

WESTERN AUSTRALIAN MEAT INDUSTRY SNAPSHOT

A summary of **Western Australian Meat Industry - Overview for Potential Investors and Other Stakeholders** available at agric.wa.gov.au/WAagrifood-industryguides

CORIOLIS 

FOR



Department of
Primary Industries and
Regional Development

THERE ARE DIFFERENT TYPES OF INVESTORS

YOUR INVESTMENT
IN THE WA MEAT
INDUSTRY IS WELCOME



GOVERNMENT

The largest farmer, the largest farmland owner, the largest investor, the largest employer and the largest agrifood research funder in Western Australia (WA) is the government.



FARMERS

The second largest investor in the WA agrifood system is the 11,177 farmers, including more than 6,000 farmers with livestock.



INVESTORS

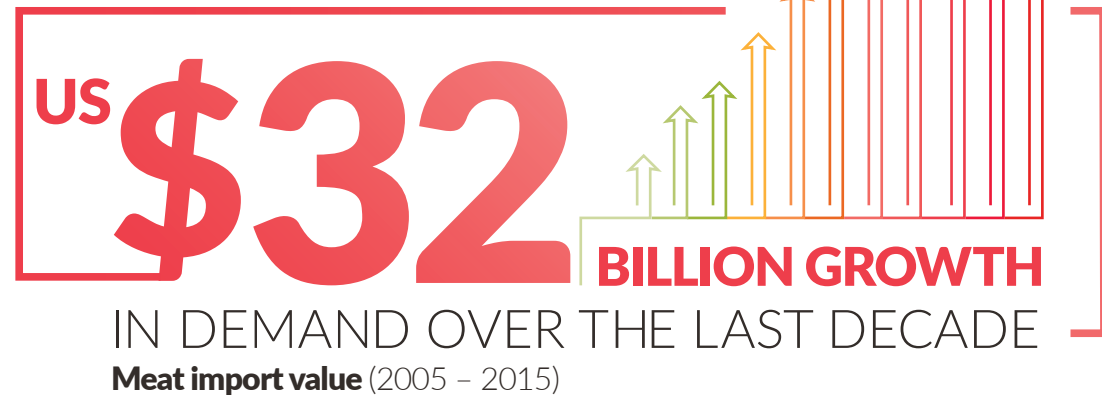
The third largest investor in the WA agrifood system are the large scale professional investors, including retirement superfunds and private equity firms.



OTHER

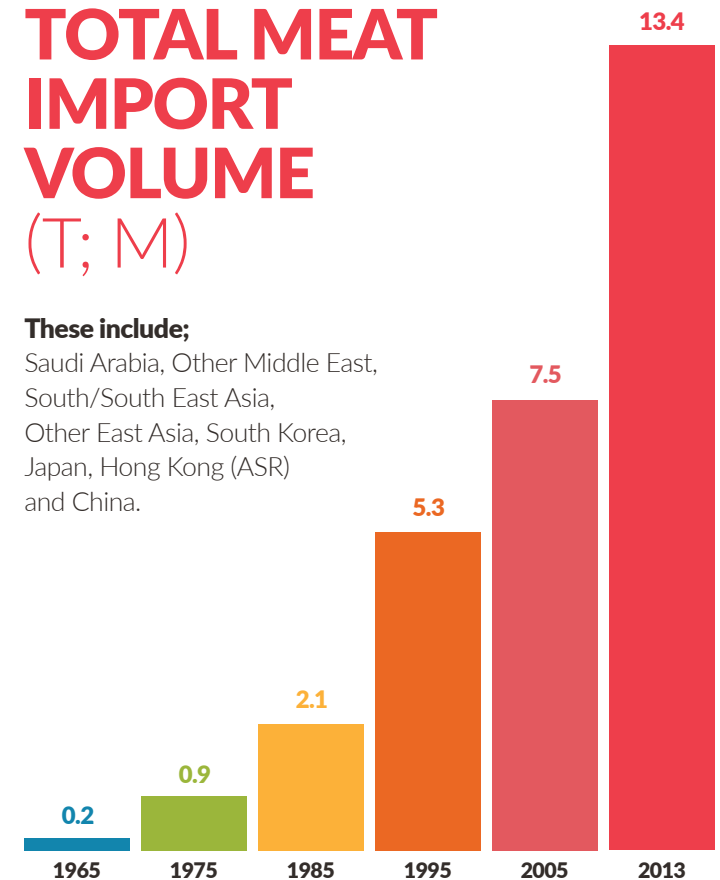
Other key stakeholders include scientists and research institutes, journalists, industry bodies and many others.

GROWING DEMAND FROM ASIA

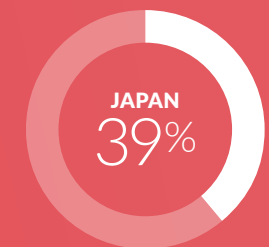
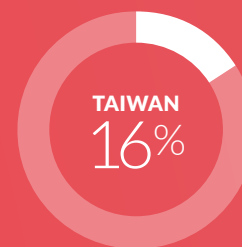
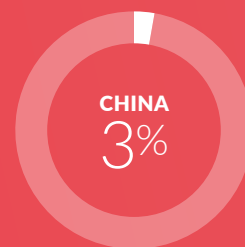


TOTAL MEAT IMPORT VOLUME (T; M)

