

## **BUSINESS PLAN 2005 - 2010**

### **PILBARA CATTLE CO-OPERATIVE**

Prepared by Ngarda Ngarli Yarndu Foundation Inc.

**April 2005**

Ngarda Ngarli Yarndu Foundation Inc. regional represented Pilbara Stations:

- Pippingarra
- Yandeyarra
- Mt Welcome
- Yullawarra
- Coongan
- Chirrata
- Peedamulla
- Mt Divide

Ngarda Ngarli Yarndu Foundation Inc. regional represented organisation:

- ILC (Indigenous Land Council)
- ICC (Indigenous Coordination Centre)
- ALT (Aboriginal Land Trust)
- MLA (Meat & Livestock Australia)
- AGRIC (Department of Agriculture WA)



## **MISSION STATEMENT**

Comply with the Ngarda Ngarli Yarndu Foundation Inc. aim and goal to alleviate poverty among indigenous people and create wealth in the Western Pilbara Region.

To unite the Pilbara Cattle Stations currently not in operation to create wealth and upkeep traditional cultures while caring for the land and environment.

Improve quality of beef exported by Western Australia by implementing improved systems and quality breeding methods.

Utilise land, care and maintain the environment within the Pilbara region.

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## **1. Executive summary**

### **Introduction**

There are many Aboriginal owned cattle stations in the Pilbara region of Western Australia that are for various reasons not being used to their full potential. Of the stations identified many have not traded profitably over the last three years and many more have been neglected and now have very few or no cattle.

It has been identified that there are limited managerial skills within the station communities to be able to address the problems identified. This has led to many of the stations being non viable entities.

Of those stations that have undertaken stock mustering, the income received from the sale is used for social purposes and generally no income is provided to be used to maintain the station, further deteriorating the infrastructure required for good management.

Most Indigenous owned stations have poorly maintained fencing and windmills allowing a lot of stock to stray onto other properties causing further loss to cattle numbers.

Due to the limited managerial skill many Indigenous stations lack marketing strategies which cause the lowering of prices due to the poor quality of stock that arrives at the sale yards.

As mining in the Pilbara region pays high wages many of the skilled station hands have left due to the lack of income which is linked to CDEP payments.

Currently there are many Aboriginal owned stations that have limited cattle on the stations but have the suitable land to maintain a large herd. Because most stations have a community based on the station a reliance on government support is required due to the station not being viable.

The issue of poor managerial skills and most of the mentioned problems have already been clearly identified by government agencies. Programs & strategies implemented by those agencies, has done little to rectify the problem. The work that has been done to help these stations has not succeeded and has further alienated the Indigenous communities.

Ngarda Ngarli Yarndu Foundation Inc. has recognised the need to develop and implement a Pilbara Cattle Co-Op Pty Ltd to utilise existing cattle stations throughout the Pilbara Region. Developing existing cattle stations will endeavour to create wealth in the local Indigenous communities for each station and improve the health and education within aboriginal people.

With the cattle stations currently not viable and under developed there will need to be a number of factors to be considered. Factors concerning development will need to be negotiated with funding bodies and community station owners. Concern from the station owners will also need to be overcome to progress proceedings.

The cattle stations will be operated as active cattle stations and managed with an emphasis on sound environmental practices involving long-term rehabilitation and pasture involvement. As a result of this strategic land holding Pilbara Cattle Co-Op will play an important role in ensuring the viability of the pastoral industry of the Pilbara.

In 2004, Western Australia continued to export the largest number of cattle with 43.3% of the market increasing by 5% on the previous year. The total number of cattle exported from Australia in 2004 was 637,748 generating an income of \$490m. Indonesia is the highest country of destination, 359,560 cattle were exported to Indonesia making up over 50% of the total exporting for the year 2004.

