



JBS Australia Pty Ltd submission to the Senate Standing Committee
on Rural and Regional Affairs and Transport inquiry into the effect
of market consolidation on the red meat processing sector

30 June 2015

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1 Introduction

JBS Australia Pty Ltd (JBS) welcomes the opportunity to provide a submission to the Senate Inquiry into the effects of market consolidation on the red meat processing sector.

The red meat processing sector is a major part of the manufacturing sector in this country, especially in regional and rural areas. As a sector it is:

- Export orientated.
- A major employer.
- A driver of economic growth.

JBS is of the view that the Inquiry has the capacity through its findings to:

- Communicate how the red meat supply chain operates and the role of each participant;
- Actions and responses to secure the long term competitiveness and profitability of the industry.

As an industry leader, JBS is already transforming the way it works with producers, moving from a transactional relationship to one which involves partnering with producers to meet more stringent customer demands for the way red meat is produced.

JBS, is focussed on enhancing the profitability, productivity and growth across our supply chain to secure the future success of our producers and the rural and regional communities in which we operate.

Initiatives like our Beef City, Riverina and Great Southern Farm Assurance program highlight this customer-led shift from a commodity mentality to purchasing meat as a branded, value added product, which attracts a premium shared between producers and processors.

However, as an industry we cannot shy away from acknowledging that we have greater costs of production compared to other international competitors. High labour rates, lower levels of productivity, over regulation and increasing utilities costs, in international terms, all contribute to Australia's high cost to operate platform.

Australia operates in a highly competitive international animal protein industry. As a country we export over 65% of production. Efficient and ongoing access to international markets through structured and transparent trade and market access arrangements are critical to the viability and profitability of the whole supply chain.

A key outcome of this Inquiry must result in actions to close the gap that exists between Australia's high cost to operate platform compared with international rivals such as the United States, Brazil and New Zealand through:

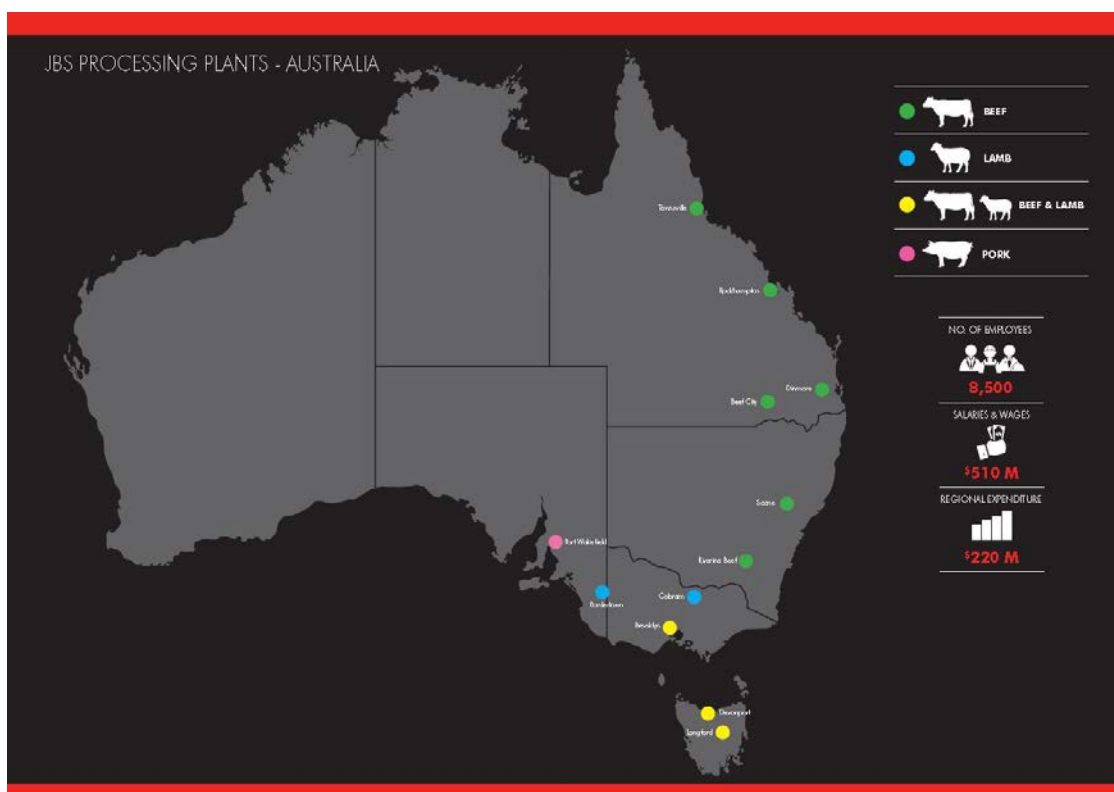
- Government working closely with our international trading partners to address technical barriers to trade.
- Supporting the development and adoption of new technologies and fostering greater innovation within the industry to reduce the cost of production and deliver productivity improvements.
- Reducing regulatory red tape across the supply chain.
- Improvement in infrastructure and more efficient transport networks.

As an industry based on free market principles we do not need more government intervention or costs in the red meat supply chain. There is a role for government in ensuring the integrity of the red meat product for domestic and export markets. In addition, to drive competitiveness and profitability requires commitment, action and above all cooperation from all stakeholders in the supply chain – from the farm gate to processors and up to the Commonwealth Government.

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About JBS Australia Pty Ltd

JBS operates 12 meat processing facilities across five states in Australia. The Company purchases livestock, processes livestock and sells finished animal protein. This process is similar for all processing operators in the sector. In 2014, across the 12 meat processing facilities, JBS spent (excluding livestock) \$730 million on employee wages and local procurement. JBS directly employs 8,500 people across the 12 processing facilities (beef, smalls, pork). Ten of these facilities are in rural and regional Australia. All of these processing facilities are major employers within their local cities, towns and regions. In total, JBS employs 12,000 people in Australia and has total revenues of \$6.5 billion.



The Australian red meat processing sector

Meat processing has been an important part of the Australian landscape for over 120 years. It is a great Australian Industry, with a strong history, purpose and commitment to supplying Australia and the world with the highest quality beef and lamb product.

The Australian red meat processing industry is both a major employer and generator of export revenue for the Australian economy. The post farm gate red meat sector when flow-on effects are taken into account, contributes \$16.2 billion or 1.3% of total GDP. It also underpins more than 148,000 full-time equivalent jobs,¹ many of which are located in rural and regional centres, where meat processing facilities are often major employers and contributors to the local economies.

¹ Australian Meat Processor Corporation, 2015.

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The red meat processing industry is a major manufacturing industry and employer in Australia. The Industry is:

- Labour, energy and capital intensive;
- Highly fragmented and not concentrated;
- Heavily regulated; and
- Export orientated.

Historically, the industry has tended to operate between low profit and negative margins. It is not a constant margin business. From a livestock supply perspective, seasonal conditions including rain and drought drive the availability of animals for slaughter. Variability in supply results in many processing plants operating below full capacity. Consolidation and rationalisation in the industry has been driven by factors such as overcapacity, inefficiencies, lack of investment in the assets, livestock supply, availability of labour and competition in export markets.

The producer and processor relationship

The Australian red meat processing sector operates on a simple model. As a processor, we buy livestock, we process livestock and we sell the finished product. The productivity, capacity and profitability of the producer is critical in the supply chain.

The capacity to maximise the value for the processed product determines the level of return and profitability to all participants in the supply chain. Historically, returns have fluctuated on the supply/demand equation between producers and processors. This volatility between producer and processor is not sustainable nor will it drive long term profitability and viability of the whole supply chain.

The longer term trend has been for more producers to make the decision to sell their animals direct to processors through a grid based system. In addition, we are also seeing the move from a 'transaction' based livestock sell model to an alignment and commitment to supply a 'brand owner' with product that meets strict product specifications. These are commercial decisions by producers driven by their desire and capacity to generate higher farm gate returns.

JBS has a long term history in participating in most east coast sales each week and as an active competitor for livestock at these sales.

It must be understood that JBS does not and will not use commission buyers, who buy on behalf of other processors.

The role of foreign investment

To deliver improved returns for both the producer and processors the entire supply chain must become more efficient and capitalise on investment in the sector, both from domestic and foreign sources.

There has been foreign investment in the Australian red meat processing sector for well over 100 years from countries including the United States, Japan, England, Brazil and China. During this time the industry has transformed in terms of production systems and use of technology, industrial relations, food safety, people safety, animal welfare, business practices and relationships with livestock producers. Through foreign investment this industry is now one of the largest providers of jobs in Australia.

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Foreign investment is critical to the future success of red meat processing in Australia. To remain an attractive destination for foreign capital to support the growth of the industry, we need to enhance value for all participants in the supply chain with industrial reform, productivity improvements, innovation and a supportive regulatory environment.

A family owned business.

The history of JBS goes back to 1953 when its founder, José Batista Sobrinho, began operations at a small plant with capacity to process five head of livestock per day in the city of Anápolis, in the State of Goiás in West Central Brazil. With a history of six decades, JBS is currently the largest protein processor in the world. The company operates in the processing of beef, pork, lamb and chicken and in processing hides. It also sells toiletries and cleaning, collagen, metal packaging, biodiesel, among others. Currently, JBS has more than 300 production facilities worldwide and over 185,000 employees.

Since arriving in Australia in 2007, JBS has invested over \$700 million (excluding acquisition costs) in its operations.

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2 Response to the Terms of Reference

The following is the response by JBS to the Inquiry's terms of reference:

2.1 Current livestock markets are operating efficiently

On the 'buy' side for cattle, there are in excess of 30 beef processors on Australia's eastern seaboard. These processors are predominantly export accredited. The market is highly fragmented and highly competitive. Whilst processors may be of various sizes and have different market focus, each vigorously competes in the market for the acquisition of cattle.

In addition, there are other competitors for livestock in the market including livestock producers (restockers, feedlotters and backgrounders), brand owners and livestock agents, supermarkets and live exporters.

JBS acquires a high percentage of its livestock direct from the farm. However, JBS is also active each week at a majority of saleyards across the east coast of Australia.

The important fact is that livestock producers have many options and a large number of well-resourced buyers when selling their cattle.

2.2 There is sufficient competitive tension in the processing industry

There are no "regional monopolies" of processors. The spread of national, large, mid-size and smaller processors across the eastern seaboard and the ability to move cattle across jurisdictions means that no one processor has any monopolistic power. Even if a processor endeavours to distort the price for cattle in one regional area (which it cannot), affected producers could hold their cattle (based on seasonal conditions) and would sell their cattle through other processors, either direct or through other saleyards, or to other processors to counter that price distortion.

The market for the sale of livestock is dynamic and adapts to seasonal conditions. The processing industry is characterised by periodic increase and decrease of capacity and entry and exit of capacity and competitors. Whilst plants may reduce capacity or close during periods of losses, they can, and do, reopen and/or increase capacity (either under previous or new ownership) to take advantage of favourable trading conditions. This has been clearly seen over the past two years with increased supply of livestock available for slaughter. During this period, JBS's four state market share remained static or decreased due to this increase in processing capacity introduced by competitors. As producers have various options depending on market conditions, so do processors.

2.3 Producers have a range of viable sales alternatives

Producers have various options when electing in the lifecycle of their animal to sell it, and when selling the animal, to determine the method in which it is sold. The options include paddock sales, 'over the hooks', 'over the scales', auction sales, and other methods such as AuctionsPlus. Younger, lighter cattle may be sold as feeder cattle for grain finishing or to the local or supermarket trade or further fattened on grass and sold to the domestic or export markets. Additionally, those cattle can be sent for live export as an alternative to grain feeding and slaughter.

There is considerable price transparency and beef producers are well informed as to prices being offered by buyers of cattle for the various markets. Producers can easily determine sales prices at auction; paddock sales are generally directly negotiated between producers.

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For over the hook sales, prices are determined by reference to a company-specific price grid, which determines price primarily by reference to such factors as age, sex, fat content, bruising, and pH. Additional information on prevailing prices of cattle may be obtained from a wide variety of sources.

2.4 Farm gate returns are influenced solely by supply and demand

The prices paid by processors, restockers, backgrounders, feedlotter and live exporters for cattle, and the prices obtained for processed beef and live cattle are determined solely by reference to demand and supply. On the 'sell-side' of the equation, price is determined principally by demand from export destinations (such as the US, Japan, South Korea and the EU), competition from other exporters of beef (particularly, the US, Southern America, New Zealand and, increasingly, India) and exchange rates.

Rather than the historical 'transaction based' livestock buy model, the trend is towards a stronger commercial alignment between producers and processors through initiatives such as the JBS *Great Southern* farm assurance and other similar programs. This strategy is about strict specifications of livestock supply and a province story to underpin a branded product to meet customer requirements 52 weeks of the year. Those supplying into this program achieve premiums well above those prices paid under the basic grid.

2.5 There is no evidence of which JBS is aware of buyer collusion

JBS has not been and is not party to any discussions with its competitors on matters such as the pricing of livestock. JBS takes its obligations under the *Competition and Consumer Act 2011* very seriously and ensures that each of its relevant employees is appropriately educated on the application of that Act.

