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Final report

Western Australian Premium Beef Project

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Abstract

The WA Premium Beef Project (PBP) was initiated by the Department of Primary Industries and Regional Development (DPIRD) in response to key findings from the Western Australian Premium Agrifoods Market Opportunity Report (PMO), which identified three untapped opportunities within the premium beef industry to capitalise on responding to growing consumer demand.

These key product categories were identified as organic and biodynamic beef, Wagyu, and meat snacks. This project was developed to further investigate market opportunities in each of these industry segments, which has led to exploring industry interest in building and testing a suite of new products and business models to target untapped opportunities from a Western Australian agri-food development perspective. The project investigated the current status of the high quality/premium beef sector in WA and engaged with a range of beef enterprises across the value chain, with a view to creating and capturing industry growth opportunities.

Key results of the project have revealed a number of opportunities, limitations, needs, and constraints for each of the three niche areas. These findings will help guide and inform future business and marketing strategies for WA high quality/premium beef producers and meat manufacturers.

Executive summary

Background

The State Government's aim is to support the primary industries sector and regions to grow the high quality/premium beef industry and achieve international competitiveness. The Department of Primary Industry's (DPIRD) Food Industry Innovation Project (FIIP), in conjunction with Meat and Livestock Australia Donor Company (MDC), has been delivering the Premium Beef Project (PBP) since 2018. Its purpose has been to investigate how the sector can capitalise on its potential domestically and internationally, and harness the opportunity for value and jobs creation in Western Australia.

As a result of the industry research undertaken through the PBP, the high quality/premium beef segments of organic and biodynamic beef, Wagyu, and beef snacks have been prioritised as significant areas of focus. The PBP has been working to facilitate growth in these segments by assisting willing participants to become more coordinated and market orientated, and by guiding the application of resourcing to help facilitate development of the high quality/premium beef supply and value chain, and open the doors for domestic expansion and international export.

The results of this project are presented in this report and will be used to help drive growth and development at an individual business level within the WA high quality/premium beef sector.

Objectives

The objectives of the Premium Beef Project were to:

- develop human capacity and capability, and contribute positively to enterprise level profitably, sustainability and productivity (achieved);
- contribute to the DPIRD goal and the MDC strategic priorities to 2020 of doubling the value of the WA agri-food sector by 2025 (achieved);
- assist the three identified beef segments to leverage and capitalise on high quality/premium market opportunities (achieved);
- capture increased consumer demand domestically and internationally (ongoing);
- help grow the supply and value of organic, biodynamic and Wagyu beef production and associated output capacity post farm gate (ongoing).

Methodology

The methodology used in this project involved the engagement of several consultancies, including a multi-disciplinary Strategic Industry Management Group, an Agribusiness Industry Development Consultant, with significant experience across the red meat value chain to work with individual enterprises, and a DPIRD Project Manager to co-ordinate activities. The individual reports produced have delved further into the opportunities and threats associated with each segment to achieve the overall project objectives.

Detailed analysis and assessments were undertaken, along with a series of phases that incorporated activities to grow and progress what are currently small fragmented supply chains. At each stage of the project, consultants engaged with willing businesses and stakeholders to develop business and marketing strategies that aimed to open the door to further domestic and international expansion.

Results/Key Findings

Amongst the industry, there is a strong belief in the market potential for WA high quality/premium beef and, based upon the export market potential alone, there is evidence to suggest this is justified.

Demand for Australian high quality/premium beef products as a nutrient source continues to intensify. The demand is mounting for the very attributes that already differentiate WA's premium beef products, when it is available and in season. Internationally, demand continues to outstrip supply for high quality/premium beef that offers nutritional, ethical and environmental attributes - such as that demonstrated by WA premium producers.

Constraints to growth include the inability to supply a high quality/premium product all year round, better economies of scale interstate, insufficient carcass utilisation, higher processing costs for smaller producers, and a limited export market – particularly for organic beef. There are significant opportunities for the development of new beef snacks from high quality/premium WA product, and an opportunity to reduce the amount of high quality/premium product supplying the domestic WA market from eastern states and suppliers. This positions high quality/premium WA beef as an available 'in season' opportunity, and a provides a longer-term structural opportunity to supply additional processing capacity to assist smaller high quality/premium producers.

Benefits to Industry

By addressing the WA high quality/premium beef's comparative disadvantages, and capitalising on its key competitive advantages, selected WA producers and processors will be better positioned to capitalise on the potential to develop competitiveness in the domestic market into the future.

There is an opportunity for greater coordination within the WA industry to replace high quality/premium beef importation from interstate, whilst meeting the demands of the sizeable export market. This project has identified a number of individual companies who could benefit from funding and support. Proposals for funding assistance should be identified and developed, and submitted to MLA for consideration as part of a broader southern WA beef program.

It is evident that there is significant interest and expertise within the WA industry to innovate with the attributes of production and deliver environmental sustainability, food safety, ethical animal treatment, and the eating quality of high quality/premium beef. Suring up the ability for year-round supply and fostering collaboration along the supply chain, including the customer and government, would be the logical next step in bringing this industry forward.

Future Research and Recommendations

Recommendations for expanding the domestic and international market competitiveness for WA high quality/premium beef products include:

- Development and implementation of an 'in season' high quality/premium beef marketing campaign to ensure that WA grass fed beef finds a price point within the reach of WA consumers.
- Further analysis to investigate the differentiating attributes of high quality/premium beef from a taste, nutrition, ethical, and provenance perspective.
- Identifying and developing additional export customers needed to solve the domestic market carcass utilisation challenges.
- Supporting high quality/premium beef businesses to scale up in order to meet growing international demand.
- Collaborate and align with producers and processors to ensure availability and reliability around meeting high quality/premium beef specifications, including MSA.
- A willingness for industry to collaborate and develop new approaches and business models with the end customer is of utmost importance.

- Moving high quality/premium beef businesses towards greater collaboration in the development of longer-term supply agreements.
- Identifying longer term structural issues around processing infrastructure and capacity to ensure whole of supply chain approach.

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1. Background

This report provides an overview of the WA Premium Beef Project (PBP), commissioned through funding provided by Meat and Livestock Australia (MLA) and the WA Department of Primary Industries and Regional Development (DPIRD). It was initiated in response to key findings and insights identified in the WA Premium Agrifoods Market Opportunity Report (PMO) prepared for DPIRD in 2017, as part of DPIRD's Food Industry Innovation (FII) Program. The PMO Report identified potential market opportunities for high quality/premium WA food and beverage products, and specifically recommended the pursuit of three key untapped niche areas:

- Organic and Biodynamic Beef
- Wagyu
- Meat Snacks (beef based)

These three beef categories are the focus of the WAPB project and have significant growth potential and opportunities for value and jobs creation in WA. This project has mapped out a path forward for high quality/premium beef domestic and export growth in WA by identifying opportunities to capture increased value and employment across the value chain.

By working with individual enterprises that have a growth objective, the project has supported commercial capability and adaptability in order to create a more consumer-oriented sector in WA. This was done by working on positively influencing long-term business sustainability through facilitating strong product and brand loyalty within the domestic market, and providing differentiation and unique selling position in high quality/premium value export market channels.

The following report presents the industry engagement and research insights for each high quality/premium beef segment and summarises outcomes and recommendations for further work, based on detailed engagement with participating organisations.

2. Objectives

The core objectives of the Premium Beef Project were to:

- Provide willing participants an opportunity to capture increased value across the supply chain and positively influence their long-term sustainability (achieved).
- Assist participants to create strong product and brand loyalty within the domestic market and provide differentiation and unique selling position in high quality/premium value export market channels (achieved).
- Create synergies and benefits for the participants and MDC through delivering the project collectively (achieved).
- Assist supply chains to become coordinated, market oriented and well informed, and manage high quality/premium long term value chains (achieved).
- Support willing participants from across the supply chain including both processors, producers, and brand owners to grow their underlying high quality/premium beef segment supply capacity (achieved).
- Develop customer-driven agreements with WA high quality/premium producers/manufacturers (achieved).

3. Methodology

3.1 Phase 1: Commission of the AEC Report

Methodology implemented by the Premium Beef Project included the initial commission of the 2018 AEC Premium Southern Beef Project Report which delved further into organic and biodynamic, Wagyu and beef snacks as potential growth products.

This phase of the project involved:

- consulting and engaging with industry stakeholders to explore opportunities, challenges, and other issues identified in the PMO Report;
- the development of future business plans through focus groups with willing industry participants;
- taking recommendations and using these to develop a strategy moving forward.

3.2 Phase 2: Implementation of the AEC Report Findings

In response to the AEC Report recommendations, DPIRD engaged a Project Manager and an Industry Research Consultant to undertake work in each of the three targeted areas to drive growth and development at an individual business level with willing participants who wanted to take the next step with their product. This three-stage approach involved:

1. Expert Case Managers/Business Advisory Program
2. Domestic WA Market Expansion Research
3. Beef Snack Research Project

The following methodology was applied to all three project stages:

Analysis:

- Current situation scan and analysis (included preliminary validation of the size of the addressable market and who the early adopters/partners, both in market and supply, could be (this included listing assumptions of what “jobs are to be done” to deliver a gain for participants and target end users across the three beef streams);
- Current situation baseline analysis (included identification of gaps, existing value measurement, benchmarking and quality assurance systems, and audit analysis);
- Financial and risk analysis;
- Analysis of consistency of supply with mitigation strategies;
- Analysis of consistency and uniformity of product specifications.

Assessments:

- Assessment and development of strategies and information to mitigate against value detractors;
- Engagement (per beef category);
- Stakeholder mapping, engagement, surveying, focus group meetings;
- Stakeholder capability and capacity assessment.

4. Results

4.1 AEC Report Findings

The AEC report (Appendix 1.) identified in detail what is required to capitalise on the domestic and international consumer demand for novel, healthy, high quality/premium beef products – in particular, the three key niche areas. It outlined the opportunities, challenges, and threats that currently exist in this sector's supply chain.

Major Opportunities

- Export markets particularly Asia, Middle East, and USA;
- Value adding, product development, and innovation required to meet export demand;
- Development of a Gold and Platinum label system backed by Meat Standards Australia (MSA) for WA high quality/premium beef;
- Increased supply chain coordination and value chain alignment between producer, processor, and end market;
- Increased regional agricultural jobs and export sales growth.

Major Issues

- Contract processing and packing for export (subject to additional facility accreditation in WA);
- Existing scale of production;
- Investment attraction in both production and downstream value adding facilities;
- Supply chain coordination and extension services;
- Value chain alignment between the producer, processor, and end markets;
- Wagyu descriptions and carcass optimisation - particularly for Wagyu trim and secondary cuts;
- Organic beef cattle finishing capacity on certified organic farmland in southern regions for 52 weeks supply;
- Consumer confusion between organic/biodynamic, grass-fed, natural, free range, and free-from described beef products.