Although Western Australia exported majority, 43.3%, of the cattle in 2004 the highest income derived is in Queensland due to the quality of the beef exported. Pilbara Cattle Co-Op Pty Ltd aim is to improve on the quality of beef exported from Western Australia and generate a higher return to local Indigenous communities and station owners.

The Pilbara region has existing transportation for exporting livestock from local wharf at Port Hedland and is also a direct route to Indonesia, the highest destination of cattle. It is envisaged that Pilbara Cattle Co-Op Pty Ltd implementation plan will be fine tuned over time to further development and enhance the local Pilbara communities to no longer require ongoing government assistance.

Pilbara Cattle Co-Op Pty Ltd will develop and maintain professional and efficient management capacity, which will be required to develop and service the processes involved by each station ready to export. Being an Indigenous owned and operated Co-Operative will not only strengthen Indigenous people and communities, but will create a new marketing strategy to ensure quality cattle.

## **2. Background to Ngarda Ngarli Yarndu Foundation Inc.**

The Ngarda Ngarli Yarndu Foundation Inc. was incorporated on the 25<sup>th</sup> August 2000. The objects of the Foundation, as stated in the constitution; are to alleviate poverty among Aboriginal people in the Western Pilbara Region by supporting long-term Aboriginal community development. The aim of the Foundation is to achieve this by raising funds directly and by making investments that will generate long-term returns. Funds so raised will be specifically allocated for the provision of:

- (a) health facilities and services;
- (b) education and training facilities and services;
- (c) employment opportunities;
- (d) economic opportunities;
- (e) preservation of culture; and
- (f) any other initiatives that work towards the alleviation of poverty in the aboriginal people in the Ngarda-Ngarli-Yarndu region of the Pilbara.

The development of the Pilbara Cattle Co-Op Pty Ltd will achieve all objectives and aims of the Ngarda Ngarli Yarndu Foundation Inc. and further success all services and opportunities among aboriginal people.

### **2.1 Historical Summary of Co-Operative Opportunities of Pilbara Cattle Co-Op Members**

The Pilbara region has 12 existing cattle stations with only 77% operating. The other stations currently not in operation have enormous potential with the initial infrastructure partly present.

With increasing pressure to upgrade quality of cattle and implementation of the NLIS electrical identification and tagging system the Pilbara Cattle Co-Op will be able to successfully improve beef standards and quality for exportation.

## **2.2 Objectives of the Proposed and Project Stages**

The strategy development to improve and expand on the existing cattle stations in the Pilbara would need to be developed into three distinct stages i.e. Pre-feasibility stage, feasibility stage and business planning stage. At the end of each stage a full progress report from managers and the management team would need to be assessed and areas enhanced to reach the ultimate goal.

### Pre-feasibility Stage

- How will such a co-operative work;
- Does the co-operative make good business sense; and
- What is the likely benefit to individual stations participating in the co-operative?

### Feasibility Stage

- Success of pre-feasibility study
- Financial, economic, wealth creation
- Operational performance
- Profitability of individual properties
- Risk and risk management strategies

### Business Planning Stage

- Ensure acceptance by stations and local communities
- Finance figures presented and budgeted in scenarios
- Weather, Economic, Social factors considered

## **2.3 Purpose of this Report**

The Pilbara Cattle Co-Op Pty Ltd is able to successfully implement this strategy to research and develop the existing cattle stations in the Pilbara. By developing these existing cattle stations we believe we will be working from the top down, and not from the bottom up. The infrastructures exist, to a certain level, and the necessity is making improvements on the stations and infrastructure to make each station a viable and successful enterprise.

