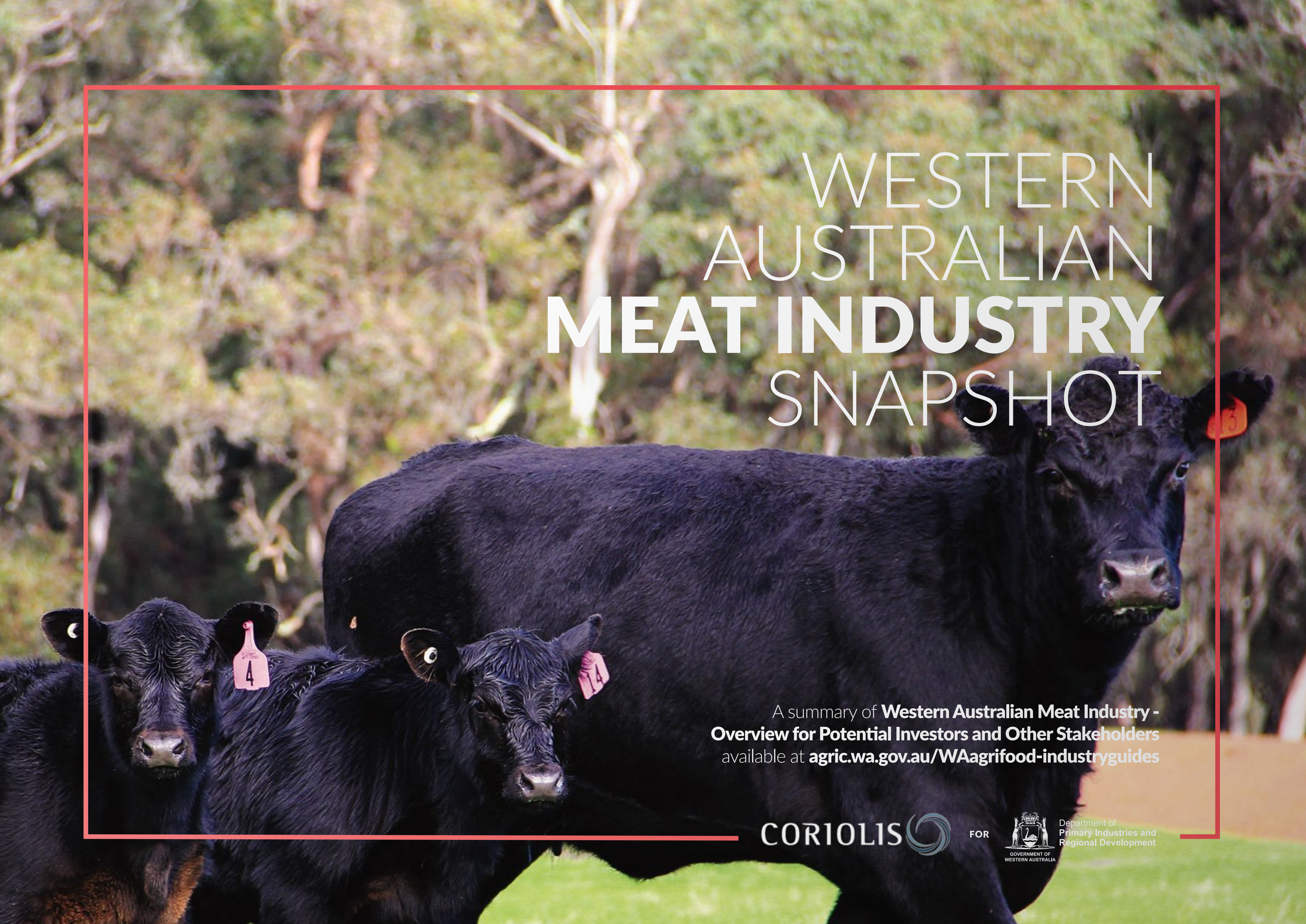


WESTERN AUSTRALIAN **MEAT INDUSTRY** SNAPSHOT

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

CORIOLIS FOR Government of Western Australia 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

