

# *Prospering in the Global Environment*



**Lachie Hart**  
**Managing Director**  
**Stockyard Beef**

**6<sup>th</sup> October 2006**

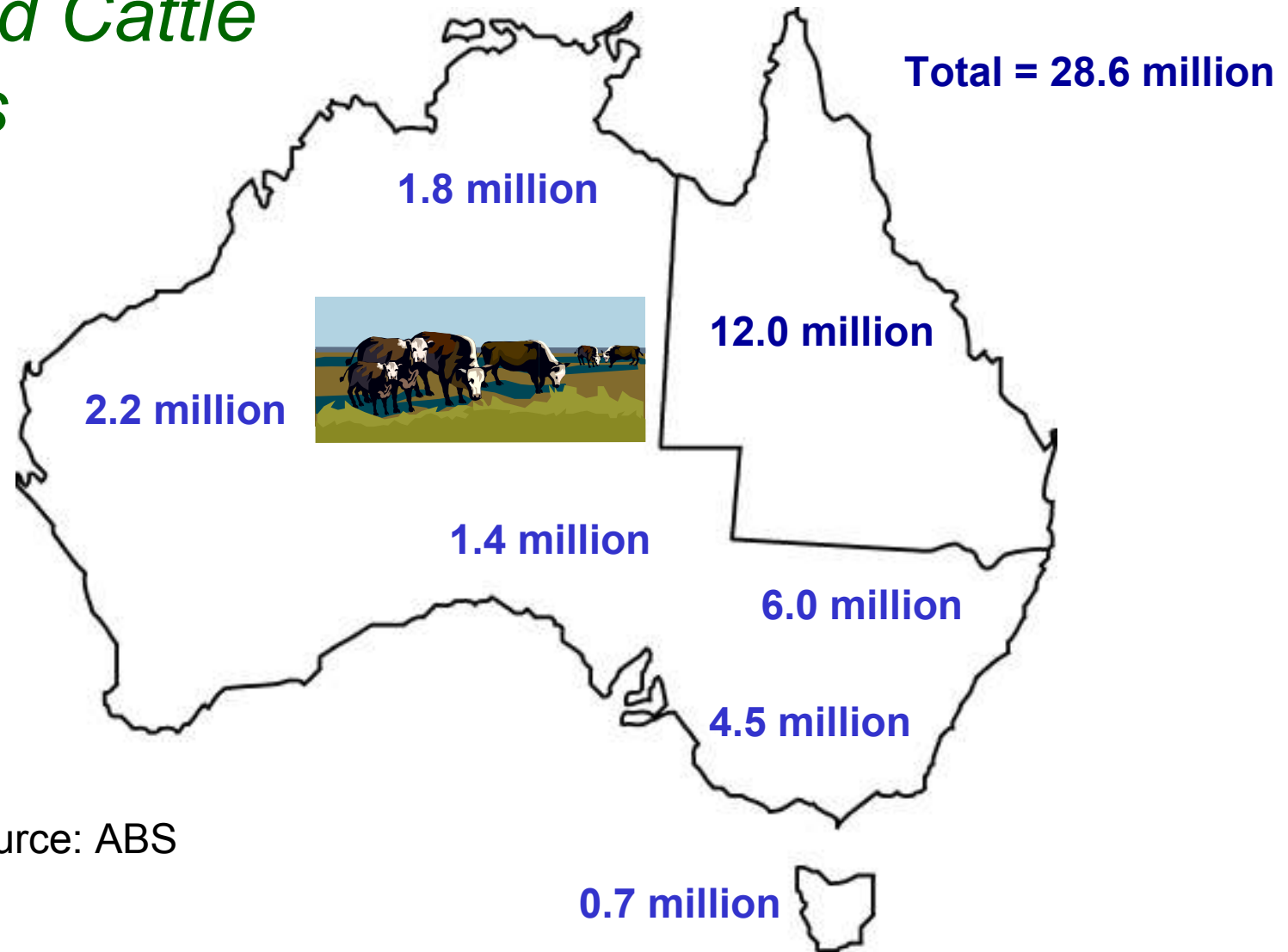
- **Lachie Hart, Managing Director of the Stockyard Group**

