



> THE MARK
OF QUALITY

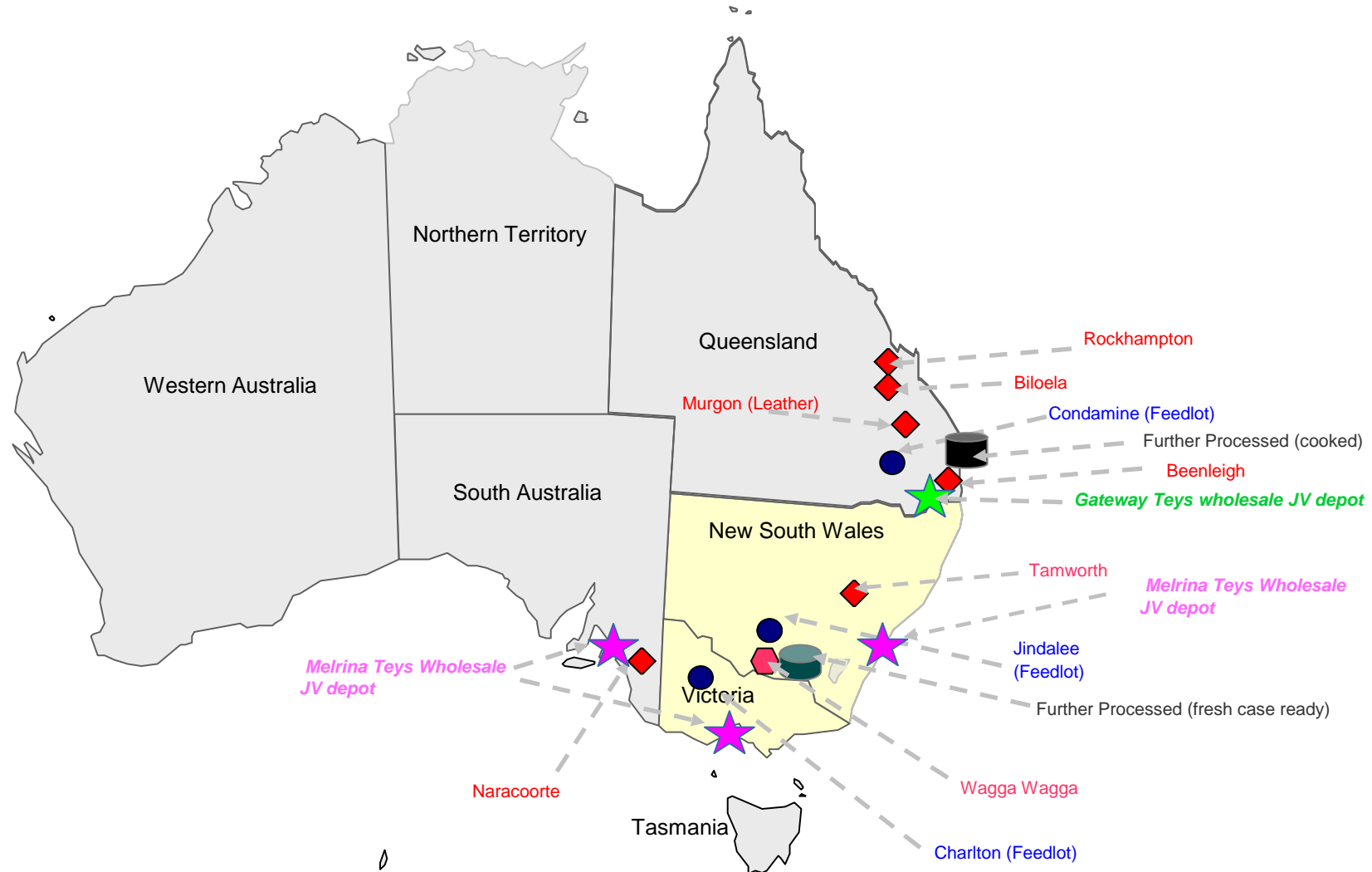
*Feeding People
Enriching Lives*



