THE FIFTH QUARTER

Global foetal calf buyer speaks at AusBiotech 2002

Dr Leland Foster, President and CEO of HyClone spoke at the AusBiotech Conference in August 2002 about the use of animals for products other than meat, threats to the industry and ways to secure the long-term future of animal derived biologicals. Dr Foster emphasised that Australia is in a good position internationally and that the advantages of using Australia as a source of animal derived materials needs to be marketed to the rest of the world.

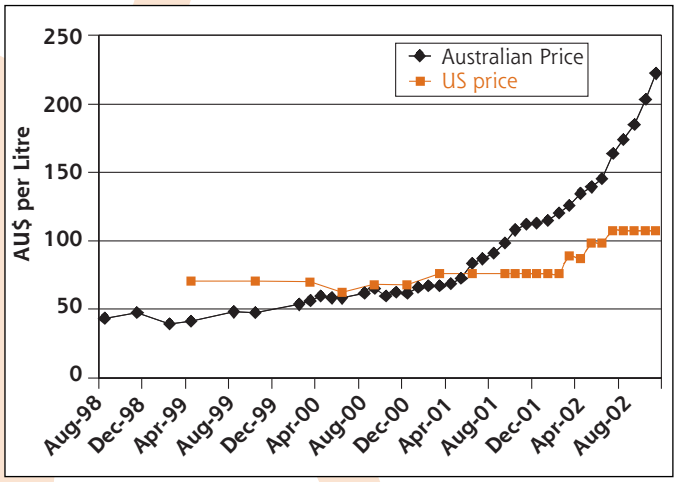
Taking all of the above factors into consideration, producers of biopharmaceuticals will find it difficult to use animal derived material. So, what can be done? What steps can be taken to secure the long-term future of this market segment?

One measure is to identify every animal as an individual by using traceability devices such as bar-coding and electronic implants, and to maintain a database and storage of blood samples for future testing. Dr Foster suggested that skilled workers collect the materials carefully and *"make certain that the collection of raw materials for biopharmaceuticals is not the same as (that collected for)… meat"*. Active surveillance for important diseases and having adequate feed control are also important. He also suggested that the government, through AQIS , play a proactive role by:

- certifying official veterinary inspections at meat processing plants;
- promoting an increase in the care taken with the inedible portions of the animal;
- working to eliminate document fraud; and
- aiming towards global harmonisation.

Dr Foster suggested that meat processing companies compile a validation package that discloses the source of all raw material to prove to biopharmaceutical companies that traceability is in place. This will then *"mitigate the risk and enhance the value of these products"* to the buyer.

Australian and USA prices for foetal blood



High demand for Australian product is reflected in the rapid price increase relative to US product

AusBiotech 2002 Conference Proceedings are available by calling FMPR Communications on 03 9653 9650 or email inquiry@fmpr.com.au

For more information please contact Stephen De Martin, MLA

NEW!!!

"Novel Co-Products from the Meat Industry Workshop with Peter Rogers"

Available on CD Rom and Audio CD.

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MEAT & LIVESTOCK AUSTRALIA

Market Information

Co-product values ease in late 2002

The potential co-product values for cattle eased across all categories in November, due to the lower value of hides over the month. Offal values remained firm across most categories.

In November, the potential co-product value from a Japanese grain fed steer was A$216.57/head (down $1.64/head), the value from a grass fed Japanese steer was A$200.40/head (down $3.41/head), the potential value from a prime steer was A$166.14 (down $5.30/head) and the potential co-product value from a cow was A$131.95/head (down $3.57/head).

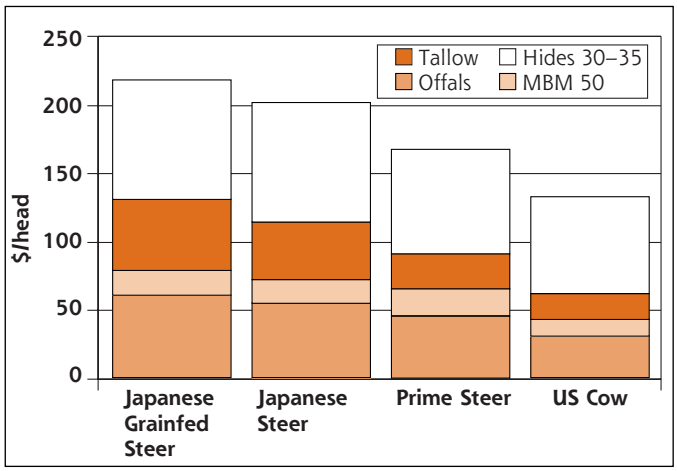
As predicted in October, hide prices came under pressure in November. Slaughter levels remained high and demand from European and Asian tanners was subdued. In addition, there was an improved flow of product from the west coast of the US, and less concerns about the supply of US hides to Asian markets. US prices were also reported to be lower as US cattle kills remained high.

