North Queensland Beef and Cattle Exporters
Information Memorandum

Tablelands Beef Australia
All photographs are taken by Jim Davidson only on his properties and cattle.
Executive Summary

North Queensland Cattle and Beef Exporters has prepared this Information Memorandum for potential investors as a road-map of its very bright future. NQCBE invites investors to consider contribution towards the capital requirement (est. $39.5 million) for its expansion, and to take equity in what will be a large scale integrated business exporting 100,000kg of beef daily to China and alternative markets.

Funds raised will be used to:

- buy a large feedlot at Mareeba, near Cairns, including 15,731 acre station ($A10,038,533)
- increase the cattle herd, initial operating costs and additional feedlot infrastructure
- interim meat processing and beef export accreditation costs, and
- construct an integrated meatworks on NQCBE land with most equipment sourced from China.

NQCBE’s objective is to provide the China market with certainty of supply of high quality pure Australian beef grown in a “natural grass-fed style”. It will be ‘the largest cattle and beef enterprise north of Townsville’ with grazing and cropping land, 36,000 cattle herd, and a 30,000 head capacity feedlot at Mareeba. The state-of-the-art meatworks will complete the integrated business. The company’s plans and actions are built upon a commitment to healthy living, and being a ‘zero footprint downstream’ enterprise.

NQCBE’s business plan covers supply of cattle, labour and water; and demand from consumers for beef and access to them through buyer quotas:

- NQCBE sole director owner Jim Davidson has commenced action to integrate sub-projects needed by NQCBE. He plans to transfer title of seven rural properties (9,482 acres) he runs which are valued at $A11,270,000 into NQCBE. He offers himself and key staff to continue to manage the supply side of NQCBE’s projects and cattle operations.

- An investor who has the Chinese connections to handle the demand side in China and potentially alternate overseas beef markets, and/or the equipment/expertise for installation of the meatworks, will enable NQCBE to complete its ambition and ensure this is a mutually profitable enterprise.

NQCBE welcomes interested investors in the Australian agribusiness and food sectors to assess the opportunity first-hand, and to contact Jim Davidson to arrange a suitable time soon to visit the Atherton Tablelands near Cairns and meet the owner and his advisers.

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Introduction

North Queensland Beef and Cattle Exporters has prepared this Information Memorandum for potential investors as a road-map of its very bright future. NQCBE invites investors to consider contribution towards the capital requirement (est. $39.5 million) for its expansion, and to take equity in what will be a large scale integrated business exporting 100,000kg of beef daily to China and alternative markets.

Business Profile

Business Description

Owner Jim Davidson formerly owned and operated a large scale horticultural enterprise in Ireland selling vegetables and flowers to European markets for more than 30 years. Jim understands NQCBE needs to be a large scale enterprise too.

Beginning with a financial investor / partner, NQCBE will expand in 2010-14 to become a very significant cattle fattening business with purchase of a fully-functional feedlot for finishing and delivery of cattle to an export-accredited meatworks.

| Buy cattle | Fatten own herd + Agistment cattle | Export-accredited meatworks |

Fig. 1: Overview of the business flow using own grazing and cropping land, feedlot, transport and meatworks

Land

Prior to implementing this plan, the business has been conducted using rural properties on the Atherton Tablelands held individually by Jim Davidson. He has operated the business as an integrated livestock-crop farming system for grass-fed cattle production.

Jim plans to transfer title of seven rural properties (9,482 acres) into NQCBE. The proposed land use by NQCBE is grazing, finishing and crop production. The feedlot and associated station purchase (next page) will add significant acreage to the land pool for grazing, finishing and cropping.

The properties have water allocation or adequate rainfall for expected use and requirements. Land holdings range from undulating areas ideal for free range grazing to flat land suited best to cropping. See Fig. 2 and 3.

Feedlot

In Yr1 NQCBE will buy an existing large scale feedlot on 1,535 acres of land, with 15,731 acres of adjacent station grazing land, and a separately titled small acreage suited to cropping. The feedlot will be used to fatten NQCBE cattle and may take in other cattle to optimize its efficiency.

Fig. 2: The Rain Farm – lush tropical grazing

Fig. 3: Millstream - yarding cattle
The main benefit of freehold over the more traditional leasehold system for use of rural land is freehold will enable greater control of the site for installation of the meatworks, and option to subdivide any under-utilised land in the future as a risk mitigation. The feedlot will be expanded to cater for its licensed capacity of 30,000 head in Yr2 with a $5,000,000 infrastructure upgrade.

Fig. 4: A contract to purchase this feedlot near Mareeba is part of the expansion

**Cattle**

At an overview level, NQCBE applies a four tier grading system for cattle purchased:

1. Jap Ox Steers
   a. buy for immediate meat processing 600 kg KW
   b. marketing a larger portion of top cut meat

2. Middle Grade Heifers/Steers/Cows/Bulls
   a. buy at various weights
   b. put on feedlot or grazing properties
   c. target 480kgLW-575kg LW

3. Lower Grade Cape Cattle
   a. buy at live weight price as uplifted @$0.80-$1.00/kg
   b. put on Kaban property or new feedlot
   c. target range from 480kg LW (250kg KW) to 575LW (300kg KW) (excl. most bulls)
   d. most bulls in suitable condition streamed for live export at 300kg-350kg LW
   e. non-livex stream would be for ground meat market

4. Smaller Cattle
   a. lower weight cattle 385kg-480kg LW or 200kg-250kg KW
   b. for ground meat market or live export.