Six priority recommendations were made in the AEC's WA Premium Southern Beef Project Report:

Table 1: AEC Report Recommendations

Source: *WA Premium Southern Beef Project* (2018, pp 10-17) AEC Group Pty Ltd

Recommendation 1	
Expert advisory/case managers	Facilitate a program of expert advisory / case management support for specific eligible business projects and activities aligned with DPIRD goals.
Recommendation 2	
Domestic WA market expansion	Research beef specifications and distributors to facilitate WA beef producers to supply more product into WA.
Recommendation 3	
WA high quality/premium beef – branding and definition	Facilitate the identification and implementation of the most appropriate high quality/premium beef branding program aligned with the Meat Standards Australia science program.
Recommendation 4	
Beef snack research	Specific beef product category research and assessment of opportunities for the WA beef sector.
Recommendation 5	
Wagyu industry extension	Extension of professional services, materials, production information, and market education for Wagyu beef producers.
Recommendation 6	
Organic/biodynamic industry extension	Extension of professional services, materials, production, information and market education for organic/biodynamic and grass-fed beef producers.

4.2 Beef Snacks Research Project

Background

The market growth potential for Australian beef snacks has been identified as an opportunity for the Western Australian beef industry. The local industry requires further commercialisation to fully realise this opportunity.

Objectives

- Document the market research and findings, including areas of highest and realistic commercial potential for WA beef sector.
- Complete multi criteria assessment to identify highest potential opportunities for WA.
- Document the product requirements for up to four high potential future beef snack categories, including formulations, packaging, labelling, market access, and distribution channels with a focus on beef floss opportunities (identified in MLA research work form 2017).
- Document gap analysis on WA beef snack manufacturing sector.
- Report on indicative volumes, specifications, and requirements of beef supply from WA.
- Identify and consult with the relevant and major beef snack companies in WA to identify willing, committed, and invested partner(s).
- Industry engagement to secure a commercialisation partner and accelerate product commercialisation for a new product.
- Provide extension and communication material relating to the research and consultation completed.

Methodology

Methodology for this project involved internet-based desktop research looking at the websites of competitors in this market, studying their product categories, product range, flavours, packaging, and how they are seeking to differentiate. This research was undertaken by using the following methods:

- Accessing articles and industry reports pertinent to the facts being sought.
- Interviews with two WA-based manufacturers of beef snack products.
- Email correspondence with senior commercial managers for two international retailers to get their perspective on what they are seeking to elevate their snack categories.
- Review and summation of the above, including (as requested by DPIRD) a multi criteria assessment to identify highest potential export target market opportunities for Western Australia.
- Analysis of previously completed work on product opportunities such as “Review of Meat Floss – Identifying Opportunities for Australian Red Meat (Insights2innovations)”, June 2017, Meat and Livestock Australia.

Key Findings

Drivers – Consumer Trends

According to a 2019 snack industry survey by Information Resources Inc., 55% of consumers are snacking three or more times per day, with nearly one-third saying the majority of their snacks are healthy. Meat

snacks align well with the current better-for-you, meal replacement, on-the-go snacking trends and, despite consumers' desire to indulge, health plays a key role in the types of snacks they consume.

- 28% say they are snacking on healthier foods this year.
- Snacks with health-related claims are among the fastest growing, with low/no/reduced allergen claims accounting for almost half of all new product launches.
- According to the IRI survey, 44% of consumers look for snacks that are locally produced or organic.
- Another 66% prefer snacks that will provide an energy boost. ¹

In a recent survey by Carbon View Research, meat snacks were found to be one of the top four food items millennials purchase in convenience stores.

- Meat snacks are the star performer in savory snacks, with minimally processed image and high protein content that serves as an appetite suppressant and energy booster.
- There is a growing demand for all-natural brands with no preservatives.
- Many of these all-natural products have a softer taste, appealing to female consumers and children.
- More consumers are also looking outside of meats for protein, with more nuts, seeds, legumes and other plant-based varieties.
- The meat snack category has embraced this movement with combos.
- New flavours and formats are driving growth in this category, with products such as energy bars and trail mixes.
- Millennials are keen to experiment with new flavours, driving jerky into new sizes, shapes, and flavours. ²

Meat Snacks – Size of the Market, Market Channels

The three main product types of meat snacks include jerky, sticks, and sausages, with jerky being by far the largest.

- Jerky is the largest segment, with 43% of the dollar share but with stagnant growth.
- Sticks make up 34% - over 6% growth of Compound Annual Growth Rate (CAGR).
- Steaks, combos, sausages, and bars have a smaller share but are the fastest growing.

Jerky is popular in the North American, European, and Australian markets, with sausages/sticks increasingly gaining market share in the non-traditional markets of India and China. The main distribution channels for these products are through supermarkets/hypermarkets, convenience stores, petrol stations, liquor stores, and online retailing. Other channels have opened up via fitness centres, gymnasiums, trekking/adventure shops.

Regular/original flavoured meat snacks still hold the majority of the market demand, while exotic flavours are projected to grow at a faster rate.

Australian Market Trends

Findings from Mondelez International's 2020 ESG Report reveal that Australia has similar trends to the US in its snacking habits. This report found that 7 out of 10 people preferred eating small meals throughout the day. For adults, this was 6 out of 10 but, for millennials and generation Z, the preference was more pronounced.

¹ Information Resources Inc Survey "The State of the Snack Industry", April 2019

² <https://www.mclaneco.com/content/sms/en/resources/articles/print/snacks-meat.html>

Baby boomers (57-75 years) are more likely to place importance on nutritional values such as low fat, low sugar and calories, while millennials are more likely to seek snacks that are mood enhancing (23%), brain boosting (16%), or gluten free (15%).

Snacking is maturing from being a treat or something sweet, to nutritious alternatives in a time-poor society. The report found that snacking is a growing behaviour globally, with Australians prioritising convenience over all else when it comes to snacking and seeking healthy, sustainable, and locally sourced snacks. Snacking also provides bite sized moments of human connection and nostalgia, as well as nourishing the 'body, mind and soul'.³

- **Beef Jerky**

Beef Jerky is the largest segment in the market, with a market share of 43% of dollars spent, but with stagnant growth. Globally, the major players are *Jacks Links*, *Cattleman's Cut*, *the Meat Snack Group*, and *Slim Jim's*.

- **Emerging New Entrants**

New entrants have emerged in the market, driving the brands *Krave*, *Perky Jerky*, *Nobby's (Pepsico)*, and *Country Archer*.

Table 2: Emerging New Segments

Mums	Lorissa's Kitchen is gluten free and available in four flavours: Korean BBQ, Ginger Teriyaki Chicken, Sweet Chilli and Szechuan Peppercorn. The brand targets the female section of the population to enhance the appeal for a wider audience for these snacks.
Lunch Boxes	Even kids are being targeted through lunch box friendly and small portion sizes.
Fitness Junkies	Fitness centres and gymnasiums are other market avenues being targeted.

- **Nutrition as a Major Driver**

Nutrition is a major driver in the snack category, with most brands highlighting nutritional attributes such as zero sugar, high in protein, gluten free on their products.

- **Premiumisation**

The market is also witness to a more premium path, with increased emphasis on nutritional value and clean labelling, along with distinct flavours. Jerky is being offered in the blends of different varieties of nuts, fruits, vegetables and dairy products, providing an indulgent taste.

- **Meat Bars**

Meat bars are the new wave of protein bars that contain protein with a long list of known clean ingredients, and make up 34% of the meat protein category. Companies are investing heavily in meat protein bars. One of the reasons for this is consumers believe meat to be an all-natural source of protein.

Benefits of Meat Bars:

- More natural and convenient;
- Organic, grass-fed beef, cage free/free range chickens, mixed with spices, vegetables and fruit;
- Low in calories but high in protein, therefore consumers consider meat as perfect for snacking;
- They are softer and can include fruit, vegetables, herbs and spices;
- Meat Bars are 'free from';

³ Mondelez International, "Snacking Made Right" 2020 ESG Report

- Made of real meat (i.e. there are no processed whey proteins, chalky soy protein isolates, stomach upsetting sugar alcohols, artificial additives, nitrites, and nitrates);
- They match today’s consumer dietary habits.

The rise of the paleo or “caveman diet” has also encouraged consumption of lean meat and meat protein bars.

- **Exciting new flavours**

Use of flavours add to the experience and the healthiness.

Table 3: Emerging New Flavours

Most Common	Other Exotic Flavours
Jalapeno Smoked Smokey BBQ Chilli Original Teriyaki	Mango Habanero; Siracha; Crushed Red Pepper; Mango Chilli, Zesty Garlic; Apple Bacon; Grass Fed Beef Dark Chocolate; Cherry Coconut; Chilli Powder and Paprika; Garlic Herbs and Spices; Onion; Sweet and Hot; Manuka Honey and Chilli; Chorizo; Mountain Pepper Berry; Hickory; Native Pepper; Grass Fed Beef Sweet Potato Pecan; Grass Fed Beef Jalapeno; Hickory Smoked Bacon; Grass Fed Beef Uncured Bacon; Cranberry and Sunflower Seed; Maple Bourbon; Hirro Mamburger Jerky; Mojo (Garlic, Lime and Cilantro); Korean Bulgogi; Pepperoni; Mild Wild; Habenero Cherry Walnut; Schezuan Pepper and Ginger Salt; Grass Fed Beef Uncured Bacon; Jalapeno; Chimichurri and Zesty Lemon; Organic Beef Carrot, Apple and Hemp Seed; Beef and Pork Pepperoni; Sea Salt and Pepper; Truffle and Thyme; Cayenne and Honey; Catch Chilli; Coriander and Honey; Chilli; Cayenne and Pepper; Mandarin Orange; Teriyaki Beef and Pork; Sea Salt and Pepper

- **Cross-over into other proteins**

Lean meat options like chicken/turkey are a new favourite source for healthy protein, especially among Millennials.

- **Beef Sticks**

Beef sticks are one of the fastest growing product categories.

- **New Products**

More recently, the market has embraced the growing adventure/trekking scene with the launch of trail mixes.

Australian Brands

Australia’s largest brands remain largely unchanged in their product and attribute mix. Some Australian brands have embraced the latest protein rich, health conscious trends in beef jerky. The *Kooee* brand is utilizing provenance (Tasmania), natural, organic, low in sugar, grass fed, free range, high protein, gluten free, and healthy outdoor living attributes. *Just Jerky* promotes additional attributes such as high in protein, gluten free, and nitrate free.

WA Brands

- WA Companies have not as yet invested in these new trends, products and attributes.
- DJays Gourmet, the largest manufacturer in WA, has 3 flavours of biltong (traditional, mild pepper, and chilli), 3 flavours of biltong sticks (same flavours) and a dry sausage.

- Packaging focuses on high in protein, Australian beef, with a mention of 94% fat free.

Harvey Beef (manufactured by DJays Gourmet) has gone some way, with four flavours of beef jerky (traditional, hickory smoked, fire and spice, lime and cracked pepper), promoting provenance (WA), no added hormones, no preservatives and high in protein. The Wagyu Biltong Co highlights product of Australia and hand-made. OCD Jerky mention no added preservatives, hand crafted, no added salt, and lean beef. The Jerky Company highlights it is made in WA, high in protein, and low in fat.

4.3 Domestic Market Expansion – Growing Opportunities

Background

DPIRD commissioned this study as part of the Premium Beef Project with the aim of:

- Understanding the potential for increased domestic sales of WA high quality/premium beef.
- Increasing the ratio of West: East sourced beef for WA consumption.
- Helping the development of cross-sector alliances in support of the above point.
- Reducing the time from farm-gate to plate.