*Lachie Hart is Managing Director of the Stockyard Group, an integrated lot feeding and marketing group located in South East Queensland. Established in 1958, the Stockyard operation continues to be entirely owned by the Hart family. The Stockyard Group operate a 9,500 head cattle feedlot, grain and pasture properties and an international marketing company. The Group has been successful in developing markets for high-quality grain-fed beef throughout the world and has gained the reputation of being Australia's leading exporter of high-quality grain-fed beef.*

- Looking at the Australian Beef Industry.
- In June 2005, Australia's cattle population was estimated to be 27.8 million head. (Source: ABS, MLA forecast)
- Australia produced 2.15 million tonnes of beef in F2006. 48.6% of that was produced in Queensland. NSW produced 21% and Victoria produced 17.3%. (Source: ABS, MLA forecast)
- Australia's Feedlot sector is expanding with the capacity currently over 1.1 million head.
- Australians are amongst the world's leading consumers of beef. (37.5 kgs per capita. (Source: MLA). Only the Argentinians (65.2 kgs) and Americans (43.8kgs) consume more Beef than Australians. (Source: USDA). However this relatively high consumption rate still does not fully utilise Australia's total beef production.
- Australian consumers only utilise 35.8% of our production, which means we must find markets overseas for our industry to be sustainable. Therefore we must export a large proportion of our production to other markets overseas.
- Australia's 27.8 million head accounts for only 2.6% of the world's cattle inventory. We are microscopic compared to large cattle producing countries like India (283million), Brazil (165million), China (135million) and the USA (95million).
- Australia is the largest beef exporting nation in the world in value terms. But Brazil is quickly catching up.
- Looking at the Stockyard Group
- The Stockyard Group is a family owned and operated organisation established in 1958 by my father, Robin Hart. Robin was a pioneer of the Lot Feeding Industry in Australia and one of the earliest exporters of chilled grain-fed beef back in 1973.
- Stockyard has a 9,500 head feedlot located on the Darling Downs in south-east Queensland.
- Stockyard is marketing our products into the supermarket, hotel and restaurant, and wholesale sectors in Japan, The Middle East, The China's (including China, Hong Kong and Taiwan), South-east Asia, Korea and USA.
- How does Stockyard perform in the highly competitive global environment?
- Stockyard's guiding philosophy is to distance ourselves as far away from the mainstream commodity markets as commercially possible by adding value to our products.
- We have approached on several fronts
- Creating a manageable portfolio of brands that present a premium quality image
- Identify horizontal partners who can help us gain scale/critical mass
- Establish strong supply chain partnerships/relationships
- Category management

