

Sent: Thursday, 10 April 2008 6:01 PM
Subject: Damaging the reputation of beef to consumers

To Directors of the ABA

I was dismayed to hear one of your number on Adelaide talkback radio yesterday sinking the boot into our industry. I find it incomprehensible how any beef industry participant could get on the radio and tell the general consumer at large that they were paying twice the price for a grocery item than they should be.

What do you really think the 15,000 listeners to 5AA will do as a result of your call? I would assert the most logical and rational response to being told beef is costing them twice as much as it should would be to switch to another source of protein for their nightly meal.

The fact that your argument on retail prices is fatally flawed only compounds the insult that you have perpetrated against your fellow producers in South Australia. I have now read your ACCC submission and your argument arguments rest on a "survey" of comparative retail pricing between the USA and Australia. This "survey" is critically flawed in that not only there is only 2 items included but these are two items with different meanings in each country. The "survey" show ground beef and sirloin are sold for half the price in the USA. Ground beef is beef mince there is no definition of % lean just that it is 100% beef – I can buy this for \$5-14/kg (depending on % lean content) here in Adelaide yet the ABA claim the average price for 100% beef mince in Australia is \$14/kg. Beef sirloin the second example used is the US terminology for rump (were you aware of this?)– the ABA claim the average selling price for rump in Australia is \$28 based on their survey of "Melbourne prices" which they give no idea as to who is to of conducted this survey. Again I can buy MSA graded rump for a range of \$12-24/kg (depending on level of trimming) in Adelaide. In both cases the lower of this range is below the US price quoted in the ABA submission which does not establish either the % lean or the level of trimming .

Based on the sum of ABA's claims the Australian beef processing chain costs 266% of the same process in the USA. This fails the logic test . While we do have inefficiencies caused by distance, smaller population of people and cattle as well as producers turning off cattle to a far greater range of specifications there is no way that these add up to 166% extra costs for our system. How can I be so sure ? We are farmers and retailers. I pay around \$100 net to have my product killed boned packed and delivered. I then sell it at a 35% GM (\$1385 per animal) and get around a 2% profit (i.e. my costs to run my business are \$455/hd) at the end. According to the logic of your argument if I was in the US I would be able to value my \$800 raw material at \$1000 then can sell the meat derived from that for half what I do now (\$690) and still make a profit. This wonder model you have developed model is \$1065 per head better than ours. Obviously complete rubbish.

Yes we have problems in our beef industry to solve, the high Australian dollar being one such problem, however it is appalling to have people who purport to work for our industry actively undermining its position in the eyes of a consumer public that will latch on to the easy headline and not look to the substance (or lack of beneath)

It is very sad to see your organisation completely lose the rest of the impact of what could of been achieved from your submission which had some good aspects but has been lost, with interest, by you peddling the sensationalist rubbish about beef prices that can only serve to benefit our competitors.

I can only hope the Adelaide experience was not repeated in any other cites and ask that you reconsider this foolish campaign

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