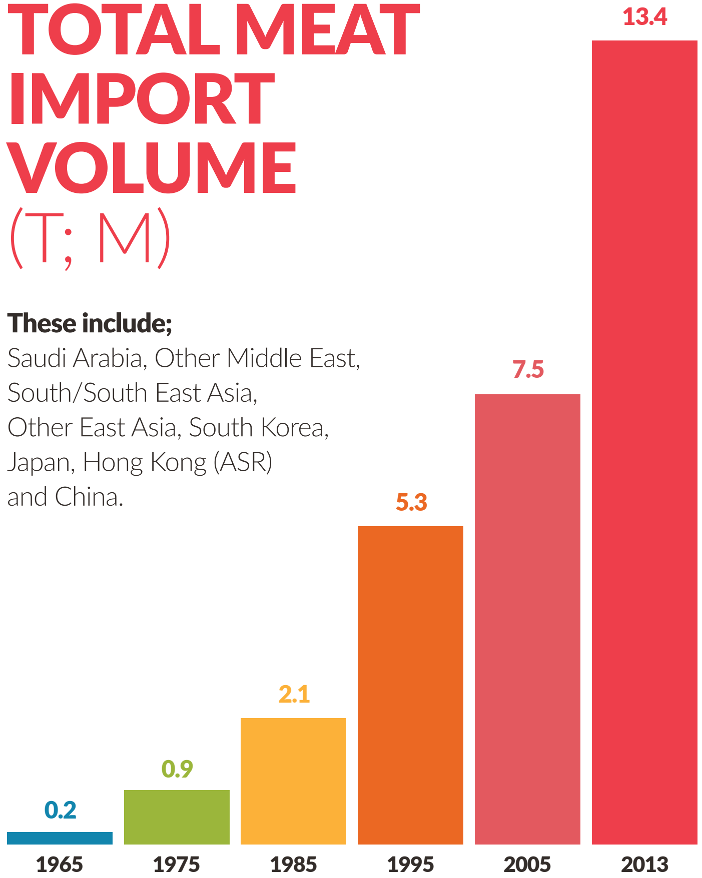
US $32 **BILLION GROWTH**

IN DEMAND OVER THE LAST DECADE

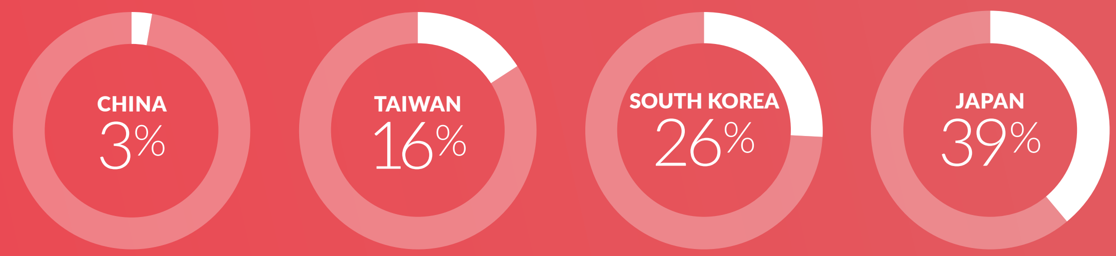
Meat import value (2005 – 2015)

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.

