



> THE MARK
OF QUALITY

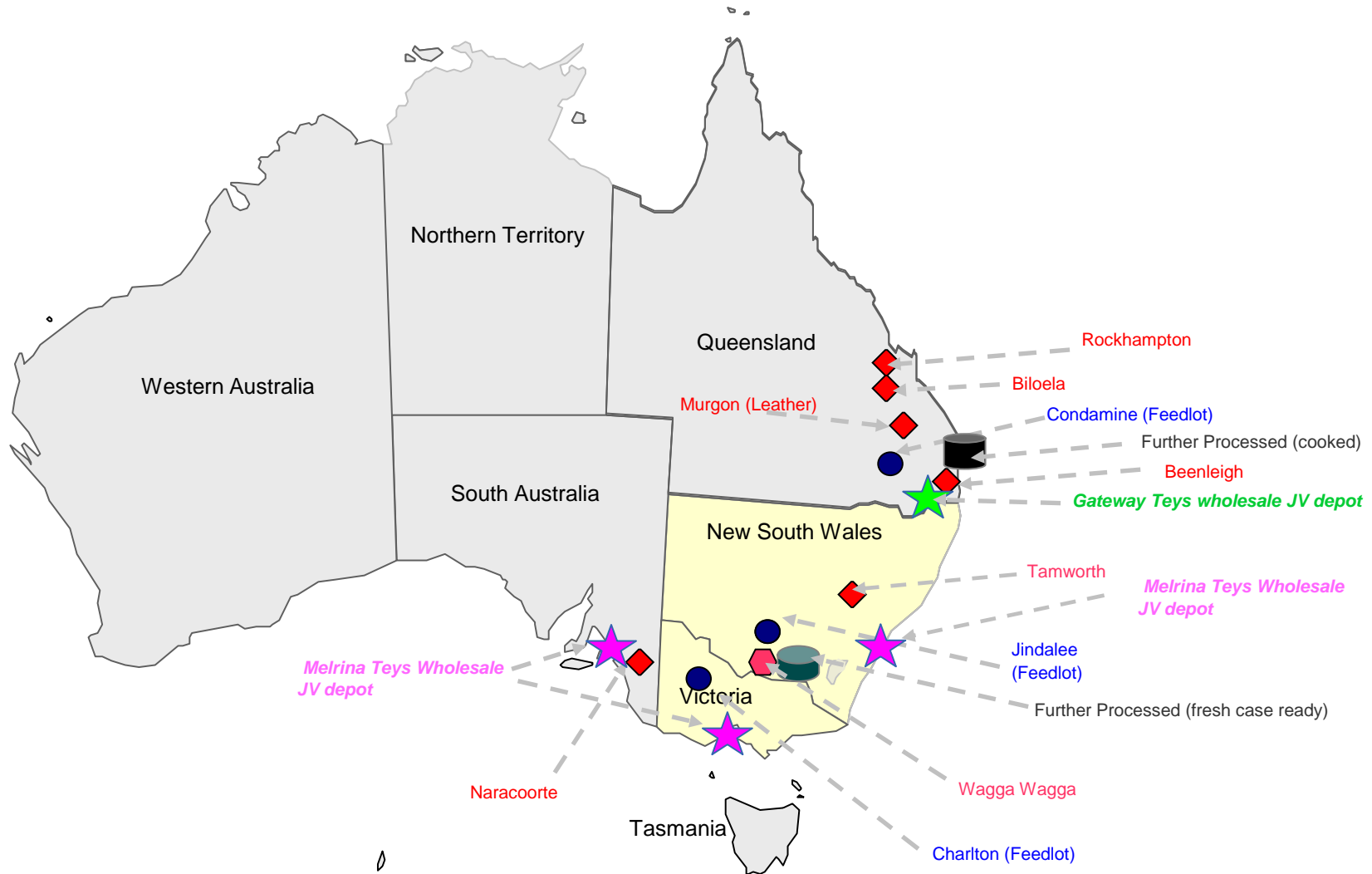
*Feeding People
Enriching Lives*



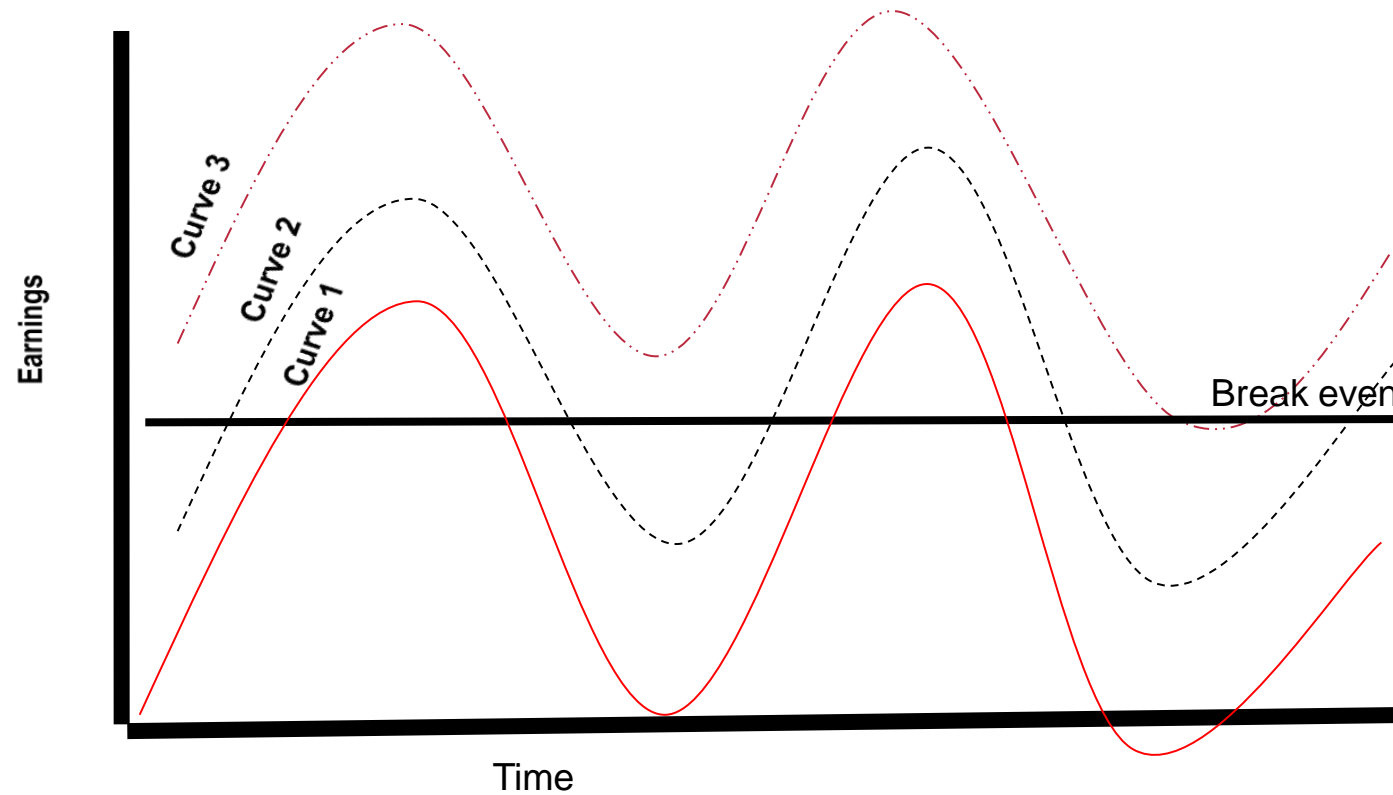
Transitioning to a Value Based Marketing System for Beef

