

AUSTRALIAN OYSTER INDUSTRY BENCHMARKING PROGRAM DEVELOPMENT

Prepared by CDI Pinnacle Management Pty Ltd



Project No. 2009/701

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Ltd

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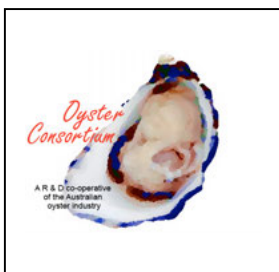
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**AUSTRALIAN OYSTER INDUSTRY
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DEVELOPMENT**

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OBJECTIVE:

1. Develop a quantitative and qualitative software benchmarking tool for ongoing use by the Australian oyster industry.
2. Collect, analyse and report on, using the software tool on key production & marketing practices as well as individual business financial performance within the oyster growing sector.
3. Provide recommendations to the growing sector on key areas of focus for R&D activities in future

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Acknowledgement

The consultants wish to express their sincere thanks to the members of the Oyster Consortium for giving us the initial opportunity to undertake this consultancy.

The consultancy team wishes to express their sincere gratitude to all the project participants who willingly gave up their valuable time to contribute to this study. Their overall willingness to provide detailed and often confidential information is greatly appreciated.

In particular, we would like to express our gratitude to Rachel King, Oyster Consortium Executive Officer, who assisted us greatly in numerous areas associated with conducting this project.

Lastly, we wish to express our thanks to the Seafood CRC for the opportunity to conduct this consultancy. We greatly enjoyed the opportunity to work on this project and contribute to a better livelihood for oyster growers.

We look forward hopefully to be of further service to the oyster growers and the industry of which it is a part.

Background

In March 2008 the Oyster Consortium and the growers and associated parties identified benchmarking as the second highest R&D priority for oyster growers.

Benchmarking was viewed as a high priority for a reasons including:

1. There is a wide variation in production practices in use by growers. Due to the lack of independently and objectively assessed

and collected data, growers were not able to determine with any degree of certainty whether or not their production practices are best practice, on a par with other participants or worse still are lagging behind that of their counterparts.

2. Growers had limited ability to identify the business characteristics and systems that constituted best practice.
3. Research organizations were uncertain what were the areas of greatest R&D need for the industry and / or would provide the greatest commercial benefit. This was particularly the case with respect to genetics research which is the largest beneficiary of R&D investment by growers.
4. Growers and researchers did not have an available tool to test / evaluate the consequences of changed business practices or R&D activities in improving business performance.

Therefore by collecting and sharing both qualitative and quantitative data on the production, packaging and marketing practices employed by growers, the industry is better able to identify those practices that are at or approaching best practice. By using this information every participant grower has the ability to improve the profitability of their own business operation, thereby providing the mechanism to have a more sustainable industry.

The grower data has been collected and analysed using a purpose built software program that will remain the property of the oyster industry.

And lastly, by developing a common methodology associated with benchmarking across seafood industries, the terminology associated with benchmarking will achieve greater uniformity making assessment of

industry development programs easier to understand in the future. This goal is one that is anticipated will be achieved over time.

Need

This project evolved from a series of industry strategic planning activities undertaken by the Oyster CRC in March, 2008. The grower members as representatives of the state grower organizations identified benchmarking as the second highest priority R&D area. This ranking was reconfirmed by the Oyster CRC in September, 2008.

The growers identified that they needed to be able to identify those areas of their business operations which have the greatest impact on business performance. By doing so growers (and industry) are better able to focus their business and R&D investment into the areas that provide the opportunities for greatest commercial benefit. Further, growers and industry are better able to assess the commercial impacts of changes to business operations or adoption of industry R&D findings.

The Seafood CRC have strongly supported the project as they recognised the need to build capacity for benchmarking within the Seafood CRC, so that similar approaches may over time be able to be applied to other sectors of the seafood industry, which generally have very limited knowledge of how individual businesses within their sectors are performing with their peers and what in fact constitutes industry best practice. Further the grower sector had limited access to benchmarking services which in their eyes are seen as being commercially worthwhile.

Objectives

The core project objectives are:

1. Develop a quantitative and qualitative software benchmarking tool for ongoing use by the Australian oyster industry.
2. Collect, analyse and report on, using the software tool on key production & marketing practices as well as individual business financial performance within the oyster growing sector.
3. Provide recommendations to the growing sector on key areas of focus for R&D activities in future

Methods

The agreed core elements of the project methodology as per the original proposal were:

1. Scope Process Engagement
 - a. Plan meeting to be held in Hobart or Adelaide with members of the CRC Oyster Consortium Benchmarking Reference Group (“BM Group”) and Executive Officer.
 - b. Agree scope and methods of working with BM Group. Achieve consensus on adjustments/agreements on implementation of the best process.
 - c. Identify reporting, interaction steps and timings and key contacts for the management of the project from within the BM Group.
 - d. Discuss and agree on key focus points for the Benchmarking study. That is, what are the KPI's for which information is to be

collected and the key variables / factors associated with the production, processing and marketing of oysters. This information will be used to develop the first draft of the grower survey questionnaire.

- e. Identify, discuss and agree on sampling methodology for growers in the first round of consultations. Items to be discussed include how many growers should be consulted (CDIPM recommendation is around 30) and how they should be selected in terms of geography, business size and production technologies in use.
 - f. Based on the sampling methodology identify a selection of growers who will be directly approached to become project contributors.
 - g. Obtain key contact information for each of these growers (name, business name, address, phone, mobile, email address and / or fax numbers).
 - h. Discuss and agree on what information that each grower will be required to be prepared to contribute to the study in order to be included in the first round of consultations.
 - i. Discuss and agree on industry involvement / notification of the of the Benchmarking study. (CDIPM currently recommends that each grower receives a letter notifying them of study, inviting participation and outlining information requirements).
2. Desktop Research
 - a. Source all existing reports and information, available or known to the BM group, those held or identified by the research team, and those from other sources.

3. Grower Consultation Instrument – Develop, Test and Finalise

- a. Using the information gathered relating to key quantitative and qualitative factors that impact on oyster production, processing and marketing, develop a consultation instrument that addresses all elements required to be studied.
- b. Test consultation instrument with members of the BM Group by phone. Make adjustments to the consultation instrument as required.
- c. Have BM Group to sign off on the consultation instrument, most particularly in respect of ensuring that all the key focus points required for the study are included.

4. Grower Consultation Instrument – Finalise List, Coordinate & Undertake One-on-One Visit Program

- a. Liaise with growers identified by BM Group as potential contributors outlining what information is required to be provided and then confirming their willingness to participate (or otherwise) based on their agreement to contribute the information required..
- b. Discuss with BM Group involvement of other growers who have indicated through general call their desire to participate.
- c. Agree and finalise 1st Round Grower Consultation List (30-40 growers).
- d. Co-ordinate meeting program for the first round of grower consultations in Tasmania, SA and NSW. Undertake consultations.
- e. Follow-up discussions with grower interviewees for gaps / information missing following from the initial one-on-one interviews. The information gaps will we

anticipate be filled via telephone, email and / or fax.