The middle and lower grade cattle offer better profit margin. The stocking rate is based around the industry standard 0.79/acre for long-term grazing with movements and turnouts affecting volume. Several properties include cattleyards and small feedlot facilities which enhance the capacity. NQCBE’s financials are based on conservative average liveweight gain.

**Integrated Meat Processing Centre**

In Yr2, a new meatworks will be constructed and commissioned at the feedlot site. The meatworks will be a fully integrated slaughtering, fabricating, chilling, freezing and rendering facility using mostly Chinese manufactured equipment. It will be licensed to export beef and beef product including accreditation for the China market. China’s CCIG may be engaged to assist in this matter.
Structure and Staged Business Integration

North Queensland Cattle and Beef Exporters is an Australian company with a small management team governed by a board. NQCBE will determine in Yr1 whether to establish a holding company structure with two 100% owned subsidiary companies for the separate business units.

**NQCBE** North Queensland Cattle and Beef Exporters - Trade live cattle and beef to China and Asia

**NQCC** North Queensland Cattle Company - Trade live cattle in regional Queensland

**FNQCC** Far North Queensland Cattle Company - holding company

**FNQCM** Far North Queensland Cattle Management - Cattle Management Company

**Micromin Plus** - Natural mineral fertiliser company

All above companies have ACN, ABN. Mr Jim Davidson is only sole director.

Jim offers to contribute seven farms, buildings and equipment assets, and other improvements to the business as well as his know-how and ongoing management. Jim’s responsibility will be to manage the supply side of the business in Australia including backgrounding, finishing and slaughtering and meat processing arrangements on the Tablelands.

![Atherton Tablelands, near Cairns](image_url)

NQCBE’s business process begins with its purchase of feeder cattle from breeders based on long-term supply contracts payable at live weight using a grading system for the animals. The cattle are finished on the tablelands, and transported to a meatworks for slaughter and packaging of beef for export.

Initially, NQCBE will continue to use another export-accredited meatworks until it constructs and commissions its own slaughter, processing and packaging plant near NQCBE’s feedlot. The new meatworks will be licensed to export chilled and frozen beef products.
**Arterial Road to Mareeba**

The map shows 4 main road heading from the north and west connect all parts of the cape and gulf to Mareeba. These are mostly for triple deck trucks. Then there are 2 main roads coming from the south. The roads are mostly used by semi trailer trucks. The roads below Townsville, Charters Tower, Georgetown, Coen and Lakeland can be cut of sometimes through to March April some year.

![Map of Arterial Road to Mareeba](image)

7 breeding stations over 1.5 million acres can be purchased integrated into the project.
The enterprise is to be expanded in stages (see financials). From the investor's perspective, the contribution is needed in three or four stages with an overall investment just under $A40 million. The staging/amounts will be finalised in discussion with the investor. The funds will be used to:

- buy a large feedlot at Mareeba, near Cairns, including 15,731 acre station
- increase the cattle herd, initial operating costs and additional feedlot infrastructure
- interim meat processing and beef export accreditation costs, and
- build an integrated meatworks on NQCBEx land with most equipment sourced from China.

**Environment, Health and Research Focus**

The business is committed to a policy of being a 'zero footprint downstream' enterprise, by:

- greater focus on grassfed cattle which contribute lower GHG overall
- finishing cattle using chemical-free husbandry without use of antibiotics, hormones or similar unnatural growth stimulants
- environmentally effective water and effluent treatment for meatworks
- promoting grassfed beef’s natural quality and health benefits through pasture grazing and avoiding unnecessary animal grain feed at the expense of the human food grain industry.

The company is committed to research in improved farming practices, and livestock feed and beef quality outcomes. In Yr1, NQCBEx proposes to start a collaborative research project with James Cook University (Townsville, Australia).

Possible R&D with Chinese investors to improve trade cattle and beef into China.

**Fig.7: Kaban – hay crop**

The research topic may be one of the following which NQCBEx wants to understand better:

- How to increase imported beef market uptake by the Chinese general public (supermarkets, hotels and restaurants)? or
- Enhancing NQCBEx’s technique for grass-fed stress-free cattle using a finishing feedlot; and whether Chinese consumers will see its benefits?

**Mission Statement**

The company's mission is to create the largest and most profitable cattle trading and meat processing enterprise in North Queensland in collaboration with a strategic partner. The focus is to secure the food supply chain and deliver food-safe and consistent high quality meat for China.
Vision

We want to enable the Chinese people to enjoy safe and sustainable food sources and to ensure a continuous supply of the freshest, tastiest and most nutritious grass-fed beef in the world. Grassfed beef has the same healthy ratio of essential omega 3 and 6 fatty acids as found in fish.

Core Values

The company’s five core values are the cornerstone of everything we do. They will enable us to be the ‘best in the business’ and ‘lead by example’:

- Safety first – We will never compromise on safety of our beef for consumers, employees, contractors handling cattle, and the local community. This is our first priority so we can be assured of your trust in us and everything we do.

