

Revolution in the Australian Beef Industry:

Blackmore Yadnarie has the exclusivity to market Wagyu cattle from the foundation herd in the USA.

Introduction

The herd comprises animals of different Wagyu purity ranging from 1/2 breeds (50%) to 63/64 (or 98.44%). Our aim is to collect embryos from those females that are 7/8 purity which will produce embryos 15/16 purity or 4th cross. This purity has been deemed by most Breed Societies as the acceptable purity level. Cattle exhibit the breed characteristics at this level.

Following is a brief history of the Wagyu breed of cattle, and the advantages and possibilities of the Wagyu breed after we have introduced them into Australia.

The Wagyu cattle are the native breed of cattle in Japan. The beef produced by the Wagyu is better known in Australia as 'Kobe beef'. About 80 years ago a few generations of British and Continental breeds were combined with native cattle to produce the Wagyu. Since then no infusion of outside blood has been allowed. The Wagyu genetics are not exported in any form (live, cattle, semen or embryos) from Japan. The cattle and carcasses are sold at extremely high prices; the average price for carcasses wholesale is \$18.00/kg. Compare this with the best Australian beef currently being exported to Japan at \$7.00/kg. The top Wagyu (A4-A5) sells at \$30.00/kg. This makes a 400kg dressed carcass worth in the vicinity of \$7,000 to \$8,000. The Wagyu market is a 'niche' market and no other countries are exporting this type of meat to Japan at this stage.

Wagyu beef is eaten at special occasions or at banquets and 13.7% of the beef sales in Japan are Wagyu beef. Australia currently exports beef to Japan and this goes into the lower quality end (20.7%) of the market. By the introduction of Wagyu genetics and feedlot feeding, we will certainly lift our quality and fit into the middle market (65.5% of beef sales).

This is the market and price range that is increasing in consumer demand in Japan (up 10.7% 1984 – 1989). Wagyu cattle in the USA under normal feedlot conditions have produced A4 quality carcasses, which puts them in the real top end of the market.

The June 1990 AMLRDC Report states that if we can lift our carcass quality into the next market segment, then on the current export sales Australia would receive an extra \$200 million in increased revenue for the same amount of beef exported.

In 1976 a mystery surrounds the introduction of four Wagyu bulls into the USA for research purposes. No other genetics had been exported before or since and the Japanese Wagyu Breed Society does not admit to the existence of these four bulls. Since then a small herd of Wagyu cattle has been bred from an Angus base and is now owned by two partners who trade as Wagyu Breeders Inc. A third party (Kobeef Intl) owns a much smaller group of cattle that originated from White Face and Charolais cattle. This herd has the problem that after four generations it still does not breed true black cattle, as do the cattle owned by Wagyu Breeders Inc (86% of beef cattle in Japan are black Wagyu, 10% are brown Wagyu and the balance is made up of other breeds and imported fattener cattle. There are two million beef cattle and 1.6 million dairy cattle in Japan). The herd owned by Wagyu

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Breeders Inc has 6th cross cattle on the ground = 63/64 or 98.44% purity. Most Breed Societies consider 15/16 or 93.75% as purebred cattle.

Japanese Beef Market

In May 1991 the Japanese beef market became liberalised and hence Australia is in the box seat to capture a large share of this market. Australia is the largest exporter of carcass meat and live cattle to Japan. The USA is our largest competitor but their cost of production is more expensive than in Australia. We must improve the quality of our meat to stay competitive. The USA is achieving a bigger percentage gain per annum than Australia at the moment, mainly due to quality. We can stay competitive in two ways:

1. Grain feed our cattle in feedlots to 'finish' the quality after being grass fattened.
2. Introduce Wagyu genetics to increase yield, fat and meat colour, marbling and texture.

(The above does not only apply to the Japanese market but also to the Korean market as they have similar eating habits and demands as the Japanese.)

