

What Makes A Successful Oyster

Grower? – Observations from Benchmarking Project

Presented by CDI Pinnacle Management

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South Australia Oyster Industry Seminar,

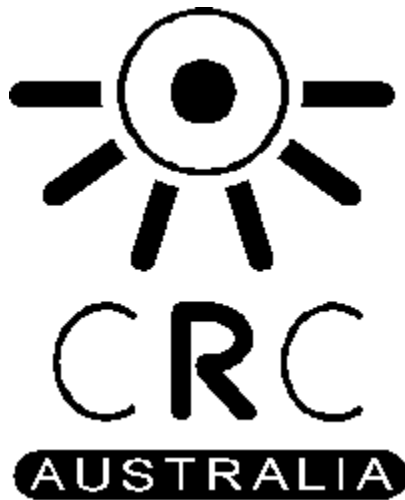
Cowell, 11th August, 2011



AUSTRALIAN
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A R & D co-operative
of the Australian
oyster industry



Australian Government

**Fisheries Research and
Development Corporation**



Quick Outline

Project Background

Key Findings

Pacific grower findings

Top 12 grower v's the remainder

Observations

Why are the top 12 growers where they are?

Oyster BM background

1. 57 growers SA (19), Tas (16), NSW (22) (all anonymous)(6 additional NSW growers to come yet)
2. 2nd round of data collection (2008/09)
3. Data gathered on:
 - a. Farm infrastructure and factors contributing to choice of
 - b. Production technologies and systems
 - c. Packing and post-farm gate systems
 - d. Employment / work hours
 - e. Financials
 - f. Harvest statistics

Project Aims?

1. Allows growers to compare how their business is performing against others.
2. Allows growers to identify what is really important in terms of running a profitable business.
3. Through sharing information, allows growers to identify practices or processes that will benefit their business.
4. Provides a focus for industry on what is important in terms of R&D, marketing & promotion.

Brief

Overview of Findings

Contributors business turnover

\$0-\$100k	\$100k- \$250k	\$250k- \$500k	\$500k- \$750k	\$750k- \$1mill	>\$1 mill
6	13	19	10	3	6

Spat & ongrower to finished cost breakdown

Cost Category	\$/dozen	Cost Category	\$/dozen
Wages & on costs - owner	\$1.95	Processing	\$0.07
Wages & on costs - employee	\$0.93	Employment expenses	\$0.03
Spat & ongrower	\$0.78	Marketing	\$0.03
R&M and replacements	\$0.47	Hire plant & equipment	\$0.02
Finance	\$0.37	Miscellaneous	\$0.02
D&A	\$0.29	Consultant fees	\$0.02
Transport	\$0.24	Taxation	\$0.01
Administration	\$0.23	Water quality management	\$0.01
Fuel & oil	\$0.18	R&D & levies	\$0.00
License & lease fees	\$0.18	TOTAL	\$5.83

