

Many Australian tanneries have been harmed by drought, including the world's largest, Anna Creek Station which temporarily closed in June.

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Australian cattle sector suffers severe drought

The Australian cattle industry has suffered a tumultuous start to the year, with serious drought to contend with as well as rising feed costs and currency pressures. However, while some tanners are lamenting the combination of unfortunate circumstances, others believe the worst may soon be over and that business is starting to look up.

Earlier this year, positive forecasts from Meat and Livestock Australia were welcomed following a difficult year for the cattle and beef sectors in 2007. But it seems that some of its predictions for 2008 may have been a little optimistic. Its Cattle and Sheep Industry Projections stated that: "the Australian cattle industry appears to have survived the long drought largely intact and can look forward to an improved performance over the next five years providing seasons improve".

Hopes remain

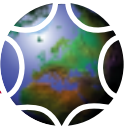
Chief market analyst Peter Weeks acknowledged that the cattle and beef industries had been badly affected by the severe drought, as well as by record grain prices, negative currency effects and weaker demand from the US. But he claimed that many of these problems would diminish as the year continued and that cattle producer incomes would recover to attractive levels.

He said: "Prices for breeding stock, cows, heifers, calves and bulls are expected to rise in 2008, as producers move into herd

rebuilding. We are predicting a stabilisation of cattle numbers at 28.3 million head by June 2008, before expanding by around 2% in 2008-09 and 2009-10." But recent reports suggest that the industry's recovery may take longer than originally anticipated.

Drought causes closures

One of the most notable casualties of the drought is Anna Creek Station - believed to be the biggest tannery in the world. The ranch, owned by S Kidman &



Co., had to close temporarily in June until there was some rain. "The drought is very severe," chief executive officer, Greg Campbell, said at the time. "Before the first weekend in June, when there were a few millimetres of rain, Anna Creek hadn't had rain since December."

While the 24,000k_ranch, founded in 1999, has been home to as many as 16,500 cattle at peak times, the number fell to just over 1,500 in June. Around half were sold for slaughter, and the rest were transferred to other Kidman ranches. According to Mr Campbell, this is the third time the site has had to close temporarily because of drought, this most recent spell being the worst Australia has seen for at least 100 years. Vegetation has taken a significant hit, so feeding the cattle has become a major problem. Added to this is a labour shortage as the sector struggles to attract new recruits.

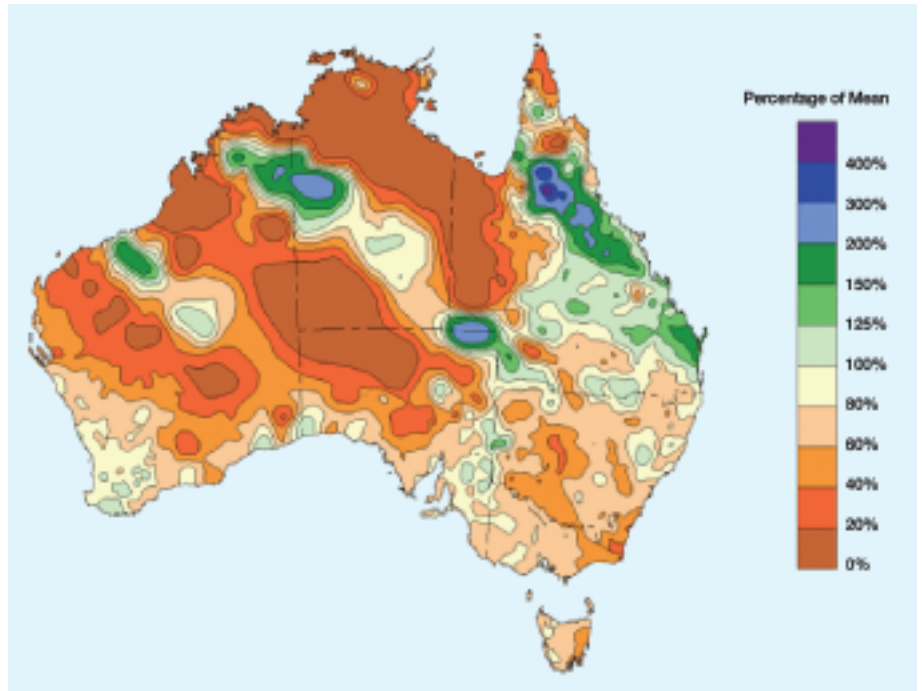
But, while drought continues to affect three of the company's ranches, the company reflects Meat and Livestock Australia's optimism and refuses to give up despite the difficult circumstances the whole sector is facing. Mr Campbell points out that, despite obvious setbacks, the drought cannot last forever and that the ranch will inevitably bounce back in time.

Positive outlook for TCF sector

Meanwhile, Australian minister for innovation, industry, science and research, Senator Carr, believes there is great hope for the future of the Australian textile, clothing and footwear (TCF) industry, including leather garments and footwear. Speaking at the Australian TCF Technology Network Annual Conference in Melbourne, Senator Carr emphasised the industry's ability to adapt, even in the face of increasing pressure.

"The beauty of the TCF industry is that it is constantly reinventing itself, constantly innovating," Senator Carr said. In order to help the sector maximise its full potential, the government has commissioned an independent review of the TCF industries, which is currently being conducted by Professor Roy Green, dean of the Macquarie Graduate School of Management. The review is examining issues, opportunities and challenges within the TCF Industry, the findings of which will be reported on August 31.

"I am eager to hear the outcomes of the review," Senator Carr said. "This is an industry that provides jobs for over 48,000 Australians and contributes around \$2.8 billion in industry value added."



Help for small businesses

Furthermore, the government has put together a ten-year small business programme for the TCF sector. Each year from 2006-07 to 2015-16, a funding package of \$2.5 million will be split between a number of TCF businesses with fewer than 20 employees. This forms part of its wider, long-term assistance scheme, announced in November 2003, which pledged a total of \$747 million to the TCF industry to help it remain competitive.



Spokesman for Meat and Livestock Australia Peter Weeks predicts that cattle numbers will stabilise by the end of the year.

CREDIT: MEAT AND LIVESTOCK AUSTRALIA

This map of Australia shows the average annual rainfall recorded by the Bureau of Meteorology between May 1 and July 31.

CREDIT: BUREAU OF METEOROLOGY

Harold Boot Company Pty Ltd. was one of the first to benefit from the scheme. The Victoria-based firm received a grant of \$22,000 in the first round of the grant programme to help it establish an enterprise management system. The boot maker received a further \$50,000 in funding in the recently announced third round to help with its 'Stirling Boot' project. The firm, which is more than 100 years old, makes quality leather boots from Australian yearling, kangaroo and steer hides. Its collection includes cowboy boots, work boots, riding boots, motorcycle boots and knee high boots.

Other firms benefiting from the programme include Mick's Whips and Leather Goods, which sells handcrafted kangaroo and crocodile leather goods, and Agatha & Me, which makes handcrafted shoes, bags and belts using Australian leathers such as barramundi, emu and kangaroo leathers and crocodile skin. Mick's Whips was one of the third round recipients, receiving \$34,535 to establish a micro tannery and to redevelop its website. And Agatha & Me was awarded \$49,500 in round two to help with its business process improvement project. It appears that small businesses in the leather goods sector are being given a necessary financial boost just at the right time. 🌐