Objectives

The objectives of this study were to ascertain the likely volume and specifications of beef being imported into WA from interstate, identify the comparative advantages and disadvantages of WA high quality/premium beef, product refinements required to supply the WA market, and indicative volumes and requirements for high quality/premium beef products in the WA high quality/premium retail and food-service market. In addition to this, objectives were to:

- Document the comparative advantages and disadvantages of WA high quality/premium beef products, including product refinements required to supply.
- Identify opportunities and alignment with willing participants to promote and expand high quality/premium WA beef.
- Report on the indicative volumes, specifications, and requirements for beef products in the WA domestic retail, food service, and restaurant sectors.
- Report on the findings from the research and consultation completed.
- Develop producer/processor/food service alliances to enhance local WA value chains.
- Provide extension and communication material relating to the selected WA beef branding material.

Methodology

Thirteen interviews were undertaken with the CEOs and key managers of the major participants in the WA beef industry ranging from retail, food service suppliers, traders, processors, and producers. These interviews took place via a series of face-to-face and telephone discussions followed by, in some cases, follow-up emails and further telephone discussions.

Six questions were asked in the interviews:

- In your opinion, how much beef is being imported into WA?
- What are the specifications of this beef?
- Why is beef being imported into WA?
- What are the limitations of the WA beef industry?
- What are the key attributes (points of difference) of WA beef?
- How could the WA government support your business in the development of high quality/premium beef?

Key Findings

Figure 1: WA Beef Consumption by Source (estimated 000 T/year, wholesale)

Note: The data in this pie chart was derived as stated in the table below. The tonnage refers to wholesale WA beef production in carcass weight with bone-out.

Source: DPIRD analysis of Australian Bureau of Statistics data from Livestock Products Australia, March 2021

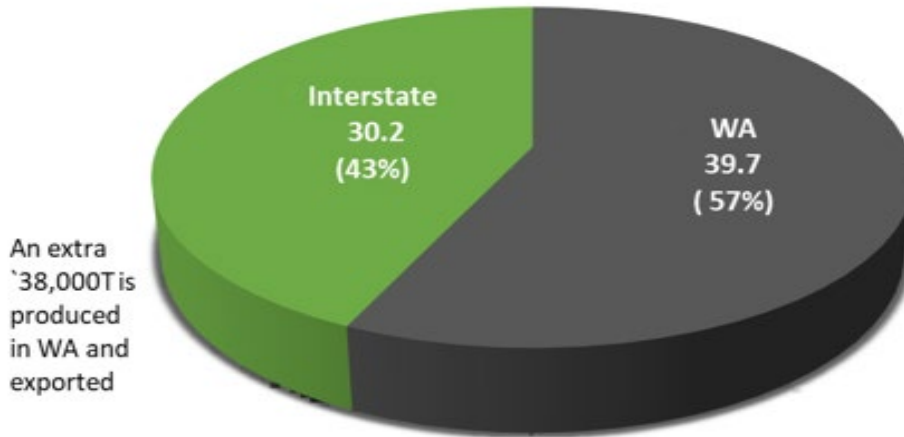


Table 4: Wholesale WA Beef Production.

Imports of beef from interstate:

30,200 tonnes is the approximate annual volume of beef imported to WA from interstate. This is approximate because respondents were reluctant to provide commercial in confidence data on actual imports, so they were asked for their estimate. The answers ranged between 500-700 tonnes per week of carton beef or between 26,000T and 36,400T per annum.

WA produced beef that is consumed in WA:

- 39,704 tonnes is the estimated WA beef consumption.
- Calculated from total production minus export volume
- 77,851 tonnes is the total production for WA in 2019
- 38,147 tonnes is the estimated export volume 2019 (49% of above production)

Note: There is currently no information collected by any agency on imports of beef into Western Australia. This information has been obtained from respondents and is based on their estimations.

Table 5: Specifications of beef imported into WA from interstate

Tier	'000T /pa	Market and example of potential customers	Product Specifications (respondent comments)
High Quality/Premium	0.3	High quality/premium food service: <i>(E.g. white table cloth restaurants including Frasers, Cha Cha, Odyssey C)</i> High quality/premium retail butcher and high quality/premium category in some supermarkets: <i>(E.g. Boatshed Markets, Costco)</i>	Wagyu (all qualities from marble score 4 up to 9+) Organic
High Quality/Premium	8.8	High quality/premium food service High quality/premium snack manufacturer <i>(E.g. Wagyu Biltong Company)</i> High quality/premium retail butcher and high quality/premium category in some supermarkets. <i>(E.g. Coles Finest, Coles Graze (grass-fed), Woolworths Grass-Fed, Costco)</i>	Angus, other British-bred (Angus, by far, the strongest) High quality/premium grass fed with standards (PCAS, JBS, Teys) Grain fed 100-150+ days, HGP free Marble score 2+ for key cuts. Other cuts need not be MB2+ Wagyu (marble score up to 3, non-key cuts) Wagyu non-key cuts for sausages, biltong, burgers etc. MSA graded
Mainstream	9.0	Mid-tier food service <i>(E.g. casual dining, pubs and clubs such as Hogs Breath, Little Creatures, Optus stadium)</i> Retail - general category in all supermarkets <i>(E.g. Coles, Aldi, Woolworths, Metcash)</i>	Grain Fed 70 -100 days Grass fed without branding as such or standard MSA graded PR product (generally known as 36 months or younger)
Value	12.1	Retail – price leader category: <i>(E.g. Coles, Woolworths, Metcash)</i> Institutions: mining camps, prisons, hospitals, aged care, quick-service food. <i>(E.g. McDonalds)</i>	'A' beef or lower
Total	30.2		

Note: Estimated volume sourced from interstate by specification tiers have been used here. These are groupings of consumer purchase occasions, sales categories (retail and food-service) and beef product specifications. This is in line with retail category management terminology and how beef is sold to consumers.

Table 6: WA High Quality/Premium Comparative Advantages/Disadvantages

Comparative advantages			
<p>There were no discernible comparative advantages found (strictly speaking, in economic terms). The results of this study suggest that, by addressing the comparative disadvantages (outlined below), WA has the potential to develop competitiveness in high quality/premium beef for the domestic market.</p>			
Comparative disadvantages:			
<p>Availability: unable to supply all year round <i>"The season is from October to March when we feast on product then there is nothing from April to August. With new supermarket entrants it's even more complicated [to supply WA product to them]." (processor perspective)</i> <i>"Better tasting product from Cape Grim [TAS High quality/high quality/high quality/premium GF] all year round." (retailer perspective- high quality/premium)</i></p>	<p>Price: Better economy of scale interstate (likely to be more efficient at carcass utilisation) <i>"It's never cheaper than the east as our scale of production is still low, compared to grain fed product all year round." (processor perspective)</i></p>	<p>Higher processing costs for smaller producers (compared to interstate) causing WA high quality/premium product to be exported or not produced despite latent demand <i>"We are [volume of cattle we produce is] limited by processing options in WA." (producer perspective – high quality/premium)</i></p>	<p>Limited export market access - particularly for organic - processors don't have export customers for organic The WA market is considered small with flat growth, yet global demand continues to expand and WA has a high quality/premium product that is un-commercialized.</p>

Table 7: WA High Quality/Premium Beef: Competitive Advantages/Disadvantages

Competitive Advantages	Competitive Disadvantages
<p>Taste: <i>“A locally sought-after taste when in season.” (retailer’s perspective)</i></p> <p>Provenance: <i>“WA is well regarded locally and willingly supported. Widely recognised regions and brands (in southern WA) include Margaret River, Harvey Beef and Mt Barker Chicken. Retailers and food service are keen to promote “local” as they see significant sales potential.” (retailer and food service perspective)</i></p> <p>HGP-free: <i>“This is a proven taste attribute [MLA research], and many consumers seek it out (and hence, so do modern retailers around the world) - also mandated by EU, UK, China (China may be relaxing this to a HGP residue limit).” (retailer and food service perspective)</i> <i>“Grass-fed on pristine, high nutrient pastures when in season.” (retailer and food service perspective)</i></p> <p>Nutritious Grain: <i>“WA produces some of world’s highest quality supplementary feed including grains (barley, lupins, oaten hay) leading to superior taste and nutrition for human consumption.” (producer’s perspective)</i></p>	<p>Flexibility: Less efficient carcass utilisation <i>“Less flexibility in WA to supply individual cuts to meet our specification.” (retailer’s perspective – supermarket high quality/premium)</i></p> <p>Perception of poor adherence to specifications by WA suppliers, or inadequate communication about differentiation between in-season and out of season product, causing perception of variable or low quality <i>“The Eastern States’ product was exactly to spec every single time.” (retailer and food service perspective)</i></p> <p>Interstate producer-processors have long-established sales and supply offices in WA. <i>“Mostly selling product in the Value and Mainstream segments (not the focus of this project) however it impacts high quality/premium segment purchasing - especially among recent WA supermarket entrants who buy all tiers and find it easier to use one supplier for the lot.” (retailer’s perspective – recent entrant to WA)</i></p>

Key Considerations for Domestic Market expansion of WA High Quality/Premium Beef Products

- **Price:** On retail shelves and on many restaurant menus, WA high quality/premium grass-fed beef is one of the most expensive. Whilst positioning will be up to individual enterprises, it is essential that in-season WA grass fed beef finds a price point (and an awareness) within the reach of WA consumers.
- **Aim to differentiate product (as opposed to “catch up”):** Invest in the differentiating attributes (taste, provenance), and human nutrition (grass, high-nutrient grains organic, biodynamic). This unique set of attributes could lead to the acceptance of, for example, ‘free-range’ grain-finishing (thereby extending the season of availability of WA high quality/premium grass-fed beef).
- **Export market balance:** Develop and collaborate with the type of export customers needed to solve the domestic market carcass utilisation challenges. Internationally, demand continues to outstrip supply for high quality/premium beef that offers nutritional, ethical and environmental

attributes - such as that demonstrated by WA high quality/premium producers. The southern WA region could scale-up in order to meet that demand. This, in turn, would make it viable to increase the ratio of WA sourced high quality/premium beef for domestic consumption.

- **Collaboration to deliver on the promise:** Ensure availability and reliability around specifications. A willingness to collaborate and try new approaches with the end customer is required based upon the remarks made throughout the interviews. This is perhaps the point that requires the greatest nurturing:

“The only thing that is preventing us...is our mindset to collaborate and take risks together.”⁴

- At the high quality/premium market level, there is the opportunity to work with retailers and food service to define the product attributes and specifications to satisfy the un-met demands being sought. Help is needed to move towards the collaborative essence of such supply agreements, and to provide the infrastructure to ensure delivery.

Size of WA high quality/premium beef domestic opportunity

The size of WA high quality/premium beef domestic opportunity is estimated at 9,200 tonnes per annum. The tonnage refers to wholesale WA beef production in carcass weight with bone-out. This is based upon the following assumptions:

- 9,200 tonnes is the approximate annual volume of high quality/premium beef imported to WA from interstate. The actual imports maybe higher than 9.2T because the study does not include the volume (unknown in size) that is imported from interstate by the two interstate companies who have sales offices here (JBS and Teys).
- WA will be able to expand to meet in-season local demand for high quality/premium beef from southern regions (grass-fed).
- WA will be able to deliver nearly year-round supply that meets specification. This will require assistance and development as outlined in the Opportunities section. With the current production and climate limitations, WA cannot deliver year-round high quality/premium beef supply to the domestic market.
- With year-round supply from WA, the high quality/premium beef market for WA sourced product is likely to expand slightly, as supermarkets indicated they are intermittently short of supply within the current system.
- There is overwhelmingly positive intention by industry to support and expand WA product sales should it become viable to do so (e.g. availability and meeting specification), as indicated by all the interviews with industry participants.