5. Software Development

- a. Construct using Microsoft Access a capture and analysis program for the data collected from oyster growers.
- b. Data reporting for qualitative data will include an ability to provide individual grower, groups of growers and all grower reports pertaining to the key production, processing and marketing practices of growers. Reporting over multiple years will also be a function of the program.
- c. Data reporting for quantitative data will include the calculation of a series of KPI's of both a financial and other empirical nature eg. \$ per dozen, kg per ha. The data analysis will not report on financial / non-financial data that will allow the identification of particular enterprises. For example, the \$ turnover a business will not be reported unless as part of data range eg. No. of Businesses over turnover > \$ 1 million = X.
- d. All quantitative data reporting will include an ability to provide individual grower, groups of growers and all grower reports including rankings where appropriate. Reporting over multiple years will also be a function of the program. Quantitative data reporting will have the flexibility to occur in tabular or graphical formats.
- e. Grower identity will be preserved through the use of a numerical grower ID system.
- f. Once software development completed, all quantitative and qualitative data to be entered.
- g. Individual grower reports / data will be provided to each contributing grower for

sign-off/verification prior to industry reports being collected circulated.

- h. CDIPM will discuss and agree with BM Group or CRC Oyster Consortium with respect to the protocols to be followed in respect of data dissemination/access. This will include location of software program and who has access to same.
- i. CDIPM will complete a Users Guide for the operation of the Benchmarking Program.

6. Presentation of Draft Findings

- a. Insights / Planning: Using the results of the Benchmarking and KPI study and feedback resulting from the Consultation phase, develop a series of recommendations pertaining to strategies to provide for improved industry performance through both the development of industry strategies and strategies for individual businesses which may be delivered via industry organisations / providers going forward into the future.
- b. Prepare a brief report provide top-line information in respect of the quantitative and qualitative information gathered from the benchmarking study, including recommendations for further action as identified in (a) above.

7. Presentation of Final Benchmarking Study Report

- a. Present Final Report to the Oyster CRC.
- b. Deliver Report in the formats and numbers as defined by the BM Group.
- c. Discuss and agree on the Communications Strategy to be pursued.

With the provision of this report CDIPM wish to confirm that the elements 1-5 have previously been completed in full and with no significant

variation from the methodology as presented. This report constitutes the completion of Step 6.

The original project methodology identified that the Oyster Consortium with the anticipated assistance of the Seafood CRC will employ a Industry Development Officer (or similar) to continue to manage the project As has been discussed with the Seafood CRC Program Manager the employment of this IDO has not been possible, primarily due to the that there does not exist a suitably qualified candidate. The Seafood CRC are in receipt of an application to extend the project for a further two years in order to extend the number of growers and to receive, enter and report on financial and production data for 2008/2009 and 2009/2010. Pending final board approval to extend the project Step 7 will occur at the completion of the extended project.

Results / Discussion

Benchmarking Program Software

The primary data analysis tool for this project is the Access Database program that has been developed. Due to grower confidentiality a copy of the program has not been provided to the Seafood CRC (or Oyster Consortium).

The database program has three components:

1. Data entry
2. Report generation
3. Administrative functions.

Figure 1 and Figure 2 show screen shots of the Data Entry and Reports generation menus of the benchmarking program respectively.

Figure 1: Australian Oyster Benchmarking Program – DATA entry screen shot.

