

# final report

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Prepared by: Julia Waite and April Heasley  
SproutX Pty Ltd

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## SproutX new venture accelerator program support

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## Executive summary

MDC and SproutX partnered to inject the Australian agricultural industry and red meat sector with programs, talent and funding to develop disruptive technology to increase efficiencies in on farm and in the supply chain.

More specifically on the partnership with SproutX was to develop investment and market ready technology for the red meat industry using the most cost effective, agile method of commercialisation.

In the 30 months SproutX and MDC has partnered, five red meat focused startups were selected and taken through the program. To date they've raised funds, validated their ideas in the market, secured distribution and earned post revenue status. In the first Accelerator Program, MDC sponsored 4 red meat startups, and another in the 2018 program. While the partnership in its existing form will come to completion in April 2019, SproutX continues to support companies in its Accelerator that directly or indirectly benefit the Australian livestock industry.

The objectives of the project were to give MDC access, opportunities and participation to the national agtech community SproutX has been building since February 2016. This included but was not limited to community events in major eastern states capitals cities, the pipeline of talent in the pre-accelerator programs and of course the deal flow for the 2017 and 2018 SproutX Accelerator programs.

This report builds on the observations of previous program directors, with updated summaries of startup performance to date. SproutX would like to thank Meat and Livestock Australia, and the MLA Donor Company for their essential support during its formative years of establishment.

## Table of contents

<b>1</b>	4
<b>2</b>	4
<b>3</b>	5
3.1	6
3.2	6
3.3	8
<b>4</b>	8
<b>5</b>	16

## 1 Background

In 2016 when this partnership was brokered, the Australian red meat industry had been slow to adopt best practice commercialisation methodology. Given Australian agriculture needs to remain globally competitive in a subsidy free environment, operational efficiencies are a priority and technology will be the biggest enabler in creating on farm and supply chain efficiencies through a range of applications. A national ecosystem of talent, technology and funding needed to be developed to enable an effective model for the industry to innovate from.

The MLA partnership with SproutX and its associated venture capital fund, is aimed at developing investment and market ready technology for the red meat industry using the most cost effective, proven method of commercialisation. From here MLA through MDC agreed to co-fund five red meat startups working on disruptive or value creating technology in the SproutX program. From here talent and technology could be developed for market using a best practice program. MLA and SproutX has then presented these deals to investors to fuel over time as they go to market.

## 2 Project objectives

This project provides the mechanism for the MDC to support red meat related ventures through the SproutX program. SproutX aims to support MDC promote their industry pain points and opportunities within the entrepreneurial community.

The agreed co investment and engagement model has provided MDC access and involvement to participants in the accelerator programs. Specifically this includes SproutX providing;

### **Pre-accelerator program (6 week high volume) – 2016, 2017**

- MDC with visibility and introductions into all applicants plus those shortlisted for the pre-accelerator program
- MDC with access to pre-accelerator material and where it makes sense and the ability to collaborate in the development and refinement of approach / methodology to best support the commercial success of program participants in the red meat sector
- Opportunities for MDC to attend / participate and mentor in the SproutX pre-accelerator course and national networking events
- The opportunity for MDC to place identified new ventures or innovations with the national regional startup and entrepreneurship community program, FoundX.
- MDC with the opportunity to co-create large national events that profile innovation and create a call to arms for solutions in the red meat sector through teams, talent and tech into the SproutX international best practice programs.

### **Accelerator programs (6-month intensive commercialisation) 2017, 2018**

- MDC with visibility and introductions into all applicants plus those the shortlisted for the accelerator program

- Access to accelerator program material and where it makes sense and the ability to collaborate in the development and refinement of approach / methodology to best support the commercial success of program participants in the red meat sector
- MDC with the opportunity to jointly assess and manage incoming red meat specific startups to the Accelerator program open to MDC/SproutX funding
- MDC with the opportunity to participate, mentor and contribute to the SproutX accelerator, program and networking events
- the opportunity for MDC to co-create and work ongoing with startups, inside or outside of SproutX co-working spaces, developing agtech solutions for red meat sector
- MDC with the opportunity to be introduced to investment-ready startups prior to commercialisation
- Ongoing support post-program through investor referrals, publicity – product, news or capital raising, as well as opportunities for national and international exposure.