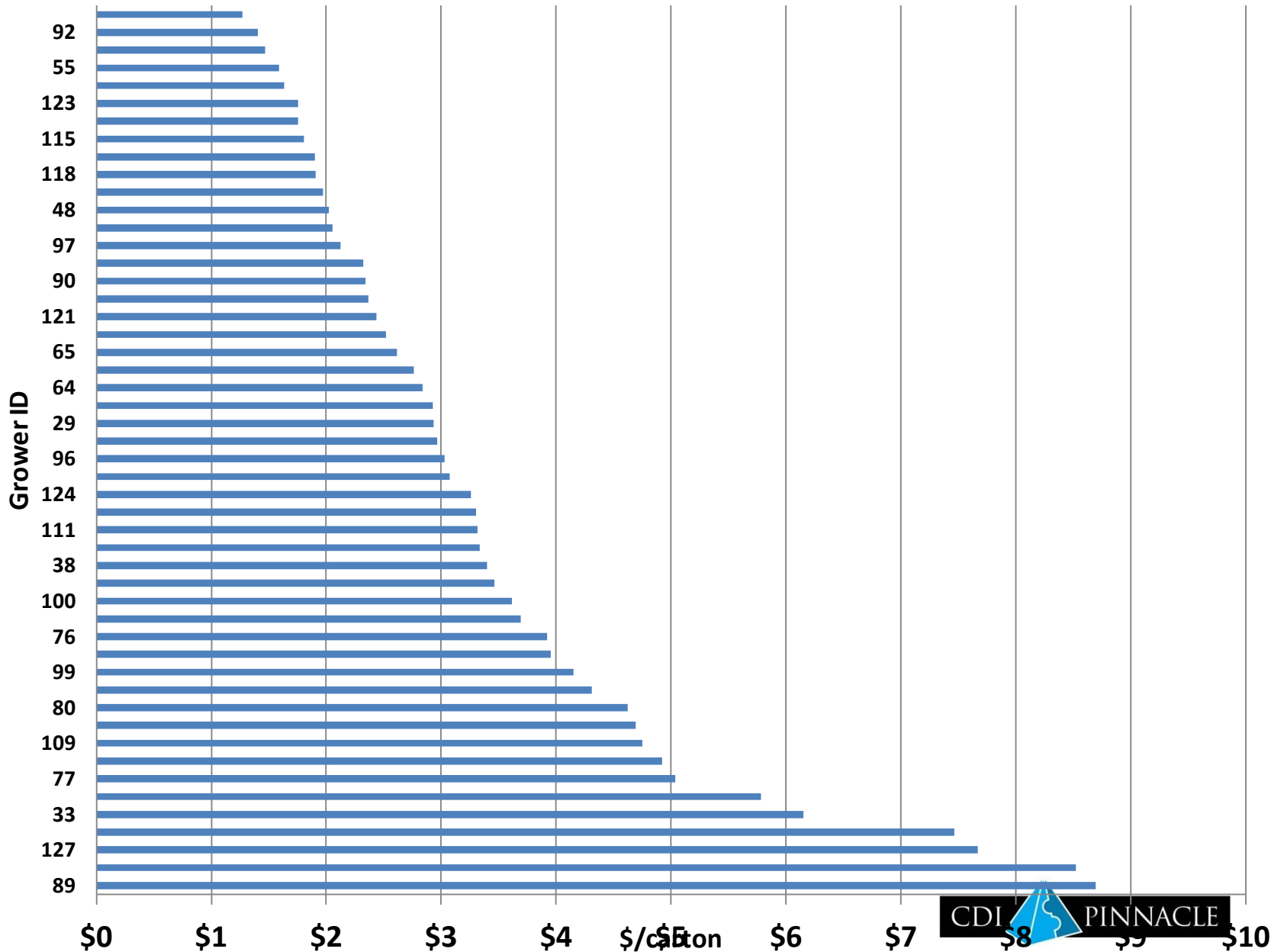
Ongrower & ongrower / finished cost breakdown

Cost Category	\$/dozen	Cost Category	\$/dozen
Wages & on costs - owner	\$1.02	Processing	\$0.04
Wages & on costs - employee	\$0.40	Employment expenses	\$0.02
Spat & ongrower	\$0.24	Miscellaneous	\$0.02
R&M and replacements	\$0.21	Marketing	\$0.01
Finance	\$0.13	Hire plant & equipment	\$0.01
D&A	\$0.13	R&D & levies	\$0.01
Administration	\$0.12	Water quality management	\$0.00
Fuel & oil	\$0.07	Consultant fees	\$0.00
Transport	\$0.06	Taxation	\$0.00
License & lease fees	\$0.06	TOTAL	\$2.55