Further to developing the existing cattle stations, the Pilbara Cattle Co-Op Pty Ltd will generate wealth in each community and for the local Aboriginal people. There will be numerous benefits for these developments for reasons in the areas of;

### Social

- Employment & Training
- Health & Education
- Wealth
- Encouraging closer relationships between communities

### Cultural

- Traditional Land Owners
- Lore & Culture grounds
- Community involvement
- Local people working on traditional land
- Working close to home, available for family issues
- Strong cultural upbringing of younger generations
- Preservation of Traditional Law Sites

#### Economical

- Wealth creation for communities
- Eliminate ongoing government funding
- Increase state exporting revenue
- Increase wage rates for Indigenous employees

#### Environmental

- Land care of stations
- Increase land use
- Monitor environmental issues
- Monitor and decrease diseases infecting livestock
- Preservation of existing surroundings

### **3. Overview**

The Ngarda Ngarli Yarndu Foundation Incorporated (the Foundation), an independent body with a mandate to seek and nurture commercial opportunities for the local community, is taking the initial steps in establishing the Pilbara Cattle Co Operative between Indigenous owned stations in the Pilbara region. This initial program is being set up to assist those stations that are not operating in a viable manner and to turn them into either a profit making or break even point entity within a controlled time frame.

Because the Foundation is uniquely positioned as an Indigenous business it will lobby on behalf of the Indigenous owned stations, the Indigenous Land Corporation (ILC), Aboriginal Lands Trust (ALT) the Department of Agriculture WA (AGWA), Indigenous Coordination Centre (ICC) and Mining companies to provide funding to improve the stations from their current poor managerial situations.

The concept of the co operative has been structured as a way of providing the individual communities, with pastoral station activities to maximize returns from their cattle and place less reliance on government welfare.

The key objective of this project is to develop the pastoral leases identified into a productive and profitable asset which will benefit the Indigenous communities.

#### **Strategy**

The Pilbara Cattle Co Operative will be operate from a central based area in Port Hedland with a three tier structure, to reflect their independent relationship.

The first tier will consist of a Board of Management with representatives from the Foundation, ILC, Dept. of Ag WA and a Pastoral Development Coordinator. The Board of Management will develop a strong pastoral and community based management structure, that will provide all the necessary level of planning, marketing, monitoring and aftercare strategies, management and financial and support services, through the Ngarda Ngarli Yarndu Foundation Inc.

The Second tier will consist of a Pastoral Development Coordinator (s), whose responsibility will be implementing and coordinating the programmes and strategies that have been formulated and developed by the Board of Management. The person (s) will work in conjunction with Ag WA, to ensure programmes are completed (i.e. capital improvements, herd control and management, planned herd structure etc.) and provide physical reports to Management on the properties progress.

The third tier will consist of the Pastoral Manager (s) on the station and staff of one to four depending on the size of the property. The Pastoral Managers is responsible to the Pastoral Development Coordinator (s) to complete strategies and programmes provided by the Development Coordinator.

The strategies that will need to be implemented will mirror a group each from the Kimberley and Pilbara, who have multiple stations, where a main group of workers are set up (flying squad) who muster each station at a time. By having the expertise in one group both the efficiency and cost factors can be kept to a minimum.

As part of the strategies to be implemented by Management is an assessment of the properties identified, to ascertain as to what extent that the land and improvements have deteriorated. It is vitally important that a programme of capital improvements be undertaken that will enable management to achieve the planned herd structure and turnoff rates. The assessment will be conducted by the Pastoral Development Coordinator (s), with costs and recommendations.

The next phase of the strategy will be to conduct a bang tail muster on each of the properties to report on the herd size and condition. Upon assessment of the stock a strategy will be undertaken with the Department of Agriculture to develop a breeding program to build up herd numbers to carrying capacity.

At present the live beef export to the Asian market is the main trade for Pilbara Stations. The short horn Brahmin breed which is used predominately used by Pilbara properties, is worth considering implementing across the Indigenous properties identified.

The initial step of this proposal is to meet and consult with the Indigenous Pastoral Lessee's to discuss this proposal. The key factors outlining this project is:

- to develop the pastoral leases into a productive and profitable asset;
- complete a programme of capital improvements;
- implement a cattle breeding programme consistent with the overall properties in the region;and
- provide the necessary level of planning, management and financial and support services through the Ngarda Ngarli Yarndu Foundation Inc.

