

NORTHERN **poultry cluster**

Newsletter

FORMATION OF NORTHERN POULTRY CLUSTER Ltd

The Cluster is taking a new step towards its long term future as a vehicle for commercial collaboration, through the formation of Northern Poultry Cluster Ltd (NPC Ltd). NPC Ltd will be a company limited by guarantee. Foundation members of NPC Ltd include the key integrated poultry businesses in the region: Hazeldene's Chicken Farm, Hy-Line Australia, Bendigo Gourmet Poultry and Game, Glenloth Free Range, Loddon Valley Eggs and Broiler Breeders Australia. NPC Ltd also has several foundation associate members: Greater Bendigo City Council, Loddon Shire Council, Buloke Shire Council, Campaspe Shire Council and poultry grower enterprises within the region.

Cluster Chairman Michael Cowie said *"the formation of NPC Ltd will give the industry a great platform for trialling some commercial ventures at all levels in the regional poultry supply chain and enable us to collaborate even further in areas such as research and development and regional promotions"*.

In tandem with the formation of NPC Ltd, the Cluster is designing a website to provide an introduction to the new company and links to member organisations.

LODDON SHIRE TAKES OVER AS AUSPICE COUNCIL

The Cluster continues to be supported, in its diverse work program, by Regional Development Victoria, and the Local Government Councils around the region. In 2006 and 2007, Greater Bendigo City Council provided administrative and auspice support for funds from RDV and other state agencies, on behalf of the Cluster. For 2008 and beyond, Loddon Shire Council has agreed to perform this role.

Cluster members gratefully acknowledge the efforts of both Councils in performing this role, and looks forward to the ongoing involvement of staff (especially from the Economic Development and Planning Units) and Councillors from all Councils within the Cluster.

"We need the Councils to understand the current and future needs of our industry, to support growth and to appreciate just how efficient the industry has become" Cluster Deputy Chairman, Peter Hazeldene acknowledged at a working group meeting.

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MOU ON BIO-ENERGY

NPC members are currently considering a memorandum of understanding (MOU) with USA based pyrolysis technology provider Eprida Inc, following a recent series of meetings in Bendigo with Eprida's founder, Danny Day. This development comes after two years of investigation and assessment of bio-energy technology options by NPC.

The MOU would allow for Eprida, its Australian subsidiary, Eprida Holdings Australia, and NPC to produce sufficient quantities of poultry waste co-products from pyrolysis to measure the energy production potential, and to conduct definitive field trials with bio-char by-product before the end of 2009. Eprida Holdings Australia has already committed to the establishment of a testing and development plant in the Northern Region in 2008.

PLANNING OPPORTUNITIES PROJECT PROGRESSES

A consulting consortium from Booth Associates and Dawson Planning was selected to undertake the NPC's important Planning Opportunities project. The project commenced at the end of 2007 and is due for completion in September 2008.

The objective of the project is

"to identify feasible planning strategies across the Northern Region Local Government areas which will provide a clear planning framework for the development and expansion of the poultry industry for the next 15 to 20 years".

Among the requirements for the project, it is expected that it will assist to implement consistent region wide planning controls that

- protect existing bio-security measures and ensure that future industry expansion is at the leading edge of bio-security practice
- enable consistent planning decisions to be applied for poultry industry applications and permits
- provide strategic direction on the integration of planning guidelines with new rural zones (associated with each Council's new Rural Planning Strategy)
- provides workable mechanisms for attracting poultry industry investment and expansion
- provides draft Planning Scheme Amendments for each Council, ready for adoption.

NPC has conducted four workshops to date with the consultant team: two involving poultry industry members and two with Planners from the Northern Region Councils.

The project is being undertaken at the same time as the Review of the Victorian Broiler Code and when most of the Council's are developing new rural strategies. In this context, the consultant team has discovered that

- the Broiler Code Review will not be available for public comment until August
- It is unlikely that buffer distances will alter significantly in the new code
- Victoria will define intensive agriculture as an animal production system of more than 1,000 stock units, where the majority of feed is brought onto the property.
- The review of the Code has been given evidence that rural land values, in some

areas, inhibit the ability to create Class A Farms.

