

# AUSTRALIAN NUFFIELD FARMING SCHOLARSHIP



## SCHOLARSHIP REPORT

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By

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### ***Study Topic:***

Branded Beef Programs

### ***Sponsored by:***



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## Introduction

During 1996/97, the pastoral industry in Central Australia was experiencing a very challenging period – three years of drought, depressed prices due to the Asian meltdown and US beef cycle, and the failure of the region in its attempt for federal relief as it didn't qualify for exceptional circumstances status. Prices at the time were below cost of production for many and financial institutions were exerting extra pressure.

South of Alice Springs, a small group of neighbours decided to band together and try to initiate change. Southern Beef Producers (SBP) was formed and a group buying scheme introduced. The success of this led to sharing the costs of investigating other ideas such as a local abattoir. Later a regional group, called Central Australian Producers Action Group (CAPAG), formed to try and emulate the SBP on a larger scale.

In 1998 I applied for a Nuffield Scholarship to study group buying and marketing methods, but was unsuccessful. By 2001 I reapplied to study branded beef programs as this reflected the groups focus. With no hormones or antibiotics used and negligible chemical use, it seemed to hold a lot of potential for the 'Centre'. Also Meat and Livestock Australia had initiated the Beefnet Scheme to fund producer groups to develop business plans and diversification options. We are very grateful to the MLA for their funding, which is helping to further research and education in Australia's remote rangelands and vast northern herds.

With the improvement of both seasons and prices, SBP and CAPAG have disbanded, but a continuing legacy is the current benchmarking group, which is producing the first creditable production data for Central Australia.

## Executive Summary

I applied for a Nuffield Scholarship with a vision of initiating a branded beef program in Central Australia. The region was searching for ways to enhance profitability and future stability. With the “clean green” foods gaining popularity, it seemed to compliment the hormone/antibiotic free status of beef from the “centre”.

I chose North America because of their large cow herds and populations. I visited five branded beef programs, because they represented a range of scale, location and maturity.

<b>NAME</b>	<b>TURNOVER/Yr</b>	<b>BEGAN</b>
Nolan Ryan Tender Aged Beef	75,000hd	1996
B3R Country Meats	30,000hd	1986
US Premium Beef	1,000,000hd	1997
Montana Range	n/a	2001
Ontario Corn Fed Beef	55,000hd	1998

By meeting with and interviewing the key players of these programs, I hoped to gain an idea of their development and the answers to the following key questions:

- (a) Why did you start?
- (b) Who did you look to for answers?
- (c) How did you negotiate with your partners?
- (d) How are premiums attained and passed on?

I found similar themes and addressing them is the core to a solid foundation of a program and is vital to the success of any branded beef initiative.

In conclusion, a branded beef program, which sourced cattle from the rangelands of Australia, could succeed if it can satisfy three things:

1. A Taste/ Shear test placing the product on equal terms with what is already available, making it affordable, tender, and tasty.
2. Guaranteed supply to support the label. Once the product is marketed, we need to maintain a constant supply to meet demands.
3. Compatible partner(s) sharing the same vision. Without compatibility and vision, the success of any program is unstable from the beginning.

## **Aims, Objectives and Study goals**

My aim was to study branded beef programs internationally with reference to initiating one in Central Australia. I chose to study in North America because of the huge populations of both cattle and consumers. Also its influence on our own markets both export and domestic could not be overlooked.

I contacted both beef societies and rural magazines for leads. Late night calls, internet research and past Nuffield scholars helped to compile a list of programs which encompassed a range of both scale and products.

The chosen programs were:

1. Nolan Ryan Tender Aged Beef – Texas
2. B3R Country Meats - Texas
3. US Premium Beef – Kansas
4. Montana Range – Montana
5. Ontario Corn Fed Beef – Ontario, Canada

My objectives were to gain information to five key questions:

- a) Why did you start?
  - What forced/inspired you to begin?
- b) Who helped you?
  - Where did you look for answers?
  - Consultants, trials, Universities?
- c) How did you negotiate with your partners?
  - Feeders, Abattoir, Retailer
- d) How are premiums gained?
  - How are they passed on?
- e) What were your biggest challenges?
  - What are they now?

To achieve this I met with and interviewed the initiators and main players within each program. They range in size from 30,000hd/yr to over 1,000,000hd/yr and also in age to get an idea of the maturation process. I also hoped to find one that had similarities with a possible program back home. Over the period of my study I noticed recurring themes despite the range of programs selected. I will discuss these themes and their importance later in the report.



