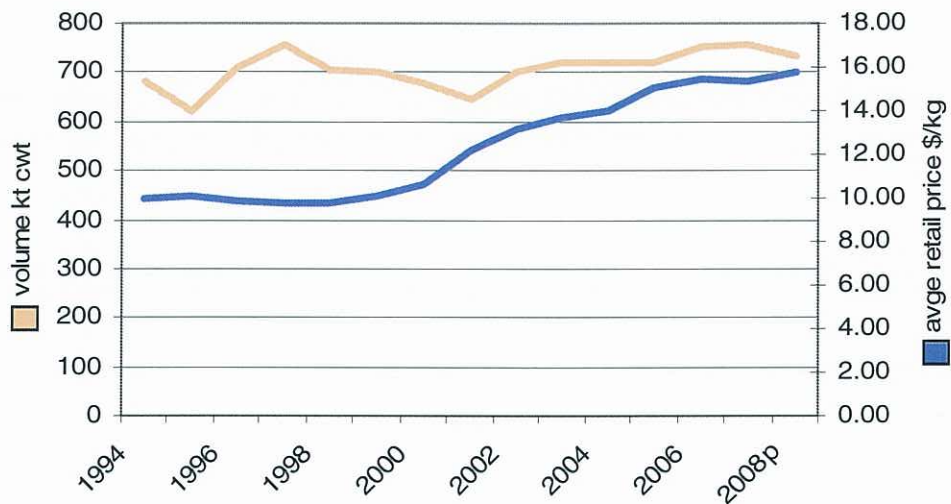


These findings are confirmed in Millward Brown consumer tracking research among all consumers which shows that in 2008, beef rated strongly in comparison to other meats on 'loved by Australians', 'delicious to eat', 'normally juicy and tender' and 'consistently high quality'.

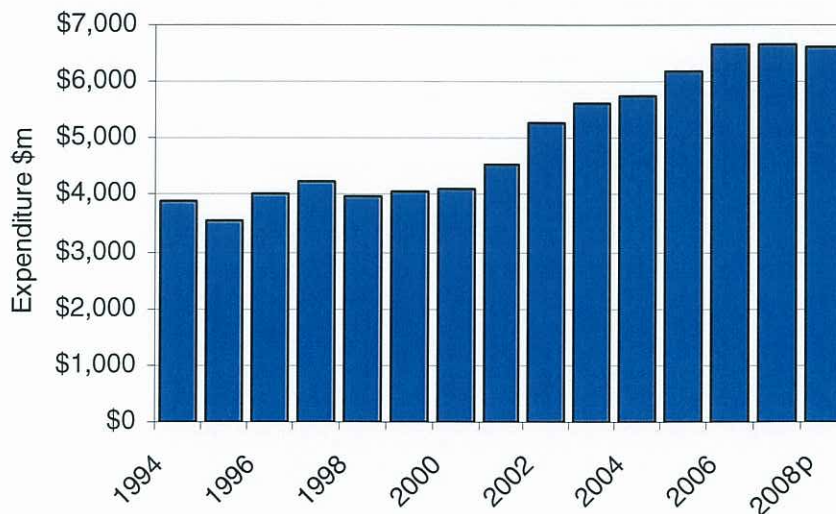
| Key quality attributes - consumer tracking 2008 n=5649 | Beef | Chicken | Lamb | Pork | Fish |
|--|------|---------|------|------|------|
| Is loved by Australians | 70% | 50% | 74% | 31% | 39% |
| Its delicious to eat | 69% | 78% | 68% | 53% | 64% |
| I trust the safety of this meat | 66% | 48% | 59% | 38% | 40% |
| Im proud to buy and serve this | 61% | 62% | 58% | 42% | 57% |
| Its normally juicy and tender | 60% | 51% | 58% | 34% | 28% |
| Is consistently high quality | 46% | 45% | 42% | 29% | 37% |
| Im willing to pay a bit more for it | 33% | 20% | 29% | 16% | 43% |

Consumer expenditure on beef has grown to extraordinary levels

While increases in average retail prices of beef have grown significantly by 29% since 2001, volumes have also grown by 13%.



This has resulted in consumer expenditure on beef growing by \$2.1bn, an extraordinary amount in the context of the Australian food industry, to reach \$6.6bn per year.



