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\$5/kg liveweight for cattle observed in Chinese market visit



By Jon Condon 24 Apr 2013



Liveweight cattle prices of \$5/kg and carcass prices of \$9.50/kg were just some of the startling observations seen during a recent agriculture study tour to China.

Queensland feedlot operator Jason Shearer-Smith was a member of an agribusiness study tour which returned this week from nine days in China, organised by National Australia Bank. The group is pictured above during a feedlot visit.

“Those prices were for domestically-bred cattle that had been fed for three months,” Mr Shearer-Smith said.

“One feedlot we visited had 2000 domestic Simmental young bulls on feed, while another had 2000 domestic Chinese yellow cattle being fed in a ‘wheel-barrow and shovel’ type operation.”

“But we saw another 10,000 head feedlot fully-stocked with Angus x Wagyu steers, all under shed, and using Japanese style rations – as slick a show as you would want to see,” he said.

The Chinese market appeared to be expanding at all sorts of quality and price levels.

“There is a definite trend for peasant farmers to be amalgamated, and bring them in under a collective marketing and production type model, with access to better nutrition advice and other advantages,” he said.

“That could greatly lift Chinese domestic beef productivity, but the take home-message is that they have a 1.4 billion population, and what appears to be the world’s dearest cattle prices at the moment.”

“Their net wealth is lifting all the time; and they are concerned about their own food production ability, which means imported clean-green product has a huge opportunity in the marketplace,” he said.

Mr Shearer-Smith said it was obvious that there were some big trade access matters still to be resolved ([see Beef Central’s earlier article here](#)), including a big issue which had erupted over import health certificates.

Chinese ag minister pays JBS a visit

Coinciding with the return of the Australian agribusiness tour this week was a symbolically-important visit yesterday to the JBS Dinmore plant – the largest processing facility in the southern hemisphere - by the Chinese minister for agriculture Han Changfu.

Also present were Central Queensland cattleman Graeme Acton, an early pioneer and advocate for beef trade into China, and JBS Australia chief executive, Brent Eastwood.

Minister Han visited the plant, with a daily capacity of 3500 head, during a whirl-wind two-day Australian visit after being invited by Australian agriculture minister Joe Ludwig.

"Though my visit is very short, I would very much like to see this relationship bear fruit," Minister Han said, through an interpreter.

"The visit here to JBS is one of my important stops during my visit. I have got to know that JBS is a large business and a modern one."

JBS chief executive Brent Eastwood said Australia's beef exports to China were growing rapidly. From total volume in 2010-11 of just 7390 tonnes, trade grew to 18,900t for 2011-12, and already this fiscal year, China has now taken 58,400t of Australian beef.

China would quickly become a major trading partner for JBS, he said. He told local media that JBS had some of its senior team going to China next week.

The clean, green image Australia had in animal production processing and food safety was very attractive to Chinese customers, he said.

Developing relationships

NAB's general manager of agribusiness, Khan Horne, who led the recently-returned study tour, said most Australian agribusinesses understood the opportunities in the region, but were not necessarily sure how to take the next step in engaging in trade.

"Building relationships, understanding the market and exploring opportunities on the ground are crucial for long-standing and successful partnerships in China," he said.

Mr Horne said the most important elements when considering opportunities in Asia were:

- Building relationships and networks on the ground. Partners such as AusTrade, DAFF and industry associations could help to facilitate this.
- Getting the structure right. This includes business structures such as joint ventures, accessing finance, understanding tax regimes and getting profits back to Australia.
- Understanding the market. What customers want and how your product fits into existing requirements, and distribution networks.
- Being patient and flexible. Doing business in Asia takes time and may require more than just products; it may require Australian businesses to share information, genetics or technology as part of the partnership.
- Spending as much time as feasible in China. Face to face discussions and negotiations are highly valuable in building a successful venture and are much more effective than interacting remotely.

Mr Horne said the aim of the study tour was to educate customers on what's needed to enter relationships in China and to support them to make those connections.

"It was evident, even from day to day interactions during the tour, that it's not just about the big things; a casual conversation can make all the difference to the end result, saving time and money," he said.

"For instance, one of the customers on the trip is expanding into China and was discussing finance. It can take months to set up a bank account over there, and getting the money back to Australia can also be a lengthy process.

"However, there are several alternative options that allow transactions to happen immediately, including trade finance options which can widen the number of Chinese companies Australian exporters trade with as transactions are settled in Renminbi."

NAB's relationship with China's largest card payment network, China UnionPay, was another option that enabled Chinese businesses to pay online directly into an Australian merchant account, Mr Horne said.

During Chinese Ag Minister Han's Australian visit, Australia and China signed a new agriculture agreement, designed to expand current program activities and focus on science and technology, two-way investment and trade.

"The agricultural trade relationship with China is our most valuable, worth about \$7 billion. My meeting with Minister Han was an opportunity to discuss a wide range of topics, including how we ensure our relationship continues to grow," Mr Ludwig said.

In 2011-12, the total value of Australian agricultural, fisheries and forestry exports to China was about \$7 billion, up from \$3.4 billion in 2009-10, with Australia importing \$1.5 billion worth of agricultural imports from China (an increase of 8.2 per cent from the previous year).