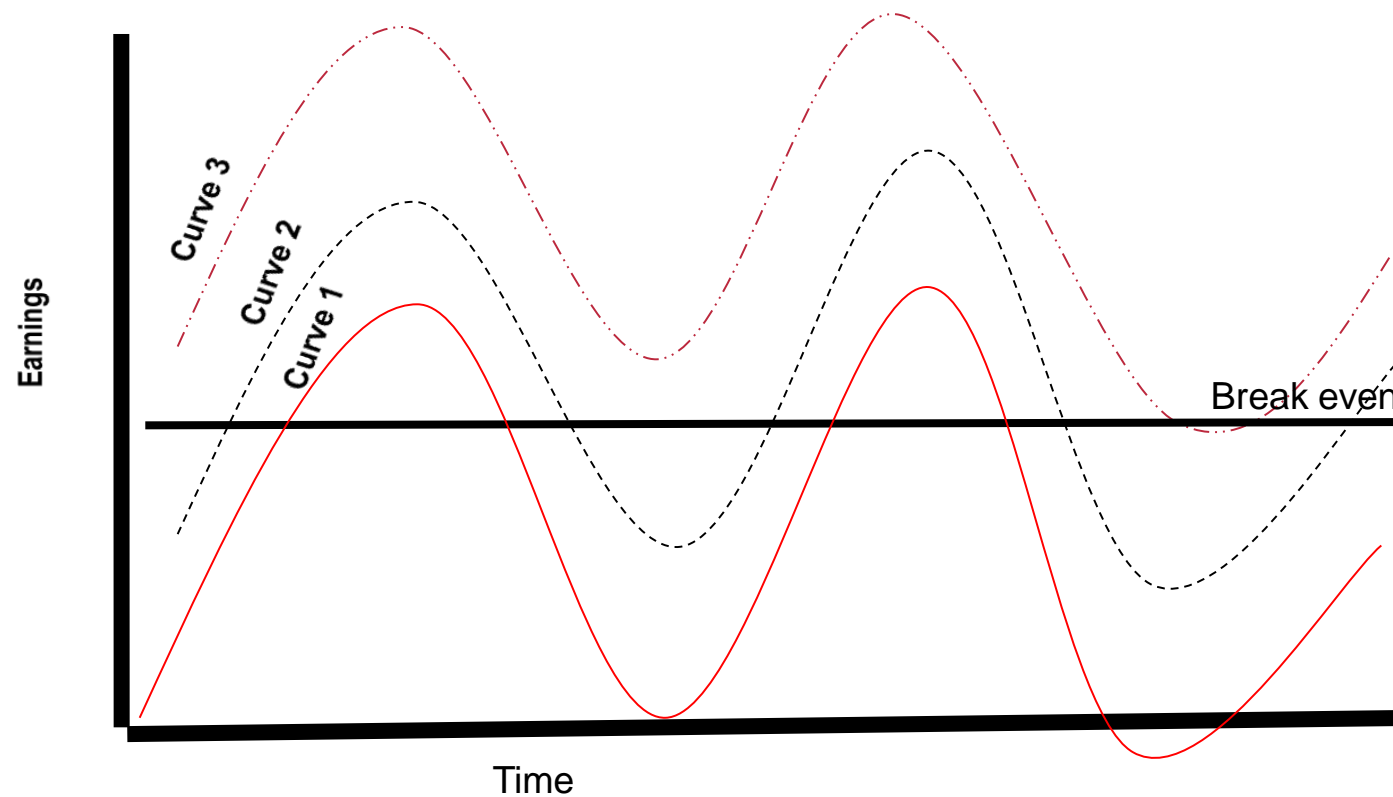
Transitioning to a Value Based Marketing System for Beef