Tom Maguire

We are committed to the long term viability of the Australian Industry



The commodity cycle generates supply chain winners and losers

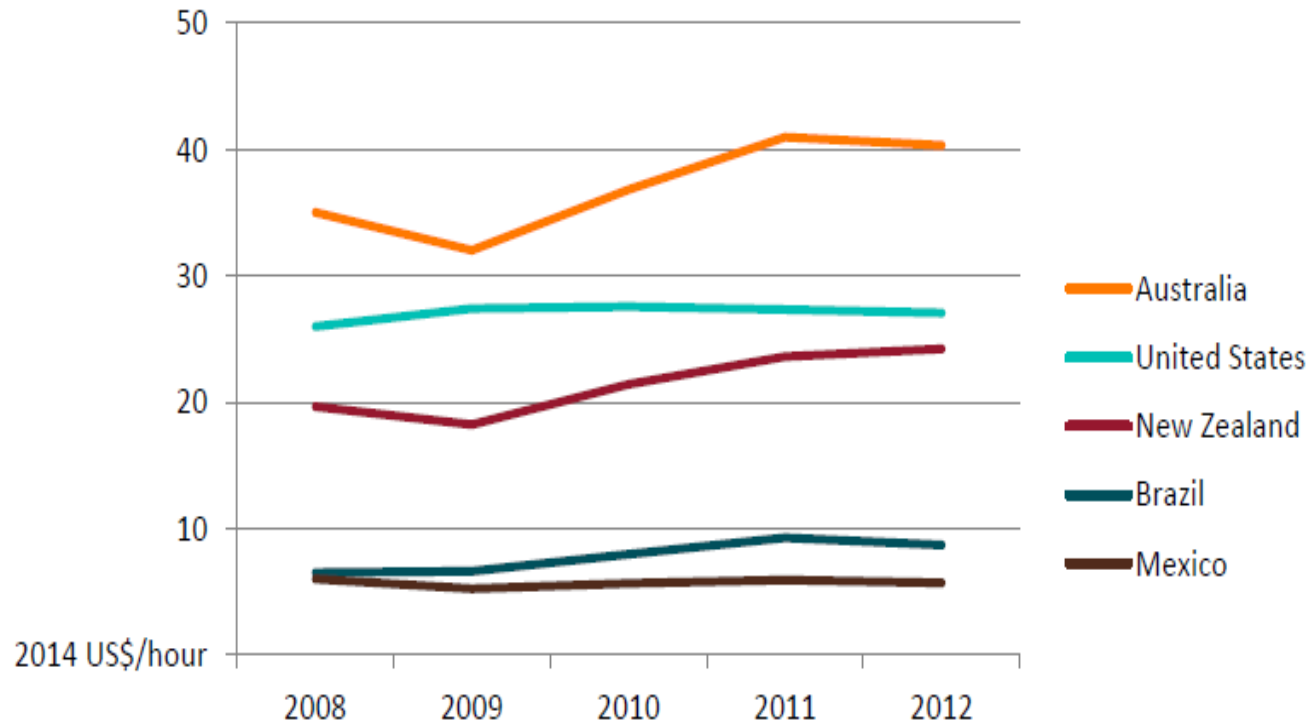


Long term sustainability means everyone can be profitable at the same time

And the Australian beef industry cannot compete on price



Figure 12 Hourly labour costs for food manufacturing industry



Source: Bureau of Labour Statistics 2015

Live cattle prices

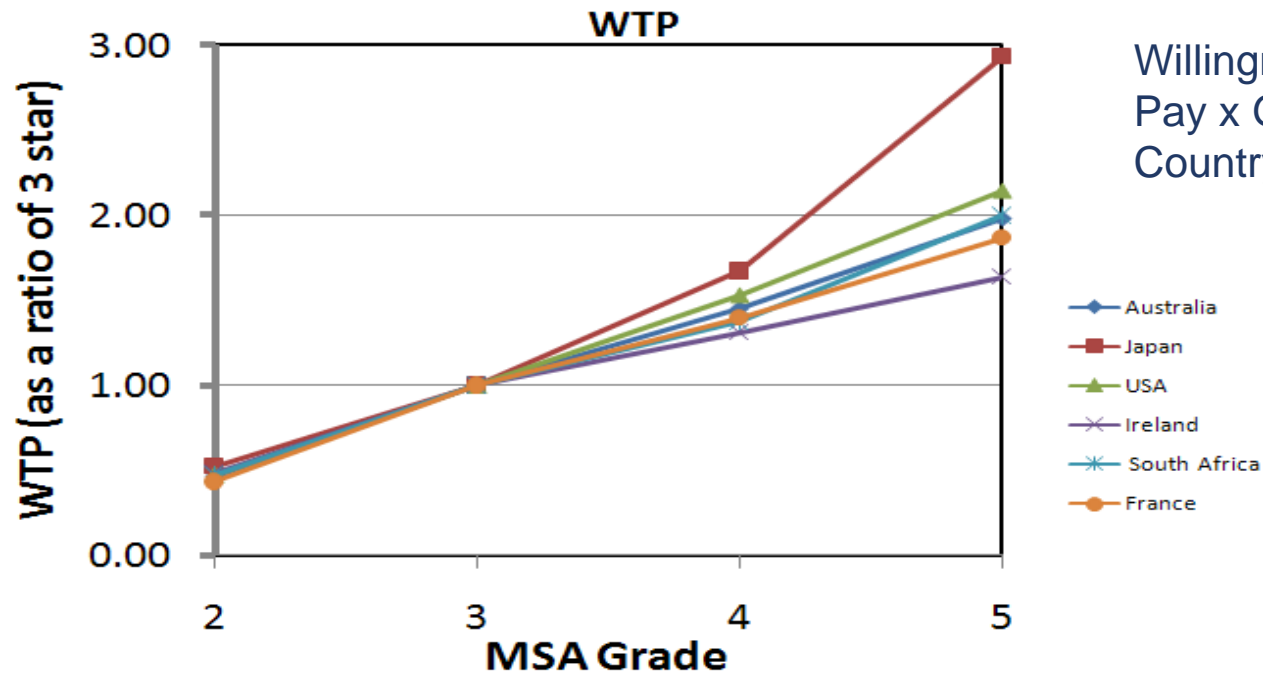
	USc/kg lwt Aus	USc/kg lwt Brazil
Dec 15	213.57	127.47
Jan 16	214.62	123.34

MLA market information 2016

Reframing the debate and putting consumers 'in front' offers a solution



All industry \$ comes from the Consumer









Willingness to Pay x Grade & Country



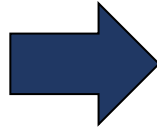
Provided we give them, exactly what THEY want, always



<p>The Occasion</p>						
<p>Very Special</p>	<p>Brand A++</p>	<p>Brand A++</p>	<p>Brand A++</p>	<p>Brand A++</p>	<p>Brand A++</p>	<p>Brand A++</p>
<p>Special</p>	<p>Brand A+</p>	<p>Brand A+</p>	<p>Brand A+</p>	<p>Brand A+</p>	<p>Brand A+</p>	<p>Brand A+</p>
<p>Good Everyday</p>	<p>Brand A</p>	<p>Brand A</p>	<p>Brand A</p>	<p>Brand A</p>	<p>Brand A</p>	<p>Brand A</p>

Use grading to deliver consistent product with a clear consumer offer

In the “reverse manufacturing” context



Which manufactures all grades of “raw material”