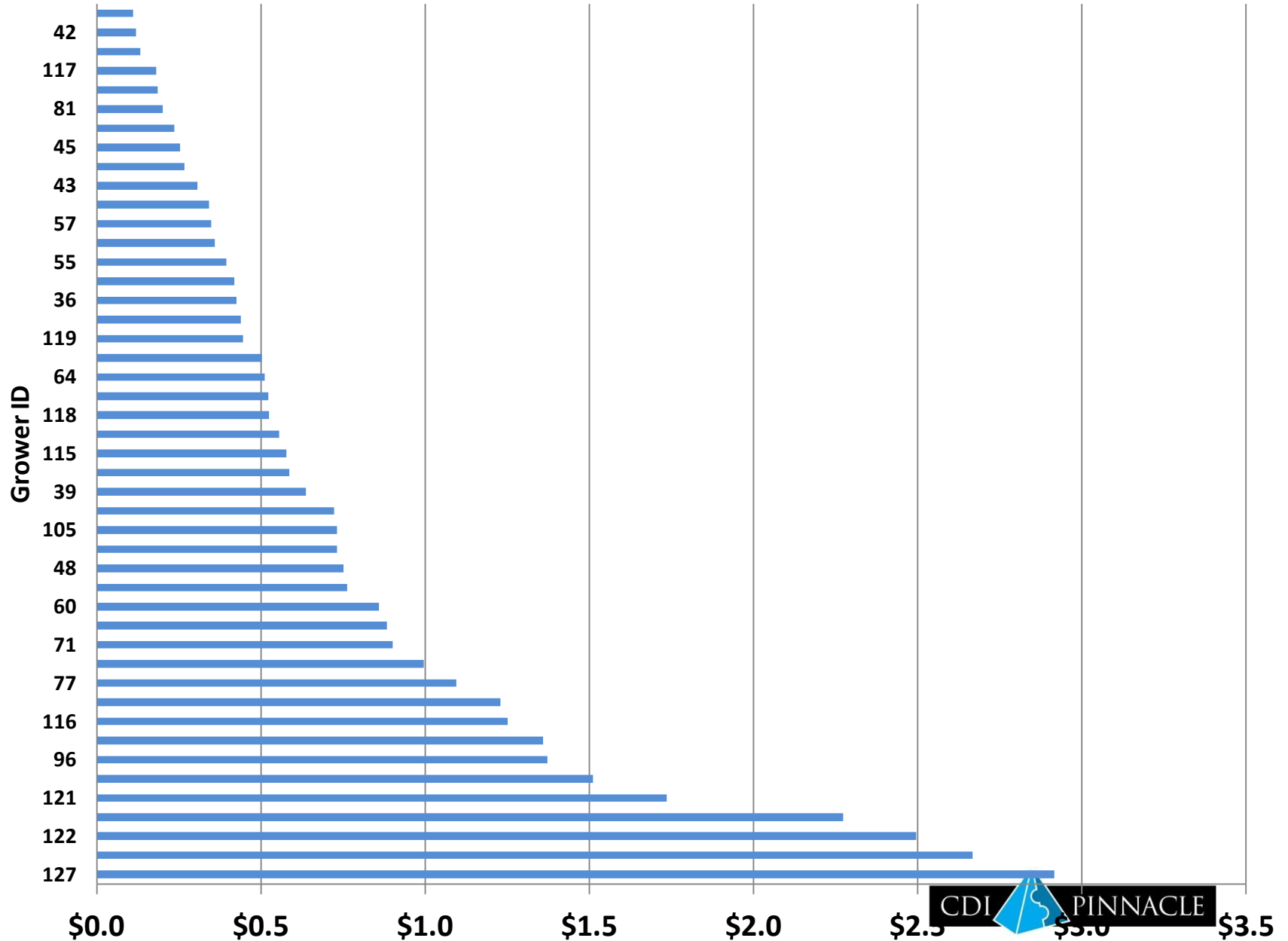
Principal cost areas to focus on

1. Labour costs
2. Spat & ongrower cost (& thus mortality and losses)