Any suggestion that JBS participated in discussions to "boycott" the first Barnawartha sale is without foundation and unequivocally rejected—JBS informed the saleyard's operator prior to the sale that it would not be attending due to production issues experienced at its plants. JBS did not discuss that decision with any of its competitors.

2.6 Regulation needs to consider the cost disadvantage borne by processors

Australia remains at a significant international disadvantage by virtue of the considerable costs of production here. In Australia it costs 1.5 times more to process an animal than in New Zealand, twice that of the United States and three times that of Brazil. As shown in section 7 of this submission, in comparing the cost of processing a grain fed beef animal in the United States versus Australia, the major cost disadvantages are in labour, regulatory costs and utilities. The inquiry should consider excessive government and industry regulation and fees, which are borne by processors and add to the costs of production, ultimately lowering returns for producers and processors.

In addition, JBS is of the view that, in order to address the inconsistency in export-market requirements and the interpretation and application of the rules by the current approved halal certifiers in Australia, DAFF in conjunction with the relevant importing countries becomes the approved halal certifier.

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3 Current livestock markets are operating efficiently

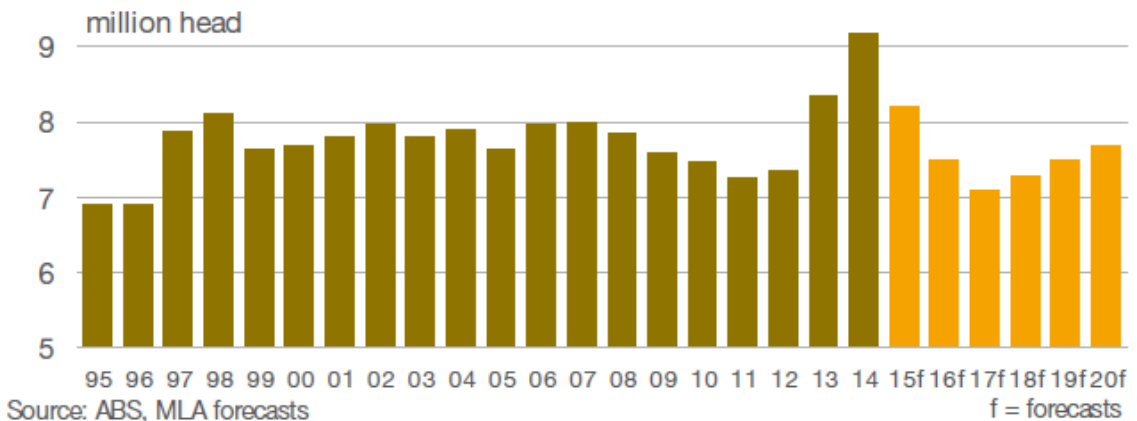
3.1 Australian livestock markets

This submission focuses on JBS's beef processing operations. Whilst JBS also processes sheep, lambs, pigs and other small stock, its shares in those markets are not significant (as demonstrated in 3.5 below).

3.2 Beef Producers

The past two years have seen some of the largest turn-off of cattle ever seen. In 2014, 9.2 million head of cattle were processed in Australia, which is an historical high. Meat and Livestock (MLA) forecasts that 2015 will again see turnoff of more than eight million head. These are unprecedented times, where the supply of cattle has caused many processors to reach capacity. The number of cattle processed in 2015 will greatly depend on whether drought-breaking rains are received across eastern states. If so, producers will seek to rebuild their herds. This will constrain supply and increase demand for slaughter weight cattle by processors and also for store and feeder cattle from cattle producers and feedlot operators. Livestock values have increased significantly since the end of 2014 and throughout 2015 based on these factors.

Figure 1: Cattle processed annually



3.3 Beef Processors

There are in excess of 30 beef processors on the eastern seaboard of Australia. These processors are predominantly export accredited and of various sizes. However, the market is highly fragmented and also highly competitive. Historically, existing processing capacity is increased and decreased based on livestock supply and demand for finished product. Capacity is not static in that many processing facilities have the capacity either to extend production throughout the day or implement additional production either at night or across weekends.

This is in an industry, which is labour, energy and capital intensive and where on the 'sell side' Australia as a major exporter is in competition to other exporting countries in international markets. The result is that the Industry has seen periods of consolidation in processing capacity based on supply and trading conditions. The inverse has also occurred where new

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entrants enter the industry through the purchase of existing processing assets. More recently, we have seen the Australian Agricultural Company invest in the first greenfield processing facility over the past few decades near Darwin,

Over the past 100 years the Australian Processing Industry has had a number of investors either under Australian family or corporate ownership or also from a range of foreigners including those from the United States, Japan, China and Brazil.

JBS estimates that its current share of the four state eastern states beef kill (excluding service kill, where JBS does not purchase the livestock) would be approximately 20%. However, based on total red meat production (beef/smalls) figures for calendar year 2014 in metric tonnes, JBS share is 16.6% of Australian production in tonnage terms.

JBS estimates 40% of the market share is held by other large processors including Teys, NH Foods, Bindaree Beef, Northern Co-operative Meat Company, Tabro Meats, Kilcoy Pastoral, Thomas Foods and O'Connor Meats (in JBS's estimation).

In addition, Coles and Woolworths are themselves standing in the market acquiring cattle to be grain-fed and processed at a range of independently operated facilities. JBS estimates that those supermarkets purchase, in their own right, approximately 12% of the four state east-coast cattle processed. In addition, they also purchase processed boxed beef to supplement their slaughtered cattle volume to meet daily consumer demand from those and other processors.

Further, there are a number of mid-sized processors which JBS estimates comprise approximately 18% of the east-coast kill. These processors are still large in their own right having processing throughput in JBS's estimation of between 100,000 to 300,000 cattle per year and include HW Greenham, MC Herd, Midfield Meats, Stanbroke, John Dee, Hardwicks, EC Throsby, Nolan Meats and Ralphs Meat Company.

The remaining approximately 10% of the market is comprised of smaller processors (of less than 100,000 head per annum).

A list of Ausmeat accredited meat processing facilities is contained in **Schedule 1**.

Whilst processors may be of various sizes, each vigorously competes in the market for the acquisition of cattle.

The ACCC, like other competition regulators such as the EU and US FTC, uses a metric known as the HHI² as a high-level indicator of potential market concentration when assessing mergers. The ACCC "will generally be less likely to identify horizontal competition concerns" where a merger results in a HHI of less than 2,000.³

JBS calculates the HHI in the beef market identified above to be less than 1,100 and the sheep and lamb market less than 910. Therefore, on the metric commonly used by the ACCC, these markets are unlikely to be considered as concentrated.

² Herfindahl-Hirschman Index

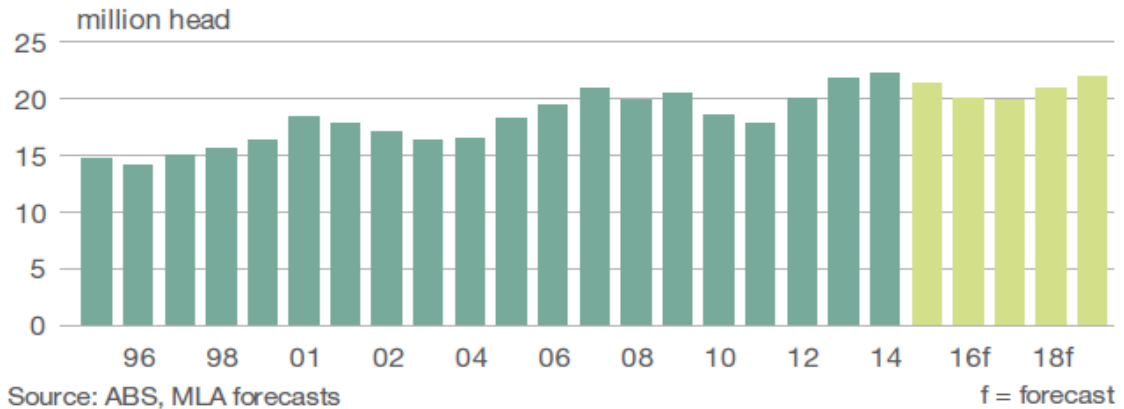
³ ACCC (2008) *Merger guidelines* at [7.14] (available at: <https://www.accc.gov.au/system/files/Merger%20guidelines.pdf>)

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3.4 Sheep and lamb producers

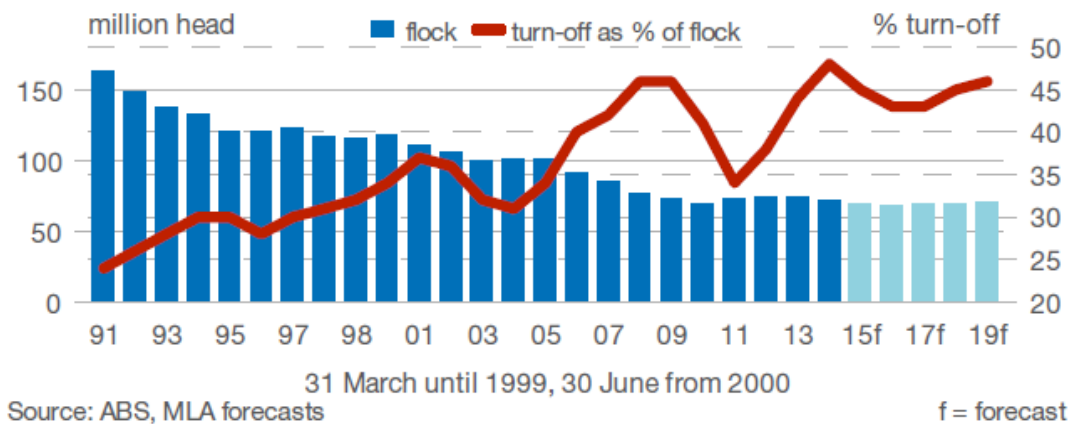
Similarly to beef slaughter, the past two years have seen very high slaughter rates for both sheep and lambs. The MLA has raised its estimates for lamb slaughter for 2015 to 21.4 million head following a drier than expected start to the year.⁴

Figure 2 – Lambs processed annually



There are signs of shortening supply due to a reduction in the national flock, which the MLA estimates has fallen to 69.8 million head, which is only the second time in over a century to be below 70 million head.

Figure 3 – Australian sheep flock



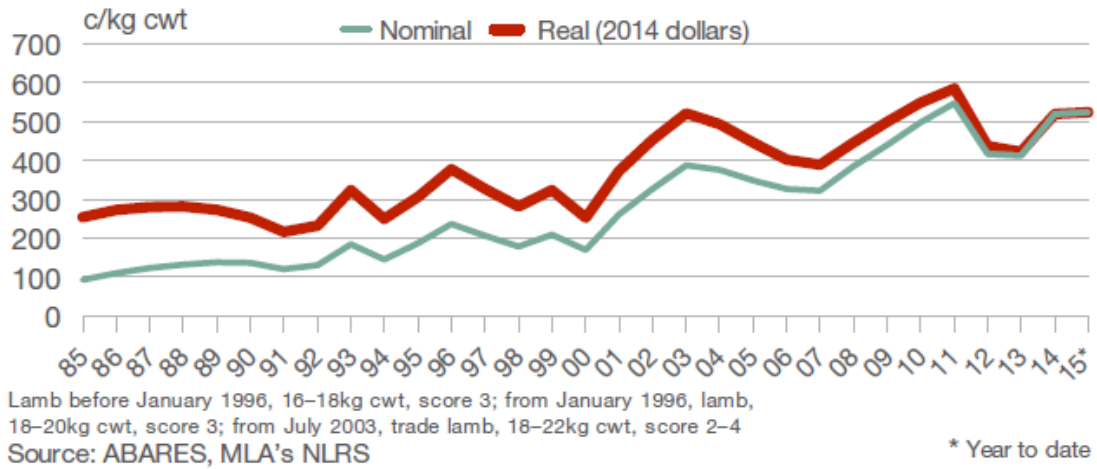
Despite the high turn-off of sheep and lambs, prices remain close to recent highs. The MLA predicts that lamb and mutton prices in 2015 are still expected to average much higher than in 2014, provided autumn rains arrive, as forecast.⁵

⁴ MLA (2015) *Australian sheep industry projections 2015 – April update* (available at: <http://www.mla.com.au/Prices-and-markets/Trends-and-analysis/Sheepmeat-and-lamb/Forecasts/MLA-sheep-industry-projections-2015-April-update>) at 2

⁵ Ibid. at 3.

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Figure 4 – Average national trade lamb prices



3.5 Sheep and lamb processors

The sheep and lamb processing industry is characterised by even greater competition than in the beef processing industry. JBS is not the largest lamb processor in Australia. JBS estimates its market share at 16% of the national small (lamb, mutton, goats) slaughter number. JBS estimates the balance of 84%, which includes the largest processor, is distributed across both large and small processors including Thomas Foods International Hardwicks, Cedar Meats, Australian Lamb Co, Southern Meats, Fletcher International, Frew Group, Midfield Meats, MC Herd, Gathercole and Ararat Meat

Again, due to the very fragmented nature of the market, no competitor has any capacity to distort the price for smalls.