And where everyone in the supply chain measures value differently

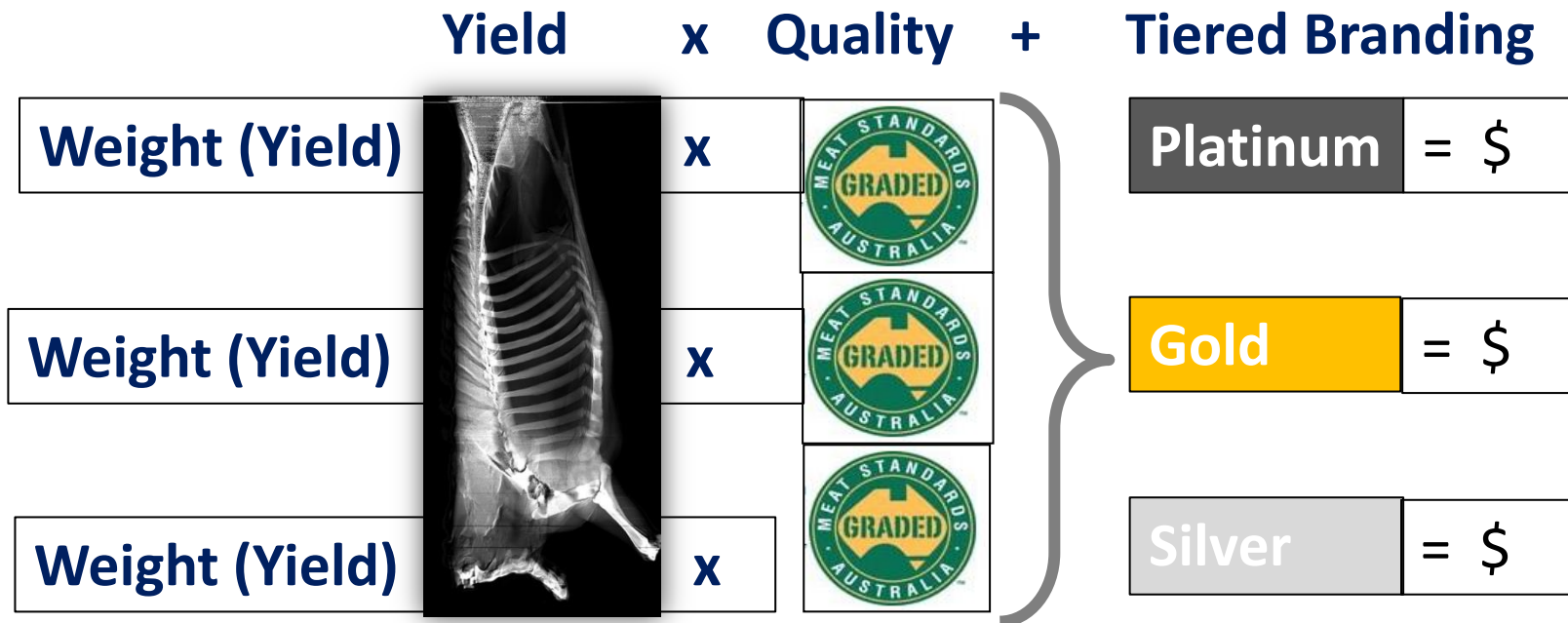


Resulting in value signals being distorted

The solution is simple in theory but more difficult to deliver

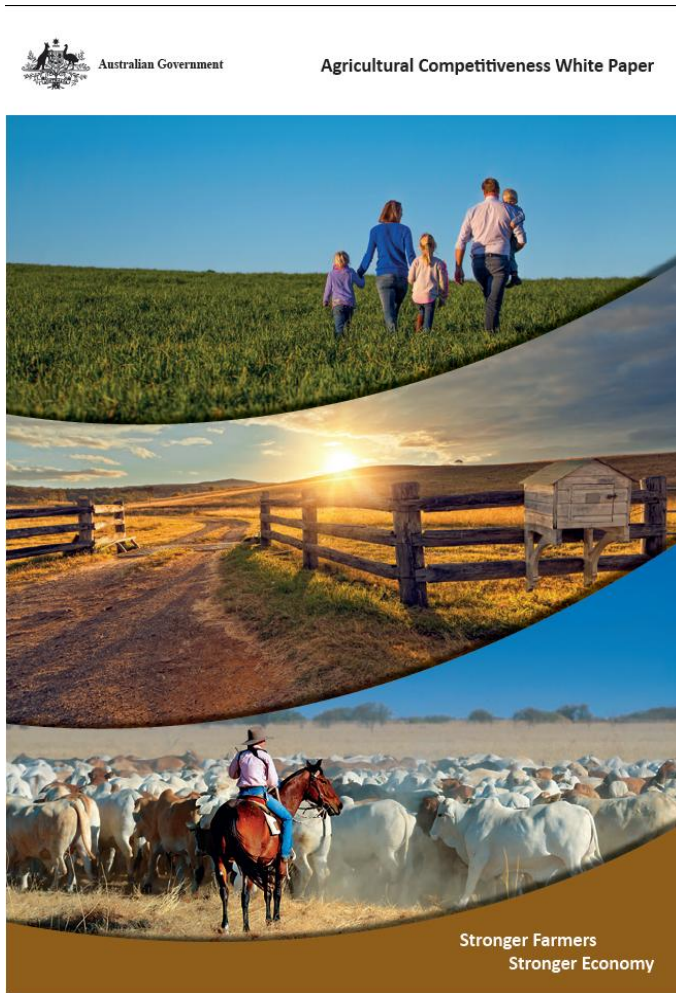


VBM – Payment on the basis of actual weight and quality



