

A head for business

Reporter: Tim Lee
ABC Landline 14/07/01

There's a new heir apparent to the title of Australia's biggest beef baron. He's young, energetic and carries a famous surname.

"Peter is a man who spent some considerable time working in international markets, he's run several of his own companies successfully, I think the financial expertise that he has, he's a guy who clearly has vision for this business and all of us that are working with him in this operation are excited by what we can see that can occur, so I think Peter will be a very good thing for the beef industry. Enthusiasm, vision, experience for someone whose only in his thirties, they're the key things," Don Mackay, General Manager AA Co, said.

Late last year Peter Holmes a Court became the Chief Executive Officer of the Australian Agricultural Company. With 380,000 cattle on 19 properties in Queensland and the Northern Territory, AA Co is the nation's second largest cattle producer and the third largest landholder.

Its 6.5 million hectares equates to one per cent of Australia's landmass. And it plans to be the biggest. AA Co wants 1 million cattle by 2004.

"We want to ensure there's all year supply of beef. It comes back to 100 million kilograms of dressed weight beef, which is a turn off of about 440,000 head of cattle a year. Ends up being a herd of about 1.1 million animals. But it's not about having a million head of cattle so we can put six zeros behind a one, it's about backing a product that we can say that we can reasonably say we can get to the market 365 days a year," Peter Holmes a Court said.

To some, 1 million head of cattle within three years is unrealistic. But the omens are good.

Brunette Down's is 450 kilometres west of Mount Isa. With 12,000 square kilometres of Mitchell and Flinders grass, it's the NT's largest pastoral lease and the jewel in AA Co's crown.

It's the dry season in the Top End, but Brunette's vast inland lake system is brimming. The wet season just past was exceptionally good, bringing life in abundance.

"It's been an excellent wet season, it's been the biggest, highest rainfall since 1974," Geoff Wagstaff, Manager "Brunette Downs" said.

The station's 70,000 cattle are sleek and content.

"That means our weight gains and production and calving per centages will be as good as they've been for a long time, our cattle turn-off weights will be excellent, which they have been already this year, they've continued to put on weight, even though the year's progressing," Geoff said.

The dust is also flying sixteen kilometres away. The annual Barkly Tablelands picnic races are being held on neighbouring Alexandria Downs. For the jackaroos and jillaroos, the three hectic

days of racing, camp drafting and socialising are a welcome break from station life.

There's a fierce but friendly rivalry among the competitors. These highly prized skills also carry a prestige.

With cattle prices at their highest in years, AA Co's expansion plans will likely face stiff competition from the other big cattle producers.

"I think all companies have to expand to stay alive, if you stay the same size well there's problems, certainly the company I work for is looking for country again, not in the same amount that Stanbroke or AA are, but it's certainly healthy for a company to keep expanding," Ross Peatling of Northern Australian Cattle, said.

There's talk here of AA Co's ambitious plans and some scepticism that it will be able expand its herd to the 1 million so rapidly. But all agree the current buoyant prices bode well.

"Well I'm no economist but I've been told they should be very good for the next twelve to eighteen months, but it depends very much on the value of the Australian dollar," Ross said.

"I think it's a very good time for us to expand, I think we have to expand and we have to control more of the value chain beyond the farm gate, because we know where prices are today, we can see what the trends are in the future, the strong price that we're seeing is estimated to continue into the medium term and the condition and season on most of our properties is good, that's not the time to sit back and relax, but to expand, both to smooth your cash flows and get control of your product beyond the farm gate," Peter Holmes a Court said.

AA Co is owned by pastoral and merchandising house Elders, which is in turn owned by Alan Newman's Futuris Corporation. Futuris wants to sell sixty per cent of its stake in AA Co to investors. AA Co wants to buy more cattle stations close to its current holdings, so its expansion plans hinge on institutions, small investors and Futuris shareholders buying up the 120 million shares on offer.

"There is no surplus capacity on our existing properties so we'll be working towards acquisitions, potential mergers and that sort of thing as they come along, we're not doing that at the moment, we're operating the business as it is, we're looking, searching around for opportunities and as they come along we'll be starting to review them, assess them and see what we can do," Don Mackay said.

After 16 years, half his lifetime abroad, former New York merchant banker, Peter Holmes a Court has returned home to make his own mark in business. Last year he sold his interests in theatres and television production in the USA and U.K. The beef business is now firmly on his horizon.

"It has been reported that I'll be investing between \$15 million and \$20 million in the business and I'm doing that because I happen to think it's a good investment, I happen to think the company's got very strong assets," Peter said.

He says that he's not particularly looking for investors who are backing him because of his funny last name, but he concedes his business pedigree brings a burden of expectation.