Offal prices were generally steady in November. Although kills were at high levels and supplies of offals were plentiful, prices remained reasonably steady due to strong demand from Korea. The main offal items of interest in Korea were cheeks, thick and thin skirts, and tails.

Offals to China also firmed in price. Market access to Hong Kong and China has improved and more products have started to flow. This has supported prices for tripe. Demand for product in Chinese markets should remain firm as the Chinese New Year approaches.

Halal offals were generally weaker. With the Ramadan period over, demand for Halal offals is likely to be subdued in the immediate future.

Potential cattle co-products value – November



Monthly Co-Product Reports

Available on the MLA website or contact Sylvia Athas on 02 9463 9218 or sathas@mla.com.au

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For information on the opportunities to co-invest within the red meat industry please contact MLA

63% of a bovine animal isn't meat...

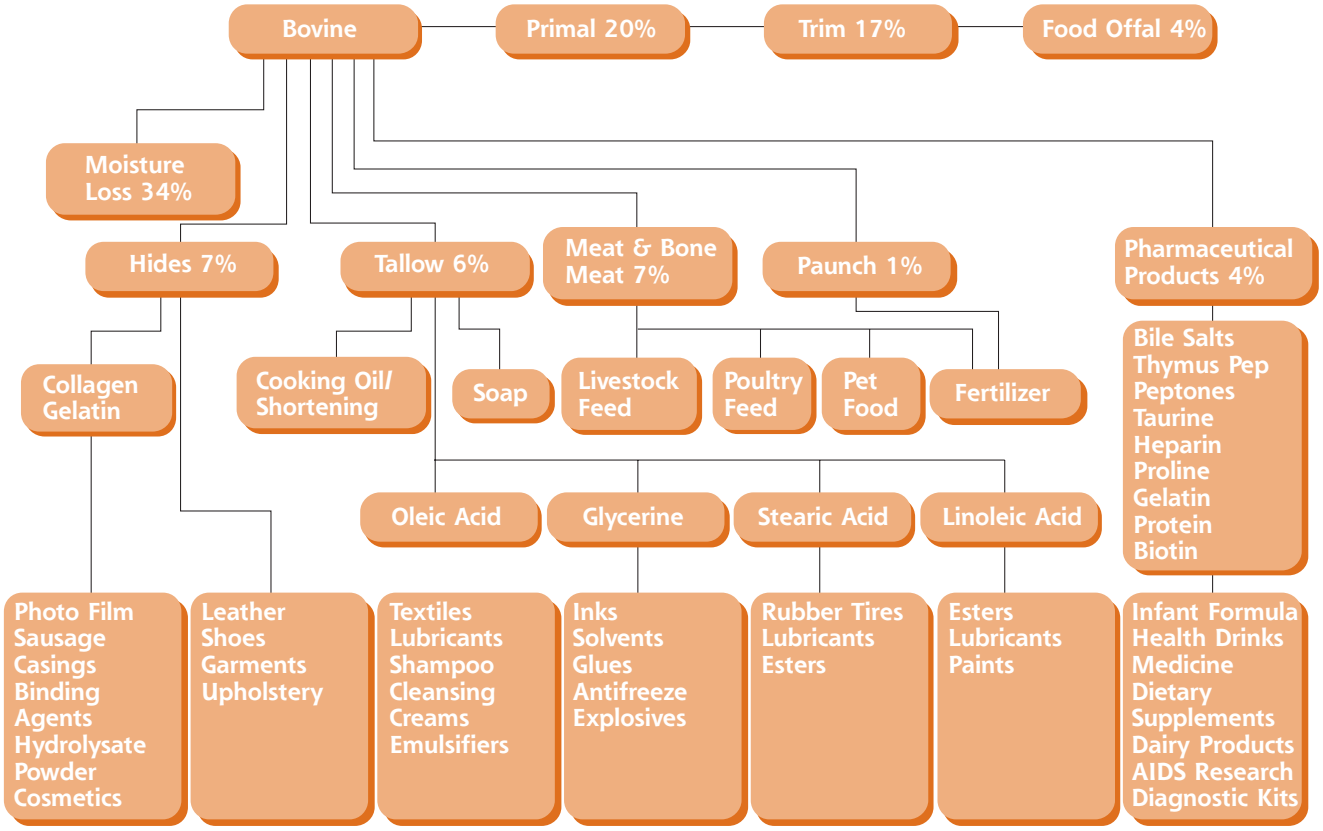
according to MLA's new report "Relationship of co-products and by-products to saleable meat content of carcases", which includes the topics below.