- Only production of chicken broilers housed in a shed will need to comply with the Broiler Code.
- The new Code may consider the concept of a "Pre-operational Audit" as an alternative to a planning permit.
- The effectiveness of bio-security buffers is dependent on local land ownership.
- A new national Animal Welfare Code is likely to come into effect in 2 years. The Code will define standards and be expressed through a new Commonwealth Livestock Management Control Act.



There are some other interim findings from the Planning Opportunities project to date.

- In 25 years, the poultry industry in the NPC region will need to be three times bigger than it is today just to stay competitive (ie 4% p.a. compounding growth). This has substantial land use implications.
- The NPC region is likely to be of increasing interest to free range small growers (not subject to Broiler Code) due to Bendigo's historical connection with the industry, climate, access to feed and lifestyle factors.
- To survive in the future, broiler farms will have to be large to obtain economies of scale. Location is a function of travelling time (1 hour), water and power. Hazeldene's new hatchery will have a major driving effect on local growth for at least the next 10 years.
- The NPC region can expect a continuing increase in poultry diversity.

ECONOMIC OUTLOOK FOR POULTRY MEAT

The 2008 National ABARE Outlook Conference in Canberra highlighted current and medium term competitiveness issues faced by the intensive and broad acre meat industries, particularly chicken, pork, beef and lamb. Some of these issues are valuable in charting business strategies for the future in each of these sectors.

Dr Peter Scott from Scolexia¹, who is a regular contributor of ideas, comments and feedback to NPC, reviewed the comparative performance and prospects for beef, lamb, chicken and pork in terms of both production costs and market acceptance.

Peter reported that demand for animal proteins is expected to triple over the next 40 years and this demand for meat is expected to grow 3 times faster in developing countries compared to the developed. The use of grain for food is expected to increase by 45% in the next 20 years and by 60% for animal feeds.

There has been a major increase in consumption of chicken meat to levels where it is now exceeding that of beef in Australia. Gross value of production is around \$1.5 billion, which equates to an ex-plant value of approximately \$3.3 billion and retail spending of around \$4.4 billion. Products are provided by a limited number of predominantly vertically integrated companies using securely imported modern genetics, the resulting progeny being housed and maintained under sophisticated intensive husbandry systems. Chicken meat provides to the consumer one of the lowest cost meats with flexibility in presentation in both fresh and further processed products.

Production Issues

Future grain prices are of prime concern to intensive livestock producers. Continuing high grain prices are likely, partly due to low international stocks and seasonal failures in a number of exporting countries. Policy mandated bio-fuel production of ethanol from corn and bio-diesel from oilseeds will continue to pressure grain prices as fuel production expands, although the increasing availability of distillers grain by-products is an opportunity for livestock feed production.

Limitations on grain imports, lack of transparency in domestic wholesale markets for grain, and the absence of a dedicated feed market for specialty feed grains are particular issues in Australian livestock.

Australian per capita chicken meat consumption now matches beef reflecting the long run decline in real prices for chicken meat and the continuing efficiency of the sector. Regular access to international leading edge genetics, continuing decline of feed conversion ratio compatibility (chicken at about 1.4 compares with 4.0 for pork and 6-8 for lamb and beef), and reducing age to maturity have made important contributions to the competitiveness of chicken meat.

The high Australian to United States dollar exchange rate has advantages for the domestically focussed chicken industry in terms of imported inputs.

Global warming potential from ruminants is about 50% higher than for pigs and poultry. The recognition of this in the form of global warming taxes could seriously impact on the cost of production. Poultry meat production is the most environmentally efficient meat sector followed by pig meat and sheep meat production, with beef least efficient. This results from several factors, including low overheads of poultry breeding stock (multiple progeny per hen compared to one calf per cow per year), good feed conversion efficiencies and high daily weight gain.

Of greater concern to NPC are the predictions for the affects of climate change on Australia. Some forecasters suggest that Northern Victoria will continue to become more unreliable for cropping, potentially making it less attractive for intensive animal production.

Marketing Issues

Efficiency in the supply chain will be a continuing priority to maintain competitiveness, including the question of wholesale pricing arrangements of the two Australian supermarkets which dominate domestic marketing of the major meats. (continued on Page 4).

