The Australian Wagyu Industry:

"What stage is Wagyu beef production at in Australia and how will it impact on the Japanese beef industry and its farmers?

Introduction

I read with interest the list of your names and the prominent positions you hold in your various organizations and quickly realised that this was a very important mission to Australia. I feel privileged to be able to show you some of the Australian Wagyu industry. I am a sixth generation Australian farmer. I have been lucky enough to visit Japan, which I enjoy very much, eight times in recent years.

I have been involved with Wagyu cattle since 1988 when I 'discovered' the American Purebred cattle at Texas A&M University, that were owned by the USA pioneer breeder Mr. Don Lively. Since then our company has been involved in the importation of about 80% of the imported Wagyu genetics into Australia.

Throughout this time I have tried to learn about the Wagyu cattle industry. It is a complex industry and breed, and very much different form raising traditional beef cattle in Australia. I hope that I may have time to learn from you on this trip.

When you return home to Japan you may be required to make reports and give options to your various organisations and you will be asked by every Japanese beef farmer you talk to "Will those Aussie beef producers flood our market with Wagyu beef and send us bankrupt? What will the future bring?" Important questions, but perhaps the questions not only have an economic agenda but also a social one.

It is for this reason that I see Japan and Australia having many issues in common; Japan produces the best quality beef in the world, and Australia produces the best quality wool in the world.

Some of the reasons are:

1. Genetics
2. Environment
3. Management

In fact, I often compare Japanese black cattle breeding with merino sheep breeding. We have many different types of merinos that have been developed in different regions to match environmental conditions and management procedures. They range form big frame sheep that have plain bodies, with wool that is coarse (24 micron) with a longer staple. These sheep suit harsh grazing conditions. Then they change to smaller merinos that have been bred for fine softer wool (14 micron). These sheep take much more husbandry and do not have a good constitution. There are distinct breeds within the breed. I hope you can see some

similarities with your Japanese black cattle, where I see breeds having been developed within the breed and then this can be broken down further into distinct strains and bloodlines, from different regions.

Because Australia has the best wool in the world, our government has sought to protect the hundreds of years of breeding and investment that our forefathers have made, and to protect the future viability of our future industry and farmers.

Australia's policy is that male sheep and semen may be exported, but there is a ban on the export of female merinos. Sheep embryo transfer is not practised as extensively as cattle, for it is a surgical procedure and very expensive.

The social issue is a much more complex one. Farming in Australia gives a low economic return to its participants. The average age of Australian farmers is increasing dramatically. Their children all want to move to the city for a much easier and profitable way of life. I have four children who have all been to Melbourne Universities, none to do Agriculture related degrees and I do not expect any of them to carry on our farming business.

For the boys that wish to take over from their fathers, it is hard for them to find a wife. The women see farming as harsh and they will be tied to the farm working long hours or working off the farm so that their wages can be returned to the farm to keep it economically viable. Our country towns are dying as the young people move to the cities.

In September 1999, I was fortunate to attend an International Workshop on Sustainable Agriculture in Matsue City and learnt first hand of the similar situation not only in Japan but also in many European countries. If our rural people move to the cities we lose our heritage, our culture, plus cause economic and unemployment problems in the cities. As importantly we lose a great knowledge base and teachers in agriculture, as our young people move out and our farmers die of old age.

So now it is time to address the question; "What stage is Wagyu beef production at in Australia and how will it impact on the Japanese beef industry and its farmers?

Japan has many hundreds of year's knowledge of breeding Wagyu cattle and since the mid 1970's the profitability of the industry has increased dramatically. Genetic gain through herd recording, progeny testing, carcass assessment and grading put Wagyu cattle at the forefront of beef breeding in the world. You now have a tremendous and reliable genetic base to work with. Your management practice have been researched, tried and proven to suit Wagyu cattle. Most of your farmers are progressive and efficient. Farmers, who do not use all the tools available to them, are inefficient and will not survive.

