

Participant questions

MLA Updates: Redefining resilience through growing market demand

- 1. Would improved cattle price discovery make cattle supply more consistent for our customers?**

Production and supply of Australian red meat is often impacted by seasonal conditions and will inevitably be impacted by weather events. If you look at the last decade, several extreme dry weather events have influenced our market, with significantly higher turnoff of cattle and sheep, including female cattle and breeding ewes. As the weather conditions improve, we also see producers look to rebuild their herds and flocks – leading to reduced production and limited supply. If we look at lamb production market, we generally see over the winter months, supply diminished before we head in to the spring flush.

One of the ways we are helping the industry manage supply issues through these weather events is to invest in a number of projects to assist producers adapt to Australia's increasingly variable climate. A good summary of these can be found here

<https://www.mla.com.au/research-and-development/Environment-sustainability/climate-variability/climate/>

We also know if industry participants have greater visibility of price signals they can respond with timely business decisions that ultimately result in less volatile market behaviour and this is an area our industry continues to work in to improve.

- 2. Regarding the chart with red meat (beef and lamb) prices rising more over time than other meats: Does this reflect a relative increasing cost of production in red meat? Is there improvements in cost/price metrics in train at MLA?**

The data presented is the average price per kilo paid for each protein in the retail channel. Rising retail costs tend to be impacted by many factors, some of which include the production costs that are passed through to the customer and then onto the consumer. Rising prices also reflect what consumers are willing to pay, and therefore the relative value consumers place on red meat compared to other proteins, which is why emphasising the quality of beef and lamb is a key focus for the marketing team to ensure demand for our product remains high.

- 3. I recently purchased a "hibachi" (inexpensive Japanese style charcoal barbeque) - works like a charm in backyard and for picnics. Could this be a vehicle to unite Australians in a cost effective way?**

Thanks for sharing the idea and great that you've discovered the appeal of the hibachi grill. It definitely adds some theatre to cooking Aussie red meat, and because it holds its heat for hours with minimal charcoal it makes for an economical way to grill as you point out.

I've passed your idea onto our corporate chef Sam Burke to see where we might incorporate it further into our marketing initiatives, particularly in our 'Producer to Plate' video series, where we take commercial foodservice leaders out to our producer farms to be educated

and create dishes applicable to their business. We recently had Justin Wilshaw from Estia Health use a Hibachi to cook Australian Lamb Rump over coals as part of this series.

4. Tim, what sort of premium do you apply to compensate for yield loss through the dry aging process?

When you dry age beef, you lose about 50% of your starting weight once you end up with your final product. About 10-15% is weight loss from the dry aging process and the other 35% is trim. Without divulging our commercially sensitive information, what we do is work out product back to a fresh meat weight and price, and then make a satisfactory margin on the fresh meat. We then convert that back to a dry aged price using the dry aging loss and trim loss.

5. Tim, you outlined in your presentation the way in which you had to rapidly establish a digital sales channel in response to COVID, do you have any pointers on how those businesses that already have a traditional supply chain built could establish an appealing offer with an online sales channel.

Assuming your product stacks up, the hardest thing is reaching your customers. You can have the best product in the world, but if no one knows about it, you won't sell it. We are fortunate in that we have had bricks and mortar locations for our restaurants that have been trading for quite a long time. It has been nine years since we opened the Adelaide restaurant, and we had an established database that we have been able to market to. If you don't have that, the best way to go about building your brand presence would be through social media marketing. I still feel that Facebook is a very cheap way to market. You can get broad reach and can you target the market that you want to reach. We have done all sorts of marketing and the one I keep coming back to is Facebook, so that is what I would recommend if you were trying to build your brand.

6. Graeme, are the lamb skin boots for females or is it just a men's range? And can you tell us more about what this business add-on can do for your bottom line?

We have found that our standard boot range, which is a flat sole stockman style boot, has been purchased by women as well as men.

We are working on a unisex boot that will come in female and male sizes. It has a semi-Cuban heel and will be available in the new chestnut and cognac colours as well as the standard black and tan options. We are hoping to have them available in the first week of December.

In regard to the effect of the business value add to the bottom line, essentially it gives us another product that we can sell at the end of the day. There is a lot of interest in high quality, premium elastic sided boots. The market for this style of boot has really been controlled by two or three players in the Australian market and they do a very good job. Our point of difference is that it is Australian lamb leather from Dorper sheep. Previously the Dorper leather has been cast aside. As the processing of the leather through to a finished product is costly it is vital that the selection process at the abattoirs is done in the best way

possible. For us, working with the abattoirs to ensure they know exactly what we want and why has been a really important step.

We are turning a \$5 lamb skin into a \$495 pair of boots.

7. What has the demand for alternative proteins been like during COVID and more generally?

That segment of the market, despite being very small as it stands today, saw double digit growth.

We measure alternative proteins as a separate category but if we did plot them on the market share chart with beef and lamb, where beef has 36% share of fresh meat sales within the supermarket, all alternative proteins would be 0.5% share currently.

So it is still relatively small and emerging, however, alternative proteins segment is riding the wave of consumer consciousness around health and wellbeing as well as sustainability.

The *'MLA updates: Building resilience through community trust in the red meat and livestock industry'* webinar on Wednesday 18 November will talk about it in a little more detail in the consumer sentiment research. Equally, as a marketing team we are not resting on our laurels. We see alternative proteins as a competitor and we do have a cross functional team set up to take a whole of industry approach to defending our industry against the growth of alternative proteins.