

SE Agribusiness
HD Elders glows in China gaze
BY MIRANDA KENNY
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IN the past seven years, Elders Fine Foods has grown to five times its size, distributing about 50 tonnes of Australian red meat a month predominately beef throughout China.

South Australian products such as Thomas Foods International's Clare Valley Certified Australian Angus and Murraylands Lamb brands; and Bultarra Saltbush Lamb, Port Augusta, have helped drive that growth.

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EFF general manager Craig Aldous, who spoke to woolgrowers recently as part of the 2014 Elders China Wool Tour, said that from a turnover of \$2 million, the company had boosted profits to \$12m, and were forecasting year-on-year growth of 20 per cent to 25pc in the next three years.

"I think we can double business in the next three to four years," Mr Aldous said.

"We're a \$20m turnover business in food service and back home in Australia that is quite a significant business

"It's a significant business here too in the niche section that we operate in at the top end of the market."

Mr Aldous said that despite the ban on chilled meat imports last year which made up most of what they offered they had continued to grow by exporting frozen shipments.

"We try and stick to brands where we can get exclusivity as we're focused on high-end channels," he said.

"We need exclusivity around brands because we can't have a local wholesaler coming in with the same product 2-a-kilogram cheaper.

"We have a portfolio of exclusive brands TFI; Greenham, Tas, with their Cape Grim Beef and Robbins Island Wagyu; Strandbroke's, Grantham, Qld, Diamantina Wagyu and Diamantina Platinum Grainfed and Northern Rivers Veal, Casino, NSW."

Meat used to produce burgers come from Swift, Teys or TFI, depending on price.

"Processing sausages and patties, cutting into portion sizes or leaving as whole-piece primals and distributing to hotels, restaurants and supermarkets all around China is 90pc of our business," Mr Aldous said.

He said Australia's clean and green image had been a positive for business.

"Most Chinese people want to know where product comes from, where it is packed and how it is labelled," he said.

"Children are revered here because they generally only have one (this recently increased to two) and the fallout from the melamine milk powder scandal was massive.

"The **Chinese** want to know what they and their children are eating is safe."

While in the past EFF had also **sold** olive oil, **dairy**, seafood, beer and **wine** including several SA labels such as K1 by Geoff Hardy and Pertaringa these sections would soon be closed so the **business** could focus on its core strength, red meat.

Mr Aldous said while a free trade agreement between **China** and Australia could provide benefits, his biggest concern was the large quantities of beef being smuggled in across the borders into **China**.

These products had a 29pc price advantage compared to EFF goods, which had to pay a 12pc tariff and 17pc value-added tax on any product imported to **China**.

"We need to set up the right protocols to benefit from an FTA," Mr Aldous said.

"There's an opportunity there for the live export trade as well.

"The size of the **Chinese** herd is decreasing even though demand is increasing.

"**China** is a net importer of beef, which reflects that demand is outstripping supply."

EFF's head office is in Shanghai, and the **company** has offices and warehouses in Beijing and Guangzhou.

Sales are split with 60pc of the product **sold** to eastern **China**, 20pc to the north, 15pc south and 5pc west.

"The split is about 45pc to hotels, 35pc restaurants, 15pc retail-supermarkets and 5pc wholesale," Mr Aldous said.

"We deliberately don't try to sell to wholesalers in **China** our **business** model is very much a direct model.

"We **buy** direct from Australian abattoirs and sell directly to hotels and restaurants here because we want to maintain our **brand** integrity.

"Chefs in the market here know that when they **buy** from Elders it's real product at a real price, which means we're not always going to be the cheapest price, but quality, consistent and there are no shortcuts."

EFF has invested in the logistics sector in **China** and will soon outsource its warehousing.

"These facilities are six-storeys high, machine-operated, with everything barcoded and computerised," Mr Aldous said.

"We can be sitting in our office, jump on the computer and get 100pc accurate inventory figures."

Imported lamb consisted of lamb racks.

"We do lamb but about 90pc of our imports are beef in our meat category," Mr Aldous said.

"Here lamb is considered more popular in the manufacturing sector, with lamb breast and flap used in the hot pot market (a popular **Chinese** dish), rather than the premium sector."

"A 100-day grainfed beef product would be the core of our program," Mr Aldous said.

Details: Miranda Kenny travelled to **China** courtesy of Elders, as part of the 2014 Elders **China** Wool Tour. Visit stockjournal.com.au for more stories from her trip.

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