



> THE MARK  
OF QUALITY

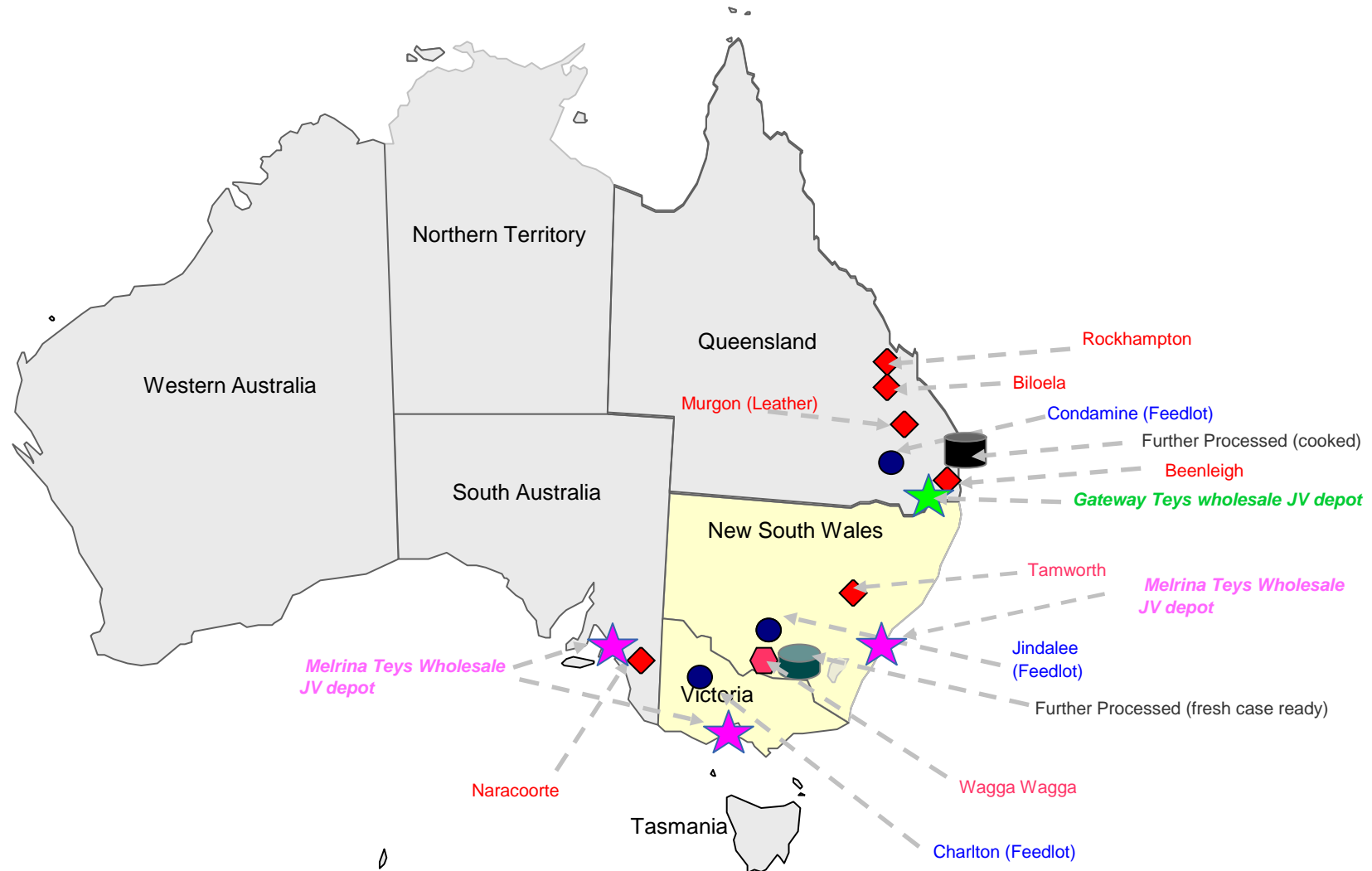
*Feeding People  
Enriching Lives*