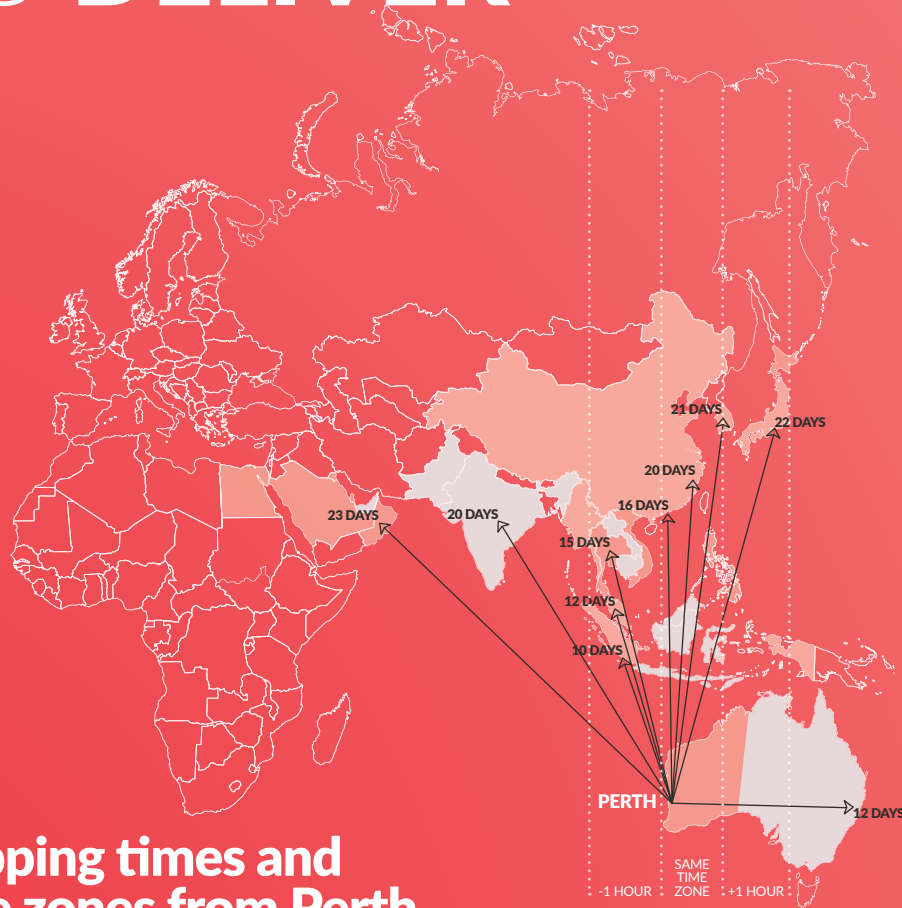
These include:
Saudi Arabia, Other Middle East, South/South East Asia, Other East Asia, South Korea, Japan, Hong Kong (ASR) and China.