⁴ “Going Dutch: Opportunities for the Australian agri-food sector” KPMG, August 2018

Table 8: Areas of Opportunity-Now (refinements required to supply)

<p>Opportunity 1: Maximise commercial potential of in-season grass-fed beef from southern regions</p> <p>Action Seasonal campaign for in-season, grass-fed beef, driving demand for WA product (October to March) aimed at:</p> <ul style="list-style-type: none"> • Promoting the unique benefits, in-season-taste, provenance, and nutrition and safety. • Providing attribute and provenance content for retail and food service to incorporate into their social media campaigns, packaging, and point of sale material. • Planning and coordinating campaign timing with retail and food service to meet the season times. <p>Action Implement a southern WA in-season grass-fed standard that is readily achievable yet ensures compliance.</p>
<p>Opportunity 2: Development and negotiation of supply agreements: provide individual company support to achieve (for in-season grass-fed, organic and Wagyu):</p> <p>Action Product availability:</p> <ul style="list-style-type: none"> • Build trust and collaboration along the supply chain to assure supermarket and food-service of continuity of supply. Trial supply agreements (cuts, specification, volume, competitive price, and margin well in advance) between producers, processors, and retailers - standard practice for many suppliers across the domestic and international supply chain. • The use of longer-term supply agreements potentially mitigates the effects of climate variability and provide for a longer-term strategy and focus on consistent supply arrangements. • Short-term processing options to deliver on agreement (a short-term fix may not be possible, but needs to be explored). <p>Action Encourage producers to deliver to agreed specifications on a consistent basis.</p> <p>Action Individual branding – support the collaboration and facilitation of business entities to engage with MLA (and others) to explore funding sources for company branding and promotion.</p>
<p>Opportunity 3: Improve carcass utilisation by supporting product innovation and channels to markets (domestic and export).</p> <p>Action Assist businesses with the development and implementation of domestic and international licensing requirements for processing facilities and manufacturers:</p> <ul style="list-style-type: none"> • Organic, Malaysian Halal, EU, UK and selected global retailer accreditation. <p>Action Assist export business development for Organic, Wagyu/Organic/Grass-Fed beef snacks and products to collaborate with other WA high quality/premium produce for obtaining single source-preferring customers.</p>

Table 9: Areas of Opportunity-Longer Term (5 years +)

Opportunity 1: Beef Processing:	
Action	<ul style="list-style-type: none"> Explore (with the view to improve) additional processing options in WA to enable contract/custom processing for the smaller high quality/premium producers, at competitive prices the WA and export retail and food service sector will accept via supply agreements
Action	<ul style="list-style-type: none"> Conduct a feasibility study of an additional carcass-only processed beef plant, with a view to carcass export. Collaborate with and investigate the potential for existing mobile slaughtering/processing facilities and businesses to add value and align within the existing supply chain. Investigate the potential for a service-based plant similar to the Northern Co-operative Beef Company NSW via private equity or investment. Co-investment with aligned partners (high quality/premium lamb, chicken, pork, dairy) seeking the same customer base and markets.
This is in addition to working with existing WA processors to achieve viable second level+ processing/value-adding.	
Opportunity 2: Feed Innovation	
Action	<p>Explore commercialisation of feed innovations that differentiate WA product.</p> <ul style="list-style-type: none"> Scalable production that may combine grass-fed and free-range grain finished, which takes advantage of local provenance (including grown locally biodynamic) feed production and feed supplement systems that lowers emissions from cattle (methane).

Respondents were asked to describe perceived existing attributes, or easily achievable attributes that are not currently being exploited.

Table 10: Key Attributes (points of difference) of WA Beef

Taste	<i>"A local sought-after taste when in season."</i> (retailer's perspective)
HGP-free	<i>"This is a proven taste attribute (MLA research), many consumers seek out, as do modern retailers around the world such as Waitrose. In addition, several countries mandate HGP-free beef only for import including EU, UK, China."</i> (retailer's and food service perspective)
Grass-fed on pristine, high nutrient pastures	<p>Respondents referred to the grass-fed product from southern WA when in season, highlighting the advantage of the sparse WA cattle density over pasture lands (per square kilometre) compared to the east. WA has a unique opportunity to promote the benefit of provenance, food safety and biosecurity.</p> <p><i>"Low stress animals and working in harmony with the land."</i> (producer-high quality/premium biosecurity).</p>
An "in" season	<p>Retailers pointed out that this is an exciting point of difference that could be much more successfully managed.</p> <p><i>"WA produces some of the best seasonal grass-fed beef in the world. This should be promoted. We should not be concerned that it is available only some of the year. Make the most of it."</i> (retailer – long term in WA)</p>
Nutrition - WA produces	It was felt that there is an opportunity to better translate what this means for the consumer who doesn't understand grain, but is seeking the very benefits that superior grain offers. Producers described how supplementary feed including (barley, lupins, oaten hay) leads to superior taste and nutrition for human consumption.

high quality grain	<i>"The grain used to feed the animals is produced on the farm and is carefully selected to be the best."</i> (trader)
Provenance is well regarded locally and willingly supported.	<p>Respondents widely endorsed regions and fresh-produce brands (Southern WA) such as Margaret River, Harvey Beef and Mt Barker Chicken.</p> <p>Retailers, food service, traders and processors alike were keen to promote "local," as they perceive integrity at the producer level that, properly promoted, has significant sales potential in WA.</p> <p><i>"We aim to be self-sufficient (from WA) in all our meat needs from WA. We have formed a partnership with Harvey Beef to supply all its beef requirements. We know from past experience with other meats, particularly chicken, if there is a WA story, then sales will increase. Provenance is a major factor, more so in WA than in any other state of Australia. We would like to have a WA reference on labelling and POS. Unfortunately, at present, this cannot be guaranteed. WA consumers are very parochial and would pay more for WA produced beef."</i> (processor's perspective)</p> <p><i>"In WA, they pride themselves on low stress animal handling techniques."</i> (trader's perspective)</p>

Table 11: Reasons for Beef Being Imported into WA

Price	<p><i>"The majority of large-scale traders are subsidiaries of their owners in the Eastern States and use WA as a dumping ground."</i> (processor)</p> <p><i>"New entrants into an already crowded Wagyu space in the east, led to significant dumping of differing cuts at times ...an example is the recent launch of a brand in the east which led to the 'dumping' of marble score 8 Wagyu rumps at \$12/kg, which is normally at least double this price."</i> (producer – high quality/premium)</p> <p><i>"...cheaper prices even though it costs an additional 50c/kg to transport the product from the east."</i> (trader)</p>
Supply shortfall	<p><i>"Perceived inadequate supply of high quality/premium quality livestock in WA."</i> (producer – high quality/premium)</p> <p>Dependence upon season - WA high quality/premium producers cannot provide beef supply all year round.</p> <p><i>"The season is from October to March when we feast on product, then there is nothing from April to August. With new supermarket entrants, it's even more complicated (to supply WA product to them)."</i> (processor)</p> <p><i>"We cannot get the quantities of high-quality grass-fed product, such as what we get from Teys in the east and supply as their own brand, which has minimum grass-fed specifications."</i> (trader)</p> <p><i>"Some weeks we are able to source 100% of our needs from WA. However, at other times it goes down to 90%. Much of the product we bring in from the east is to supply our grass-fed brand which is produced to our own specifications (not PCAS). Seasonal variations (in consumer demand) play a large part in the popularity of some cuts. For instance, in winter, beef cubes are very popular, whilst in summer BBQ cuts are sought after."</i> (retailers – long term in WA)</p> <p><i>"The main reason we purchase from the eastern states is to get consistent supply of the quantities of certain cuts, including rump, blade, diced, minced, briskets and outside flats for the mining camps."</i> (trader)</p>

	<p>Non-key cuts for high quality/premium are easier to source from the east.</p> <p><i>"We cannot source individual Wagyu cuts (from WA) such as beef cheeks."</i> (trader)</p> <p>WA is less flexible to meet the additional demand for key cuts.</p> <p><i>"We sell more of some cuts such as tenderloin, cube roll and strip. We need to purchase more of these cuts so we buy from the east. We also buy Wagyu cuts from the same (interstate) supplier."</i> (retailer – recent entrant)</p> <p><i>"Less flexibility in WA to supply individual cuts to meet our specification (suggesting less efficient carcass utilisation)."</i> (retailer – recent entrant)</p> <p><i>"We get (from WA), 'you buy this cut, you also need to purchase others' which we do not want."</i> (trader)</p>
<p>Lack of trust - a history of not meeting specifications</p>	<p>Frustration was expressed about experiences with beef not being delivered to specification in WA.</p> <p><i>"When you open a carton of beef from one of the eastern states suppliers it is very uniform, unlike WA beef which can be very different in every carton you open (in WA) we are unable to get the consistent quality of beef. We tried to purchase from local suppliers many times, however are always let down. We have received, within a carton, different sizes of the same cut, packaging and colour variations (not to specification)."</i> (retailer – long term WA)</p> <p><i>"What was on the carton lid was not what was always inside the carton."</i> (retailer – long term WA)</p> <p><i>"We specify Angus product for our Angus branded biltong, yet we are delivered something that is not Angus."</i> (boutique manufacturer of high quality/premium beef products)</p> <p><i>"We pay for a certain marble score of Wagyu, however there is no identification on the carton or on the cuts as to its quality, adding to the distrust."</i> (boutique manufacturer of high quality/premium beef products)</p> <p><i>"We have been offered WA product by suppliers trying to sell distressed product."</i> (trader)</p>

Limitations of the WA Beef Industry

Limited processing options for high quality /premium products (Wagyu and Organic):

Producer respondents to the survey said they had experienced the following:

- Higher processing costs than what they perceived to be the case interstate, causing WA product to be out of reach price-wise to WA consumers. Instead, these producers spend their energy on exporting to price-sensitive international markets. This is considered to limit the domestic market expansion for high quality/premium.
- "We are (the volume of cattle we produce is) limited by our processing options in WA." (producer – high quality/premium)
- Deficiency in processing space with timeframe constraints which further limit capacity to meet consumer demand.

"We get (our product) processed once per month which limits our capacity to market the product. We need to sell all 29 cuts as a full set rather than sell each cut by market or customer to maximize returns." (producer – high quality/premium)

“The WA beef industry is dominated by a few companies. These companies have: an export focus; long term arrangements in place with the large scale retailers seeking to shore up supply, and; very little spare capacity to provide third party processing to small operators...we could double production if there was suitable processing space.” (producer – high quality/premium)

“There is a lack of processing space for organic beef and when processing space can be found, we cannot line it up with the timing needed by a customer.” (producer – high quality/premium)

Respondents to the survey said they experienced difficulty sourcing high quality/premium non-key cuts for high quality/premium mince and burgers etc from WA.