Tom Maguire

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



The commodity cycle generates supply chain winners and losers

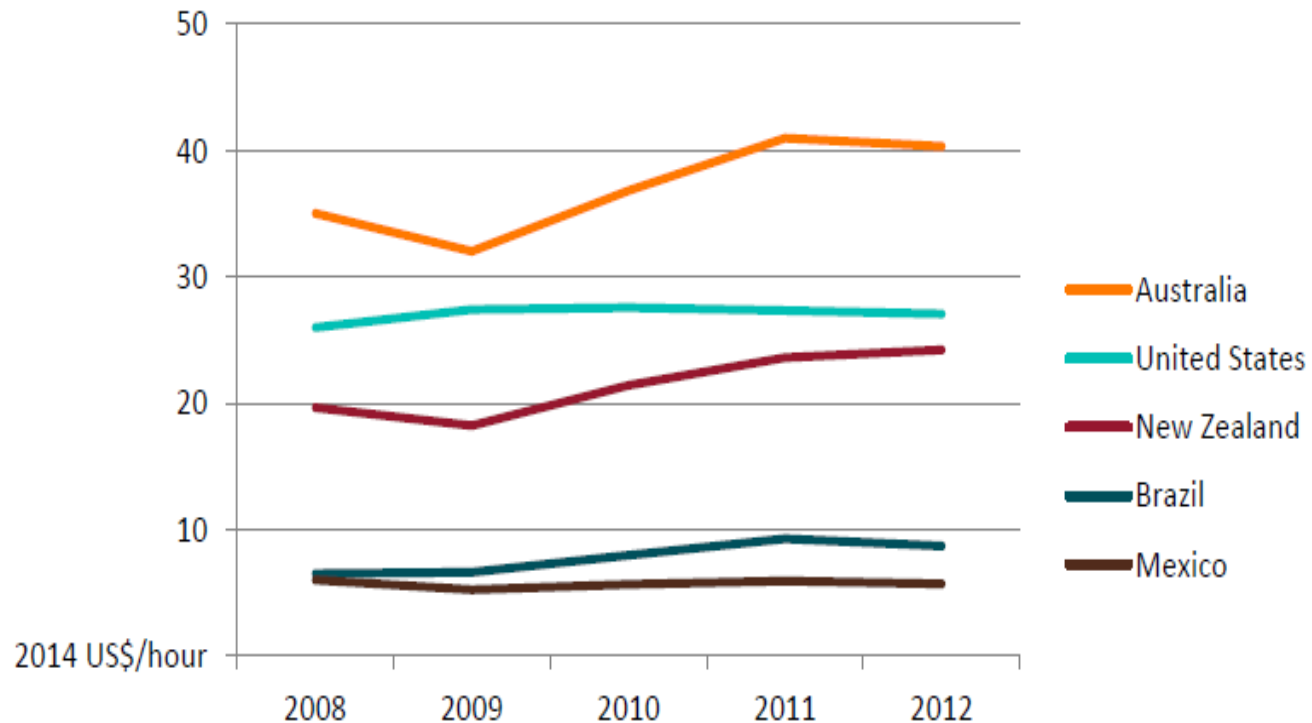


Long term sustainability means everyone can be profitable at the same time

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

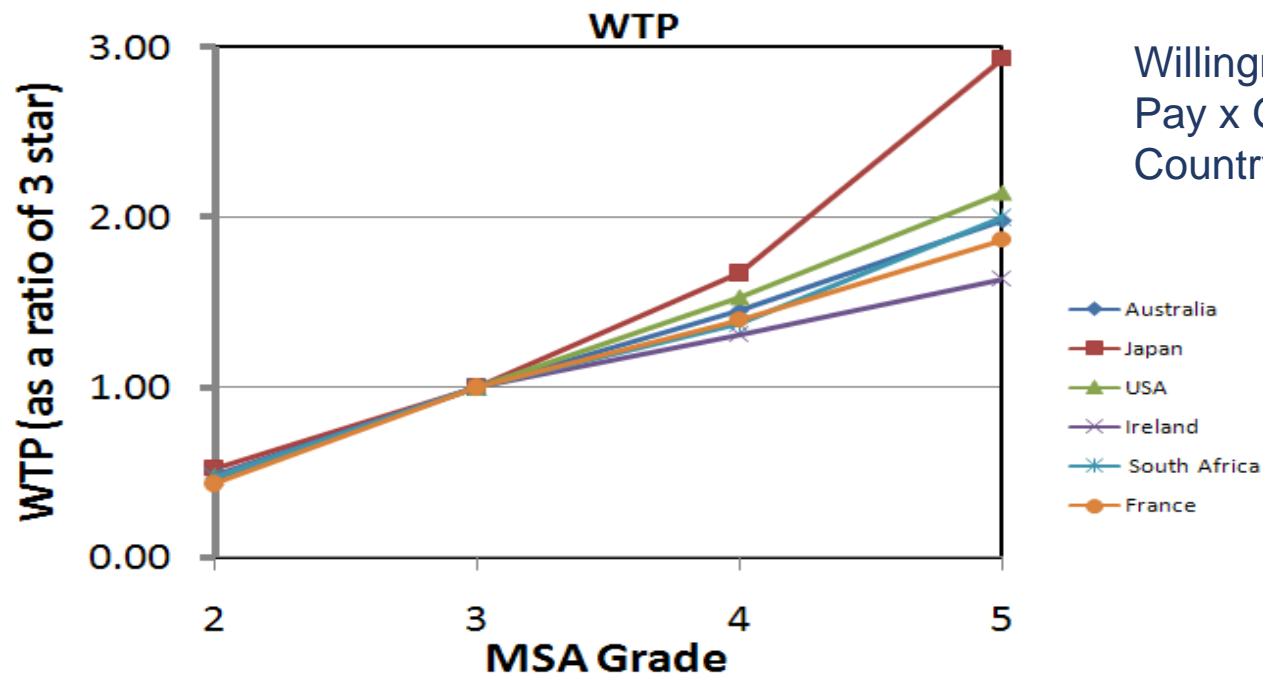
	USc/kg lwt Aus	USc/kg lwt Brazil
Dec 15	213.57	127.47
Jan 16	214.62	123.34