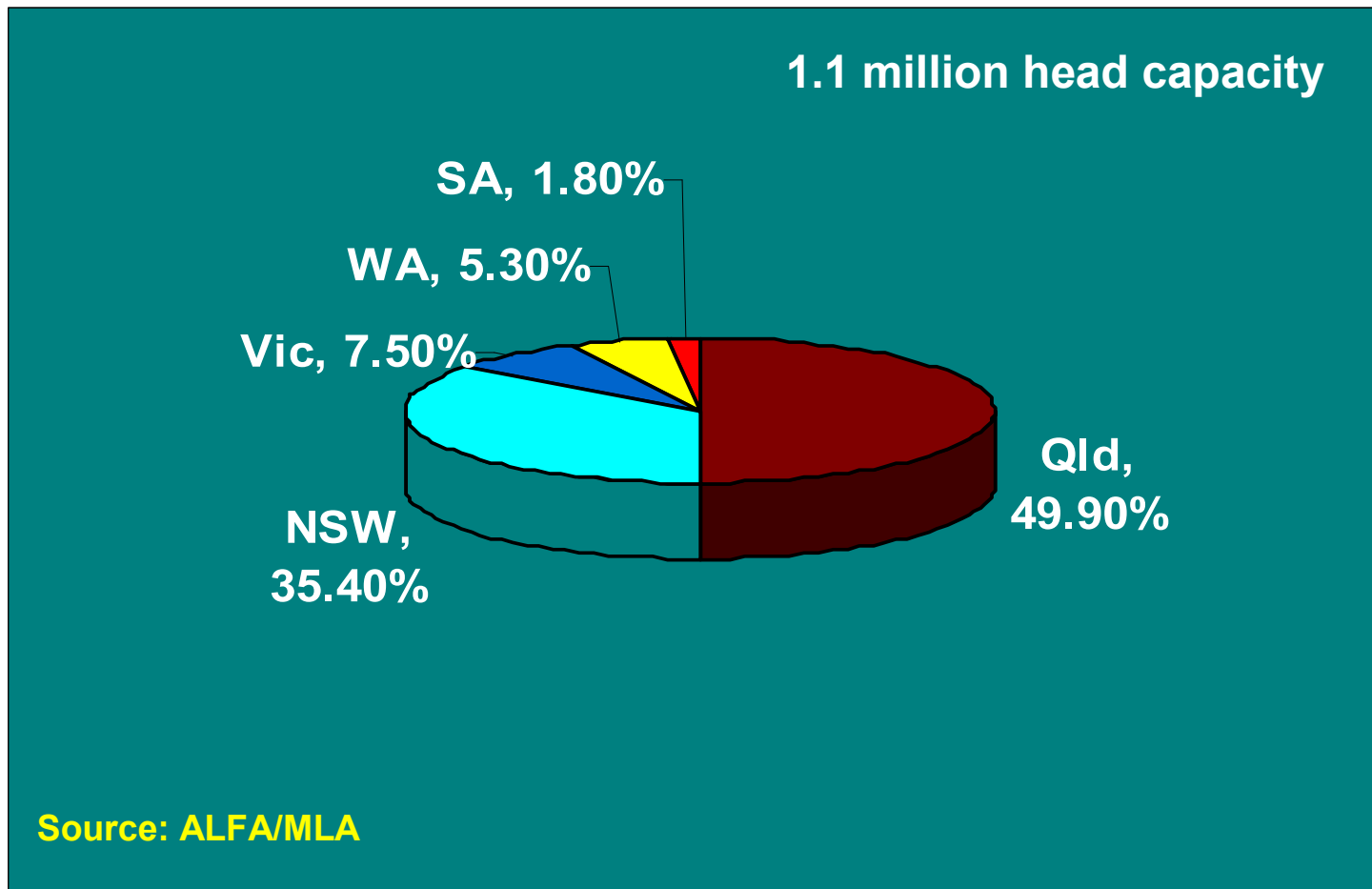


# Estimated Cattle Numbers

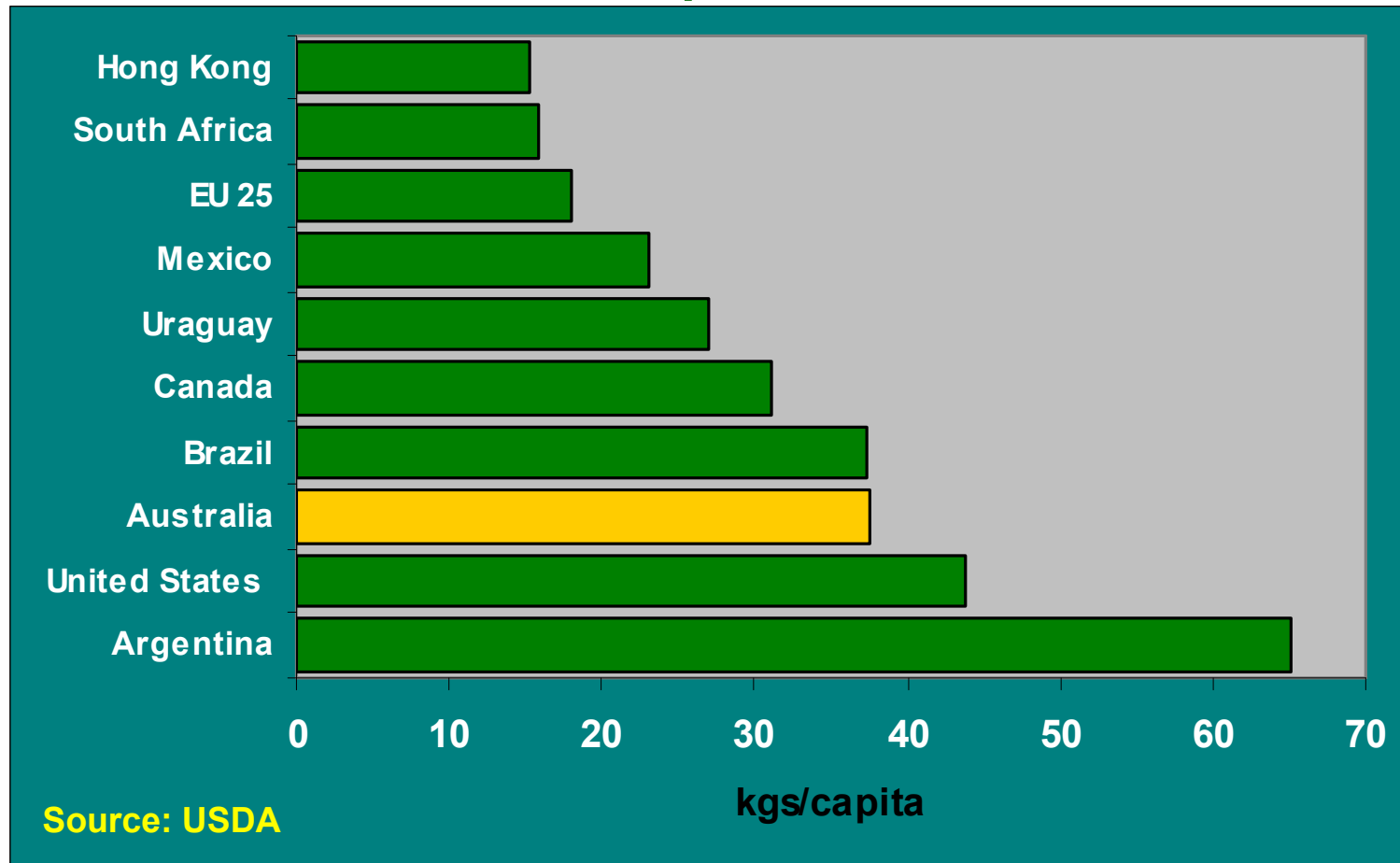


Source: ABS

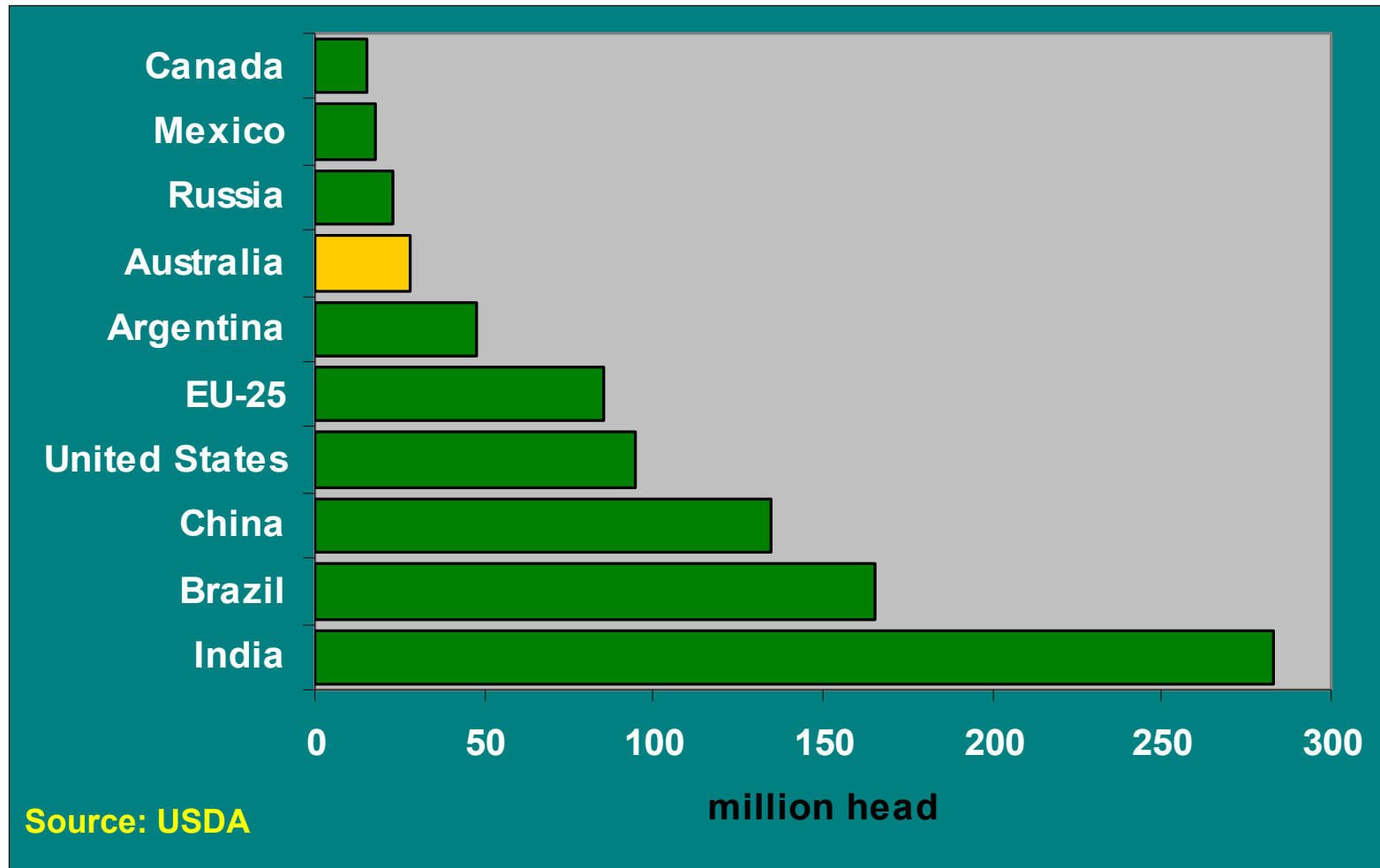
## *Australian Cattle on Feed*



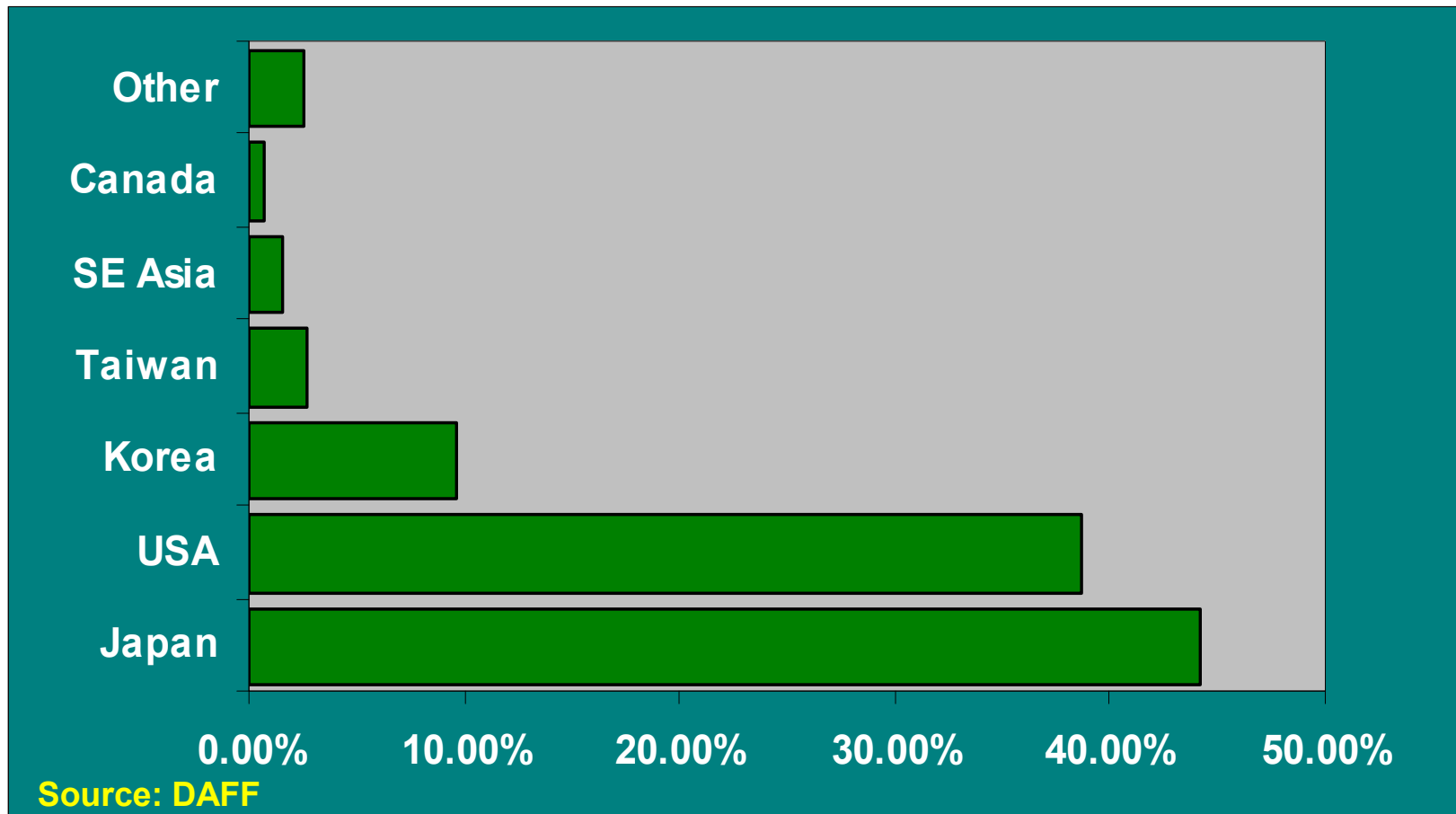
## Global Beef Consumption



## Top Ten World Cattle Inventories



## Australian