Regional Development Australia
KIMBERLEY

Pastoral Industry

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Map of the Kimberley Region

Legend

- Sealed major road
- Sealed minor road
- Unsealed road
- 4WD track
- 4WD track only
- National highway
- National route
- Marine park boundary
- Reef
- Conservation park
- Marine park
- National park
- Airport
- Local Government Area boundary

Approximate driving distances (km)

	Perth GNH	Perth NWCH	Broome	Derby	Fitzroy Crossing	Halls Creek	Wyndham	Kununurra	Darwin
Perth GNH	–	–	2237	2391	2565	2843	3197	3202	4039
Perth NWCH	–	–	2374	2528	2701	2990	3345	3349	4176
Broome	2237	2374	–	221	395	683	1037	1042	1869
Derby	2391	2528	221	–	259	547	894	899	1733
Fitzroy Crossing	2565	2701	395	259	–	289	642	647	1474
Halls Creek	2843	2990	683	547	289	–	354	359	1186
Wyndham	3197	3345	1037	894	642	354	–	100	929
Kununurra	3202	3349	1042	899	647	359	100	–	829
Darwin	4039	4176	1869	1733	1474	1186	929	829	–

GNH = Great Northern Highway, NWCH = North West Coastal Highway

Executive Summary

This regional brief outlines the state of the pastoral sector, its opportunities, and its challenges and highlights recommendations to enable long term sustainable growth for the benefit of the Kimberley and its people.

The Kimberley pastoral industry is well established and contributes 20% of the GRP employing 530 people (some seasonally[1]).

There are 92 Pastoral leases spanning across 21.2 million hectares[2] including 32% Indigenous leases which are generally underperforming. Just over three percent of pastoral leases are under foreign ownership and are managed remotely[3].

The industry is characterised by rangeland grazing with growing potential for irrigated fodder production to expand productivity.

71% of produce is sold as live export trade – with boxed beef production increasing with recent access to working regional abattoir in West Kimberley. The key export markets for live export are Indonesia, Vietnam, and Israel. Boxed beef export markets are US and smaller volumes to Korea and Japan.

Significant opportunity exists, including a growing global demand for clean, green protein and the potential to value add by integrating irrigated mosaic fodder production.

The logistics infrastructure is currently underdeveloped and requires resilient roads and duel lane bridges, cold storage facilities, truck wash down facilities and refrigerated air freight to open markets and expedite growth.

A coordinated and collaborative approach from disparate industry sectors and government is required to achieve scale for this investment to occur. Improvements to farm management practices supported by investment capital will enable higher rates of return and production.

Critically, multiagency regulations and approval processes are onerous, expensive and untimely for industry development and must be reviewed.

Access to local skilled and unskilled labour is an ongoing concern which can be addressed by an increase in Indigenous workforce engagement and developing fit for purpose Working Visa arrangements.

RDAK Recommendation:

- Australian Government review the way in which the Environmental Protection and Biodiversity Conservation Act is interpreted and administered by its public officers.
- Australian Government funding to improve logistic infrastructure including resilient roads and single lane bridges, cold storage facilities, wash down facilities, and refrigerated air freight.
- Developing policy that allows better access to skilled workforce:
  a. review the Working Visa policy that is not currently fit for purpose
  b. development of specifically designed and funded programs for the training and engagement of Indigenous workforce
- Australian Government raise with the State of WA
  a. the needed simplification and streamlining of land use diversification permits
  b. Review of non-legislative issue of non-indigenous plant policy
  c. Review of the conservative approach by DWER around water allocation, licencing and vegetation clearing

[1] Kimberley Development Commission
[2] Oct 2017 WA Auditor General's Report on Management of Pastoral Lands in WA
[3] DPIRD Status of The Western Australian Pastoral Rangelands 2018

The Snapshot

20% Gross Regional Product employing 530 people (some seasonally[4]).

92 pastoral leases across 21.2 million hectares[5] 32% Indigenous.

Rangeland grazing Potential for irrigated fodder production.

71% live export trade

Live export to Indonesia, Vietnam, and Israel.

Boxed beef to US, Japan & Korea

Integrated irrigated mosaic fodder production represents a significant opportunity.