- The saleable meat quantity of the live weight of a bovine animal is approximately 37%. The rest of the carcase relates to by-product and co-products and on-plant related moisture (weight) loss. The value of the whole animal can be increased by extracting parts of the carcase for use as saleable co-products prior to rendering.
- Market prices, market demand, availability and plant capability may determine what portions of a carcase are recovered for products. That is, if tallow prices go up and meat or value added item prices go down, a higher portion of the carcase may go into tallow production.
- Increasingly by-product and co-product customers are demanding a high level of traceability. This trend highlights the necessity to implement suitable supply chain management tools such as the EAN system and validation by DNA finger printing.

The full report on "Relationship of co-products and by-products to saleable meat content of carcases" will be available shortly. Please contact Heidi Philpott on 02 9463 9166 or email hphilpott@mla.com.au to obtain a copy (free to MLA/AMPC members, $100 for non-members).

Bovine By-Products Co-Products Derivatives

(Representative Live Weight percentage)



HAPPY NEW YEAR

from STEVE'S desk

Welcome to another edition of Fifth Quarter, I hope you have all had a wonderful holiday break and are ready for great year ahead of us in 2003.

First of all I would like to welcome you to a brand new segment of Fifth Quarter 'From Steve's Desk'. This segment will bring you some insight into the running of the Co-products Program and to keep you updated with the development and progress of new opportunities for value adding within co-products for 2003 and beyond.

To start the new year, I include a futuristic look at possible developments and capabilities of products and technology within the co-products industry. I hope you enjoy this story, based on a speech delivered by Tim Thwaites, contributing writer to New Scientist magazine, at AusBiotech 2002.

Keep an eye out for the next edition of Fifth Quarter, which will look at non-feed uses of rendered products.

Kind Regards

Stephen De Martin
Project Coordinator, Co-Products

Future Farming

Once upon a time…..

George wakes with a start and looks at the time. It's 3am on 3 August, 2027. The alarm on his mobile video phone is steadily increasing in volume.

He shuts off the alarm and shakes his head. Being rudely awakened comes with the territory these days as a superintendent of the Livestock Squad in Rockhampton. Some of the genetically modified beasts now on the hoof are worth vast amounts of money. Where there's money on four legs, cattle duffers are not far behind—and they don't keep civilised hours.

George agrees to meet one of his men by a roadside quite close to the city limits. When he arrives, he finds the carcase of a freshly killed animal stolen from a nearby intensive farming operation. It looks as if the gang that pulled the job wanted to get rid of the beast in haste. They could still be close.

The detective reaches inside his bullet-proof vest woven from spider's silk. It weighs almost nothing, but is stronger than steel—and it's biodegradable. Protein for the fibre is produced commercially by transgenic goats and extracted from their milk.

From beneath the vest George pulls out a small handheld computer. He uses the device to interrogate a silicon chip implanted in the animal. The reason for the heist immediately becomes clear—and the reason for the slaughter.

The chip provides a complete history of the animal. It is a special beast genetically modified to produce a particularly valuable drug to treat leukaemia. What the thieves did not know, when they hacked and electronically scrambled all the security devices protecting the property where the animal was housed, was that this particular animal had recently become infected with a nasty virus, potentially fatal to human beings.

In fact, infection of the animal had already triggered an alarm at the homestead. It was the investigation of this alarm that provided the first indication of the crime in progress. Being none too bright, and fearing for their lives, the cattle duffers simply dispatched the beast and dumped it, putting all who came into contact with it at risk.

George and his colleague were rushed to Rockhampton hospital. They survived, but part of their recovery included a diet of meat specially produced to include nutrients (nutraceuticals) to fortify their immune system against any further attack from the virus…

All the products mentioned in this fantasy are based on capabilities already being developing.

To access the full article on Future Farming go to www.mla.com.au

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