IMPORTS AS A % OF COUNTRIES TOTAL MEAT SUPPLY



WESTERN AUSTRALIA WELL POSITIONED TO DELIVER

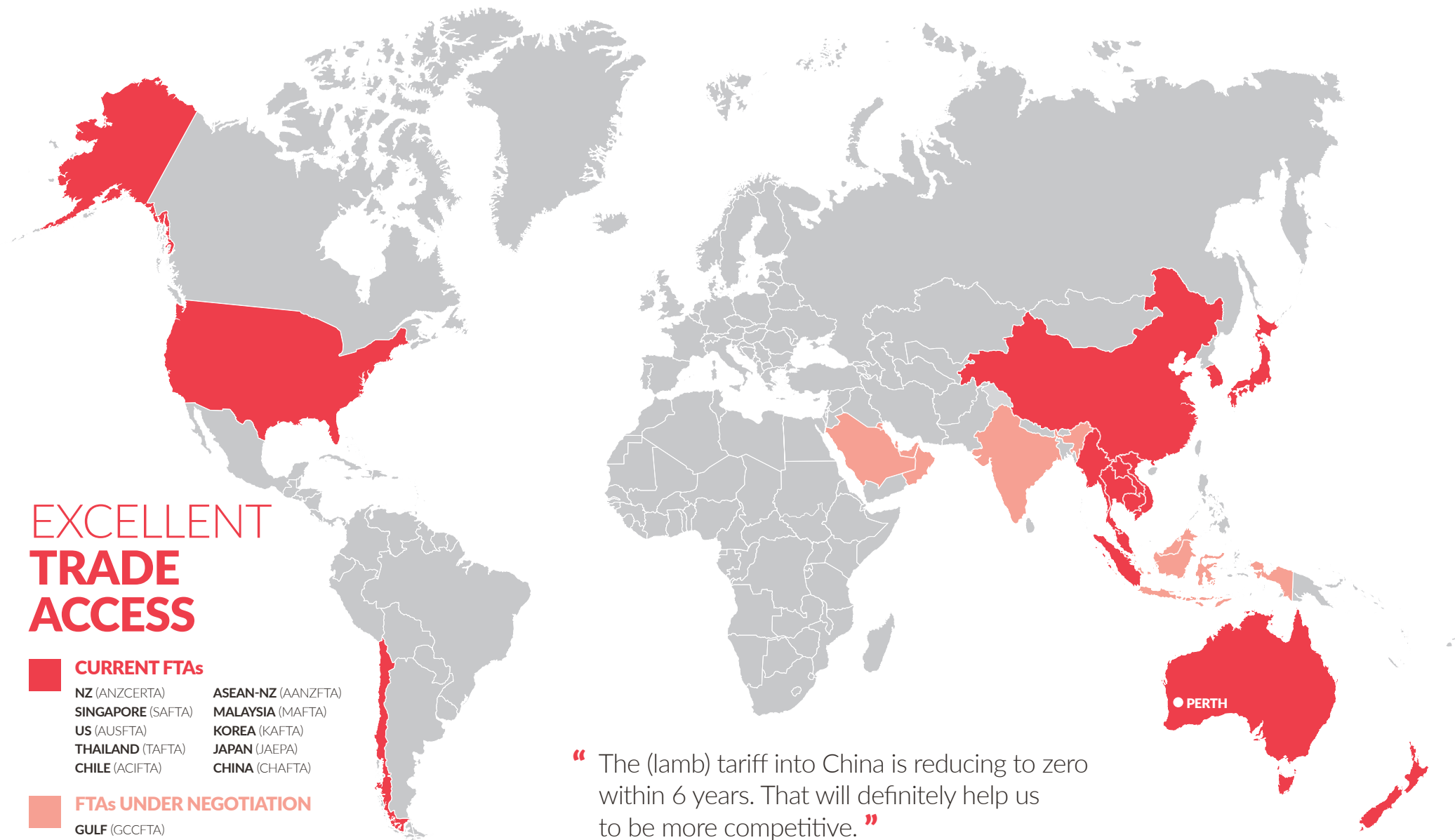


Shipping times and time zones from Perth

Western Australia is the closest, most accessible broadacre, rangelands and Mediterranean climate zone to Asia; it is in the same time zone as Beijing, Manila, Hong Kong and Kuala Lumpur.

“ The advantage of Western Australia is the close proximity to SE Asia. The geographic location is a windfall. We get a good logistics advantage. ”

**REGIONAL DIRECTOR,
MULTINATIONAL AGRIBUSINESS**



EXCELLENT TRADE ACCESS

- CURRENT FTAs**
- NZ (ANZCERTA)
- SINGAPORE (SAFTA)
- US (AUSFTA)
- THAILAND (TAFTA)
- CHILE (ACIFTA)
- ASEAN-NZ (AANZFTA)
- MALAYSIA (MAFTA)
- KOREA (KAFTA)
- JAPAN (JAEPA)
- CHINA (CHAFTA)
- FTAs UNDER NEGOTIATION**
- GULF (GCCFTA)
- INDIA (AICECA)
- INDONESIA (IACEPA)

“ The (lamb) tariff into China is reducing to zero within 6 years. That will definitely help us to be more competitive. ”

MANAGER, MEAT PROCESSOR, LARGE



WESTERN AUSTRALIA CAN PRODUCE MORE



RESOURCES

Huge land area (the size of Western Europe)
Approximately 30% of the State is grazed, with significant opportunities for productivity increases
Small local population to feed (2.6m people)
Readily available farming inputs (e.g. fertiliser)



SKILLS AND SYSTEMS

Educated population
Modern farming systems
High **productivity**
Deep pool of **capacity**
Efficient logistics
Well **organised** industry



REPUTATION

"Brand Australia" recognised across key markets
Lack of many key plant diseases
Strong **biosecurity**
High levels of **food safety**
Modern handling & processing facilities

COMPARATIVE ADVANTAGE

SUITED TO GRAZING

Large area of land well suited to high quality, grass-fed meat production

- Size of Western Europe with the population of Jamaica
- A dry Mediterranean climate
- Rain-fed areas that do not require irrigation

Experienced and efficient livestock farmers

- Large farming units by global scale
- Large production per farming unit
- Modern industry with solid systems
- Deep pool of experienced farm operators
- No agricultural subsidies

SAFE SUPPLY

Western Australia (WA) produces a range of high quality, safe, eco-friendly, ethically produced livestock and meat products.

WA livestock have high animal health status, free from major transmissible diseases, backed by supply chain assurance programs and an effective biosecurity system which includes mandatory traceability and surveillance.

CLOSE TO KEY MARKETS

Mid-sized producer but major exporter in Asia

- Small local population with flat consumption
- Industry focused on exports for 100+ years

Rapid economic and population growth of parts of Asia and "Westernisation" of the diet – has increased their demand for "Western" meat (e.g. beef). Growing regional production of intensively produced meat is insufficient to meet total demand, driving imports. Western Australia is the natural and logical supplier of grass-fed meat to the tropical climate countries of South-East Asia and well positioned to supply East Asia and the Middle-East.

LIVE ANIMALS

Unlike most developed countries, Western Australia exports large numbers of live sheep and cattle by ship to markets in South East Asia and the Middle East.

The majority of WA cattle are produced in the Blue Tongue Virus Free Zone, with ports throughout the state that are available to load live stock for a myriad of export destinations.

EXPORT FOCUSED MEATS



KEY EXPORT MEATS



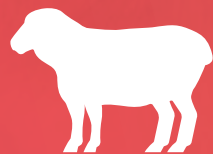
BEEF

Low cost/low intensity system

Small local population;
large surplus available for export

Secondary Australian producer overall

Growing animal numbers



SHEEP

Low cost/low intensity system

Falling domestic consumption;
large surplus available for export

Major global sheep trader
(live and processed)

SECONDARY



PORK

Modern, well developed industry

Small by global standards
Constant, steady long term growth

Developing strong domestic
position in free range

DOMESTIC



CHICKEN

Modern, well developed industry

Recent investment for growth
targeting state shortage

WHAT HAVE WE GOT?

FOCUSED ON THREE PRODUCTS

The Western Australian meat production system focuses on three key export meats where it has clear comparative advantage: **sheep, beef and pork.**

Goat, chickens and a **range of other meats** form a second tier of emerging opportunities.



BEEF

Global demand for imported beef is growing. Australia is the largest global beef supplier and is growing with the market. Western Australia is a significant beef producer, achieving long-term growth in stock numbers.

Western Australia exported A\$160m in beef (YE Mar-17), representing 2.2% of total Australian beef exports.



