

Taking Stock and Planning for the Future



David Lock
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The West Australian

Tuesday October 31 2017



The Al Messilah was stripped of its licence to export live animals as it was preparing to take on 75,000 sheep at Fremantle. Picture: Ian Munro

Sheep ship involved in horror voyage banned

Australia set to beef up meat exports to China

Jonathan Pearlman For The Straits Times In Sydney

From his 2,500ha farm in eastern Australia, Mr [Name] beef to a high-end butcher in Sydney. But he is p



Changing appetites and growing wealth across Asia have led to a booming demand for Australia's high-quality beef, prompting farmers to try and cash in. In the past three years, Australian cattle prices have doubled to A\$6 per kg. PHOTO: HALIA

Gina grows cattle empire

Willeroo Station boosts Darwin Port expansion plans

GARY SHIPWAY

THE NT's largest land owner, Gina Rinehart, has added to her vast empire with the purchase of the 171,000 hectare Willeroo pastoral property 100km west of Katherine.

Willeroo takes the number of Territory cattle stations Ms Rinehart has a stake in to six.

The owner of Hancock Pastoral – and Australia's richest person, worth an estimated

\$19.4 billion – Mrs Rinehart has spent more than \$200 mil-

Mrs Rinehart said the purchase of Willeroo was a strategic investment because of its proximity to Aroona Cattle station, which she purchased in March.

Aroona is on 150,000 hectares and holds 15,000 head of

ighth- generation farmer of Yass in New South W \$500 (\$\$1,534) and weight and bone.

to China, he became low plans to meet.

WEST **BUSINESS** 65

Harvey
Beef clocks
\$1m loss

Kimberley abattoir under construction

ABC Rural Tyne McConnon

Posted 27 August 2013 at 4:35 pm

In Western Australia's Kimberley, the foundations are being laid for an abattoir expected to process 55,000 head a year.

Yeeda Abattoir, between Broome and Derby, was given state approval last year and will be the first abattoir in the Kimberley since 1993.

Owner of Yeeda Pastoral Company, Jack Burton, says the \$20 million abattoir would have been impossible without funding from Singaporean investor, Kimberley Investments.

"I think you need something like that as a catalyst, yeah definitely you need some external funding, and that's why we have managed to get some people interested.



Jack Burton's abattoir on Yeeda Station, about 50 kilometres east of Broome, is expected to process 55,000 head of cattle per year. (Tyne McConnon)

Some Issues facing the Live Export Industry

- Industry Consolidation with very large players emerging
- Vertical integration
- High prices for livestock
- Increasing welfare pressure
- Poor performance of listed company



How do Businesses Adapt?

Putting the 'C' in Agriculture - Link the Supply Chain



Cultural
shift



Consistent
supply



Customer is
king



Linking the
Chain



Competitive
Advantage

What is Agribusiness about?

- Supplying consumers with products they want at prices they will pay
- All parts of the supply chain need to be profitable and earn acceptable ROI



