

OUTLINE OF THE 1998 MSA CARCASS GRADING BUSINESS PILOT IN BRISBANCE

Brisbane Pilot MSA Carcass grading criteria

4 star marble score 1+

5 star marble score 3

Ossification score less than 200

Notional 30 months of age

Minimum average daily weight gain (WAM)

Aus-Meat controlled Ph decline system

temperature decline to ultimate Ph 5.7

Meat Colour 1b-2

3mm at rib site

Cryvac packed aging:

- MSA 3 star 14 days

- MSA 4/5 star 21 days

Grain fed minimum 100 days 4 star

150 days 5 star

HGP allowed

DNA

Genetic Trace Back audit

Maximum BOS Indicus 25%

Pre Slaughter Requirements

- Slaughter day after dispatch
- Direct consignment to abattoir (no saleyard)
- Animal Welfare Code Compliance
- Trained stock handlers
- No mixing of cattle
- No SSC

No females that have calved

1998 MSA CARCASS GRADING BUSINESS PILOT

1997/1998 MSA Carcass Grading Brisbane Pilot

MLA carried out an extensive pilot study into the viability and cost benefit of an MSA Carcass Grading System in Brisbane in 1998.

The trial was based on MSA Graded carcasses from 43,500 cattle for 20% of the carcass based on results on striploin test results taste tested by 20,000 consumers and trialled at retail level.

Brisbane Pilot Survey Results

Pre Trial Study

- A 1997/1998 Survey of 20,000 consumers showed that 50% of ungraded beef sold on the domestic market failed to perform to eating quality standards.

Consumer response to MSA Carcass Grading

A supermarket exit survey showed that:

- 94% of supermarket consumers were satisfied with the MSA Carcass Graded product (85% “were very satisfied” and 14% “fairly satisfied”); and
- An 86% supermarket repurchase rate.

A survey of food service diners found that:

- 82% of diners rated the 3 star beef as “better than everyday” or “superior”;
- 90% of diners rated the 4 star beef as “better than everyday” or “superior”;
- over 66% of supermarket shops said that they would buy graded beef in the future with 80% being prepared to pay a premium; and
- the 1998 MSA Business Plan stated that MSA carcass grading outperformed the USDA grading where tests have shown that 6% of Prime, 11% of Choice, 25% of Select and 60% of Standard USDA grades fail to perform to eating quality standards.

1998 MSA Business Plan

Problems Identified

- Per capita consumption in Australia in 1998 was on a long term trend decline of 1.7% per year;
- the real price of cattle on a long term trend decline of 2% per year; and
- all sectors of industry were facing severe financial difficulties.

Suggested Solutions

- 1998 MSA objectives and concerns.

- Enhance consumer confidence in beef;
- Improve returns to all sectors;
- Reverse consumer dissatisfaction with beef;
- For beef industry to remain viable the rate of decline in per capita consumption must be arrested; and
- This would require a real increase in beef demand.

Comment Since 1998 per capita beef consumption has continued on a long term trend decline of 1.7% per year and the real price of cattle has continued to fall.

All sectors of industries are currently facing severe financial difficulties.

1998 MSA Business Plan Multi-Pronged Strategies.

The MSA Business Plan called for strategies:

- for the budget end of the market and nutritional value;
- for consumer communication programmes; and
- for a whole of market grading system.

Comment The only strategy for the budget end of the market has been a Voluntary Retail Agreement for Budget beef (2001) and most retailers (by number but not volume) are not signatories to the Voluntary Agreement.

Currently, Beef which must be labelled Manufacturing (ie Low Grade) under the AUS-MEAT language can be sold under the label 'Budget' by those retailers who are signatory to the voluntary Retail Agreement which is why you don't see any beef labelled Manufacturing on the supermarket shelves..

The recent Newspoll survey showed that most consumers do not understand that Budget beef comes from older animals or that it relates to eating quality.

The Newspoll survey also showed that most consumers have never heard of MSA and of those that had, over half didn't understand that MSA related to eating quality.

Most table beef consumed by Australians is still ungraded leaving an ungraded eating quality lucky-dip gap between MSA graded cuts at the top end and Budget beef at the bottom end.

MSA expenditure

The 1998 MSA Business Plan stated that \$8.6 million had been spent on MSA by June 1998 and allowed another \$17.9 million for a national MSA rollout by June 2000.

The total planned MSA expenditure by June 2000 was forecast to be \$26.5 million.

Comment *Eventual expenditure on MSA has been approximately \$100 million.*

1998 MSA Business Plan Indicative Payoff

The MSA Business Plan forecast:

- Higher domestic consumption (v downward trend line);
- Price premiums of \$1 to \$5 per kilogram; and
- Estimated MSA producer/lot feeder/processor costs of \$0.33 to \$0.77 per kilogram.

Surveys carried out during the 1998 Brisbane Pilot showed that 88% of consumers would be willing to pay a premium for MSA beef.

Of these:

- 35% were willing to pay a 5% premium;
- 38% were willing to pay a 10% premium;
- 10% were will to pay a 15% premium; and
- 16% were willing to pay a 20% premium.

The increase in retail value of a carcass from MSA Grading, using Carcass Pathways, was estimated by MLA to be 14% more than for a non-graded carcass.

The 1996 Meat Industry Strategic Industry Plan forecast \$1.2 billion payout from the introduction of Whole of Market Eating Quality Standards.

Comment *The recent GDH Hassall Cost Benefit Analysis for a Whole of Product National Beef Grading Scheme found that if a Whole of Product National Beef Grading System resulted in each Australian eating an additional meal every six weeks then there would be a \$590 million in p.a. benefit to the Beef Industry and if each Australian ate an additional meal of beef every three weeks then the benefit would be close to \$1.2 billion pa..*

1998 MLA Response to Declining Beef Prices

In 1998 the MSA Business Plan stated that there were only two ways to respond to declining beef prices:

1. raise productivity and reduce production costs which will lead to fewer and fewer cattle producers ;
- OR
2. change the image of the product to consumers to bring about real increases in demand and hence price which will increase the real stream restrained for producers allowing a larger industry.

The 1998 MSA Business Plan said "For the beef industry to remain viable over the longer term without a continuous downsizing, the rate of decline in price and decline in per capita consumption must be arrested".

Comment The MLA's response to the current financial difficulties facing the beef industry is to increase productivity which would on the basis of MLA's 1998 argument lead to fewer and fewer cattle producers.

The decline in real cattle prices and the decline in per capita consumption has continued.

1998 MSA Business Plan Key Performance Indicators

The Business Plan set the following key performance indicators:

- 20% of domestic kill MSA graded by 2000 rising to 30% by 2001 and 50% by 2005;
- Arresting the then current 1.7% declining consumption on a three year rolling basis by 2001;
- \$0.11 per kilogram, premium for MSA graded cattle by 2001;
- More than 90% of consumers are satisfied with eating quality of MSA beef (by annual survey); and
- 99% of MSA beef, purchased at random at retailer, and subject to MSA consumer testing protocol passes MSA minimum criteria annually.

Comment The MSA key performance indicators were not met.

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