While a number of factors have contributed to this increase in expenditure, it is our view that improved product quality and consistency has been a particular contributor. We further believe this improvement in quality has been driven by three key factors.

1. The development of the feedlot sector in Australia.

Feedlot capacity has grown from 900,000 in 2003 to 1,200,000 in 2008. This sector has been a major contributor in maintaining beef quality through the worst of the drought.

2. The development of MSA and its increased adoption either in full or in part through its science, processes and practices.

MSA has been growing adoption steadily through this period with grading numbers growing from 287,000 in 2000/01 to reach 838,600 in 2007/08. Uptake has been strongest in the butcher segment in retail and in the pubs/clubs segment in foodservice.

3. The development of a stronger quality culture through the industry.

2. The industry now enjoys a range of world leading systems and tools to assist correct description and labelling at all points in the supply chain

AUS-MEAT

AUS-MEAT is an organisation, jointly owned by MLA and Australian Meat Processor Company (AMPC), which provides standards, accreditation and monitoring services to the Australian meat industry.

Through 'The AUS-MEAT Language', the organisation is the custodian of primary category and product descriptors and specifications to help facilitate trade of meat through the supply chain. These include standards for carcass trim, dentition, meat colour, fat colour, marbling, rib fat measurement, carcass maturity, feed type, muscle and cut names which can then be classified and labelled on cartons.

Export meat plants are required to hold AUS-MEAT accreditation to meet AQIS' requirements for export certification, which includes auditing by AUS-MEAT to ensure description standards are being appropriately applied. Participation by domestic meat plants in AUS-MEAT is voluntary.

The AUS-MEAT code and cut descriptors for carcasses and cuts for all major species have been adopted by the United Nations Economic Commission for Europe (UNECE) as the international trading language.

Meat Standards Australia (MSA)

MSA is a consumer based grading system developed by MLA that predicts and classifies the eating quality of individual beef cuts under a range of cooking methods. The system measures 14 key production and processing factors that influence eating quality and uses this information to group and label cartons with eating quality grades.

Those who use MSA references and symbols in their marketing activities are required to be licenced, but many retailers and foodservice operators use MSA in their ordering specifications only, preferring for their own brands to deliver the eating quality message.

MSA has been widely recognised as the world's leading consumer based eating quality grading system, being awarded the International Meat Secretariat's Millennium Prize for meat science, and growing interest among both countries and enterprises in utilising the protocols and pathways developed by MSA.

Voluntary Labelling Agreements

Voluntary Retail Labelling Agreements are another useful tool that can help protect both the consumer interest as well as facilitate fair competition and innovation in the industry.

An example is the BUDGET BEEF Agreement, facilitated by MLA in 2004, requiring signatories to label beef from 8 tooth animals as 'BUDGET'.

Signatories include the major supermarket chains as well as over 1,500 retail butchers. While no formal complaints have been lodged under the agreement, three informal complaints have been made and corrective action taken.

Private Brands

Private beef brands are emerging and enhancing competition in the Australian market, aided by the MSA eating quality guarantees that underpin most of these brands.

Through an 'MSA Brand Support Program', MLA provides funding and marketing assistance to these brands to help them launch and develop, to raise the eating quality experience for Australian consumers.

Consumer Cooking & Education Resources

The biggest failure in eating quality of Australian beef is often due to inappropriate cut selection and cooking in the home.

Working with retailers and foodservice operators, MLA is helping improve cut by cook specifications to eliminate presentation of inappropriate cuts for specific cooking methods. MLA also produces extensive publicity, point-of-sale and consumer guides to improve in-home cooking knowledge,

confidence and skills. This includes master classes with food media, advertorials and features in food and popular magazines, foodservice trade shows, consumer websites and the popular 'Entice' publications distributed free through participating retailers and events.

Conclusion

The Australian beef industry is well served with a range of world leading systems and initiatives that can meet the needs of our commercial enterprises in building satisfaction and loyalty among their customers and consumers.

While there are particular needs and opportunities for further improving consumer confidence and satisfaction in beef, we must also recognise that we now enjoy a solid reputation with consumers as a reliable and enjoyable meal choice.

A handwritten signature in black ink, appearing to read 'David Palmer'. The signature is fluid and cursive, with a large, prominent loop at the end of the name.

David Palmer
Managing Director
17/04/09