

BREEDING GROUND

OWNED BY QATAR'S HASSAD FOOD COMPANY, THE NEWLY AGGREGATED TELOPEA DOWNS STATION IS BEING DEVELOPED TO AN IMPRESSIVE SIZE AND SCALE.

STORY + PHOTOS **TOM DAWKINS**

Long-tailed Awassi rams, bred on Hassad Australia's stud property near Warren in New South Wales, will be mated with Merino ewes on the company's Telopea Downs aggregation.



THE SIGN TO Telopea Downs is easy to overlook on the drive between Melbourne and Adelaide. In fact, despite being only 40 kilometres off the national highway, almost all interstate travellers who fly past the turn-off would plead ignorance to its very existence. Even in the farming community, this area is often seen as a poor cousin of the more fertile rural districts further south in the West Wimmera and South Australia's south-east.

As such, Telopea Downs is an unlikely place to find one of the most remarkable stories of modern investment in Australian agriculture on a large scale. Less than a year since it purchased a large parcel of land in the area, Hassad Australia is overseeing significant development work on its Telopea Downs aggregation, the size and value of which would be unimaginable in conventional family-farming operations. Hassad Australia was established in November 2009 as the first overseas investment of the Hassad Food Company, a unit of the Qatar Investment Authority.

Telopea Downs Station, as the aggregation is now called, comprises nine Victorian properties and an adjoining block on the South Australian side of the border, totalling 40,450 hectares. The property is essentially 40km long and 10km wide on a north/south axis, straddling the state border for about 15km. It is dominated by a mix of undulating sand dunes and plains.

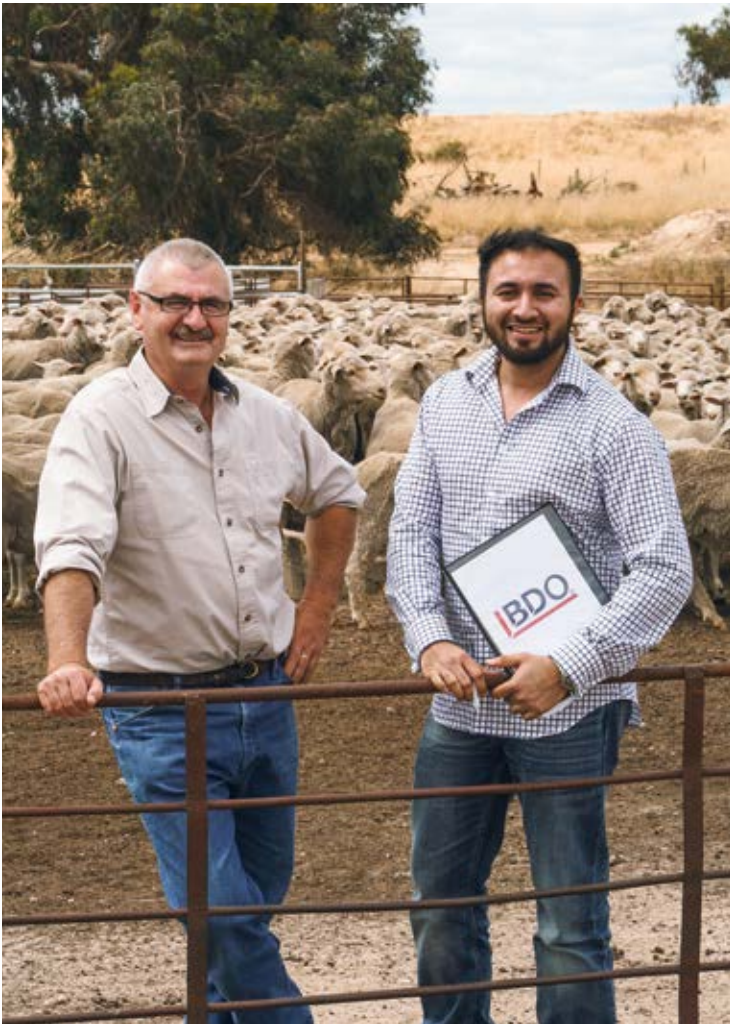
Agricultural development in the area began in 1954 as part of a project by Australian Mutual Provident (AMP) to transform the local desert country into productive farmland. AMP was allotted 100,000ha of the Big Desert in the Telopea Downs area. Land was cleared, ploughed and leased out for grazing until the soils were deemed productive enough for cropping.

But many early farms proved too small to survive, especially when recurrent droughts swept the district. Over the years, adjoining farms have been combined and the local community has shrunk. Absentee-owner properties have become common in the area, with most of the properties purchased by Hassad falling into this category.

The new aggregation forms part of Hassad's wider portfolio of Australian properties, which total 250,000ha over 11 properties from Queensland to Western Australia. While some of its other properties are geared towards Hassad's aim of producing 160,000 tonnes of grain a year, the main focus at Telopea Downs is lamb.

Along with the 8244ha Barton Station near Ararat, Vic, and the 2631ha livestock-finishing hub "Kaladbro" at Strathdownie, Vic, Telopea Downs is at the heart of Hassad's goal of turning off in excess of 100,000 Awassi ram lambs for export each year.

Telopea Downs is being built up to run more than 60,000 ewes as part of a planned national flock of 250,000 breeders, which will push Hassad into the top bracket of sheep producers in the country. The pace of growth has been impressive. Within nine months, Telopea Downs increased its flock from the 32,000 Merino ewes that were handed over with the properties in April 2012, to 82,000 sheep including 52,000 Merino ewes that will be mated with full-blood Awassi rams.