- Respect the environment – Wherever we operate we respect the diverse environment. Our business is designed for a ‘zero footprint downstream’ to ensure we contribute positively to the earth’s assets.

- Healthy animals, healthy food – We respect animal well-being and focus on pasture-raised cattle production in stress-free conditions to the maximum extent feasible.

- The client is our focus – We develop a quality product which is trustworthy and which customers can happily recommend as a ‘most-preferred product’. We work continuously to meet demand and trends in consumer taste.

- Our people are our strength – We care for, develop and encourage our people to do their best. We encourage our people to be lifelong learners and contribute their intellectual capital to our business, and to manage change effectively in this rapidly evolving industry.

Business Objectives

The three key objectives for the business are:

- Create a world’s best meat supply chain using Chinese state-of-the-art modular meatworks to support the success of North Queensland cattle raising, and beef export principally to China.

- Secure continuity of supply and demand as largest supplier in the region of quality meat product to China.

- Ensure sustainability of quality product which exceeds customer expectations.

Governance

The governing board comprises three to five directors. The following persons may be invited to serve on the foundation board to give it strength in experience and skills needed to oversight the direction and success of the business:

Executive Director – Jim Davidson

Jim Davidson was born in Northern Ireland in 1956, and grew up on a flower nursery in Armagh. He is a highly successful horticulturalist who purchased his own nursery at Bess Brook, and later developed a large wholesale vegetable business for high-end supermarket sales and wholesale trade. He expanded to undertake successful retail flower marketing at eighteen European markets with negotiated contracts with large flower suppliers and growers in The Netherlands. Since migrating to Australia in 2002 on realizing the potential of the cattle industry, Jim has worked in North Queensland in cattle production and trading. He holds some 4,100 hectares of productive land in the Atherton Tablelands near Cairns which is used for cattle grazing and crops. Jim has built
an excellent reputation for cattle trading and created a valuable network within the industry in North Queensland’s Atherton Tablelands and Cape York regions. This knowledge and network base provides an exceptionally strong 'on-the-ground' management which will continue to be available to the new enterprise.

- **Jim Davidson** – Director NQCBEB 30 years Horticulture, 10 years Beef Cattle
- **David Muller** – Agri Crop Consultant 50 years Agriculture/Fodder Cubes
- **David Williams** – Manager, Kleinhardt 20 years Financial Business Manager
- **Jame Friend** – Feedlot Specialist 30 years Australian Feedlot AGMOMIC
- **John Moroconi** – Director NESA 20 years Agri Fertiliser Specialist
- **Ben Houlihan** – Livestock Agent 30 years Cattle Sales to feedlot, meatworks station QLD
- **Dr. Henry Brockman** – Moringa Consultant W.A Department of Agriculture and Food

**Non-Executive Director – Cam Charlton**

Cam Charlton is an experienced business consultant based in Cairns who has more than 19 years as a chartered accountant and accredited management consultant including as a partner and senior manager of major accounting firms. He founded Kleinhardt Pty Ltd, which has become a leading Cairns-based business consultancy offering services in the evaluation, financial management, development and growth of businesses as well as implementing "turnaround" strategies for companies. Cam has extensive Australian and International experience having worked throughout Australia, Papua New Guinea, United Kingdom, Russia, Saudi Arabia, Brunei, China, Indonesia and Samoa. He is a Member of Council of James Cook University, and holds numerous directorships relating to tourism, rural development and maritime safety in Australia and PNG.

**Non-Executive Director**

A single investor will be entitled to appoint one Director to the board.

**Situation Analysis**

Australia is the world’s second largest cattle producer after Brazil. The Australian beef industry is arguably the most efficient and safest in the world with a strictly regulated identification, quarantine and traceability system to protect consumers. Cattle producers must be properly accredited.

Properties have to comply with risk assessments, safe animal treatments, feed requirements, and prepare animals properly for dispatch and movement within guidelines and reporting systems. Abattoirs do not purchase stock from producers without accreditation. Australia has never had an outbreak of BSE or FMD in its cattle herd.

Australia’s herd is spread widely which poses challenges to the cost of production, but means it is able to produce good quality grassfed beef with less stress in the cattle compared to grainfed feedlots.
Many cattle breeders and producers are under-stocked now due to financial stress related to the global financial crisis, and reluctance by financial institutions to lend to rural businesses when valuations have fallen. This is a cyclical industry with adverse weather events impacting on prices and availability. Australia’s Gulf of Carpentaria and Cape York in far north of Queensland can be cut off from transport routes during the wet season. Fortunately, NQCBE is able to provide a full year service under its production plan using existing properties with full year access to transport routes.