### **External events and programs**

The MLA Top 30 priority areas were regularly promoted in community events, from the 2018 Agri-Fintech Hackathon to other ad hoc presentations to students and entrepreneurs.

### **A note on the PS: 0876 Variation Agreement**

In 2018, only one red meat startup from the 42 applicants was eligible to receive an offer of investment. A variation agreement was signed into effect to account for this modification to the original objective of 4 startups per year of the contract.

## **3 Methodology**

The SproutX program in both 2017 and 2018 was delivered by Andrew Lai and Amir Nissen and is based on the 'lean startup', a methodology pioneered in Silicon Valley and developed by Eric Reis.

This methodology is now the dominant method used in startup around the world. The process is an intensive one that requires founders to constantly engage with the end user to validate the technology, needs state and commercial model. As founders are working on their business in a fast moving fluid environment with constant iterations, the product or service takes on a fit-for-market status surrounded by early adopter paying customers and distribution opportunities through other SproutX partners.

More specifically, the program involved refining of the way in which the relevant startups were able to present their product to investors and potential customers via pitching refinement, market validation and multiple events exposing and introducing startups further to the Australian Agricultural and Investor markets.

More information on the Lean Startup, a summary is provided in the appendix of this report. [The Lean Startup. How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses. Summarised by Kim Hartman.](#)

From Eric Reis himself; “The Lean Startup methodology has as a premise that every startup is a grand experiment that attempts to answer a question. The question is not ‘Can this product be built?’ Instead, the questions are ‘Should this product be built?’”

### **3.1 Methodology learnings – Lean startup and Australian agtech**

The local and industry learnings SproutX has from applying the lean startup methodology are as follows:

- Startups addressing farmers should consider themselves B2B businesses.
- Farmers are looking for innovative, technical solutions to their problems and are willing to pay for beta solutions. However the technology needs to be more robust than typical B2B software or hardware startups.
- The risk of a poor referral within the farming community impacted start-ups’ willingness to test the market with beta products. The word of mouth in agricultural communities can “make or break” the consumer bases reception to a novel company or product. This reluctance by founders may have merit especially in distributing hardware, where product quality and reliability are not easily serviceable in the event of breakdown.
- There are perhaps limitations to the lean startup method when applied to agricultural market due to the tendency for longer sales cycle and a heavy reliance on relationships.
- Converting agricultural customers may be more time consuming, not purely by geographies of distance, but due to the consequences of failure to the farmer for trialling a greenfields technology.
- One of the main methods with which startups have, and have been encouraged over the course of the two programs, to combat this challenge has been targeting industry agricultural bodies and boards (B2B).
- Appears to be a lot of hardware or hardware + software solutions compared to the software/mobile-app type startups that you find more common in the startup ecosystem.
- Lean startup methodology still holds strong when applied to Australian agtech, particularly around validating customer needs (good, service and commercial model) and distribution channels.

### **3.2 Operational Learnings**

- A learning emerged from 2019 is the need for on-going, consistent support in the immediate term post-Accelerator. The exit from a program that demands intense accountability may

prepare teams for rapid growth that risks stagnating after the close of the six-month curriculum.

