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Translated by: Agro Lingua – Karl Kerner, May 2003

FARMING ON THE EDGE SHARPENS MANAGEMENT FOCUS

Chris Henderson

Applecross, Western Australia

Our Operation:

C & E Henderson is a family business owned and managed by Chris and Evelyn Henderson. We made the decision 3 years ago to move away from the farm and live in Perth. Our farming properties are located in the Varley/Lake King area, 420 kilometres South-East of Perth. The total area farmed is 17,200ha of which 5,200ha is leased. The main property is 13,500 ha while the second property is 3,700 ha. The main property has a staff of 4 permanents including the manager, mechanic, and 2 general farm operators. The second property has a working manager only as the permanent staff. While the 2 properties are managed separately and have their own plant compliment, resources flow between the 2 operations when required. Seasonal staff are employed for the critical periods of seeding and harvest.

The dominant enterprise on the properties is cropping while sheep are the more minor enterprise. Cropping area is typically 13,500ha or 80% of the effective area farmed.
Cropping areas are approx as follows: Wheat - 7700ha, Canola - 2000ha, Lupins - 3000ha, Barley - 800ha. The sheep enterprise is focussed on meat production with cross bred lambs produced and sold in Feb/March. Approx 2500 are sold each year while the ewes are merino and shorn in Jan.

There are many things that I believe make our operation different from others in our locality and in deed in the grain growing regions of WA.

1) Our business and strategic management is remote from the operation. This I believe is advantageous in that the separation between the operation and business/strategic management allows for much better clarity of thinking and decision making without being bogged down with the operational detail and negative events that are always part of the farming landscape.
2) We have a relatively large operation that allows for scale of enterprise, efficiency and the management structure discussed above.
3) We have very good long standing managers who are well rewarded. We put enormous trust in these guys and allow them to make decisions while being well supported with adequate advice and back up.

4) We have large capacity on-farm grain storage that allows us to capture premiums by selling our grain throughout the year and allowing for back loading transport rates. This storage also gives us enormous flexibility at harvest time.

5) We employ management techniques that take into account the marginal location of our operations and have proven very successful providing consistently attractive returns over many years. "Our management focus is sharp because we farm on the edge!"

The Future:

My strong belief is that the grains industry in WA is going to see quantum structural changes in the future, and this change is about to start happening. Returns over the longer period are comparable or superior to many other businesses in the economy. With already huge and ever growing size of cash funds looking for investment opportunities it is conceivable that we could see a strong interest in investment in the agricultural sector. There are very limited opportunities currently available in listed entities for exposure to this sector and the time is right for development of further opportunities. With the corporate disciplines and opportunities of big business, while maintaining management focus, I believe that excellent returns on investors funds can be achieved from corporately owned and operated farms.