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4 There is sufficient competitive tension in the processing industry

4.1 Dynamic processing industry

The processing industry is characterised by periodic increase and decrease of capacity as well as entry and exit of competitors. Whilst plants may reduce capacity or close during periods of losses, they can, and do, reopen (under existing or new ownership) and/or increase capacity to take advantage of favourable trading conditions. However, access to livestock and a workforce are the major determinants in operating processing facilities. The entry of new players and expansion of capacity of existing processing plants reduces the chance of any processor from acting in an anti-competitive manner (if it could do so).

4.2 No regional monopolies

There are no "regional monopolies" of processors for two reasons. *Firstly*, the spread of national, large, mid-size and smaller processors across the eastern seaboard means that no one processor has any monopolistic power. *Secondly*, cattle can, and do, travel long distances. Even if a processor could distort the price for cattle in one regional area (which it cannot), affected producers could hold their cattle (based on seasonal conditions) and would sell their cattle through other processors, either direct or through other saleyards, or to other processors to counter perceived price distortion.

The ACCC reached this conclusion in its 2011 review of the Teys-Cargill merger:⁶

The ACCC also found that many cattle producers have the ability to resist attempts by the merged entity to depress prices for fat cattle by selling cattle through alternative saleyards outside of the catchment areas of the merged entity. If producers utilise this ability it effectively increases the number of abattoirs directly competing with the merged entity for the purchase of fat cattle.

JBS agrees with these conclusions. The prices paid for cattle by an individual processor by price grid or at saleyards are transparent and are published on websites and by radio and newspaper. In addition, producers engage and communicate with each other on prices and market conditions. There is no sustained price arbitrage between northern and southern markets. As the ACCC found in considering the Teys-Cargill merger, any temporary price distortions will be quickly countered by producers moving cattle into the more favourable market.

4.3 Changes in facilities

Processing facilities close for a number of commercial reasons, including the availability of livestock and labour, location and cost to service the market, capacity to invest in the assets to maintain accreditation and market access and increased requirements around food safety.

The processing industry is dynamic, with regular capital investment through entry and expansion of capacity. If a processor could achieve a "regional monopoly" (which it could not,

⁶ ACCC (2011) *Proposed merger between Teys Bros (Holdings) Pty Limited and Cargill Beef Australia* (available at: [file:///bnefps/userdata\\$/qbwb/Downloads/D11+2311146.pdf](file:///bnefps/userdata$/qbwb/Downloads/D11+2311146.pdf)) at [65].

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for the reasons outlined above), a new entrant would enter that market to counter any price distortion.

A list of new entrants into the processing industry, together with announced new entrants and capacity expansions, is shown in **Schedule 2**.

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5 Producers have a range of viable sales alternatives

Producers have various options when electing in the lifecycle of their animal to sell it (to "turn-off" the animal) and, when selling the animal, to determine the method in which it is sold.

5.1 Producer options when turning-off livestock

Cattle producers have many options available to them throughout the life cycle of their cattle. Younger, lighter cattle may be sold as feeder cattle for grain finishing or to the local or supermarket trade or further fattened on grass and sold to the domestic or export markets. Additionally, those cattle can be sent for live export as an alternative to feeding and slaughter. Further, a decision to grass feed cattle does not preclude a producer from later deciding to finish cattle on grain so as to target the domestic or export grain-fed markets.

The flowcharts below depict the options which are available to cattle producers depending on whether they have grass available on their properties (i.e. whether cattle can be further fattened on available grass on the property or whether they are turned-off at an earlier age due to seasonal conditions).

Figure 5: Options available to cattle producer with available grass

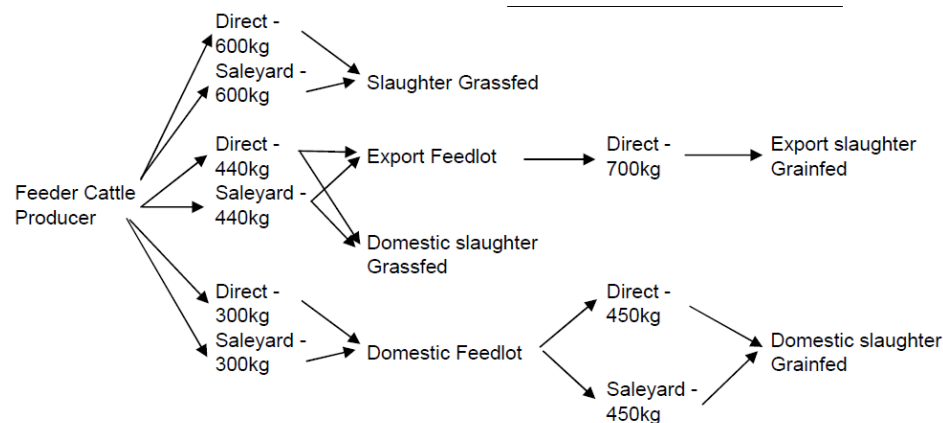
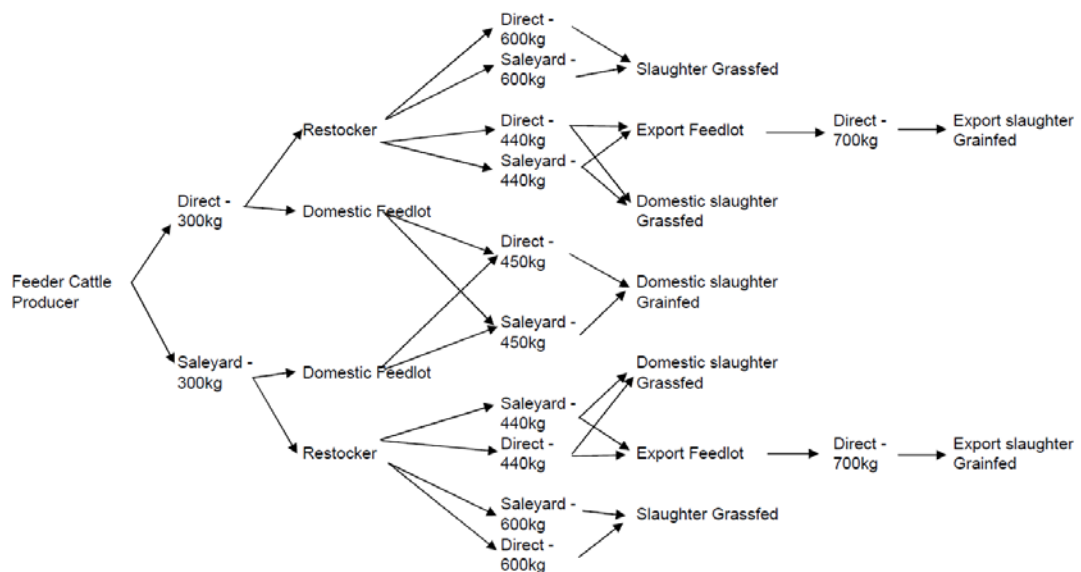


Figure 6: Options available to cattle producer with limited available grass



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In addition, for many producers (both in northern and southern Australia) live exports represent a further alternate purchaser for producers' cattle. If producers are dissatisfied with the prices being offered by processors for their cattle, they can sell their cattle into the live export market.

This is further demonstrated in the ACCC's report "**Examination of the prices paid to farmers for livestock and the prices paid by Australian consumers for red meat**", which noted:⁷

A number of market participants submitted that there is sufficient competition between the domestic market and export markets to allow producers (as well as processors and feedlots) to switch to export markets if they are unhappy with the prices offered by supermarkets.

A producer dissatisfied with the return achieved from one purchaser can therefore alter its practices to produce cattle which target alternative markets in a relatively short period of time and this may be done from year-to-year.

5.2 Producer options when selling livestock

Cattle may be sold for breeding, store, slaughter (i.e. fat cattle) or for live export by a variety of different selling methods. The main methods of sale are:

- **Paddock sales:** Buyers inspect stock on the producer's property, price is generally negotiated on a dollars per head basis and ownership is generally transferred at the farm gate. This method is often favoured for producer to producer sales of store or breeding stock.
- **Over the hooks:** Price is negotiated on a cents per kilogram carcass weight basis, with ownership usually transferred at the point of slaughter. Price is usually determined by reference to a price grid where premiums and discounts are calculated for different carcass attributes (e.g. age, sex, fat content, bruising, and pH). Producers receive clear market and price signals relating to carcass quality and are provided with carcass feedback.
- **Auction sales:** Stock is sold by open auction on either a dollars per head basis or, if stock are weighed, on a cents per kilogram live weight basis. Auction sales are usually conducted off farm at saleyards, although they may be held on farm. Ownership is generally transferred at the point of sale. Auction selling involves additional costs and stock handling and can mask the quality-price relationship.
- **Over the scales—excluding auction:** This is the most common method of sale for feeder cattle and cattle destined for live export. Buyers inspect stock on the producer's property, price is generally negotiated on a cents per kilogram live weight basis and ownership is transferred either at the feedlot, the farm gate or at the port.
- **Other:** Includes AuctionsPlus (formerly CALM), electronic sale by description (ie. internet sales by description).

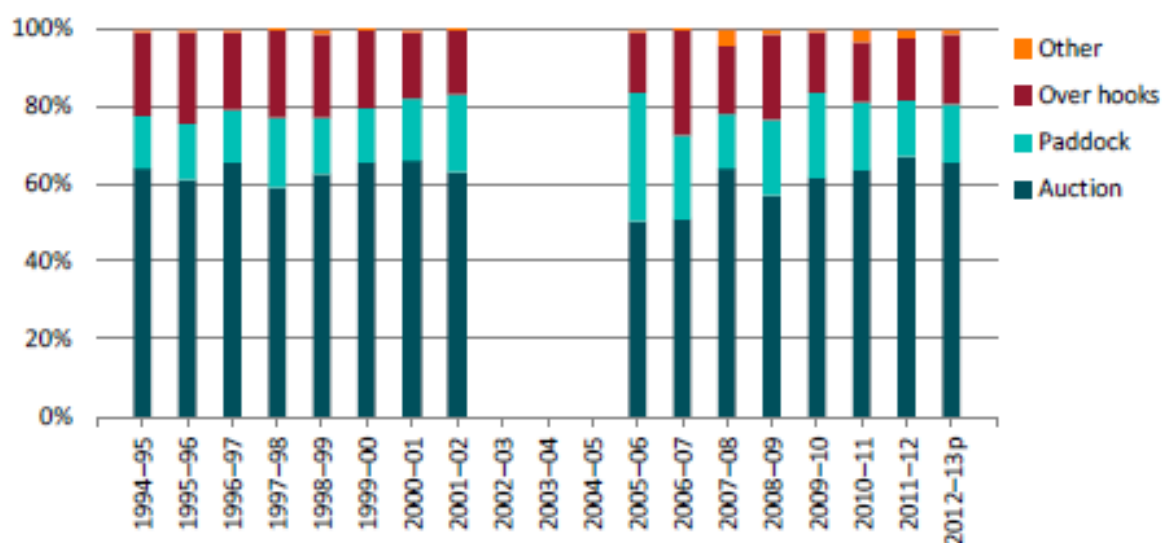
⁷ ACCC (2007) *Examination of the prices paid to farmers for livestock and the prices paid by Australian consumers for red meat* at 6.

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Nationally, auction sales have traditionally been the preferred method of selling fat cattle.⁸ Auction sales tend to be favoured by producers that have smaller herd sizes and sell in small lot sizes. Generally, these producers are located in more closely settled areas where distances are small and freight costs relatively low. Producers with larger herds are more likely to sell over the hooks, over the scales live weight (excluding auction) or in the paddock because they are able to generate larger numbers.

In Southern Australia, the proportion of beef cattle sold via auction declined from around 70% in the early 1990s to less than 50% in 2006-07 but has seen recent resurgence in the past few years to 66% in 2012-13. In Southern Australia, over the hooks sales represent less than 20% of cattle sales.

Figure 7: Sales methods for beef cattle in southern Australia



p Preliminary estimate.

Note: Live export cattle sales are mostly paddock sales over the scales. Because of changes in data collected, consistent results cannot be provided for 2002-03 to 2004-05.

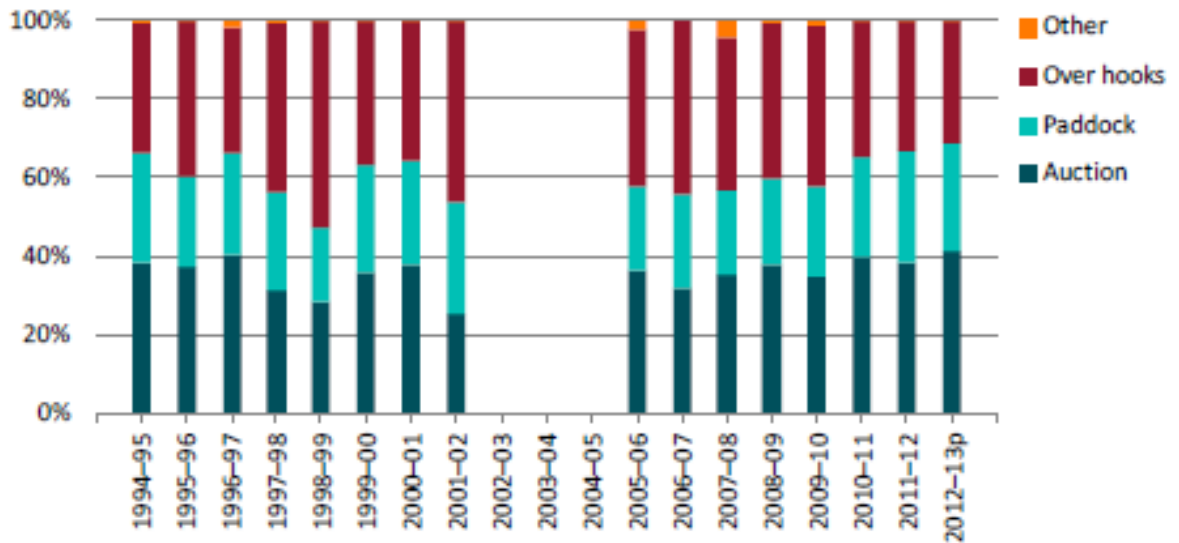
Source: Australian Agricultural and Grazing Industries Survey

Northern Australian beef farms have historically sold a smaller proportion of beef cattle via auction compared with southern farms, with over the hooks sales much more prevalent. However, based on market conditions and seasons in recent years the proportion of cattle sold at auction (41%) has exceeded the proportion sold over the hooks (31%).