- Teams that raised capital within 12 months of completing Accelerator anecdotally were more likely to maintain and increase business growth compared with those who pursued growth by revenue.
- Teams that have strong technology experience can make up a lot of ground in a short amount of time, but going from prototype/MVP (Minimum Viable Product) to market ready beta product takes significant time due to challenging conditions around seasons, customer operations and distribution.
- Whilst collaboration between start-ups within the program was initially supported, into the 2018 Accelerator program, SproutX instead decided to turn the focus towards the startups collaborating and bouncing ideas of one another whilst still focusing on their own endeavour, rather than combining ideas.
- Teams are not working in the same space on a daily basis due to the regional nature of the SproutX program, this showed learnings were not shared as rapidly between teams, and inferred pressure to perform compared to peers also seemed lacking.
- Therefore, this was again combatted within the intensive Accelerator Workshop Weeks by placing an emphasis on group and peer-to-peer feedback regarding pitching and products to establish a group learning environment.
- Farmers are good users of social media and can be targeted via such means, however they're not an overly connected group in terms of sharing what they're using (perhaps outside of their immediate neighbours). This means organic growth is a little slower than experienced in other industries.
- Many of the teams with strong agricultural backgrounds entered the program with little understanding of how startups work. This was significantly more noticeable compared with more generic startup accelerators. This shows SproutX did well in terms of outreach for applications and pulling in quality teams but it highlighted the market of savvy agtech founders is in its infancy.
- Over the course of both Accelerator Programs, as with many startups, members of the cohort needed to be able to pivot and change their products or ideas to establish a greater product to market fit. An example is SproutX & MDC 2017 startup being Provenir (initially Farmgate MSU), who have since pivoted their product from solely a mobile abattoir, to a vertically-integrated slaughtering and provenance tracking and branding business model.

### 3.3 Methodology changes for future programs

- Providing more channels for farmers to contribute, from validation to investment. As an example, crowdfunding through farmers would help startups demonstrate traction and problem/market fit.
- More weekly activities during the accelerator. Initiatives that involve entire cohort to share learnings and increase competitive pressure to move faster.
- Additional trips “in the field” to rural SproutX partnership areas such as the Mallee and Murray River region in which startups have been able to both present their ideas to relevant customer bases as well as gauge the market validation of their business model.
- In response to the popularity of this in 2018, SproutX now runs two producer tours. The compliment to the orchard/horticulture tour in Mildura is a Gippsland region tour, that focuses on dairy and livestock.
- Identify clearer pathways and points of contact into the MLA Organisation for internal discussions, strategic advice and administrative support. This point was raised by startups during and post-Accelerator
- Establish a CRM of innovator/early adopter farmers and related professionals to direct startups to for validation and early users. This has now been achieved in 2019 with our SproutX Pioneers database of 106 and growing signed on farmers.
- Stricter processes around contracts and administration in regards to induction and workshop weeks. Too much time was wasted hand-holding teams.
- Whilst initially, the SproutX team had thought space or resources for relevant hardware-based teams to work on developing devices would be beneficial, it was determined that the accelerator best serves as a program with which startups can define their product’s investability and market fit (soft skills).

## 4. Results

The Projects results are separated into two streams;

- The outcomes of objectives set out above.
- The tangible results of the partnership, startup traction and progress metrics



1. All visibility, introductions, access, assessment and opportunities described in the Project Objectives were afforded to the MDC team, in addition, SproutX and MDC worked on additional projects, team meetings and information sessions for the startups and entrepreneurs in the network to assist the wider agtech community better understand the red meat sector and its challenges.
2. The commercialisation and development of the program as required in the Project Objectives were achieved, in fact the traction of the SproutX 2017 cohort and 2018 cohort over the last 30 months speaks for itself:
  - Over \$2 million in funding raised to date
  - A consumer beef brand launch in 2019 for eastern states customers
  - Prolific media attention most notably for 1-2 companies
  - Startups solving industry led challenges, including prize-led challenges by MLA itself

## Provenir (2017)



**Valuation: NA**

**Raised: \$1.6M**

**Staff: 7**

<https://provenir.com.au/>

**CEO: Chris Balazs**

The first truly mobile, on-farm slaughtering service that incorporates the highest standards of animal welfare, state-of-the-art processing methods and environmentally sustainable practices. Provenir seek to create a new category in the meat industry and redefine the entire supply chain from farm-gate to plate. The startup has commissioned Australia's first mobile slaughter unit and has launched its consumer brand with \$68,000 worth of pre-sales.