Access to local skilled and unskilled labour is an ongoing concern

Logistics infrastructure is underdeveloped

Multiagency regulations and approval process onerous, expensive and untimely for industry development.

Clean, green market brand.

Biosecurity and animal wealth fare management critical.

[4] Kimberleu Development Commission
[5] Oct 2017 WA Auditor General's Report on Management of Pastoral Lands in WA
[6] DPIRD Status of The Western Australian Pastoral Rangelands 2018

Introduction

The pastoral industry is one of the Kimberley's foundational economic sectors which has shown resilience over its 120-year history.

The Kimberley region holds nearly 35% of the Western Australia herd and is a key component of the live trade with 71% of cattle sales in this region identified as live export sales[7].

It has some of the largest pastoral stations in the nation due to its relatively reliable, predictable rainfall and sustainable native rangeland pasture base. It currently contributes approx. 20% of the Kimberley Gross Regional Product employing around 530 people, albeit some seasonally[8].

Pastoral Leases and Regulation

Most rangeland grazing properties are managed as pastoral leases on crown land administered by the Pastoral Lands Board and the Minister for Lands. The industry is primarily regulated by the Land Administration Act 1997 and is subject to additional rigorous lease conditions and compliance processes and various legislation from more than seven state and federal acts.

Legislation requires pastoralists to maintain stocking rates, manage the rangelands in good condition and control feral animals and weeds. They prohibit pasture improvement including fertiliser use and preclude water extraction, land clearing and interference to Indigenous heritage sites unless permits are approved and granted.

In 2014-15 regulation cost for northern beef producers was around 10% of total revenue[9]. Major costs were in transport, labour on-costs, shire land rates, environmental regulation and time taken to comply. This intense industry regulation is seen by many pastoralists as onerous, slow and unnecessarily hampering the profitability and productivity as it is unable to respond nimbly to the ever-fluctuating environment characteristic of the industry or to increase production output.

Enterprise

There are currently 42 operating pastoral enterprises that encompass 92 pastoral leases and approximately three percent are foreign owned[10]. The largely unimproved pastoral rangelands cover a combined total area of approximately 21.2 million hectares on which half a million mainly Brahman, Brahman Shorthorn cross and Brahman Charolais breeding stock are grazed.

The average pastoral lease size is 230,000 hectares, with each lease having varied overall stocking rates according to pasture classifications. These stocking rates are subject to seasonal and geographical fluctuations across the region and have broadly increased nearly 60% since 2001, attributed mainly to the long-term increased rainfall and good fodder production. However, it's estimated that 30% of pastoral leases are performing under peak production[11]. Improving that represents a large positive opportunity for Kimberley people and the regional economy.

Traditionally, agriculture in the Kimberley rangelands has relied on the grazing of stock on sparse native vegetation. Trials of mosaic irrigated stand and graze pivot systems, using ground water are showing how productivity and resilience of pastoral business can be vastly improved.

Indigenous Operations

There are currently 30 Indigenous owned and operated cattle stations accounting for 32% of the working stations,[12] many of these are understocked, under resourced or poorly managed. Despite the work underway to address this by encouraging third-party partnerships, subleasing with private pastoral companies and modelling exemplar business models from successful Indigenous operations across the north, progress remains less than desirable.

Market Attributes

The Kimberley cattle industry has three predominant markets; domestic retail, boxed cattle and live exports.

Limited access to local domestic processing facilities combined with extended distance to market and biosecurity factors underpin the live cattle trade as crucial to the industry. The live export market accounts for over 70% of all sales with 200,000 cattle exported annually to Indonesia, Israel, Malaysia, Turkey and more recently China and Vietnam.[13] Live export trade also supports employment of local people with indigenous employment accounting for 15% of the industries workforce[14].

The recently opened Kimberley Meat Company's abattoir currently processes 35,000 head of cattle annually (with infrastructure capacity that can process 60,000 head annually) which has established new processed and boxed beef opportunities. Kimberley boxed beef is now in market both domestically and throughout Japan, China, US and Korea, with one third of the abattoir's output sold as quartered -beef – either frozen for export, or chilled for the domestic trade – with the balance as frozen boxed beef[15].