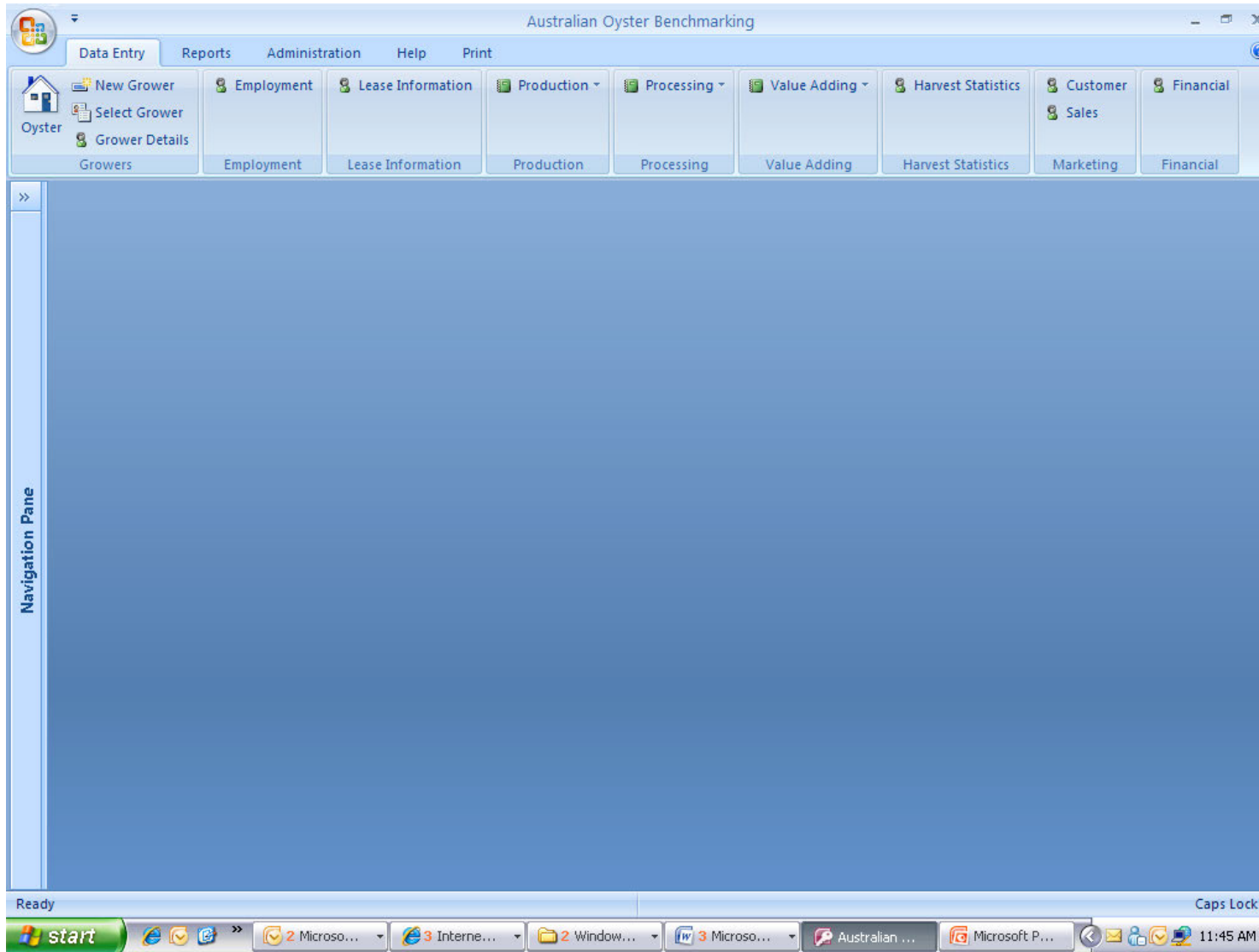
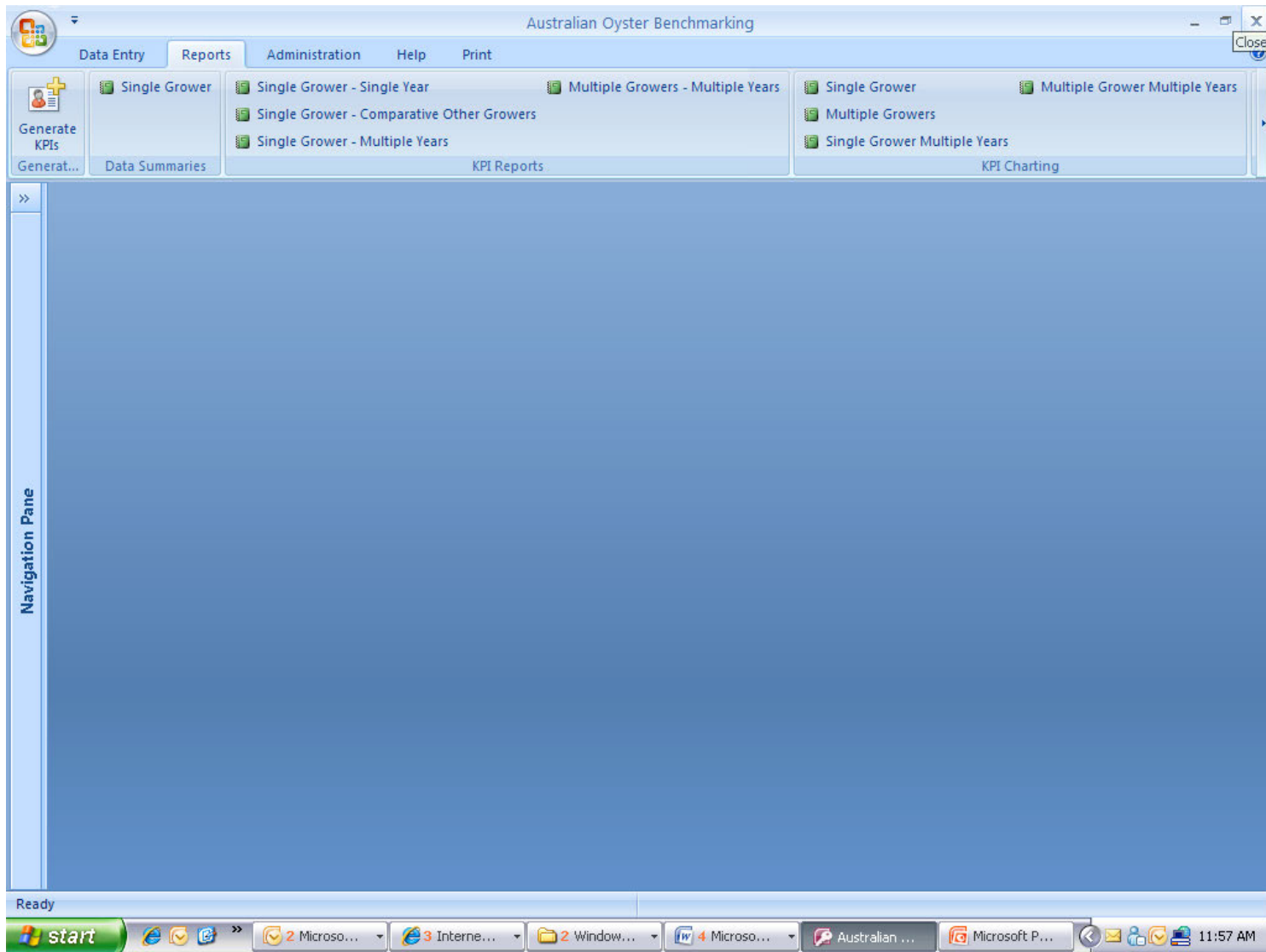


Figure 2: Australian Oyster Benchmarking Program – REPORTS screen shot



Data Entry

The data collected from growers covered a broad range of business information and operational practices. In Menu system was broken into the following categories (as shown in Figure 1):

1. Grower Details – standard data on business details for administrative purposes.
2. Employment – used to calculate the total number of family members and others that are employed in the business operation.
3. Lease Information – complete details on each lease operated by the grower including identification of infrastructure in use, factors influencing choice of infrastructure, spat / oyster stock being produced, % of sites that have developed.
4. Production – this menu item has 4 sub-menus including Production Background, Production System Assessment, Spat, Growing Activities. This menu asks a detailed series of questions relating to the production side of the enterprise right from spat selection, stocking densities, technologies used at various production stages and the production strategy for the business.
5. Processing – Similarly to Production this menu asks a series of questions relating to the processing and handling of oysters in the packing operation and factors that drive the choice of the current system.
6. Value Adding – Series of questions relating to value adding strategies that are in use by the grower and why.
7. Harvest Statistics – Production statistics by size (or bag) for the grower in a defined 12

month period for both ongrowers and finished oysters.

8. Customer & Sales – series of questions relating to the supply chain that the grower utilizes beyond the farm gate for the sale of oysters and why. Further questions are asked relating to the terms of trade for that grower.
9. Financial – template for the entry of the Profit & Loss figures for a defined 12 month period.

Report Selection

This database program has the flexibility to select a group of growers to be reported against based on:

1. Year
2. Location (eg. Smoky Bay, Brisbane Waters, St. Helens)
3. Oyster Type (eg. Triploid Pacific, SRO).
4. Size of grower in dozens
5. Type of grower (eg. Finished only, Finished & Ongrower)

Further the program can have multiple selections within each selection menu. For example all growers above 100,000 dozen.

The program does have the option to ignore any grower if the program user wishes to do so. For example, the grower may have had a disastrous production year and so you do not want to include their figures.

The program has been established to permit the entry of data for the next 20 years until an upgrade or extension is required.

Growers who have contributed to this benchmarking project have or are in the process of receiving four sets of documents. These are:

1. Individual Grower Financial Benchmarking Report.
2. Individual Grower Non-Financial Benchmarking Report.
3. Selected KPI Graphs for Growers (selected or whole of group).
4. Quantitative Comparative Data Reports (selected or whole of group).

Considerable flexibility exists in respect of the types of reports that can be generated by the program. These include:

1. Quantitative data reports
2. Graphical (or charting) reports
3. Qualitative data reports.

Quantitative Data Reports

1. Single Grower – Data Summary. Permits the printing out of a single grower report containing the data that has been provided by that grower. This permits the grower to verify the data that has been provided by the grower.
2. Single Grower – Single Year. Financial and Non-Financial KPI report for a single year.
3. Single Grower – Comparative Other Growers. Financial and Non-Financial KPI report comparing one grower against a selected group of other growers (or industry) for a single year.
4. Single Grower – Multiple Years. Financial and Non-Financial KPI report allowing a

single grower to compare their individual business performance across multiple years.