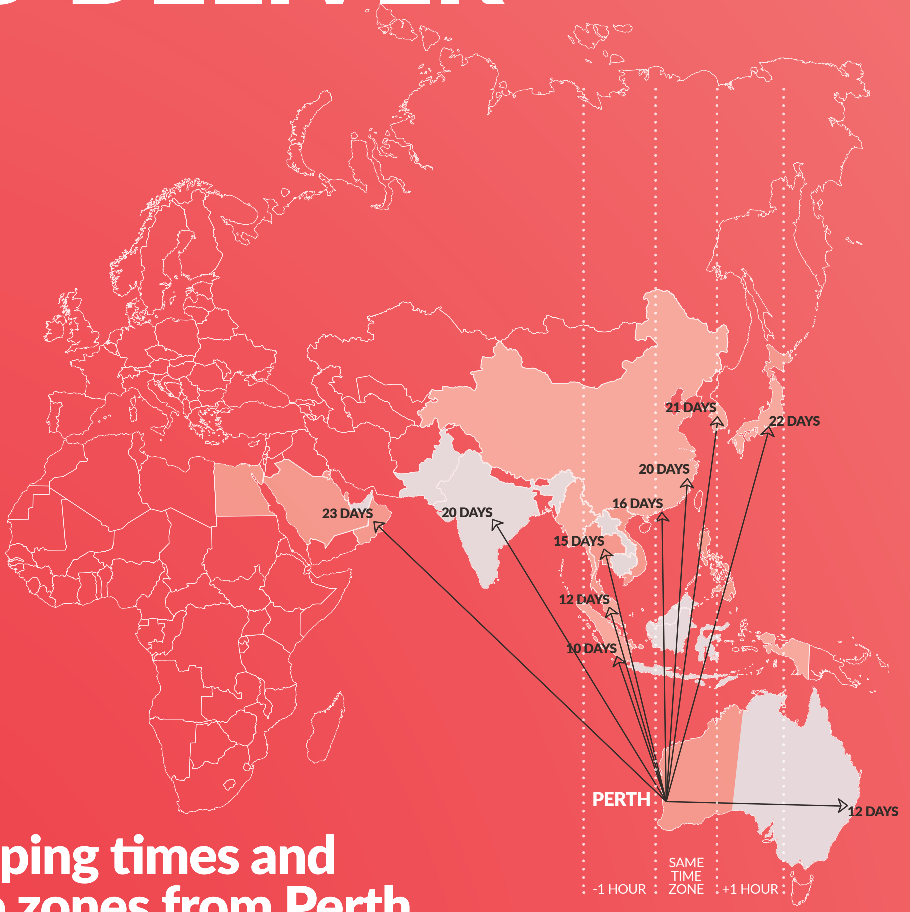


IMPORTS AS A % OF COUNTRIES TOTAL MEAT SUPPLY



Source: World Bank; United Nations; FAO; Coriolis analysis

WESTERN AUSTRALIA **WELL POSITIONED** TO **DELIVER**



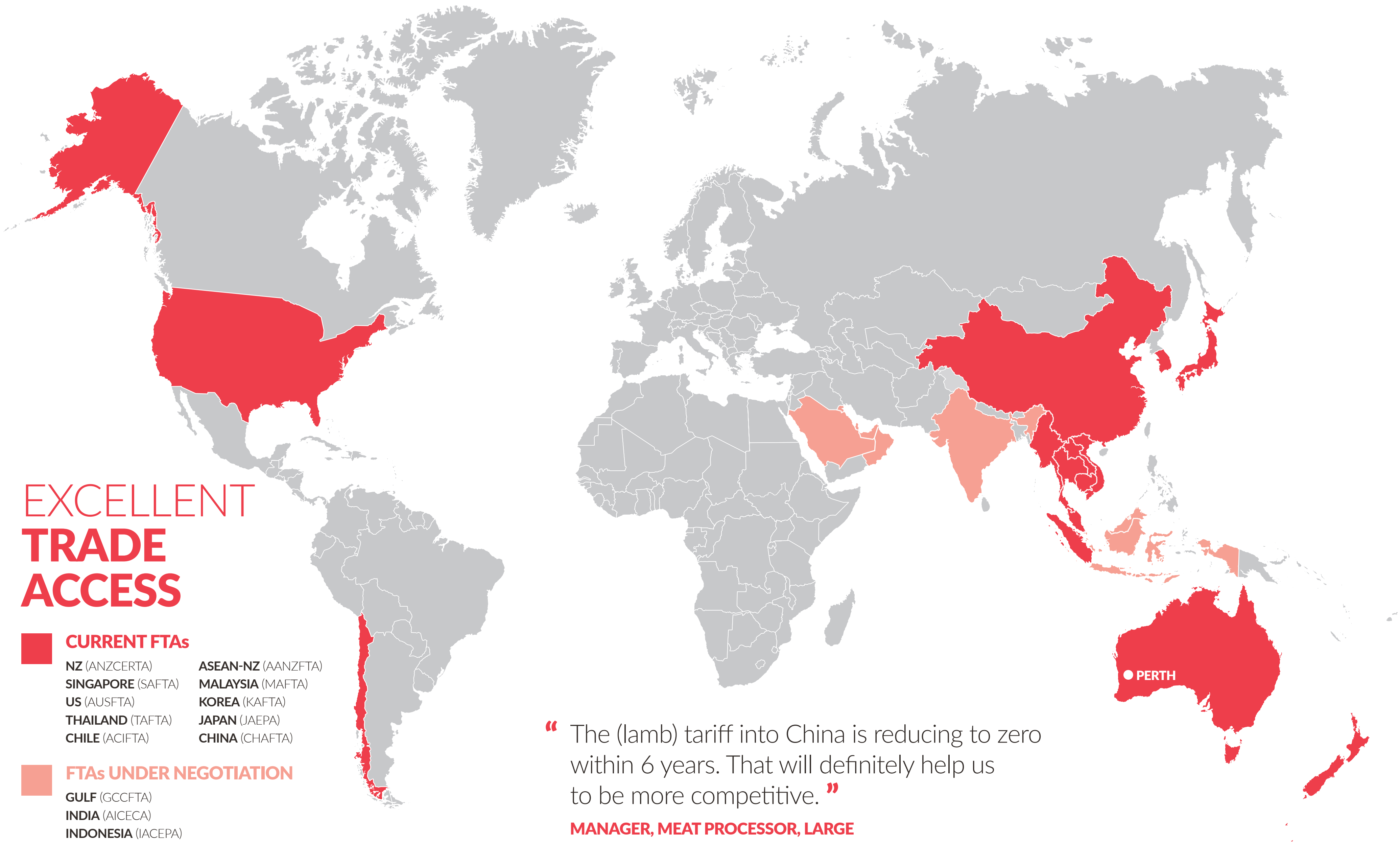
Shipping times and time zones from Perth