A cost structure will be developed for –

#### Individual stations

- Location
- Existing Fencing
- Existing Livestock
- Condition and circumstances
- Water holes
- Feeding and grazing areas
- Infrastructure

#### Structure of management

- Wages
- Education & Training
- Office running costs
- CDEP

#### Livestock

- Breeding programs
- New system for identification and tagging
- Herd improvements
- Feeding
- Grazing

- Mustering
- Marketing
- Livestock exports
  - Transportation
  - Research and Development Plans
  - Tourism developments – generate other income

**3.1 Timelines and Priorities**

The Ngarda Ngarli Yarndu Foundation Inc. would appoint a qualified manager who is either Indigenous or can work well with aboriginal people. Working closely with the ILC, ALT , AGWA and ICC the nominated management team for the Pilbara Cattle Co-Op would be required to travel to the stations and arrange for a meeting with the traditional land owners and station managers to discuss the benefits and any questions to implement the business plan for the Pilbara Cattle Stations.

The main priorities for the implementation of the Pilbara Cattle Co-Op are to utilise the existing cattle stations and develop the business strategies available for the benefit the local aboriginal people. The development of the cattle stations will create wealth as well as caring and maintaining for the environment. With the improvements strategy, the development of the cattle stations will also improve on health issues and education within the local communities and their people.

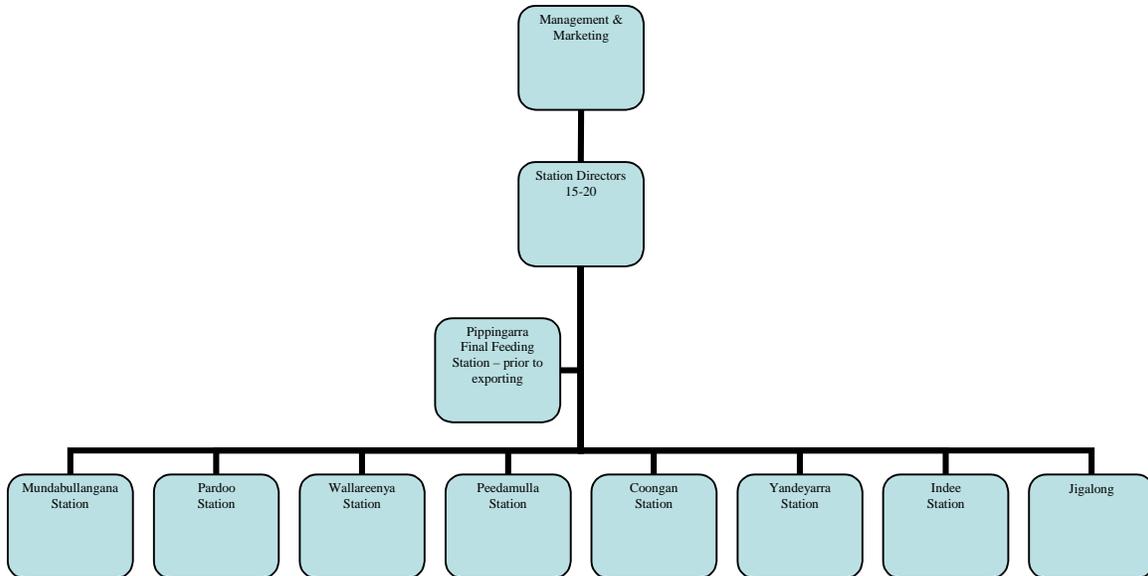
TIMELINE						
1 yr	2 yrs	3yrs	4yrs	5yrs	-	10yrs
<ul style="list-style-type: none"> <li>✓ Meetings</li> <li>✓ Funding</li> <li>✓ Manage Peedamulla Station</li> <li>✓ Fencing</li> <li>✓ Cattle grading</li> <li>✓ Station repairs</li> </ul>	<ul style="list-style-type: none"> <li>✓ Build on Management Team</li> <li>✓ Research &amp; Development</li> <li>✓ Implement breeding plan</li> <li>✓ Purchase cattle station</li> </ul>	<ul style="list-style-type: none"> <li>✓ Meetings</li> </ul>	<ul style="list-style-type: none"> <li>✓ Meetings</li> </ul>	<ul style="list-style-type: none"> <li>✓ Meetings</li> </ul>		<ul style="list-style-type: none"> <li>✓ Export Livestock</li> <li>✓ Develop Agriculture School</li> </ul>