⁸ ABARES (2014) *Australian beef: financial performance of beef cattle producing farms, 2011-12 to 2013-14* at 10.

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Figure 8: Sales methods for beef cattle in northern Australia



p Preliminary estimate.

Note: Live export cattle sales are mostly paddock sales over the scales. Because of changes in data collected, consistent results cannot be provided for 2002-03 to 2004-05.

Source: Australian Agricultural and Grazing Industries Survey

The choice available to producers in Australia, and their advantages over sellers of cattle in the United States, was recently highlighted by Mr Angus Creedon of Leajon Park, Middlemount, who had just returned from the US following the receipt of the Edgar Hudgins Memorial Scholarship. On the issue of producer options when selling livestock, **Mr Creedon said:**⁹

“For [US] producers to sell cattle, they have to either consign stock to the saleyard or direct to the feedlots. Cattlemen cannot consign direct to the processor, as we do.

It also really reinforced my theory that we are in a safer position with more market avenues, such as targeting for PCAS, MSA or the organic market.”

JBS generally acquires a significant percentage of slaughter cattle using the over-the-hooks method. JBS generally only acquires feeder cattle using the over the scales method. This method of purchase enables JBS to provide accurate feedback to producers to enable them to produce an animal, which delivers better returns and meets end customer requirements.

5.3 Price transparency

Beef cattle producers are well informed as to prices being offered by buyers of cattle for the various markets.

⁹ Walker H "Best for beef still ahead" (2015) *Queensland Country Life*, 20 April 2015 (available at: <http://www.queenslandcountrylife.com.au/news/agriculture/cattle/beef/best-for-beef-still-ahead/2729424.aspx>)

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Producers can easily determine sales prices at auction (e.g. saleyards) due to their price transparency. Paddock sales are generally directly negotiated between producers.

For over the hook sales, prices are determined by reference to a company-specific price grid, which determines price primarily by reference to weight and fat. By offering to purchase cattle on this basis, the processor encourages the producer to produce cattle, which meet the specifications of the end-destination of the processed meat. The over the hooks method of sale therefore provides rapid feedback to the producer on the quality of the cattle presented. A producer wishing to sell cattle will most likely obtain the price grids from several processors or buyers to make a price comparison and make their ultimate commercial decision.

Additional information as to the prevailing prices of cattle may be obtained from:

- **The internet.** The MLA maintains a comprehensive database of prices which may be accessed by any person;
- **Radio**, such as the ABC's *The Country Hour*, a daily program which details prices;
- **Television**, such as the ABC's *Landline*, a weekly television program which details prices;
- **Newspapers**, such as *The Country Life*, the *Land*, *Stock and Land*, *The Weekly Times*, the *Stock Journal* and other rural newspapers; and
- **Newsletters** prepared by MLA and other producer bodies.

Whether cattle are sold at the saleyard, in the paddock or over over-the-hooks, there is transparency in the price, which the producer will receive for his or her cattle.

5.4 **Sharing premium revenues with producers**

JBS favours over the hooks purchasing because it helps ensure the cattle will meet the requirements of JBS' customers and our range of domestic and international brands (ie. the end destination for the processed beef). By selling their cattle over the hooks, producers also receive timely and accurate feedback on whether or not their cattle meet the target markets'.

By ensuring their cattle meet the specifications of JBS' target market, producers are able to share in the premium price obtainable in certain export and domestic markets.

Historically, these premium prices were limited to markets such as the EU and Japanese steer market, where producers could (and continue to) command a higher price for their cattle which met the specifications of those markets.

JBS has a long history of developing programs around grass and grainfed beef. We have been innovators in grainfed brands such as *Beef City* and *Riverina Beef* and *AMH* in the grassfed beef. These brands are widely recognised for their quality and consistency.

In the case of the Beef City brand programs we have over 30 years of history in working with feeder cattle suppliers, both on farm and through performance feedback in terms of meeting key customer requirements through the quality of feeder cattle they deliver, and supporting the opportunity for improved farm gate returns. We have extended this approach in the development of our Angus brands out of the JBS Riverina feedlot and processing facility for both high end domestic and export customers. Premiums are paid to feeder suppliers over those for a commodity type animal.

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JBS recently expanded this offering into Southern Australia through a new program known as *Great Southern*, which has returned more than \$21.5 million in premiums for its producer members since it was established 18 months ago. Currently, there are 1500 beef and 900 lamb properties engaged in this JBS Farm Assurance Program across four States.

The *Great Southern* program includes a farm assurance program, which requires producers to certify that their grazing properties meet JBS's customer expectations that the meat has been grown safely, responsibly and ethically. It conforms to a very high standard for animal welfare 'on farm' and also during transportation and handling. Once qualified for the program, producers receive a greater price for their cattle, as the *Great Southern* program has its own price grid which represents a premium price to other grids. The program is externally audited to ensure compliance, which is a cost incurred by JBS. Recent media reports are shown in **Schedule 3**.

In response to customer demand, JBS has also recently introduced a similar program for Wagyu cattle. This program will see Wagyu producers receive a premium price for their product which meets JBS's customer requirements.

JBS also pays a premium for EU feeder cattle into its Riverina feedlot. This premium is significantly over the top end 'Jap Ox' (steer).

These are examples where JBS is ensuring that its producers receive a greater return for their cattle, which are grown to JBS's customers' demands. JBS will continue to investigate both domestic and international opportunities to extract premiums and where it can share these premiums in the prices paid for livestock. It is in JBS's interests to ensure that it can obtain a consistent supply of premium cattle to meet the requirements of JBS's domestic and export customers who demand quality beef. JBS will continue to incentivise producers to produce those cattle and importantly, where appropriate, based on a brand or customer strategy, develop supply chain model to underpin brands and ensure consistency and continuity of supply to customers year round.

In addition, and unlike its competitors, JBS maintains sales offices in each of the export markets into which it sells beef. Through this investment, JBS has established long-term supply arrangements for Australian beef. Whilst JBS bears these costs, producers benefit from the increased markets into which their beef can be sold internationally.

5.5 Pre- vs Post-sale weighing

There have been several recent media reports outlining various producers' and processors' views as to whether, for the purposes of determining the sale price, cattle should be weighed before or after the sale.

JBS's position is clear - it has no view. JBS presently bids, and will continue to bid, for cattle under both methodologies. Its cattle buyers are experienced livestock buyers who will bid according to the conditions of the sale. One of those conditions is whether cattle are weighed before or after sale.

JBS is aware of press reports that certain processors elected not to attend or bid at Northern Victoria Livestock Exchange's first prime sales at Barnawartha, Victoria on 17 February 2015.

JBS was not party to any boycott (if there was in fact a boycott) of those sales.

JBS confirms that:

- (a) It did not have any communications with any other processor as to whether JBS would attend, or would bid at, the Barnawartha sales;

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- (b) On 13 February 2015, JBS was contacted, prior to the Barnawartha sales, by a director of the operator of NVLX and the President of the Wodonga Associated Agents seeking JBS's position on pre- versus post-sale weighing. JBS was informed by the NVLX and the Associated Agents that other processors had indicated concerns with pre-sale weighing. JBS's response was that it did not have a position and that its buyers are professional livestock buyers who will buy cattle on either a pre-sale or post-sale weighing basis.
- (c) JBS explained in that same telephone conversation that it had experienced mechanical breakdowns at its Dinmore, Queensland plant on 11-12 February 2015 and accordingly had an excess of stock for processing at that plant without the need to purchase stock from the Barnawartha sales.
- (d) JBS advised the operators of NVLX and the President of the Wodonga Associated Agents that, due to the breakdowns and capacity constraints at its Dinmore plant, JBS would not be attending the Barnawartha sales. JBS asked that the President of the Wodonga Associated Agents advise his members of JBS's production issues and that JBS would not be attending the Wodonga sales that week for that reason.

JBS was acutely aware of animal welfare issues, which could arise whilst the back log of cattle yarded at the Dinmore plant (estimated to be 5,000 cattle) were processed once the mechanical issues were resolved. JBS also had major production issues on 17 February 2015 at its Brooklyn, Victoria processing facility, which meant that there was no acquisition of cattle at NVLX that day for processing at Brooklyn.

Upon becoming aware of the existence of an ACCC investigation into the events at the Barnawartha saleyard, JBS volunteered the above explanation to the ACCC's enforcement officers.

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6 Farm gate returns are influenced solely by supply and demand

6.1 The supply / demand equation

The prices paid by processors, re-stockers, backgrounders and live exporters for cattle, and the prices obtained for processed beef, are determined solely by reference to demand and supply.

On the buy-side of the equation, price is particularly impacted by seasonal conditions. The availability (or expected availability) of rain will affect the producer's decision to turn-off cattle. Likewise, the processor's perceived availability of cattle (and continued availability of cattle) will affect the price which it is willing to bid for cattle.

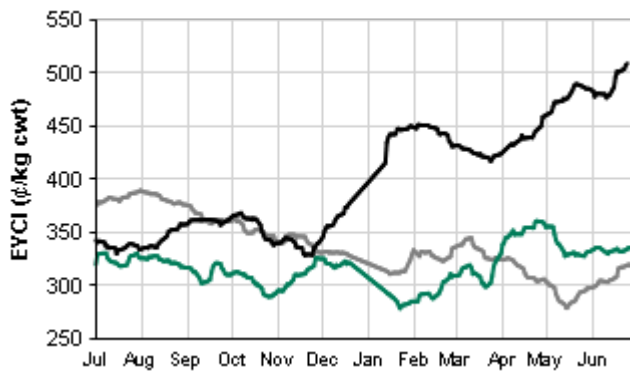
Cattle prices were relatively subdued in 2013 and early 2014 due to the effects of drought, and large turnoff. However, due to the tight supply of cattle following that large turn-off, cattle prices have increased dramatically in late 2014 and into 2015.

Detailed below is the price movement in the Eastern Young Cattle Index (EYCI) cents per kilogram on a carcass weight (cwt). In the period July 2014 to June 2015 both the EYCI has increased reflecting higher returns to producers (source: MLA website 2 June 2015).

The EYCI is the general benchmark of Australian cattle prices. The indicator is a seven day rolling average produced daily by MLA's National Livestock Reporting Service (NLRs). The EYCI includes vealers and yearling heifers and steers, grade score C2 or C3, 200kg+ liveweight from saleyards in NSW, QLD and VIC. The results include cattle purchased for slaughter, restocking or lotfeeding.

In the graph below from Meat and Livestock Australia the EYCI in 2015 has seen based on market conditions a 43% increase on a cents per kilogram basis year on year.

Figure 9: Eastern Young Cattle Indicator - FY2013-2015

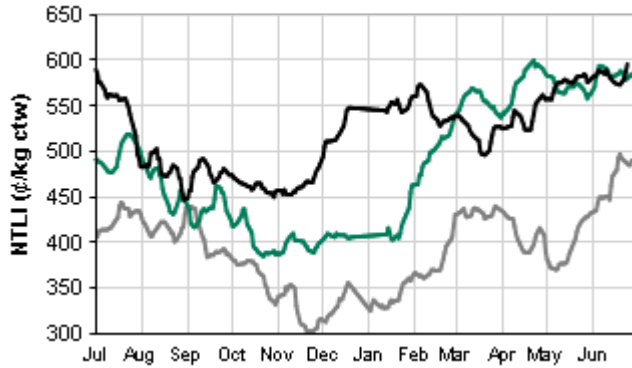


2015 – Black, 2014 – Green, 2013 – Grey

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As per the National trade lamb indicator below we continue to see strong prices for livestock year on year and a 20% increase from 2013 figures for the same period.