SHEEP MEAT

Australia and New Zealand dominate the global sheep meat trade. The market is growing moderately; chilled is more valuable than frozen and showing stronger growth. North America, Middle East and China are major destinations. Western Australia has the second largest flock behind New South Wales, but flock numbers continue to decline. Processing numbers are not declining as rapidly, however the trajectory for the future is unclear.



PORK

Western Australia is well positioned to produce more pork.

The Western Australia pork industry accounts for 13% of domestic pig meat production, but 28% of export value.

Australian pork exports go predominantly to Singapore, Hong Kong, New Zealand and Papua New Guinea.



OTHER MEATS

Western Australia has interesting opportunities in other meats that may suit some investors. Chicken production is growing; replacing imports from the eastern states. Many in the industry see goat as an opportunity in the future.



3 DIFFERENT PRODUCTION SYSTEMS

FREE-RANGE, GRASS-FED

- Animals graze freely on open land for whole of life
- Low cost, low intensity system
- Leverages Western Australia's large amounts of land
- Primarily sheep, cattle and goats; pigs being developed
- May use some amounts of seasonal supplementary feeding
- Opportunity for hormone-free and antibiotic-free
- Opportunities to certify more land as organic (as it basically is already); organic meat sells at a premium

GRASS-FED THEN FEEDLOT

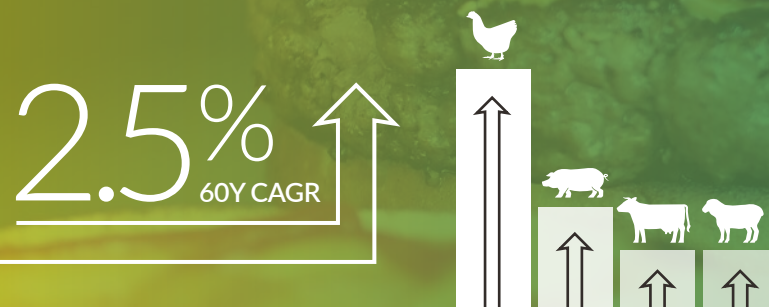
- Animals graze freely on open land and then moved to contained feeding prior to slaughter
- Primarily cattle, though some sheep
- Most feedlot operations are small by global standards
- Unit size partially a function of regulations and water pricing system
- Cyclical industry returns
- Industry needs strategy to access more low cost feeds

INTENSIVE FEEDING SYSTEMS

- Animals housed in contained production units
- Using modern high input/high output production systems
- Primarily targeted at domestic markets
- Exports minor; opportunities in specific niche markets
- Key meats protected from global competition by biosecurity (hence profitable)
- Poultry growing strongly; pork growing steadily
- Cyclical industry returns
- Industry needs strategy to access more low cost feeds

