

28 August 2017

Trish Carling

Senior Research Officer

Senate Rural and Regional Affairs and Transport Committee

By email: trish.carling@aph.gov.au

Dear Ms Carling

Re: Questions on Notice

Thank you for your email on 10 August 2017 requesting further information regarding industry's investment in objective carcass measurement (OCM) technology for the Rural and Regional Affairs and Transport References Committee's inquiry into the effect of market consolidation on the red meat processing sector.

The Sheepmeat Council of Australia (SCA) is the prescribed body for the sheep industry in Australia within the Red Meat Industry MoU under the Australian Meat and Livestock Act 1997. SCA is responsible for both the provision of advice to the Australian Government on sheepmeat industry matters as well as the provision of leadership and policy development for the wider Australian sheep industry.

As an overview, SCA view industry investment in DEXA OCM technology as being aligned with the Sheepmeat Industry Strategic Plan 2015-2020 (SISP 2020) goals to "develop and promote improved objective measurement technologies for key quality traits both on-farm and in abattoirs" and "facilitate improved information flows and risk management within value chains, in some cases through lamb value chain partnerships". In accordance with SCA's prescribed custodianship of the Australian sheepmeat industry's strategic plan, SISP 2020, SCA has requested industry service provider, Meat and Livestock Australia (MLA), to investigate using lamb and sheepmeat producer levy funds to guarantee DEXA technology is available to all lamb and sheep AUS-MEAT processing facilities for voluntary adoption.

Please find below, SCA's response to the two questions on notice requested by the Rural and Regional Affairs and Transport Committee:

Could the SCA give an overview of what the impact of OCM has been on producer returns?

To date, there is currently no feedback from operational DEXA OCM technology systems being provided to producers within Australia. As such there has been no impact yet on producer returns. SCA understands that MLA expects that by early 2018, OCM information from DEXA systems will begin to be provided back to producers. SCA anticipates that by the end of 2018, an understanding of the positive impact to producers will be better understood with producer case studies.

The value that OCM technologies, with particular reference to DEXA systems, pose to the production sector is the significant enhancement in the objectivity and transparency of sheepmeat carcass measurement. In addition to objectivity and transparency improvement, the adoption of DEXA technology, alongside accompanying OCM investments, will allow the sheepmeat industry to move towards a quality based grading system that is not solely focused on dentition. The investment in DEXA technology provides the foundation for the sheepmeat industry to move towards a value based marketing approach that reflects the consumer's eating experience through a pricing quality continuum rather than the dentition 'price cliff face' that currently exists.

Could the SCA comment, in particular, on whether the reported \$23 figure is accurate and, if so, advise how much of this increase is being returned to producers?

At this point in time, SCA is unable to verify as to whether the reported figure is accurate. SCA understands that an ongoing research project being managed by MLA, that is yet to be made publicly available, contains financial modelling that forecasts a significant return on investment from the installation of DEXA OCM technology to the value chain. In full transparency to our producer members, before providing sign off on the investment of lamb and sheepmeat producer levy funds into DEXA OCM technology, the SCA Board expect the provision of detailed modelling of the forecasted return on investment to the Australian sheepmeat industry.

If you have any further questions please don't hesitate to contact me directly on email, kgiles@sheepmeatcouncil.com.au or phone 02 6269 5610.

Yours sincerely

A handwritten signature in black ink, appearing to read 'kgiles', written in a cursive style.

Dr Kat Giles
Chief Executive Officer