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 opportunties 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

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.

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.

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		SECONDARY	DOMESTIC
BEEF	**SHEEP**	**PORK**	**CHICKEN**
Low cost/low intensity system	Low cost/low intensity system	Modern, well developed industry	Modern, well developed industry
Small local population; large surplus available for export	Falling domestic consumption; large surplus available for export	Small by global standards	Recent investment for growth targeting state shortage
Secondary Australian producer overall	Major global sheep trader (live and processed)	Constant, steady long term growth	
Growing animal numbers		Developing strong domestic position in free range	

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

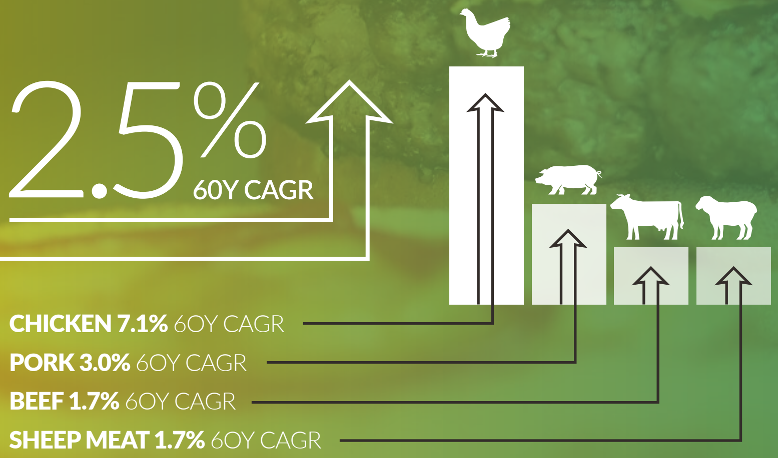
- Animals graze freely on open land and then moved to contained feeding prior to slaughter
- Primarily cattle, though some sheep
- Most feedlot operations are small by global standards
- Unit size partially a function of regulations and water pricing system
- Cyclical industry returns
- Industry needs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