Beef Exports



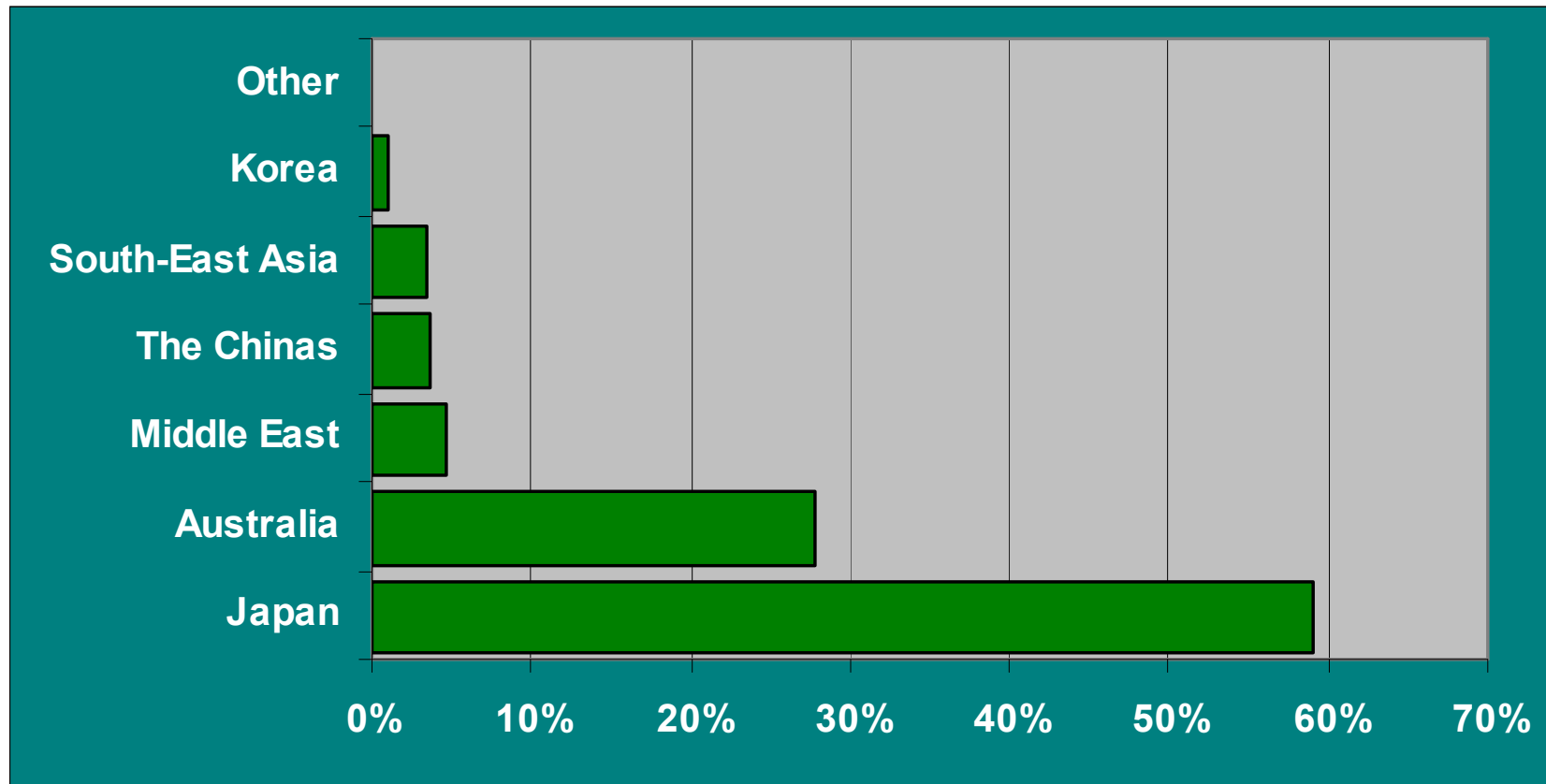
## *The Stockyard Group*



- Founded in 1958 by Robin Hart A.M.
- 9,500 head feedlot
- Leading exporter of high quality grain fed beef
- Three business units governed by one Board of Directors.



## *The Stockyard Group*



## *Globalisation ??*

- Rapid globalisation occurring causing huge changes
  - Markets are consolidating
  - Only big companies will survive
  - Consumers will only buy on price



# Fallacy

## *Are the beef markets fragmenting??*

- Safety Issues
  - GMO Free
  - HGP Free
  - Antibiotic Free
- Breed Specific
  - British Bred
  - Certified Australian Angus Beef
  - Wagyu
- Grading
  - MSA
  - Marbling, Meat Colour, Fat Colour
- Production Specific
  - Organic
  - Natural
  - Grass-fed
  - Grain-fed
- Post-production Specific
  - Vacuum packed
  - Wet aged
  - Dry aged
  - Chilled
  - Frozen

*What is value?*



Value = Sum of the attributes  
Price

## *This raises two important questions?*

1. What attributes do customers 'value' most?
  - Leaders in safety/quality?
  - First in health/nutrition?
  - Environmentally vigilant?
  - Leaders in animal welfare?
  - Premium eating quality?
  - Innovative (product range, production processes, supply-chain management)?
  - Customer Service?