5. Multiple Growers – Multiple Years. Financial and Non-Financial KPI report permitting comparison of business performance for up to 3 years for a selected group of growers.

Graphical (or charting) reports

These graphical reports for over 20 KPI's present all of the results for a selected individual or group of growers.

The benefit of presenting a graphical report is that it allows the presenting of all grower results and may in fact identify 'outliers', that is, growers who for a particular reason have unusual results. For example in the first year of the project it was identified some growers had experienced a very high level of losses due to disease and / or weather or that a grower was a new player to the industry and so production costs were high with no or limited harvest volumes being generated. The graphical reports that can be generated include:

1. Single grower.
2. Multiple growers.
3. Single Grower - Multiple Years.
4. Multiple Growers – Multiple Years

Industry Reports & Results Discussion

Please note that the data presented in the tables below represents the combined data from both Pacific and SRO producers, whether they be solely finished oyster producers, producers of ongrowers and finished oysters or just ongrowers. This contributes to significant variation in minimum and maximum figures in terms of production and costs and returns per hectare. Further, there are a number of growers who are participants this project who in 2007/08 experienced a difficult year in terms of having high production losses (flood and / or winter mortality or other). Also some growers in the sample were newly developing businesses and so whilst undertaking considerable expenditure had not received the benefit from product sales. This is why it is important to review the KPI graphs as they show all of the growers figures and so 'outliers' can be ignored.

Further, the figures presented are for a narrow 'snapshot in time', that is for the 12 months 2007/08. Seasonal conditions over a period of 12 months have a significant impact on business profitability. More accurate assessments of production and packing systems in particular will be gained if there is an opportunity to extend the project into Phase II with the collection of data over a minimum period of three years.

CDIPM must also stress that the participants in this project represent a sample of the oyster industry, with we estimate 15.6% of total Australian production covered in this report. We are also disappointed to report at this stage that the level of contribution from NSW was below expectations and which will be remedied in Phase II of the project if proceeded with.

As discussed previously this benchmarking program can be used to generate virtually any combination of valid reports depending on variations in key selection parameters (year, location, size, type of producer and species produced). We have not included for obvious reasons all of the permutations that are possible from this reporting function. We have only included the 'whole sample' output data.

Readers should note that the figures have been harmonised by CDIPM. CDIPM have also made provision for farm owners to be remunerated on commercial grounds whether or not that grower has in fact included such figures in their profit and loss statements.

Table 1 provides a summary of the financial key performance indicators for all of the grower contributors in 2007/08.

Table 1: Financial Key Performance Indicators for All Grower Contributors – 2007/08

Key Performance Indicator	Minimum	Maximum	Average
Total income (\$)			661,557
Total oyster sales (\$)			641,772
Total oyster sales per leased ha (\$/ha)	4,700	132,748	23,331
Total oyster sales per developed ha (\$/ha)	10,320	159,773	41,334
Total cost of goods sold (\$)			420,882
COGS per leased ha (\$/ha)	5,687	57,246	15,301
COGS per developed ha (\$/ha)	9,004	125,790	27,107
Gross profit (\$)			240,675
Gross profit per leased ha (\$/ha)	-3,622	81,842	8,750
Gross profit per developed ha (\$/ha)	-7,255	81,842	27,107
Gross profit margin (%)	-36.74	68.50	36.38
Total expenses (\$)			150,756
Total expenses per leased ha (\$/ha)	1,450	58,748	5,481
Total expenses per developed ha (\$/ha)	3,909	58,748	9,710
Net profit (\$)			89,919
Net profit per leased ha (\$/ha)	-19,170	30,534	5,791
Net profit per developed ha (\$/ha)	-31,950	30,534	5,791
Net profit margin (%)	-194.47	53.11	13.59
Total income per dozen (\$/doz)	0.45	16.36	3.59
Total oyster income per dozen (\$/doz)	0.43	15.52	3.48
COGS per dozen (\$/doz)	0.28	11.25	2.28
Expenses per dozen (\$/doz)	0.10	5.39	0.82

Key Performance Indicator	Minimum	Maximum	Average
Gross profit per dozen (\$/doz)	-2.64	8.02	1.30
Net profit per dozen (\$/doz)	-4.79	5.07	0.49
Licenses and lease fees per dozen (\$/doz)	0.00	1.67	0.10
R&M and replacements per dozen (\$/doz)	0.02	1.18	0.26
Spat cost per dozen (\$/doz)	0.00	3.82	0.43
Wages & on costs per dozen (\$/doz)	0.13	7.53	2.26

Key Messages from Data Report

- Average farm turnover of \$661k will be higher than the industry average as the very smallest of producers (mostly in NSW) are not generally receptive to this type of project. We therefore believe the average farm turnover to be lower than this.
- 60.2% of all the leases are developed, indicating significant capacity for future expansion if required.
- Average sales per developed equate to \$41,334 per ha.
- External parties when analysing businesses should be careful in making sure the sales figures relate to the \$ per leased or \$ per developed ha.
- The average gross profit margin is 36.38%.
- Net profit per developed ha of water is \$9,710. This is an important figure to consider when preparing financial budgets. On a per dozen basis the net profit return is \$0.49 per dozen.
- Net profit margin (Profit Before Tax) is 13.59% which is viewed as 'acceptable' by many rural financial observers.
- However, some growers had a net profit margin of 53.11% which is viewed as exceptional.
- Wages (owner and employees) represent \$2.26 per dozen (or 49.4% of the total costs of oyster production).
- Spat (the next highest cost) represents \$0.43 per dozen (or 14.% of the total costs of oyster production).

Table 2 provides a % breakdown of the costs of operating a oyster business from all the growers who contributed to the project, including the minimum and maximum %'s.

Table 2: % Cost Breakdown for All Grower Contributors – 2007/08

Net Cost Category	Minimum (% of Total Costs)	Maximum (% of Total Costs)	Average (% of Total Costs)
Administration	1.7	13.5	5.3
Consultant	0.0	4.9	0.7
D&A	2.4	11.8	3.6
Employment expenses	0.1	1.4	0.5
Finance	0.1	24.2	3.9
Fuel & oil	0.1	7.7	2.8
Hire of plant & equipment	0.0	1.4	0.1
Licenses & lease fees	0.0	18.7	3.2
Marketing	0.1	9.3	0.6
Miscellaneous	0.0	5.4	1.8
Processing	0.1	9.2	2.5
R&D and levies	0.0	6.9	0.3
R&M and replacements	0.6	19.9	8.4
Spat & ongrower	3.1	53.4	14.0
Taxation	0.1	3.2	0.2
Transport	0.1	10.7	2.8
Wages & on costs – owners	4.7	48.5	36.4
Wages & on costs – other workers	0.8	59.5	13.0
WQM	0.0	0.0	0.1
Total	100.0	100.0	100.0

