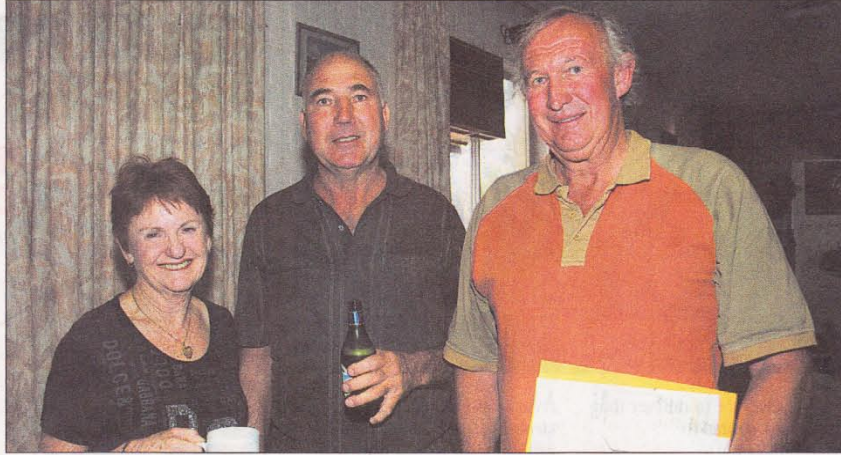


# WA processor warns of "unsustainable" industry



Wendy Batt (left), with husband George, Boddington, with Ross Taylor, Lake Grace, at last week's WAMMCO State Carcase Competition presentation day.

By CAITLYN WEST

WA needs to increase its lambing percentages and get more lambs on the ground if WAMMCO is going to survive the tough times ahead, according to its chief executive officer Coll MacRury.

Speaking at last week's 2009/2010 WAMMCO State Carcase Competition presentations in Katanning, Mr MacRury highlighted the serious consequences the company and lamb producers faced if the State's shortage of sheep wasn't addressed and WA continued to struggle to meet quotas.

Mr MacRury predicted that due to the short supply of lamb, many processors across Australia would be forced to close their doors and there was no guarantee WAMMCO would be

immune to this.

"Some processors are going to go to the wall, there is no doubt about that," Mr MacRury said.

"And I have to tell you that there will be processors in WA that go to the wall. I can't stand here and guarantee you that WAMMCO will absolutely be safe.

"We can probably take a couple of bad years, but we couldn't take an ongoing run of how we have operated this season, it's just not sustainable."

It wasn't all bad news, with Mr MacRury outlining the measures already being implemented by both WAMMCO and producers to avoid the worst of the impact.

"Tough times require strong management and we've got a very strong management team and we are turning over every

rock to extract more revenue from every lamb we process," Mr MacRury said.

"We can't afford not to get every inch of value from each lamb."

He said WAMMCO was also focusing on growing their supplier base, encouraging producers to pregnancy test to gain the maximum number of lambs on the ground, employ proper nutritional management and efficiency of both pregnant ewes and new lambs and reduce the number of lightweight lambs being lost to live export.

"We need to grow our supplier base, we have just over 2000 shareholders and we need to increase that, and we will have to work hard to develop methods and ways of doing that," Mr MacRury said.

"We have the most up-to-date

processing line in Australia and a very stable, skilled workforce which is imperative.

"The one bad year is nearly over.

"WAMMCO is fortunate because in some ways we've had some good years, we've spent the money on areas that needed to be spent on and are now very efficient."

Mr MacRury said the exporting potential was there for the taking, and WA will be in the running once the State starts turning out larger lambing numbers.

"It's not all doom and gloom, there are good things happening, there is huge market potential for sheep, we can't fill orders at the moment because we don't have enough supply to go around," Mr MacRury said.

"If the lightweight lambs keep coming in, we can't get the yield off them and we also lost a lot to live shipping last year because there was no feed around."

With several key lambing areas across WA experiencing back to back years of drought,

part of the problem lies with limited feed of nutritional value being available, which is needed in order for lambs to reach the required weight gain within a short period.

Mr MacRury said that while producers were receiving good money for their lambs in the current market climate, the situation was quite tough and WA lamb producers were competing against countries like New Zealand who hold huge key export contracts.

"New Zealand is contracted to fill 230,000 tonne of EU quota, which equates to 15 million lambs per year and they do it without breaking a sweat, as compared to Australia's 19,000 tonne of EU quota equating to roughly a million lambs," he said.

The WA lamb industry is facing other challenges such as the rising Australian dollar putting huge pressure on all export processors by restricting levels of profitability, and a definite processor over-capacity in Australia, particularly with the

current drop in flock numbers.

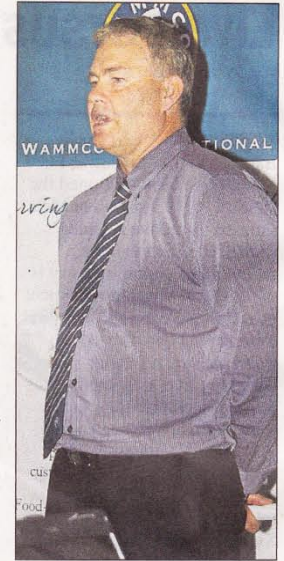
"If the Australian economy keeps kicking ahead of the rest of the world like it currently is, then exporters are going to really battle," Mr MacRury said.

He added that the next 18 months will see more restructuring of the industry, as processing has to adjust in size according to supply quantities.

However if producers continue to support the processors and build their flocks to increase numbers in WA, WAMMCO and the lamb industry will only get stronger and gain the capacity to fill more export quotas.

"WAMMCO will continue to focus on the key drivers: our customers, markets, revenue, quality, yields, technical advances, and we and the rest of the sheep industry will be crossing our fingers and hoping the coming season will see a return to normal lambing percentage," Mr MacRury said.

**Results from WAMMCO State carcase competition on page 84**



WAMMCO chief executive officer Coll MacRury made an important presentation at last week's carcase competition in Katanning, where he outlined the consequences of the current lamb shortage in WA to the audience.