TRUE VALUE **\$**

And it requires all of industry to move forward together



Australian Beef Language

Conception to Consumption



AUSTRALIAN BEEF LANGUAGE 'WHITE PAPER'

FINAL DRAFT

January 2016

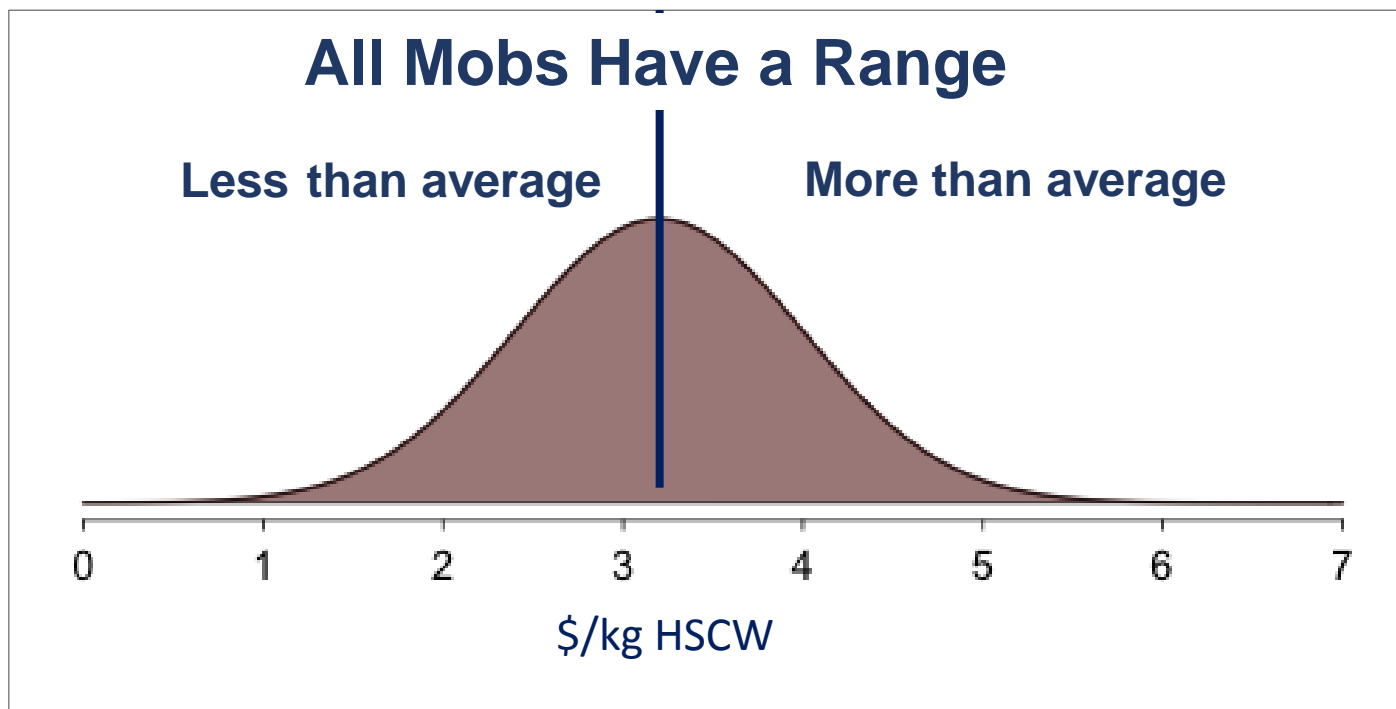
It will be based on a foundation of stronger supply chain relationships built on trust