Figure 10: National Trade Lamb Indicator - FY2013-2015



2015 – Black, 2014 – Green, 2013 – Grey

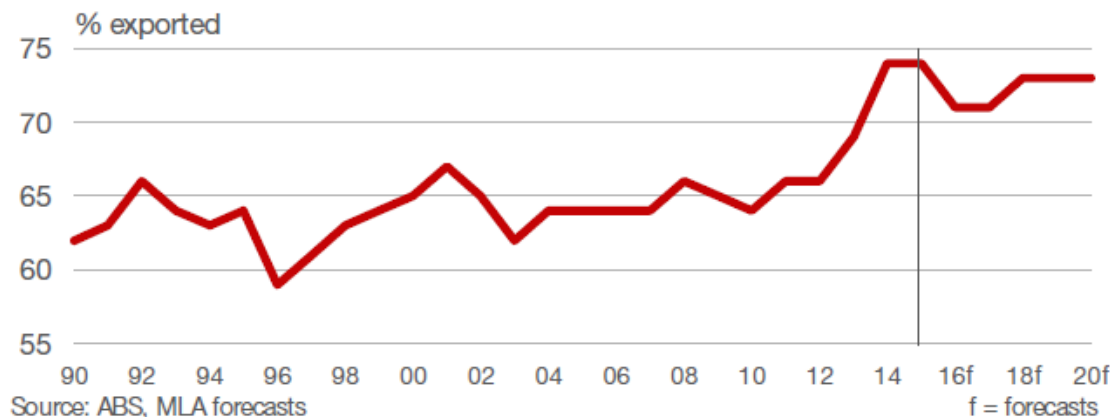
6.2 Influence of export prices

Price is determined principally by exchange rates, demand from export destinations (such as the US, Japan, South Korea and the EU) and competition from other exporters of beef (particularly the US, New Zealand, Southern America and, increasingly, India).

The recent increase in the number of cattle slaughtered, and consequently the quantity of processed beef produced, has resulted in a greater proportion of processed beef being exported, particularly due to the favourable prices being obtained in the US for 90CL trim (manufacturing meat). This is due to reduced turn-off of slaughter cattle in the US (due to a greatly reduced herd) and increased demand for manufacturing meat.

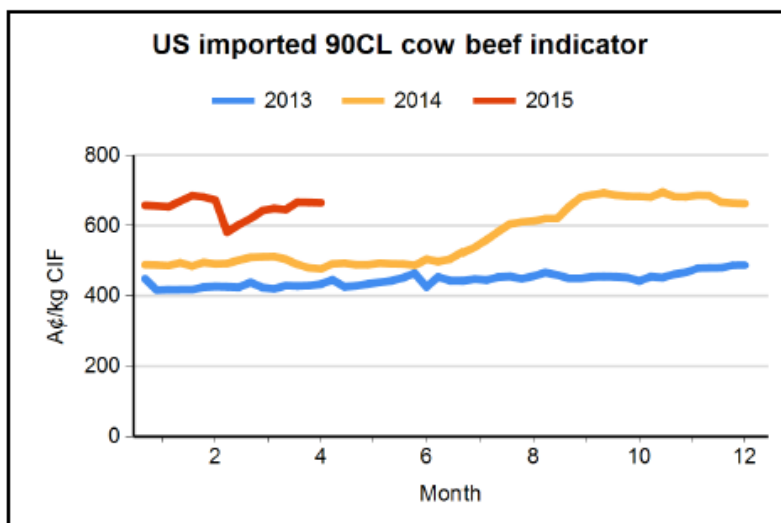
The fact is that processors and brand owners are actively competing against other beef exporting countries along with other animal proteins (chicken and pork) for the centre of the consumers' plate. Demand internationally for beef is currently strong based on demand/supply. However, with higher prices also comes the risk of consumers moving to cheaper animal proteins.

Figure 11: Proportion of beef production exported



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Figure 12: US imported 90CL cow beef prices (CIF)



The domestic price will be influenced by export prices, especially for higher-quality stock. The ACCC, in its report entitled "**Examination of the prices paid to farmers for livestock and the prices paid by Australian consumers for red meat**"¹⁰, when examining the relationship between domestic and export prices paid for processed beef, concluded:

Competition at both ends of supply chain

The ACCC considers that saleyard prices for cattle and sheep are determined by a number of supply and demand factors. In both sectors international demand is a key influence on saleyard prices and may place a constraint on domestic stock, particularly high-quality stock. The quality of livestock sold through saleyards is also a key determinant of saleyard prices: the higher the quality of stock, the higher the price it can command in both export and domestic markets.

In both the lamb and beef sectors, sales to international markets account for a large share of total meat production and even the largest retailers buy only a small proportion of total production. Under these conditions it seems unlikely that any one party would be able to suppress prices and/or impose onerous terms and conditions without producers altering their specifications to target alternative markets.

Domestic sales are divided between the food service, food processing and retail sectors. Within the retail sector, sales appear to be divided fairly evenly between the large supermarket chains and butchers. In these conditions, it seems unlikely that an attempt by any one party to charge unreasonably high prices could be sustained without losing market share.

JBS agrees with the ACCC's conclusions.

¹⁰ ACCC (2007) *Examination of the prices paid to farmers for livestock and the prices paid by Australian consumers for red meat* at (iii).

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6.3 JBS refocussing on domestic market

JBS has historically focussed on its international customers which are serviced by JBS' strong marketing offices in key export destinations. JBS has, over a long period, developed programs, products and brands which resonate with international consumers to ensure that Australian beef and lamb is considered a premium product in those markets.

However, JBS has recently expanded its focus to the domestic sector. As Brent Eastwood, JBS' Chief Executive Officer, was recently quoted:¹¹

Speaking at The Australian and Visy's third annual Global Food Forum on Wednesday, JBS Australia chief executive Brent Eastwood acknowledged the company needed to focus more closely on its local businesses.

"We haven't done a great job domestically in Australia — for many years, the protein sector was chasing export. We haven't done a great job with the supermarkets over the years. We're trying to do a better job today as we get away from this commodity world," he said, when asked about the firm's relations with Coles, Woolworths and Aldi...

While Mr Eastwood acknowledged that growing the export market remained a priority for JBS Australia, with the company generating \$1bn in revenues in exports to Japan alone, he noted that "the domestic protein market is Australia's largest market, and it still pays a significant amount of money"...

"Our focus is still to do a better job with that business with our existing clients in Australia," he said.

Acknowledging that the Australian supermarkets remained a "massive part of our business", Mr Eastwood said JBS Australia was in the process of reducing brands.

"One of our beef plants had 30 brands going to Japan ... It's a butcher shop. So the reality is we've taken two-thirds of those brands out, put a lot more money into those particular brands (that remain) and promoting them."...

Mr Eastwood said the biggest growth brand for JBS Australia in the past two years had been Great Southern, which was performing strongly in markets like the US.

The Great Southern brand was launched in late 2013 for beef and lamb that is MSA graded, HGP and antibiotics free and 100 per cent grass fed.

"Everyone talks about organic, but organic is so hard, so hard to get scale, so hard to get size and opportunity. But in the natural segment we're seeing a really increased demand for true natural," Mr Eastwood said.

"So we've put a lot of effort in domestically, both supermarkets and food service, and internationally into the natural program."

¹¹ Kitney D (2015) "JBS renews its domestic focus" *The Australian* (17 April 2015) at 22.

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7 Other - regulation needs to consider the cost disadvantage borne by producers and processors

Australia remains at a significant international disadvantage by virtue of the considerable costs of production here. Australian processors compete head to head in international markets against the US, Brazil, New Zealand and Canada. However, we have significantly higher cost to operate structures than these countries. Importantly, we can't factor these costs into meat customer pricing.

This means these costs are borne back through the supply chain in reduced margins at both processor and producer levels. The cost of processing an animal in Australia is 1.5 to 3 times the cost of processing an animal in other countries.

JBS estimates its costs of processing grain-fed cattle in Australia to be twice that of the United States. Australia has a higher wage cost than the United States and lower levels of productivity in terms of kilograms produced in per unit of labour terms. We are not advocating that wages need to be cut but as a company we are investing in technologies and processes to increase productivity levels and at the same time in industrial negotiations working with the unions and workforce to identify opportunities.

Excluding labour, the two major areas of difference between Australia and the United States is in government regulation and energy costs. In regulation costs we are around \$10 per head more than the United States and \$15 per head in utility costs.

A prime example of regulatory cost is the current Australian Export Meat Inspection and Certification System. The Department of Agriculture (DAFF) fully recovers from processors the cost of its operations for undertaking meat export inspection and certification. The current annual budget for the Program is approximately \$80 million (in 2015, JBS will contribute \$14.5 million). In addition, export processing plants which do not use DAFF inspectors but have approved company based employees pay full costs above this amount. Our estimate is that this could be an additional \$30 million. Internationally, both of our major competitors the United States and Brazil have these services provided at no or minimal cost by Government. This inspection and certification function under full cost recovery, therefore increases the costs to the processor and reduces farm-gate returns.

7.1 Technical barriers to trade

Australia must also work with our key international destinations for processed meat to remove technical barriers to trade (**TBTs**). The MLA recently reported on research which uncovered a total of 261 TBTs in 40 key markets, 136 of which had significant trade distorting impacts. TBTs identified included limits on expiry dates, lengthy accreditation processes and in-country distribution restrictions.¹²

The MLA reported that TBTs increase product preparation and delivery costs, and require compliance to conditions often exceeding commonly accepted standards. They raise the cost, increase the difficulty in supplying a particular market and often restrict export sales opportunities. The total value of the identified TBTs has been estimated at \$1.25 billion per annum.

¹² MLA (2014) *Submission in response to the Green Paper on Developing Northern Australia* (available at: https://northernaustralia.dpmc.gov.au/.../meat_and_livestock_australia.docx)

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Importantly, the \$1.25 billion in gain shows the urgent need to focus Federal Government resources in conjunction with trade negotiations and dialogue to enhance farm gate returns through addressing these major barriers to market access.

7.2 Halal certification

Halal slaughter is practiced across most export beef and smalls processing facilities in Australia. Slaughter is undertaken in accordance with both approved religious and animal welfare standards.

Processing animals in accordance with halal requirements provides market access. However, we continue to see ongoing commercial and market access risks with changes by importing countries to religious requirements and the listing/suspension of Australian-based religious certifiers.

In 2014, JBS spent \$2.4 million on halal certification costs by approved religious certifiers.

JBS is of the view that in order to address the inconsistency in market requirements and interpretation and application of the rules by the current approved halal certifiers in Australia, DAFF in conjunction with the relevant importing countries becomes the approved halal certifier.

DAFF is the regulator for Australian halal systems and also provides export health certificates.

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Schedule 1

List of AUS-MEAT accredited plants as at 29 June 2015

AUS-MEAT Accreditation Listing

AUSTRALIA

NSW

ANDREWS MEAT INDUSTRIES PTY LTD Domestic Boning Room (Beef Sheep Pig)	1351N	LIDCOMBE	02 8668 8250	A+ http://www.andrewsmeat.com.au
ARCADIAN ORGANIC & NATURAL MEAT CO PTY LTD Export Boning Room (Beef Sheep)	0172	WEST GOSFORD	02 4322 4528	A+ http://http://www.organicmeat.com.au/
B E CAMPBELL (NSW) PTY LTD Export Boning Room (Pig)	0006	WETHERILL PARK	02 9725 2233	A+ http://www.becampbell.com.au
BEAK & JOHNSTON PTY LTD Export Boning Room (Beef Sheep Goat Pig)	0145	GREENACRE	02 9742 3011	A+ http://www.beak.com.au
CANDAL INVESTMENTS PTY LTD Export Boning Room (Beef Sheep)	0220	BOMADERRY	02 4448 1804	A http://http://argylemeats.com.au/
CASSINO RSM PROCESSING PTY LTD Export Abattoir (Pig Offal)	7170	LISMORE	02 6629 1376	A+ http://http://www.cassino.com.au
DICK STONE PTY LTD (MELRINA) Domestic Boning Room (Beef Sheep Pig)	1526N	AUBURN	02 9795 2200	A+ http://www.dickstone.com.au
E C THROSBY PTY LTD Export Abattoir (Beef Offal)	0486	WHITTINGHAM	02 6574 7777	A+ http://ecthrosby.com.au
FLETCHER INTERNATIONAL EXPORTS P/L Export Abattoir (Sheep)	2309	DUBBO	02 6884 5833	A+ http://www.fletchint.com.au
GLENMORE MEAT CO PTY LTD Domestic Boning Room (Beef Sheep Pig)	0185N	GLEBE	02 9660 3522	A+ http://www.glenmoremeat.com.au
GUNDAGAI MEAT PROCESSORS Export Abattoir (Sheep Goat Offal)	0106	SOUTH GUNDAGAI	02 6944 1001	A
HASTINGS FOOD PROCESSING PTY LTD Export Boning Room (Beef)	0429	WAUCHOPE	02 6586 1788	A+ http://www.meltiquebeef.com.au/

