

Independent Review of the proposed installation of DEXA in AUS-MEAT registered processing facilities

Issues Paper #2

Presented by :

Andrew Metcalfe, AO - Independent Review Lead Partner

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Why are we here today?

1

Background to the
Independent
Review

2

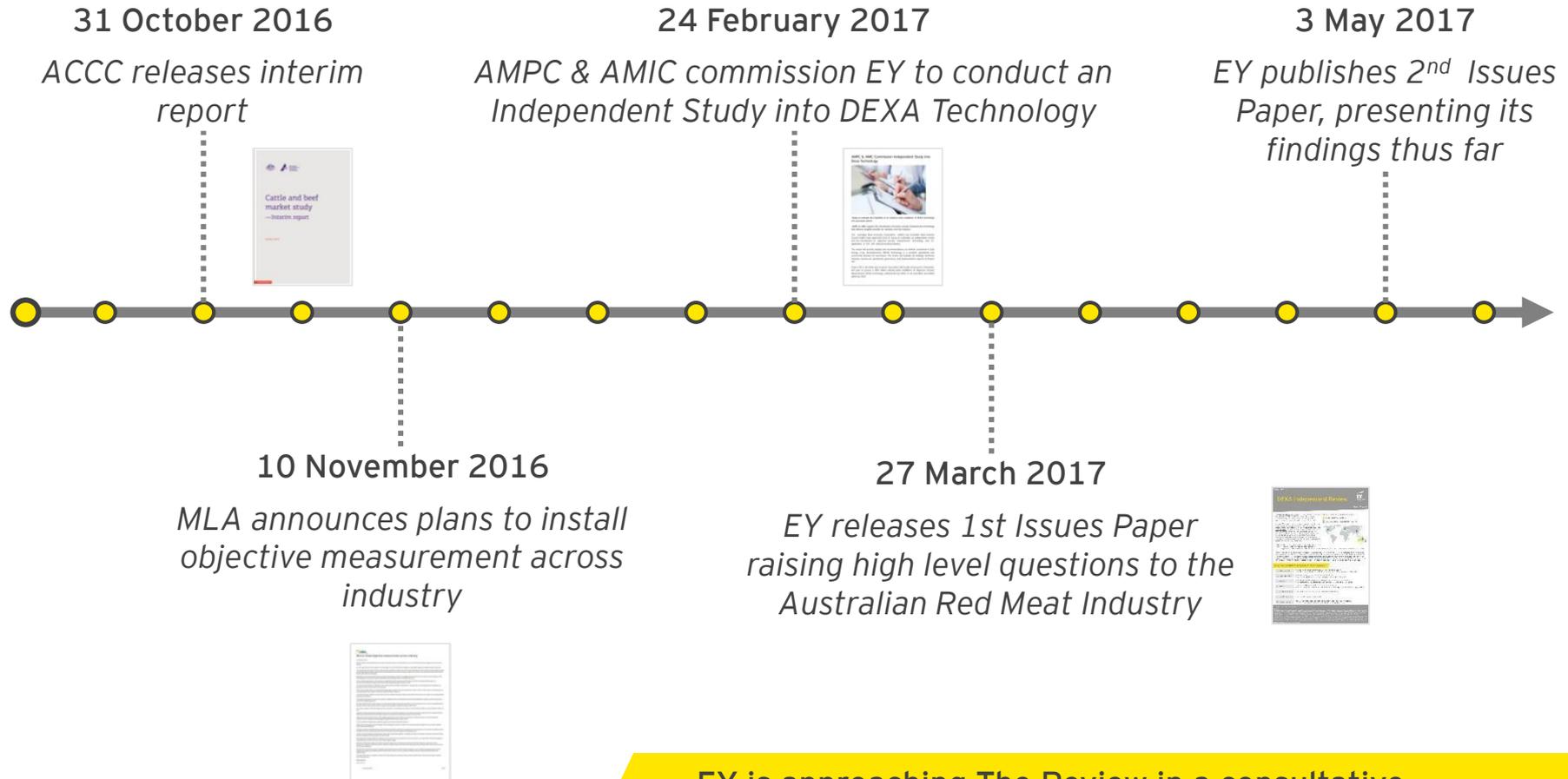
EY's role

3

Launch of the 2nd
Issues Paper
and its purpose



EY was asked by the AMPC and AMIC to undertake an Independent Review of the proposed \$150m investment to install DEXA units in ~90 processing plants



EY is approaching The Review in a consultative, collaborative and transparent manner with the industry

The Australian Red Meat Industry employs around 200,000 people, many in rural and regional Australia

200,000 Australians Employed By The Industry (Including Flow-on Effects)

Producing



Primary Producers



Feed Lotting



Live Transport



Processors



Cold Transport



Marketing & Distribution



Wholesale



Retail

Processing

Supporting Activities



Animal Health



Scientific & Technical Services



Financial Services & Insurance



Health Care & Social Assistance



Accommodation & Food Services

Source: EY Analysis, MISP2020

Overview of the 2nd issues paper...



Context about the Australian Red Meat Industry

- ▶ Overall structure, value chain and participants
- ▶ Opportunity and trends
- ▶ Key challenges



Understanding what has been proposed and what we have heard so far

- ▶ Proposed use of OCM
- ▶ Proposed applications of DEXA as one part of OCM
- ▶ Proposed rationale for an expedited rollout of DEXA
- ▶ Proposed costs and financing
- ▶ 'Voice-of-the-industry'



Matters under consideration

- ▶ Strategic needs
- ▶ Technology readiness for commercial use in beef
- ▶ Total cost of ownership
- ▶ Data ownership, use and governance
- ▶ Industry benefits

What have we learned so far...