### ***Nolan Ryan Tender Aged Beef***

One of Texas's favourite sons is Nolan Ryan, who, over a 27 year baseball career, pitched his way into setting a swag of records. But he grew up on a ranch and has a long association with the Beefmaster breed. After his retirement, this culminated in the Nolan Ryan Tender Aged Beef Program using Nolan's name and Beefmaster cattle.

Beefmaster breeders send their cattle to Graham's feedyard where they are fed exclusively for the tender aged program. At this point, producers still retain ownership.

The program has very strict protocols to deal with individual identification, health and quarantine. The cattle are then bought by the packer, Sam Kane, and slaughtered, but only the carcasses that qualify are bought by the program.

Interestingly the carcasses are graded using a machine very similar to VIASCAN, but the beef cam also predicts tenderness.

The primal cuts are cryovaced and aged for 14 days before display in the stores. An alliance with Kroger Supermarkets means good exposure to the public and all the customers that I canvassed returned positive comments on the products. Kroger's own 2,500 stores across the south-east states.

Future plans for the program include steakhouses, sports bars, an alliance with a major hotel chain and overseas ventures.

Some challenges facing Nolan Ryan Tender aged Beef are:

- ~ Feed yard capacity
- ~ Hot humid environment requiring high bos indicus content.
- ~ Producer interest (average Beefmaster producer owns 8 cows)
- ~ Only 25 % of carcasses are accepted.

However this is acceptable as a major competitor, Certified Angus Beef, has an acceptance rate less than 18%.



### ***B3R Country Meats***

Still in Texas is B3R Country Meats. This is a totally family owned operation which began due to the beef crash in the 70's. While feeding their cattle at home helped maintain their sales, it was the cost of cartage which prompted the Bradley family to build their own processing facility in 1986.

While their buying is not breed specific, premiums are offered for Angus cattle and hormone/brand free steers.

They also offer a premium for cattle bred from their own bulls. As an Angus Breeder, I was impressed by their focus on productive and practical cattle in a low rainfall environment.



The B3R Enterprise has grown to now processing 30,000 head per year and being a major employer in the town of Childress. The cattle are fed locally and now amount to 50% of the 62,000 head fed annually by MacLean's feedyard.

They retail direct to the supermarket and have product in the top 5 retailers under B3R and the retailer's name. They also supply beef to some of the more exclusive restaurants on the Eastern Seaboard.

Issues facing B3R Country Meats include:

- ~ Freshness & shelf life issues - as the product is in transit for 3 days to reach the retailer.
- ~ Maintaining retailer processing standards.
- ~ Competition from the big 4 packers.



### ***US Premium Beef***

US Premium Beef began in the mid 1990's as depressed beef prices and a severe winter gave many cow/calf producers doubts as to their future in the industry. This concern evolved into forming a vertically integrated production and marketing system. Both producers and feeders bought shares in the scheme until the group had access to over 300,000 head of cattle. Using this guaranteed supply as the ace in their hand they began negotiating with the 4 major packers.

In 1997 they purchased 30% of the 4<sup>th</sup> largest packer, National Farmland Beef. Today, the alliance processes 1 million head per annum.

To join, a producer must become a member and purchase shares in US Premium Beef. Each share is both a right and obligation to supply one beast to the program. The shares may be leased or traded and are currently worth twice their issue price.

At the end of each financial year the shareholders are paid a dividend because they are now part owners of the entire business, not just suppliers. An electronic ID system helps information flow back to the producer and a 50% rebate helps with purchasing the tags.

Just six people manage the program and each year negotiates with the management of Farmland National to ensure success for both parties.

Issues facing US Premium Beef are now the same as any major business:

- ~ Lowering production costs
- ~ Expanding market share
- ~ Researching new opportunities
- ~ Protecting shareholder interest



## **Montana Range**

As one of America's biggest seedstock producers, I'm sure the Leachman family need no introduction, and in typical Jim Leachman style, when they decided to enter the branded beef market, they aimed straight for the top.

In order to reach the requirements to satisfy the high-end retail consumer, it was decided that they would need consistent tenderness. Research showed that the MYASTATIN gene could do this and that the Italian Piedmontese breed was the best carrier of this precious gene.

Both semen and embryos were imported and a massive cross breeding program initiated. As numbers grew they tested 3000 heifers and selected for easy birthing to avoid fertility and birth problems inherent with the Piedmontese breed.

Producers involved in the program have the option to net premiums by selling the progeny back to the program or retain ownership until slaughter.

Finished cattle are slaughtered nearby in the huge IBP plant.

Currently Montana range is marketing to the large affluent populations of New York, Florida and California.