3. Repairs & maintenance + replacements

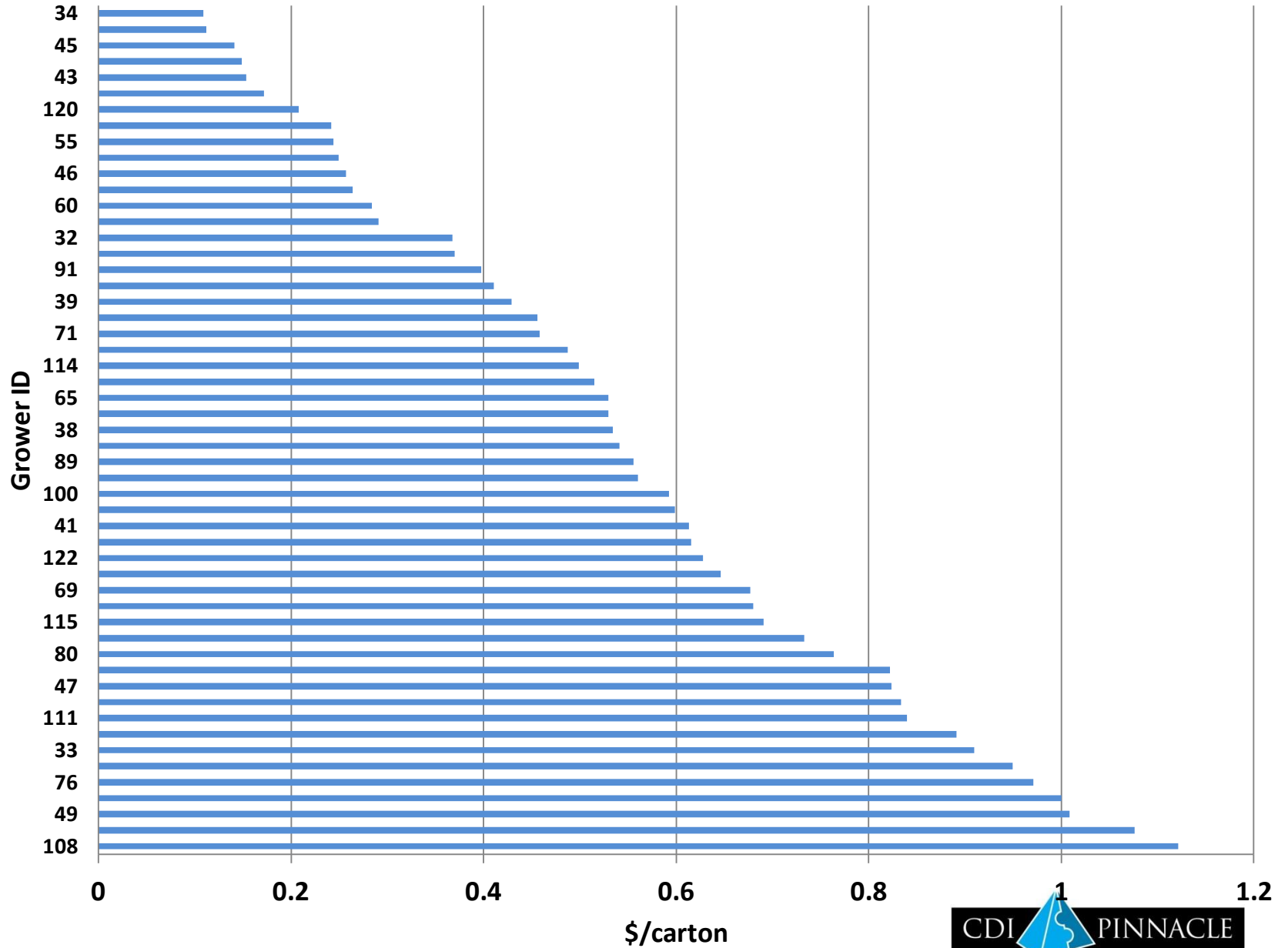
Wages & on-costs (\$/carton)



Spat & ongrower costs (\$/carton)



R&M + replacements (\$/carton)