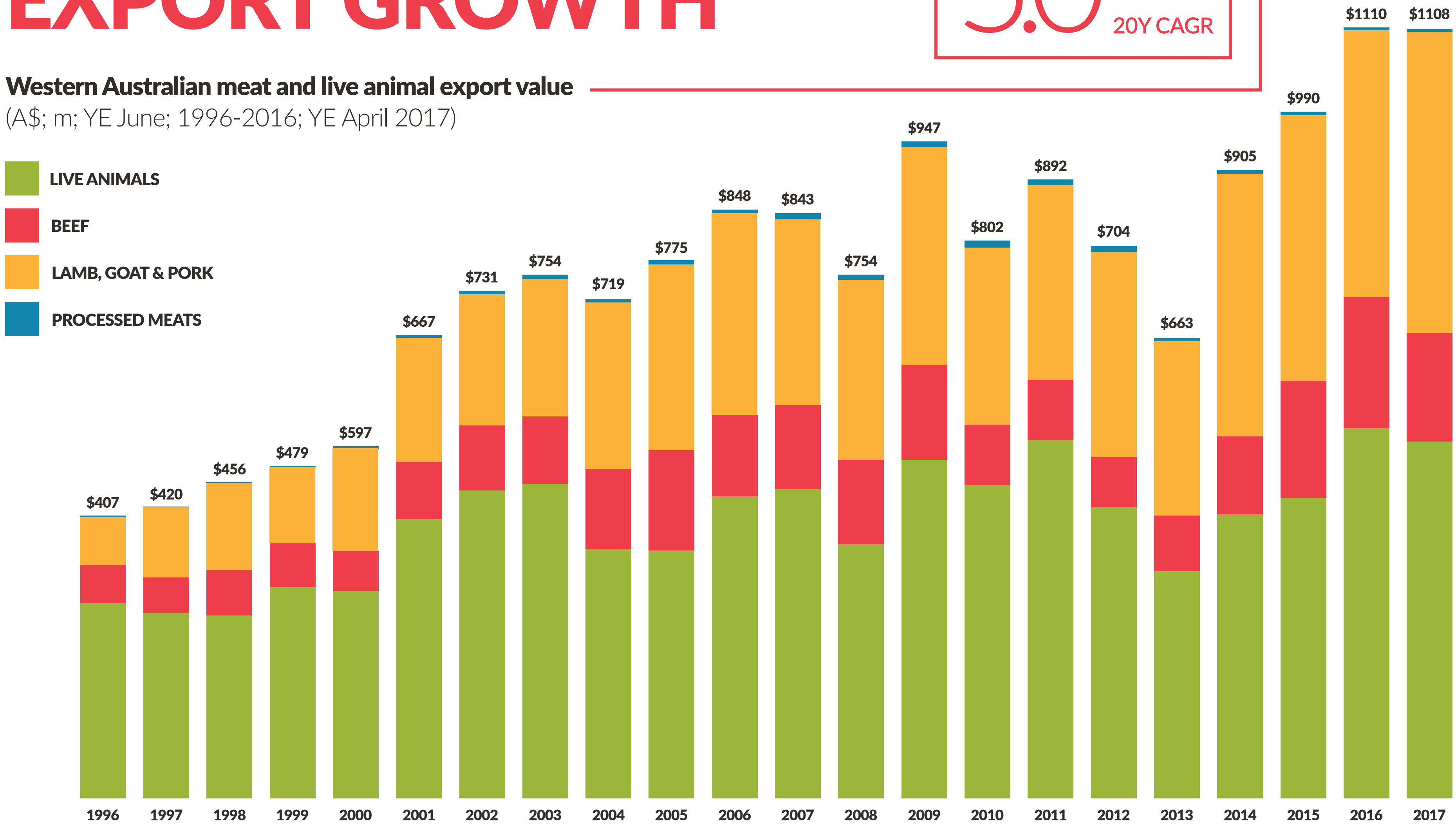


Source: ABS; MLA; ACMF; Coriolis estimates (extrapolation of missing chicken data)