MLA market information 2016

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









All industry \$
comes from the
Consumer



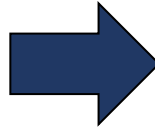
Provided we give them, exactly what THEY want, always



The Occasion						
Very Special	Brand A++	Brand A++	Brand A++	Brand A++	Brand A++	Brand A++
Special	Brand A+	Brand A+	Brand A+	Brand A+	Brand A+	Brand A+
Good Everyday	Brand A	Brand A	Brand A	Brand A	Brand A	Brand A

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

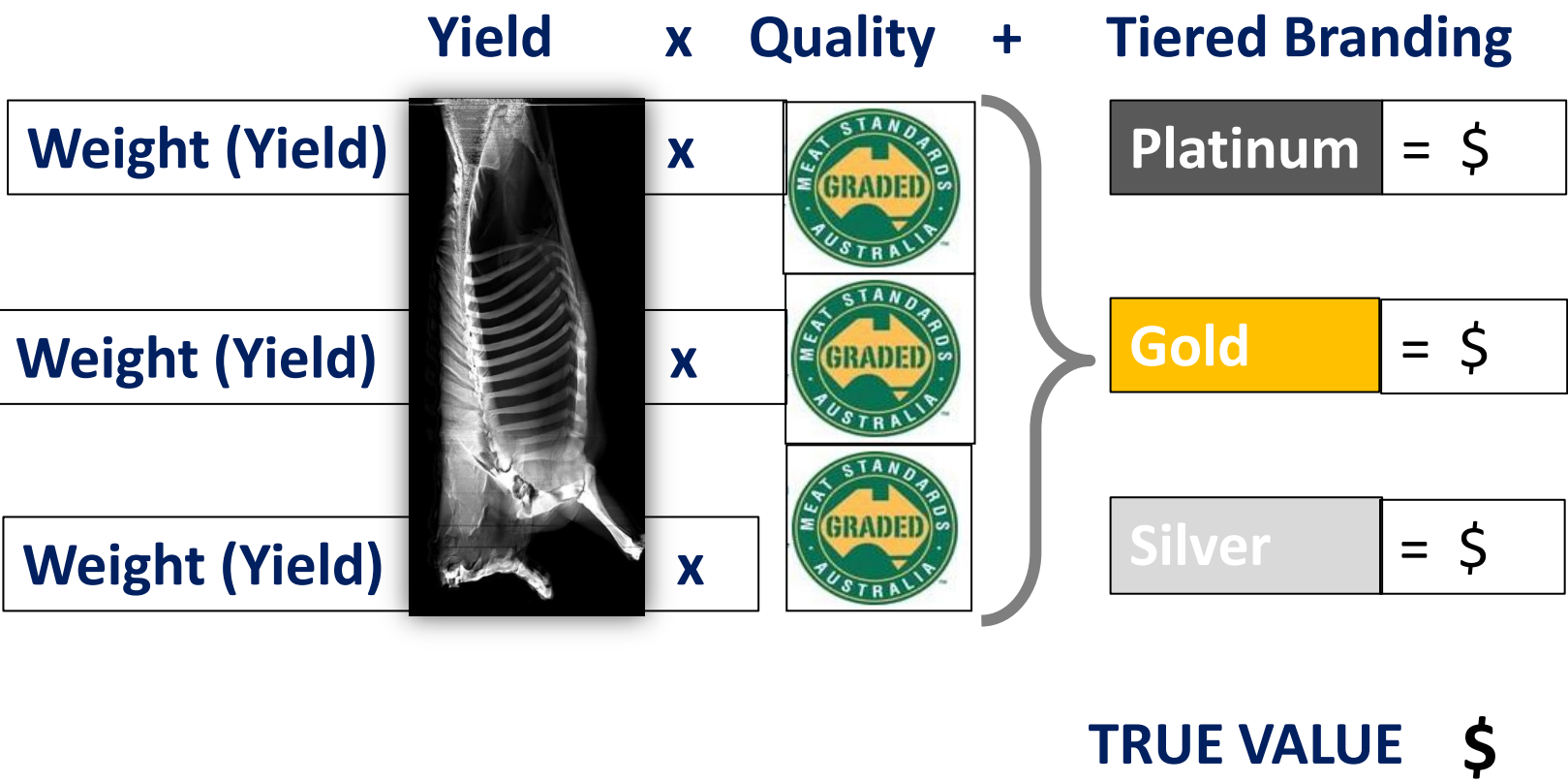


Resulting in value signals being distorted

The solution is simple in theory but more difficult to deliver



VBM – Payment on the basis of actual weight and quality



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

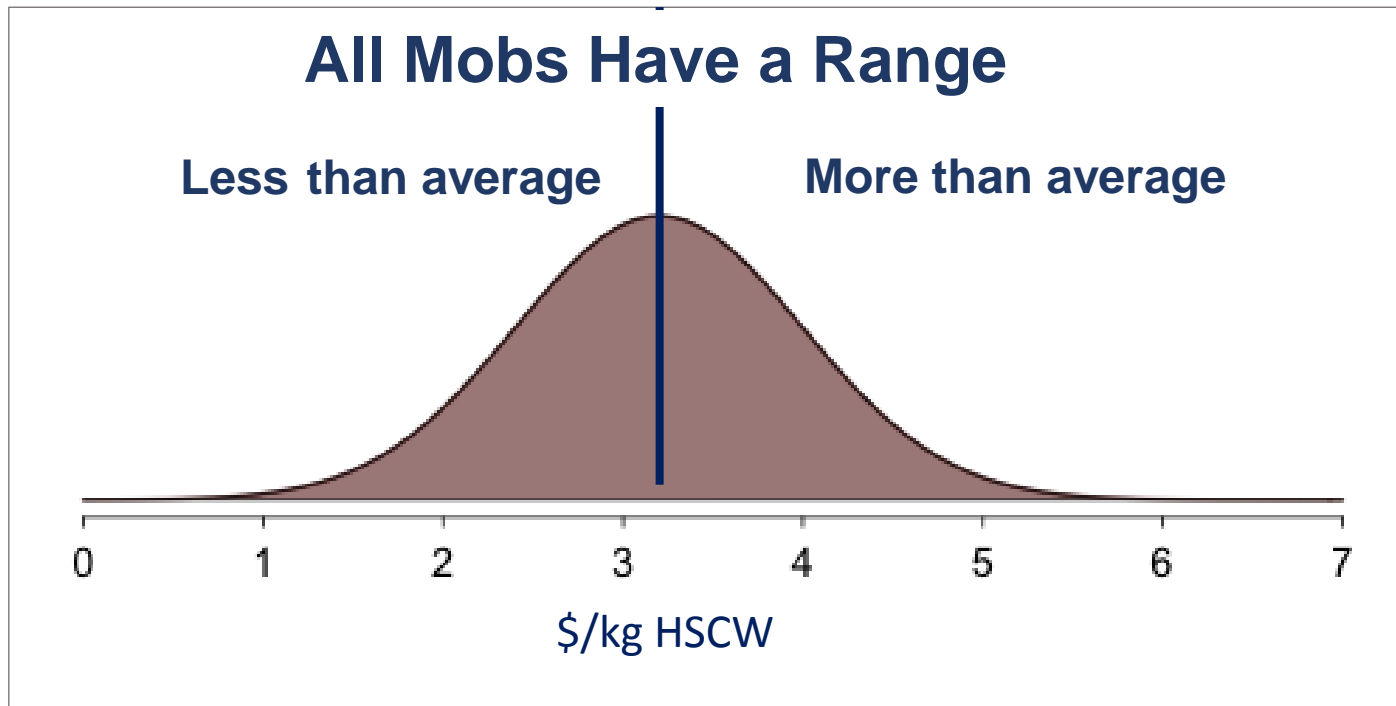
It will be based on a foundation of stronger supply chain relationships built on trust