AUS-MEAT Accreditation Listing

HAVERICK MEATS PTY LTD	0678	BANKSMEADOW	02 9316 8900	A+
Export Boning Room (Beef Sheep Goat Pig)		http://www.haverickmeats.com.au		
HILLTOP MEATS PTY LTD	128	YOUNG	02 6384 1900	A
Export Abattoir (Beef Goat Offal)		http://http://www.becampbell.com.au/		
JBS AUSTRALIA PTY LTD - RIVERINA BEEF	0517	YANCO	02 6951 1198	A+
Export Abattoir (Beef Offal)		http://www.jbssa.com.au		
JBS AUSTRALIA PTY LTD - SCONE	0262	SCONE	02 6545 2288	A+
Export Abattoir (Beef Sheep Offal)		http://www.jbssa.com.au		
MANILDRA MEAT COMPANY PTY LTD	0087	COOTAMUNDRA	02 6940 1500	A+
Export Abattoir (Beef Sheep Goat Offal)		http://www.gmscott.com.au		
MONBEEF PTY LTD	0952	COOMA	02 6452 1783	A+
Export Abattoir (Beef Offal)		http://monbeef.com.au		
NARASELL PTY LTD	0090	JUNEE	02 6924 1230	A
Export Abattoir (Sheep Offal)				
NORTHERN CO-OPERATIVE MEAT CO LTD	0239	CASINO	02 6662 2444	A+
Export Abattoir (Beef Offal)		http://www.cassino.com.au		
SOUTHERN MEATS PTY LTD	0217	GOULBURN	02 4824 0000	A
Export Abattoir (Sheep Offal)		http://www.southernmeats.com.au		
TEYS AUSTRALIA SOUTHERN PTY LTD	0249	TAMWORTH	02 6764 6700	A+
Export Abattoir (Beef Offal)		http://www.teysaust.com.au		
TEYS AUSTRALIA SOUTHERN PTY LTD	0291	WAGGA WAGGA	02 6938 3220	A+
Export Abattoir (Beef Offal)		http://www.teysaust.com.au		
THOMAS FOODS INTERNATIONAL TAMWORTH	0394	TAMWORTH	02 6764 9900	A+
Export Abattoir (Sheep Offal)		http://www.countryfresh.com.au		
TOP CUT NEWCASTLE	10339N	SANDGATE	02 4964 7777	A+
Domestic Boning Room (Beef Sheep Goat Pig)		http://www.topcut.com.au/		

AUS-MEAT Accreditation Listing

TOP CUT SYDNEY PTY LTD	1399N	MARRICKVILLE	02 8594 2333	A+
Domestic Boning Room (Beef Sheep Goat Pig)		http://www.topcut.com.au		
WINGHAM BEEF EXPORTS PTY LTD	0154	WINGHAM	02 6591 1000	A+
Export Abattoir (Beef)		http://www.nh-foods.com.au		
YOLARNO PTY LTD	0218	INVERELL	02 6721 1411	A+
Export Abattoir (Beef Offal)		http://www.bindareebeef.com.au		

NT

HOLCO FINE MEAT SUPPLIERS	0001D	WINNELLIE	08 8947 3550	A+
Domestic Boning Room (Beef Sheep Pig)		http://www.holcofinemeatsuppliers.com.au/home/		
NORTHERN AUSTRALIAN BEEF LIMITED	0800	LIVINGSTONE	08 8947 5440	A
Export Abattoir (Beef Offal)		http://http://www.aaco.com.au/		
QUALITY MEATS PTY LTD	0202D	COCONUT GROVE	08 8948 4868	A+
Domestic Boning Room (Beef Sheep Pig)				

QLD

AUSTRALIAN COUNTRY CHOICE PRODUCTION PTY LTD	1620	CANNON HILL	07 3902 4141	A+
Export Abattoir (Beef Offal)		http://www.accbeef.net.au		
BALLYHIGH PTY LTD	101007Q	YANGAN	07 4664 8307	A
Domestic Abattoir (Beef Sheep Goat Pig)				
BEAK A LA CARTE MEATS PTY LTD	0565	MORNINGSIDE	07 3399 1099	A+
Export Boning Room (Beef Sheep)		http://www.alacartemeats.com.au/		
BEVALYN PTY LTD	0449	YAMANTO	07 3812 0600	A
Export Boning Room (Beef Sheep Goat Pig)		http://www.schulzswm.com.au/		
BIGGENDEN MEAT WORKS	3072Q	BIGGENDEN	07 4127 1180	A+
Domestic Abattoir (Beef Sheep Goat Pig Offal)				
BLENNERS WHOLESALE MEATS	103143Q	EL ARISH	07 4068 5280	A+
Domestic Abattoir (Beef Offal)				

AUS-MEAT Accreditation Listing

BRISMEAT WOOLWORTHS LTD	1928Q	IPSWICH	07 3202 2811	A+
Domestic Boning Room (Beef)		http://www.woolworths.com.au		
CHURCHILL ABATTOIR TRADING PTY LTD	0008Q	CHURCHILL	07 3812 9000	A+
Domestic Abattoir (Beef)				
GREENMOUNTAIN FOOD PROCESSING P/L	0194	COOMINYA	07 5426 5000	A
Export Abattoir (Beef Offal)		http://www.greenmtn.com.au		
HIGHCHESTER MEATS PTY LTD	0060Q	GLENEAGLE	07 5543 1350	A
Domestic Abattoir (Beef Sheep Goat Pig)				
HORIZON HOLDINGS (NQ) PTY LTD	0102	SOUTH TOWNSVILLE	07 4721 2721	A+
Export Boning Room (Beef Sheep Pig)		http://www.horizongourmetmeats.com.au		
JBS AUSTRALIA PTY LTD - ROCKHAMPTON	0384	NERIMBERA	07 4930 7819	A+
Export Abattoir (Beef Offal)		http://www.jbssa.com.au		
JBS AUSTRALIA PTY LTD - BEEF CITY	0170	PURRAWUNDA	07 4691 4200	A+
Export Abattoir (Beef Offal)		http://www.jbssa.com.au		
JBS AUSTRALIA PTY LTD - DINMORE	0235	DINMORE	07 3810 2152	A+
Export Abattoir (Beef Offal)		http://www.jbssa.com.au		
JBS AUSTRALIA PTY LTD - TOWNSVILLE	0004	TOWNSVILLE	07 4720 8018	A+
Export Abattoir (Beef Offal)		http://www.jbssa.com.au		
JOHN DEE WARWICK PTY LTD	0243	WARWICK	07 4660 2200	A+
Export Abattoir (Beef Offal)		http://www.johndee.com.au		
KILCOY PASTORAL COMPANY LIMITED	0640	KILCOY	07 5497 1277	A+
Export Abattoir (Beef Offal)		http://www.kpc.com.au		
MERAMIST PTY LTD	3416	CABOOLTURE	07 5495 3711	A
Export Abattoir (Beef Offal)				
NOLAN MEATS PTY LTD	0080	GYMPIE	07 5489 6888	A+
Export Abattoir (Beef Offal)		http://www.nolan.com.au		

AUS-MEAT Accreditation Listing

OAKEY BEEF EXPORTS PTY LTD	0558	OAKEY	07 4691 1277	A+
Export Abattoir (Beef Offal)		http://www.nmpa.com.au		
STANBROKE BEEF PTY LTD	0203	GRANTHAM	07 4697 6188	A+
Export Abattoir (Beef Offal)		http://www.stanbroke.com.au		
SUNPORK FRESH PROCESSING PTY LTD	0197	EAGLE FARM	7 3630 0666	A+
Export Boning Room (Beef Sheep Pig)		http://www.imtp.com.au		
TEYS AUSTRALIA BILOELA PTY LTD	0399	BILOELA	07 4992 8999	A+
Export Abattoir (Beef Offal)		http://www.teysaust.com.au		
TEYS AUSTRALIA MEAT GROUP PTY LTD	0007	NORTH ROCKHAMPTON	07 4930 5897	A+
Export Abattoir (Beef Offal)		http://www.teysaust.com.au		
TEYS AUSTRALIA BEENLEIGH PTY LTD	0294	BEENLEIGH	07 3287 2188	A+
Export Abattoir (Beef Offal)		http://www.teysaust.com.au		
THOMAS BORTHWICK & SONS PTY LTD	0067	MACKAY	07 4952 8888	A+
Export Abattoir (Beef Offal)		http://www.nmpa.com.au		
THOMAS FOODS INTERNATIONAL WALLANGARRA	0344	WALLANGARRA	07 4684 3455	A
Export Abattoir (Sheep Goat Offal)		http://www.countryfresh.com.au		
TOP CUT FOODS PTY LTD	2360	ORMEAU	07 5568 8888	A+
Export Boning Room (Beef Sheep Goat Pig)		http://www.topcut.com.au		
TOP CUT FOODS PTY LTD	0077	CURRUMBIN WATERS	07 5568 8888	A
Export Boning Room (Beef Sheep)		http://www.topcut.com.au		
WESTERN MEAT EXPORTERS PTY LTD	0101	CHARLEVILLE	07 4654 3311	A+
Export Abattoir (Sheep Goat Offal)		http://www.westernexporters.com.au/		

AUS-MEAT Accreditation Listing

SA

AUSTRAL MEAT	0001S	GEPPS CROSS	08 8349 6788	A
Domestic Boning Room (Beef Sheep Pig)		http://www.australmeat.com.au		
JBS AUSTRALIA PTY LTD - BORDERTOWN	1614	BORDERTOWN	08 8752 1233	A+
Export Abattoir (Sheep)		http://www.jbssa.com.au		
MEATPAK AUSTRALIA PTY LTD	0029S	CAVAN	08 8162 8400	A+
Domestic Boning Room (Beef Sheep Pig)		http://www.holcofinemeatsuppliers.com.au/home/		
PRIMO AUSTRALIA PORT WAKEFIELD ABATTOIR	0284	PORT WAKEFIELD	08 8867 1088	A+
Export Abattoir (Pig Offal)		http://www.primosmallgoods.com.au		
TEYS AUSTRALIA NARACOORTE PTY LTD	0423	NARACOORTE	08 8762 3988	A+
Export Abattoir (Beef)		http://www.teysaust.com.au		
THOMAS FOODS INTERNATIONAL LOBETHAL	0866	LOBETHAL	08 8389 6368	A+
Export Abattoir (Sheep Goat Offal)		http://www.tandrpastoral.com.au		
THOMAS FOODS INTERNATIONAL MURRAY BRIDGE	0533	MURRAY BRIDGE	08 8532 1955	A+
Export Abattoir (Beef Sheep Goat)		http://www.tandrpastoral.com.au		

TAS

GREENHAM TASMANIA P/L	0716	SMITHTON	03 6452 2701	A+
Export Abattoir (Beef Offal)		http://www.greenham.com.au		
JBS AUSTRALIA PTY LTD - DEVONPORT	0013T	QUOIBA	03 6424 7899	A+
Domestic Abattoir (Beef Sheep Pig)		http://www.jbssa.com.au		
JBS AUSTRALIA PTY LTD - LONGFORD	0195	LONGFORD	03 6391 1509	A+
Export Abattoir (Beef Sheep Offal)		http://www.jbssa.com.au		
TASMANIAN QUALITY MEATS PTY LTD	019	CRESSY	03 6397 6593	A+
Export Abattoir (Beef Sheep Goat Offal)		http://http://www.tasquality.com.au/		

VIC

ARARAT MEAT EXPORTS PTY LTD	0298	ARARAT	03 5352 3224	A
Export Abattoir (Sheep Offal)		http://www.araratmeatexports.com/		

AUS-MEAT Accreditation Listing

ASHTON PTY LTD	2306	SWAN HILL	03 5032 4000	A
Export Abattoir (Beef Sheep Goat Offal)		http://www.beef.com.au		
AUSTRALIAN LAMB (COLAC) PTY LTD	0282	COLAC	03 5231 9720	A
Export Abattoir (Beef Sheep Offal)		http://www.alcolac.com.au		
AUSTRALIAN LAMB CO. P/L	0689	SUNSHINE	03 9310 2726	A+
Export Boning Room (Sheep)		http://www.austlambco.com.au		
CEDAR MEATS (AUST) PTY LTD	0206	BROOKLYN	03 9314 4588	A+
Export Abattoir (Beef Sheep Goat Offal)		http://www.cedarmeats.com		
CENTRAL MEAT EXPORTS PTY LTD	3881	COOLAROO	03 9302 1041	A+
Export Boning Room (Beef Sheep)		http://www.centralmeatexports.com		
COLLINSON BONING PTY LTD	0300	BROOKLYN	03 9315 5555	A+
Export Boning Room (Beef)				
FINTEZ PTY LTD	3318	MORTLAKE	03 5599 2168	A
Export Boning Room (Beef Sheep)				
FREWSTAL PTY LTD	0053	STAWELL	03 5358 2844	A+
Export Abattoir (Sheep)		http://www.frew.com.au		
G. A. GATHERCOLE PTY LTD	0069V	CARRUM	03 9772 7011	A
Domestic Abattoir (Beef Sheep Goat Offal)		http://www.gathercole.com.au		
GBP AUSTRALIA PTY LTD	0224	POOWONG	03 5659 2280	A+
Export Abattoir (Beef Offal)		http://gbpexports.com.au/		
GREENHAM HW & SONS	0234	TONGALA	03 5859 0912	A+
Export Abattoir (Beef Offal)		http://www.greenham.com.au		
HARDWICKS MEAT WORKS PTY LTD	0043	KYNETON	03 5422 0400	A+
Export Abattoir (Beef Sheep Goat Offal)		http://www.hardwicks.com.au		
HY MOE MEAT PTY LTD	0205	MOE	03 5127 4000	A
Export Abattoir (Beef Offal)		http://www.moemeat.com.au		

