

Farmers should beef up their cattle supply

An uncertain supply of cattle is creating major problems for beef processors, an industry heavyweight said.

Harvey Beef chief executive officer Michael Rapattoni said that while they made some good returns in the summer, come winter it was a very difficult business to be in.

"At 100 per cent capacity we are most efficient and profitable, but when you average out the peaks and troughs of cattle throughput, it is a very tough market, which is something few people understand," Mr Rapattoni said.

"The fact we can't get cattle supplied at the volume I want 12 months a year is creating major inefficiencies for our business."

Harvey Beef's two major costs are livestock and employment, which with resource management make up 87 per cent of their total costs.

Their inability to run at full capacity is aggravated by the fact that WA pays some of the highest wages for slaughtermen in Australia. In some cases it is up to 40 per cent higher than in the eastern States.

The WA cattle turn-off cycle means Harvey Beef is wearing the costs of just under 650 equivalent full-time staff, which has a particular impact over the leaner months.

The problem of high wages isn't so much from competition within the processing industry, but with other industries, such as mining.

Mr Rapattoni said Harvey Beef would like to think it had played and was playing a major role in the WA beef industry.

"We don't want to see people closing their businesses down, it is not in the best interest of the beef industry's sustainability for either producers or the processing industry," he said.

"But I can't say we need to pay more for our product, there is no point in us paying more and then going bust.

"It's a case of us all having to be sensible about the commercial realities of the business. It has been a very difficult 12 to 18 months for the whole industry, and producers aren't alone."

Mr Rapattoni said looking at the per kilogram cost of high-value cuts on supermarket shelves was not a true reflection of the return supermarkets made over an entire beef carcass.

He said he would be surprised if the average cost of beef in WA supermarkets was above \$5/kg.

Of the 800 categories of beef they sold, cut prices could vary from 45c/kg for fat and bone up to \$19/kg for high-value cuts.

"However high-value cuts represent only 10-12 per cent of the carcass," Mr Rapattoni said. "When you see a scotch fillet being sold in the supermarket for \$35/kg, that only represents 3-4 per cent of the animal.

"Trim (mince, sausages and beef patties) is 17 per cent of the carcass and that sells at \$2-3/kg.

"I think you need to look at it from a commercial perspective, and high-value cuts are not a true reflection of the whole carcass."

In order for Harvey Beef to be able to pay producers more for their cattle

they require a consistent supply of cattle both grain and grass fed, 12 months of the year.

"If you can average the supply 12 months of the year I'm confident you will resolve most of the problems in the industry," Mr Rapattoni said.

"The current situation is really a reflection of the industry not being aligned with what the processor and customers need.

"When I look at the whole cattle procurement and calving cycle of the WA market, there is a real shortage of particular cattle from March through to June and July. At the moment we are short of cows, steers and bulls.

"There is a real opportunity for farmers to target these markets."

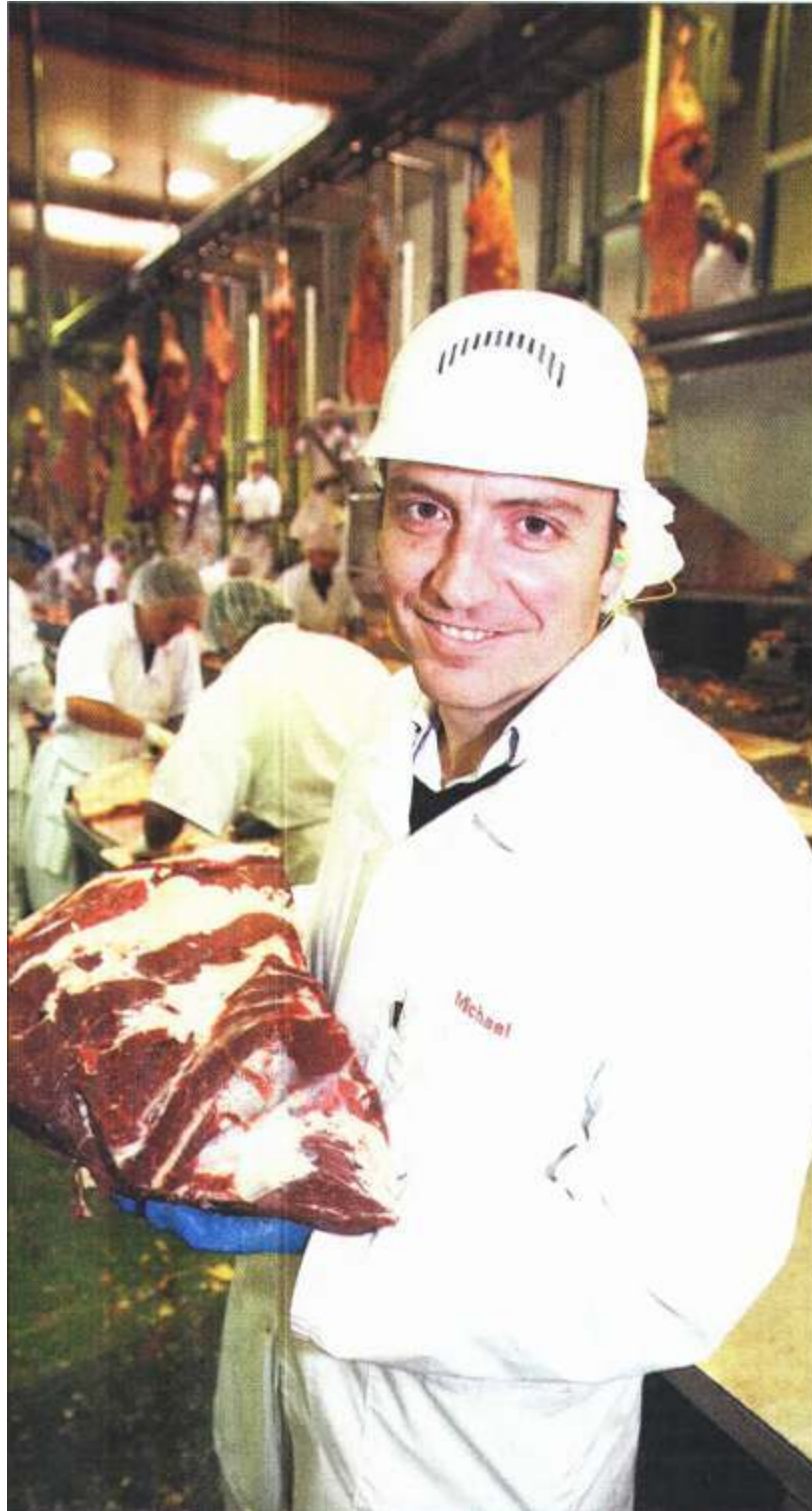
Mr Rapattoni said the current situation should not be a case of people coming out of beef, but instead growing their herd sizes to get some economies of scale.

"Forming strong relationships with our producers is the key to breaking the consumer price chain, particularly in overseas," Mr Rapattoni said.

"Receiving a premium for beef is all about marketing and WA beef is in an enviable position because of this.

"If we can supply consistent quality and specification of animal 12 months a year, educate the customer and develop strong relationships between processor, producer and customer we will have the keys to success.

"I personally think that is the solution in being able to get better returns for both producers and processors."



Harvey Beef chief executive officer Michael Rapattoni.

PHOTO: DANELLA BEVIS