“Our organic mince is imported from Queensland. though we can buy plenty of regular beef trim locally for other mince.” (retailer – new entrant)

Limitations for export:

1. Expanding domestic consumption of WA-grown beef cannot be divorced from the industry capability to export the balance of the carcass which has less demand in WA. Limitations for exporting in WA were identified as:

- Limited access to China. There is one processor with a China licence for chilled beef and there are two plants with a China frozen licence.
- No access to Malaysia - Malaysian Halal accreditation is required.
- Organic - the WA market is considered small with flat growth, yet global demand is expanding and WA has a high quality/premium product that is un-commercialised. This highlights an opportunity to adopt a more world-minded perspective for this growing sector to which WA can supply. The existing producers are constrained by processors who themselves do not export organic, and it is difficult to find the right partner that can take the whole carcass, imposing scalability limitations on the business. They are able to produce year-round product, however need the right partner(s) that can take the product.

“We are working with a food service company, that takes the sweet cuts of tenderloin, cube roll and striploin. But it is difficult to sell the rest of the carcass.” (producer - high quality/premium)

2. Limited understanding/perceived difficulty of the export accreditation process and requirements.

“We have interest from a prominent retailer in the UK, however we are unsure of the accreditations needed such as EU requirements. There is great interest in the Middle East however, we need to be using product that is Halal approved.” (boutique manufacturer of high quality/premium beef products)

3. Collaboration across supply chain to meet consumer demand and export opportunity:

- On the positive side, there are retailers and major processor alliances in WA that are developing the goal of sourcing all beef from WA. In addition, there is at least one trader who has vertically integrated by investment in small-scale grain-fed supply to restaurants. However, outside of that, and in contrast, there were many comments suggesting a lack of collaboration:

“Traders take the opportunity for a quick sale and often undermine the efforts of the local suppliers in building a brand.” ((producer –high quality/premium)

“WA is dominated by only two to three major processors, which focus mainly on the export market.” (producer – high quality/premium)

“Traders don’t understand the product enough and are not willing to take the time support a WA Wagyu story. It takes many years to develop a quality Wagyu product. I have been doing this for 17 years.” (producer – high quality/premium)

“We take the effort to get onto a restaurant menu, however a trader comes along with a cheaper product and so ours gets replaced. The menu however remains the same.” (producer high quality/premium)

“Traders do not care about a WA brand or story as they have their eastern states brand to sell.”
(producers” - high quality/premium)

“Following extensive meetings over many months prior to the opening of the first store, we were unable to secure a suitable supplier that could guarantee a consistent supply of the specifications we are seeking.” (retailer – recent entrant)

“Our own better planning might help, particularly advising suppliers regarding promotional plans.” (retailer – long term in WA)

“With the expansion of retail chains in China, an opportunity exists to supply those stores with the same product if WA could meet our specifications.” (one store in China is worth 20T/ week)
(retailer – recent entrant)

4. Perceived lack of care taken by the processors for high quality premium products:

“Some processors treat Wagyu the same as any other product – workers are paid on a volume basis not a quality basis. ...it’s a shame to see our cube rolls being thrown around so carelessly.”
(producer - high quality/premium)

“Traders do not care about a WA brand or story as they have their eastern states brand to sell.”
(producer – high quality/premium)

5. Product substitution:

- Producers expressed frustration that they would spend effort building a brand onto a restaurant menu, only to be displaced by another cheaper product from a trader, but their brand remains on the menu.

6. Lack of promotion of WA beef

- Respondents commonly commented that there has been very little focus on WA beef and it deserves to be elevated:

“WA is known for its wines, but not for its beef – which shouldn’t be the case.” (retailer – long term in WA)

“A seasonal opportunity exists to promote WA beef, maybe a grass-fed campaign – it coincides when there is abundant supply, it’s at its most delicious/tasty/tender, it’s the cheapest to produce and its natural.” (high quality/premium producer perspective)

- There is a lack of promotion in retail stores and in restaurants for WA beef:

“A few years ago, there were a number of steakhouses in Perth that promoted local brands. It is difficult to find one now.” (high quality/premium producer)

“Marketing of WA beef is largely non-existent. Consumer are not engaged in a WA beef provenance story and it’s the industry’s fault. There is little education to the consumer on the cooking of beef...and a significant proportion of processors are not that interested in developing their brands, as they focus on exports.” (processor)

- Respondents commented that the ‘Buy West Eat Best campaign’ was too generic and needed updating:

“Felt somewhat cheap, a bit like the old “BI-LO” campaign of retailers.” (high quality/premium producer perspective)

“The only beef recipe on the website “5 Dishes to Make Dad Smile” is a “Kilcoy” eye fillet from Queensland.” (retailer)

- One respondent suggested the government could more effectively promote WA high quality/premium beef by promoting it within government and could include:
 - Serving WA high quality/premium beef at Parliament House.

- Actively promoting restaurants amongst governments that serve WA beef.
- When government has international guests, ensure these guests sample WA high quality/premium beef restaurants.

7. Price sensitivity is not fully understood for high quality/premium:

- The WA market is not being effectively pursued by local high quality/premium producers and processors, despite knowing there is demand:

“WA consumers are very parochial and would pay more for WA produced beef. The impact would be minimal when compared to the price of beef on the retail shelf and restaurant menu.”
(processor perspective)

4.4 Lead Case Management

Background

As part of a set of recommendations from the Premium Beef Project to Government, one of the key findings was to fund the expertise needed to establish customer-driven agreements (or similar intent) with WA high quality/premium producers/manufacturers.

Objectives

- To gather data from willing individual businesses that will lead to the establishment of customer-driven agreements.
- Conduct information forums to introduce and bring together all industry and government organisations that have programs directed to the WA beef sector.
- Tools to link WA beef (and other agribusiness) companies and stakeholders to relevant industry and government support programs and information.
- Establishment, extension, and implementation of a case manager/business advice program for eligible WA beef production and value adding processors and packing companies.

Methodology

Four companies were selected:

1. Wagyu Biltong Company
2. Dandaragan Organic Beef Company
3. Ucarty Holdings
4. DJays Gourmet

Findings – Lead Case Management Key Issues

Wagyu Biltong Company

The Wagyu Biltong Company (WBC) is a manufacturer of high-quality Wagyu and Angus beef biltong products that are produced locally and sold across WA, Australia, and internationally. They are a small manufacturer of high quality/premium quality products, based in Perth WA, and pride themselves on quality. WBC have enjoyed exceptional levels of growth in recent times, and they are currently exploring opportunities to differentiate current product and expand by introducing new product ranges domestically and locally.

The WBC originated in South Africa and its product is prepared locally by one of the company directors. These recipes have been developed through local knowledge and butchers for over 40 years. While not initially part of Phase 1 of the PBP, the WBC was identified as having significant potential for growth and development within the beef snack category using high quality/premium product. Case management support has been provided to WBC to expand and grow their business, employ additional staff to take advantage of increased demand, and secure longer-term supply of high quality/premium Wagyu product in WA. Several key business development issues were identified as part of the case management support including:

Key Issue 1: Secure long term, consistent supply of Wagyu and Angus beef direct from the producer (rather than through an importer/distributor).

To maintain and then grow the business, Wagyu Biltong Co. needed to secure a consistent supply of Wagyu and Angus beef to specification. Without this, the business cannot confidently expand. The company had to continuously dispose of or return out of specification product to its supplier. In recent times, almost

one tonne of Wagyu beef was sent back to a supplier, due to it being rancid and outside of its use-by-date, which was a major quality control and food safety issue.

All WA suppliers of Wagyu product were contacted to investigate supply options, with little success. One local supplier, previously unable to supply consistent quantities of product, has now agreed to supply over the long term. Another supplier sent product as a trial however, this was outside specification and the supplier did not wish to meet and discuss concerns.

In relation to the high quality/premium Angus beef product supply, all WA suppliers were contacted however, the product is not available all year round in WA. Once again, supply of a high quality/premium product for WA business is a critical issue.

In addition to the above, and after a significant number of contacts were made throughout Australia, Wagyu Biltong Co. were able to obtain a commitment from a Wagyu and Angus supplier in Queensland at a suitable price and quality. Agreement was reached with Stanbroke Pastoral Company to supply a suitable in-specification product to WBC.

Key Issue 2: Upgrade of the facility to access export market opportunities, including HACCP.

The company had been contacted by many overseas companies, including Harrods in the United Kingdom, Singaporean, and Hong Kong retailers and wholesalers to investigate the supply of product. Wagyu Biltong has been unable to take advantage of these opportunities due to the current factory not being export accredited. This was a major focus of the case management support services to identify and facilitate the accreditation of the facility to enter the export market. As a result, the Australian Quarantine and Inspection Service (AQIS) has inspected the facility and made a number of recommendations to WBC to implement export accreditation.

During the AQIS inspection, the requirement for on-site storage was identified as the key issue needing to be addressed. Currently a large proportion of the product is stored at other sites and used on-demand. Quotes have been obtained to upgrade the facility and, once funding is approved internally to expand, this work will immediately commence with a view to targeting a range of export opportunities in 2012/13.

Key Issue 3: To cater to the changing customer segments and taste preferences, the company needed to develop new packaging, improve promotional sales channels and update marketing/promotional materials such as website, brochures, and product photography.

The current packaging was previously developed in-house and now requires updating. The current promotional sales initiatives are via word of mouth and through the current website, which is largely a marketplace and doesn't provide any company background, the story behind the product, and the important high quality/premium provenance story.

The website promotional materials, including product photography, have not been updated since the company began business and require modernising with a contemporary customer focus. A marketing/packaging brief as part of the refresh has been compiled and has been provided to a number of marketing companies for their consideration. This has resulted in several quotes from marketing firms to develop and update the current photography, website, packaging and promotional materials. One firm has been identified and selected to progress this marketing initiative. In addition, quotes have also been sourced from specialist on-line marketing companies, with one selected to progress. A professional food photographer has also been identified and selected.

The business has reviewed the current product mix and range and has agreed on the introduction of new products. Sales data have not been reviewed for the current mix of products for some time, and no new products have been introduced for some time. The aim is to remove poor performing products and undertake a refresh of the product mix. Three products are to be deleted due to poor sales performance

and 16 new products are to be introduced including Wagyu and Angus beef bars, Wagyu pop cans, Wagyu and Angus chilli sticks. New packaging is to be developed for all products, existing and new.

Key Issue 4: Ensure the facility and all product ingredients are Halal approved.

The company has received interest from the UAE and other Muslim countries and, as part of the business development strategy, Dubai, Abu Dhabi, Saudi Arabia, Qatar, Malaysia and Indonesia are all prime markets to be targeted. However, in order to take advantage of export to these markets, a Halal certification is required.

WBC is ensuring that all spice ingredients used to make the products have been checked and are Halal approved. The beef being used has also been processed and certified as Halal from approved plants. Once export accreditation has been approved, the requirement for the facility to be Halal inspected by the relevant authorities will be initiated.

Key Issue 5: Growth into new markets, particularly export

Securing consistent product supply, obtaining export accreditation, seeking Halal approval and development of the correct product mix are seen as priority areas before seeking export markets.

Market segmentation has taken place and will focus on the high quality/premium customer opportunities within markets with a high level of disposable income, high numbers of ex-pats, a significant amount of convenience and high-end supermarket chains and airlines. Countries such as Singapore, Hong Kong, Dubai, Qatar and Japan have been identified as key markets to be included in the export strategy. An initial focus on those potential customers that have contacted The Wagyu Biltong Company, including Harrods, UK will be prioritised.