AUS-MEAT Accreditation Listing

JBS AUSTRALIA PTY LTD - BROOKLYN	0688	BROOKLYN	03 9316 4726	A
Export Abattoir (Beef Sheep Goat Offal)		http://www.jbssa.com.au		
JBS AUSTRALIA PTY LTD - COBRAM	0397	COBRAM	03 5875 0100	A+
Export Abattoir (Sheep Goat Offal)		http://www.jbssa.com.au		
M C HERD PTY LTD	0013	CORIO	03 5275 0555	A+
Export Abattoir (Beef Sheep Offal)		http://herd.com.au		
MCC MEAT AUSTRALIA	0645V	DANDENONG	03 9706 5777	A
Domestic Boning Room (Sheep)				
MIDFIELD MEAT INTERNATIONAL PTY LTD	0180	WARRNAMBOOL	03 5561 3150	A
Export Abattoir (Beef Sheep Goat Offal)		http://www.midfield.com.au		
OAKDALE MEAT COMPANY PTY LTD	0334P	DANDENONG	03 9793 5933	A
Domestic Boning Room (Beef)		http://www.oakdalemeat.com.au		
O'CONNOR G & K PTY LTD	1265	PAKENHAM	03 5941 2033	A+
Export Abattoir (Beef Offal)		http://www.oconnorbeef.com.au		
PACIFIC MEAT SALES PTY LTD	0885	THOMASTOWN	03 9469 4409	A+
Export Boning Room (Beef Sheep Pig)		http://www.pacificmeat.com.au		
RADFORD R & SON PTY LTD	0021V	WARRAGUL	03 5623 5546	A+
Domestic Abattoir (Beef Sheep)		http://www.radfordmeats.com/Radfords/Welcome.html		
RALPHS MEAT COMPANY PTY LTD	0260	SEYMOUR	03 5735 0700	A
Export Abattoir (Beef Offal)		http://www.ralphsmeatcompany.com.au/		
RYAN MEAT COMPANY PTY LTD	0022	NATHALIA	03 5866 2320	A+
Export Abattoir (Beef Sheep Goat Offal)		http://www.ryanmc.com.au		
TABRO MEAT PTY LTD	1912	LANCE CREEK	03 5674 9300	A
Export Abattoir (Beef Offal)		http://www.tabro.com.au/		
TATURA ABATTOIRS PTY LTD	2261	TATURA	03 5824 1426	A
Export Abattoir (Sheep Pig Offal)		http://http://www.gathercole.com.au/		

AUS-MEAT Accreditation Listing

THE GAME MEATS COMPANY OF AUSTRALIA P/L	2019	EUROBIN	03 5756 2999	A+
Export Abattoir (Sheep Goat Offal)				
TOP CUT FOOD INDUSTRIES PTY LTD	0201	FLEMINGTON	03 8371 5402	A+
Export Boning Room (Beef Sheep)		http://www.topcut.com.au		
WAGSTAFF CRANBOURNE PTY LTD	0587	GARFIELD	03 5629 2506	A
Export Boning Room (Beef Sheep)		http://www.ralphsmeatcompany.com.au		
WAGSTAFF CRANBOURNE PTY LTD	2773	DANDENONG	03 9706 5299	A
Export Boning Room (Beef Sheep)		http://www.ralphsmeatcompany.com.au/		
WAGSTAFF CRANBOURNE PTY LTD	0046	CRANBOURNE	03 5996 0488	A
Export Abattoir (Sheep Offal)		http://www.ralphsmeatcompany.com.au		
WANGARATTA ABATTOIRS PTY LTD	0062V	WANGARATTA	03 5721 2349	A+
Domestic Abattoir (Beef Sheep Goat Pig)		http://www.gathercole.com.au/index.htm		
WODONGA RENDERING PTY LTD	0612	WODONGA	02 6055 0254	A+
Export Abattoir (Beef Sheep Goat Offal)		http://http://wodongaabattoir.com.au/		

WA

D & K HAGAN BROS PTY LTD	0041W	GREENOUGH	08 9923 1545	A+
Domestic Abattoir (Beef Sheep Pig)				
DARDANUP BUTCHERING COMPANY	0026W	PICTON	08 9780 6000	A
Domestic Abattoir (Beef Sheep Goat Pig Offal)		http://www.dbctalkabouttaste.com.au		
DERBY INDUSTRIES PTY LTD	0618	WOOROLOO	08 9336 0352	A
Export Abattoir (Pig Offal)		http://www.craigmostyn.com.au		
FLETCHER INTERNATIONAL EXPORTS	0008	NARRIKUP	08 9892 4003	A+
Export Abattoir (Sheep Offal)		http://www.fletchint.com.au		
GERALDTON MEAT EXPORTS PTY LTD	0177	MOONYOONOOKA	08 9923 3591	A
Export Abattoir (Sheep Goat Offal)		http://www.gmexports.com.au/		
GOODCHILD BROKEN MEATS	0118W	HAMILTON HILL	08 9336 2511	A+
Domestic Boning Room (Beef)				

AUS-MEAT Accreditation Listing

GOODCHILDS ABATTOIR Domestic Abattoir (Beef Sheep)	0015W	AUSTRALIND	08 9797 4100	A
HARVEY INDUSTRIES GROUP PTY LTD Export Abattoir (Beef Offal)	0648	HARVEY http://www.harveybeef.com.au	08 9729 0000	A+
HILLSIDE MEAT PROCESSORS PTY LTD Export Abattoir (Sheep Goat Offal)	0083	NARROGIN http://www.hillsideabattoirs.com.au	08 9881 1016	A
KIMBERLEY FREERANGE BEEF PTY LTD Export Abattoir (Sheep Goat Offal)	0610	GINGIN http://http://www.yeeda.com.au/index.phtml	08 9575 7503	A
MIDWEST BEEF PROCESSORS PTY LTD Export Boning Room (Beef)	2219	HAZELMERE	08 9352 8733	A
SHAGAY PTY LTD Export Boning Room (Beef Sheep Goat)	0089	OSBORNE PARK http://www.wmpg.com.au	08 9241 4600	A+
SHARK LAKE FOOD GROUP PTY LTD Export Abattoir (Beef Sheep Goat Offal)	1459	ESPERANCE	08 9076 1245	A
V & V WALSH Export Abattoir (Beef Sheep Offal)	0686	BUNBURY http://www.vvwalsh.com.au	08 9725 4488	A
WELLARD ANIMAL PRODUCTION PTY LTD Export Abattoir (Sheep Goat Offal)	0369	BEAUFORT RIVER	08 9862 5055	A
WEST AUSTRALIAN MEAT MARKETING CO-OP LTD (KT) Export Abattoir (Sheep Goat Offal)	0572	KATANNING http://www.wammco.com.au	08 9821 2000	A+
WESTERN MEAT PROCESSORS PTY LTD Export Abattoir (Beef Sheep Goat Offal)	0968	COWARAMUP	08 9755 5331	A
WESTONE PTY LTD Export Abattoir (Sheep Goat Offal)	119	TAMMIN	08 96371100	A
WITAN HOLDINGS PTY LTD Export Abattoir (Beef)	113	GINGIN	08 9575 2166	A

AUS-MEAT Accreditation Listing

WOOLWORTHS BUNBURY MEAT CENTRE	0129W	PICTON	08 9725 4844	A+
Domestic Boning Room (Beef)		http://www.woolworths.com.au		

AUS-MEAT Accreditation Listing

NEW ZEALAND

NI

AFFCO HOROTIU	ME023	HOROTIU	64 7 829 9500	A
Export Abattoir (Beef Offal)		http://http://www.affco.co.nz		
AFFCO IMLAY	ME039	WANGANUI	64 6 349 2400	A
Export Abattoir (Beef Sheep Offal)		http://http://www.affco.co.nz		
AFFCO MANAWATU	ME032	FEILDING	64 6 323 4199	A
Export Abattoir (Beef Offal)		http://http://www.affco.co.nz		
AFFCO MOEREWA	ME047	MOEREWA	6494040082	A
Export Abattoir (Beef Sheep Offal)		http://http://www.affco.co.nz		
AFFCO RANGIURU	ME056	TE PUKE	64 7 573 0034	A
Export Abattoir (Beef Sheep Goat Offal)		http://http://www.affco.co.nz		
AFFCO WAIROA	ME042	WAIROA	64 6 838 8139	A
Export Abattoir (Beef Sheep Goat Offal)		http://http://www.affco.co.nz		

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Schedule 2

New plants and upgrades

- 1 Planned new processing plants slated for Toowoomba, Townsville, Emerald, Roma, Etheridge and northern Queensland (Cloncurry, Charters Towers, Julia Creek or Hughenden);
- 2 A joint venture between the Churchill, Queensland abattoir and a Chinese company proposing a \$35 million plant upgrade to double throughput to 6,000 head per day;
- 3 Argyle Prestige Meats constructed a new meat processing facility at Bomaderry, NSW in December 2014 having a reported capacity of approximately 350 head per day. This followed Manildra purchasing a 50% stake in Argyle earlier in 2014;
- 4 In November 2014 AACo commenced operations at its abattoir (known as Livingstone Beef) south of Darwin, NT. It is expected to process 1,000 head per day once at full capacity (it is currently in a phased ramp-up of production). The abattoir was a greenfield construction costing a reported \$91 million;
- 5 In June 2014 Manildra purchased the GM Scott beef and lamb abattoir at Cootamundra, NSW. It was reported that Manildra would expand beef processing throughput to approximately 1000 head per week;
- 6 in April 2014 it was reported that Joe Catalfamo (the owner of Tasman Group which sold six southern plants to JBS in 2008) led a group of investors to purchase the Castricum Bros abattoir at Dandenong, Vic (1,000 cattle per day) and the Deniliquin, NSW abattoir;

Plant re-openings

- 7 In December 2014, it was reported that negotiations were underway for the purchase of the Coonabarabran, NSW abattoir which closed in 2012;
- 8 In November 2014, the Hilltop Meats abattoir at Young, NSW reopened after having been closed in 2010. A reported \$10 million was spent in upgrading the site;
- 9 In August 2014 it was reported that the Forbes Shire Council, NSW was in discussions with a consortium of local and international interests to reopen the Forbes, NSW abattoir which closed in 2003;
- 10 In February 2014, the Oberon, NSW abattoir reopened having been closed in 2012;
- 11 In November 2013, Joe Catalfamo purchased the Deniliquin, NSW abattoir which had been closed since 2007. It was reported in August 2014 that the NSW government had provided a grant of more than \$1 million to assist with the refurbishment and upgrade of the plant. The plant is to reopen this year;
- 12 In January 2012, Northern Co-operative Meat Company was reported to have purchased the Ramsey Group abattoir at South Grafton which had been closed by Ramsey in October 2011;
- 13 The Coonamble, NSW abattoir was closed in 2001. It was purchased by new owners in 2012 and is reportedly currently undergoing an extensive refurbishment after being closed for so long;
- 14 In early 2007 the Cowra, NSW abattoir was reopened following it entering liquidation in 2006. It was sold for a reported \$2 million;
- 15 In July 2004, Teys Bros reopened the Lakes Creek, Rockhampton, Qld abattoir. The abattoir was then the second biggest in the country. The plant was closed in 2002; and

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- 16 In December 2003, Fletcher International Exports purchased the 800 head per day Mudgee, NSW abattoir which had been closed earlier that year.

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Schedule 3

Media coverage

19 May 2015

Beef Central

Great Southern producer premiums approach \$22m, as brand program gains 'real momentum'

By Jon Condon

PREMIUMS to beef and lamb producers aligned with Australia's largest farm-assured brand program have topped \$21.5 million over the past 18 months, as processor JBS Australia moves to further expand its successful Great Southern brand program.

In launching Australia's only multi-species grassfed/natural brand program 18 months ago, JBS has quickly established a strong position in the global meat supply chain for the brand, which has in turn yielded attractive rewards for all involved in the supply chain - particularly livestock producers.

Producer premiums on cattle have averaged 47c/kg since the program was launched in January last year, averaging about \$130 a head, a gathering of producers attending a JBS Great Southern supply chain forum on Friday were told.

Beef premiums paid have topped \$18 million, representing about 135,000 head of cattle, while premiums to Great Southern's lamb suppliers have totalled \$3.5 million, across 710,000 head of lambs meeting compliance with the JBS Farm Assurance Program.

Production numbers continue to climb as JBS builds a solid customer base for Great Southern and King Island branded grassfed beef products around the world, among customers who are searching for the various animal and on-farm management practices that the program guarantees.

The main consumer-driven attributes behind the brand include its pasture-fed/free range status; no GMO, antibiotics or HGP; and its third party on-farm audit to ensure compliance.

JBS confirmed on Friday that its newly-acquired Scone abattoir in NSW will adopt a Great Southern kill, further enhancing volume and the program's ability to produce year-round supply. Strong and growing export and domestic demand has also prompted JBS to recently re-open applications for a limited number of additional beef producers to join its farm-assurance program.

Marking the program's considerable success across its first 18 months of operation, JBS hosted almost 400 aligned beef and lamb producers from across Victoria, southern NSW and eastern South Australia for a day-long forum and awards dinner in Melbourne on Friday.

The event was swept along by a remarkably positive, upbeat vibe among all stakeholders present, which was clearly evident in presentations and questions and comments from participants.

"To see a turnout like this tells me a couple of things: livestock pricing is good, and the industry is going well," JBS Southern chief operating officer Sam McConnell said in his opening address.

"That's what we set out to do when we first started the Great Southern program: engage the producers, processors and our end-users in one continuous cycle. We think we've achieved it," he said.