WESTERN AUSTRALIAN MEAT PRODUCTION IS GROWING

Western Australian meat production growth



CHICKEN 7.1% 60Y CAGR

PORK 3.0% 60Y CAGR

BEEF 1.7% 60Y CAGR

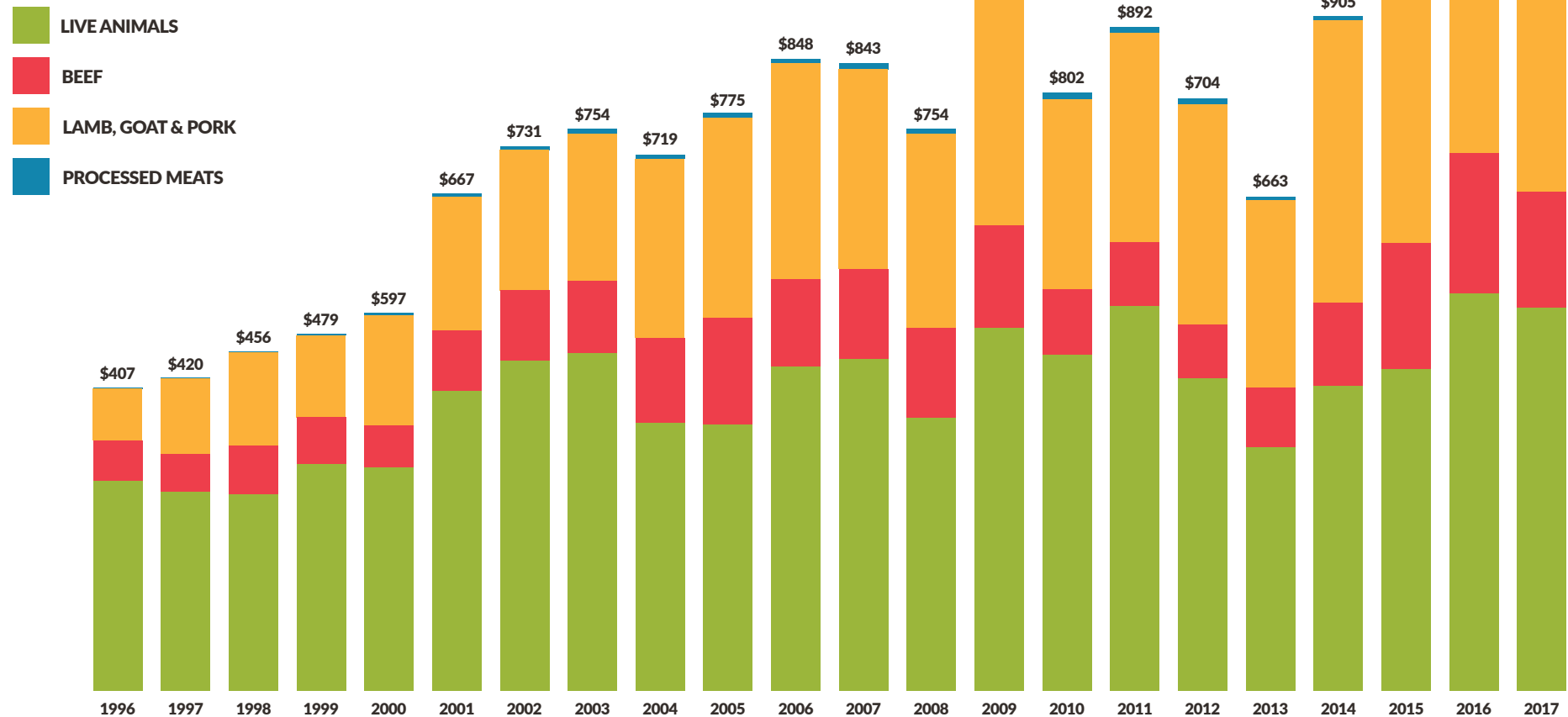
SHEEP MEAT 1.7% 60Y CAGR

WESTERN AUSTRALIA IS ACHIEVING MEAT EXPORT GROWTH

5.0%
20Y CAGR

Western Australian meat and live animal export value

(A\$; m; YE June; 1996-2016; YE April 2017)

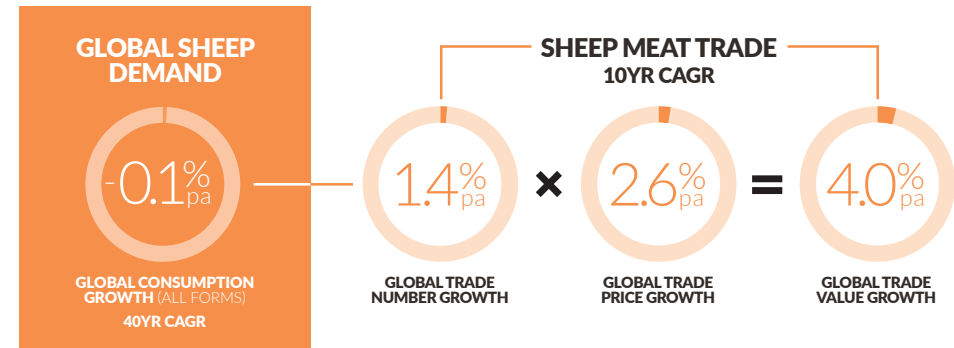
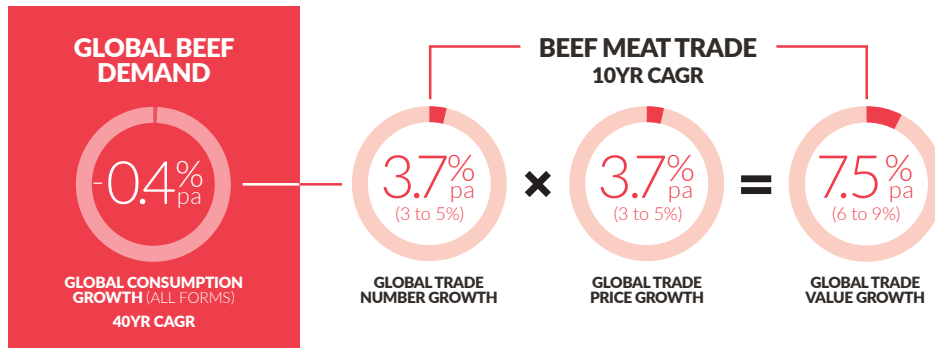
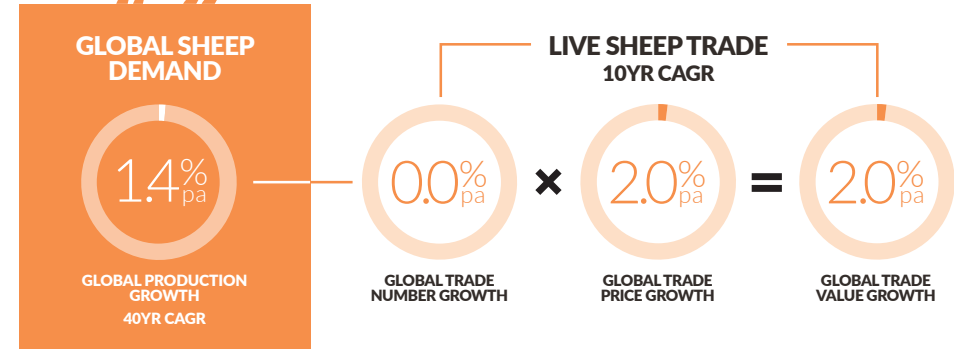
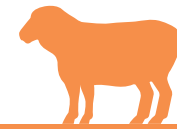
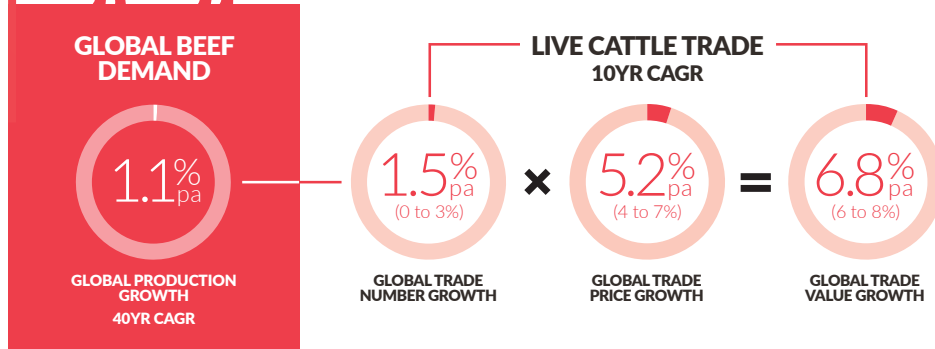


