

# final report

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Prepared by: Ryan McAuliffe  
Bindaree Beef Group Pty Ltd

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## **Grain fed Friesian Steer Program value chain design and market opportunity study**

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## **Abstract**

The Australian beef processing industry is currently facing a tough period that is being driven by high input costs due to a reduction in the cattle supply base. This has presented a significant challenge for processors to secure cattle to sustain processing efficiencies while being able to purchase livestock at a price that is commercially sustainable.

The current market dynamic has prompted processors to innovate to create opportunity beyond the current value chain in an effort to survive this financially challenging period.

The objective of the project has been to investigate the viability of developing a sustainable model for delivering Friesian steers into a high value resource stream for the processing sector.

Areas of investigation in the project has included researching best practice Holstein production systems in: dairy steer calf rearing and feedlot programs.

The main methodology used during the project was to observe best practice operations around the world and assess the opportunity to create a commercially viable model suited to the Australian livestock and processing sector.

Bindaree Beef Group (BBG) intends to continue evaluating the viability of the program through the trialling rearing and feedlot programs that have been developed through the aforementioned research work.

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## 1 Background

The Australian beef industry is currently facing a tough period that is being driven by high input costs due to a shrinking supply base of cattle and lack lustre export commodity pricing. Having said that, BBG identified the opportunity to target high end branded product for both domestic and export markets to offset some of the margin squeeze on the commodity market segment.

Current market trends and forecasts indicate that the Australian beef cattle supply will drop to 20 year lows with the national herd nearing 26 million. Some analysts predict herd numbers could go as low as 23 million over the next few years depending on several factors including live exports, drought and export demand.

During this production phase in the cattle cycle the female herd will start to be re-built, resulting in very tough times for processors with not enough cattle to fill a full week in the processing facilities across the country, and high input prices severely shortening the spread between input and output costs.

This has forced the need to innovate in the way we think to ensure we create opportunity outside of the current value chain in an effort to survive beyond this financially draining period. This project plans to develop a new value stream, which would include research, trials and development working with a by-product of the Dairy Industry to create a premium grain fed product for niche markets, with considerable focus on developing a fully graded domestic brand subject to research outcomes.

BBG proposed a research project and investigate the viability of working with dairy producers to rear and feed dairy steers with the aim of developing a high end MSA branded product. The project originally was intended to look at the potential to market this product into a high end branded dry age market segment that will have potential to be marketed into both domestic and export markets, however the scope was heavily reduced to understanding best practice production approaches to better understand what the most optimum production model for the Australian industry context.

## 2 Project objectives

The strategic objectives are to conduct research in the following areas:

- Calf Rearing best practice and innovation, including calf rearing facilities to accommodate additional male calves
- Assess similar operations in the USA that have 400-day Grain fed program (both of which are different to what we are proposing) to learn from prior experience and guide us in a more focused outcome from the trial
- Design supply agreements for a long term sustainable program with calf producers

### **3 Methodology**

- Observe best practice Holstein steer feed programs under commercial operation in the US.
- Observe practices employed at each stage of the operation and provide comment on how the program may be adaptable to an Australian business model.
- Observe equipment and facilities and process used
- Consult with Australian stakeholders to determine the best program structure to develop a commercially viable model for Australian market conditions.

### **4 Success in meeting project objectives**

Members of the team undertook travel to the US to observe Holstein production systems. Observations were made of the production systems at various stages of the rearing and feedlot program. A report was prepared detailing the observations made during the visit to the US with reference to infrastructure, equipment and process used.

With reference to the knowledge gained from the observations made during the US travel, discussion has been initiated with several Australian dairies. Discussions have been had as to current rearing practices of dairy calves as well as potential commercially viable rearing/feeding models.

Ideas have been tabled and several program structures have been put forward for further investigation.

The work completed to date has provided the business with enough confidence to commence to test some of the research observations through a pilot trial.

### **5 Conclusions/recommendations**

The observations made during the research phase of the project have provided enough indication that there is potential to develop a program that could potentially provide commercial gain to all stakeholders within the value chain.

BBG will look to initiate a pilot trial to test the suitability of the program to succeed within Australian industry dynamics. The pilot trial will need to look at several variations to the commercial systems viewed abroad including the potential to rear calves onto pasture systems prior to induction into feedlot production.

Analysis will need to be conducted to determine financial viability across all livestock production and confirm end product specification. Further to this consideration will need to be given to sales channels development.

During this phase BBG will look to continue to engage with dairy industry stakeholders to determine the best possible program structure to overcome potential barriers for producer participation in this value chain.