

Introductory Remarks

The debate about Torbay's Bill comes down to two issues:

Issue 1 is how to describe cuts of beef from old cows that either fail to grade MSA three star or have not been MSA graded.

Issue 2 is whether to introduce an MSA Carcass Grading System to fill the ungraded gap between MSA Graded Cuts at the top end and Budget and Manufacturing Beef at the bottom end?

ISSUE 1

Currently, some retail stores label cuts of beef from old cows 'Budget' while other retail stores sell them as 'Prime Cuts'.

A Senate Inquiry Report into Meat Marketing said that the use of the 'Budget' label to describe Beef from older animals was at best confusing and at worst misleading and deceptive, and recommended that beef from eight tooth animals be called 'old cow beef'.

Australian Consumer Association on the 'Budget' label

The Australian Consumer Association says that lot of 'prime' beef cuts sold in Australia come from older cows – which is why they're pretty hard to chew sometimes.

They say that a labelling system is needed that lets you know what you're getting before you buy.

They say that the current labelling system is inadequate and the word 'budget' isn't enough by itself to let you know that the meat you're buying is from older animals.

In their opinion we need a comprehensive beef grading and labelling system that addresses age and other contributors to quality.

SLIDE 3: "NEWSPOLL SURVEY"

Although the 'Budget' label to describe meat from animals with eight teeth has been around for almost a decade, up until now no one has bothered to carry out any research to find out what consumers believe the word budget means.

A National Newspan Survey of 1,200 consumers conducted last weekend found that:

- Only 6% of Australian consumers thought that the Budget label meant that the beef came from older cows;
- 12% thought that the Budget label meant that the meat was fatty, when in fact we all know that most cow beef is anything but fatty;
- Only 38% thought that the word Budget related to the quality of the beef; and
- There is no clear cut understanding of the word 'Budget'. Consumers gave the term a multitude of other meanings including cheapness, used by dates, bulk buys, specials, overstocking and even that the meat had been imported.

Torbay's Bill says that cuts from old cows that fail to grade MSA or have not been MSA Graded should be labelled 'Budget', 'Low Quality' or 'Low Grade'.

Polkinghorne says that a cut from an old cow that fails to MSA Grade won't eat well however it is cooked and agrees that it will be low quality.

RMAC says that these cuts of beef from old cows that are ungraded or fail to grade should be called 'Budget Grade'.

Polkinghorne says that consumers will think 'Budget Grade' means guaranteed eating quality when the only equivalent grades are MSA Grades.

SLIDE 4: "UK SLAUGHTER AGE LEGISLATION"

UK Over 30 Month Rule

The effect of un-labelled cow beef on domestic consumption was made clear in the UK where in 1996 the Government introduced the Over 30 Month Rule in response to the BSE crisis.

Prior to 1996, 22% of the beef sold in the UK came from old cull cows and annual beef consumption in the UK had fallen from 19kg per person in 1985 to 16kg per person in 1996.

The over 30 month rule prohibited the sale of meat for human consumption from cattle over 30 months of age at slaughter, ensuring a minimum standard of quality and consistency of UK beef.

Despite the adverse publicity about mad cow disease, 5 years after the introduction of the Over 30 Month Rule, UK beef consumption had risen by 5kg per person or 31%, while retail prices remained stable.

In the same 5 year period in Australia per capita consumption fell by 12% with a trend decline in that period of -8%.

The result has been that UK consumers eat more beef today than they did in the late 1980s.

If the same occurred in Australia, the payoff for the beef industry would measure in the Billions of dollars.

While the Torbay legislation does not operate to remove cow beef from the Australian market, it does give consumers the information they need to make satisfactory purchase decisions regarding beef products.

SLIDE 5: "ISSUE 2"

ISSUE 2

Issue 2 is whether to introduce an MSA Carcass Grading System to fill the ungraded gap between MSA Graded Cuts at the top end and Budget and Manufacturing Beef at the bottom end.

Rod Polkinghorne says that the ungraded Beef should be left ungraded and called 'Ungraded Beef'.

SLIDE 6: "SOME INCONVENIENT FACTS"

Some Inconvenient Facts

However, Polkinghorne's position comes up against some rather inconvenient facts.

- The majority of Table Beef sold to Australian Consumers is not MSA Graded.

- The problem is that, according to MLA research, 50% of ungraded beef fails to perform to the eating quality standards required by consumers.
- This means that most Australian Beef purchases are a lucky-dip where the consumer gets a good steak one time and a tough and tasteless steak the next.

MSA

MSA was introduced in 1998 by the MLA and was intended as a whole of market grading system designed to reverse the long term 1.7% trend decline in per capita beef consumption.

However, the MLA has failed to achieve a whole of market grading system and the 1.7% long term trend decline in per capita beef consumption has continued.

SLIDE 7: "NEWSPOLL SURVEY"

A Newspoll survey conducted last week found most consumers have never heard of MSA.

And only half of those consumers who had heard of MSA thought that it had anything to do with eating quality.

The Torbay Bill attempts to address that problem by supplementing MSA cuts based grading and filling the ungraded gap with an MSA carcass grading system.

The MSA Carcase Grading System

In 1998 MLA conducted extensive research, involving testing on 20,000 consumers, into a carcase grading system for the top 20% of cuts. The research found:

- the carcase grading system will provide better eating quality outcomes than USDA;
- will leave 90% of supermarket purchasers satisfied with the beef that they eat;
- will result in an 86% repurchase rate; and
- would encourage the continued uptake of MSA Cuts Based Grading.

The system would fulfil the original MSA Business Plan for a ‘Whole of Market Grading System’ and would fill the ungraded gap so consumers can make an informed choice about the beef they are going to buy.

SLIDE 8: “COST/BENEFIT ANALYSIS” (1)

The GHD Hassall Report

MLA has spent \$100 Million on MSA, and although significant consumer testing has been carried out, MLA has never conducted any economic analysis on the costs/benefits of that system.

A GHD Hassall Interim Cost/Benefit Analysis Report on the introduction of a National Beef Grading Scheme has now found:

- Approx 3 million cattle are slaughtered for the Australian domestic market each year.
- The Hassall report shows that approx 1.7 Million 8 tooth cows are killed in Australia each year and that most of the table cuts from those animals are sold onto the Australian market.
- The Report shows that, even if all the table cuts from cows were exported, rather than being sold onto the domestic market, the price of cows would fall by \$32 a head.
- If some of the cow beef continued to be sold onto the Australian market, the loss per head would be less.
- If cow meat was taken off the Australian market, the price of younger cattle would increase as a consequence of supply and demand.
- The Hassall report shows that if the price for younger cattle rose by 25c per kilo, it would result in an increase in net farm gate price for every animal slaughtered each year of \$40.69 or a net per annum farm gate benefit of \$500 Million.
- If the price of younger cattle rose by 50c per kilo, the net farm gate price increase per animal slaughtered would be \$57.80 a head. The per annum gain to the industry of \$667 Million.

SLIDE 9: "COST/BENEFIT ANALYSIS" (2)

The report shows that after a 5 year bedding in period:

- If every Australian ate an additional meal of beef every 6 weeks, the payout to the industry would be \$590 Million a year.

- If every Australian ate an additional meal of beef every 3 weeks, the payout to the industry would be \$1.2 Billion a year.
- The \$1.2 Billion payout from a National Beef Grading Scheme estimate by GHD Hassall is consistent with the \$1.2Bn per year payout predicted by the MISP in 1996.

SLIDE 10: "NORMAN HUNT"

Concluding Remarks

The text of this speech as well as the accompanying slides can be found on my blog, at www.huntblog.com.au.