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The Australian Lamb/Sheepmeat Industry, Commodity or Premium Protein?  
Where to?
Background & Nuffield

- Manage a semi corporate/family mixed livestock/cropping business
- Transitioned from wool to dual purpose sheep; wool & lamb
Out performing other broad acre industries

1994 Index Price = 100

Source ABARE
So What is the Problem?
Transaction Model & Price Discovery of Saleyards “A just-in time procurement system, that averages prices”
Sheep/Goats Moving through the Supply Chain (2008-2015 Avg)

- On Farm Production
  - 32.91 million sheep
  - 2.24 million goats

- Saleyard
  - 19.72 million sheep
  - 1.90 million goats

- Farm-to-farm
  - 3.26 million sheep
  - 0.49 million goats

- Live export
  - 2.90 million sheep
  - 0.18 million goats

- Abattoir
  - 26.76 million sheep
  - 1.56 million goats

- Exported meat
  - Lamb: 161 kt
  - Mutton: 152 kt
  - Goat: 27 kt

- Total meat production
  - Lamb: 413 kt
  - Mutton: 174 kt
  - Goat: 28 kt

- Source: ABAREs “Decision Regulatory Impact Statement Implementation of Improvements to the NLIS for Sheep and Goats”

Transaction Costs
- freight in/out
- Yard fees
- agents fees
- product loss from stress
What is the Alternative?

- Move to a value based system that aligns goals within the value chain by paying on **Meat Yield and Eating Quality**

**Lean meat yield% – Less fat!**

**Score 4**
- Carcase Wt: 23.0kg
- GR: 20.0 mm
- Fat weight: 6.87kg
- Saleable meat weight: 10.34kg
- Saleable Meat Yield: 48%

**Score 2**
- Carcase Wt: 23.6kg
- GR: 10.0 mm
- Fat weight: 4.86kg
- Saleable meat yield: 13.08kg
- Saleable meat yield: 56%

*Source Sheep CRC*
The WHY: The Value Proposition
Move away from Averaging

1. Move price discovery aligned to (an close to ) the consumer value creation point

2. Incentivise on farm Behaviour through $s
   • Link management, genetics & feed sources to outcomes

3. Processor efficiency
THE HOW; Objective Carcase Measurement is the Key:

The Goal Alignment

• Measure Yield – DEXA
  (90% accuracy, compared to 20% for manual and only 40% with VIA Scan)

Processors Goal

• Measuring Eating Quality (EQ) – Intra Muscular Fat (IMF)

Consumer Goal
THE HOW: DEXA Fast Track: Collaborative Investment in OCM

• 2016 MLA AGM announced a collaborative investment of $150M, leveraged with producer levies

• Builds a bridge over the trust divide, by giving independent & transparent measurement with consistent language in every processing plant

• data linked back on farm seamlessly – MLA has developed a system called Livestock Data Link (LDL)
The risk of only focussing on yield
Don’t Forget About The Consumer

The need for Stage 2 OCM
Collaborative Investment
Eating Quality Measurement
So What we need ASAP

Eating Quality (IMF) the holy grail of carcase measurement

• With Government support, industry is investing in EQ Measurement through the ALM Tech $17m 3 year investment

• Carcase scanning in NZ Alliance processing plant-with Via Scan (developed in Australia with producer levies)
Traceability – Government “an enabler”

“Electronic Identification Devices (EIDs) mandatory for sheep in Victoria from 2017”
The premise is about risk mitigation for traceability & market access

Positive uptake for Objective Carcase Measurements by linking the chain together
EID the Link
Conclusion

Collaborative Industry Investment into DEXA then Eating Quality will ensure our premium protein status

Builds a bridge over the trust divide

Move Price Discovery closer to the consumer

Provenance will increase;

- backed up by the science of measurement & eating quality