Top 12 Growers v's The Rest

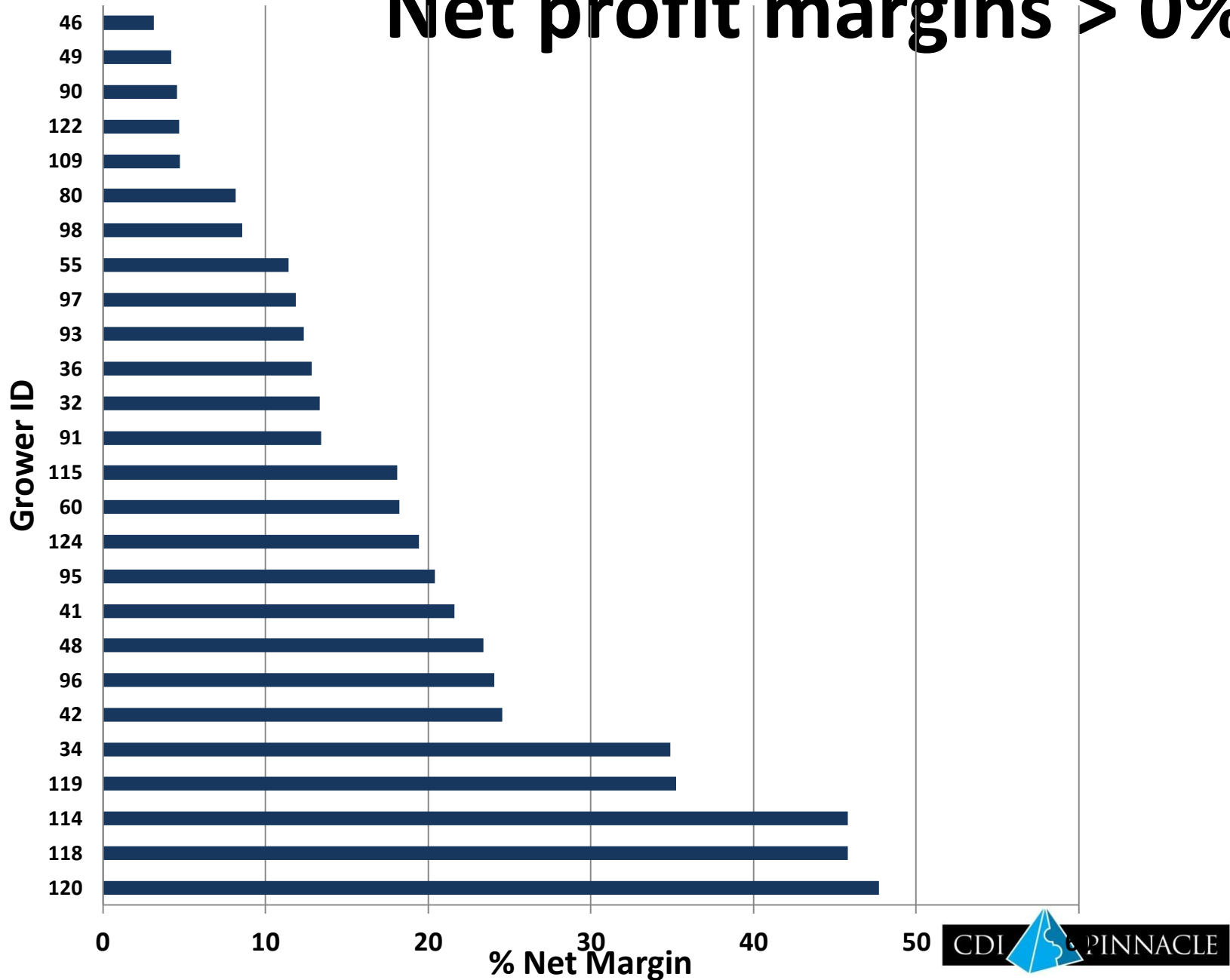
Net margin % (Net profit before tax / sales)