Without an acceptable return

- Reduced investment
- Deteriorating assets
- Lack of competitiveness



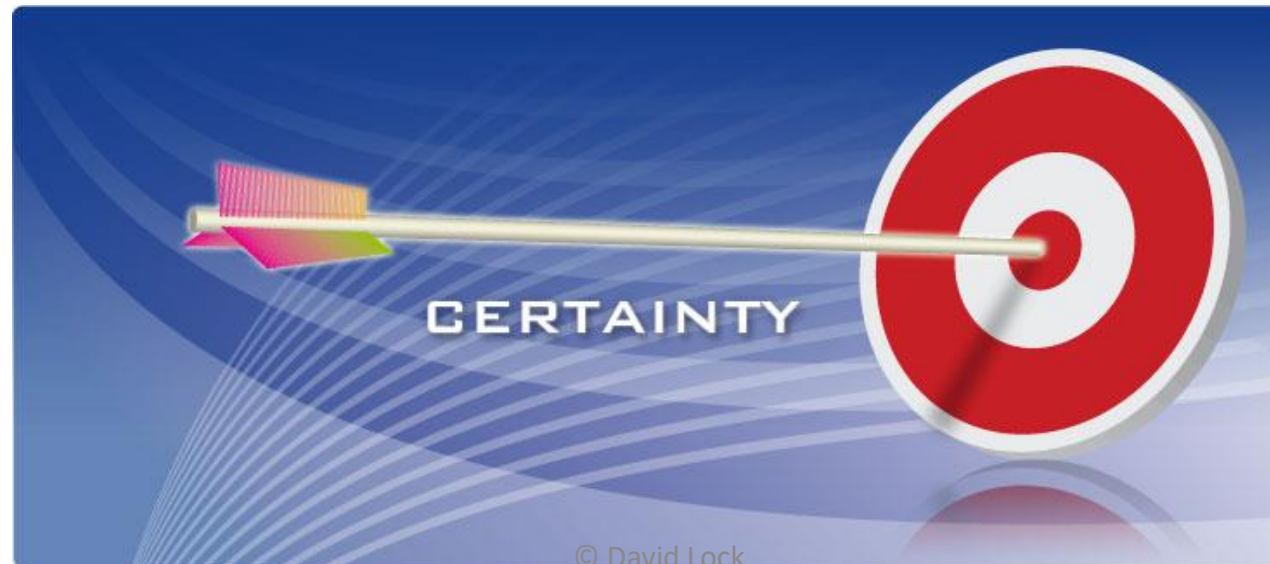
How do you get a Whole Supply Chain approach?

- Ownership (vertical integration)
- Contracts/Agreements
- Regulation
- Co-operation



Long Term Contracts

- Providing certainty for investment
- Require co-operation and trust along supply chain
- Allows consumer needs to be met





Pork Industry Example

- Low farm gate prices – business adaptability
- Import competition (eg pre-cooked ribs) – industry sustainability
- Competition in export markets - industry sustainability
- Welfare – community accountability
- Health – community accountability

What caused the biggest issue for the Pork industry (price collapse)?



- Production focus, not consumer focus
- Farmers acting independent of supply chain

Production focus

The consumer
Drives everything



How should agribusiness deliver?

- Market pull, not production push
- Engage entire supply chain
- Fair distribution of profits across supply chain, flatten the Highs and Lows

Can be achieved through:

- Long-term contracts and commitments
- Ownership and significant capital investment