Issues facing Montana Range include:

- ~ Careful selection of the animals retained
- ~ Trying to sell the rest of the carcass
- ~ Limited supply of animals
- ~ Brand recognition



## ***Ontario Corn Fed Beef***

Traditionally, the state of Alberta supplies the majority of Canada's beef while Ontario accounts for only 18%. This, along with access to huge amounts of corn and consumer demand for better quality beef, were the catalysts that led to the formation of the OCFB program in 1998.

Due to land prices, most cattle are still sourced from further west and trucked in to be fed. While not breed specific, most have a high growth terminal sire such as Charolais or Simmental. These breeds can also handle the high (80%) corn ration required by the program.

Most of the cattle are fed on-farm in barns designed for backgrounding or finishing. These barns have slatted floors and long concrete pits underneath to collect the animal waste for later spreading. They also help to protect the cattle from the bitter Canadian winters.

Keeping cattle indoors for extended periods of time requires special husbandry techniques, especially for hygiene. Many farmers dock the tails to prevent infection that results from the tail being stepped on or caught in the slats. At one farm they were trialling slatted rubber mats to combat lameness and swollen knees from standing on concrete. Initial success was dampened by an outbreak of footrot which required spreading lime in front of the bunks. They then found that the lime was reducing the micro-organisms in the manure pits which help break down the solids! Working in agriculture is never a boring business.

The finished cattle are slaughtered by Norwich Packers, Toronto and the meat is sold into the restaurant and supermarket trade.

The program's membership base has grown to 90 members who now feed over 55% of all the cattle in the state.

In this region of Canada, there is intense regulation on farmer's activities, especially with respect to spreading of manure and the potential for contamination of town water supplies. Because of the Walkerton E-coli outbreak, the Ontario Environmental Farm Management Plan was introduced which requires farmers to document all applications and activities.

With the consumer's confidence in mind, this program requires farmers to undertake comprehensive Quality Assurance training before they are independently certified and then allowed to become suppliers. It also encourages listed Best Management Practices for each link in the chain from Breeder to Retailer.

Issues facing Ontario Corn Fed Beef are:

- ~ Cattle supply – with an average herd of only 40 head, they are reliant on western states.
- ~ Breed – they require more marbling to target high-end retail
- ~ Competition from Better Beef, a large local packer

## Conclusion

### Recurring Themes

As mentioned earlier, despite differences in size, location and age, the programs studied all shared the following characteristics:

#### **1. Initial start up due to negative external pressures.**

Whether it was poor prices or tough seasons, most were inspired by a “wolf at the door” situation. To be honest, it seems to be the key driver to change and innovation in agriculture worldwide. While travelling as a group we saw many examples of encroaching urbanization resulting in innovative and highly profitable use of what land remained. One that sticks in my mind is the 2.5 acre Californian Herb farm turning over \$27,000US/acre! Unfortunately once this point is reached the farmer must gaze out over the suburbs that used to be his farm and wonder what might have been.

#### **2. A mental attitude amongst the program’s partners to complement each other’s interests, not compete.**

There needs to be commitments from both sides to support the program.

“B3R looks for a particular mindset in our retail partners .... we are trying to break away from commodity wholesalers “– James Henderson, B3R Country Meats

#### **3. Secure Participation**

Once the tough period is over and things return to normal, how do you keep the loyalty of your members? In Australia the MLA’s Beefnet program produced a number of branded beef initiatives which foundered due to this issue. Often it took less than 5c/kg to undermine the label’s supply of cattle. US Premium Beef’s share system, which also doubles as guaranteed supply, stands out as a way to combat this.

#### **4. Actively sought out expertise and management.**

Instead of assuming that they knew it all, the programs consulted with or directly employed experts in the fields of feeding, processing, retail marketing and business planning. They found it better to find complementary partners for each link in the chain rather than try to own them all. There were also benefits in keeping the management team small.

“Find management that knows the other side of the business .... don’t put cowboys in charge “– Mark Gardiner, USPB

#### **5. Supply/Demand**

Once established and successful, the ability to meet product demand or expand market share becomes an issue. I believe that this is one of the most important issues facing a branded beef program in Central Australia.

This might sound brash but I defy any branded beef initiative to survive without addressing these issues. In recent times, a producer driven venture in the US called Future Beef built its own processing plant and decided to tackle the ‘big four’ head on. The last of Future Beef’s assets were sold last year.

## Recommendations

I recommend...

**RANGELANDS RED ROCK BEEF!!!**

~ REALLY **RED!!**

~ REALLY **RANGEY!!**

~ WILL REALLY **"ROCK "YOU!!**

Ok, back to earth now. Yes, I believe that there is potential for a branded beef program in the rangelands of Australia.

After a failed private venture and the demise of CAPAG, initially both producers and the government would be reluctant to support another effort. However, signs are positive for the construction of a multi-species abattoir near Alice Springs so maybe the right timing is yet to occur.