### **Milestones**

Q1 – Q2  
2019

- Pre-sales from crowdfunding campaign set to hit the market commercially in July 2019
- Crowdfunding campaign saw more than 298 supporters pledging over \$68,000 to secure the pre-sale of Provenir Meat Packs.
- Crowdfund drew celebrity collaborations from Guy Grossi and Chef Matteo, including a private dinner cooked by the chef for up to 14 guests.
- Utilised funds from \$1.6 million capital raise in 2018 to commission first Provenir mobile slaughter unit in Western Australia. Transported to Victoria in April 2019
- Hired PR firm to manage video marketing, website and branding

### **Media:**

2019

- [High production marketing for launch of consumer beef brand, Provenir](#) April 2019
- [Australian Food News](#), May 2019
- ["Startup finds its wheels through crowdfunding"](#) Stock and Land, May 2019
- ["Australia's first mobile abattoir to start operation."](#) April 2019
- TV News features on ABC Landline and Channel 9

## Iotag (2017)



Valuation: \$800,000		Raised: \$40K		Staff: 2	
<a href="https://www.iotag.com.au/">https://www.iotag.com.au/</a>		CEO: Vijay Vijathwayn			
<p>Iotag helps busy pastoral farmers be resilient, efficient and more profitable. Our long-range tracking solutions are designed specifically for pastoral systems and allows farmers to track bulls, cows, farm personnel and equipment remotely over long-distances, as well as alert farmers to key events pertaining to breeding and animal health.</p> <p>We have commenced our first field trials at a Victorian beef farm and are actively soliciting interest for more trials from beef, dairy and sheep farmers across Australia and the World, as well as investment &amp; strategic partnerships from large farming enterprises, corporates and angel investors.</p>					
Milsetones Q1 – Q2, 2019		<ul style="list-style-type: none"><li>● Launched MLA co-funded trial hosted by Stirlings to Coast Farmers in Albany, WA. Total revenue forecast from this trial is ~AUD 40,000</li><li>● Intallation at Mt. Barker Agricultural College in Albany, WA ‘smart farm’</li><li>● Forecast to raise and close a small seed round in Q4-2019 \$50,000 in revenue to date</li></ul>			
Media: 2019		<ul style="list-style-type: none"><li>● <a href="https://thewest.com.au/countryman/livestock/great-southern-gps-trial-to-track-livestock-ng-b88979394z?fbclid=IwAR3PvEkBbZ_pNLdYeGXlkYqfH5IHE62fnT4N7XFP7_z_F3GH7QUOa3AWnsKY">https://thewest.com.au/countryman/livestock/great-southern-gps-trial-to-track-livestock-ng-b88979394z?fbclid=IwAR3PvEkBbZ_pNLdYeGXlkYqfH5IHE62fnT4N7XFP7_z_F3GH7QUOa3AWnsKY</a></li><li>● <a href="https://saskatoon.ctvnews.ca/video?clipId=1441770">https://saskatoon.ctvnews.ca/video?clipId=1441770</a></li></ul>			

## Out of Box Solutions (2017)



**Valuation: \$800,000**

**Raised: \$40K**

**Staff: 2**

<http://outofboxsolutions.com.au/>

**CEO: Supriya and Jay Nair**

OutofBox Solutions has built Smart Monitoring solutions using the latest technology to improve Livestock health and well-being. The first product is Smart-trap, for feral animals based on IoT & Artificial Intelligence. This is making traditional controls (such as traps, baiting) selective in their nature & provide valuable data regarding feral animal behaviour.