"I would be a rhinoceros if I didn't feel the pressure, you have to have steel skin not to feel some of the attention, however I've lived out of Australia for 16 years as much out of Australia as in Australia, in America where the Holmes a Court name was nothing other than something that's difficult for people to spell and hasn't been a big part of my life," Holmes a Court said.

But the grief that accompanied the premature death of his tycoon father Robert, Australia's most adroit corporate raider is still apparent.

"We became shareholders overnight in 1990 when father had a heart attack, that's not a real way to get shareholders together for form a support base for a company," Peter said.

Peter Holmes a Court says he's always had a love of the land and dreamed of raising cattle. Last year he divested himself from the family company Heytesbury Holdings, run by his mother Janet, now Australia's seventh largest cattle producer.

"I was a shareholder in a family company and the best way to have a set of normal family relationships is not to be in a family company together because then business issues drive into personal issues which is not the way it should be," Peter said.

Peter's younger brother Paul has just become chief executive of Heytesbury Holdings and the finance journalists are salivating over the apparent sibling rivalry.

Not so says Peter Holmes a Court.

"We don't see ourselves as being in competition with other producers".

"I know people scratch their heads and say why cattle? For me it was so obvious, it was an opportunity to go into a sector that has been largely overlooked, if you look at where capital's gone over the last five to ten years, it's run to media, telecommunications and the Internet and not a lot of it has run to producing the food that is going to feed the world that is expanding in population," Peter Holmes a Court said.

"The real advances that have occurred up in this part of the world have been the introduction of new breeds and we have the ability to run cattle up here that look just like cattle that you see down south, and that's a fantastic opportunity for us to get that meat quality off these conditions and that cost structure is a fantastic opportunity for us, so I couldn't be more excited about it," Peter said.

Science and technology underpin AA Co's management, along with the elite genetics, identify every animal by a microchip ear tag. In recent years the company's sheer size has allowed efficiency gains.

"We've improved our cattle handling facilities, mainly I'd say the use of helicopter mustering and the use of other technologies, the weighing of all our cattle, the communications have definitely improved with the use of satellite communications, we have at the moment, so there's been a series of things, but I'd say they'd be the main ones," Geoff Wagstaff said.

It's a world away from the company's origins. Formed by an Act of British Parliament, AA Co, Australia's second oldest company, had an audacious beginning in the fledgling colony.

"In 1825 two boatloads of people set sail to Australia with 40 men and 30 women and a bunch of sheep, a bunch of cattle and a bunch of horses with a grant for a million acres to go and create this agricultural company and they turned up in Sydney Harbour said 'Hello, we're here and we have a grant from the King and we want some convicts please,' and the struggling colony said 'you've got to be kidding' and it started from there and grew from just 12 head of cattle and it grew from there to the 380,000 head we have today over 177 very colourful and productive years," Peter Holmes a Court said.

Holmes a Court believes the launch earlier this month of AA Co's share prospectus, more than writes another illustrious chapter; it signals a new era in Australia's beef industry. Flanked by a symbolic, 1100-kilogram bull, there were a few last minute, financial hiccups on the way to the Stock Exchange.

The future plan is for AA Co branded products on supermarket shelves. Eventually Holmes a Court aims to build a billion dollar beef conglomerate, the world's largest, based on clean and green beef able to be supplied all year round. Most analysts believe the big institutions will not find beef a tempting investment. He'll clearly also need overseas investors.

"We start a three-week road show that hits every major city in Australia, then we go international, we go through Asia, we go through Europe and then we come back to Australia and the listing occurs sometime in early August," Peter said.

"I'd like to think that in various forms we'll have our product branded, whether it's retail brands that you might buy in a supermarket or a butcher's shop, or whether it's an ingredient brand, I think it'll be a combination of all those things, it will include our involvement in live export as well, you might say where's the branding? But our product in countries like Indonesia and the Philippines is well known, the brand AA Co is a valuable thing, so that's where we'll end up and we'll be seen as a vibrant Australian food company," Don Mackay said.

Does this mean a new era in beef marketing?

"We're looking at the growth in prepared meat meals and increased convenience and the way beef is delivered to consumers, we're looking at the first signs of a per capita rise in beef consumption in the US in 20 years," Peter said.

In recent weeks Holmes a Court has been seeking to acquire more holdings in discussions with all the cattle industry's major players, including Kerry Packer's Consolidated Pastoral.

This venture could make or ruin his corporate business reputation. He's says it's more than a calculated punt, in racing parlance, a safe bet.

"I think it's going to be a great thing for the company, I've been with AA CO for quite a number of years and we were a public company when I started and things change throughout the time and now we're going back to where we were," Geoff Wagstaff said.

The fresh face and enthusiasm that Peter brings couldn't have come at a better time. In terms of the season and current cattle-prices, the timing is spot-on and everyone is looking forward to what the future brings. This trend indicates that people are really starting to change their ideas of beef.