Even so the program would have to satisfy the issues we have dealt with in earlier chapters. A possible chain of events could be:

### **1. Taste/Shear Test**

A sample of beef must be tested to ascertain how our product compares to what is available and what the consumer expects.

### **2.**

#### **(a) Compatible partners**

Remember Future Beef! An eligible partner should have access to a feedlot, abattoirs and export licence. It is an unrealistic expectation by many producers that every piece of meat will end up in a \$30 meal. The high priced primal cuts are only a small portion of the total carcass. Perhaps the primal cuts could support our label and the rest go towards a retailer's brand. Also there are the options of beef jerky and cryovaced pet food.

## **(b) Supply**

I advocate the USPB system whereby one share is both a right and an obligation to supply one head to the program. The whole rangelands of Australia would be a far greater supply than just Central Australia. If people aren't willing to join then can we just source cattle as another buyer in the area?

### **3. Keep the management small and simple**

### **4. Consistency**

How do we maintain supply in marginal rainfall country?

Do we cart feed in? Large retailers and consumers aren't very understanding of seasonal shortages. Will backgrounding or finishing cattle down south lose their integrity (chemicals) or taste?

### **5. Research**

Where is the best market for rangelands beef – Sydney, Singapore or local tourists and roadhouses?

### **6. Marketing**

The consumer is a very fickle animal. While they claim to prefer 'clean green', when faced with the option between organic and traditionally grown produce, their decision is based mostly on price and appearance. For many shoppers the most important issues are more parking spaces and registers to shorten the time taken to shop.

Since the organic label is also limiting in management areas such as supplements and restocking I would suggest marketing along the Hormone/Antibiotic free angle.

In closing I would like to say that things are about the same here in the centre. Dry times come and go and the total regional infrastructure in my area is still only three roads – one bitumen and two dirt. But the collective resources lie within the people – if we need something, then we make it happen. Even if the branded beef program never comes to fruition, by travelling on this scholarship we have added another string to the bow.

“Luck is a matter of preparation meeting opportunity “



## Acknowledgments

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4. B3R Country Meats / Bradley 3 Ranch (Childress) Texas  
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Especially my wife Jo who, in my absence, took on two feral kids, 8,000 head of cattle and my father and managed to keep everything together.
16. My fellow 2002 tour group colleagues:  
Steve Dilley, Dennis Moon, Phil Hatty & Trevor Caithness  
- Anyone for ice-skating?

## Effects of a Nuffield Scholarship

“Man’s mind, stretched to a new idea, never goes back to its original dimensions”

~ Oliver Wendell Holmes

A Nuffield Scholarship arrived at just the right time in my life. It had been five years since I had achieved anything outside the station and I was going stale. I still am very grateful for the opportunity to travel and get away from my own “dung hill” for a while. I only fully realised what was expected of us when we arrived at Bogor University, Indonesia, and found that the deans of each faculty had met specially to ask us questions!

I was intrigued by the Asian businessmen who wouldn’t offer their business card unless they were prepared to enter into dealings with you. It was explained to us that they put more importance on maintaining business relationships than turnover.

This has had flow-on effects into my personal and professional life today. It has changed the way I approach potential suppliers and maintain contact with established customers. Since returning I have initiated a contract bull breeding arrangement with positive results for both sides.

Traditionally the links in the beef chain are very antagonistic towards each other – what a waste of time! I have accepted that the next guy is going to make money from my product or else he wouldn’t be buying it in the first place. There is nothing unique about growing beef, the only way you will receive a higher price is to raise quality – even ‘niche’ premiums erode over time (eg cattlecare).

Occasionally I’m envious of other scholars and the diverse range of opportunities available to them. We seem limited to:

~ Increase production – this has been capped by the South Australian government

~ Decrease the cost of production – benchmarking is helping greatly

As yet I haven’t launched into any earth-shattering changes to our operation because of a worrying trend in scholars to go broke before they find success.

All in all it was an intense four months which resulted in a lot of personal growth and self confidence. I would like to finish with a list of personal themes I found recurring in the people we met.

1. You cannot put a value on your health.

2. Management

~ People management is often critical – LEARN IT!

~ Actively find and recruit quality management

~ Surround yourself with quality people who are unfettered by tradition

~ Don't put 'cowboys' in charge of a business

~ Identify your customer and supplier

~ Learn what your industry/partners/competition needs to do business and survive

3. All big business is both dedicated and ruthless.

4. Involve your family

~ Let your children take part early on

~ Give them appropriate responsibility

5. The traveller's secret – A good shirt, a smile and a sharp mind will get you a long way!