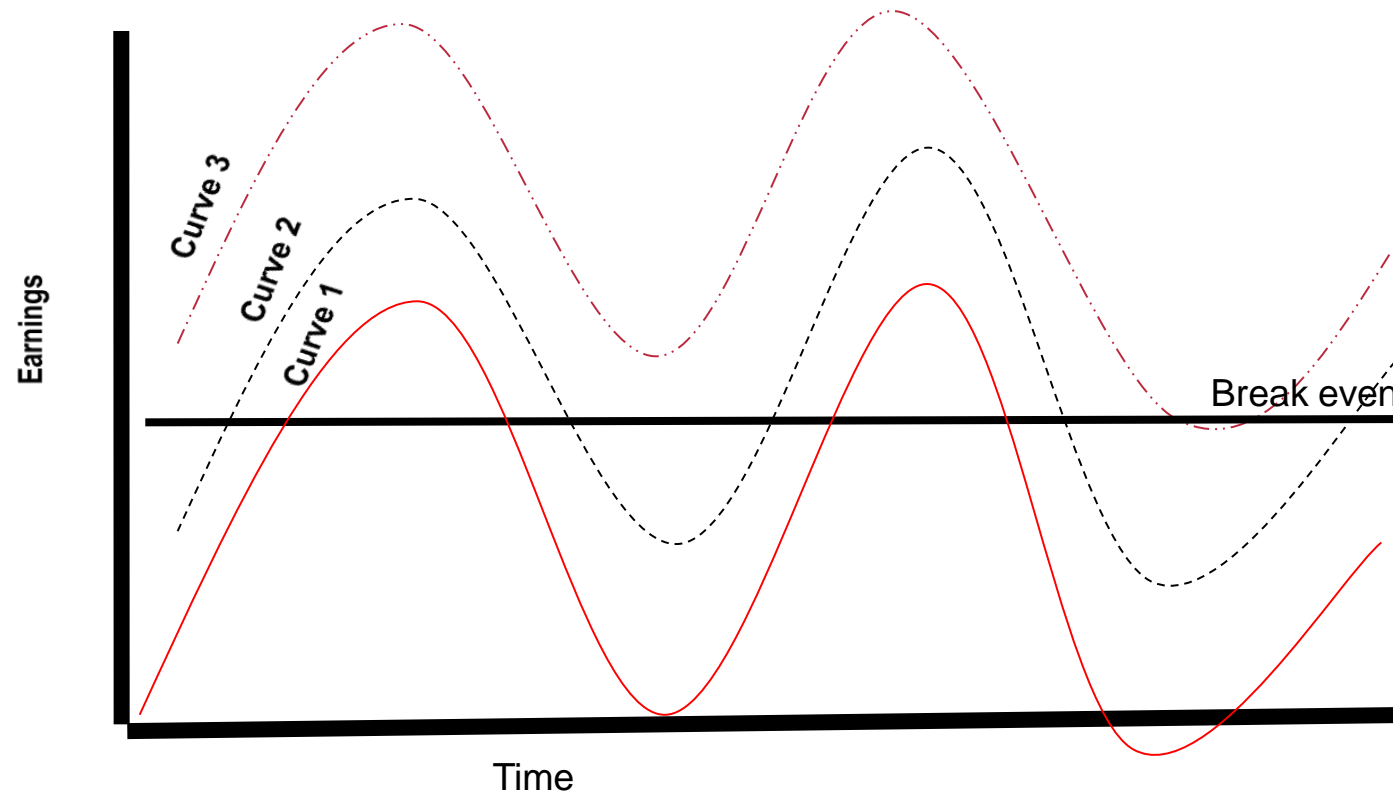
# Transitioning to a Value Based Marketing System for Beef