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**

GLOBAL BEEF DEMAND

1.1% pa
GLOBAL PRODUCTION GROWTH
40YR CAGR

LIVE CATTLE TRADE
10YR CAGR

1.5% pa (0 to 3%)
GLOBAL TRADE NUMBER GROWTH

×

5.2% pa (4 to 7%)
GLOBAL TRADE PRICE GROWTH

=

6.8% pa (6 to 8%)
GLOBAL TRADE VALUE GROWTH

GLOBAL SHEEP DEMAND

1.4% pa
GLOBAL PRODUCTION GROWTH
40YR CAGR

LIVE SHEEP TRADE
10YR CAGR

0.0% pa
GLOBAL TRADE NUMBER GROWTH

×

2.0% pa
GLOBAL TRADE PRICE GROWTH

=

2.0% pa
GLOBAL TRADE VALUE GROWTH

GLOBAL BEEF DEMAND

-0.4% pa
GLOBAL CONSUMPTION GROWTH (ALL FORMS)
40YR CAGR

BEEF MEAT TRADE
10YR CAGR

3.7% pa (3 to 5%)
GLOBAL TRADE NUMBER GROWTH

×

3.7% pa (3 to 5%)
GLOBAL TRADE PRICE GROWTH

=

7.5% pa (6 to 9%)
GLOBAL TRADE VALUE GROWTH

GLOBAL SHEEP DEMAND

-0.1% pa
GLOBAL CONSUMPTION GROWTH (ALL FORMS)
40YR CAGR

SHEEP MEAT TRADE
10YR CAGR

1.4% pa
GLOBAL TRADE NUMBER GROWTH

×

2.6% pa
GLOBAL TRADE PRICE GROWTH

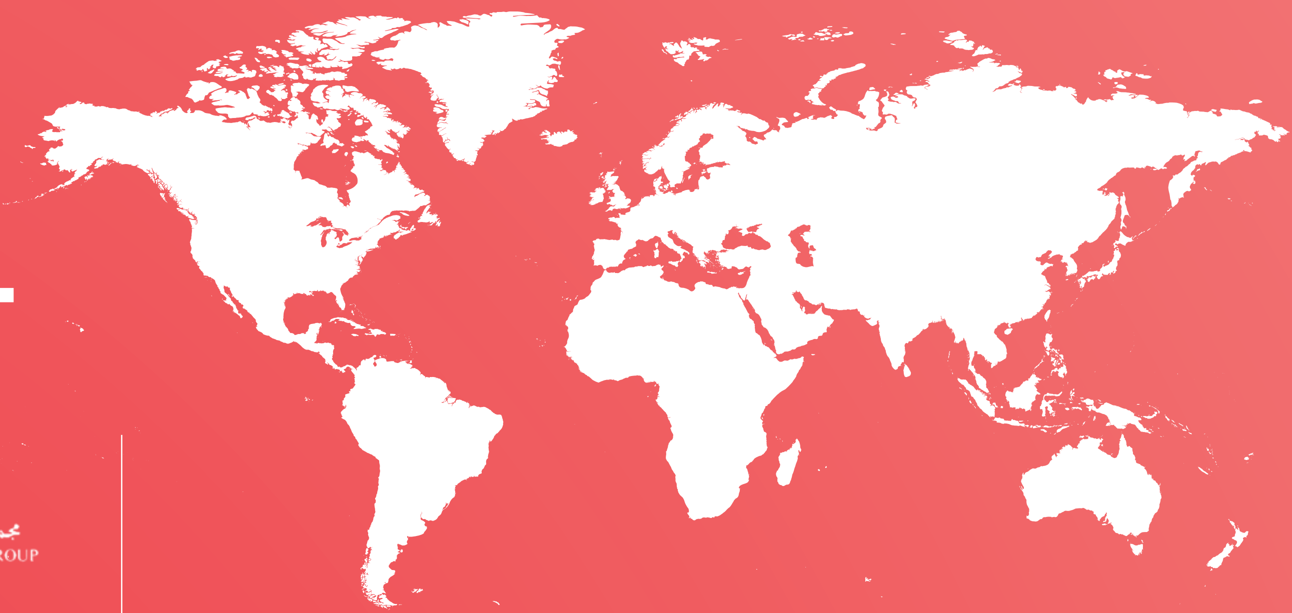
=

4.0% pa
GLOBAL TRADE VALUE GROWTH

Future Export

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

ATTRACTING
GLOBAL INVESTMENT



Agrium

مجموعة الحميضي
AL HOMAIZI GROUP

ZHOUSHAN FANDA
AUSTRALIAN CATTLE

PBC
PARDOO BEEF CORPORATION

CK Life Sciences Group
長 江 生 命 科 技 集 團

新希望集团
NEW HOPE GROUP

FANDA AUSTRALIAN
LIVE CATTLE INDUSTRIAL

富丽达集团
FULIDA GROUP

LSS
LIVESTOCK
SHIPPING SERVICES
PTY LTD

SINOMARINE

HG
حجازي و غوشة
HIJAZI & GHOSHEH

SHANGHAI CRED

KUALA LUMPUR KEPONG BERHAD

ZHEJIANG

上海中房置业股份有限公司
SHANGHAI CRED REAL ESTATE STOCK CO., LTD.