A recent discovery is the sale of Pardoo Station, for \$5.5m which includes existing cattle, plant and equipment and also the popular tourist caravan park. With the tourism factor already existing, this is also another avenue for building revenue and wealth creation.

**3.2 Operational Roles and responsibilities**

With the combination of a central management team and government departments working in conjunction with each other the experience gained over time will improve all areas of the venture. With experience comes knowledge and improvement that leads to a better system and increased savings.

The nominated/chosen manager role would be required to visit and communicate with the stations management and traditional land owners. Each station would be required to have a station manager and the Pilbara Cattle Co-Op to be a Central Management Team for all funds transactions and to be able to target and resolve any problems which may arise during any process.



### 3.3 Training & Skills

Working with the government CDEP program to provide employment and training opportunities to Indigenous participants will provide the opportunity for the Pilbara Cattle Co-Op to work with and train people into working on the stations.

At present there are not any direct educational and career opportunities available and children, especially the boys are generally not interested in attending school. The cattle stations will take the generations back to the 'old days' when working on the land was apart of life and discipline was taught, and respect was earned. Aboriginal people have a natural instinct with working in their own country and also have a spiritual connection with the land. The Pilbara Cattle Co-Op will not be changing any part of the lifestyle or trying to change the community area but to encourage wealth creation without government assistance.

An ultimate goal would be to have all communities and stations working together and succeeding together. This would open more opportunity to build an Agriculture school in the Pilbara and improve the reputation and developments for the Pilbara region. The Pilbara is a wealthy area and at present it is only the mining of materials that is being recognised and utilised. Pilbara Cattle Co-Op aims to change the perception of the Pilbara region, and is endeavouring to take care of its local people.

#### **4. Economic summary**

##### **Internal economies of scale:**

##### **4.1 Labour costs:**

With the use of a centrally run labour force for the main mustering of the cattle over the 12 properties the labour cost of the project should achieve a decrease in the costs that are spread between the stations at present.

##### **4.2 Transport Costs:**

With a more efficient management team co ordinating the transport the cost of both road transport and sea transport will be lowered due to both an increase in supply to the cartage company and a more efficient delivery system.

##### **4.3 Material purchasing:**

Bulk purchasing has always been a system preferred by suppliers because of the increase in revenue and purchasers have always been able to negotiate a better rate for larger purchasing power. With a larger purchasing power a wider market is also achievable for all materials required.

##### **4.4 Marketing costs:**

As the cattle co operative will be pursuing a greater exposure in to the Chinese and Japanese market the overall combined cost will be lowered per unit and a greater saving achieved.

##### **4.5 Managerial costs:**

Due to the expertise bought to the deal by the Ngarda Ngarli Yarndu Foundation managerial costs will be considerably lowered. Each station will be supplied with full financial reporting for auditing purposes and each group under the co operative will have access to information on request. A reduction of \$100,000 would be easily achievable in the first year.

##### **4.6 Stock agent costs:**

As herd improvement, finishing quality and size of cattle improve and with the combined ability to supply different stages of cattle development in greater numbers a far better agent fee will be achieved.

##### **4.7 Health costs:**

With a greater purchasing power on cattle treatment a large saving can be expected to be achieved. A better monitoring of the cattle will also lower overall costs of treatments and veterinary costs.