Key Issue 6: Obtain external grant funding

Wagyu Biltong has also identified a range of external funding sources and opportunities from which to leverage business growth. These funding opportunities have been identified for new product development, new capital equipment purchases, upgrades to the factory plant and equipment, and a range of business development, marketing, and promotional activities. Case management support provided to WBC for business development activities has provided guidance and direction in this area.

A professional company has been engaged to support the Wagyu Biltong in filling out the forms. As a result, The Wagyu Biltong Company has passed stage one in obtaining a federal grant for the Advanced Manufacturing Growth Centre Fund. The next stage grant application is being compiled.

Dandaragan Organic Beef Company (DOB)

Noondel farm is located 200 kilometres north of Perth in the Dandaragan region. In total, Noondel and another nearby property Tekymbah comprise 2900 hectares of farmland. The entire area is dedicated to producing cattle for Dandaragan Organic Beef and has been producing high quality beef for retail and wholesale from land farmed for over 100 years, with organic conversion of the farm back in 2000.

The business does not use pesticides, artificial fertilisers, hormones or antibiotics and employs the use of organic farming principles, grazing methods that mimic wild animals, perennial pastures and low stress stock handling methods. They produce approximately 800 head of cattle per annum to a market almost exclusively in WA, with some sales to Darwin or individual retail customers across the country. Obtaining contract processing was seen as the key obstacle in the expansion of the business, particularly into the export markets.

As part of the case management service for DOB, several key issues were identified that were potentially limiting business growth and capacity. Mondos Butchers are a downstream value chain partner of DOB and are their primary distributor.

DOB currently processes cattle at Gin Gin abattoirs north of Perth for supply direct to consumers via Mondos, to select retail and wholesale food service outlets. However, DOB are seeking to grow and develop new markets, both domestically and internationally for their high quality/premium product.

The earlier work in Phase 1 undertaken by the AEC Group identified a number of opportunities and issues for the business. The case management assistance was aimed at addressing these key issues and identifying a growth path into the future. Actions and outcomes to address the key issues identified are as follows:

Key Issue 1: To gain access to third party processing that has the relevant export accreditations, including Halal

For many years, the Dandaragan Organic Beef company has been endeavouring to obtain a processor that is able to provide a service kill and bone out at a competitive price. This has been a significant limiting factor in the expansion into the export market. Approaches were made to the three major export accredited beef processing plants in WA, with a view to discussing service arrangements and, as in previous years, two of these plants declined to provide a response.

DOB and a local southwest WA processor have reached an agreement to supply to, and provide a service kill and bone out arrangement once a month. These negotiations have allowed DOB to take advantage of additional processing capacity, provide a service slaughter arrangement at an export accredited processing plant, and now provides an opportunity to capitalise on and maximise profitability via the use of all of the carcass through this agreement - matching the demands of the customer, in the domestic and export markets.

Key Issue 2: Entering the export market

Almost every month, Dandaragan Organic Beef is approached by a potential customer to supply organic products. These customers are mainly in Dubai, Singapore, Qatar, and Hong Kong. Due to the reasons outlined earlier, these opportunities have been missed, until now.

These new collaborative opportunities in the Middle East and Asia are now being pursued as a result of the additional and alternative arrangement negotiated to supply the food service, retail and QSR segments.

Following this, business development opportunities in the above markets as well as Vietnam, Thailand, USA, Indonesia, Japan, and Korea will be explored and targeted in the white tablecloth restaurant sector, high end retail, and high quality/premium QSR market.

Key Issue 3: Improved profitability of the existing carcass beef business model

Currently Dandaragan Organic Beef sells their beef as a whole carcass. They have been unable to obtain up-to-date price comparisons, whether they be export or domestic. As such, there has not been any increase in supply prices to their customers for many years, even though demand is strong and the product quality is high.

A target was set to achieve a 15% high quality/premium price over conventional beef prices. At the commencement of this project, retail prices received by Dandaragan Organic Beef were similar to conventional beef prices. Within the first month of this project, price comparisons were obtained from potential customers in the local and eastern states market for organic and conventional beef.

After negotiations and agreement, an initial price increase of 8% was achieved, without an increase in costs. Another 4% price increase has now been agreed to, achieving a significant increase in price toward the target.

Key Issue 4: Improved marketing and promotional information

With the opportunity to enter the export market, a new export brand, updated photography, improved marketing materials, and website have been developed with commercial partners. Dandaragan Organic Beef has now compiled a marketing and packaging brief which has been sent to a number of marketing companies for consideration and to provide quotes.

The objective is to develop a new website, develop updated packaging, promotional materials and a new export brand. A marketing firm has been selected to provide these services, including the use of a professional food photographer.

Key Issue 5: To reposition the Dandaragan Organic Beef brand as a high quality/premium boutique supplier of high-quality beef

Since its inception, Dandaragan Organic Beef has been competing against its competitors mainly on price, rather than on its unique brand qualities such as product quality, consistency of supply, heritage, provenance, and animal welfare attributes.

DOB now needs to re-position itself as a high quality/premium branded supplier that highlights its unique quality attributes to demand a high quality/premium price. The marketing brief will be a key component of the value-add proposition to achieve this outcome.

Key Issue 6: Maximise carcass utilisation to obtain improved- profitability

Dandaragan Organic Beef sells a majority of its products to one major local distributor, via a whole of carcass beef model. Relying on one key customer is a risky approach. Now with access to an export accredited processing plant, the opportunity to identify and sell a full range of cuts that match the market's preferences will help provide the opportunity to maximise profitability.

In addition, there is an opportunity to develop organic value-add products, including burgers, sausages, rissoles, biltong, meat pies, and sausage rolls - utilising a range of cuts that do not normally obtain a high quality/premium.

Discussions have also progressed with a number of companies on the local and export market seeking differing cuts for their market. These include the white table cloth restaurant sector in Singapore and a high quality/premium hamburger company in Dubai.

Local companies are also interested in developing organic value-added products. A model has been developed that matches cuts with end product usage (topside with biltong, for example). These opportunities will continue to be pursued by DOB after this project is completed and as an ongoing business development growth strategy.

Key Issue 7: Obtain external grant funding

A range of funding options and opportunities have also been identified for DOB to expand and grow the business and include funding options for further marketing, brand and business development. The Austrade Export Market Development Grant Scheme (EDMGS) has been identified as an opportunity.

DJays Gourmet

DJays Gourmet is one of Australia's leading suppliers of packaged jerky and biltong, priding itself on the highest quality products, standards and customer service. DJays Gourmet started from a husband and wife team over 20 years ago. Derek, a butcher, along with wife Jo, were producing biltong for their friends and family who had immigrated to Australia from South Africa. Due to customer demand in 1999, the family upgraded to a purpose built and owned factory in Malaga to manufacture and distribute biltong and jerky in WA and across Australia. The business currently employs 19 staff.

DJays is the largest beef snack manufacturer in WA, with a number of products in the market. They supply major Australian retailers such as Caltex service stations, Dan Murphys, BWS liquor stores, IGA supermarkets, PUMA Petroleum, and a range of other retail groups and outlets.

Several of these products have remained the same for many years. DJays are currently expanding their Malaga factory capacities and looking at opportunities to expand and to target export markets. They have invested in technology for high quality beef jerky and have had good market success due to brand recognition, national distribution arrangements, and a great tasting, safe, and quality product.

DJays source the majority (70%) of their beef (topside and silverside cuts) from the Eastern States due to minimal availability of marble lean beef product. There is also a very strong Vietnamese trade in Perth who have a preference for beef products. DJays also contract pack for the Harvey Beef range of jerky and beef stick products.

Case management services were provided to DJays to address the major constraints to expansion of the business, including access to consistent good quality minimal marble score WA lean beef, access to export accredited contract processing and packing facilities, the scale of production and numerous competitors, and the lack of supply chain trust and collaboration needed to support secure reliable supply of quality product. Product renewal, factory upgrades of plant and equipment, and branding and logo review have all been identified as the company's key growth and expansion focus areas.

Key Issue 1: Increase the supply of WA beef to specifications

40% of the beef supplied to DJays Gourmet is provided from locally produced suppliers. A significant proportion of this (30%) is from one local supplier. As "locally supplied" is seen by consumers as a key brand attribute, the goal is for a majority of local beef to be utilised in D.J Gourmet's production – particularly for the parochial WA consumer.

A number of WA beef suppliers were contacted and trial shipments were provided. On one occasion, a trial shipment was provided to DJays Gourmet, however it did not meet specifications. This supplier has now been through a training session to ensure the beef supplied is to specification. Another WA supplier will commence providing product in May 2021. This will improve the local beef supply to 60%. Frustratingly, there has been a lack of interest in a supplier to provide a consistent supply of beef to specifications.

Key Issue 2: Renew packaging to match today's consumer attributes

DJays Gourmet packaging has not been updated since the company was founded, at which point the majority of consumers were male. The current market segmentation today is very different, with as many females as males purchasing their products. New customer segments have also emerged including, mums, children, trekkers, fitness enthusiasts, and millennials. The key attributes that attract consumers now are no artificial colourings/additives, high in protein, low in sugar, locally produced, grass fed/naturally produced, and provenance.

DJays Gourmet's current packaging does not reflect these new and changing consumer attitudes and their requirements. A marketing and packaging brief were compiled and sent to a number of marketing companies for their consideration. Several quotes have been obtained and one company has been selected to progress.

Key Issue 3. To introduce a number of new products

DJays Gourmet has also not introduced any new products for many years. Current consumer trends in the protein snack sector provide significant opportunities for DJays Gourmet to invest in new products. The business has decided to develop at least four new products over the next twelve months. These include

beef biltong sticks, beef biltong multi-packs, kids' packs, and plant-based biltong. A number of new flavours are also being considered.

In addition, discussions with Curtin University's Food Science Department have commenced, with a view to developing a program for placing a stream of graduates into the business to support new product development.

Key Issue 4: Expand into new markets locally and overseas

DJays intention is to expand locally and into export markets. Currently the business is focused on liquor outlets, petrol stations, and mid-range supermarkets such as IGA.

The key limitation to expansion has been the company's financial limitation for a factory upgrade. An opportunity has presented itself via one of its customers to supply biltong Australia-wide through a mid-range supermarket chain. To take advantage of this, the business requires new equipment and a factory upgrade to progress this initiative. DJays has applied for federal government funding and is awaiting approval.

The business has undertaken a review of market segmentation and the focus of their efforts will be:

- Mid-range supermarkets and hypermarkets in Australia and overseas;
- Markets with a high number of convenience stores;
- Liquor outlets and petrol stations;
- On-line and e-commerce market platforms;
- Countries identified include Australia, Singapore, Hong Kong, UAE, Qatar, Indonesia, Japan, Korea.

Key Issue 5: Develop updated brand and logo

DJays Gourmet has not reviewed the logo or brand since the company commenced business. The company believes it is a good time to reposition their branding and marketing collateral and are actively pursuing a number of marketing firms to provide a quote. A marketing brief was developed and has been provided to a several marketing companies, with one company selected for further discussions and progress.

Key Issue 6: Upgrade of the facility to take advantage of these new markets

The current factory at Malaga has reached its capacity to produce any additional product and requires a significant upgrade to take advantage of the expanding opportunities. A major investment is needed for this to occur, in addition to the supply of new equipment to drive operational efficiencies. Quotes have been obtained for new equipment and two companies have been contacted to provide advice on the facility upgrade.

