

# final report

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## **Assessment and segmentation of Livestock Data Link stakeholders**

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## Executive summary

Two important, and interlinked, supply chain innovations have been underway in recent years in the meat and livestock industry.

Meat & Livestock Australia (MLA) has been developing the Livestock Data Link (LDL) system, which aims to provide uniform, online and interactive feedback to beef and lamb producers. It has achieved some level of uptake with nine processors and a small group of producers, and decisions are now being made about the next stages of its development.

JBS Southern, during much the same period has been pursuing a premium branded, grass-fed strategy with both domestic and export markets, and to support this have developed their Farm Assurance supply program.

The two initiatives are linked, because JBS Southern is using LDL to aggregate its feedback at head office and buyer level, and has also been introducing it to its Farm Assured producers to enable them to access and analyse feedback in a more systematic way.

MLA and JBS considered it appropriate, now that both Farm Assured and LDL have had a period of exposure to producers, to understand more about the supplying producers involved, and the impact of the two initiatives. They engaged Gattorna Alignment (GA) for this review. GA are a supply chain consulting firm, working across diverse industries but also with a long involvement with the meat and livestock industry. They have worked on various projects since 2009, including an early study for MLA on LDL. All GA projects are designed to contribute to the same overriding objective – to create value by improving the alignment between all parties in a supply chain.

The project involved workshops with MLA and JBS Southern staff involved in Farm Assured and LDL, and a significant research study with Producers. The research study was conducted during May and June of 2016. 351 beef and sheep producers from South East Australia were interviewed by telephone. Of these, 251 were JBS Farm Assured suppliers and 100 were not, coming from the MLA member database. Of the Farm Assured group, 46 were current users of LDL. The interview topics were wide ranging, aimed at understanding the key differences in how producers manage their business, their priorities, as well as their knowledge of, and experience with, Farm Assured and LDL.

These two initiatives (Farm Assured and LDL) point to potentially important developments on the road to more sophisticated red meat supply chains in Australia.

JBS have designed a specific offer (Great Southern) to suit a segment of the market, and have consciously aligned the supply strategy behind this offer with the Farm Assured program. The 'branded, quality assured, consistent supply' offer requires a level of certainty in the supply base which JBS have used price premiums, quality audits and promotional activity with producers to build and maintain. The results from this research indicate that most producers believe the program has been beneficial for them, and this suggests that a level of alignment has been created between target market, processor and producers. JBS is still striving to improve the program further, and the research results provides insight into how this could occur. It emphasises that producers value different things and by developing a range of strategies that respond to these differences there is more likelihood that secure supply and high compliance will become easier over time. Of value for both JBS and the industry is the recognition that many producers value the structure that a program such as Farm Assured can bring to their business.

LDL's role in the industry was supported by the research; many producers appear to have both the capacity and interest in receiving information on their performance through this type of vehicle. There are improvements needed to make LDL easier to use, especially for those using it infrequently, but the fundamental functionality is considered of value. The segmentation results and the information on how producers prefer to learn new systems remind us that communication, engagement and even the interface with producers regarding LDL needs to be multi-faceted. A single approach will not reach the broad producer base, and value needs to be communicated and delivered in different ways to respond to a range of needs and to varying levels of capability.

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## 1 Background

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## 2 The project

The project involved workshops with MLA and JBS Southern staff involved in Farm Assured and LDL, and a significant research study with Producers. The research study was conducted during May and June of 2016. **351 beef and sheep producers** from South East Australia were interviewed by telephone. Of these, 251 were JBS Farm Assured suppliers<sup>1</sup> and 100 were not, coming from the MLA member database<sup>2</sup>. Of the Farm Assured group, 46 were current users of LDL. The interview topics were wide ranging, aimed at understanding the key differences in how producers manage their business, their priorities, as well as their knowledge of, and experience with, Farm Assured and LDL.

