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Adding a new string to the bow of Indigenous pastoral businesses

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The Indigenous Pastoral Program (IPP) has been operating since 2003 with the objective to develop viable Indigenous pastoral businesses that improve the social-economic standing and livelihoods of Indigenous people. The program is a strategic collaboration between Northern (NLC) and Central Land Councils (CLC), Northern Territory Departments of Education (NTDoE) and Primary Industry and Fisheries (NTDPIF), Northern Territory Cattlemen's Association (NTCA), Australian Government Department of the Prime Minister and Cabinet (PM&C) and the Indigenous Land Corporation (ILC).

Approximately 45% of the Northern Territory land is held in Indigenous ownership with Indigenous people making up 31% of the Northern Territory population (Indigenous Pastoral Program, 2014). Pastoral production is the principle land based rural industry in the Northern Territory. It is estimated that at the commencement of the IPP there were 70,000 head of cattle running on Indigenous-held land while land capability assessments suggest that this land could carry up to 200,000 cattle (Indigenous Pastoral Program, 2014).

Up until March 2014 (Indigenous Land Corporation, 2014) investment and activity associated with the IPP has been concentrated on land management activities and infrastructure development which includes:

- 17 natural resource audits
- 14 property management plans
- fire management
- weed and feral animal management and
- fencing off environmentally and culturally significant areas from grazing.

In excess of \$11 million has been invested to upgrade existing infrastructure, and to bring into production an additional 24,000 km² of land. This investment will assist to increase the carrying capacity on Indigenous held land by approximately 100,000 cattle and support the implementation of grazing practices that will not significantly impact perennial plant species or cause loss of soil quality or quantity (Indigenous Pastoral Program, 2014).

Over this same period the north Australian pastoral industry has experienced low profitability and the majority of northern beef producers were not economically sustainable (McLean et al, 2014). McLean et al, (2014) define economical sustainability as "... a business must generate a return from capital employed that exceeds the cost of that capital." Factors negatively influencing economical sustainability if not managed well include: rising input costs; unstable markets; declining herd productivity; and variable climate. Indigenous pastoral businesses face these challenges along with managing community aspirations connected to country.

Conscious of the declining profitability and sustainability of the northern beef industry (McCosker et al, 2010) and the definition of economic sustainability as described by Mclean et al (2014), IPP partners and business managers actively sought solutions to the challenges facing Indigenous pastoral businesses. In 2012, the IPP commenced the development of the Business Management Advisory Project (BMAP) and implemented a pilot project in March 2014.

BMAP supports businesses to generate a return from capital that exceeds the cost of managing and improving a pastoral enterprise by:

- building capacity of Indigenous pastoral business managers to manage risk and make decisions that improve both business professionalism and profitability,

- ensuring the long term economic and environmental sustainability of Indigenous pastoral businesses by adopting the Professional Management Model (Resource Consulting Service, 2014)
- protecting the significant external investment made into Indigenous pastoral business.

Achieving agreed outcomes from BMAP will provide positive flow-on effects for local communities and regions through capacity development, training and employment opportunities. Marshall et al (2014) found that “if people feel confident about their future and the future of the resource, then they are more likely to positively assess the risks associated with change and their ability to cope: both of which are vital components of adaptive capacity and for maintaining social resilience.”

This paper focuses on how BMAP has operated for the four businesses located within the CLC region. Members from the Indigenous pastoral industry are a part of the delivery team to ensure the project maintains relevance and delivers on-country results. Representatives from RCS, NT DPIF, ILC and CLC complete the project delivery team for this region. In total there are six businesses involved with the BMAP project across the Northern Territory. In the NLC region the delivery team consists of representatives Bush Agribusiness and NLC.

Due to geographic location of the businesses involved, only one on-property visit was scheduled per annum for each of the businesses by the full BMAP team. Where appropriate, additional support was provided either via a physical visit by an individual BMAP team member or contact via the telephone or email. Financial and stock data was collated and analysed prior to the on-property visit. Once on-property, RCS consultants led a number of facilitated exercises to determine both the current situation and aspirations of the business. Once this was determined, analysis of stock and cash flows were completed to identify areas of improvement required in the business.