Key Messages from Data Report

- Labour is the single most important cost in the operation of an oyster lease, representing 49.4% of total costs. This suggests an important consideration from a R&D perspective in terms of future focus. From a costs perspective (ignoring productivity gains from reduced production times / high stock turnover) growers should place the greatest emphasis on identifying strategies that have the potential to reduce costs. Phase II of this project will examine in far greater detail the economic performance of growers using traditional handling and processing systems for instance compared to newer technologies that have been used by some growers.
- Spat or the purchase of ongrowers represent 14.0% of all costs. Therefore strong improvements in economic performance are able to be achieved if growers are either able to reduce the turnoff time of stock (from say 24 months to 18 months for Pacifics) and / or reduce the level of stock mortalities. For instance if growers are able to reduce stock mortality by 20%, growers will achieve a 3.2% improvement in net margin. Therefore for an industry currently worth around \$100 million per annum to grower, a 20% gain in stock costs, equates to a net improvement in net margin of \$3.2 million per year.
- R&M and replacements represent 8.4% of all costs.
- In total the top four categories represent 77.1% of all costs.
- The qualitative reporting function of this project will enable growers to identify those activities and technologies used by growers in each of their respective businesses. The growers upon examination of the information presented will be able to identify those strategies in use by the 'best performing growers'. The mechanism whereby growers can approach CDIPM (in the interim) to seek access to other growers with consent is seen as a valuable communication tool which presents a great opportunity for the industry to move forward to best practice. Growers have commented that often the best R&D is conducted on a growers farm and so this benchmarking activity is seen as a valuable 'enabler' in allowing growers to move towards improving industry practice.

Table 3 provides a summary of the non- financial key performance indicators for all of the grower contributors in 2007/08

Table 3: Non-Financial Key Performance Indicators for All Grower Contributors – 2007/08

Non-Financial KPI	Minimum	Maximum	Average
Average dozens per leased ha (doz/ha)			6,701
Average dozens per developed ha (doz/ha)			11,126
Average dozens per man hour (doz/hr)			13.6
Average sales revenue per FTE (\$/FTE)			78,953
Average costs per FTE (\$/FTE)			70,325
Total production (doz)			189,280
Total Pacific production (doz)			166,168
Total production of Finished pacific oysters (doz)			97,516
Pacific – Finished production - % Apertif			0.3
Pacific – Finished production - % Bistro			15.1
Pacific – Finished production - % Buffet / Plate			55.3
Pacific – Finished production - % Standard			24.8
Pacific – Finished production - % Large			3.9
Pacific – Finished production - % Jumbo			0.6
Pacific – Finished production - % Super Jumbo			0.0
SRO – Finished production - % Cocktail			6.0
SRO – Finished production - % Bottle			51.4
SRO – Finished production - % Bistro			27.8
SRO – Finished production - % Plate			14.3

Non-Financial KPI	Minimum	Maximum	Average
			0.5
Total leased hectares (ha)	3.7	92.5	28.2
Total developed hectares (ha)	3.0	83.0	17.0
Dozens per leased hectare (doz/ha)	506	92,572	6,701
Dozens per developed hectare (doz/ha)	1,906	296,033	11,126
Dozens per man hour (doz/hr)	3.2	175.7	13.6
Oyster sales revenue per FTE (\$/FTE)	29,930	186,401	78,953
Oyster costs per FTE (\$/FTE)	48,438	244,327	70,325

Key Messages from Data Report

- Labour productivity is not a measure that growers have typically used as a business management KPI. The growers contributing to this study have identified this now as one of the most important areas for future investigation, particularly given the significance that labour costs have in the operation of a farm. The bottom five rows of Table 3 provide five different labour productivity ratios.
- By comparing labour productivity figures growers are better able to reliably assess the cost advantages by changing from one production technology to another using these labour productivity figures. Phase II of this project will examine in far greater detail the economic performance of growers using traditional handling and processing systems compared to newer technologies.
- This table presents the average 'size' of oyster that is grown for both Pacifics and SRO. Initial analysis (shown separately) shows that Pacific growers who produce a larger average sized oyster has an improved level of net profit (in % terms) to those that don't. The sample size for SRO does not allow this analysis to occur due to insufficient contributors.
- Only 60% of the leases owned by growers are currently developed. This figures suggests considerable expansion potential amongst existing leases.
- The average size of the growers lease in the sample is 28.2 ha with 17.0 hectares developed.

- Average production per developed ha is 11,126 dozen. Please note this includes ongrowers and so the production of finished oysters would be lower than this figure. Of course this program is able to run a separate report for just finished oyster growers.
- The remaining KPI's are highly effective budgeting tools.

Another method used by CDIPM to present the data is view graphical formats. The benchmarking software has the ability to present over 20 KPI reports in graphical formats to growers. The benefits of this reporting method is that the grower gets to see their performance against every other grower, not just the minimum, maximum and average. CDIPM in this document won't present all of the graphical reports as again the variation in potential report selections is extensive.

Examples of Relevant Farm Management Reports

In Figures 3 to 7 there exist a variety of farm management reports that are able to be generated from the data. As stressed before these figures only relate to a single 12 month period and so will be subject to seasonal variations etc which will have a significant impact on where a grower is seen to be performing.

This report does not present all of the reports that can be generated as they are extensive in number and subject to the enormous number of permutations that do exist.

Figure 3 demonstrates the average net margin (as a % of total revenue) for all oyster growers. By having a graphical format it is obvious that the bottom 6 farms may have some issues in terms of operations (eg weather) or that the company is in an establishment phase. Therefore the 'true' net profit margin as calculated in the tables above may in fact be skewed. CDIPM considers strongly that graphical formats such as this are a strong tool to use when reporting benchmarking results.

All Pacific growers have received 18 graphical data reports with SRO growers to receive theirs within the next 10 days.