Wagyu cattle have many advantages for the Australian producer who wants to supply the Japanese market:

- Japanese prefer Wagyu bloodlines; they sell slaughter cattle with a pedigree.
- Wagyu meat marbles better than any other breed.
- The fat colour on older cattle stays whiter and brighter.
- The meat stays pink and bright.
- The meat has finer texture.
- They have a very low birth weight calf at 25kgs. They will be used to join virgin heifers to improve calving ease.
- Because of the low birth weight of calves and demand for F1 Wagyu cattle, Wagyu bulls will be the preferred mating by dairy farmers who choose to use a beef bull (week old Wagyu calves in Japan sell at \$3,650 for males and \$3,220 for females).
- Wagyu F1 cattle will be the preferred selection of feedlots selling to Japan.
- Wagyu cattle will be sought after as the preferred live export cattle to Japan.
- Because Wagyu females tend to 'dissolve' the sinew and gristle that is present in traditional females after 3-4 calves. A Wagyu female yields more than males do. The 'chopper' cow now becomes as valuable as steers or bullocks. Wagyu tend to take a little longer to mature than traditional cattle, but the Japanese prefer to eat meat from cattle 18-30 months of age, as a stronger taste is evident in the meat.

Now on the home front!

Research in the USA on Wagyu cattle has shown not only does the sinew and gristle dissolve, but more red fibres in the muscle are evident. It has been shown that this red fibre stores the fat that produces the marbling in the meat. This fat that the red fibre stores is unsaturated which means Wagyu cattle produces cholesterol free fat. Imagine marketing beef on the domestic market that has less cholesterol in it than other beef. Already in the USA a very successful 'Lite Beef' programme has emerged, with this Lite Beef Company being the official suppliers of beef to the USA Olympic team. In Australia one of Australia's largest supermarket

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chains has ordered Wagyu semen and embryos to be ahead of its competitors. So far, they have joined over 2000 Angus and Murray Grey cattle to produce F1 calves.

I believe that I have explained without any doubt that we are about to see a revolution in the Australian beef industry. The demand for genetics will be at a premium and the first people involved will be in a great position to take all of the advantages that this has to offer. We have the Australian exclusivity on marketing the genetics from Wagyu Breeders Inc.

I can confirm that embryos will average approximately AUD \$3,500 to AUD \$3,800 (depending on exchange rates).

As long as the promised Quarantine protocol is changed slightly we will have approximately 400 embryos available for importing into Australia in 1992.

At this stage the protocol has not been changed. The last word is that it should be changed by the end of March. Under present protocol only 180 embryos would be available for Australia.

Terms of payment on the embryos will be 20% deposit upon order, 40% when embryos are collected and 40% when the embryos arrive in Australia. Insurance for a 30 day old calf is an additional 6%.

If you are familiar with embryo transfer work you must realise that it is important to consider averages when budgeting. Some females will produce no pregnancies, some will produce many, but experience tells us that we can expect an average of approximately 3 pregnancies per flush over a large number of donors.

Research in the USA has shown the 3/4 purity Wagyu steers fattened under normal USA feedlot conditions (not the traditional Japanese style) for 300 days have reached the required 400kg carcass weight and have produced to an A4 quality carcass.

Costs could be considerably reduced if we can produce these results in Australia. Instead of Wagyu cattle on feed for 550 days, they need to be on feed for 200-300 days.

This job is about to explode. Itoham, a large Japanese Corporation, has been using one of the USA Universities to experiment with the USA Wagyu genetics. Twelve steers were killed in March with half of each carcass being sent to Japan and the other half of each carcass being kept in the USA for experiments. Itoham, last July, sent 200 F1 Wagyu x Angus steers by air to Japan to group out in the traditional Japanese style. They have bred over 700 Angus cows to Wagyu semen to begin next year's project.

The results of three trials accompany this report.

1. Texan A&M University feeding for marbling 12, 3/4 and 7/8 Wagyu steers.
2. Washington State University feeding for Japanese acceptable quality 3, 7/8 Wagyu steers sent to Japan in carcass form.
3. Texas A&M University feeding for marbling 48, F1 Wagyu steers.

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No decision need be taken on which way the project should head until at least two years have passed and at that stage we can judge what effect the liberalising of the Japanese beef market has had on price. Experts in Japan and the AMLC suggest that as we will have very limited competition in the 'top end' of the market, that this price per kilogram will be the least affected.

I believe this to be a great opportunity to get in on the ground floor, whether it be by the purchase of embryos or the purchase of live cattle.

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