

final report

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Prepared by: Nekta Nicolaou
Thomas Foods International
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TFI Collaborative Innovation Strategy Program Stage 2

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Executive Summary

Thomas Foods International (TFI) began operations in 1988 and has evolved into Australia's largest 100% family owned meat processing company. TFI commenced involvement in the CISP Program in April 2012 (Stage 1) and have built a foundation for sustainable practices and plant performance during this period. Throughout the last three years (Stage 2) TFI has successfully integrated innovation into its overall business strategy to increase operational excellence (specifically processing efficiency and environmental sustainability). During this time, over 20 innovation projects have been completed, with in excess of \$70m in expenditure.

The main benefits to Thomas Foods International arising out of CISP in Stage 2 have included:

- Increased producer engagement
- Improved food safety and e-coli management strategies
- Improved process efficacy through technology and automation
- Improved environmental sustainability
- New product development through new innovative processes
- Ability to confidently evaluate and implement new cutting edge technologies

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1 Background

1.1 Thomas Foods International

In September 2007, Meat & Livestock Australia (MLA) launched the Collaborative Innovation Strategies program (CISp). The program involves the co-development of comprehensive innovation strategies with individual enterprises which meet commercial imperatives in addition to focusing on the implementation of key industry and government innovation priorities.

MLA aims to continue to develop Collaborative Innovation Strategies Program throughout a broad range of companies throughout the Australian red meat industry and its supply chains.

The Collaborative Innovation Strategies Program is a flexible enterprise innovation capability building program that is customised for large and small enterprises throughout the red meat value chain. Enterprise innovation capability within the context of this program is defined as the underlying capacities that enable a firm to be innovative on a sustained basis, rather than producing one-off product innovations from time to time

In April 2012, a 3 year Collaborative Innovation Strategy Program partnership with TFI commenced which transversed the entire organisation , along with the development of both the professional development plan for the innovation manager and a whole of enterprise innovation culture building program with the objective of developing the organisations innovation capability. At the time TFI operated four processing facilities across NSW and SA and also have significant investment in a US distribution business

In 2015, TFI committed to the continuation of the CISP program through a second 3 year Stage. During this period, the business continued to grow, adding further processing and distribution business, significant feedlot infrastructure, livestock backgrounding, online meal business and in-market offices to its portfolio.

2 Projective Objectives

2.1 Review of the Innovation Strategy Goals

The development of an innovation system which supports and embeds the innovation strategy within TFI was a major component of this project. This innovation system was to include the use of a number of innovation enablers such as innovation diagnostics, innovation management systems and effective change management. Further, the resources required to embed innovation throughout the business and the portfolio of projects that will assist in demonstrating the value of innovation were to be identified. Ultimately, the goal of this project was to integrate innovation into the way that TFI operates by developing a well managed innovation system that can deliver increased profitability and sustainability to the business.

2.2 The Scope of the Project

The scope of Stage 2 of the innovation system was to integrate into the company's overall business strategy. The focus was on the following key areas:

- Producer engagement strategy development (development of a differentiated offering both supply and demand side)
- Food Safety E-coli management strategies
- Processing efficacy / processing automation
- Environmental sustainability management (on and off farm)
- People, Culture and Capability
- Strategic marketing and product innovation (including engagement of market economic services)
- Development of supply chain engagement strategies, providing MLA the opportunity to influence on farm communication through the collaborative development such strategies.

3 Innovation Achievements

Enterprise innovation capability within the context of this program is defined as the underlying capacities that enable a firm to be innovative on a sustained basis, rather than producing one-off product innovations from time to time. Measureable performance indicators identify the contribution of innovation capability to TFI's achievement of key business objectives. The TFI innovation journey has included both collaborative project in the form of PIPs and PSHs as well as a significant number of company initiated and run projects, a list of which can be seen below. Ultimately the innovation capability building program is expected to contribute to TFI's long term profitability, competitiveness and sustainability.

3.1 Projects

3.1.1 Producer Engagment

- Lamb Supply Chain Group participant
- Monthly plant tours
- Limestone Coast Red Meat Cluster participant
- SA Producer forums – running, attending, speaking
- Sheep CRC Lean Meat Yield projects
- Development of TFI Farm Assurance program

3.1.2 Foods Safety

- Enhanced Abattoir Surveillance program
- P.PIP.0449 – Trim Auger Spray E.Coli Intervention
- P.PIP.0450 – Trim UV Light E.Coli Intervention
- P.PIP.0448 – Spray Cabinet E.Coli Intervation
- Hot was carcase spary cabinet including CSIRO validation

3.1.3 Processing Efficiencies

- P.PIP.0470 – Automated Trim Blending System
- Tamworth Major site capacity upgrade
- Murray Bridge Beef boning upgrade
- Murray Bridge plate freezer infeed/outfeed upgrade
- Murray Bridge beef lidding and labelling upgrade

3.1.4 Environmental Sustainability

- P.PIP0460 – Covered Anearobic Lagoon Optimisation
- Upgrade of Murray Bridge Biogas handling facility
- P.PIP.0773 – Cogeneration Feasibility Study
- P.PIP.0497 – AAR Waste Water Treatment Plant Tamworth

3.1.5 People, Cultrure and Capability

- P.PIP.0482 Developing Innovation Capabilities
 - UQ Innovation Management Course
- Regional Migration Status – Murray Bridge
- Achievement of Self Insurance accreditation
- School leavers program
- TFI Cadetship Program

- Launch of TFI Intranet

3.1.6 Strategic Marketing and Product Innovation

- Development of lamb value calculator
- Review and development of continuous pricing models (value based marketing)
- P.PIP.0549 Feasibility Study for Australian Made ready-meals for multiple markets – Stage 1
- P.PIP.0571 TFI/MDC Innovation Manager
- P.PIP.0750 E-commerce strategy development and implementation – TFI China

4 Benefits of Innovation Program

During this period a significant focus has been on integrating the program in the company's overall business strategy. The achievement of this is evident by the use of design-led innovation sprint for new product development.

Over the course of the 3 year stage 2 CISP program, TFI has completed in excess of 20 projects across the key CISP key business focus areas, totalling more than \$70m in expenditure.

The projects underpin TFI's commitment to growth, quality and efficiency. Design-led Innovation principles now form the foundation of new product development.

The main benefits to Thomas Foods International arising out of CISP in Stage 2 have included:

- Reduction in costs and increased production efficiencies
- Implementation of technologies to ensure the environmental sustainability of the business
- Improved food safety practices and technologies
- Greater confidence in implementing new technologies
- Greater alignment with the supply chain