Source: ABS; Coriolis analysis



THERE WILL BE
SOLID DEMAND
IN THE **FUTURE**

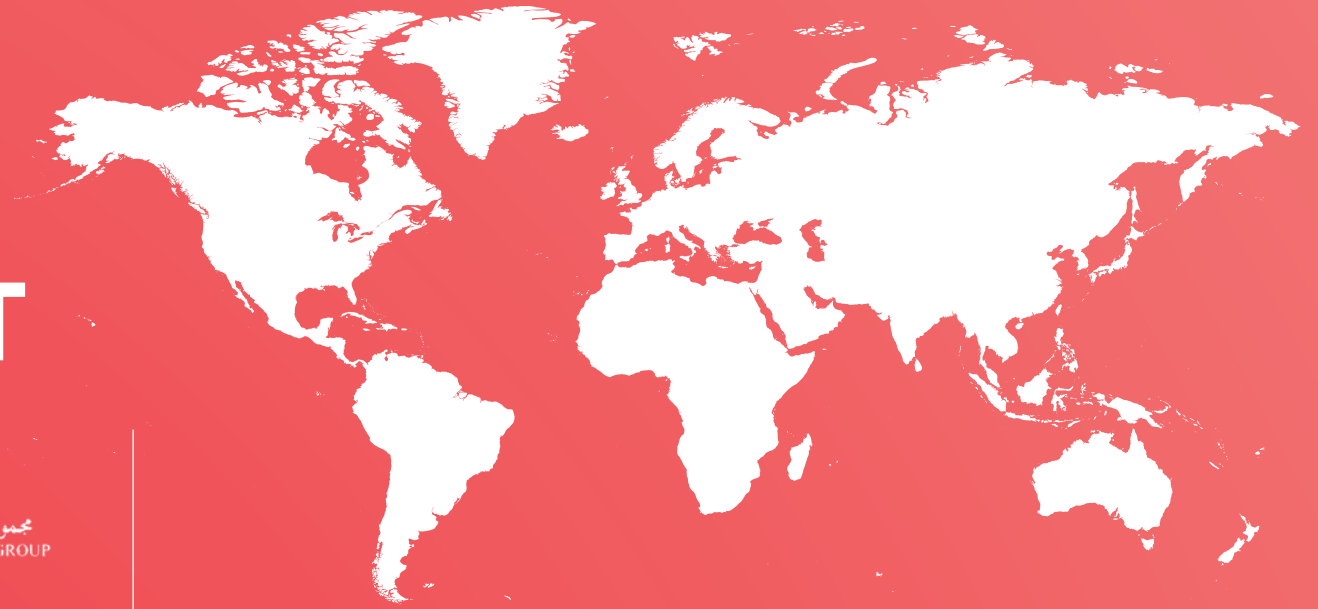
HIGH LEVEL MACRO DRIVERS SUPPORT SOLID EXPORT MARKET DEMAND FOR BEEF AND MODERATE DEMAND FOR LAMB








Future Export

Note: see full report related sections for details; Source: United Nations; FAO; Comtrade; Coriolis analysis

ATTRACTING GLOBAL INVESTMENT



 <p>Agrium</p>	 <p>مجموعة الحميضي AL HOMAIZI GROUP</p>			
<p>ZHOUSHAN FANDA AUSTRALIAN CATTLE</p>	 <p>PBC</p>	 <p>CK Life Sciences Group 长江生命科技集团</p>	 <p>新希望集团 NEW HOPE GROUP</p>	<p>FANDA AUSTRALIAN LIVE CATTLE INDUSTRIAL</p>
 <p>富丽达集团 FULIDA GROUP</p>	 <p>LIVESTOCK SHIPPING SERVICES PTY LTD</p>	<p>SINOMARINE</p>	 <p>حجازي و غوشة HIJAZI & GHOSHEH</p>	<p>SHANGHAI CRED</p>
 <p>KUALA LUMPUR KEPONG BERHAD</p>	<p>ZHEJIANG</p>	 <p>上海中融置业股份有限公司 SHANGHAI CRED REAL ESTATE STOCK CO., LTD</p>	<p>terra firma</p>	 <p>TMB</p>

INVESTMENT IS CONTINUING



WAMMCO

2016 - 2017 \$24.6m

Upgrading meat processing plant
Growing scale and efficiencies
More processing flexibility; improved shelf life



CRAIG MOSTYN GROUP

2016 \$30m

Increase plant efficiencies, freezers, storage, value added processing and piggeries
Growing scale



INGHAM'S

2017 - 2020 \$70m+

Constructing new feed mill and relocating facilities
Reduce labour cost; improve return on carcass



YEEDA PASTORAL COMPANY KIMBERLEY MEAT CO

2016 \$40m

Constructed new abattoir in Kimberley
Initially complementary to live export, sourcing secondary cattle that are outside specification



HARMONY AGRICULTURE AND FOOD (HAFFCO)

2016 - 2017 \$50m

Invested in grazing blocks and feedlot

“Develop a supply chain that was focused on customer needs, was efficient... and rewarding for all participants.”