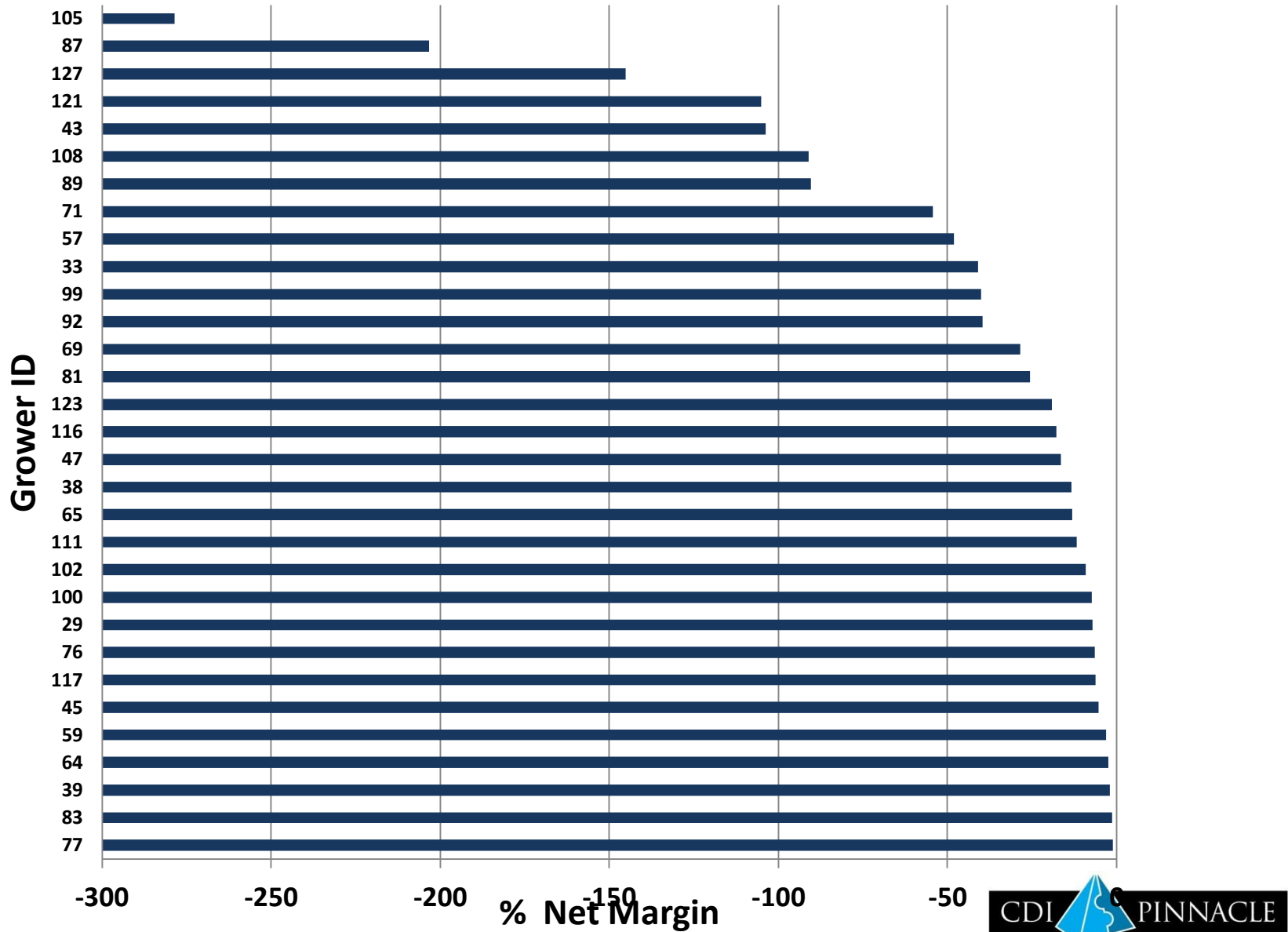
Not

- 1.Total profit.
- 2.Net profit per dozen.
- 3.Dozens per ha.