### **Milsetones**

Q1 – Q2, 2019

- In fund raising negotiations for over \$500,000 with three investors. This is a continued effort in 2019.
- 5<sup>th</sup> prototype on trials in Victoria
- Secured trials, off take agreements and trapping program with Victorian Parks



## Thingc (2017)



<b>Valuation: NA</b>	<b>Raised: \$300,700 AUD</b>	<b>Staff: 1</b>
<p>Thingc was initially working towards orchestration of computer vision and artificial intelligence that provided insight into live-weight and body condition of cattle. Thingc has since pivoted towards working with artificial intelligence to address market needs such as lack of workers in horticulture and fruit picking. Thingc is now in the process of producing lightweight machines and robots. Their first point of focus is autonomous weeding.</p> <p>In May 2019, co-founders Mohammad and Cameron decided to part ways. Cameron will continue to lead Thingc business as CEO, while seeking a new CTO.</p>		
Milestones (Q1-2, 2019)	<ul style="list-style-type: none"> <li>Accepted into HAX Shenzhen program for hardware (\$250,000K equity investment led by SOSV)</li> <li>Accepted in Melbourne Accelerator Program (\$20k, no equity)</li> <li>Working with Austrian robotics firm to develop prototypes for market</li> </ul>	
Media/ Press Highlights	<ul style="list-style-type: none"> <li><a href="https://www.heraldsun.com.au/subscribe/news/1/?sourceCode=HSWEB_WRE170_a_GGL&amp;dest=https%3A%2F%2Fwww.heraldsun.com.au%2Fnews%2Fvictoria%2F10-melbourne-startups-hoping-to-make-it-big-and-change-the-world%2Fnews-story%2Fc7c2302c558a8df05a478c9070015465&amp;memtype=anonymous&amp;mode=premium&amp;v21suffix=51-b">https://www.heraldsun.com.au/subscribe/news/1/?sourceCode=HSWEB_WRE170_a_GGL&amp;dest=https%3A%2F%2Fwww.heraldsun.com.au%2Fnews%2Fvictoria%2F10-melbourne-startups-hoping-to-make-it-big-and-change-the-world%2Fnews-story%2Fc7c2302c558a8df05a478c9070015465&amp;memtype=anonymous&amp;mode=premium&amp;v21suffix=51-b</a></li> <li><a href="https://www.graincentral.com/ag-tech/sign-onto-the-ag-automation-revolution-or-be-left-behind/">https://www.graincentral.com/ag-tech/sign-onto-the-ag-automation-revolution-or-be-left-behind/</a></li> </ul>	

## AgMesh (2018)



<b>Valuation: \$800,000</b>	<b>Growth Strategy: Customer base</b>	<b>Staff Team: 4</b>
<a href="https://agmesh.com.au/">https://agmesh.com.au/</a>	<b>CEO: Pete Higgins</b>	
<p>AgMesh is an IoT assisted farm management solution across grazing and mixed farms. Their first product, the Smart Trough, is a sensor to software IoT system built around cattle troughs to provide farmers with data insights about each cow's health as well as trough water levels. Farmer feedback during early stage trials has led the company to enhance the Smart Trough's capability, to include EID recognition.</p>		
Milestones reached	<ul style="list-style-type: none"> <li>• Q1 2019 has focused on R&amp;D to incorporate farmer feedback that initial prototype was too simplistic in its offering.</li> <li>• Hired a PTE Communications and Web Design officer</li> <li>• Exhibited prototype smart trough at the Sun Gold field days</li> <li>• Invited to be on Geelong Chamber of Commerce.</li> </ul>	
Recent media releases	<ul style="list-style-type: none"> <li>• <a href="https://www.beefcentral.com/ag-tech/trough-mounted-eid-device-reader-wins-sheepvention-award/">https://www.beefcentral.com/ag-tech/trough-mounted-eid-device-reader-wins-sheepvention-award/</a></li> <li>• <a href="https://www.geelongadvertiser.com.au/news/geelong-startups-hone-business-pitches-to-panel-of-investors/news-story/4dd771e52ebca01961e0f2bf96512dfb">https://www.geelongadvertiser.com.au/news/geelong-startups-hone-business-pitches-to-panel-of-investors/news-story/4dd771e52ebca01961e0f2bf96512dfb</a></li> </ul>	

**Honorable Mention (2018)**

Although Platform was not officially recognised as an MDC supported team in the 2018 Accelerator, they deserve mention for their taking first place in the MLA and Cicada Innovations 2030 Carbon Challenge. At its core, Platform is a grape-growing/vineyard-based software application that allows any common smart device, phone or iPad, to become a tool for precision guided agriculture.