Multiple applications for Objective Measurement (OM)

Carcase grading, data collection and automation enablement are the primary applications of OM technology.



Multiple OM technology options

There are multiple technologies, including DEXA, that can be used to predict LMY with varying levels of advantages and disadvantages.



Commercial readiness of DEXA for beef

DEXA as an OM tool has been in R&D and trials for several years; specifically in its ability to measure LMY, enable carcass sortation and advanced robotics for automated boning.



Data ownership and IP rights have yet to be fully defined

Further investigation into the specifics regarding suitable data formats, ownership rights, IP and data governance models is required.



Total cost of ownership remains unclear

The proposed investment of \$150m only relates to the costs of DEXA installation. However, additional clarity is required to determine the expected implementation, ongoing operational and maintenance costs relating to the proposed DEXA rollout.

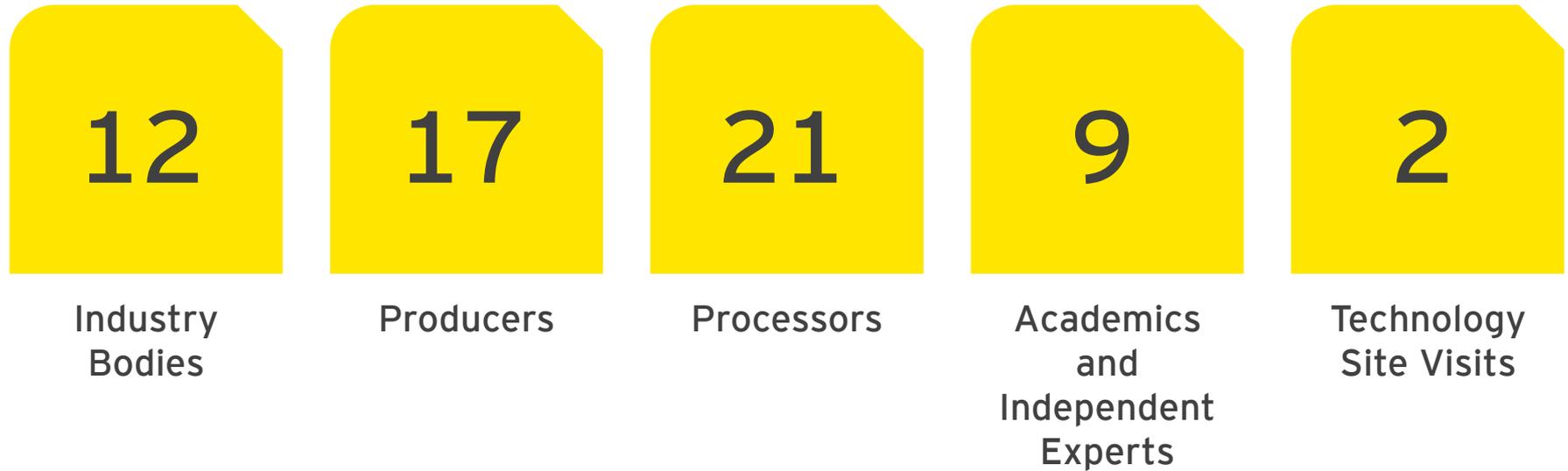


The use of DEXA is influenced by individual processor needs

Processors have varying business models and end consumers that impact their strategic and commercial desire to consider the use of DEXA in their operations.

Source: EY Analysis

Who we have engaged with so far...



What have we heard from the industry so far...

1. Almost all producers and processors are **calling for pilot programs** to demonstrate the technical and commercial impacts of DEXA before significant industry expenditure is undertaken.
2. In the absence of reliable trials data from the use of DEXA on cattle, **confidence in DEXA** to deliver suggested industry developments **is moderate** among both producers and processors.
3. Producers and processors view **capital investment as a means to deliver their own business model**. Investment programs imposed industry-wide assume that all operators need the same capital equipment and share common industry priorities.
4. Carcase grading and pricing has been an ongoing source of frustration to producers, undermining their trust in processors. This **mistrust in manual grading** is too widespread to be ignored, the industry needs to address this problem.
5. **OCM technologies** generally, **are seen by producers as much-needed tools** to increase the objectivity and transparency of carcase measurement. The benefits include accurate grading and valuation, enabling processors to optimise boning, informing breeding strategies and supporting the producers' pursuit of a value based marketing approach
6. While processors are concerned that DEXA technology will lead to producers pursuing yield over quality, producers intend to **use** the accurate yield measurement from **DEXA to complement their meat quality decision-making**, not to redirect it.

Where to from here...

01

How may the proposed application of DEXA meet the needs of the red meat industry?

02

What are the costs associated with DEXA implementation and operations, and the proposed funding?

03

What are the commercial, contractual and financial considerations relating to data ownership, use and governance?

04

What benefits would there be for the industry and considerations for possible adoption?

We are seeking industry feedback on this issues paper and planning a final report for the AMPC later this month

We are seeking feedback on this 2nd Issues Paper from the broader industry as we work towards finalising our final report in the coming weeks



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