Key Issue 7. Obtain grant funding

DJays are now exploring Federal Government funding opportunities and approvals that will help in advancing the business to proceed to the next expansion phase of their business. A joint application has proceeded through the Federal Government's Modern Manufacturing Grant process.

The application will encompass upgrade of the factory and new equipment for the development of new products not available in Australia and to expand the business to take advantage of the current opportunities. Without the support of the Case Manager, this facilitated and supported assistance would have been difficult.

Key Issue 8: Increase biltong sales through digital advertising

Currently, DJays makes a minimal investment in digital advertising. The business sees digital advertising as a value for money proposition to increase sales. Three companies provided proposals to the business to progress initiative in the digital economy and one has been selected to develop these initiatives.

Ucarty Holdings

Ucarty Holdings provides an integrated farming venture, which started with a comprehensive cropping program and then progressed to a beef breeding program and beef cattle feed lot to benefit from the wheat, all of which is now run from its Dowerin property. Ucarty aims to increase capacity of its feed-lotting by up to 150%, and sees balancing demand across the full calendar year as an opportunity to achieve this. Securing longer term commitments from clients (local and export) to justify capital and operational expenditure investments was the key focus.

Key Issue 1: Security of third-party cattle to fill the new feedlot

Ucarty Holdings plans to increase the feedlot capacity by 150%, however has not secured any long-term arrangement to fill it. The increase in capacity is through the construction of a new feedlot shed that seeks to increase feedlot capacity, improve animal welfare, and reduce health issues. Currently they have two main companies that contract cattle for the feedlot. The intention of this project is to obtain an agreement from these companies to supply cattle.

One of the companies is a large-scale Australian retailer and the other is a significant Wagyu producer. Both of these companies require cattle that meet tight quality specifications. From discussions at both the WA and the national level, both key companies have given a long-term commitment. One of the companies has committed to filling the new shed themselves completely. The other has given a commitment to increase supply through the new feedlot.

New opportunities for the property have also been identified. Ucarty Holdings has, for many years, provided a very good service to its key customers, and an opportunity to develop a grass-fed program has arisen. The key to this program is being able to supply cattle 12 months of the year. Milne Feeds has developed a grass-fed pellet, that has been approved by the nationally recognised PCAS program.

Coincidentally, a major retailer has decided to develop a high quality/premium grass-fed program and Ucarty Holdings is being considered as part of the program. Discussions with Milne Feeds to provide a PCAS approved grass-fed pellet have commenced.

Key Issue 2: Additional grant funding

The investment to increase the feedlot capacity is in excess of \$1 million. An option to obtain grant finding was identified during the project. A joint application is being progressed through the Federal Government's Modern Manufacturing Fund.

5. Beef Industry Capacity Building and Business Development

Partnering for Customer Value

The Agribusiness Food and Trade (AFT) directorate of the Department of Primary Industries and Regional Development (DPIRD) works to enable growth in the value, competitiveness, and diversification of the WA agrifood sector through facilitation of value adding, investment and export for the benefit of our community. As part of this work, Partnering for Customer Value (P4CV) provides research and business intelligence on practices that lead to international competitiveness and improved export capacity. The P4CV initiative consists of a collection of related materials, events, and programs.

The initiative commissioned a series of 11 case studies that identified patterns of success in business management that have the potential to enhance the international competitiveness of WA's agrifood businesses. These cross-sector case studies show real-world examples of how partnering along the value chain can enhance export capacity and competitiveness. As part of the P4CV series, the Premium Beef Project approached OBE Organic and invited the organisation, in partnership with McKinna et al, to present their base study to the project and to the WA beef industry more broadly.

OBE Organic is a producer-owned company, run on co-operative principles. The OBE Organic case study profiles one of Australia's longest prevailing, farmer owned marketing collaborations. Formed in 1995 by a collaboration of 30 farming families, the company exports certified organic, grass-fed beef around the world. Together the families own over eight million hectares of grazing land. OBE Organic markets ~12,000 head of cattle annually, exporting 75%.

In partnership with Meat and Livestock Australia and the Western Australia's WA Premium Beef Project, Partnering for Customer Value extended an invitation to attend two industry events in Albany and Bunbury in March 2020. A Conversation with OBE Organic provided a unique opportunity to take part in an interactive session with Dalene Wray, the Managing Director of OBE Organic, Australia's first and most trusted exporter of high quality/premium, organic grass-fed beef, along with the principals of McKinna et al agribusiness consultancy, David McKinna and Catherine Wall.

David McKinna founded McKinna et al in 1983, creating one of the first specialist strategy consultancies in Australia. A subsequent 30 years of consulting globally have given him deep insight into how markets work. David and Catherine have been instrumental in guiding agribusinesses, including OBE Organics, in the formation and development of strategic partnerships over many years and will provide valuable insights about the development of high quality/premium brands and the importance of value chain partnering.

This workshop was to provide attendees with the opportunity to hear how a successful beef exporting business was developed by farming families and how it converted a crisis into a sustainable competitive advantage to improve the value it delivers to its members and customers.

However, only days prior to these forums being held in WA, the State and the Nation went into COVID 19 lockdown and these events were postponed until a later date. Due to the ongoing complexities of interstate travel, alternative methods of presentation were explored. Darlene Wray and OBE Organics eventually presented via an online video conference in November 2020.

In addition, as part of that series of seminars, David McKinna and Catherine Wall were also invited back to WA to present to the WA Premium Beef Project as part of the earlier initiative. A further forum was held in Bunbury at the Lighthouse Hotel where David and Catherine outlined the principles behind successful partnering for customer value. This event, co-branded by MLA and DPIRD, was attended by approximately 20 industry representatives including a number of specific beef businesses and importantly, a number of PBP participants. A copy of the presentations from both Darlene Wray and David McKinna are attached as Appendix 3 and 4 respectively, in this report.

6. Conclusion

WA high quality/premium beef producers and processors have not fully capitalised on market opportunities as identified in the AEC report. These include the niche high quality/premium beef segments of organic/biodynamic, Wagyu and beef snacks. The Premium Beef Project undertook further investigations and research into what opportunities exist in each of these areas with a view to supporting businesses to better market their products in order to gain traction in the domestic and international markets.

Despite a general move away from processed meat consumption globally (mostly due to perceived health benefits; animal welfare issues and environmental impact), demand for high quality/premium beef is growing. The Premium Beef Project supported participating businesses to examine strategies for effective business planning and marketing that would promote innovation of their product across the value chain.

6.1 Key Findings

Beef Snacks

Snacking is a growing behaviour globally and Australians are seeking healthy, sustainable, and locally sourced snacks. Snacking is maturing from being a treat or something sweet, to nutritious alternatives in a time-poor society. Research shows that 55% of consumers are snacking three or more times a day, and meat snacks are on the top four food items millennials purchase in convenience stores. The meat snack market size was valued at US\$7.4B in 2018 and is expected to reach US\$11.3B by 2026. The CAGR is expected to be 5.5% from 2019 to 2026.

Drivers for consumption:

1. On the go lifestyle (this is expanding worldwide):
 - Nutrition
 - Health
 - Taste
 - Energy
2. Sustainability (among higher growth segments)

Consumer Segments:

- Stable – low market growth
- Traditional jerky eaters

Newer-higher market growth from a lower base:

- On the go millennials
- On the go mums
- Endurance sports/hobby enthusiasts

The demand for beef snacks outside of these criteria is vulnerable to this downturn, as consumers are being driven away from beef consumption due to health concerns. The worldwide consumption of processed meat including beef has declined due to associated health risks.

The opportunity for growth is likely to be in beef snacks that fit a tight range of criteria:

- High quality/premium (Wagyu) fed on high quality/premium grain;
- Grass-fed, free range;
- Organic, free range;

- Free-from only natural preservatives and flavour additives; and
- Market-winning flavour and textures.

Domestic Market Expansion

There is overwhelmingly positive intention by industry to support and expand WA product sales should it become viable to do so (i.e. availability and meeting specification), as indicated by all the interviews with industry participants.

The following actions are needed:

- Collaboration is needed to deliver on the promise.
- Collaborative supply agreements are recommended.
- Infrastructure needs to be put in place to ensure delivery of product.
- The region needs to scale up to meet global demand.
- Need to differentiate the WA high quality/premium beef products and define attributes and specifications to satisfy unmet demand.
- Establish a price point that is within reach of consumers.

Points of Difference for WA Beef:

- Taste
- HGP-Free
- Grass-fed
- 'In' season
- Nutrition – WA produces high quality grain
- Provenance is well regarded locally and willingly supported

Opportunities:

- The size of WA's high quality/premium beef domestic opportunity is approximately 9,300 tonnes per annum.
- Amongst the industry, there is a strong belief in the market potential for WA high quality/premium beef.
- Recently, there has been much popular emphasis upon plant-based proteins and concerns about the sustainability of beef production that has caused attention to be drawn elsewhere when it comes to retail and food-service promotion to the consumer.
- The global demand for Australian high quality/premium beef as a nutrient source continues to intensify.
- There is significant interest and expertise within the WA industry to innovate with the attributes of production to deliver environmental sustainability, food safety, ethical animal treatment and eating quality of high quality/premium beef.
- The demand is mounting for the very attributes that already differentiate WA's high quality/premium beef product, when it is available and in season.
- There is significant interest and expertise within the WA industry to innovate with the attributes of production to deliver environmental sustainability, food safety, ethical animal treatment and eating quality of high quality/premium beef.

Limitations:

- There are limited processing options for high quality/premium products (Wagyu and organic):
 - Higher processing costs
 - Deficiency in processing space with timeframe constraints

- There are a number of limitations for export:
 - limited access to China, no access to Malaysia,
 - limited understanding/perceived difficulty for the accreditation process,
 - the WA organic market is considered small but global demand is high. WA has a high quality/premium product that is un-commercialised. There is an opportunity to adopt a more world-minded perspective for this growing sector for which WA can supply. Existing producers are constrained by processors who themselves don't export organic.
- Lack of collaboration across supply chain to meet consumer demand and export opportunity.
- Product substitution with cheaper products.
- Lack of promotion of WA beef.
- 'Buy West Eat Best' not hitting the mark – too generic.
- Price sensitivity is not fully understood for high quality/premium.
- Beef is being imported into WA due to price, supply shortfall and a lack of trust, due to a history of not meeting specifications.

This project has identified a number of individual companies who could benefit from funding and support. This includes only companies who agreed to participate in the study but there are others who are likely to benefit. Proposals for funding assistance could be put to MLA for some of these.

6.2 Benefits to industry

Individual Company Support

There appears to be opportunity for greater coordination within the WA industry to replace high quality/premium beef importation from interstate, whilst meeting the demands of the sizeable export market. Below are individual companies who could benefit from funding and support. This includes only companies who agreed to participate in the study. There are others who are likely to benefit. Proposals for funding assistance could be put to MLA for some of these.