Organic farming is increasingly common and certification procedures are well-established in Australia. The process to achieve organic certification is arduous and takes three years or more:

1. Phase out and eventually stop use of artificial fertilisers and synthetic chemicals.
2. Select certification organisation, apply for certification and pay fees. Questionnaire re farm management history, chemical use, cultivation practices, fertilisers, and pest control inputs.
3. Register with certifying body before commencing conversion period to demonstrate compliance through auditing and monitoring during conversion.
4. Complete a statutory declaration regarding farming/production practices over recent years.
5. Arrange inspection with the certification organisation.
6. Review the certifying organisation inspector’s report and feedback.
7. Wait 12 month pre-certification period during which all produce is considered conventionally grown.
8. Obtain certified in-conversion status for your farm. At the beginning of the second year the farm can achieve certified in-conversion status. Most farms have ‘in-conversion’ status for two years unless it can be shown that they have met the standards prior to applying for certification. Produce that is in high demand may attract a premium even with ‘in-conversion’ status.
9. Achieve certified-organic status for your farm at the end of the third year, following satisfactory annual inspections. Produce may then be labelled ‘certified organic’ and carry the certifying organisation’s logo and the ‘Australian Government Certified’ logo from AQIS.

At the end of the day, it may be more cost effective to pursue the “natural grainfed beef” with a proper advertising campaign in-market, and not seek organic accreditation. This is the successful approach taken by at least wagyu producer selling into the high end China hotel market. Another option in the future is to purchase a small accredited farm, and specialized meatworks for processing and packaging for export. NQCBE wishes to discuss this with its investor.

China needs to secure its food requirements for a population of 1.34 billion. In addition, China wants safe food and to improve the health outcomes for its people. The Chinese Government is acting to provide certainty of food safety, and is concerned about issues such as effects of fertiliser on the environment and chemical residue on food supply.

China is both a meat exporter and importer. Its total domestic meat production in 2010 is expected to reach 78.6 million metric tonnes, a four per cent gain from 2009. Domestic beef and mutton production are expected to decline, while pork production is expected to grow steadily. Meanwhile, continued modest growth is expected for poultry production. Chinese still eat much more pork than beef. Its beef statistics show:

- beef production fell 6 per cent in 2009, and is forecast to fall 5 per cent in 2010
- beef imports will rise 20 per cent in 2010, encouraged by high prices in the Chinese beef market
- higher quantities of imported beef will continue to move through grey channels
- further declines in Chinese beef exports are expected.

Asian Agribusiness Research Centre's study in 2007 looked at factors affecting beef purchasing decisions in China. Its conclusions from a survey found “the relatively high price of beef (34%) and consumers' unfamiliarity with its cooking methods (26%) are the main limitations for beef consumption when compared with other meats, followed by 'don't like the taste and smell' which shows that compared with pork, beef is still relatively new to Chinese consumers and some of them are not used to the flavour of beef products. The characteristics of target consumers who show a preference towards beef are:

- Residents of urban areas
- A small family or family with more than average males over 16 years
- The young (below 45 years old) and well-educated, possessing a good income and considering safety, price and ease of preparation as important purchasing criteria."

The AARC study also had a number of key findings regarding consumer behaviour relevant to this project:

- Fresh (non-chilled) is most popular due to lack of refrigeration and Chinese consumer preference for 'fresh' - this segment is dominated by wet markets; next most popular is pre-cooked beef; chilled beef is a new concept for most Chinese and available from supermarkets; frozen beef is least preferred.
- A large segment of Chinese consumers purchase beef because they perceive it is 'good for their health' due to its nutritional value.
- Pre-cooked beef is in high demand.
- Consumers in urban areas particularly did not put a high value on 'easy to cook' (prefer to eat beef out or buy from convenience stores).
- Tenderness was not high valued (possibly due to traditional Chinese beef being from old animals, so there are common attitudes it is tough and indigestible).
- Non-buyers dislike beef because of its high price and lack of product and preparation information. [See proposed strategic response in ‘SWOT’ and ‘Marketing’ sections below.]
Small backyard operators, who account for 80 per cent of Chinese beef producers, have been discouraged in recent years by high grain prices and a marketing structure that disadvantages small producers. Large slaughterhouses have become increasingly integrated and their products are mostly geared to high end beef markets. They normally own their own feedlots. They often sign contracts with cattle farmers, while also buying through brokers and directly from farmers without contracts. If steers do not meet contract requirements, they are not accepted. These facilities typically buy two-way or three-way cross bred steers at 18 months to place them at their own feedlots. The fattening period is 3 - 6 months depending on animal weight. The primary marketing channels for these products are high-end hotels, supermarkets and restaurants.

One problem flagged in the AARC report is the grain requirements for domestic beef production. This is a highly sensitive issue in China where the government is determined to monitor food security and ensure stability of supply and prices. An increase in feed grains production reduces food grains production relative to the limited arable land resource. It will be interesting to track any trend to import more feed grains as evidence that business does not want to disturb domestic food grain production regimes.

Currently, there are few pure-bred beef cattle in China. Domestic high-quality cattle normally come from three-way crossbred cattle between local cattle and western Simmental, Caroline and Limousine. High-quality beef accounts for less than 5 per cent of total Chinese beef production. Consumer demand for consistent, higher quality beef will continue to rise, driving demand for genetically improved beef production.

Forecasts suggest in the short term total China's domestic beef consumption will continue sliding in 2010 to below 5.5 million tonnes as high prices discourage sales. In 2009, nationwide wholesale beef continued to rise from record levels in 2008, exceeding $US3.50 per kilogram in August, +6% from August 2008. This compares to $2.08/kg for pork (-21% from Aug 2008).