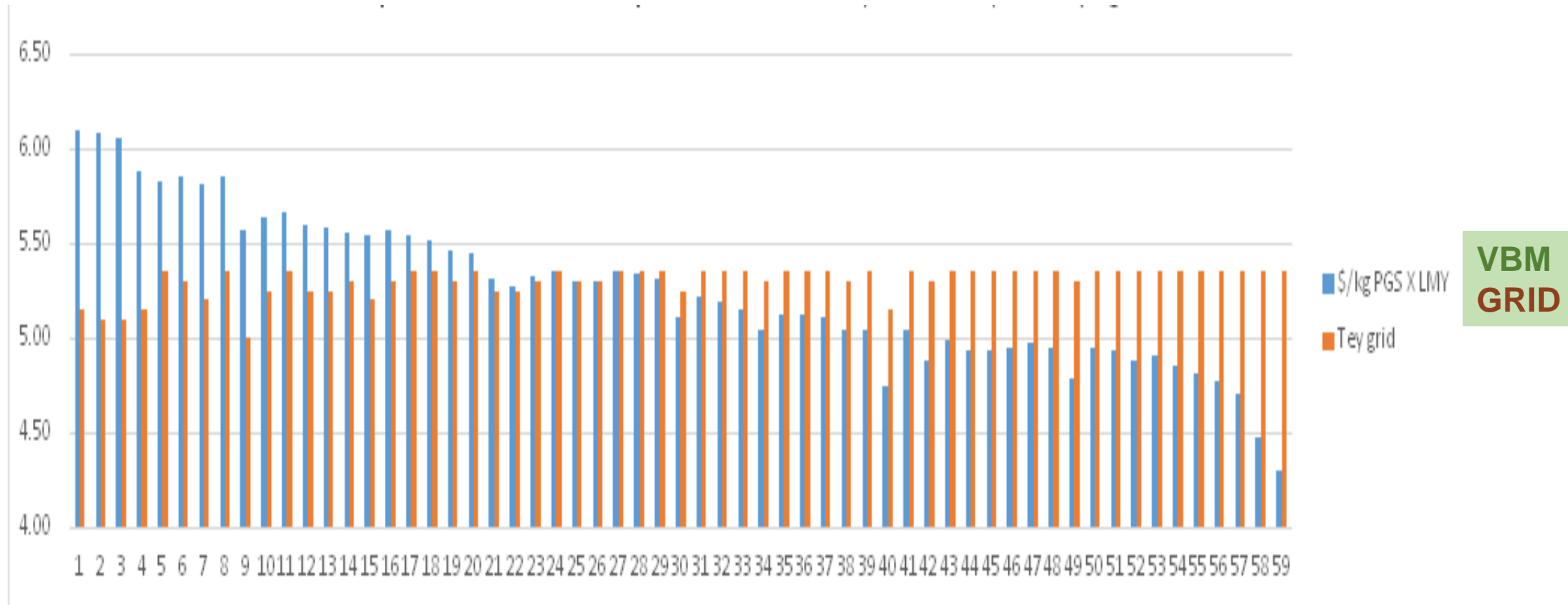
First and foremost we must fix the current grading system