The region has no cold storage facility and all product is currently freighted to Perth. Access to discounted back load freight has made this commercially viable, however, it is limited in volume therefore the bulk of animals for boxed meat are still trucked live south for finishing before processing and being exported from Fremantle Port.

[7] AGRIC 2019
[8] Kimberley Development Commission – Primary Industries
[9] Pro and Associates regulatory costs in the red meat and livestock industries final report 2016
[10] DPIRD Status of The Western Australian Pastoral Rangelands 2018
[11] Kimberley Development Commission – Economic Profile Primary Industries
[12] See ref 10
[13] WA Cattle Summary 2019 Pilbara Kimberley Cattleman's Association
[14] Mercardo Value analysis of the Australian live cattle trade - key highlights November 2018
[15] Jon Condon, Beef Central 2018

POSTORAL INDUSTRY ANALYSIS

STRENGTHS	OPPORTUNITY	BARRIERS	RISKS
• Productive rangeland environment • Good climatic conditions • Proximity to Asian markets • Established clean green profile	• Increase clean, green profile • Irrigated fooder • Market diversification • Product diversification • Improved management techniques • Technology use	• Labour force underdeveloped • Complex regulatory system • Logistic infrastructure underdeveloped • Seasonal restrictions • Distance to market	• Changed market preferences • Changed market access • Biosecurity / animal wealthfare • Increased global production • Changed international trade agreements

Industry Opportunities

Increased Global Demand

50 million people will join the ranks of the middle class in Indonesia, Malaysia, the Philippines, Thailand, China and Vietnam by 2022[17] fuelling the need for increased meat-based protein and opening markets for live export and boxed beef from the strategically placed Kimberley region.

Improved Management Techniques

Enhanced pasture management including irrigated water and feed points and the use of digital technology e.g. drones for streamlined labour, surveillance of stock, water, fence and pasture maintenance can increase production and profitability.

Improving productivity of livestock through rigorous stock management practices of strengthening genetic pools, increasing fertility rates through conditioning and improved nutrition and decreasing weaning times is ongoing and will enhance productivity.

Irrigated Agriculture

The development of irrigated mosaic agriculture - 'stand and graze' pivot irrigation systems can produce low cost, high value fodder such as sterile Leucaena, Rhodes Grass, Sorghum and Lucerne.

Improved certainty of sustainable water supplies to support fodder production could provide impetus for increased investment, business diversification and expansion opportunities and revolutionise the sector [16].

Additionally, this would:

- Increase options for locally backgrounding cattle prior to being exported to national or international feedlots or being processed.
- Improve herd fertility
- Allow cattle turn off all year round, helping to overcome seasonality issues
- Improve marketing and sales through known condition of cattle on improved pasture
- Negate the need to import hay fodder
- Take pressure off the natural rangelands

[16] Northern Beef Development Project - Mosaic agriculture
[17] Bain & Company Understanding Southeast Asia's Emerging Middle-Class Report 2019

Industry Opportunity continued

Market Diversification

Increased capacity from the Kimberley Meat Company's regional abattoir for cattle processing would allow expanded boxed beef production into all markets and provide further employment and value adding opportunity.

Access to irrigated pasture and feedlots would allow wider delivery windows with better end-user timing of both boxed meat and live exports. Improving connections to supply chain by securing new markets is required to diversify and expand outside of the traditional markets of Indonesia, Malaysia, Israel, China and the US.

Marketing the Brand Value

There is a unique opportunity to create an international brand and profile for Kimberley Beef as a clean and green premium, quality product from bio secure animals, free ranged on pristine disease-free rangelands, with no inoculation, no use of antibiotics and no hormones.

Increased Use of Technology

Funded research and development underpin opportunity to develop the industry. Ranging from genetic strengthening, use of drones for pastoral management, sensors for cattle monitoring, blockchains for traceability of meat products and use of robots for repetitive tasks are all advances that could increase productivity and profitability.