Figure 3: Net Profit Margin for Oyster Growers

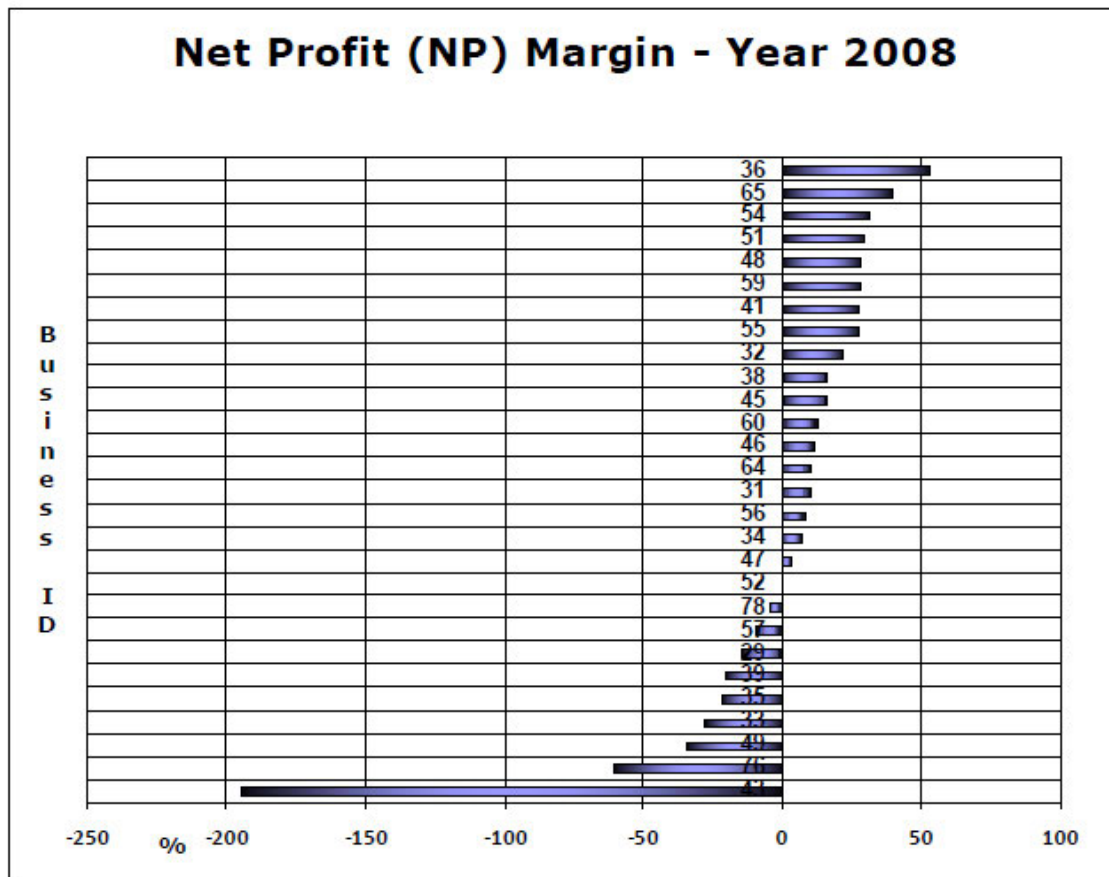


Figure 4 demonstrates the average costs to operate an oyster farm when examined across all growers and all species in the sample.

Figure 4: % Costs to operate an Oyster Farm – All Sample Farms – SRO and Pacific

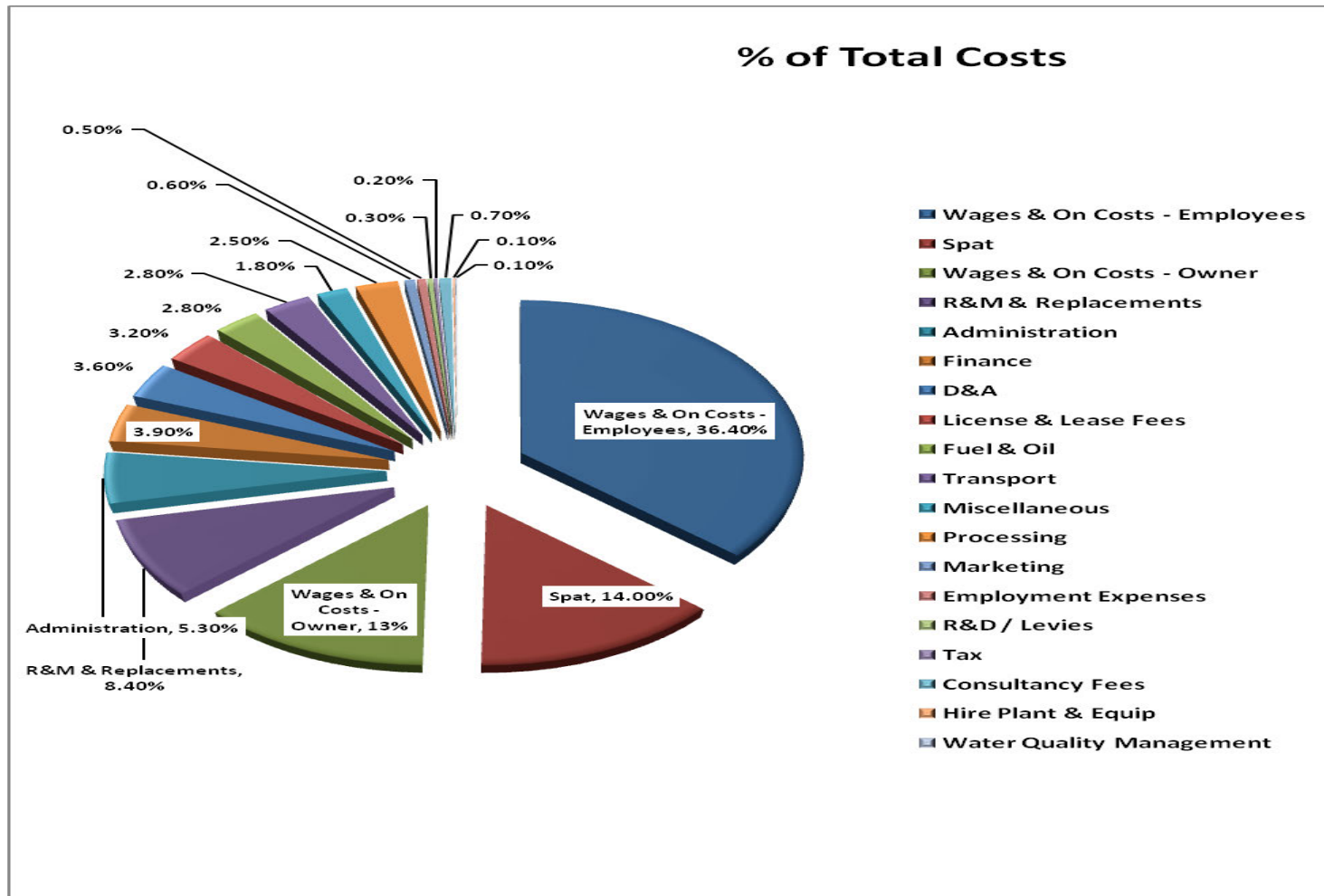


Figure 5 allows one grower to compare how his/her size distribution of harvest compares with the industry average.

Figure 5: Size Distribution of Harvest from One Grower compared with the Industry Average