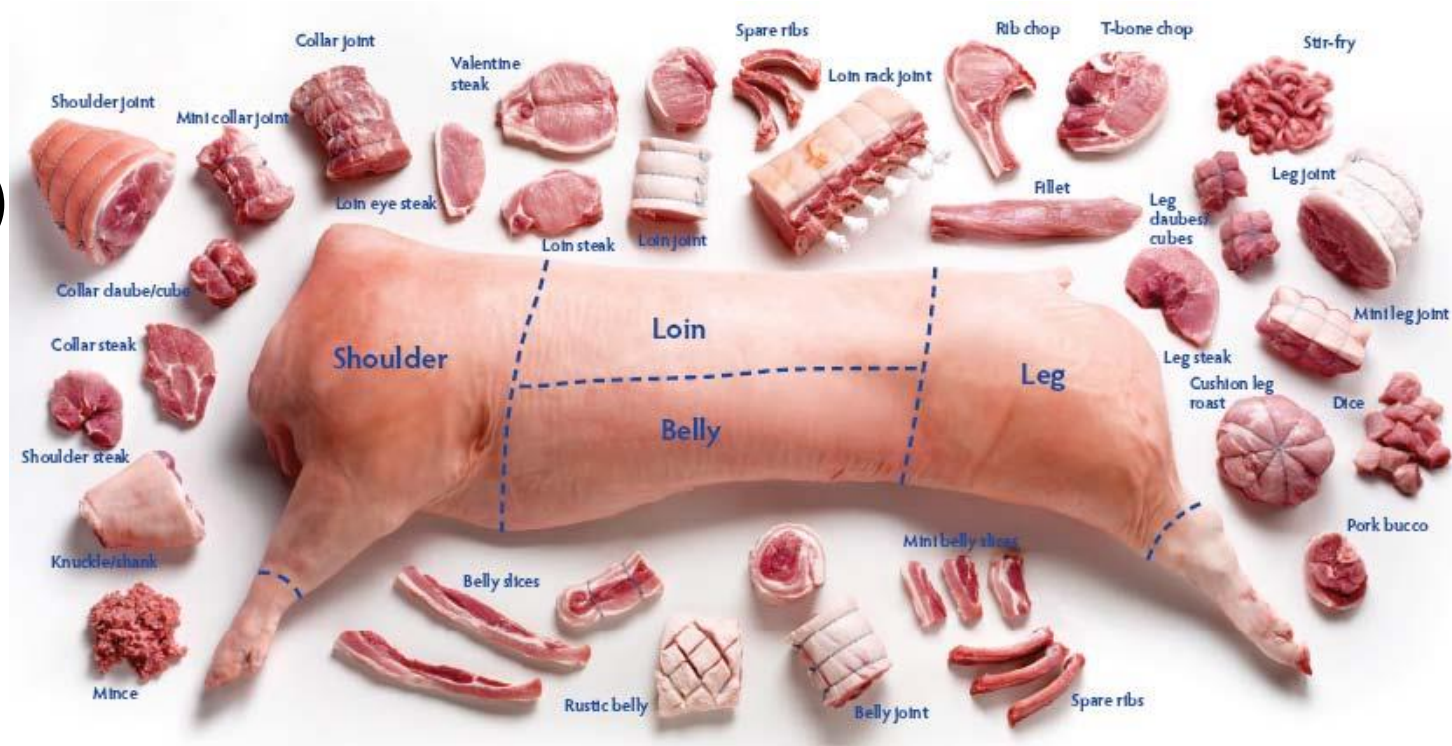
Examples

- Supermarkets have direct contracts with growers and separate contracts with processors
- Processing sector concentrated
- Only lowest cost producers will survive
- Requires capital commitment to lower costs (on the back of contracts)



Successful Pork Businesses

- Vertically integrated
 - Breeder and grower farms
 - Primary processing (abattoir)
 - Value adding
 - Retail contracts
 - Grower contracts
 - Export contracts
 - By-products



Some Issues facing the Wild Prawn Industry

- Rising costs – business adaptability
- White spot – industry sustainability
- Competition – industry sustainability
- Welfare – community accountability



ABC News 8 September 2017

Prawn boycott urged with Animals Australia turning up heat on 'cruel and unnecessary' eyestalk ablation

ABC Rural By Charlie McKillop
Updated 11 September 2017 at 12.03pm
First posted 8 September 2017 at 3.23pm



Animal welfare activists say prawn consumers would be shocked to learn about the industry's "dark secret". (Supplied: Animals Australia)

Successful Fishing Businesses

- Own/control quota or license
- Factory vessels/contracted processing
- Value adding
- Direct marketing to:
 - Retail
 - Wholesale
 - Export
- Diversification

Diversification



Operating in different supply chain sectors is challenging

- Different skills for farming v processing v marketing v export
- Capital requirements

Community **ACCOUNTABILITY**

- Social licence
- Expectations increasing
- 'Profit' unacceptable
- Industry must be pro-active to raise bar
- Exit non-compliant operators

Competitive Advantage

- What do your customers think you do better than your competitors?
 - Price
 - Customer service
 - Quality
 - Reliable supply
- What do you do better than your competitors?
 - Lowest cost
 - Control supply chain

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Thank you