Net profit margins > 0%



Net profit margins < 0%



Top 12 performing Growers

Grower ID	% Net Margin	Location
120	47.7	Tas
118	45.8	Tas
114	45.8	SA
119	35.2	Tas
34	34.9	SA
42	24.6	SA
96	24.1	NSW
48	23.4	Tas
41	21.6	SA
95	20.4	NSW
124	19.4	SA
60	18.2	SA

Top 12 growers – strategy & technologies

Location	Production Strategy	Water Technology	Land Base Technology	No. of Regions
Tas	Spat to finish	Adjustable line with R&R predominately	Optical grader, some hand	1
Tas	Spat to finish, spot ongrows	Mix of inter- tidal and subtidal. Adjustable line with R&R	Optical grader, advanced mechanical grading t'out	1
SA	Mix of spat & ongrown to finish	R&R with dual baskets predominately	Rotary, final by hand	1
Tas	Spat to finish	R&R with dual baskets	Hand with electronic counting	1
SA	Ongrows with some finished	R&R with dual baskets + adjustable long line with ext. manufactured baskets	Optical grader, advanced mechanical grading t'out	1
SA	Spat to finish	R&R with dual baskets + adjustable long line	Advanced mechanical grading throughout	2

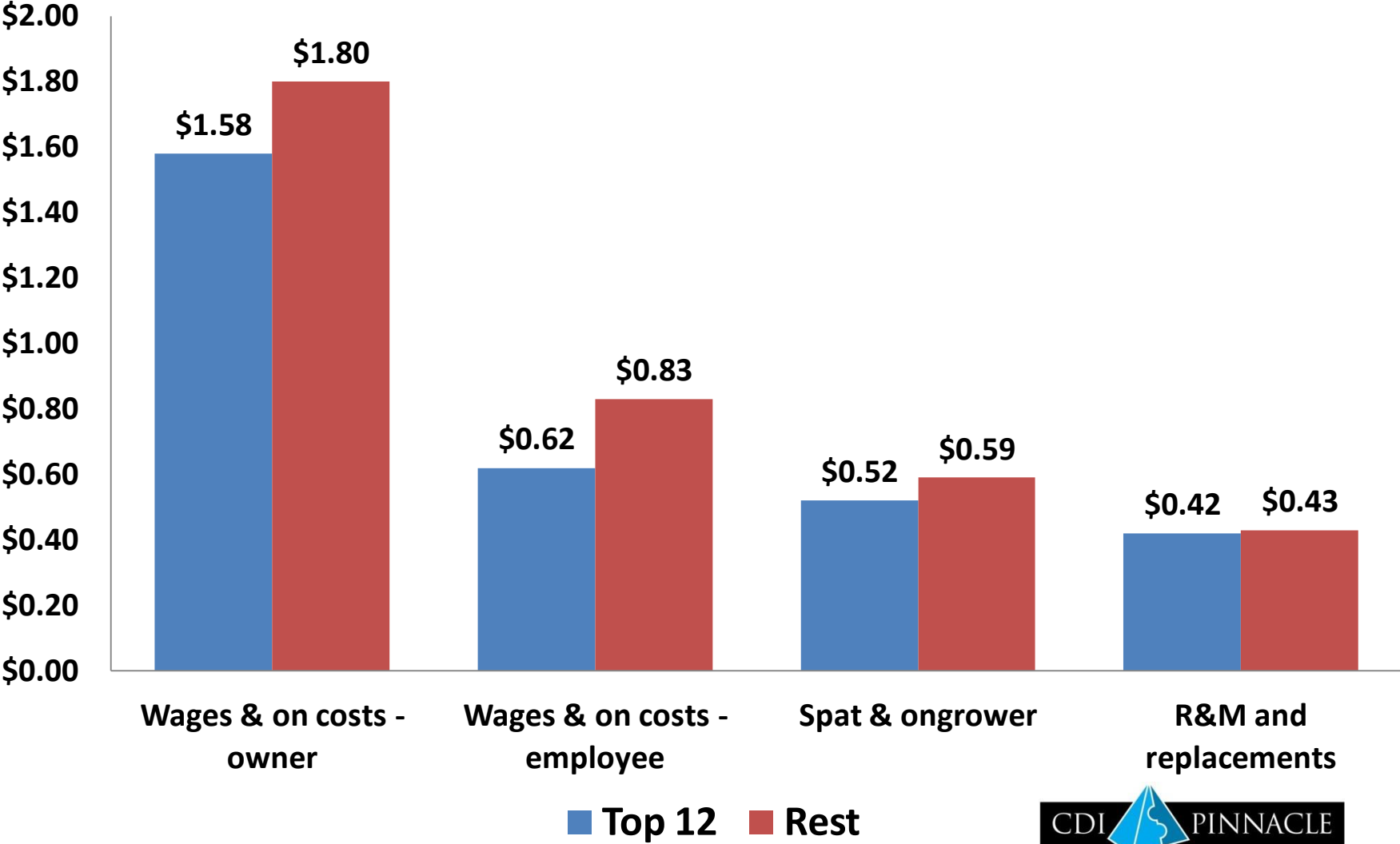
Top 12 growers – strategy & technologies