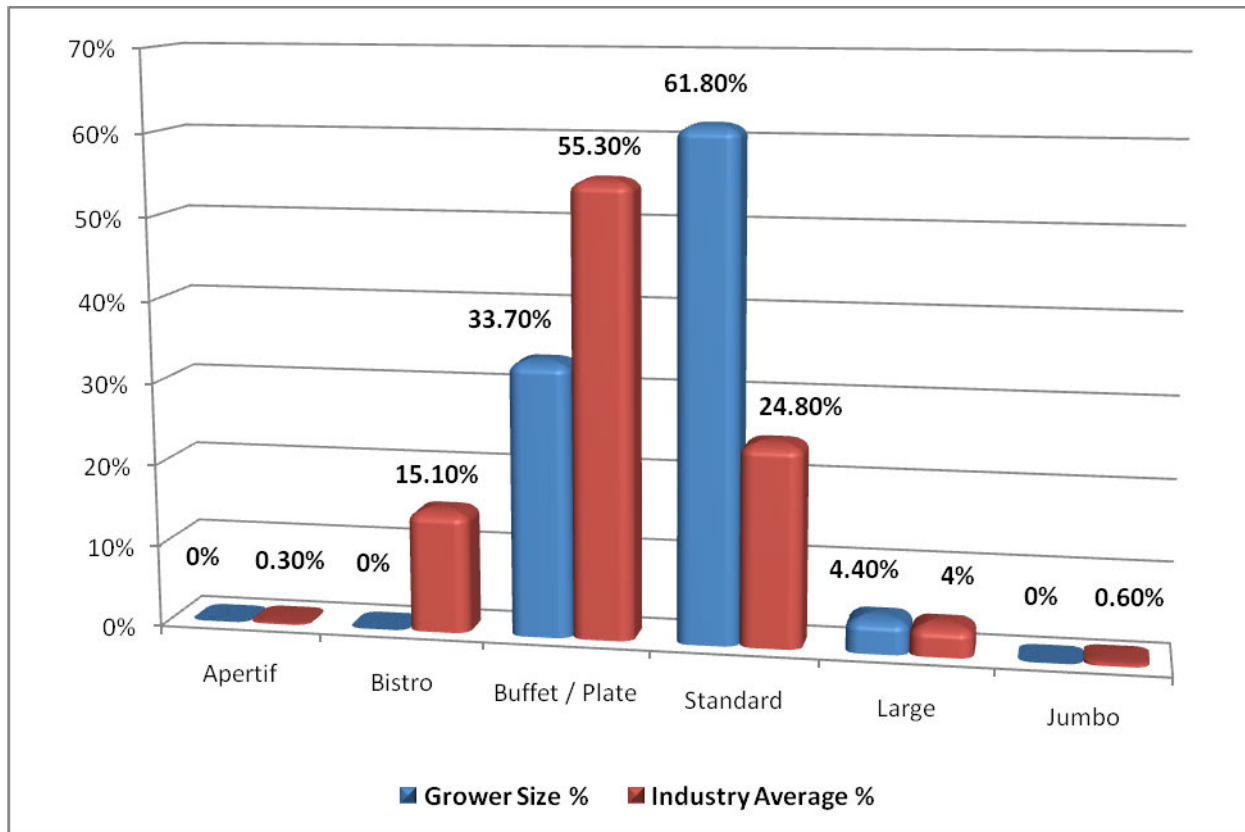


Figure 6 demonstrates the variation in profitability for Pacific oyster growers in 2007/2008. The figures that in terms of gross profit there is little variation between the largest growers and medium sized growers, with smaller growers performing less well.

Figure 6: % Gross Profit for Pacific Oyster Growers.

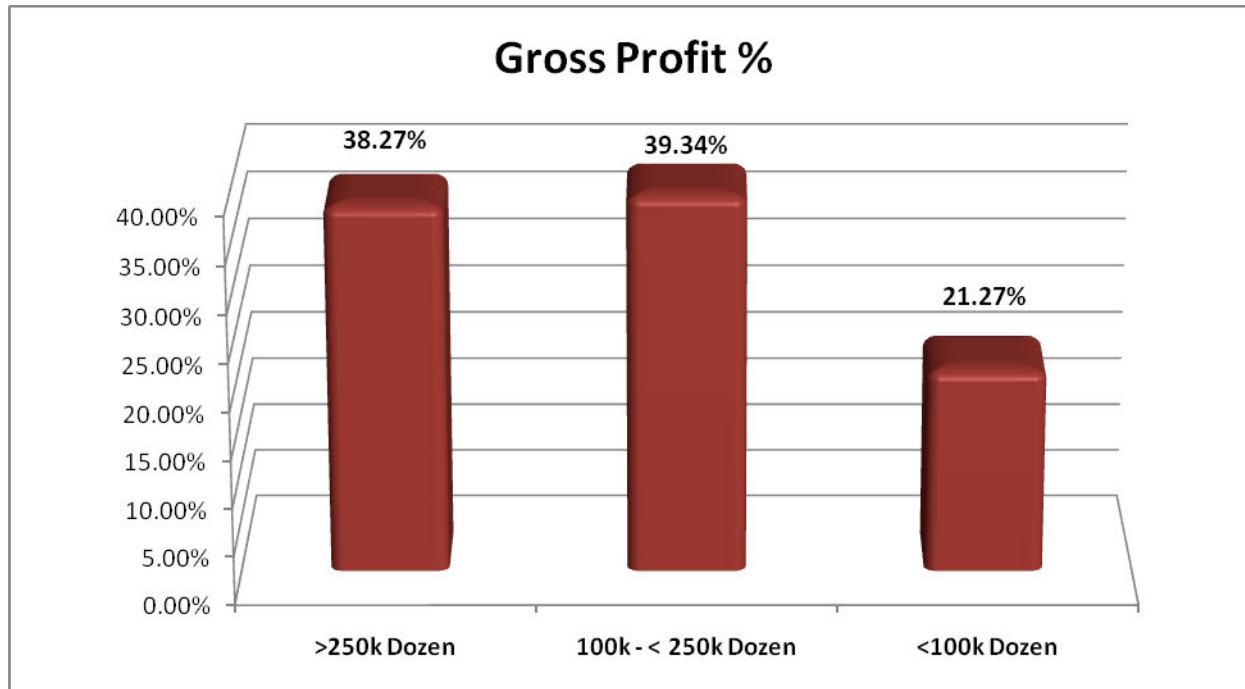
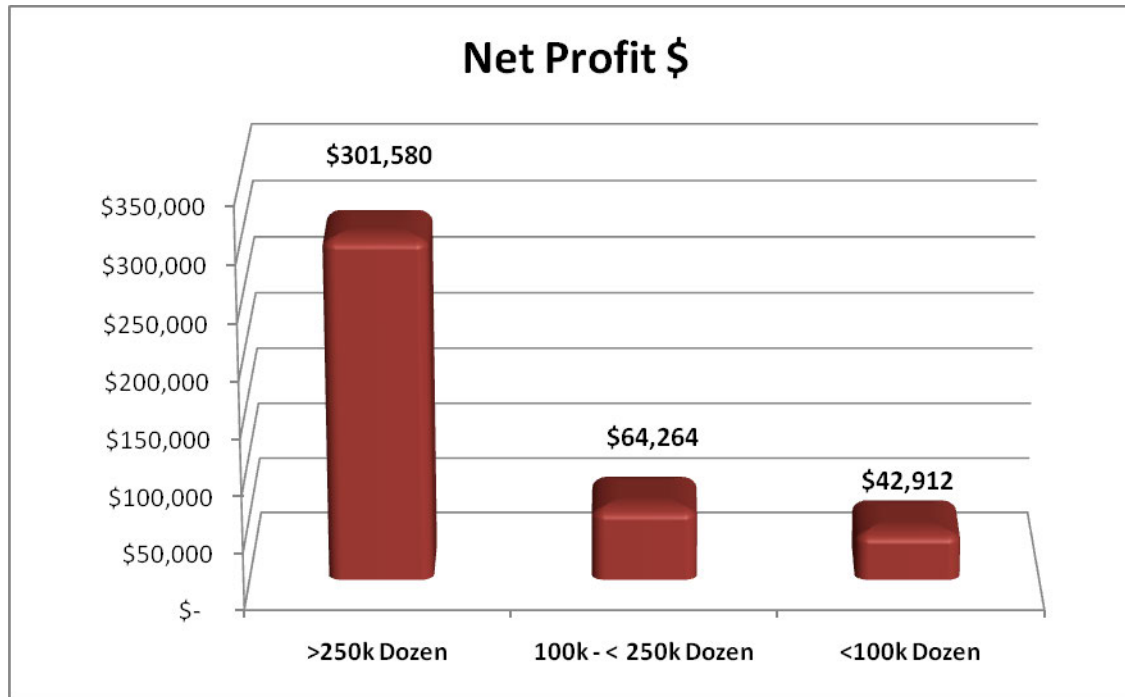


Figure 7 demonstrates the variation in profitability for Pacific oyster growers in 2007/2008. The figures that in terms of net profit there is considerable variation the largest growers and medium and smaller sized growers. The explanation when compared with Figure 5 is that smaller growers have a higher level of overhead to 'spread' across smaller production volumes. .