"The more we all put into this sort of program, the greater the long-term benefits to all along the supply chain will become."

Mr McConnell said JBS continued to work hard to build the farm-assured brand program through both domestic and export beef marketing channels, in both retail and food service. Close to 80pc of Great

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Southern beef production was currently going into export, while in lamb, the percentage was about 60pc.

One of the speakers at Friday night's Great Southern Supplier Awards dinner was Dan Marshall, whose large Texas supermarket chain has engaged heavily with Great Southern beef and lamb as a customer.

Numbers rise

JBS supply chain manager Mark Inglis said there was now about 3000 cattle per week being processed for the Great Southern/King Island programs at the company's Brooklyn (Vic) and Longford (Tas) plants. Lamb numbers were currently 12,000 per week, through Bordertown, Cobram and Longford.

Currently there are 1405 beef and 863 sheep properties engaged in the farm assurance program.

"It has grown exponentially, and has blown us away by how successful it has been," Mr Inglis said. "The lamb side has been going a little longer, but the beef program has only been in existence for 18-20 months, so to see that many producers engage in that short space of time has been unbelievable," he said.

Calculations suggested there were 380,000 beef cows currently run on properties engaged with Great Southern supply, representing roughly 2.8pc of the Australian beef herd. For lambs, there were about 2.04 million breeding ewes engaged, or about 5pc of the national flock.

"That's a huge result, in a very short period of time," Mr Inglis said.

Under the Great Southern farm-assured process, there had so far been 814 farm audits carried out by independent auditors, Assured Quality. All are paid-for by JBS itself, rather than the producer. That audit list so far includes 528 cattle properties and 286 sheep properties.

Growth in meat trade

From the meat sales side of the equation, JBS Southern's meat sales manager, Rob Ryan, said the participating JBS processing plants, the producers engaged in the program and the customers – both within Australia and overseas – had "really taken ownership" of the farm assured program.

"For customers, it ticks all the boxes – grassfed, premium eating quality, no HGP or antibiotics," he said. "The farm assurance process, ISO accreditation and third-party auditing adds a great deal of integrity, in the customers' eyes. It's something our customers value greatly."

While Great Southern lamb sales volumes for March were more than 150 tonnes, and beef sales of 1400t for the month, Mr Ryan said the program was "still only just scratching the surface."

"The hot talking-point around the world is Natural foods, and only 18 months into the program, the growth has been amazing," he said.

In Australia, Great Southern and King Island brands were finding good penetration in the food service and wholesale/retail segments, with a heavy focus on restaurants and retailers who wanted a natural, premium offering.

Overseas, particularly the US which had become a leading market, plus the EU, Middle East and elsewhere, the brands were gaining wide support in retail and hotel/restaurant-type food service outlets.

In terms of future opportunities for Great Southern, Mr Ryan highlighted a number of plans:

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JBS was moving towards developing a farm-assured grassfed cow manufacturing beef segment, which would add further momentum to available price premiums by targeting the premium-end hamburger market .

Additional brands were being developed, such as the King Island beef and Redgum lamb, also underpinned by the same farm assurance program.

Around the world, there were still other untapped emerging markets for farm-assured premium grassfed beef and lamb, and there was still great potential in the Australian market. Japan and Korea were “only just starting to think Natural,” Mr Ryan said.

Existing customers had had great success with only limited lines of Great Southern product, leaving opportunity to expand their exposure into other cuts. “They’ve had so much success that they want to widen their range, using this type of meat – whether it’s a simple primal cut or value-added products,” he said.

Mr Ryan said a constant message coming back from Great Southern customers around the world was that they identified very strongly with the livestock producer, and the passion they had for delivering such a product. “We (JBS) are really just the middle-men, creating the opportunity,” he said.

Mark Inglis said Great Southern was a true ‘program business’, meaning the company needed a certain number of cattle and lambs, each week, year-round, to fill containers for customer orders.

“It does get sticky from time to time, seasonal cycle-wise, but looking at the location of properties engaged in the program, they are geographically spread across four states to minimise that impact,” he said.

“By and large, turnoff starts in the Upper Murray back in August/September and follows the highway down as it gets closer to Christmas, before spreading out across south eastern Australia. Tasmania is a further month behind the mainland, in the peak of its turnoff cycle,” he said.

One of Friday’s forum presentations was made by George Innes, from Hassad’s western Victoria grazing property near Strathdowney. He gave an account of how he has greatly broadened his turnoff window for Great Southern by filling feed gaps using selective dairy-pasture type establishment and management techniques, and adopting newer high-performance ryegrass varieties. One large consignment of Charolais cross Strathdowney steers at the end of August last year achieved a 97pc compliance rate against Great Southern program specs.

Consumer demands

JBS Australia chief executive Brent Eastwood told the gathering he was pleased with the response to the company’s plans to extend the program, which offered improved profits and many other benefits for farming families aligned with JBS in Australia.

“Consumers are increasingly demanding red meat that has been grown in a safe, responsible and ethical manner to the highest standards for animal welfare, both on-farm and also during transportation and handling,” Mr Eastwood said.

“Our program matches that demand with the unrivalled capability and capacity of the Australian livestock sector to produce red meat to specification, and in return attract a significant premium. It’s a real example of producers and a processor working together to deliver higher farmgate returns,” he said.

“Our suppliers appreciate the year-round security of a relationship with the Great Southern program and the guarantee of knowing the initiative actively encourages sustainable farming practices which will contribute to the long-term viability of the family farm.”

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Industry collaboration

Part of Friday's supply chain forum involved educational sessions on a range of topics that JBS has been partnering with industry on, including analysing lean meat yields, objective carcass measurement and enhanced feedback in lamb and beef with Meat & Livestock Australia, to a project with the Victorian Department of Economic Development aimed at creating year-round grass-fed production.

The underlying theme of all the presentations was fostering best practice production and profitability across the program.

JBS acknowledged the support of MLA, Sheep CRC and the Victorian Department of Economic Development in establishing strong foundations for the Great Southern program and helping to foster much closer relationships between producer and processor, to the benefit of all.

MLA had a strong presence at the forum showcasing its Livestock Data Link (LDL) system (see yesterday's launch report).

"Industry collaboration through initiatives such as the Great Southern Farm Assurance program is integral to developing long-term trusted relationships right across the supply chain," Mr Eastwood said. "That applies from our producer partners through to the end-users in the food service and retail industries."

The JBS Farm Assurance program had been developed by understanding the specific requirements of consumers, customers and producers around the world.

"We take our hat off to all of our program members who are producing the world's best, naturally raised beef and lamb, and look forward to continuing to raise the bar of the Great Southern program."

MLA managing director Richard Norton congratulated JBS and its collaborative partners on the success of the Great Southern program.

"MLA has faced a lot of criticism in the last 12 months, but it's worth noting that MLA has worked closely with JBS in its brand development strategy for Great Southern," he said.

"Your industry supports co-investment in successful brand programs like this," he told lamb and beef producers in the audience.

"We also announced the launch of Livestock Data Link during the forum - a method to get clear messages back to producers about carcass performance and carcass traits, to help them benchmark to further improve performance. JBS is the first adopter of the new LBL program."

"Introducing ways to take subjective carcass assessments out of the system and making them objective was also discussed today - again, a program supported by your industry levies.

Drawing on the strong underpinning role that MSA plays in delivering consistent eating quality under the Great Southern brand, Mr Norton said he still occasionally heard the criticism that the industry had spent \$98 million on the grading system's development.

"But last year, in beef alone, MSA returned \$213 million worth of value to the industry. That was worth 29c/kg between a carcass grading MSA, and one that didn't."

In-plant robotics systems, of which JBS is one of the first adopters of new technology on a major scale, was also showcased during the forum - a project funded through the MLA donor company - not producer levies.

"I suppose today is about the new world - and you, as part of this brand program, are a part of that new world. I think in talking to you, I'm talking to the converted," Mr Norton said.

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"I spent 25 years as a stock agent. But to me, the days of just ringing up and getting a price for your stock are gone. If you are not aligned with a brand, a processor or a supply chain manager that shares the ideal that the global consumer now has for beef, then you are gone. This is the new world," he said.

"I ask the people in this room - who I believe must be at the forefront of this industry, because you are in this program - to start taking some notice of some of these big changes coming through the industry, around the systems that we have."

19 May 2015

Beef Central

Producer views on Great Southern program

By Jon Condon

More than 400 beef and lamb stakeholders engaged in JBS Australia's Great Southern farm-assured supply chain program came along for a supply chain forum and supplier awards dinner in Melbourne on Friday.

The gathering drew committed beef and lamb suppliers from across the Great Southern program's mainland catchment area extending from Central NSW across Victoria, and into eastern regions of South Australia. Tasmanian suppliers held their own supply chain dinner towards the end of last year.

Here's a quick snapshot of thoughts on the JBS Great Southern program, from a sample of producers in attendance:

David Allen, Boorook, Mortlake:

As a self-confessed 'believer in pasture fed beef', Mortlake's David Allen said while the broader beef market was pretty hot at present, there was still a genuine premium well above that for cattle eligible for Great Southern's certified pasture fed program.

"It was hard to imagine, even a year or two ago, that premiums and demand like this would be seen for grassfed beef," David said. "But brands have become a major selling point in beef, especially in the pasture fed segment."

Having undergone a Great Southern QA audit a few months ago, David said it was "no great drama."

"We were involved in Cattlecare, years ago, so we were familiar with the process and the need for record-keeping. It's all stuff we probably do anyway, and is a small price to pay to access premiums like these. The advantage of the JBS program is that we don't have to pay for the audit fee."

"We were EU accredited for years and years, and we used to say it was worth a 30-50c/kg premium over conventional cattle. This Great Southern program is more," he said.

Aaron Margery, Rocky Point, Barnawatha:

Wodonga district beef producers Aaron Margery (pictured) and his father Geoff have been aligned with Great Southern since the program started 18 months ago.

The have shifted emphasis in their grazing operation from producing mostly feeder steers for feedlots, to grassfed finished cattle for the Great Southern program, slaughtered through Brooklyn.

"The attraction for us was very much the premiums on offer," Aaron said.

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“There’s a little bit of work to start with to become accredited, based on the criteria. But there was nothing that was too hard to achieve. In our operation alone, the premiums we received last year through Great Southern could have been \$50,000, on 1100-odd cattle,” he said.

Aaron said he saw a strong sense of collaboration emerging through the supply chain, as a result of the success of the Great Southern program.

“Everybody is trying to work together, for collective good,” he said. “It’s a good thing that JBS is doing, because in the past we have not had anywhere near as much feedback and help from processors, to try to improve performance. This is different.”

“I’m excited about the new Livestock Data Link process, and looking forward to using it. The more feedback and benchmarking we can get, the better.”

George Innes, Kalaebro, Strathdowney:

“For us, the premiums attached to the Great Southern program has opened up another stream of income that has enabled us to develop this property closer to its potential,” George said.

“I saw the top of the grid last week – well over 500c/kg – a level which the lamb prices at times struggle to achieve,” he said.

“It’s a matter of finding a grazing and pasture system that works for you and your farm. If you have somebody who is prepared to pay the sort of money that Great Southern does for beef, we believe we can eventually perhaps triple the production achieved off this property, from where it started.”

“We’ve managed to extend the growing season, with ryegrass varieties and new farming practices from April all the way to November or even December. For the long hot summers, we rely on silage for 35-40pc of our production. That’s a better growing season even than dairy farming country in New Zealand.”

The property will turn off around 800 head this year, aiming for 300kg carcass weights over an extended turnoff period. The first 400 of this year’s steers will be ready to roll within the next six weeks, selling through to later in the year.

Bill Bray, Yaringa, Walkerville

Former Cattle Council of Australia president Bill Bray said he had always been interested in both the integrity delivered through on-farm quality assurance systems, and grassfed production.

“To have a large brand program that combines both, and backed by the MSA grading system to underpin quality, is a great step forward,” he said.

As one of the founders of the pioneering ‘Gippsland Natural’ program many years ago, Bill said he was a great believer in pasture fed beef.

“One of the real advances I’m seeing now is the communication and enthusiastic engagement between producer and processor,” he said. “This morning we heard from McDonald’s and Andrews Meats about how they can value add products for consumers across the world. There’s an increasing appetite for a Natural grassfed beef burger across the world, which will help utilise the whole carcass.”

“I hope to see the demand continue to grow for our grassfed product, and JBS, through its Great Southern brand continue to reward producers, as they have been.”

“All other things being equal, we’re looking at 40-50c/kg over and above a generic MSA steer for our Great Southern cattle. On a 300kg animal, that’s worth close to \$150 a head,” he said.

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“I’ve got big inputs at home through fertiliser use, animal health requirements and so on, but through this program I’m getting well-rewarded for making sure I have an animal that meets their specification, and which is underpinned by the audit process.”

“This interaction today in Melbourne has been first class – producers have access not only the cattle buyers, but the meats sales team who can tell us how the product is going in the marketplace, meat scientists and others.”

“There’s a lot more producers who are getting the confidence to ask the questions they needs answers for to improve their performance. It’s about that engagement.”

“Regardless of how high this general cattle market goes this year, JBS has committed to be in the market and competing on these cattle, at a strong premium.”