STEVE MEERWALD



HARVEY BEEF

2016 \$25m

Upgrade to new value-added lines and capacity to support export growth



GD PORK

2016 - 2017 \$41m

Investment in piggery operations
Increase scale to gain efficiencies, reduce costs
Growing scale



V&V WALSH

Planned 2017 \$30m

Improve efficiency and product expansion

WESTERN RIVERLANDS POULTRY

WESTERN RIVERLANDS POULTRY

Proposed 2016 \$35m

Proposed broiler operations
Growing production volumes in WA



WESTPORK

Planned March 2017 \$21m

Increase in piggery facilities
Growing scale

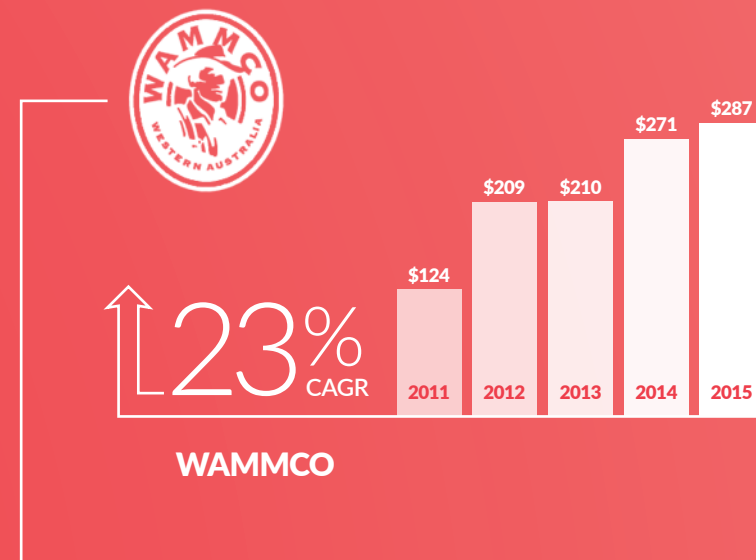
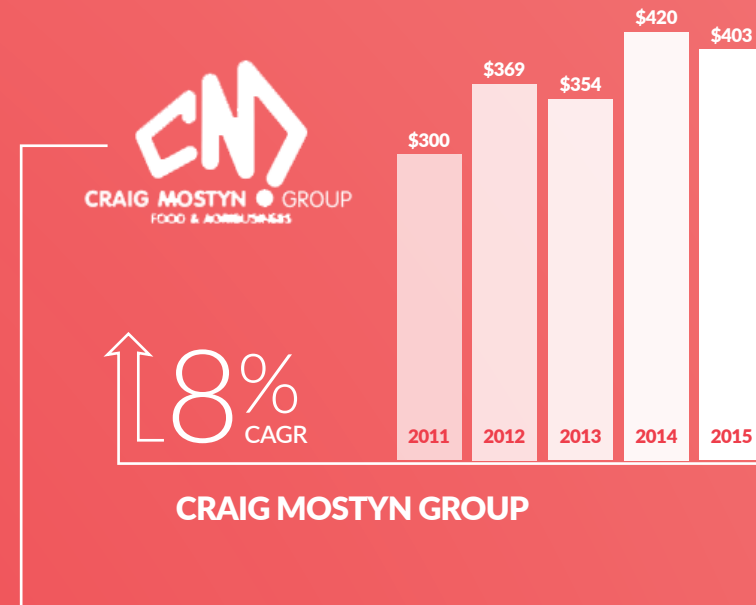
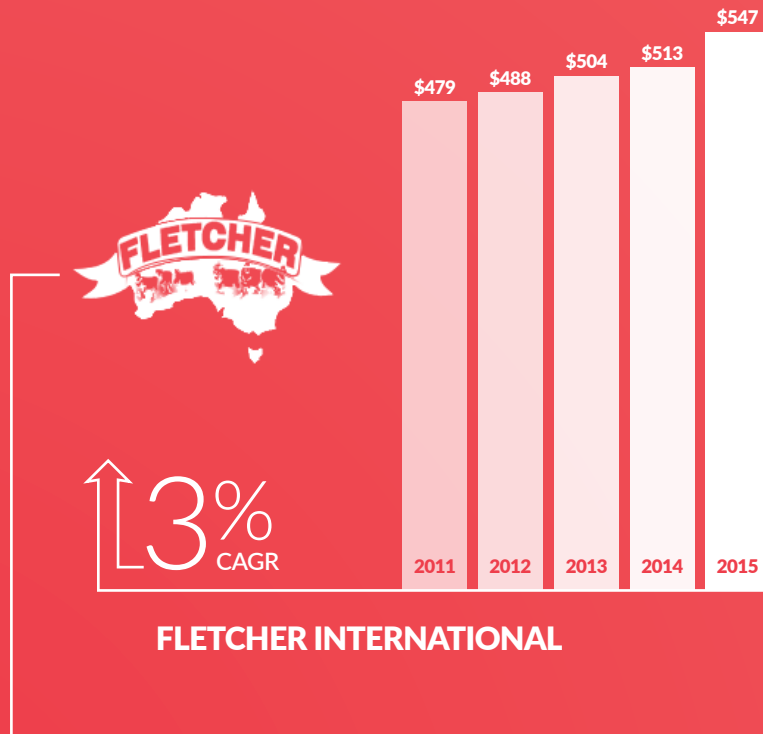
WESTERN AUSTRALIA'S MEAT SECTOR HAS A STRONG GROUP OF THRIVING COMPANIES



Note: Many firms operate across multiple stages of the supply chain

LEADERS GROWING REVENUE

Five year revenue growth: select firms with significant WA meat activities (A\$; m; 2011-2015)