Tom Maguire

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



# The commodity cycle generates supply chain winners and losers

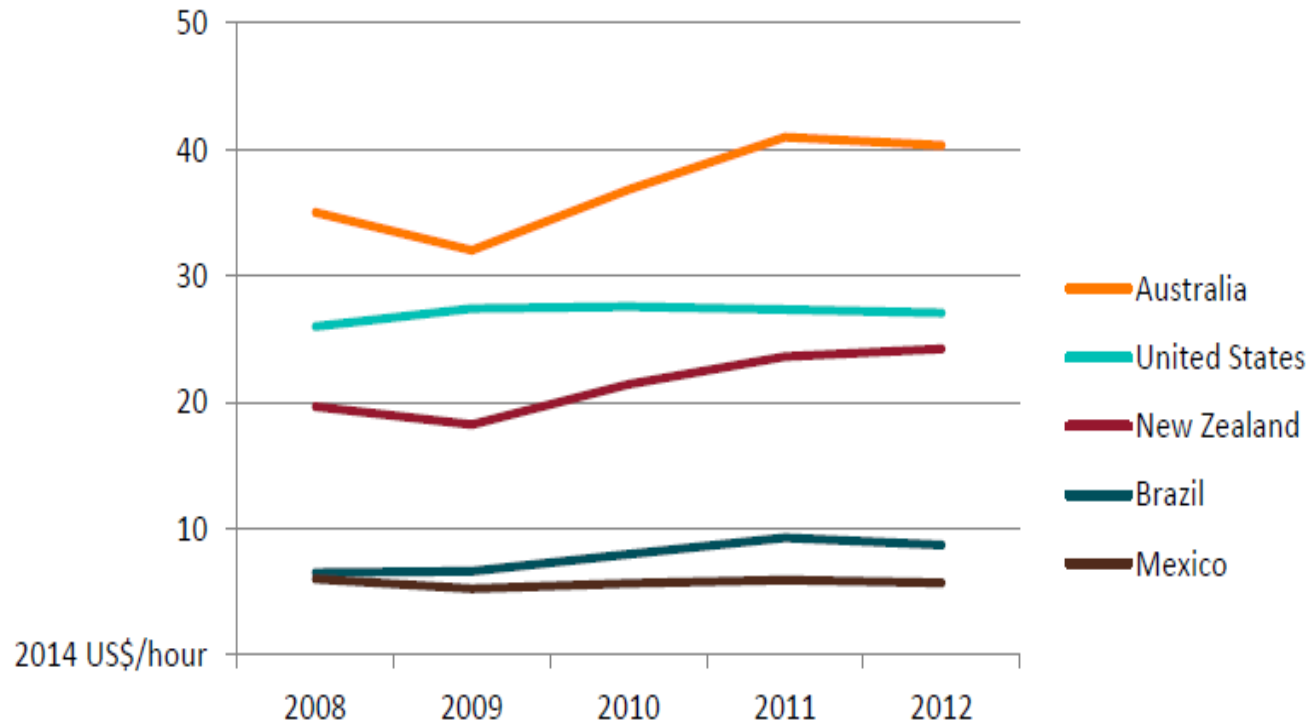


**Long term sustainability means everyone can be profitable at the same time**

# 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

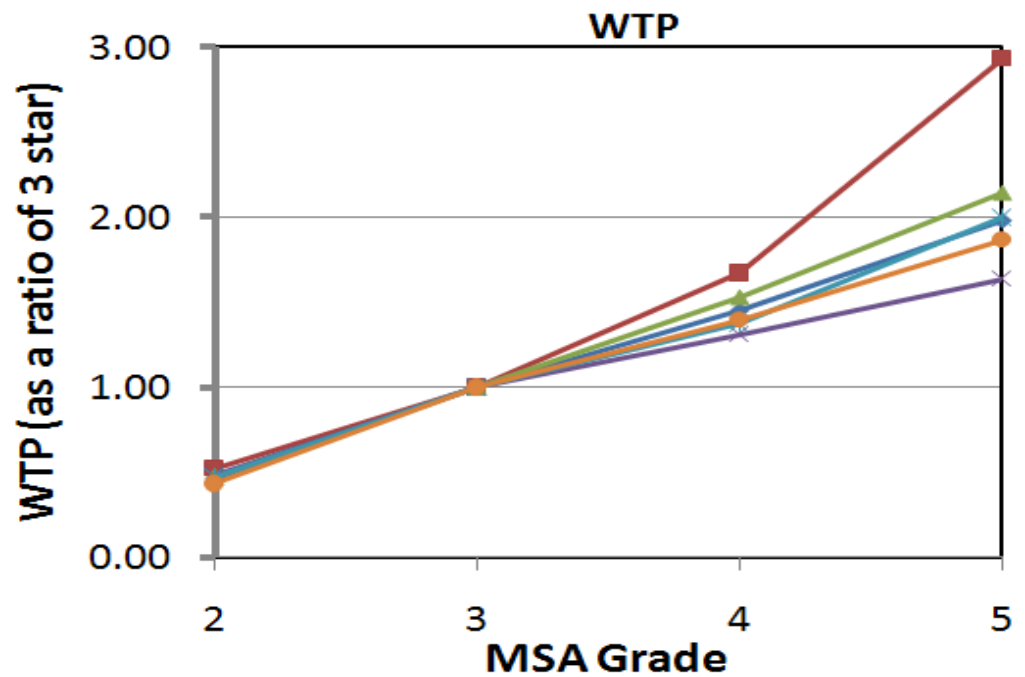
	USc/kg lwt Aus	USc/kg lwt Brazil
Dec 15	213.57	127.47
Jan 16	214.62	123.34

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

- Australia
- Japan
- USA
- Ireland
- South Africa
- France



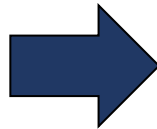
# Provided we give them, exactly what THEY want, always