## 3 Results

### 3.1 Producer segments

Although there is some commonality in how producers operate, it is widely recognised that there are also significant differences. Some of these can be explained by geography, focus activity (beef,

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<sup>1</sup>Randomly selected, but with quotas by plant

<sup>2</sup> Randomly selected from producers in the same regions to FA, after removal of producers recently interviewed for other MLA studies.

sheep, mixed enterprise) and size – but much comes down to factors that are not so apparent. These factors relate to the **values, preferences and resulting behaviours** that underpin individual and business decisions. Segmentation along these lines is an important input when looking at how to **improve alignment along the supply chain**.

The segmentation methodology used in this study is based on the ***Dynamic Alignment***<sup>TM</sup> strategy framework, that uses an ‘architype’ approach to identify the key behavioural differences in a group of suppliers (or customers). The benefit of this methodology is the clear guidance that can be derived as to the appropriate **strategic engagement approach** for each segment. The aim is to move away from treating all suppliers or customers the same – a ‘one-size-fits-all’ approach; but also to avoid the complexity of customising every supply chain relationship.

The segments seen in the project results, and the proportions of the interviewed producers represented in each is shown below. These results are for the total sample (of 351) producers.

3.1.1.1 Figure 1: Producer Segments

Collaborative	Fair Deal	Transactional	Opportunistic
Industry support and partners to build stable business	Secure and low risk market at best price	Independent, price seeking, experience driven "Let me get on with it, just give me a good price"	Proactive adaption and pursuit of opportunities
11%	34%	37%	18%
<ul style="list-style-type: none"> <li>Price conscious</li> <li>Relationships/loyalty</li> <li>Seeks consensus</li> <li>Support</li> <li>Values relationships &amp; communication</li> <li>Longer term perspective: sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Price focus</li> <li>Market aware</li> <li>Relationships</li> <li>Experience based</li> <li>Low risk</li> <li>Longer term perspective: sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Price driven</li> <li>Market aware</li> <li>Self reliant/independent</li> <li>Experience based</li> <li>Low risk</li> <li>Longer term perspective: sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Price driven</li> <li>Market focus</li> <li>Self reliant/independent</li> <li>Lower loyalty</li> <li>Greater value on flexibility</li> <li>Direct dealing</li> <li>Opportunities</li> <li>Risk tolerant</li> </ul>

3.1.1.2 (Total sample, includes Farm Assured plus Non-Farm Assured producers)

More than half the sample (those in the **Transactional and Opportunist** segments), tend towards **independent, price seeking preferences**. The **Collaborative and Fair Deal** segments are still very conscious of price, but have more interest in **relationship** than producers in other segments. The Transactional and Opportunist Segments are more likely to shift where they sell for price. The Opportunist segment is more risk tolerant and tends to be more flexible in their planning and expectations.

These segments each have implications for processors – with **different sourcing strategies** needed to respond to how producers assess value in their supply arrangements. It also has implications for the **design and promotion of systems** that support producers, such as LDL. The communication approach, training and even the design of the system interface needs multiple perspectives to maximise uptake and engagement by different types of producers.

Of particular interest in this two-tiered sample, was if there was a **difference between the Farm Assured group and the Non-Farm Assured sample**. The expectation was that the Farm Assured selection process would have resulted in a bias towards producers interested in more exclusive supply arrangements, and thus they would be more relationship-focused. There were strong indications that this was the case, with the Collaborative and Fair Deal segments being notably (7+%) larger for the Farm Assured group<sup>3</sup>.

Despite this difference, the size of the Collaborative Segment in the Farm Assured sample (at 14%) and even the total of those with any ‘relationship’ orientation (at 50% if the Fair Deal segment is included), was lower than most people involved in the study expected. The branded, assurance-

<sup>3</sup> Although there needs to be some caution here as the Non-Farm assured were a relatively small sample

focused market strategy needs a **baseload of certain supply at a predictable quality** – and the Collaborative and Fair Deal style of producers are the most comfortable with the commitment and long term decision making that is needed in this type of supply chain. There appears to be an opportunity over time to more closely align the supply side with the market side, and thus to minimise risk and maximise value at the supply, processing and market level of the supply chain.

Although the segments on the left are typically less price sensitive, at this stage price cannot be underestimated as an influence. Most Farm Assured producers were still selling to more than one producer, and price was still the most common reason cited for selling to a particular producer.