Table 12: Companies seeking support

Companies	Area(s) of funding and support
Producers: Irongate Stone Axe Pastoral Greybrook Holdings Dandaragan Organic Beef	Individual: <ul style="list-style-type: none"> • Business development to facilitate supply agreements, with a long-term view; • Funding for branding and promotion. Collaborative: <ul style="list-style-type: none"> • Processing options feasibility, including processing for export in support of carcass balance. Investigate precincts for a processing plant (Mt Barker, Peel, Bunbury); • Collaboration with aligned partners (high quality/premium lamb, chicken, pork, dairy and potentially grains); • Provision for drought/ insurance – water strategy to ensure production is not hampered; • Monitoring of product integrity, particularly at food service; • Business development to facilitate supply agreements – domestic and export.

Companies	Area(s) of funding and support
Value-Adding Manufacturers: Wagyu Biltong Co	<ul style="list-style-type: none"> • Business development to facilitate supply agreements – domestic and overseas; • Securing consistent supply of WA Wagyu and Angus beef to specification; • Funding for branding and promotion; • Securing export market licenses, accreditations, certifications for their processing works.
Traders for WA: Top Cut	<ul style="list-style-type: none"> • Funding for branding and promotion of their Kerrigan Valley beef
Processors: Harvey Beef	<ul style="list-style-type: none"> • Funding for branding and promotion of in-season grass-fed; • Explore processing options for viability of small high quality/premium producer, including organic producers.
Retailers: Metcash Coles Boatshed Market Costco	<p>For all retail, food service and traders for WA:</p> <ul style="list-style-type: none"> • Seasonal campaign for in-season, grass-fed beef to standard. <p>For individual companies:</p> <ul style="list-style-type: none"> • Provide content to incorporate in retail/food service social media, packaging, POS, sampling; • Plan, coordinate campaign timing with retail and food service to meet the season times; • Identify unmet needs (locally and in China) and work with a WA supplier to develop the category.

Table 13: The way forward

The usual path – supplier driven:	
<ul style="list-style-type: none"> • Provide access to co-funded grants/loans • Promotional campaigns • Feasibility studies • Subsidise freight 	<p>Define what is our high quality/premium product range:</p> <p>Angus - in-season from southern grass region, Wagyu, Organic British breeds - export focus, high quality/premium snacks.</p>
Find a disrupter – customer driven:	<p>Attributes (production):</p> <p>Grass-fed (high quality/premium pasture), free range, no added hormones, innovation in grain-finishing (taste, season-length and consumer nutrition, international retail certifications.</p> <p>Attributes (processing):</p> <p>Halal (Malaysian), Wagyu (customized for animal difference) MOU for supply agreement with 3 opportunities. Find the long-term price point (per volume and spec)</p> <p>Identify the hurdles to achieving the price point:</p> <p>Length of season (what can be done about this?), water supply and feed (volume and quality), processing (carcass export, automation, quality), freight (what if more ports, more airfreight airports)</p>
<p>Work on 3 opportunities-</p> <ul style="list-style-type: none"> • Export customer (i.e. China/Malaysia) • New retail entrant (i.e. Costco) • Food service – WA provenance restaurant(s) 	

The usual path – supplier driven:	
	Funding model agreed for infrastructure change Implementation: fund expertise that producers need to hire (licensing, legal, processing models, financial)
Many of the respondents indicated they would benefit from being part of an individually focused WA beef program. The following areas of government support were mentioned:	
<ul style="list-style-type: none"> • Business development; • Identify and nurture partnerships between potential suppliers of high quality/premium beef and retail and food service companies within WA and overseas; • Individual brand support to develop POS material for restaurant menus, retailer/butcher shelves; • Guidance to ensure product delivered matches the product ordered; • Support in obtaining the necessary licensing arrangements for their processing facilities to meet local and overseas customer opportunities; • Support in development of new products for individual companies such as organic burgers, sausages that helps balance the carcass; • If a seasonal beef campaign is developed, in store support including taste testing, POS material development; • Engagement with MLA in their individual partner programs; • Access to processing facilities. 	

7. Future research and recommendations

There appears to be opportunity for greater coordination within the WA industry to replace high quality/premium beef importation from interstate, whilst meeting the demands of the sizeable export market. Securing the ability for year-round supply and fostering collaboration along the supply chain, including the customer and government, would be the logical next step in bringing this industry forward.

Future Recommendations for Expanding the Domestic Market for WA High Quality/Premium Beef Products:

- Price – On retail shelves and on many restaurant menus, WA high quality/premium grass-fed beef is one of the most expensive. Whilst positioning will be up to individual enterprises, it is essential that in-season WA grass fed beef finds a price point within the reach of WA consumers.
- Collaboration to deliver on the promise – ensure availability and reliability around specifications
- Collaborate and try new approaches with the end customer is needed and is the point that requires the greatest nurturing.
- Help is needed to move towards the collaborative essence of supply agreements and ensure the infrastructure is there to guarantee delivery.
- Aim to differentiate product (as opposed to “catch up”) – invest in the differentiating attributes – taste, animal feed, and human nutrition (grass, high-nutrient grains organic, biodynamic). This unique set of attributes which could lead to the acceptance of, for example, free-range-grain-finishing (thereby extending the season of availability of WA high quality/premium grass-fed beef).
- Export market balance – develop the type of export customers needed to solve the domestic market carcass utilisation challenges.
- Internationally, demand continues to outstrip supply for high quality/premium beef that offers nutritional, ethical and environmental attributes - such as that demonstrated by WA high quality/premium producers.
- The region could scale-up in order to meet that demand. This, in turn, would make it viable to increase the ratio of WA sourced high quality/premium beef for domestic consumption.

Table 14: Additional recommendations, including the government’s role

Recommendation	Government Role
<p>1: Promotion</p> <p>Provide content, industry coordination, and campaign execution</p> <p>WA produce-only restaurant(s) that is the focal point for highlighting WA produce – particularly relevant for international guests.</p> <p>Implement a southern WA in-season beef standard to appeal to local and internationals</p>	<p>Co-fund with meat and Livestock Australia</p> <ul style="list-style-type: none"> -Provision of a program coordinator -Season media campaign (agency) <p>Mandate the specification of WA high quality/premium in-season beef, wagyu and organic at government events and parliament house</p> <p>Fund producer(s) to sponsor WA restaurants(s)</p> <p>Fund an international standards company (e.g. SGS).</p>
<p>2: Supply agreements</p> <p>Provide individual company support to remove the hurdles to achieving supply</p>	<p>Fund the expertise needed to achieve supply agreement: business development, financial modelling, legal, branding, and customer-ready website</p> <p>Fund the infrastructure changes/development needed to enable competitive supply for specific (real) agreements in the sales pipeline</p>

Recommendation	Government Role
<p>3: Improve carcass utilisation</p> <p>Support product innovations and market access:</p> <ul style="list-style-type: none"> -assist licensing and accreditation for international market and customer access -assist export business development for high quality/premium beef potentially collaborating with other WA high quality/premium produce for obtaining single source-preferring customers 	<p>Provide a one-stop shop to work with producers/processors/ manufacturers to organic, Malaysian Halal, EU, UK and selected global retailer accreditation</p> <p>Fund expertise in business development and export consolidation for single source-preferring customers</p> <p>Provide funding to companies to develop a consumer-test, package and brand, new beef products such as beef snacks for consumer segments such as on the go</p>
<p>3: Processing</p> <p>Explore (with the view to improve) the setup for processing in WA to enable processing for the smaller high quality/premium producer-to-retailer supply agreement (domestic and international):</p> <ul style="list-style-type: none"> -carcass-only processed beef plant(s) with a view to carcass export. -mobile slaughtering/ processing with transport to boning regional rooms or export ports. -service-based plant (perhaps a cooperative). -co-investment with aligned partners (high quality/premium: lamb; chicken; pork, dairy) seeking same customer base. <p>Freight (air and sea):</p> <p>Explore the what-if scenario of changed export freight constraints: e.g., Albany is adjacent to high quality/premium beef region, high quality/premium lamb through Fletcher meats, Harvest Road high quality/premium seafood, Mt Barker Free-range Pork and Chicken</p>	<p>Establish a board of interested parties (investors, producers and experts in logistics and processing).</p> <p>Develop MOU with interested parties.</p> <p>Fund the feasibility of processing, port and air-freight options - in terms of their ability to enable the price point needed to meet supply specific (real) agreements in the sales pipeline.</p> <p>Fund or co-fund infrastructure change for industry to take over.</p>
<p>4: Feed innovation</p> <p>Explore commercialisation of feeding innovations that differentiate WA product and meets consumer expectations:</p> <ul style="list-style-type: none"> - Scalable production that may combine grass-fed and free-range-grain-finished, which takes advantage of high nutrient feed supply grown locally; biodynamic feed production, and feed supplement that lowers noxious output from cattle (methane etc). 	<p>Establish a board of interested parties (investors, producers and specialty grain producers):</p> <p>Fund research to establish comparative data on the local grain that producers believe offer consumer taste and nutritional advantage:</p> <ul style="list-style-type: none"> Consumer taste preference research Nutritional difference (science based) Pesticide residue and environmental footprint Ability to produce viably within the region

Lead Case Study Recommendations Include the Following:**Wagyu Biltong Company**

1. Secure long term, consistent supply of Wagyu and Angus beef direct from the producer (rather than through an importer/distributor).
2. Upgrade of the facility to access export market opportunities, including HACCP.
3. To cater to the changing customer segments and taste preferences, the company needed to develop new packaging, improve promotional sales channels, and update marketing/promotional materials such as website, brochures, product photography.
4. Ensure the facility and all product ingredients are Halal approved.
5. Growth into new markets, particularly export.
6. Obtain external grant funding.

Dandaragan Organic Beef Company

- 1: Gain access to third party processing that had the relevant export accreditations, including halal.
- 2: Enter the export market
- 3: Improve profitability of the existing carcass beef business model
- 4: Improve marketing and promotional information
- 5: To reposition the Dandaragan Organic Beef brand as a high quality/premium boutique supplier of high-quality beef
- 6: Maximize carcass utilisation to obtain improved- profitability
- 7: Obtain external grant funding

Djays Gourmet

- 1: Increase the supply of WA beef to specifications.
- 2: Renew packaging to match today's consumer's attributes.
- 3: To introduce a number of new products.
- 4: Expand into new markets locally and overseas.
- 5: Develop updated brand and logo.
- 6: Key Issue 6: Upgrade of the facility to take advantage of these new markets.
- 7: Obtain grant funding.
- 8: Increase biltong sales through digital advertising.

Ucarty Holdings

- 1: Secure third-party cattle to fill the new feedlot.
- 2: Seek additional grant funding.

8. References

1. AEC Pty Ltd, *WA Premium Southern Beef Project Report*, 2018, pp 10-17
2. Australian Bureau of Statistics, Department of Primary Industries and Regional Development analysis of ABS data from *Livestock Products Australia*, March 2021
3. <https://www.mclaneco.com/content/sms/en/resources/articles/print/snacks-meat.html>
4. Information Resources Inc Survey "*The State of the Snack Industry*", April 2019
5. KPMG, "*Going Dutch: Opportunities for the Australian agri-food sector*", 2018
6. Mondelez International, ESG Report, "Snacking Made Right", 2020

9. Appendices

1. *WA Premium Southern Beef Project Report*, AEC Group Pty Ltd, September 2018
2. *Partnering for Export Success, Presentation, Dr David McKinna and Catherine Wall, April 2021*
3. *OBE Organics Presentation, Darlene Wray, 2 February 2020*