¹ A considerable proportion of this article is derived from Peter Scott's presentation to the ABARE 2008 Outlook Conference

TIME FOR VALUE ADDING

An NPC project to develop a range of products for value adding has been identified since the initial Poultry Cluster Feasibility Assessment (in 2005). However, the early years of the Cluster's work program have been predominantly focussed on issues and projects at the "production end" of the supply chain.

Cluster members recognise that the time is right to develop value added products. Opportunities for product differentiation based on value added products are slowly emerging.

In recent times, the consumption of poultry meat has far outstripped consumption of other main sources of protein in Australia. Poultry consumption has more than trebled from the 8.3 kg per capita recorded in the late 1960s. The rise in poultry's popularity is evident in the increase of chicken fast food shops in Australia (such as KFC and Red Rooster expanding considerably, and new chains such as Nando's) and fresh and value added poultry retail chains (such as Lenards).

Among the key factors contributing to the strong growth in poultry products are changing consumer preferences, particularly increased health consciousness and demand for ready to prepare cuts/meals. Also, poultry has increasingly become a relatively low cost meat with an average retail price less than half its nearest meat rival (lamb), and around one third that of beef/veal. In recent years, less traditional and seasonal poultry products (such as turkey and duck) have become more affordable, and are now consumed throughout the year.

NPC is now preparing to commence a commercial project to vertically integrate into the manufacture of cooked, value added poultry products and to capitalise on the growth in consumer demand for convenience and healthy food products. This will be a major new commercial initiative for the Northern Poultry Cluster, and is likely to lead to an important ongoing joint venture among some of the businesses in the Cluster.



ECONOMIC OUTLOOK FOR POULTRY MEAT (continued from Page 3)

Market access is changing from government trade regulation to supermarkets defining access conditions, with new factors like carbon emissions and food miles; lower meat and dairy consumption; promotion of local food and seasonal consumption; traceability; health and nutrition; ethical food (both through fair trade and organic or bio-dynamic production); biodiversity and wildlife; and water usage.

Consumer attitudes are moving significantly to recognise the importance of climate change and consumers are prepared to change behaviour as they perceive benefits in supporting low 'food miles' and buying locally to support local farmers. Quality remains the highest ranking consumer priority attribute followed by freshness and value.

Consumers of poultry products are becoming more concerned with environmental and animal welfare issues than in the past. Organic and free range systems are in favour with consumers, but this could change with the realisation that intensively housed poultry have a reduced impact (of around 30%) on global warming compared to organic or free range production (largely due to reduced bird performance in alternate systems).

Following the national ABARE conference, NPC General Manager, Wayne Street gave a presentation to the Bendigo regional Australian Bureau of Agricultural and Resource Economics (ABARE) Outlook Conference in May, on why NPC is a fresh approach to maximising value in Australian agribusiness.

NEW SHEDDING ON THE GROUND IN BULOKE

The Northern Poultry Cluster project "Shedding and Systems" is piloting the development of a small supply chain for broadacre farmers interested in growing poussin and quail. New sheds from NPC's Shedding and System project were constructed in Bendigo during 2007, but the first shed on a broadacre farming property, in Buloke Shire, has just been completed.

NPC also organised a training program for new poultry growers during May covering a wide range of management controls in the new system, such as

- Air movement and bird cooling
- Factors affecting air movement
- Temperature profile along the shed
- Measurements used in chicken sheds
- Optimizing the set up for each shed.
- Continuous improvement for each system
- Wear factors during the life of the sheds
- Programming and using alarms.



New Shedding for Broadacre Farmers: Internal View

FOOD CLUSTERS FORUM WITH MINISTER ALLAN IN BENDIGO

NPC played a prominent role, as one of six food industry related Clusters at a May forum, in Bendigo, with the Victorian Minister for Regional Development, Hon. Jacinta Allan. Cluster Chairs and Managers briefed the Minister on the range of Cluster initiatives around the State. Other regional clusters at the forum were

- Ballarat Food Cluster
- Geelong Food Co-Products Cluster
- Mildura Wine Cluster
- Plenty Food Group
- Wimmera Grains Cluster.



New Shedding for Broadacre Farmers: External View