##### **4.8 Bulk purchase:**

Any bulk purchasing of equipment, materials, building or transport parts will be able to be lowered as those suppliers who are able to discount on bulk purchasing will be used.

##### **4.9 Shipping:**

The problem that currently persists with the inability to maximise timing and cattle arrival to export points will be eliminated under the co operative. By this simple introduction a far greater increase in sales will automatically flow through to the individual stations.

#### **5. Assessment of Suitability of Business Model**

##### **5.1 SWOT Analysis of Co-Operative/Station Businesses**

## 5.2 SWOT Analysis of Beef Production and Marketing Co-Operative

## 5.3 Conclusions and Recommendations on Model Suitability

Organisational:

It is envisaged that Pilbara Cattle Co-Op Pty Ltd is not “more of the same” because it clearly separates out interests, and holds the various economic, community and social actors accountable. In other words, it is a dramatically different approach from the current one which assumes that business, land and community interests do not need to be managed in distinct ways. Importantly, the Co – Op gives the Aboriginal stations the benefit of being able to focus on *the main business of running the pastoral enterprise*.

The Co – Op provides the guiding hand. It is not ‘invisible’. It is continually present in structure and process so that all parties are held accountable to prior written agreements regarding management practices and performance targets. The Co – Op motivates sound enterprise.

The Model can potentially redress the fragmentation of the 12 Aboriginal cattle enterprises currently in the Pilbara. It invites & encourages them into a cooperative network with numerous economies and benefits and provides a more secure pathway for the introduction of private sector partnerships.

Replication of activities:

A large cost advantage that will be enhanced under the one system is being able to replicate both systems and savings over the 12 stations. Being able to move cattle between stations as needs arise will be a big advantage.

Reduce costs by learning:

As the project progresses a natural reduction in cost will arise from trial and error that will be used to reduce cost overall in the long run.

Financing becomes cheaper:

With a more stable cash flow and a better profit margin financing equipment will become cheaper as rates are lower for better risk clients.

R&D expenditure:

Spreading research and development over the 12 station will lower costs per unit and spread the risk over a wider group.

### ***External economies of scale***

Development of skilled labour:

Because the central management will be highly skilled cattlemen/woman they will be able to nurture and develop a skilled team that is up to their standards. Those skills will be able to be deployed over the entire co operative.

### ***Internal expansion strategy***

Use of retained earnings or equity:

The expansion of the herd will be achieved by two processes. The first process will be the use of retained earnings to purchase more genetically improved cattle to improve the herd. By using the beef breeding technology an improvement to the herd will increase sale price. The second form of expansion will be asking for assistance to increase the herds on run down properties.

Revitalise run down stations

Most of the stations under this project have been run down and the stock has been depleted. By gradually improving each station as the funds become available will happen faster under a joint co operative effort. By utilising a small portion of the revenue received by the co operative to target a problem at a time will vastly improve the efficiency and output of the overall co operative.

### ***External expansion Strategies***

Mergers & acquisitions:

The possibilities of buying further properties under the co operative in the long run to improve the finishing process will need to be an option under the present project. Once the co operative proves its importance further properties can be targeted.

### ***Competitive advantage***

The main business advantage that the co operative has is that it will seek to improve the quality and the quantity of the beef product for the export markets. By improving these two factors will increase the market for the product and also the return to the stakeholders in the venture.

### **Value delivered**

Value of decreasing total costs and increasing profits

Increasing profits through economy of scale

Value of managerial excellence

Increased marketing capabilities

Value of certainty for government organisations

Value of increased quality of beef via genetic breeding and better tracing through NLIS

Value of being an indigenous organisation

### **Recourses available**

Office and management 4/18 Tonkin Street South Hedland

Ngarda Ngarli Yarndu Foundation Inc.

Indigenous land Council

Aboriginal lands Trust

BHP Billiton Pty Ltd

Hammersley Iron

### **Suppliers**

### **Rival groups**

### **Potential new entrants**

### **Buyers**