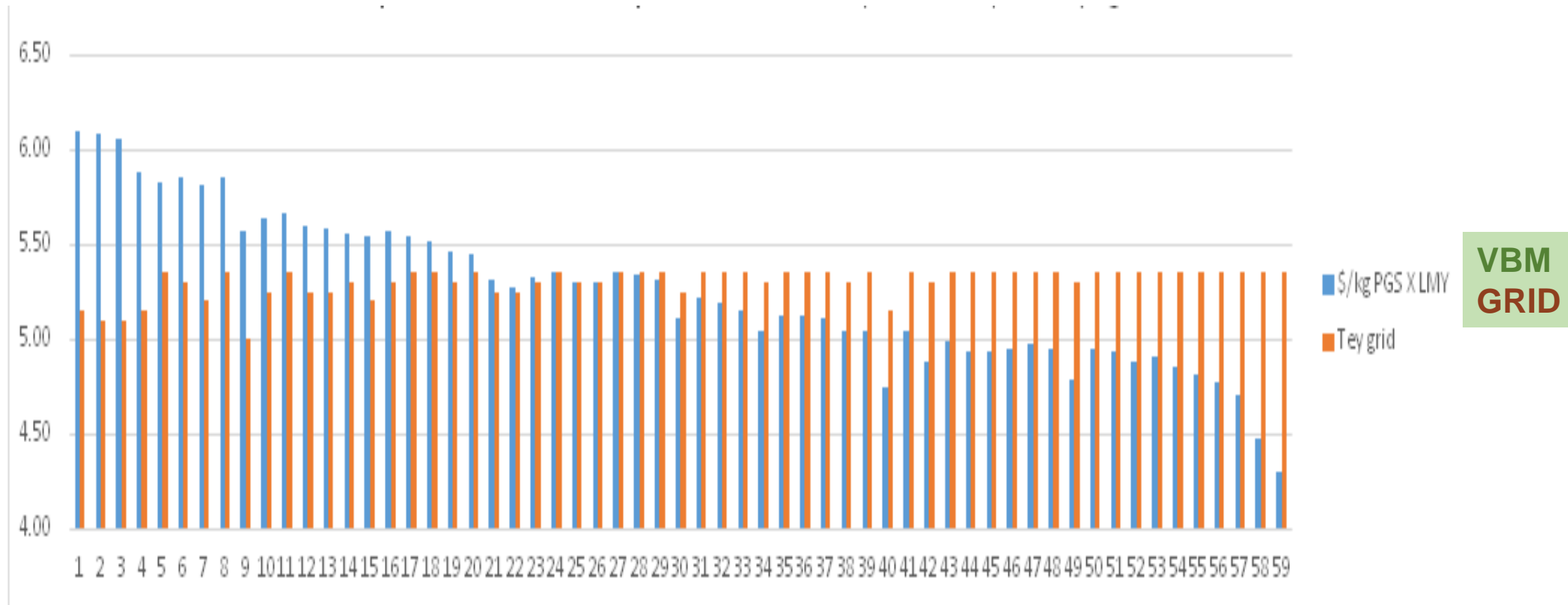
First and foremost we must fix the current grading system

- From confused & complicated trading descriptions to direct value indicators
- From averaging to accurate individual value
- From a win/lose to a win/win through improved product
- From a commodity trading culture to collaboration