While a tiny share of total consumption, China's beef imports in 2013 are forecast to continue rising to 180,000 metric tonnes. Imports from Australia have been particularly strong in 2009, with imports through July nearly doubling to 3,074 metric tonnes. Sales have been fuelled by depreciation in the value of the AUD against the CNY that began in late 2008 and continued through 2009. Traders report continued robust sales of beef imports through grey channels (Hong Kong) since 2009.

The specific cuts preferred in China are:

- Regular brisket (US “short plates”) for hotpot among all consumers because of comparatively cheap prices.
- Bone-in and boneless short ribs and rib fingers are popular at Korean and Japanese restaurants.
- Rib-eye rolls, boneless strip loins, short loins and tenderloins are mainly consumed at high-end hotels and restaurants.

Consumer issues that NQCBW will need to address in marketing include the Chinese consumers’ preferences:

- Grainfed beef because of the tenderness with marble lines.
- High-end hotels and restaurants like to use imported beef and require specific cuts, grades and animal age, in order to guarantee the quality for specific menus.

China sets specific labeling and packaging requirements. For example, tamper-resistant, bilingual labeling is required on the outside of each box. The label must have certain information in Chinese. Product intended for further processing in China does not require the establishment number on the inner packaging material and can be packaged in wax-lined cartons.
## SWOT Analysis

### Strengths
- Energetic, capable management team
- Secure cattle supply contracts
- Excellent government contacts
- Academic research linkages
- Can provide a full year service
- Can buy direct and save agent fees
- Good port and airport access
- Lower transport cost cf. Townsville

### Weaknesses
- Need to educate the market on the benefits of beef and cooking methods
- Chinese prefer grain fed beef
- Chinese prefer pork over beef
- Cyclical market prices for beef
- Team connections with China beef market
- Lack of capital
- Meatworks close end Nov to early Jan

### Opportunities
- Mareeba feedlot / weighbridge
- Meatworks at Mareeba
- Females are more profitable
- Low point in market = buying opportunity
- Organic meat
- Aboriginal cattle = poor quality, plentiful
- Research outcomes lead to improvement
- Training for Chinese meat, ag workers incl. on-site Chinese QA Controller
- China market accreditation for meatworks
- Goat, camel etc
- Offal
- Sausages

### Threats
- Meatworks set-up timeframe
- Lack of forward contract buyer
- Consumer attitudes to grassfed beef
- History of failed feedlot in Mareeba
- Competitors - AACo, Swifts, NZ, US beef, wagyu, angus
- Reef - crop/feed fertiliser, waste, boats – consumers want beef without hormones and minimal antibiotics
- Live cattle lobbyists – PETA, Greens
- Animal disease and pests
- Mortality rate
- Regulatory red-tape and taxes
- Unforeseen events
- Killing methods can impact on meat quality
- Potential for ‘discrepancy of quantity’

### Strategy Adjustment
- Research Mareeba feedlot failure to avoid repetition
- Look at combining grassfed and grainfed product options
- Include interim slaughter arrangements until meatworks is operational to eliminate ‘discrepancy of quantity’
- Marketing in China on health and environmental benefits - grassfed v grainfed v pork
- Provide recipes on packaging, and consider value-adding through new cuts
- Consider options re organic, eco-friendly fertiliser and feeds
- Training for employees to reduce animal health risks and ensure top meat quality (ticks, water quality, feed, handling animal movement, slaughter and butchery skills)
- Include tax issues in financial projections.

### Products and Services
The company’s products and services will be distinguishable for their uniqueness, relevance, quality and differentiation:

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<thead>
<tr>
<th>Uniqueness</th>
<th>Relevance</th>
<th>Quality</th>
<th>Differentiation</th>
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<tbody>
<tr>
<td>Pasture fed</td>
<td>Free range</td>
<td>Top quality</td>
<td>Low GHG</td>
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Brahman and brahman crossbreeds are well-suited to the tropical conditions. NQCBE is focused on breeds most suited to tropical conditions and which can yield the high quality demanded by high-end Chinese customers, as well as lower grade meat for popular consumption (brisket, ground beef etc). NQCBE believes there is scope to improve the quality of outcome further within 2 years through adoption of world’s best livestock feed and animal management practices in the enterprise based on findings of R&D.

The company has its sights on a number of potentially significant projects to add to the core business in future years. For example, cattle produce about 7-10kg manure per day. It intends to develop an organic fertiliser using a separate entity which can be used within the business and sold to compete with other commercially-available products.

Traditionally the top prices for beef in Australia are achieved from southern grazing areas in NSW and Victoria. Tropical cattle have not been competitive due to the remote land, dry grass conditions, and lack of available facilities for fattening locally. The development of brahman herds has changed the landscape in the last 30 years. NQCBE will take this to a new competitive level.

**Threats to the Industry**

*Bovine spongiform encephalitis (BSE)*

Bovine Spongiform Encephalopathy (BSE), or ‘mad cow disease', is a disease of cattle. There is strong evidence it may be transmitted to humans and cause disease via the consumption of BSE contaminated food. Australia is BSE-free, and maintains this status by having a complete prohibition on importation of live cattle from BSE-infected countries.

