# Market Specifications

## MEETING CUSTOMER REQUIREMENTS IN A COMPETITIVE MARKETPLACE

**90% of our beef goes to a wide range of export markets. Meeting market and customer specifications is critical to securing the best returns for Irish beef**

**The Quality Payment System (QPS), introduced in 2009, is based on a combination of carcase quality (grid pricing) and specific market-place requirements (In-spec bonus)**

**While carcase grade is an indication of meat yield and cut distribution, other key market specifications include Quality Assured (QA) status, age at slaughter and residency periods**

**A scientific approach to carcase grading and pricing is a feature of all EU and major beef markets. We use EU approved digital imaging technology to achieve consistent and objective grading, independently monitored.**

**The QPS rewards farmers who produce better quality animals best suited to meeting the specifications of the maximum number of customers**

**All the meat cuts from a carcase do not go to one customer or market; they go to a wide range of customers and market channels**

KG

**Carcases should be 280-380kg, as these are best suited to the maximum range of markets and customers**

**Producers can still market their animals if they don't meet the 'In-Spec' requirements – they just won't attract all the bonus payment**

### Overview

Ireland has developed a strong portfolio of top end retail and food-service customers in a very competitive global marketplace. Meeting customer requirements and specifications is critical to winning and retaining the best outlets for Irish beef.

Some farmer representatives have long expressed concerns about specification requirements that underpin bonus payments made by meat processors. Market specifications and In-spec bonuses are about market signalling and rewarding farmers that produce animals that best suit the maximum number of customer requirements. No penalties apply for failing to meet 'In-Spec' requirements, it is simply that bonuses are paid for hitting the 'In-Spec' target.

> **"Satisfying the requirements of the actual and potential customers of Irish beef is essential"**
>
> — IFA (Jim Power) report March 2020

### Quality Payment System (QPS)

The QPS was introduced in 2009 to underpin Irish beef's access to the best markets and customers, to signal preferred market characteristics to beef producers.

The QPS delivers bonus payments for better quality animals that meet the requirements of the marketplace and our customers. The QPS comprises grid price differentials related to carcase grade (conformation & fat score) and In-spec bonuses relating to certain marketplace specifications such as QA status, age at slaughter and certain farm residency requirements.

The QPS structure is based on science and delivers an objective and consistent standard for beef carcase classification.

### 'In-Spec' criterion

Currently processors pay an 'In-Spec' bonus of up to 20c/kg on eligible animals that meet the key marketplace requirements. The bonus payments were substantially enhanced and extended as part of the Irish Beef Sector Agreement (September 2019). The

## Quality Payment Grid (c/kg differential)

| | U+ | U= | U- | R+ | R= | R- | O+ | O= | O- | P+ |
|---|---|---|---|---|---|---|---|---|---|---|
| 2+ | 24 | 18 | 12 | 6 | Base | Base | -18 | -24 | -30 | -36 |
| 3 | 24 | 18 | 12 | 6 | Base | Base | -12 | -18 | -24 | -30 |
| 4- | 24 | 18 | 12 | 6 | Base | Base | -12 | -18 | -24 | -30 |
| 4= | 24 | 18 | 12 | 6 | 0 | 0 | -12 | -24 | -30 | -36 |
| 4+ | 18 | 12 | 6 | 0 | -6 | -6 | -18 | -24 | -30 | -36 |
| 5 | 0 | -6 | -12 | -18 | -24 | -24 | -36 | -42 | -48 | -54 |

Steers & heifers in this section meeting In-spec criteria receive a 20c/kg In-spec bonus if under 30 months and 8c/kg if 30-36 months

Steers & heifers in this section meeting In-spec criteria, and under 30 months, receive a 12c/kg bonus

'In-Spec' bonus payment is not, and never was, solely a Quality Assurance bonus. It is a bonus on animals that are QA approved but also deliver on the attributes that make them suitable for the greatest number of premium market outlets.

MII members are well aware of farmers' concerns about some of the requirements, and where possible these are raised in discussions with customers to see where changes can be made: for example, this helped facilitate the 2019 reduction in the required days on the last farm.

Below we review the various criteria that determine which animals qualify for the payment.

## Age at slaughter

The majority of international customers for Irish beef have a preference for meat from cattle slaughtered under the age of 30 months. There is a range of other factors that support the preference for younger animals:

Sustainability: **Slaughtering animals at a younger age reduces the carbon footprint of our beef and the environmental emissions from the animal over its life. Each 1-month reduction in the national average age of slaughter equates to the same impact as reducing the suckler cow herd by 55,000**

Tenderness: **there is a strong relationship between age of slaughter and predictable tenderness**

Cut size: **The older the animal the heavier the carcase and therefore the more issues with portion size**

Export requirements: **Many important international export markets have set down specific age requirements in their protocols or veterinary certification requirements**

Specified Risk Materials: **EU rules are that bone-in products (e.g. T-bone) cannot be marketed from animals over 30 months of age**

## Days on last farm

Animals are required to have spent at least 60 days on the last farm prior to slaughter. This was reduced from 70 days in September 2019 as part of the Irish Beef Sector Agreement.

The overwhelming majority of prime cattle meet this requirement.

## Number of farm residencies

This criterion requires an animal to have lived on no more than four farms during its lifetime. This again reflects a demand from key customers of Irish beef.

The primary reasons for this requirement to minimise animal movements between farms are animal welfare, disease control and cost efficiency.

## Carcase weight

Carcase weight is a key determinant of suitability of carcase for many markets and customers. Carcases that are either too light or too heavy, create problems for the selling of steak cuts, which account for a major part of the overall market return for each carcase.

In 2014 MII published a Target Market Specification with a guideline that the desired carcase weight should be 280–380kg.

**Key issues include:**

- **Retailers operate standard pack size and cuts that are too big won't fit into standard pack sizes**
- **Steak cuts derived from carcases that are either too light or too heavy will face price cuts**
- **The larger the cut of beef the thinner it needs to be sliced to achieve a fixed weight, meaning steaks will have different cooking times**

## Use of technology

The overwhelming majority of carcases are classified using digital imaging technology, with the system monitored and overseen by Department of Agriculture officials. MII believes this provides for an objective and scientific approach to classification that avoids the potential subjectivity of manual grading.

Teagasc is conducting a scientific review of the QPS as part of the Beef Sector Agreement of September 2019. The Department of Agriculture has commissioned an independent expert report on a trial of new grading technology. MII is supportive of both these reviews.

**"Production systems need to supply prime beef which meets the demands of our most important markets"**

**— Teagasc' Beef Production System Guidelines (2015)**

## Conclusion

The QPS system is designed so that farmers who produce animals that customers want to buy (and for which they will pay processors better prices) are rewarded for the work they have put in to deliver animals of the desired characteristics.

Producers can still market their animals if they don't meet the 'In-Spec' requirements – they just won't attract the In-Spec bonus.

Given the competitive international market in which Irish beef operates, it is only by marketing animals of the highest quality that the industry can succeed.