Founder, Oli Madgett led a project in the Carbon Neutral. By collaborating with other soil health contractors, Platform adapted their software app to record soil carbon measurements and increase efficiency of soil testing methods. Media mentions and releases of Platform regarding this award can be found below.

- [Platform wins MLA Cicada Innovations 2030 Carbon Challenge](#)
- [“Producers on the job to make beef carbon neutral”](#) Stock and Land, February 2019

**Looking forward to 2019 and beyond**

SproutX continues to support startups that are directly or indirectly in support of livestock producers. In 2019, these include the following who were initiated into the program in May:

2019 Startup	Stage	Description
 <a href="https://www.mobble.io">https://www.mobble.io</a>	In the market, revenue between \$10K - \$100K	The notebook has been replaced. While data management apps are not new, Mobble has demonstrated conversion and retention metrics for livestock customers based on pain points of larger catch all data management apps (AgriWebb etc). Launching in late 2018 with a beta version of the app, the startup can already boast positive traction and zero churn retention with farmer sign ups and retention occurring locally, and more recently in the USA.
 <a href="https://pairtree.co">https://pairtree.co</a>	Early stage working product, revenue between \$10 - \$100K	PAIRTREE is an 'universal' dashboard, overcoming the interoperability issues of disparate data and multiple apps. 80% of farmers juggle 5 to 10 data sources, reducing decision support and proactive decision capacity. Pairtree assist the connectivity of data through disparate networks, IoT devices, software, apps and website sources, to create a single source of truth and decision support. Hamish Munro was a participant in the NSW Gate Incubator. Hamish also pitched under his subsidiary company name, Appticon, at the 2018 MLA Digital Forum: Red Meat.

 <p><b>Secure Impact</b>  <a href="http://www.secureimpact.com.au">http://www.secureimpact.com.au</a></p>	<p>Pre-revenue, early stage working product</p>	<p>Secure Impact is a listing open market and buy/sell trading platform exchange for rural property &amp; agri assets. Our SecureX Exchange enables real time buy sell platform to trade whole or fractional property &amp; agri-assets; such as land assets, agribusiness assets, livestock, water, energy, carbon, cotton, grains and oilseeds. SecureX Exchange will provide liquidity and alternative capital source for agriculture. CEO, Founder Lisa McFadyen is also the AgriFutures Rural Woman of the Year Finalist for ACT-NSW.</p>
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## 5. Conclusions

The conclusion is that the Project Objectives have been met with results extending into new venture creation and growth. On top of the required objectives, distilled learnings for the 2018 program were gained from observations and reflections on the methodology application for the industry and agtech in particular.

While a variation agreement was put in place, SproutX deems the partnership and the outcomes to have been a success. To be successful, ambitious goals should be set. In 2018, however, it became apparent that there was a shortage of deal-ready red meat companies in the application pipeline. SproutX believes it has been successful as it has delivered strong commercialisation training to all red meat teams that stood a viable chance of continuing as companies. To have accepted more teams to meet the quota would have likely impacted the quality of the cohort in 2018.

The SproutX cohorts and five specific MLA co-funded spots are all 'turning the dial' in their respective areas of the red meat industry. Provenir is leading the pack by their persistent marketing presence, demonstrated ability to convert plans into action, and by their significant equity and crowd funding campaigns. For the remaining four teams on varying trajectories, their pathways are strong with support needed in one or two of the scale up strategy areas:

- Capital raising; in particular where R&D is necessary
- Launch market presence
- Increase number of customers and;
- Generate revenue

SproutX is proud to have enabled five companies supporting a more efficient red meat industry. The SproutX Accelerator is being led into 2019 and beyond by new co-directors, Julia Waite and Chris Romano – formerly of the Melbourne Accelerator Program. It thanks MDC for supporting SproutX to establish in the Australian ecosystem, and is grateful of its continued partnership as the Accelerator evolves.