- ☐ 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

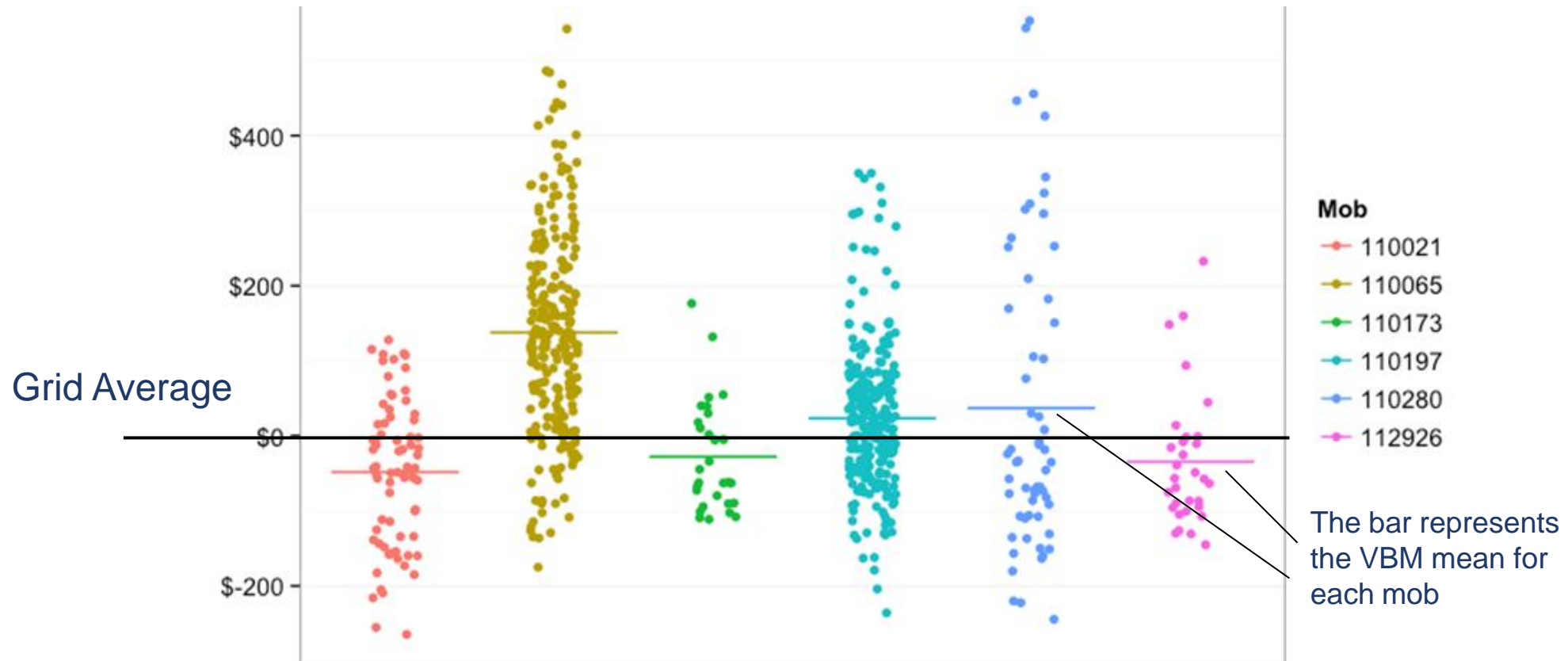


Averaging masks individual value & removes incentive for improvement



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

Built on a system which objectively describes quality as seen by the consumer

CUT	MUSCLE	GRILL	ROAST	STIR FRY	THIN SLICE	YAKINIKU	SHABU SHABU	SLOW COOK	CORN
spinalis	SPN081								
tenderloin	TDR034								
tenderloin	TDR062								
tenderloin	TDR062								
cube roll	CUB045								
striploin	STR045								
striploin	STR045								
oyster blade	OYS036								
blade	BLD095								
blade	BLD096								
chucktender	CTR085								
rump	RMP131								
rump	RMP231								
rump	RMP005								
rump	RMP032								
rump	RMP087								
knuckle	KNU065								
knuckle	KNU098								
knuckle	KNU099								
knuckle	KNU100								
outside flat	OUT005								
outside flat	OUT029								
eye round	EYE075								
topside	TOP001								
topside	TOP033								
topside	TOP073								
chuck	CHK068								
chuck	CHK074								
chuck	CHK078								
chuck	CHK081								
chuck	CHK082								
thin-flank	TFL051								
thin-flank	TFL052								
thin-flank	TFL064								
rib-blade	RIB041								
brisket	BRI056								
brisket	BRI057								
shin	SHI058								
shin	SHI059								
intercostal	INT037								



Brand Value } versus

Boning Group
 Dentition
 Sex

True consumer value						
Occasion	Grill	Roast	Slow Cook	Stir Fry	Shabu Shabu	Yakinku
Very Special	Brand A++	Brand A++	Brand A++	Brand A++	Brand A++	Brand A++
Special	Brand A+	Brand A+	Brand A+	Brand A+	Brand A+	Brand A+
Good Everyday	Brand A	Brand A	Brand A	Brand A	Brand A	Brand A

And objectively measures yield

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

YIELD Kg/%

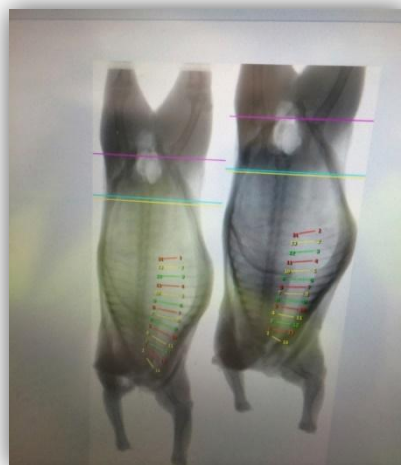


versus

**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>DAIRY</u> is a valid example:	<table><tr><th colspan="2"><u>Production Per Cow</u></th></tr><tr><td><u>1980</u></td><td>2848 litres</td></tr><tr><td><u>2012</u></td><td>5891 litres</td></tr></table>	<u>Production Per Cow</u>		<u>1980</u>	2848 litres	<u>2012</u>	5891 litres
<u>Production Per Cow</u>							
<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 carcass 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 *