terra firma

ZHEJIANG TIANMA BEARING GROUP OF COMPANIES
TMB

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

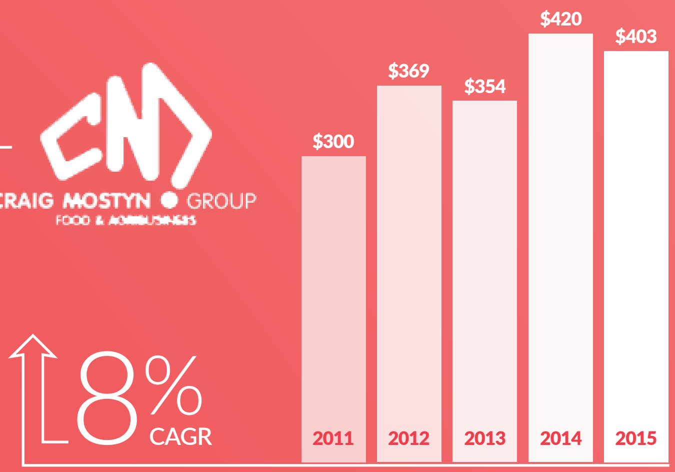
WESTERN AUSTRALIA'S **MEAT SECTOR** HAS A **STRONG GROUP** OF **THRIVING COMPANIES**

FARMING OPERATIONS	**LIVE** EXPORTING	**PRIMARY** PROCESSING	**SECONDARY** PROCESSING
GD Pork, Yeeda, Dunkeld Pastoral Co, Minderoo	Harmony Agriculture & Food Co, Halleen, Wellard, Landmark	Craig Mostyn Group, Ingham, WAMMCO, V&V Walsh	Harvey Beef, DBC, Milne AgriGroup, Ryan's Quality Meats

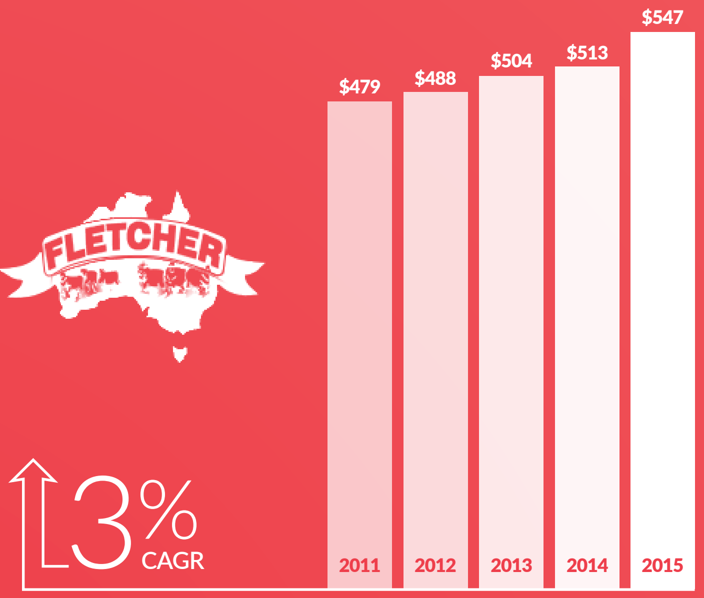
Note: Many firms operate across multiple stages of the supply chain