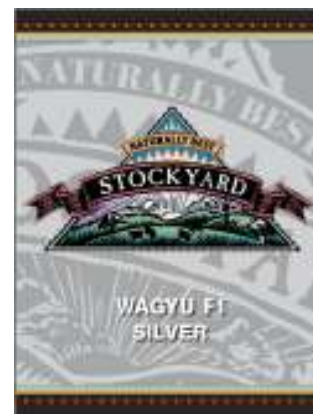
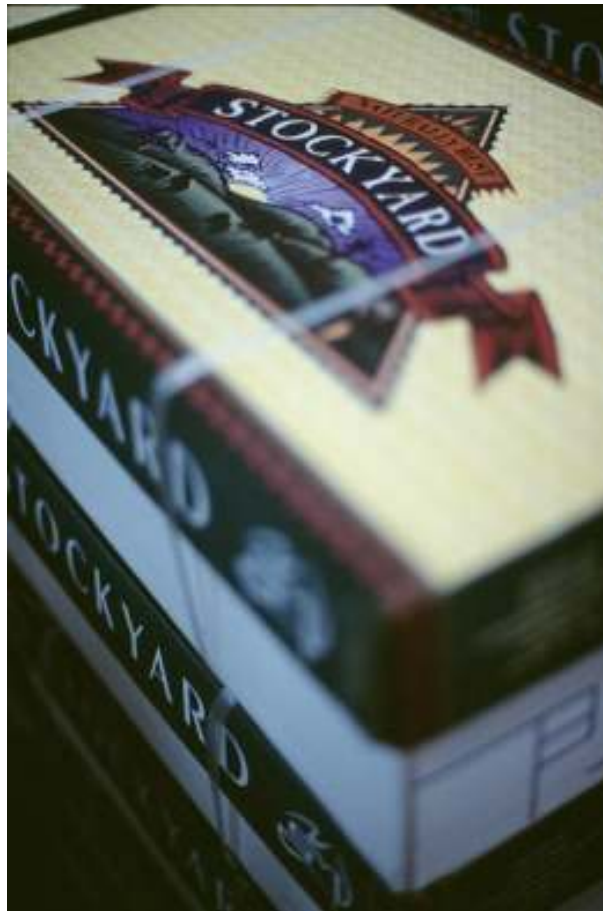
## *...and the second question?*

2. Can we lower our costs without reducing the 'value' of the key attributes?
  - Scale?
  - Horizontal co-operation?
  - Vertical supply chain partnerships?
  - Exchange rate policies?
  - Innovation?
  - Management?

## *Stockyard's approach to adding 'value'.*

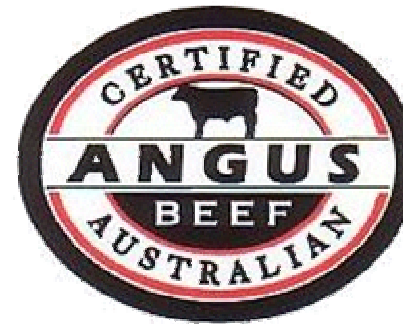
- Creating a manageable portfolio of brands that present a premium quality image.
- Focus on product lines that are different to the mainstream commodity.
- Establish strong supply chain partnerships/relationships
- Category management.

## Brands



## *Differentiation.*

- Certified Australian Angus Beef (CAAB) program.
- Certified Natural Long-fed program
- Wagyu program



# Partnerships



## *Category Management*

- Improved relationships with our customers
- Greater amount of trust is shared between us
- Timely feedback
- Price is no longer the priority
- Improved presentation and positioning of our products in store
- Greater promotional activity being contributed by the retailer
- Improved volumes
- Improved profitability throughout the chain.



**Thank you  
and  
please visit us at**

**[www.stockyardbeef.com.au](http://www.stockyardbeef.com.au)**