Value Based Payment Relays Actual Value

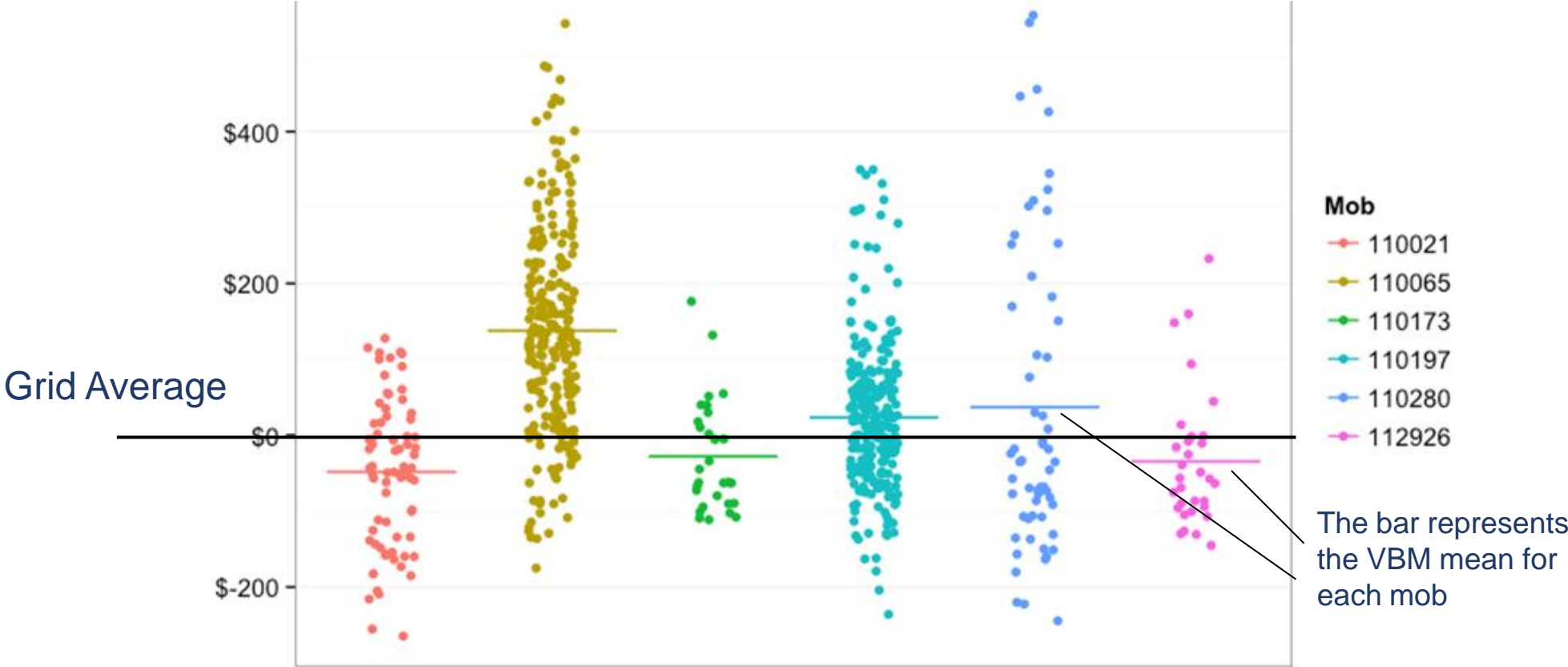


Averaging masks individual value & removes incentive for improvement



Current grid fails to identify true value differences as illustrated

Individual animal & mob differences exposed (\$/head difference VBM v grid)



Every mob is different but each has a wide distribution of quality

And objectively measures yield

- ❖ OCM will enable greater grading accuracy and industry confidence in measurements

YIELD Kg/%

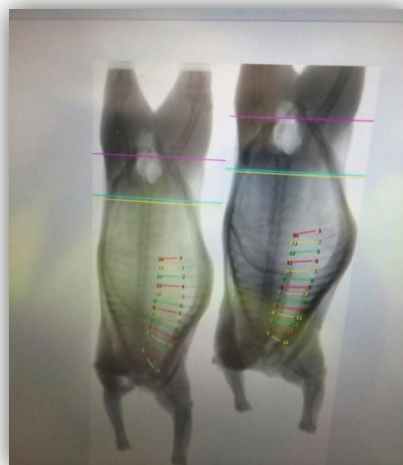


versus

**EMA
HSCW
Sex**

**Butt
Shape
P8 Fat
Rib Fat**

- Hyperspectral
- DEXA
- RGBD Camera
- LEAP system



Similarly, animal health data can be used



The key is accurate and relevant feedback linking consumer value

- What is the true value of each animal?
- What is creating the value difference?
- How can I identify the good and the bad?
- How can I instigate continuous improvement?
- Clear price signals will drive dramatic change.

	<u>Production Per Cow</u>	
<u>DAIRY</u> is a valid example:	<u>1980</u> } 2848 litres	
	<u>2012</u> } 5891 litres	

WHY? Producers have reacted to clear payment signals

- A dairy farm could not survive with a 1980 herd!
- The same genetic & management tools work in beef & dairy!

Traditional carcasse based description can then be consigned to history

BOVINE – ALTERNATIVE CATEGORIES (BULL)

DENTITION	DESCRIPTION	CATEGORY/CIPHER
	Carcass derived from entire male not assessed for SSC. ◆ Has no evidence of eruption of permanent incisor teeth. ◆ Carcass weighs more than 150kg *(HCSW).	YEARLING ENTIRE * YE *
	Carcass derived from entire male not assessed for SSC. ◆ Has no evidence of eruption of more than 2 permanent incisor teeth. ◆ Carcass weighs more than 150kg *(HCSW).	YOUNG ENTIRE * YGE *
	Carcass derived from castrate or entire male bovine that: ◆ Has no evidence of eruption of more than 2 permanent incisor teeth. ◆ Show signs of Secondary Sexual Characteristics (SSC). ◆ Carcass weighs more than 150kg *(HCSW).	YOUNG BULL * BYG *

DENTITION	DESCRIPTION	CATEGORY/CIPHER