Increase Indigenous Operations

Indigenous groups land estate covers 30% of pastoral holding in the Kimberley. These groups have land wealth but may lack expertise and capital to fully benefit from their assets. Partnering with other pastoral companies in joint venture agreements could see realisation of massive growth across the sector as lands are restocked and improved.

Industry Barriers

Labour

Labour attraction and retention, skill development and training including youth development opportunities are critical to the ongoing development and growth of the industry. The relative isolation of stations and processing centres lends itself to the opportunity to train and engage local people particularly an Indigenous workforce. However, the processing sector heavily relies on visa workers because the local population in general chooses not to focus on this opportunity, despite high unemployment levels. The Working Visa policy is currently not fit for purpose and requires review in order to provide an appropriate supply of skilled labour to regions.

Industry Regulation

Current regulations governing the industry are multi layered, onerous and slow and account for 10% of industry operating costs[18]. Over-regulation reduces the flexibility of management techniques and discourages investment into the sector. Past efforts to create a Multi-Agency Guide to approvals process or establish Senior Officer Groups for coordination across agencies have proved less than effective. Of relevance to the Australian Government is the way in which the Environmental Protection and Biodiverisity Conservation Act (EPBC Act) is administered by its agency and staff. More than Act itself, which many in the industry have empathy for, it is the unreasonable, uninformed interpretations, and assumptions by public officers over 3,000km away, which frustrates and deters investment.

Equally, State of WA regulations make it unduly onerous or prevent, growing of crops and pastures on pastoral lands. While this is State issue, the Australian Government needs to be aware that regulations like this imped regional development, and need to raise with State counterparts.

Logistics Infrastructure

Road infrastructure is subject to seasonal closure limiting productivity. Upgrading key roads, including single lane bridges is essential for transporting cattle to improve the reliability, productivity and resilience of cattle supply chains, reducing freight costs, strengthening links to markets and reducing inbound freight costs for handling of bulk products associated with the industry.

There is currently no cold storage facilities in the region or refrigerated air freight. Consideration should be given to use of Curtin Air Base near Derby which has potential for a civil airside cool storage and could see boxed meat in overseas markets in a 12-24-time frame[19]. Recent pre-feasibility study for a West Kimberley Supply Chain & Logistics Hub found 'Quantitative analysis of volumes and in depth interviews with producers indicate that, without some form of intervention to facilitate producers reaching export markets in an affordable way, there will be little development or investment and no opportunity to build scale in the region'[20].

Industry Risks

Market access

Any change to market access could have a significant effect on profitability. For example, in 2001 Indonesia received 80% of live export trade and the Australian self-imposed ban saw claims of loss to the Northern Beef Industry and associated industries of $600m[21].

Market Preferences & Expectations

Recent developing concerns for the environmental and health issues of animal-based protein is seeing an increased preference of plant based and laboratory produced proteins in some demographics which could potentially impact market share.

International Markets

Changed international trade agreements and/or increased livestock production from other beef producing nations could impact demand.

Biosecurity and Ethical Production

Current stringent biosecurity and animal wealth fare measures are required by domestic and international export markets and underpin consumer confidence. Any change to this status could devastate industry reputation and profitability.

Report Recommendations

Recommendation One

A. Australian Government review the way in which the Environmental Protection and Biodiverisity Conservation Act (EPBC Act) is interpreted and administered by its public officers, seeking for a more appropriate balance to support regional development and the objectives of the Act.

B. Bilateral agreement for EPBC ACT approval processes between state and commonwealth governments not working with Commonwealth departments overriding state decisions - there is a greater need for harmonisation.

Recommendation Two

Develop policy that allows better access to skilled and unskilled workforce by:

- reviewing the Working Visa policy which is not fit for purpose.

Recommendation Three

Australian Government raise with the State of WA:

- the needed simplification and streamlining of land use diversification permits required on pastoral lands
- Review of non-legislative issue of non-indigenous plant policy
- Review of the conservative approach by DWER around water allocation and licence and vegetation clearing

Recommendation Four

Australian Government funding to improve logistic infrastructure including resilient roads and single land bridges, cold storage facilities, wash down facilities, and refrigerated air freight to open markets and expedite growth.

[18] Pro and Associates - Regulatory costs in the red meat and livestock industries final report 2016
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