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ABSTRACT CMD-09

**The Effects of a Quality Grading System on the Development of Consumer Driven Best Practice
Value Chains: The Example of Meat Standards Australia**

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Consumer research confirms that North American consumers, for a long time, have been particularly concerned about inconsistencies in product and eating quality, health concerns related to red meat consumption and lack of convenience attributes in many standard beef products. On the supply side changing perceptions and business practices among producers have responded leading to increasing efforts to effectively develop meat products for consumer markets by branding and differentiating their products through labelling of credence attributes.

The objective of this research project is to benchmark the Canadian beef value-chain against Meat Standards Australia's strategy for market development in the Australian red meat sector. Australia MSA's leadership has received increasing attention by industry stakeholder worldwide and has been influencing the current discussion in the Canadian meat industry and among sector policy makers.

Based on a survey of stakeholders in different beef value chains we investigate the impact MSA's grading system has as a potential value-creating and value chain-coordinating mechanism. The concept of best value supply chains adopted from the business literature used as a benchmark for determining the grading standard's effect on value chain performance. Critical assessment factors are grading system cost, processing speed, quality of product, and flexibility in terms of changing market and customer demands. In-depth interviews with industry experts suggest that the implementation of the MSA grading system has had a catalytic effect of moving value chains toward a greater level of coordination and integration. To quantify the role of consumer demand as a "market pull" factors in the adoption of the MSA standard among producers we apply a survey of Australian consumers focused on their awareness, perceptions and purchases of different certified beef products sold in the Australian market. The findings from logistical regression analyses suggest that MSA certification is perceived as a trustworthy signal for tenderness and quality, reducing information asymmetry at the consumer level. The questions of whether or not consumer focused labelling and marketing of a meat standard is necessary in order to successfully add value to the beef sector industry is discussed. The analysis concludes with a discussion of potential path for the adoption of a similar grading system in the Canadian beef sector.