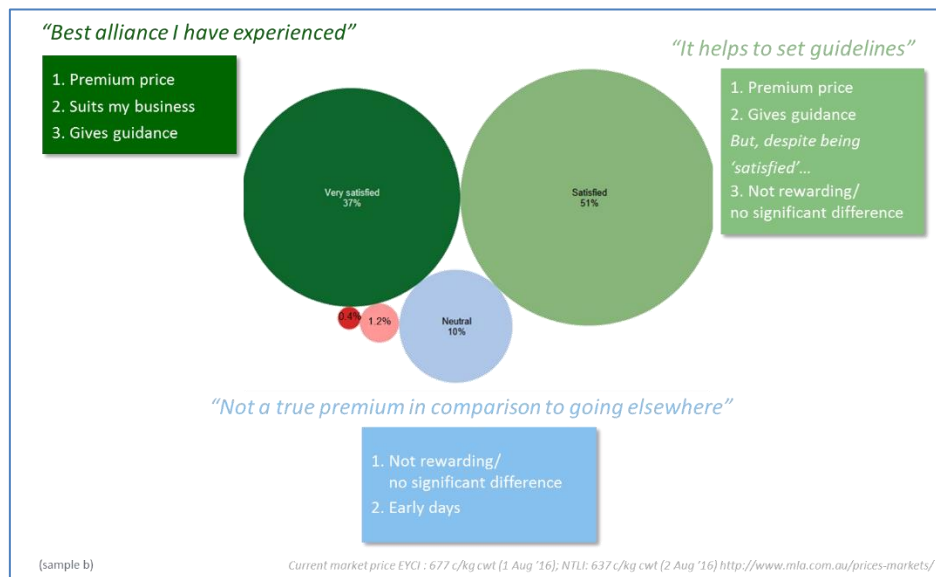
### **3.2 Farm Assured Program**

The research also investigated the response of the involved producers to the Farm Assured program. It showed that the messages that JBS had put out about the program were **mainly understood**, with most citing ‘premium quality’, a ‘product the market wants’ or ‘consistent supply’ as the primary objective. Only 8%, however, identified premium price as the main objective.

In terms of the impact it had had on their business, **more than half had to make changes** to their operation, but usually these were non-capital changes such as improved record keeping and repairs and maintenance. The **audit process** was also not considered to be overly onerous by most producers.

The **level of satisfaction of participating producers with the Farm Assured program was high**, as indicated in Figure 2 below. Most were satisfied, or very satisfied.

### 3.2.1.1 Figure 2. Producer Satisfaction with the Farm Assured Program



In terms of **benefits**, the most commonly cited was 'premium price' - although this only represented 44%, or 110 producers. Perhaps the most interesting Farm Assurance finding was that 33% of producers identified variations on '**improved business practices**' as their most beneficial outcome. This was also reflected in the responses to various open-ended questions – many found that the **structure and guidelines** around how they managed the property e.g. where chemicals were stored, and how they kept records, were useful and brought value in their own right.

### 3.3 Livestock Data Link (LDL)

Various aspects of LDL were investigated with different subsets of the producer sample. Together these responses paint a cohesive picture of the **state of the nation** with regards to the LDL initiative.

#### Awareness?

The first question, asked of all producers that were not already using it was *how much they knew about LDL*? **Seventy-five percent (75%) of these producers knew little** (they had not heard of it, or had heard of it - but that was all). As LDL is rolled out a forward communication strategy to create awareness will obviously be needed as after 7 years in development it is still not widely known.



### Accessible?

Most producers had someone in the business who **was confident using a computer** (38% very confident; 49% reasonably confident). This somewhat unexpected result had no relationship to the age of the producer, and is an important finding regarding the ability of, at least the southern producer group, to take advantage of digital developments more generally. This would be valuable to understand from a national perspective.

With this group there were only a few references to internet issues, and access was not identified as a significant barrier to use.