Australia also has a compulsory ban on the feeding of feedstuffs containing meat and bone meal to ruminants, and tight regulations on food labeling. As a further measure, Australia has an ongoing national surveillance program that tests hundreds of cattle and sheep brains from animals that display certain nervous symptoms - demonstrating Australia remains BSE and scrapie free.

*Carbon Tax*

The company will take action early to commence evaluation of its carbon footprint and measures available to reduce its impact through energy and other efficiencies. China will introduce carbon tax in 2012. It is expected as with all markets, that costs associated with regulation around emissions will eventually be passed on to consumers. Given the price sensitivity of Chinese consumers, any sudden price movements have the potential to derail demand projections. Education of Chinese consumers on the lower overall emissions from grassfed beef could be an important point of difference in the future.

*PETA-type lobbyists*

There is increasing international activity by animal welfare and anti-meat eating lobbyists. If the company expands into live cattle trade with China, it is likely to encounter resistance given the increased shipping distances compared with S E Asia.

*Competitors*

The Chinese domestic beef market has been described in Situation Analysis (above). There appears to be complementarity between Chinese domestic beef and imported beef. The pressure to
reduce use of grains for feed, and the advantages of alternative source of supply, are two key drivers for the case to increase imported beef volumes.

Competitors from Australia do not enjoy the proximity and cannot provide the continuity of supply for an expanding market size – these factors are a significant differentiation for NQCBE. Competitors from Brazil also do not enjoy the proximity advantage and there is an ever-present concern that BSE may break out there as it has before in Argentina, UK and USA.

Large abattoirs such as Teys Bros and Swifts, Elders, and similar commodity agents, which have their own access to Chinese beef quotas, also represent a significant competitor as there is strong anti-competitive and cartel-like behaviour evident in the meat export industry in Australia.

Marketing Plan

Distribution Strategy

The intention is to use the distribution channel best-suited to the commercial model and using (as yet unknown) strengths and capacities of the investor in the China market. There are two clear distribution channel options the company will consider in discussions with the investor.

First, the company may deal direct with the supermarkets / hotels / restaurant chains which have beef import quota access. By using this method NQCBE can retain control of the marketing function, and eliminate costs of an intermediary agent. This strategy requires direct marketing activity in market and could require significant investment in logistics facilities to manage the product clearance and delivery systems and mitigate risks in market. The company could activate leads with good potential buyers within the company’s contact network in China including high-end hotel and restaurant chains and retailers in tier 1, 2 and 3 cities.

An alternative is to use a specialist agent, importing agent or wholesaler to China’s retail and hospitality industries. This may be better if customers already have established supply wholesalers, or the potential investor may have existing relationships, which may need to be considered.

As the market is niche, large and dispersed, NQCBE may find it better ultimately to work through a specialist agent to reach the customer. Apart from the advantage of better handling of the product through port clearance to delivery, the specialist agent may be in a better position to meet customer needs more efficiently and effectively by anticipating their needs and demand ahead of the curve – thus reducing inventory costs, and smoothing out peaks and troughs in demand, and eliminating the need for NQCBE to deploy significant resources to in-country marketing. Some intermediaries also provide credit to customers at the end of the channel – thus reducing credit risk for NQCBE.

Marketing

The company intends to market directly and use the message of “happy and healthy beef”. It does not intend to market on-line, but will have a simple website with contact information for capturing enquiries from internet users. This may be developed in future as a Chinese language website with beef cuisine and similar educational focus to assist Chinese consumers and chefs as part of an overall strategy to educate consumers.

Marketing Action Plan

Target Market

The target market is for selective exposure to place: top-end hotels, restaurants and retail supermarkets in tier 1, 2 and 3 cities.
Promotion and advertising will focus on the middle to upper-income female consumer (aged 25-45) who will be better-educated about health and quality issues, and will provide a good base of future brand recognition when shopping for the household.

As the popularity of the product increases, the target market will expand to take in the larger demographic including those who usually do not eat beef.

**Market Size Potential**

The long term market size potential is very large as the Chinese middle class is growing, and becoming more affluent, and Chinese are eating more beef every year. In the end, it is continuity of supply which will limit the market size potential.

Whilst local beef production in China is currently down due to food safety fears and squeezing out of small scale farmers, imported beef is highly regarded by increasingly affluent and health-conscious consumers. That said, pork has the lion’s share of the meat market and it will be necessary to promote grassfed beef as a healthy alternative to pork.

**Price**

The price of beef in supermarkets and at restaurants generally varies according to the market price of cattle, cost of feed and other overheads from paddock to plate. The proposed prices will take into account those of competitor grain-fed beef, wagyu, and certified organic angus and similar. The cost of labeling and packaging is not high and therefore would have little impact on the price.

**Product Positioning**

In supermarkets, the marketing for the product will position it among the other lower fat alternative meats such as chicken and fish. The company wants to convey the image that the product tastes like good old-fashioned beef while it has the same low fat content as chicken. It also wants to set itself apart in terms of no chemical intervention. In-store displays will show cows grazing on green grass in a beautiful Atherton Tablelands setting to instill a ‘connected with nature’ and ‘happy cow’ feeling. The displays will also stress that no hormones are used, and antibiotics are avoided in growing the beef.