LEADERS
GROWING REVENUE

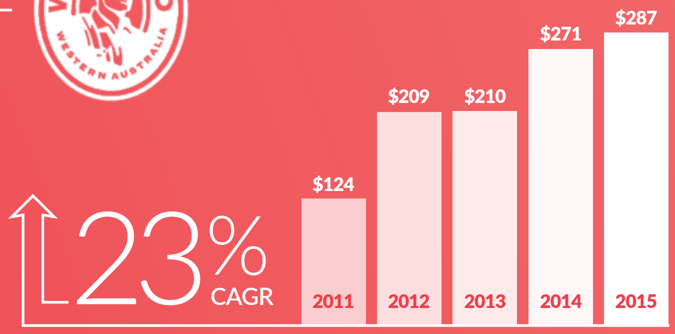
Five year revenue growth: select firms with significant WA meat activities (A$; m; 2011-2015)



CRAIG MOSTYN GROUP



FLETCHER INTERNATIONAL



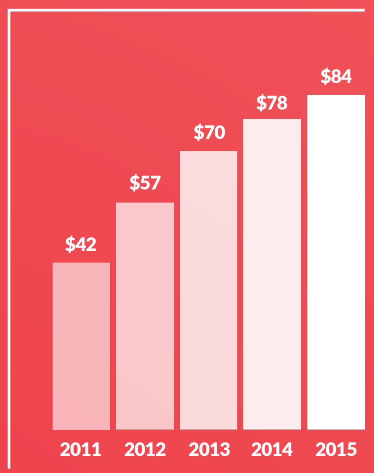
WAMMCO

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

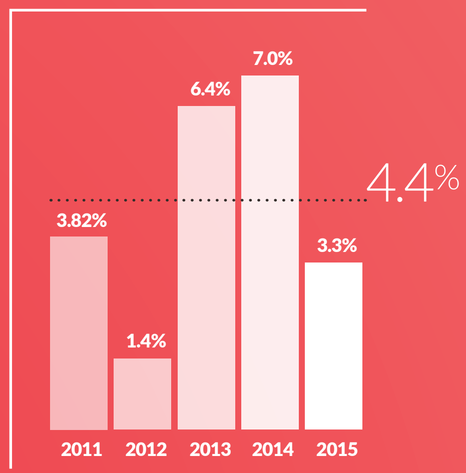
WEST AUSTRALIAN MEAT PROCESSORS **CAN BE PROFITABLE**

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

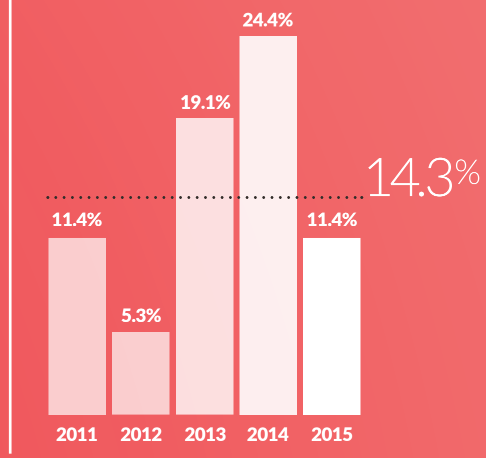
TOTAL ASSETS



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**

WA LAND[1]

2.0% GROWTH

WA BEEF FARM OPERATORS[2]

2016 WA

8.4% RATE OF RETURN

2016 WA TOP 25%

15.5% RATE OF RETURN

WA SLAUGHTER LAMB FARM OPERATORS[2]

2016 WA

4.6% RETURN

2016 WA TOP 25%

10% RETURN

POST FARM GATE

AVERAGE RETURNS[3]

5% RETURN – 20% RETURN

__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

Source: Coriolis analysis

CORIOLIS FOR Department of Primary Industries and Regional Development
GOVERNMENT OF WESTERN AUSTRALIA

For further information please contact:

Courtney Draper
Director Trade and Industry Development
Agriculture and Food
Department of Primary Industries and Regional Development
3 Baron-Hay Court, South Perth WA 6151
T +61 (0)8 9363 4178 | **M** +61 (0)475 809 395
E courtney.draper@dpird.wa.gov.au | **W** dpird.wa.gov.au

Nijaz (Neeaz) Brkich
Business Development Manager
Agribusiness & Food Investment
Department of Primary Industries and Regional Development
Level 7, 140 William Street | Perth WA 6000
T +61 (0)8 6552 2087 | **M** +61 (0)458 076 789
E nijazneeaz.brkich@dpird.wa.gov.au | **W** dpird.wa.gov.au