The current LDL system itself however, was found to have **ease-of-use issues** that had impacted some of those who had attended workshops and attempted to continue with LDL. One third had problems when they began to use it on their own.

### Is there are need for LDL?

When described to those who knew little, a very high proportion showed interest (79% said it was appealing; and after reviewing a list of features **74% stated they would use it if it was available**). Positive responses, do not always turn into positive action, however but in this case there was other supporting evidence that LDL uptake is likely with a reasonable portion of those who have access: 42% stated that they wanted more feedback than they currently received from processors, and 50% use some other form of software for farm management.

### Does LDL satisfy the need?

Most of the specific features of LDL that were reviewed with producers not currently using LDL were thought to be either **'Useful' or 'Very Useful'**. There was a lower awareness and interest in features that related to analytics however, but in the sample of producers that were actually using LDL these were some of the aspects of the system more commonly used.

These results indicate that LDL is **satisfying a recognised need**. As with any innovation of course, the user cannot fully recognise the path ahead – and the more sophisticated aspects of LDL will likely take producers becoming accustomed to regularly seeing their results in a system-based format before they move on to analysing their history of performance and seeking our solutions to their non-compliance incidents.

## 3.4 Livestock Data Link issues

The issue of **frequency of use** came through in the research as one of those most significant potential barriers standing in the way of LDL use. As most producers are sending stock to a processor less than 6 times a year, they would be accessing LDL infrequently. This would hinder the move long the learning curve. It points to a need for there to be more reasons to access LDL – opening up the question of what else could be bundled with the current offering to make it more attractive to access regularly?

Other issues highlighted were: the **complexity of grid input** and the limitations in not being able to get feedback on stock sold to **other channels** i.e. feedlots.

### 3.5 Comparison with 2009 LDL Research

When GA conducted early research with Producers regarding the general concept of LDL in 2009, there was interest in LDL's potential to improve the inadequate feedback situation they perceived, but also significant focus on the barriers to its use. Just over half (55%) indicated that they saw potential benefits for their business from using a system such as LDL.

Now, moving on 7 years, feedback has improved (almost all received feedback, and 58% are fully satisfied with it), but the interest and appetite for using a system such as LDL is much higher and there is much less emphasis on any expected barriers to use. **Most producers have become much more cognisant of the potential role that systems-delivered information can play in their business.**

### 3.6 Industry insights

These two initiatives (Farm Assured and LDL) point to potentially important developments on the road to more sophisticated red meat supply chains in Australia.

JBS have designed a specific offer (Great Southern) to suit a segment of the market, and have consciously aligned the supply strategy behind this offer with the Farm Assured program. The 'branded, quality assured, consistent supply' offer requires a level of certainty in the supply base which JBS have used price premiums, quality audits and promotional activity with producers to build and maintain. The results from this research indicate that most producers believe the program has been beneficial for them, and this suggests that a level of alignment has been created between target market, processor and producers.

JBS is still striving to improve the program further, and the research results provides insight into how this could occur. It emphasises that producers value different things and by developing a range of strategies that respond to these differences there is more likelihood that secure supply and high compliance will become easier over time. Of value for both JBS and the industry is the recognition that many producers value the structure that a program such as Farm Assured can bring to their business.

LDL's role in the industry was supported by the research; many producers appear to have both the capacity and interest in receiving information on their performance through this type of vehicle. There are improvements needed to make LDL easier to use, especially for those using it infrequently, but the fundamental functionality is **considered of value.**

The segmentation results and the information on how producers prefer to learn new systems remind us that communication, engagement and even the interface with producers regarding LDL needs to be multi-faceted. A single approach will not reach the broad producer base, and **value** needs to be communicated **and delivered** in different ways to respond to a range of needs and to varying levels of capability.

And finally, as advocates for improving supply chain alignment, we at Gattorna Alignment consider that these results are **encouraging for the meat and livestock industry.** They point to the time being right for LDL, that it can add value at both the processor and producer level in the chain; and from the Farm Assurance point of view, it suggests that a conscious design of a 'value chain' between a

defined market, a processor and producers is feasible within a relatively short timeframe and that it can bring benefits to all parties.