BONELESS BEEF
***YG* BLADE**
OVER 6.0kg
IW/VAC

ANY MEAT WORKS Co
LONG FLAT ROAD
ANYTOWN NSW
ORIGIN: AUSTRALIA
PRODUCT OF AUSTRALIA

32307
4 PC



(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

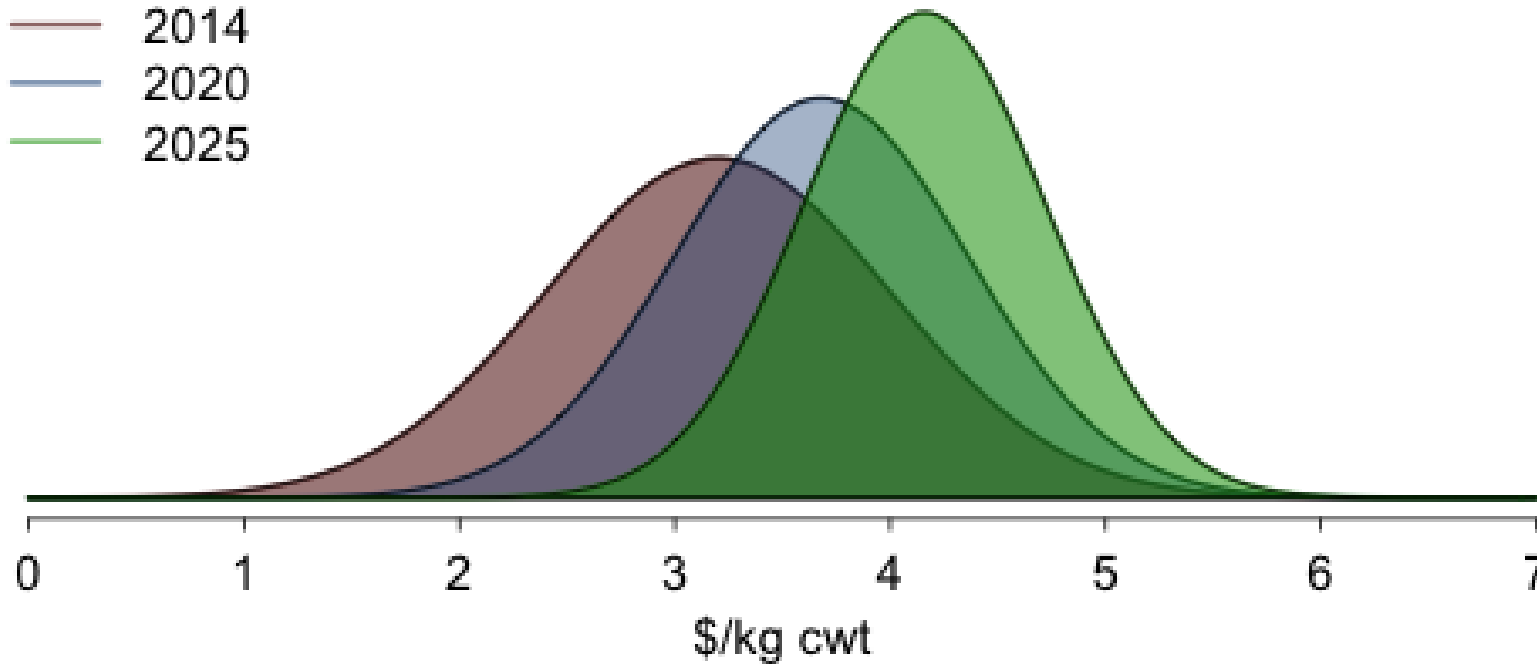



DENTITION	DESCRIPTION	CATEGORY/CIPHER
	Carcass is derived from castrate or entire male bovine that: ◆ Has 0 permanent incisor teeth. ◆ Has no evidence of Secondary Sexual Characteristics (SSC).	YEARLING STEER * YS * * Up to 18 months
	Carcass is derived from female, castrate or entire male bovine that: ◆ 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

VBM – simple & accurate

TEYS CATTLE PRICE GRID				
	\$ /Kg of Lean Meat			
	BASE	Additional		
		EU	PCAS	ANGUS
TEYS GRADE				
Platinum	\$15.60	\$1	\$1	
Gold	\$15.02	\$0.50	\$1	\$0.25
Silver	\$13.99			
Value Add	\$13.23			
Manufacturing	\$12.48			

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
- **Tey's is committed to this path**

