

## Appendix 4

### KEY DISCUSSION ISSUES

#### PREAMBLE

Given the current level of knowledge, further analysis and discussion of the potential for developing several camel-based industries in Western Australian is justified on the following grounds:

- ❑ Significant private sector interest from investors, producers, processors, traders and employee groups;
- ❑ Markets indicating potential in the Middle East, South East Asia and mid-western United States;
- ❑ Potential employment opportunities for remote Aboriginal communities;
- ❑ Assumed sufficient numbers of healthy, crown-owned camels to act as a supply pool for the industry's production herd(s);
- ❑ Access to large parcels of suitable, unclaimed land; and
- ❑ Reduction in feral population, thereby reducing pest control costs and damage to pastoral sheep, goats and cattle resources.

Based on the work done to date, it is too early to decide whether or not camel production in Western Australia will be viable. A number of activities should take place in order to determine the probability that camel enterprises can be structured in a way that is sustainable from an economic perspective. The major issues at hand are highlighted in this brief. It is important that industry participants understand that at this point in time, the key to industry viability is ***supply chain management and costs***.

Given the currently assessed industry structure, if full costing is applied to the camel meat supply chain, it is unlikely that a level of viability will be reached. It is therefore necessary that issues of cost reduction at a number of supply chain points be addressed. These relate closely to:

- ◆ the locational density of camels;
- ◆ the development of camel supply chain systems that may include strategic holding facilities and partial on-site processing; and

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- ◆ the creation of new employment opportunities for remote communities interested in providing a skilled workforce to capture, hold and potentially farm camels.

It is recommended that industry participants concentrate initial activities towards addressing these structural issues. While important, the other issues noted in this paper will commonly be reliant on the development of a viable industry supply chain structure. One assumption, among many within this statement, is that average per unit returns from camel meat can not be substantially lifted in the immediate term and that the opportunity to act to do so would be limited by current industry supply structures. For instance, efforts to meet camel industry demand at the higher end of the market will be to no avail if issues of supply cost and coordination are not initially addressed.

It is likely that the steps necessary to better determine the industry's potential viability can be carried out at relatively low cost. It is therefore recommended the forum consider developing projects, activities and solutions that will address primary issues, prior to exploring those currently recognised as secondary.

## KEY ISSUES

### 1. CAMEL SUPPLY

#### 1.1 Camel Numbers and Location

While a determination of total camel numbers across the vast deserts of Western Australia is of interest to industry expansion, it may be argued the density of camels within defined regions/areas is of greater immediate importance. A demographic survey of the entire state, using conventional methods, may be considered fairly expensive when viewed purely from a camel meat industry development potential. Nevertheless, such information would provide useful intelligence to pest managers and its collection could be greatly facilitated should satellite demographic sensing become accessible for this purpose.

Alternatively, it is possible that a conventional aerial survey or one based on ground reconnaissance that identifies pockets of high camel numbers, thus highlighting potential focus areas for the development of the industry, may see funds expended in a more efficient manner than focusing purely on total camel numbers within the state. Funds saved via this more defined approach could

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be used to address the other pressing industry issues. For example, a regional or area focus could include locations where camels are known to be abundant, with proximity to processing operations, transport and access ease, suitable holding facilities and work-force supply availability.

## **1.1.0 Camel Numbers and Location Issue:**

*1.1.1 Re-defining the demographic focus to concentrate on areas of recognised high-density camel populations and strategic advantage for industry development*

## **1.2 Incentive Pricing**

The supply price incentive necessary to gather rangeland animals needs to be viewed in the light of three factors:

- ❑ Prices received per unit;
- ❑ Returns that can be achieved through conducting other activities;
- ❑ The cost of mustering and holding animals.

Current returns for mustered camels may be seen to create an insufficient incentive for rangeland producers to carry out regular camel collections. Pastoralists may see their time better spent through involvement in their sheep, goat and/or cattle enterprises. It is likely that either camel prices to the rangeland producer will need to be lifted or alternatively, access to a lower cost work force will need to be investigated to assist with animal handling and capture.

It is possible that Aboriginal groups may be interested in carrying out broad-scale camel mustering and holding operations, through some form of Community Development Employment Project (CDEP) arrangement. The broad-scale humane removal of feral camels from vacant crown land will undoubtedly limit their impact on the nation's desert biodiversity in the immediate to short term. As such, Agriculture Fisheries and Forestry Australia's *National Feral Animal Control Program* and/or Environment Australia's *Envirofund* may consider supporting such activities on unclaimed land in WA. However, for this to happen will require strong Government and private-sector leadership.

One aspect of this approach may be that pastoralists may only receive the benefit of reduced camel numbers on their leases rather than receiving

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significant direct financial returns. Notwithstanding this, individuals may receive income through some form of contract mustering service.

## **1.2.0 Incentive Pricing Issues**

- 1.2.1 *Consideration should be given to consulting with regional area groups interested in supplying camel tracking, mustering and/or holding services.*
- 1.2.2 *While it is likely that such skills will be available in certain remote locations under CDEP systems, the issue of support facilities such as vehicles and fuel costs will immediately arise. It is recommended that the meeting discuss how these support facilities could be provided to the service provider.*
- 1.2.3 *If Aboriginal groups wish to become involved in the initial segments of the camel supply chain, it is important that working arrangements are designed with the required degree of flexibility to accommodate Aboriginal cultural practices and traditions.*
- 1.2.4 *Provision of a bonus "per head returned" payment over and above the CDEP stipend may be needed to provide a necessary incentive.*
- 1.2.5 *The National Feral Animal Control Program and Envirofund may consider supporting the broad-scale removal of feral camel pests from vacant crown land in Western Australia.*
- 1.2.6 *Methods for reducing subsequent camel mustering costs, for example, the viability of using traps around water points, should be considered.*
- 1.2.7 *Methodologies for increasing the price received per camel unit by camel mustering & holding service providers*

## **1.3 Constancy of Supply**

Maintaining constancy of supply is important for the following reasons:

- ◆ Export markets demand regular or targeted supply of product to meet identified demand periods. In general, supply for a market will be programmed ahead of time following a pattern of a constant level or base supply, interspersed with peak supply during distinct times of the year such as festive periods.
- ◆ The inability to supply on a constant basis offers the product importer great incentive to diversify their suppliers, which in turn fosters price competition.
- ◆ Processor fixed costs per unit are significantly increased by reduced flow through of animals.