Location	Production Strategy	Water Technology	Land Base Technology	No. of Regions
NSW	Stick and single seed to finish	R&R with sticks, slates, tumblers and trays	Hand grading	1
Tas	Spat to finish	R&R with trays & dual baskets. Mechanisation of some handling operations	Mechanical grading with hand counting	1
SA	Ongrowns & spat to finish	Adjustable line with baskets, some R&R	Mechanical grading	1
NSW	Single seed to finish	Mix of inter- tidal and subtidal. Floating pontoons, floating dual bags and trays with R&R	Mechanical (young) and electronic grading	4
SA	Spat to finish	Adjustable line with dual baskets	Optical grader, advanced mechanical grading throughout	1
SA	Spat to finish	Adjustable line with ext. manufactured baskets	Optical grader, advanced mechanical grading throughout	2

Turnover Comparison – Top 12 v’s The Rest

Grower Group	\$0-\$100k	\$100k-\$250k	\$250k-\$500k	\$500k-\$750k	\$750k-\$1mill	>\$1 mill
Top 12	0	1	1	6	1	3
Other Growers	6	12	18	4	2	3
Total	6	13	19	10	3	6

Top 12 v's rest – major cost comparisons



Observations on the top 12 oyster growers

1. Well defined production system
2. Labour
 - a. High levels of personal motivation.
 - b. Organised / structured.
 - c. “Do as I do” approach.
 - d. Strong ability to motivate staff.
3. Risk management strategies in place
 - a. Multiple suppliers.
 - b. Production sites (in same region or multiple regions)
 - c. Production options.



Observations on the top 12 oyster growers (2)

4. Systems approach to day to day management - not an ad hoc approach management of farm – workers and farm practices.
5. Good staff with a comparatively low level of labour turnover – longer average periods of service.
6. Work environment
 - a. Reliable equipment .
 - b. Amenities.
 - c. Lower impact systems.
 - d. (Not necessarily how much you pay them).

Observations on the top 12 oyster growers (3)

7. Growers focused on using the water to best economic advantage.
8. Are 'outward' looking.
9. Long average business average – more stable, less need to focus on new capital development / expansion.
10. Customers
 - a. Single or small number – not multiple.
 - b. Strong / positive relationship with customers.
11. Corporate v's family owned – can work. Very dependent on farm manager.

Next Steps

1. Round III of Benchmarking project will commence end September.
2. 09/10 year analysis.
3. Subsidized cost for existing growers, full cost recovery for new growers.

Any finally - Pacific v' sydney rock oyster performance

Principal Species	No. of growers	% Net Margin	Business turnover
SRO	18	1.98%	\$400,371
Pacific	39	5.56%	\$536,701

Conclusion and Thanks

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