<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

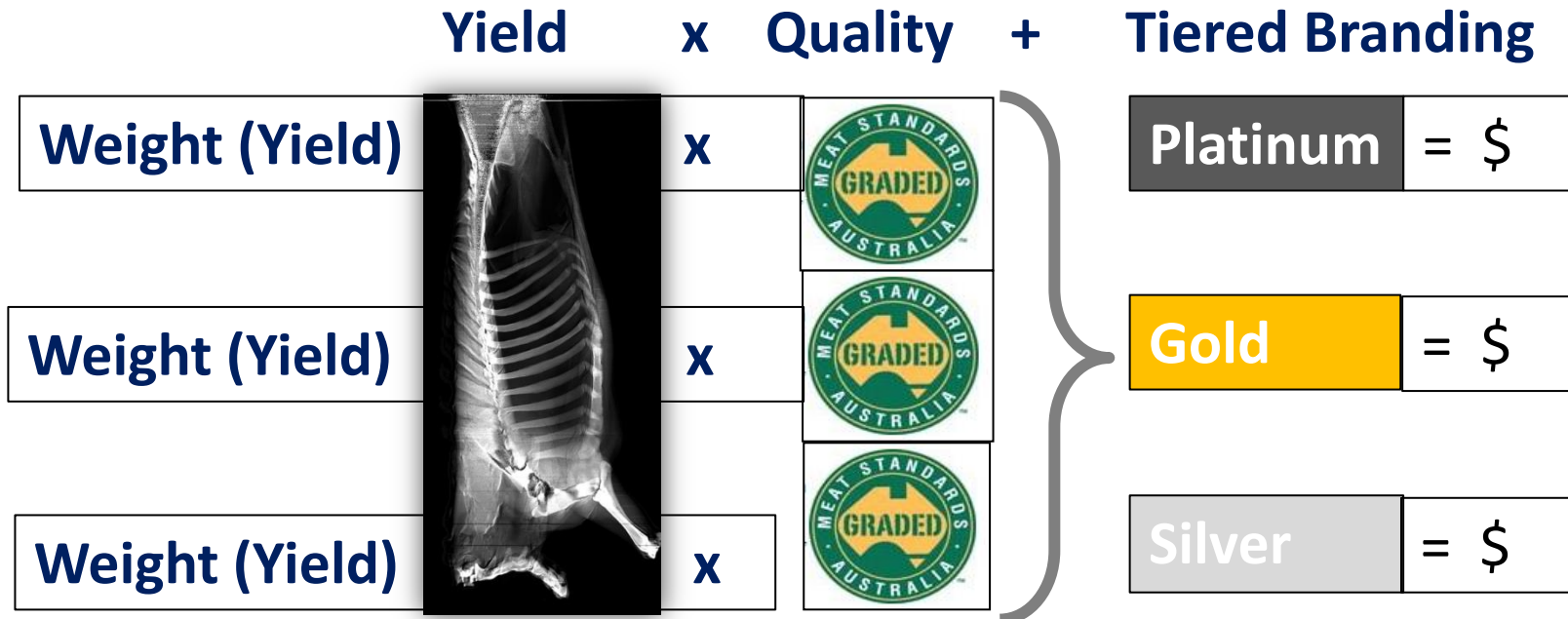


**Resulting in value signals being distorted**

# 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**