**Product Promotion, Logo, Packaging**

In store and restaurant promotions may be conducted in collaboration with the hotelier and supermarket. The logo will depict “happy beef” grazing on grass - thus capturing the essence of the product. The colours in the logo will be eye-catching and easily recognizable. This logo will be used on packaging as well as in the advertising campaign. Recipes will be included with packaging.

**Physical Resources**

The key physical resources of the enterprise are:

- land including cattle yards, feedlot, weighbridge, machinery on Atherton Tablelands,
- crops and feed stock / silage,
- meatworks (to be constructed nearby at Mareeba), and
transportation assets.

The key aspect of the business model is the strategic location of these physical resources on the Atherton Tablelands. Whereas the western grazing areas where the cattle are sourced from breeding properties are affected by the dry and wet seasonality, the Atherton Tablelands receives ~1500mm rainfall per annum. This allows for full year grazing and faster turnaround of cattle (90 days) from purchase to sale.

In addition, the meatworks is located nearby rather than the nearest current facility at Townsville – meaning that transportation costs are considerably lower.

Human Resources

Management and Staffing

The first challenge for NQCBE is to implement its HR Plan as work progresses in stage 1 to build the enterprise. At the same time the company needs to demonstrate its capacity to potential buyers, lenders and so on.

The core team will be built on the principle of surrounding the Managing Director with trusted and highly skilled people. Jim Davidson, Managing Director, offers himself to continue to manage the cattle production side of the business in Australia. Jim proposes that a Meatworks Manager is engaged to oversight the meatworks activity. This person would report to Jim and the Board. In accordance with Jim’s practice, a number of roles would be filled with contractors to reduce the staffing overheads and recruitment costs for the enterprise. Staff costs are included in the financial projections.

Training and Development

Beginning in Year 1, NQCBE will introduce a training & development partnership with outstation cattle owners to lift the overall quality of the animals year-by-year, so breeders and NQCBE share profits from improved productivity.

Training for staff and independent contractors will be undertaken in-house or using on-line courses where feasible. Properly qualified people will be appointed to certain roles to keep costs down and enable the resources to continue working on key projects at the same time. Some budget will be assigned to learning for core value areas affecting the business.

Remuneration Packaging

A salary package will be negotiated having regard to attracting and retaining good people. NQCBE is mindful of the failure in other competitors through paying too high a price for management, having too many layers of staff, and lacking expertise in cattle property operations.

Operations and Management

Cattle and Other Suppliers

The company has taken action to secure the supply chain of large numbers of suitable cattle breeds throughout the year. Crops will be grown on the properties to enable self-sustainable livestock feed. Some products and services will be bought in – including veterinary services.

Trading Strategy

The overall strategy is to purchase cattle on long term contracts from cattle breeding stations and other landholders; graze them on the Atherton Tablelands properties and/or feedlotting over a 60-75 day period; increase their live weight by a minimum of 1kg per day for natural grassfed and 2kg
per day for feedlot; and send them to the meatworks for processing and packaging for the China market.

This strategy enables throughput of at least 3 times the stocking rate in a full year, and allows approximately 12 weeks spare capacity for contingencies as well as potential future expansion.

Financial Management

Professional Advisors

Accounting Kleinhardt Business Consultants, Cairns
Legal Platinum Solicitor, Brisbane
Auditors T.B.A
Bank Suncorp Banking group
CFO / Company Secretary David Williams

Forecast Financial Statements

Statements (active draft subject to negotiation) are available to review separately.

Risk Management

A risk management analysis will be conducted across all aspects of the business. Issues include regulatory requirements e.g. a cattle feedlot is an ‘environmentally relevant activity’ (ERA) subject to significant regulatory intervention under federal, state an local government legislation.

Serious health and safety hazards will have to be ameliorated at all levels of the business, particularly in the meatworks, but also in the cattle trading side of the business, as well as export side activities.

There is also increasing concern among regulators and the community about the impact of agriculture and industry on the Great Barrier Reef. DPI&F has recommended adopting a ‘zero footprint downstream’ approach to the enterprise (which is agreed). This will require considerable resources and auditing of arrangements to ensure constant improvement in production systems and outcomes.

If it is decided to seek accreditation of any property as certified organic, it will be necessary to introduce even more rigorous systems and tackle the industry accreditation process over a three year period. An alternative is to acquire property with existing licences. Either way, it will be necessary to address the market impact of these choices, as well as what adverse events may affect future placement of product in overseas markets and how best to mitigate those risks.

Investor Enquiry

NQCBE welcomes interested investors in the Australian agribusiness and food sectors to assess the opportunity first-hand, and to contact Jim Davidson to arrange a suitable time soon to visit the Atherton Tablelands near Cairns and meet the owner and his advisers.