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Therefore supply inconsistency acts to reduce market potential, increase competitive pressures and increase per unit processing costs resulting in a further reduction in competitive abilities.

## **1.3.0 Constancy of Supply Issues:**

- 1.3.1 *Rangeland animal production is hampered by seasonal conditions. The inability to access product supply due to periods of heavy rain, or alternative commitments for time on pastoral leases, means that supply of animals existing in a totally uncontrolled environment (i.e. opportunistic feral harvesting), to any given specification can never be guaranteed.*
- 1.3.2 *Without being able to match supply with the market, the camel industry will find it difficult to achieve viability. It is therefore necessary to determine an approach that acts to hold a supply of camels in a more controlled environment for distribution.*
- 1.3.3 *The degree of “farming” camels that could take place within this controlled environment is something that may evolve through time as further research is conducted. Initially however, a single area, or number of areas that could act as holding paddocks should be investigated. These areas would (a) need to be large enough to maintain camel condition and/or product quality without significant external feed and management inputs; (b) contain adequate infrastructure (fencing, shade and water); (c) be in close proximity a main highway and accessible in most weather conditions; and (d) be central to a large source location of camels so that the majority can be walked into the holding area.*
- 1.3.4 *The costs of holding camels in a controlled environment should be kept to a minimum as there is currently insufficient economic, market and production research available to suggest that value adding activity and/or alternative husbandry practices will increase industry returns or improve its competitive position.*

## **2. FARMING CAMELS**

At this stage of the camel industry’s evolution, consideration towards the development of supply chain structures and the determination of competitive combinations of these structures should be held as a greater priority than the adding of value to camels.

If industry structural issues can be overcome then it will naturally follow that best practice animal husbandry guidelines will be developed and the viability

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of other camel products will receive greater attention. It is likely however, that the concentration on value-adding issues at this preliminary stage would be unlikely to result in effects that make issues such as low work force costs for mustering and reduced transportation costs less important to early industry viability.

## **2.0 Camel Farming Issues:**

- 2.1 *The potential for value adding to camels through increased feeding or the development of parallel products such as milk, should be given consideration. However, this should not take place at the expense of addressing industry structural issues particularly in regard to supply chain management and the reduction of costs associated with this component of the industry.*
- 2.2 *The production of milk, fibre, offal and their value-added derivatives are likely to contribute initially as only part-cost-subsidisation measures for the main industry focus of supplying high quality young camel meat to global markets. In order for these sectors to become viable it is likely that the main meat-focused industry will need to first achieve a level of ongoing viability. In other words, it is unlikely at this stage that an industry based on stand-alone complementary products would achieve a level sufficient to warrant substantial research expenditure.*

## **3. CAMEL PROCESSING**

A meat works facility exists in the South West of Western Australia able to handle the processing of camels. While it is of benefit to industry development that such a facility exists, its lack of proximity to significant camel numbers is a drawback.

The processing facilities location acts to significantly increase transport costs to an extent that industry viability may be threatened in some lower priced markets. Nevertheless, access to a processing facility represents a significant opportunity for the industry and methodologies to support this facility should be encouraged.

## **3.0 Camel Processing Issues:**

- 3.1 *The viability of partially processing camels closer to holding facilities or farms, for rapid, cost-effective transport and further processing in the south west needs to be considered.*

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- 3.2 *Further discussion is needed regarding access to more northern processing facilities.*
- 3.3 *Consideration will need to be given to export limitations and approvals on these processing facilities, particularly in relation to the primary target markets of the Middle East, South East Asia and the USA.*

## 4. MARKETS

Preliminary market studies in the Middle East would indicate that some potential exists for the development of export trade at the high level end of the camel meat market, supplying improved quality product to supermarkets and restaurants.

It is however, unlikely that a sustainable industry could be developed with reliance purely on the Middle East market. Markets both within South East Asia and the USA are showing camel meat import demand, some of which is presently being supplied from Australian processors and exporters.

By a broadening of market focus the industry will potentially create a more even and stable supply profile and a greater diversity of product demand evening cash flows. This mix of markets is seen as vital for industry development in the longer term.

### 4.0 *Market Issues*

- 4.1 *Further direct contact with importers of camel meat in primary target markets should take place to determine potential demand and product mix/cut requirements. It is very important that this information be collated across the market options and not be focused singularly on one market like that of the Middle East.*
- 4.2 *Beyond this preliminary importer contact, early industry development efforts should be concentrated around industry structural issues of supply chain management because at this stage they are of greater importance to industry success than further in depth market analysis.*

## 5. REGULATORY CONSTRAINTS

Feral animal constraints and limitations placed on processing facilities ability to target export markets are important issues for the industry to work through.

### 5.0 *Regulatory Issues:*

- 5.1 *Close liaison with relevant government authorities should be maintained, progressed and preferably driven by industry*