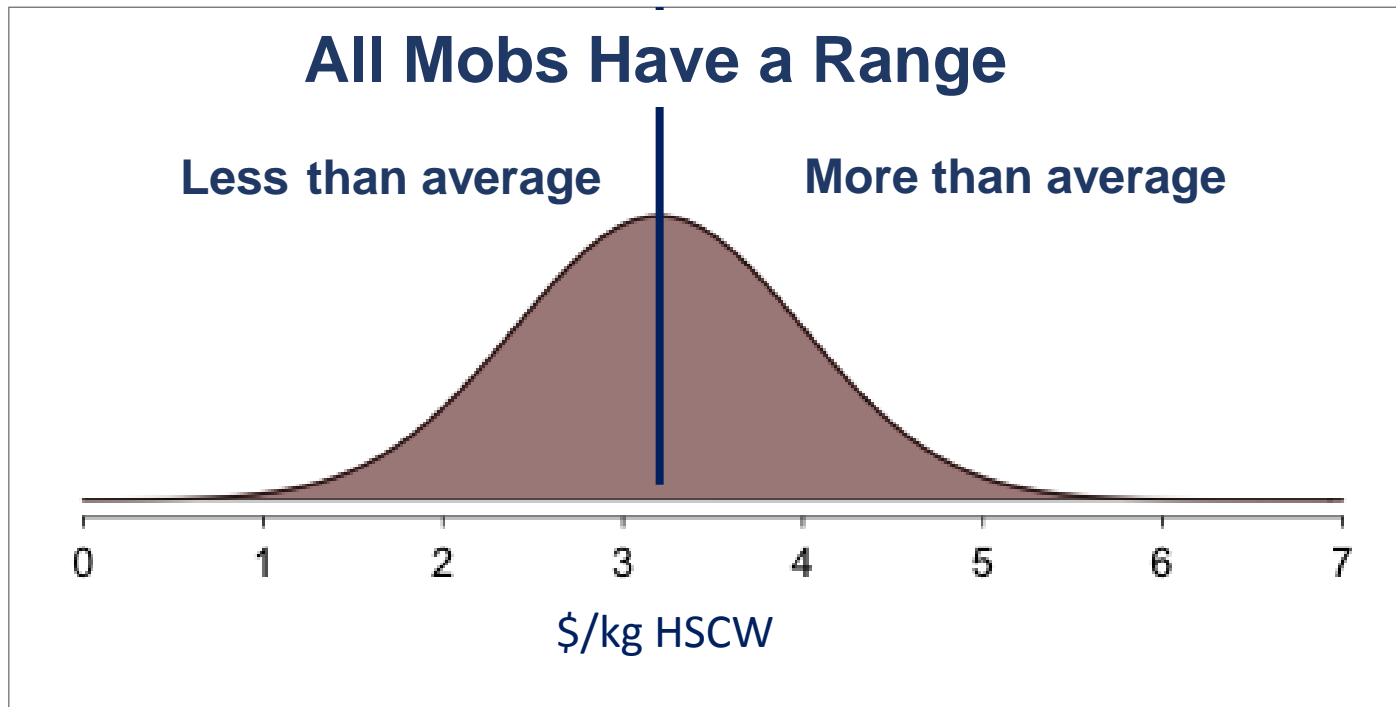
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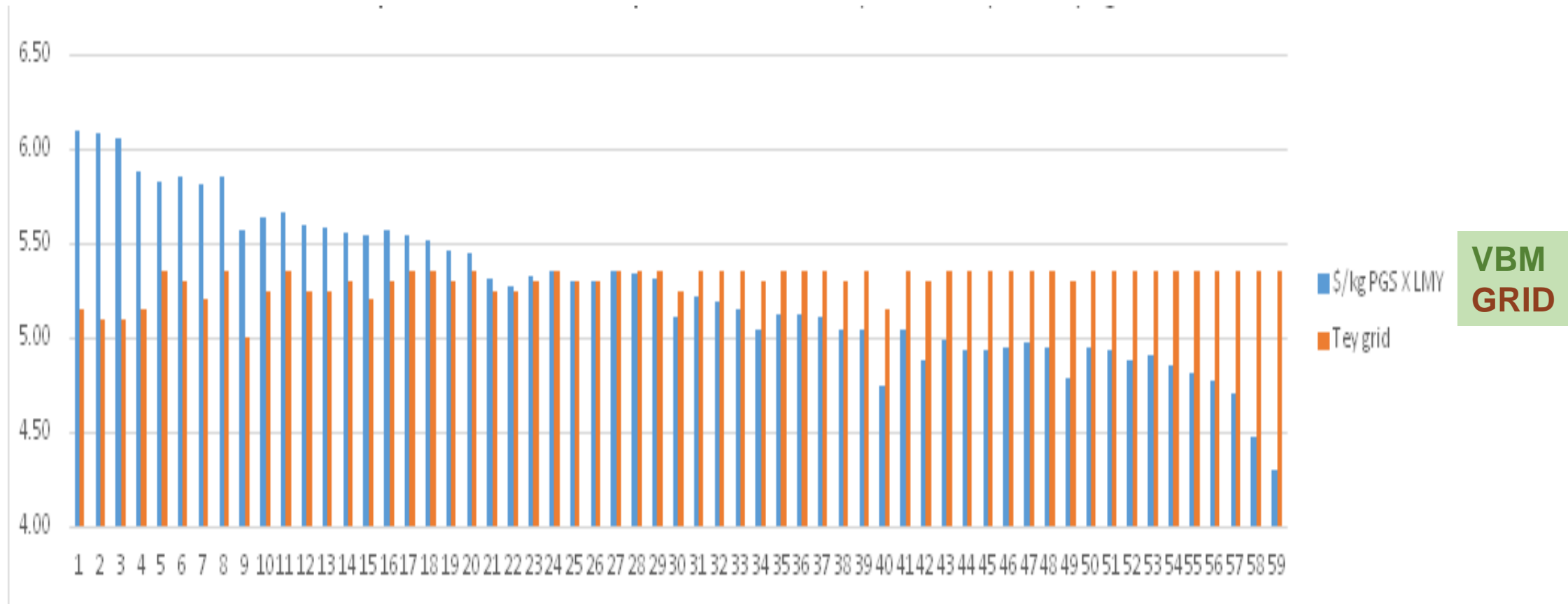
**First and foremost we must fix the current grading system**