Australian Wagyu breeders have a very small and limited genetic base to use. Firstly, we cross Wagyu with Angus cows, on which we have very limited and unreliable data. We produce an F1 by an unproven sire. I don't need to explain how long it takes to prove a sire.

We are running our own sire evaluation scheme, probably the only creditable one in Australia. We are proving most sires that were exported live from Japan along with 20 other sires that have originated from sires and dams born in Japan, but the bulls were born in Australia. This scheme is at least 30 years behind your programs in Japan, is limited by funds and is privately run (no

government subsides), and will never catch up to the reliability you have in your Japanese data. So you can see that we have started with a real disadvantage.

I estimate that less than 35% of Australia's F1 cattle are currently making the Japanese B3 market. Disillusionment is quickly becoming evident amongst Japanese feedlots and Australian F1 producers, as early indications were that all Wagyu Angus F1 were destined to make the Japanese B3 market.

Currently in Australia, F1 producers receive AUD $2.50kg (Yen 150/kg) live weight on farm for 300-350kg F1 steer @ 12-15 months of age. With the recent increase in domestic prices, 100% Angus steer of the same description is worth AUD $2.10kg (Yen 130/kg).

Most feedlots are reluctant to take F1 females to put on feed and these cattle sell for slightly less than an Angus female. So the premium to breed Wagyu F1 is small and many Australian cattle producers believe that the premiums are too small to take the risk to breed F1.

Currently I feel that less F1 cattle will be produced over the next few years than what is currently being produced this year.

As you would be well aware, Australian farming conditions are much different to Japan. Cattle are grazed on pasture. It is cheap, and the only way economically we can survive. Little to no grain is provided, but some hay is fed to supplement the pasture when grass quality and growth is poor. Because beef farming in Australia is seasonal, and relies on climatic conditions it gives a variable and unreliable result in calf growth.

I have found that the different strains of Wagyu produce much different results in F1 calves. Our calves are generally raised on their mothers until 9-10 months of age. Some Wagyu strains don't produce enough milk and do not have the capacity to consume large quantities of pasture needed to get daily nutrient requirements. These F1 females not only produce a poor quality F2 calf, but because they lose body weight they fail to calve again within 12 months.

We are identifying which strains best suit Australian conditions. Unfortunately the strains that produce the best F1 female breeders produce the worst F1 feeder steers for meat quality and feedlots are becoming reluctant to purchase these steers at any premium.

Because of the necessity in Australia to economically raise feeder cattle on their mothers, it is going to be difficult for Fullblood (100%) Wagyu females to handle Australian pasture based management practices, and to raise suitable Fullblood feeder cattle. A small numbered trial is in place to perform embryo transfer to utilise Angus recipient to raise Fullblood Wagyu calves. Again because of the cost of ET work this may not be an economic proposition. The oldest calves in this project are less than 6 months of age and number about 200. So far the worst problem we have encountered is a high incidence of calf scours (diarrhoea).

So how is the future going to evolve? It may be practical to export F1 and F2 feeder steers from Australia into Japan at an economically viable price. This may allow some Japanese farmers to stay on their farms to raise carcasses for the Japanese

domestic market. I believe that currently there are about 3,000 F1 steers being shipped to Japan. If prices stay the same in Japan for feeder Fullblood steers, it may be practical to send some Fullblood steers to Japan in the same way as is currently happening to F1 and F2 steers.

Another area in carcass shipments to Japan, is it currently costs about AUD $1,200 to $1,500 (Yen 72,000 to 90,000) to feed an F1 or F2 steer for 450-500 days in an Australian feedlot. If these carcasses don't make the Japanese B3 market then we lose money. If we can make some fast progress in our genetics, and get 80% of our carcasses into the B3 market, then this will be a viable proposition for a small group of Australian producers. If we can't reach this genetic goal quickly then this market will diminish.

The major expenditure involved in this market is:

1. Time and providing consistent genetics
2. Feedlot and feed costs
3. Carcass shipment fees (AUD $900 per carcass air freight (Yen 54,000)
4. Japanese import duty (approximately 40%)

This has been a brief overview of the Wagyu industry in Australia.

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