Jim Davidson  Mobile: +61 437 330 006
Email: wjadavidson@tablelandsbeefaustralia.com
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>background</td>
<td>Cattle held on grassland before feedlot.</td>
</tr>
<tr>
<td>bill weight</td>
<td>Approx. 50% of the live weight after slaughter and dressing. Also known as 'dressed weight'.</td>
</tr>
<tr>
<td>boat cattle</td>
<td>Brahman male or female around 300kg-330 kg.</td>
</tr>
<tr>
<td>brahman</td>
<td>Indian breed suited to North Queensland.</td>
</tr>
<tr>
<td>brahman/euro</td>
<td>European cross bred with brahman (for EU and Australian domestic market).</td>
</tr>
<tr>
<td>brand</td>
<td>Letters of owner not branded on cattle rump. Left or right side. Davidson cattle have registered brand of &quot;letter C inside letter D over bar&quot;.</td>
</tr>
<tr>
<td>breeder</td>
<td>Cow or cow with calf.</td>
</tr>
<tr>
<td>bull</td>
<td>Male cattle that is capable of reproduction. A mature male animal used for breeding.</td>
</tr>
<tr>
<td>calf</td>
<td>Cattle with no permanent incisor teeth - can be a male or a female with no secondary sex characteristics (hair etc).</td>
</tr>
<tr>
<td>capacity utilization rate</td>
<td>Stocking rate minus carrying capacity divided by carrying capacity x100</td>
</tr>
<tr>
<td>carrying capacity</td>
<td>Total number of animals that may be safely carried on a property over the long term</td>
</tr>
<tr>
<td>cow</td>
<td>A mature female used for breeding with eight permanent incisor teeth.</td>
</tr>
<tr>
<td>crossbred</td>
<td>Animal produced by crossing two breeds.</td>
</tr>
<tr>
<td>direct sale</td>
<td>The sale of cattle on farm, direct to a feedlot, processor, backgrounder or restocker, where there has been no intermediary party or process.</td>
</tr>
<tr>
<td>dressed</td>
<td>The removal of an animal's head, feet, hide and internal organs during processing. The carcase (carcass) is now ready for further processing, which will be dependent on its market destination.</td>
</tr>
<tr>
<td>feedlot</td>
<td>Facility where cattle are fed a high protein grain based diet to reach exact market specifications.</td>
</tr>
<tr>
<td>heifer</td>
<td>Young female cattle 18 mths to 3 yrs - never had a calf.</td>
</tr>
<tr>
<td>hectare</td>
<td>1 ha = 2.4711ac</td>
</tr>
<tr>
<td>Jap ox</td>
<td>Cattle over 600 kg live/300 kg kilweight. Grass-finished steers with carcase weight 300-420 kg and 722 mm P8 fat are slaughtered for lower value Asian markets. There are no breed or age restrictions for this market, although steers with 6 or more permanent teeth can be heavily discounted.</td>
</tr>
<tr>
<td>live weight</td>
<td>Weight of live cattle weighed after curfew (ie after not fed for 12 hours)</td>
</tr>
<tr>
<td>NLIS</td>
<td>National Livestock Identification Scheme. Each animal has a number by law for traceability for disease, theft etc. It is printed on the electronic ear tag or on the management ear tag matching an NLIS rumen bolus. The NLIS ID indicates the property where the animal was identified and whether that was the property of birth or not. It also identifies the manufacturer of the device, the year of manufacture, whether it is an electronic ear tag or rumen bolus, and an individual animal identification number. The RFID (Radio Frequency Identification Device) number is also referred to as the electronic number and is the number scanned by a reader. These two numbers are unique for each device and are linked in Australia's NLIS database.</td>
</tr>
<tr>
<td>slaughter cattle</td>
<td>Male or female around 400kg-500 kg.</td>
</tr>
<tr>
<td>station cattle</td>
<td>Open forest or bush cattle.</td>
</tr>
<tr>
<td>steer</td>
<td>Male cattle, castrated</td>
</tr>
<tr>
<td>stocking rate</td>
<td>Number of animals of a specified class per unit area of land over a specified period of time. This management decision considers the pasture at a particular point in time and current seasonal conditions.</td>
</tr>
<tr>
<td>weaner</td>
<td>A young animal that has been weaned from its mother's milk to live completely on pasture.</td>
</tr>
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Tablelands Beef
Australia

Australian beef with income diversity

Investment capital is required to strategically control and manage a new value chain for beef production in North Queensland, Australia.

Take advantage of established infrastructure and the Queensland Government’s policy to double the value of the beef industry by 2020.

Properties
4,500 ha of prime tropical pastures provide a reliable supply of grass. All weather access roads ensure beef cattle are available.

Feedlot and Quarantine Depot
An established feedlot guarantees year round supply of prime beef cattle ready for meat processing or exporting live to Asian markets.

Slaughter and meat processing
Modern hi tech, purpose built facility to be constructed to process carcasses for prime cuts, ground/slash pack beef and by-products.

Live export
Cattle exported through the Ports of the Mourilyan and Townsville via an Australian Government accredited quarantine facility at the feedlot.

 Reef Safe fertiliser
Large deposits of microbial volcanic mineral rock provide an exciting opportunity to combine waste products from the feedlot and animal processing to make high value, natural fertiliser suitable for application on crops such as banana, sugar cane and others grown near the Great Barrier Reef.

Livestock fodder cubes
Commission a processing plant to custom blend cubes as rations for livestock for export, supplements for breeding stock and early weaning, supplement rations for grass feed weaners and horses. Fodder cubes also have application for plant nurseries.

Moringa oleifera
World prices for Ben Oil, the high grade pharmaceutical and cosmetic oil made from moringa indicate an exciting opportunity for cash flow as well as for high protein supplements for stockfeed.

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