	Carcass is derived from castrate or entire male bovine that: ◆ Has 0 permanent incisor teeth. ◆ Has no evidence of Secondary Sexual Characteristics (SSC).	YEARLING STEER * YS * * Up to 18 months
	Carcass is derived from female, castrate or entire male bovine that: ◆ Has 0 permanent incisor teeth. ◆ Has no evidence of Secondary Sexual Characteristics (SSC).	YEARLING BEEF * Y * * Up to 18 months
	Carcass is derived from castrate or entire male bovine that: ◆ Has no more than 2 permanent incisor teeth. ◆ Has no evidence of Secondary Sexual Characteristics (SSC).	YOUNG STEER * YGS * * Up to 30 months
	Carcass is derived from female, castrate or entire male bovine that: ◆ Has no more than 2 permanent incisor teeth. ◆ Has no evidence of Secondary Sexual Characteristics (SSC).	YOUNG BEEF * YG * * Up to 30 months
	Carcass is derived from castrate or entire male bovine that: ◆ Has no more than 4 permanent incisor teeth. ◆ Has no evidence of Secondary Sexual Characteristics (SSC).	YOUNG PRIME STEER * YPS * * Up to 36 months
	Carcass is derived from female, castrate or entire male bovine that: ◆ Has no more than 4 permanent incisor teeth. ◆ Has no evidence of Secondary Sexual Characteristics (SSC).	YOUNG PRIME BEEF * YP * * Up to 36 months
	Carcass is derived from castrate or entire male bovine that: ◆ Has no more than 7 permanent incisor teeth. ◆ Has no evidence of Secondary Sexual Characteristics (SSC).	PRIME STEER * PRS * * Up to 42 months
	Carcass is derived from female, castrate or entire male bovine that: ◆ Has no more than 7 permanent incisor teeth. ◆ Has no evidence of Secondary Sexual Characteristics (SSC).	PRIME BEEF * PR * * Up to 42 months
	OX – Carcass is derived from female (only) bovine that: ◆ Has no more than 7 permanent incisor teeth.	OX * S * * Up to 42 months
	OX – STEER – Carcass is derived from castrate or entire male bovine that: ◆ Has up to 8 permanent incisor teeth. ◆ Has no evidence of Secondary Sexual Characteristics (SSC).	OX * S * or STEER * SS * * Any age
	Carcass is derived from female bovine that: ◆ Has 8 permanent incisor teeth.	COW * C * * All ages

