Case Study: Helping the Australian Livestock Genetics Industry Thrive in Russia

Background

The **International Livestock Resources & Information Centre Ltd (or ILRIC)** is a not-for-profit organisation established in 2002 as one of only fifteen Australian **Government Major National Research Facilities (or MNRFs),** and the only one in the Agricultural/Livestock sector.

ILRIC is an umbrella organisation that is responsible for providing an integrated approach and response to the domestic and international demand for Australian livestock. ILRIC can plan, implement and manage livestock development projects and programs. In particular, ILRIC can assist developing livestock industries at all stages of the production process - from 'paddock to plate'. Its' programs are licensed in over 20 countries, and it has access to the largest and most comprehensive databases of livestock information in the world. ILRIC's partners include around twenty livestock research groups, as well as all major industry organisations, breeders, processors and telecommunications suppliers.

Challenge

ILRIC's former managing director, Gill Stassen, knew that the organisation's current projects would never fund it after 2006, so he began a number of feasibility studies into ideas that his core partners had developed, but not commercialised.

The idea that Gill choose to pursue was to sell infrastructure and cattle genetics to developing countries. Many organisations including the World Trade Organisation (WTO) were already funding and running similar projects, but very few were from Australian consortiums. Gill felt that Australia has many unique advantages that well-positions it for this type of overseas opportunity.

To date, the Australian cattle export industry has largely focussed on the sale of livestock domestically and abroad to primarily developed nations, but this is not enough to ensure its long-term growth and survival. As the world's second highest export-dependant beef producer, Australia must broaden both its livestock products and markets.

Currently, the market size of Australia's beef industry is limited by the customer end of the supply chain. Beef exports of $5 billion a year, live slaughter exports of between $500 million and $1 billion, and domestic sales of $3 billion equates to a total market value for beef of around $8.5 billion. This $8.5 billion needs to be shared across the value chain. A significant proportion of this value is absorbed at the customer end. Retailers and distributors are reaping a disproportionate portion of this $8.5 billion. One way for others further up the chain to be rewarded for their effort is for the livestock industry to expand globally.

ILRIC also realised that it needed to improve its online knowledge warehouse capabilities for livestock research. Across the different agricultural departments, ILRIC noticed that there was very little integrative websites presenting a consolidated view of livestock information across various research and publishing houses.

There was also no integrative site for the sale of livestock. Society websites sold livestock through their websites, but the sales barn was limited to the breed that specific society promoted. Finally, ILRIC did not have a corporate website and hence had no platform to distribute research or other information.

Solution

ILRIC had a small discretionary budget available to determine whether its idea to sell infrastructure and cattle genetics to developing countries was commercially feasible. ILRIC retained mbh to conduct the first market study into this concept.

This study was conducted over 6 months and reviewed 214 countries. The study found the potential for an export market of Australian cattle genetics both in the beef and dairy industry. mbh completed the feasibility study in 2004, which enabled the ranking and prioritisation of 220 countries by their potential for importing cattle for seed stock.

The study found growing world wide demand for protein and that the only way the world could meet this demand is by expanding production in local areas. The main sector driving growth is developing nations, particularly China and Russia. China and Russia had the two largest current account surpluses in the world in 2004, which were being directed more and more into agricultural investment.

ILRIC and mbh then partnered to develop a comprehensive and aggressive marketing program to pursue the opportunities identified in the feasibility study. The main products ILRIC developed to support this opportunity were the sale of genetic material to target countries, the development of export standards for live seed stock and the establishment of 'Turnkey programs' in these developing countries. Turnkey programs include value-add products and services from end to end along the livestock value chain, including marketing, pasture management, deployment of software systems and training.

mbh also assisted ILRIC in identifying the requirements and scope for the web portal project to enhance the organisations online knowledge warehouse capabilities. This would help better support ILRIC's marketing and sale efforts of its new genetic products abroad.

Results

mbh assisted ILRIC in marketing its products to various new markets overseas, which established a network of overseas contacts expressing considerable interest. ILRIC

then facilitated sales to and had specific interest from Russia, Belarus, Kazakhstan, Turkey, Colombia, Peru, Chile, China, Argentina, Mexico, Pakistan and India. This interest ranged from the establishment of infrastructure, including herd recording systems, quarantine centres, feedlots, education, breeding centres, to the sale of seed stock, semen and embryos.

ILRIC also sent delegations to Turkey in 2005, Colombia, Brazil, Argentina, Chile and Peru in 2005 and 2006, and Russia in September and December 2006. Based on the initial feasibility study, however, Russia stood out as the most potentially attractive market. In 2004, Russia was importing $1 billion worth of beef per year and found it increasingly difficult to source this product.

With Russia, mbh worked closely with ILRIC in preparing for and then making a proposal to the Ministry of Agriculture in Moscow and the Leningrad deputy governor in St. Petersburg in December 2006 for an internal livestock genetics export program. This proposal covered the specific benefits of Australia's cattle genetics and the importance of investing in infrastructure and training to create a sustainable Russian livestock industry. Rollout of a $300 million program began soon after this proposal with Elders exporting 15,000 breeding cattle to Russia throughout 2007.

The new ILRIC online portal was launched in early 2006 ILRIC. This portal has become a one stop shop for agricultural information ranging from cattle genetics, sales barn, research library, calendar of events and communications on the broader ILRIC activities. The knowledge warehouse is now the first port of call for all industry players when looking to access research material. Information is delivered through search and classification process rather than warehousing the data in one central repository.

The portal can index and re-direct people to ILRIC-partner websites. Publications are only be accessible if the partner organisation makes it available, the link re-directs to the partnered sites web address and, if the publication requires a fee to purchase it, the partnered sites e-commerce facility would handle the payment.

In short, ILRIC has become the gateway to livestock information. The benefit to the partners is the creation of a new single point distribution channel. Now, end users do not need to access 20 separate sites to find out what information is available on the topic. This portal integrated over 100 different data sources into a cohesive and efficient information distribution channel. ILRIC gained significant exposure from becoming the focal point for this information.