Figure 7: Net Profit for Pacific Oyster Growers.



CDIPM only closed off the SRO data analysis within the last 7 days of completing this report. CDIPM will continue to compile a variety of this important farm management and industry reports during the early stages of Phase II of the project.

Benefits and Adoption

This project should in the opinion of CDIPM be viewed as an 'Enabler Project'. This project provides participant growers with the tools to identify production, packaging and marketing practices being used by other growers. Growers will have the ability to identify those practices which in their opinion will benefit their business.

These growers are able to compare their business costs and returns with other growers to highlight those areas which should be the focus of identifying improved practices (eg labour costs, spat costs).

Further, these same growers will be able to compare their operational efficiency based on a series of non-financial key performance indicators. (eg labour use per ha).

And finally all participant growers will receive have or will soon receive a complete qualitative data report highlighting the business practices of each grower associated with the project. This data will be confidential to growers who are project participants.

This project will have NO direct benefit to growers unless it the data presented actually results in changed and / or improved business practices. Given the high degree of interest associated with this project during the development and follow up phases CDIPM are confident that significant use and adoption of the project findings will result. Phase II of the project will be able to evaluate how growers are performing over a period of three years with the expectation being that improved business performance will directly correlate to improved farm profitability.

The potential benefit to industry is three-fold:

1. Targeted R&D planning for projects that have the potential to generate the greatest commercial and industry benefit.
2. Development of a tool to assess in commercial terms the adoption of R&D conducted by industry.
3. Greater certainty that industry performance information used in communication to other parties (eg financiers, government) is representative of a broad industry sample.

Further Development

The extension of the project results will be undertaken via a variety of methods.

Each of the participants will or have received the following:

1. Individual Grower Financial Benchmarking Report.
2. Individual Grower Non-Financial Benchmarking Report.
3. Selected KPI Graphs for Growers (selected or whole of group).
4. Quantitative Comparative Data Reports (selected or whole of group).

Industry 'average' data including high and low ranges for each relevant KPI, in association with key results and conclusions from the research project will be presented via a series of grower fields days. The dates and locations for these events will be:

Tasmania (St. Helens)

10/11th Sept

SA (Stansbury) 16/17th Sept

NSW (3 locations TBC) Dates TBC

Key messages will also be disseminated via Seafood News via the mobile phone project which is currently underway.

Via the extensive discussion amongst growers and workshops already conducted by CDIPM, the consultants have been approached on numerous occasions by parties (eg. Government, investor groups and seafood industry participants from other sectors) to provide results from this research project. This information has been made available where not commercially sensitive.

The Seafood CRC currently has a request from the Oyster CRC to extend this benchmarking project for another two years. During this period of time growers at various stages will be requested to contribute financially to the cost of running the project. The expectation is that after Year 3 of the project if it continues that it has the capability to be self funding by growers.

Planned Outcomes

At the commencement of the project there were three planned outcomes from the project. These planned outcomes are presented below with associated commentary in italics how with the completion of this project these outcomes have been met.

1. From a minimum of 30 oyster growers, a detailed comparative analysis of the production, processing and marketing strategies and technologies in use by them.

Each of the 32 growers who have provided complete information (others are still pending) has or is in the process of receiving a detailed series of reports including:

- a) *Individual Growers Report – Financial.*
- b) *Individual Growers Report – Non-Financial.*
- c) *Industry KPI Graphs.*
- d) *Quantitative Comparative Data Reports (selected or whole of group).*

2. A Software Program tentatively entitled “OysterBM” (written in Microsoft Access) that will provide the platform for the compilation and reporting of the comparative analysis relating to production, processing and marketing strategies and technologies in use by oyster growers. This analysis will initially be for a single financial year. OysterBM will be expandable, allowing for the entry and analysis of data for an indefinite period.

This report demonstrated the existence in the Results / Discussion section the existence of the software program.

3. A Benchmarking Report that includes information on key performance indicators from selected growers, including ranges and rankings of growers (anonymously), discussion on trends and observations resulting from the consultations and recommendations that may relate to additional research that may be required by the industry

This report demonstrates the findings of this project. Further, the project results will be demonstrated to industry via the methods discussed in the section “Benefits & Adoption”.

The Seafood CRC is currently assessing an application for extension of the existing project for a further two years. By undertaking this project for a total of three years the project will be able to deliver or show:

1. Trends in individual business performance indicative of changed or altered business practices.
2. Trends or changes in industry business performance.
3. An assessment tool to measure the impact of other R&D projects on business income.
4. A databank of commercial information which can be delivered to others with a high degree of accuracy.

Conclusion

The core project objectives were and our assessment of progress against these objectives are:

1. Develop a quantitative and qualitative software benchmarking tool for ongoing use by the Australian oyster industry – COMPLETED IN FULL.
2. Collect, analyse and report on, using the software tool on key production & marketing practices as well as individual business financial performance within the oyster growing sector – COMPLETED IN FULL.
3. Provide recommendations to the growing sector on key areas of focus for R&D activities in future - COMPLETED IN FULL.

All Pacific growers have received the reports as detailed in this report. All SRO growers will receive their reports within the next 10 days.

3. Samantha Meara, Editor, CDI Pinnacle Management Pty Ltd.

References

No references cited.

Intellectual Property

An Access Database Program entitled “Australian Oyster Benchmarking” v0.59 is the primary IP that has been developed from this project.

This program is currently held by the CDIPM until a suitably qualified program manager is retained by the Oyster Consortium for its ongoing management.

A Users Manual has also been developed to provide instruction to the program manager when retained.

All the individual grower data contained within the program is to remain confidential. Therefore CDIPM would request that when the Oyster Consortium retains an appropriately qualified person that the relevant confidentiality agreements be put into place. CDIPM would argue strongly against an existing grower or associates of same being retained for the ongoing management of the program, as other growers will see this as a breach of confidentiality by CDIPM and others.

Staff

The parties who undertook this project included:

1. Shane Comiskey, Project Leader, Director, CDI Pinnacle Management Pty Ltd.
2. Howard Hall, Director CDI Pinnacle Management Pty Ltd.