BONELESS BEEF *YG* BLADE OVER 6.0kg IW/VAC **ANY MEAT WORKS Co LONG FLAT ROAD ANYTOWN NSW** **32307 4 PC**

ORIGIN: AUSTRALIA PRODUCT OF AUSTRALIA

(01) 9 932711103176 6 (3101) 000262 (13) 050417 (21) 41457354

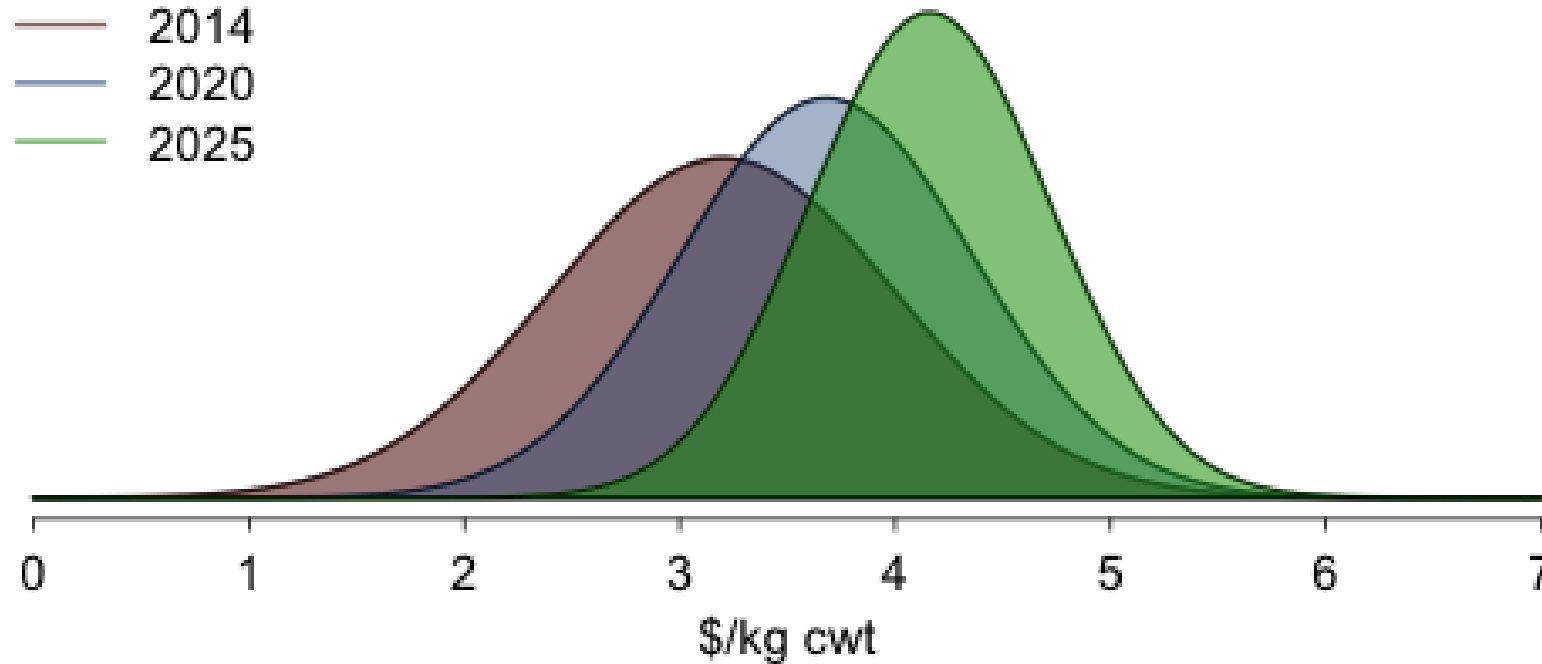
HIGH QUALITY BEEF (EU)

PKD ON 17-APR-2005 17:26
BEST BEFORE 29-MAY-2005

26.2kg 57.8lb NET WEIGHT

Batch: 4487 S/N 41457354 KEEP REFRIGERATED EST. NO.9999

THIS IS THE FUTURE



- Knowledge is power – accurate feedback relays value
- Teys value based payment stimulates action
- Producer action moves the curve
- A high value animal costs the same to breed, feed & process
- Additional revenue can be shared by participants
- **Teys is committed to this path**

