

## Business Growth through Outsourcing:

A combination of all the below outsourcing techniques will enable the business to meet current demands for Blackmore Wagyu Beef.

### Introduction

Our business aim is 'to become the benchmark for beef quality in the world'. Already American gourmet food articles are asking 'how do other brands compare to Blackmore Wagyu?' Blackmore Holdings Ltd is a family owned, fully integrated beef production and marketing company that continuously asks 'how can outsourcing grow our business?'

The company infrastructure is based on owning only 250 acres of farmland, recently purchased to enhance the business and lifestyle. It is an irrigation farm that ensures the business against tough seasons and allows for a lifestyle situated on 2kms of river frontage and lined by 400-year-old river red gums. Our 2,000 head of cattle are on leased farms or being custom fed. There are currently 4 fulltime staff members, 1 apprentice, 1 part-timer, and 3 contractors.

Prior to 02/03 our business consisted of sourcing genetics, experimenting with cattle management, feeding and marketing internationally. The business started with 12 head of cattle on feed in a government owned research farm, but paid commercial rates. Profits from the 12 head allowed expansion to 24, 24 become 48 and so on. These cattle were Wagyu infused and both the numbers and the Wagyu infusion increased until we owned 1,200 crossbred breeders. The beef was marketed solely to the largest meat company in Japan.

Marketing to one buyer left the business exposed to market fluctuations when an outbreak of B.S.E (Mad Cow Disease) and a labelling scandal rocked the Japanese beef industry. The Japanese buyer was offering a reduced price for our product, previously set by our business. We held our price, occasionally resulting in keeping cattle on feed for an extra month, but new buyers were found. In doing so it was discovered that the best quality always achieved a premium price and was easier to sell.

This also coincided with Australia's worst drought in many years and selling breeding cattle become difficult. The business approach had to change, so the breeding herd was turned into recipients/surrogate and impregnated with embryos from our 100% Fullblood Wagyu stud. This stud herd had previously only been used to produce breeding bulls for the program. The business was now breeding pure 100% Wagyu cattle.

Our 100% Wagyu beef is considered the best in the world outside of Japan. The business currently exports to six different countries and to the premium restaurant market in Melbourne and Sydney. The best quality cuts sell in Melbourne butcher shops (including David Jones) in excess of \$170/kg. Every U.S. and Australian restaurant on the Michelin world rated 'top 10 list' serves our beef. The highest profile restaurant chain in Korea has an exclusivity agreement with our company. Our customers in Taiwan and Hong Kong are happier with our beef than what they previously sourced from Japan. Our beef is featured in newspaper and magazines in all the countries we supply. The company profile is important to our business. The product is at the

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top end of the market, and all promotional material reflects this high quality. Our brand and logo is always included and our distributors have a ready supply of necessary information explaining our product.

The downside of producing the best Wagyu beef outside of Japan is that the business cannot grow quickly enough to supply enough beef to meet the demand. The next business aim is to expand the amount of supply and expand quickly. Our business has identified and begun implementing five areas for expansion through the ability to outsource; keeping in mind that it takes 3 and half years to go from embryo to carcass.

## **Contracting beef farmers**

The business has contracted beef farmers to impregnate their herds with embryos supplied from our stud. The farmers raise the resultant calf, which our business purchases for a premium price ready to enter the feedlot. The outsourcing alleviates the business from owning or leasing land, employing staff, buying machinery and equipment, owning recipient cattle, calving, management, seasonal conditions and price fluctuations.

## **Contracting an embryo transfer centre**

By taking our own donor breeding cattle and semen to an embryo transfer centre, the problems of employing the expertise to produce the embryos, controlling the management of contracting farmers and coordinating the logistics to deliver the calves directly to the feedlot, have been solved.

## **Contracting a feedlot**

A feedlot has been contracted to custom feed and delivers the cattle to the abattoirs. The beef distributors liaise directly with the abattoirs to provide specifications around slaughtering, cut, packaging and delivery requirements. Confidentiality agreements, established guidelines, standard operating procedures, critical check points and quality assurance systems have been put in place across all parties involved. It's believed that this system, can increase the number of cattle on feed at a sustainable and affordable rate from 500 to 5,000 within 5 years.