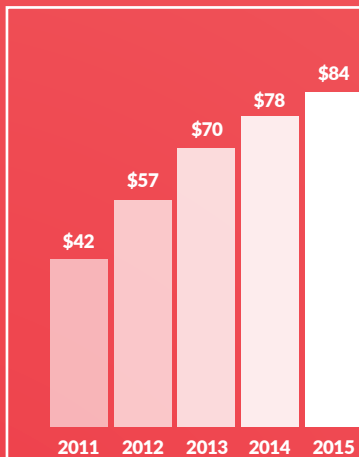


Note: both WAMMCO and Fletcher have an additional plant on the East Coast; Source: ASIC filings; firm annual reports; IBISWorld; Coriolis research and estimates

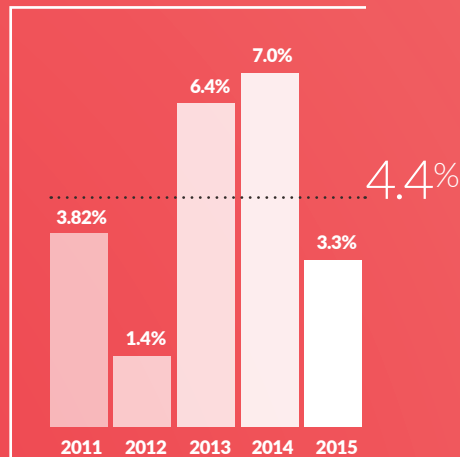
WEST AUSTRALIAN MEAT PROCESSORS CAN BE PROFITABLE

Financial performance of Western Australian Meat Marketing Co-operative (A\$, m; 2011-2015)

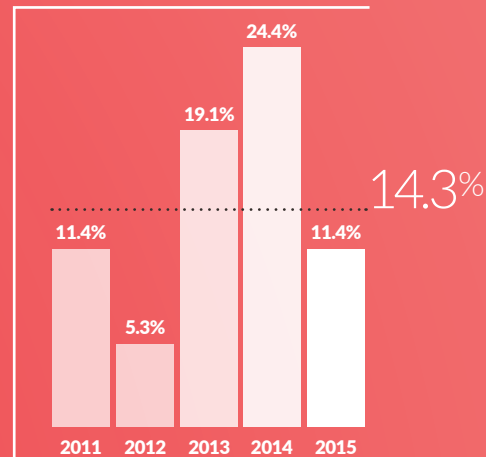
TOTAL ASSETS



EBITDA/REVENUE



EBITDA/TOTAL ASSETS



Note: WAMMCO purchased a plant on the East Coast during the period; Source: ASIC filings; firm annual reports; IBISWorld; Coriolis research

THREE INVESTMENT THEMES

Three broad investment themes exist for **creating growth** in the Western Australian meat industry

DIFFERENTIATED PRODUCTS

Develop a **sustainable** point-of-difference

- Improved Genetics
- Free Range / Grass Fed
- Organic
- Wagyu



INCREASED PLANT EFFICIENCY

Drive down processing cost

- Plant Consolidation
- Increased Automation
- Transition Live / Increase Throughput



IMPROVED VALUE CHAIN

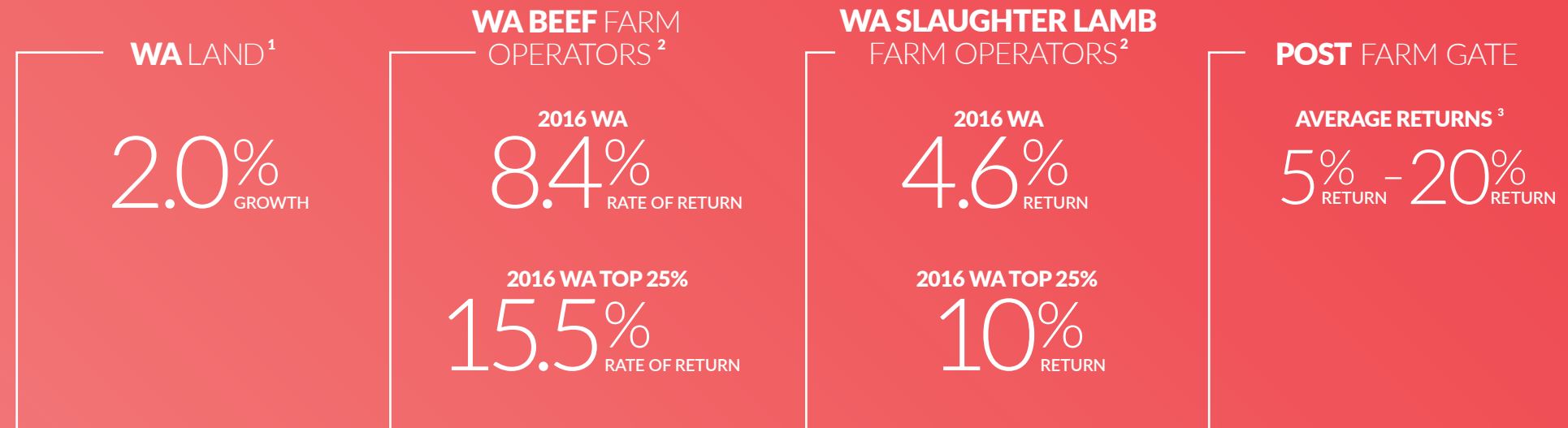
Bring **new thinking** to a traditional industry

- Intensification
- Improved Supply Chain
- Co-ordination
- Improved Information Flow



RETURNS ACROSS THE SUPPLY CHAIN

Western Australian **high performing farms**
are showing **strong returns**



1. Planfarm Bankwest Benchmarks 2015-2106 - Broadacre farms - average 6yr **land value change** (2010-2015)

2. ABARES/MLA Farm survey **Rate of returns** including capital appreciation, average 5yr; Top 25% by rate of return

3. Annual reports; Interviews; industry averages EBITA/TA; includes manufacturing and live across species

CORIOLIS

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