- 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

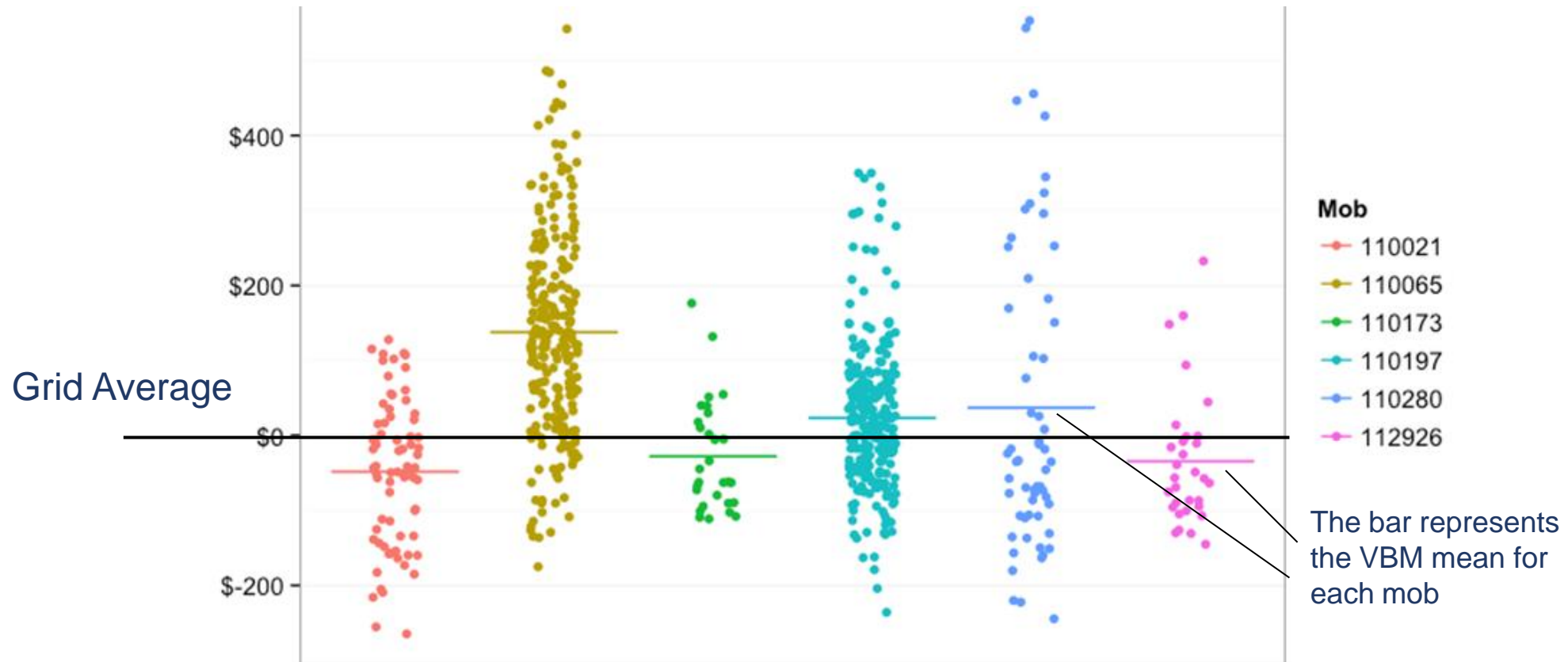


# Averaging masks individual value & removes incentive for improvement



**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



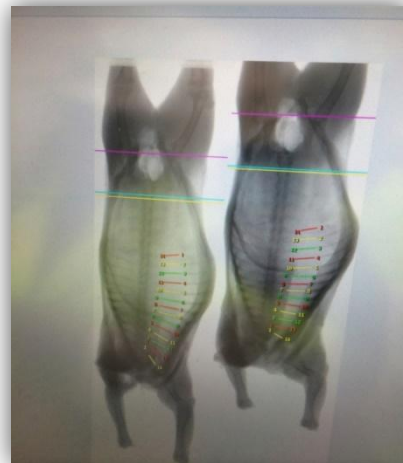


# And objectively measures yield

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



- Hyperspectral
- DEXA
- RGBD Camera
- LEAP system



Similarly, animal health data can be used



## The key is accurate and relevant feedback linking consumer value

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- 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 <b>entire male</b> not assessed for SSC. ◆ Has no evidence of eruption of permanent incisor teeth. ◆ Carcass weighs more than 150kg *(HCSW).	<b>YEARLING ENTIRE * YE *</b>
	Carcass derived from <b>entire male</b> not assessed for SSC. ◆ Has no evidence of eruption of more than 2 permanent incisor teeth. ◆ Carcass weighs more than 150kg *(HCSW).	<b>YOUNG ENTIRE * YGE *</b>
	Carcass derived from <b>castrate or entire male</b> 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).	<b>YOUNG BULL * BYG *</b>