## **Contracting Wagyu producers**

Wagyu producers have been contracted to produce cattle based on our genetic guidelines and management procedures to be included in the feedlot program. Once the cattle are introduced into the feedlot, they are integrated with our own cattle and feed our secret ration. This produces cattle identical to our own, which are then marketed under our Blackmore Wagyu Beef brand. The Wagyu producer retains ownership of the cattle and pays all feedlot expenditures up until the point of sale. The business retains a consultancy/marketing fee, while the Wagyu producer receives the premium price. Recent results from this trial indicated that cattle numbers available for marketing will be increase a further 5,000 head to total 10,000 within 8 years.

## **Contracting distributor**

The business has negotiated a new contracting arrangement with our U.S. beef distributor who has the additional responsibility for marketing to Taiwan, Hong Kong and China. This adds value to our price by allowing different cuts to be sent to different countries, instead of finding one country to take the whole carcass. The business therefore gets a premium price for all cuts. It is not uncommon to have parts of a carcass sold in 7 different countries.

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A combination of all the above outsourcing techniques will enable the business to meet current demands for Blackmore Wagyu Beef.

After attending the Rabobank EDP I discovered that our business was fairly unique in that we did not expand through buying land, infrastructure, equipment or cattle, but instead utilising the concept of outsourcing. Our business has been practicing most of the above outsourcing methods for many years, but it was the management principles covered at EDP that made me as a business owner, realise that I could improve the business further. The business has begun to focus more on areas such as leadership, farm business management, business strategy, succession planning and work life balance.

The leadership section helped me to evaluate my strengths and weaknesses and to also understand the makeup of my staff members. Communication has been a key factor in improving my expectations and realising that everyone doesn't see and interpret things the same way I do. Developing on the individual strengths of each staff member has resulted in extra responsibilities and challenges, which they have met admirably. We have excellent staff members and have identified the need to offer further business opportunities to retain their expertise and training. Being able to delegate more duties on the farm allows me to focus on improving our outsourcing, which is vital to the success of our future growth.

The business management section has always been discussed and expressed among the family as a great concern. I am constantly being told that everything about the business is only located in 'my head'. Over the last year, great lengths have been adopted to start documenting all farm, genetic, feedlot and carcass information into online formats. We have started documenting guidelines, operating procedures, check points, and enhanced quality assurance across all processes. Investigation into the unsuitability of the available cattle data software resulted in the development of our own system. Luckily we have these skills within the family and hope to have a working prototype within the year. The conference has identified the need to formalise all the workings of our business.

Providing more focus to our business strategy has led us to consider what legacy we want to leave for the next generation. Questions have arisen about how to expand the business while maintaining competitive sustainability and whether we want to consider wealth creation for just my wife and myself or for the whole family. Even though these questions help to define our business strategy, they are currently being discussed during the succession planning meetings.

Our children are not interested in being farmers, but due to the restructure of the business through outsourcing, new business prospects have been created that incorporate their skills. Succession planning was an area that has never been formalised within our business, but meetings have already begun since the conference. We now know which members of the family are interested in our business and are still understanding which areas they may want to contribute. The process has been interesting and surprising to all.

The importance of a work life balance has really hit home in the last couple of years. Our business expansion has made many business areas more demanding and complex, resulting in the employment of a part time book keeper and more farm hands. EDP also encouraged us to consider lifestyle priorities, so we have taken our first month long break in many years and are headed to Europe. Our business will survive without us.

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I have only discussed five areas covered at EDP, but there is no doubt that all aspects have been beneficial. I realise that in order to continue to grow our business and be successful, the business, staff and I can apply many more principles, theories and ideas. I believe that over the years I have been exposed to most of the concepts covered, but EDP provided a more formal approach and terminology inline with today's business world. I will be able to keep up with my business trained children who are always talking this language to me. It has shown me how to enhance our business management, and new processes have either been implemented or are being considered. It has put into perspective how to achieve controlled and sustainable growth. It will be up to the next generation to implement further expansion. I can only hope I will be needed for some expertise and guidance!

ARTICLE: DAVID BLACKMORE (RABOBANK REPORT - MAY 16<sup>TH</sup> 2006)