Interestingly, before the facilitated session, managers identified either more breeding cattle, or greater cash reserves would be required to continue trading into the future. However, once the analysis of stock and cash flows were completed, all managers realised that running more cattle or increasing cash reserves would not in fact help to stabilise the business. As explained by one manager after going through their financials “we could see we weren’t heading in a good direction ... when we projected the financial situation forward we could see that the business was going backwards and would not be functioning in a few years’ time”

A key realisation from the managers involved was what it took to be a professional manager. One manager commented what “stood out to me when we started BMAP was I’m a good ringer, not a professional manager.” A second manager mentioned “when you become a station manager it’s not always because you are the best at doing figures, it is because you are good at managing things out in the paddock. The whole business and financial side of things is challenging for a lot of managers because we don’t have experience in that area.”

A review of BMAP managers located in the CLC region looked at how manager’s knowledge on a number of different topics has changed since being a part of BMAP. These results are illustrated in Figure 1 (Resource Consulting Service, 2014). As a result of participating in BMAP, there has been a substantial improvement in business and finance knowledge as well as a modest improvement in production knowledge.

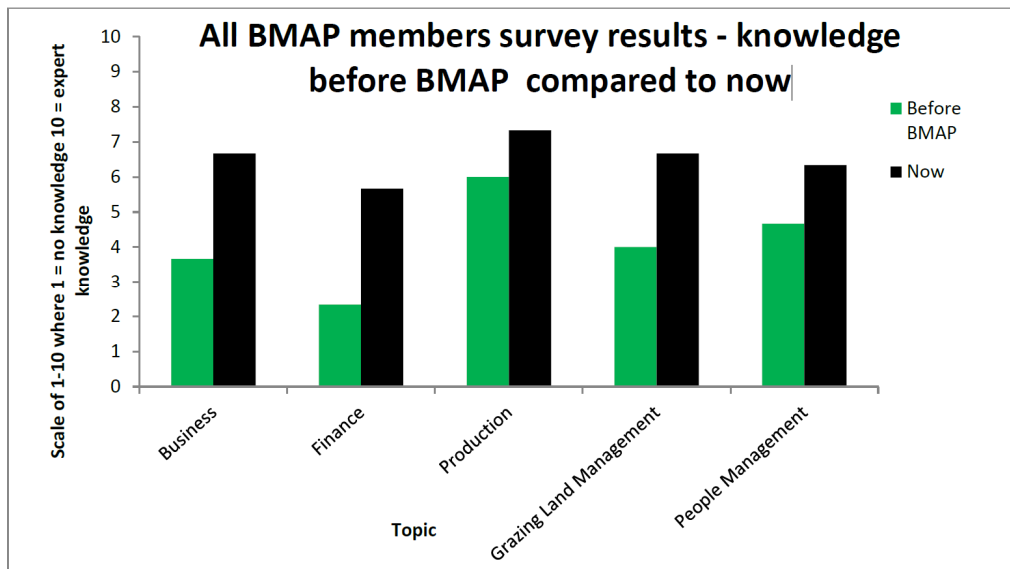


Figure 1. Change in knowledge since participating in BMAP from managers within the CLC region. (Resource Consulting Service, 2014)

The on-property visits were at times challenging and confronting for managers. One manager recalls “Our first few sessions with BMAP were very intense. A lot of new information came flooding in and sometimes we found it a bit overwhelming. It has been a steep learning curve but enormously beneficial for our business in the long run.” Similarly another manager commented that “The BMAP team emphasised the critical importance of getting control over our business and finances. While it wasn’t easy to hear this, I’m so glad I heard it when I did.”

A common theme from the stock and cash flow analysis is the need to decrease overhead expenses and improve herd productivity. There are three key practice changes occurring within these businesses since the involvement of BMAP. These are:

- ✓ data collection, analysis and reporting particularly in the area of livestock and financial
- ✓ communication between board, manager and staff
- ✓ treat the property like a business and spend time doing strategic planning.

Critical factors that have enabled these businesses to implement the necessary practice changes have been the combination of education, accountability and one on one support offered by the BMAP delivery team. One manager exclaims “We get so much support from the BMAP team and it has made such a difference for us ... if the program ceased (now), we would be devastated. We want to learn as much as possible, so we can keep learning how to operate a successful business.”

As this pilot project moves into its final stages, it has become evident that the Boards of the Indigenous pastoral businesses need to be involved with a particular emphasis placed on governance and separation of roles. Furthermore, the delivery team has identified a need for additional on-property support as managers implement key practice changes.

Strong and healthy Indigenous pastoral businesses can help provide the foundation for community aspirations. The IPP has delivered significant results on Indigenous-held land to date. BMAP has the ability, through improving professionalism and profitability of Indigenous pastoral businesses to create important outcomes for Indigenous people.

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