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



# And replaced by something like this:

## Traditional Grid, complicated & inaccurate

**MSA GRASS**  
MSA ANGUS  
EU GRASS  
DATE: 19/01/18

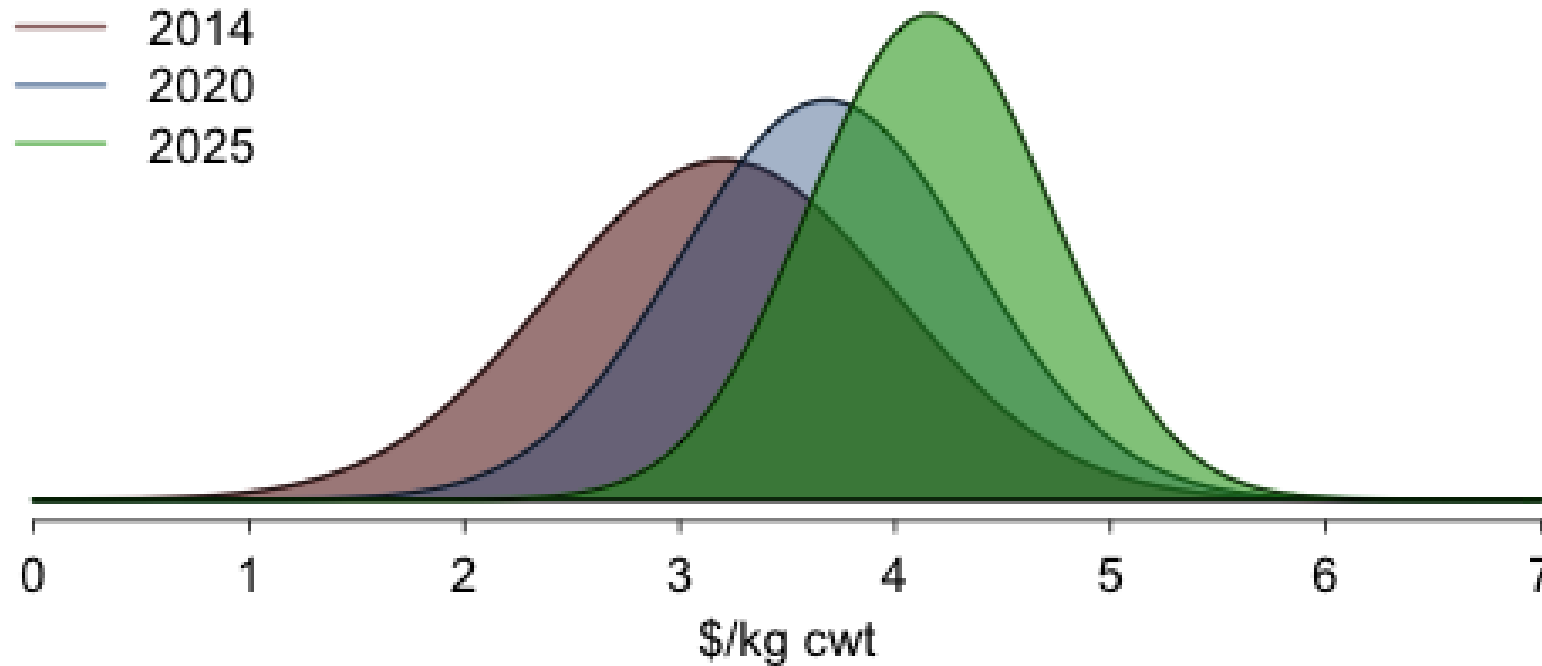
**TEYS AUSTRALIA GRADING SYSTEM**

Grid details: Includes columns for Sex (Bull, Heifer, Cow, etc.), Age (1-8, 9-11, etc.), and various carcass weights (e.g., 340, 320-340, 300-320, etc.). Prices are listed in dollars and cents.

## VBM – simple & accurate

TEYS CATTLE PRICE GRID				
TEYS GRADE	BASE	\$/Kg of Lean Meat		
		Additional		
		EU	PCAS	ANGUS
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
- **Teys is committed to this path**