Hassad Australia southern operations manager Peter Nilon with BDO auditor Owais Gurdezi. RIGHT: The shearing shed on what was Glenalpine Station is one of seven existing sheds that will be used on Telopea Downs.



The plan is not to increase numbers through further expansion, but by significantly boosting the station's carrying capacity. When Hassad purchased the Telopea Downs properties it estimated the aggregation had a combined carrying capacity of 150,000 dry sheep equivalent (DSE). Now, by carrying out improvements to the soil, it is aiming to lift the rating to 200,000 DSE or an estimated 75,000–80,000 breeding ewes, plus ewe hoggets.

In works that are expected to take up to eight years, about 20,000ha – half of the property – are earmarked for claying, an increasingly popular renovation process in which clay is spread over sandy country to boost soil productivity. This is an extensively researched practice that not only lifts productivity considerably, but also protects fragile landscapes from degradation and provides for a long-term sustainable approach to land management.

Hassad Australia's southern operations manager Peter Nilon is spending plenty of time on Telopea Downs while the development process is in its early stages. He has set up a workstation at the Glenalpine homestead, located at the

southern end of the aggregation not far from the Telopea Downs community fire shed. In between a seemingly constant stream of phone calls and text messages, he enthusiastically talks through the company's plans. "This country is just sand, which is only one of the three components that make up a productive soil," he says. "By adding clay and then organic matter, you're effectively 'building' a new soil and doubling your carrying capacity."

Clay, which is presently below Telopea's sandy surface, is dug up and spread out at a rate of 250 tonnes per hectare, immediately lifting the soil's ability to retain moisture and nutrients and opening up new possibilities for pasture establishment. But before new pastures can be established, short-term annual cropping will be used to build up organic matter and help stabilise the soil.

The scale of the project is hard to fathom. Eight huge tractors power their way across a paddock being clayed, the massive machines climbing over sandhills that stretch to the horizon in all directions. It reinforces the surprisingly strong sense of isolation that prevails throughout Telopea Downs.

Bordertown-based business Densley Earthmoving has

clinched the massive contract, providing a boon for brothers Paul and Ian Densley, their staff and the local economy. Hauling approximately \$4 million worth of machinery around a paddock, Paul and seven employees are able to clay about 40ha a day, using 4500–5000 litres of diesel in the process. "No other job compares in size to this one – we've put everything else on hold," Paul says.

At a rate of \$650/ha, the whole claying project on Telopea Downs will cost Hassad in the order of \$13 million. "The claying work is a massive operation, but if you're looking to expand your productivity it's actually slightly cheaper to develop what you've got rather than buy more country," Peter says. "When you're buying more country, you end up buying more woolsheds, more houses, more machinery sheds."

As it stands, the station boasts nine shearing sheds. Rather than build a new centralised shearing facility, the company has slated seven existing sheds for regular use in the future. "A new shed would be very expensive to build and you'd effectively wipe off the capital you've got in your existing sheds, which are very functional," Peter says. "We've certainly got higher

maintenance costs by running so many sheds, but what you'd gain in centralising you'd lose in droving time."

The company's chief executive, Tom McKeon, won't be drawn on speculation that the company paid \$875–\$1250/ha or more than \$35 million for the properties. He says the price Hassad paid for the Telopea Downs land was based on an independent valuation. "It would not be in Hassad Australia's interests, as a commercially run entity, to pay above existing market prices," Tom says.

All investments that Hassad Australia makes, regardless of value, are subject to approval by the Foreign Investment Review Board – a process that, according to Tom, the company fully supports. "We are an Australian company," he says. "We have a highly skilled executive management team, all of whom are Australian. The success of our business is underpinned by the strength and experience of our Australian farm managers and operators."

Strengthening the company's local connections is its policy of engaging local service providers and contractors for on-property work. Peter says they make a conscious effort to spread business between the regional townships of ►



ABOVE: Glenalpine Station is one of 10 properties now owned by Hassad Australia and run as Telopea Downs.
LEFT: Manager Ross Dickinson is at home on Telopea, having owned one of the properties before the Hassad purchase.

Bordertown, Kaniva and Nhill, all of which are less than 70km away. “We work with local businesses because we’ve got perfectly good claying contractors, carriers and other services right here,” Peter says. “Working with local businesses also gives us a degree of flexibility that we might not otherwise get.”

Given the scale of the improvements underway on Telopea Downs, Peter says the company has no choice but to engage local expertise. “You can’t do the sort of development work we’re undertaking without a local agronomist,” he says. “We need quality agronomic advice at every property; we need local expertise.”

By recruiting an impressive team of managers, all of whom have strong industry expertise and regional experience, Hassad has also gone a long way towards silencing naysayers who doubted the company’s ability to succeed in Australian agriculture.

Manager of Telopea Downs Ross Dickinson looks very much at home working in the Glenalpine yards. He knows this district better than most. Not only was he the vendor of one of the properties sold to Hassad, he also managed three farms now owned by the company. Damian Ryan, one of two assistant managers on Telopea, also boasts experience in the area.

The station is home to nine full-time staff, with employee numbers expected to rise to at least 15. “But it’s not like a normal pastoral property where you’ve got a centralised station complex and people radiate out from there,” Peter says. “Here, it’s more like we’ve got a series of outstations with no real central headquarters. There’s a practical decentralisation back to the individual properties to some extent, but the difference is we can ignore the boundaries.”

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Hassad Australia chief executive Tom McKeon says the company's success depends on employing Australians. OPPOSITE: One of eight tractors spreading clay across 20,000 hectares of Telopea Downs, a project that is expected to cost about \$13 million.

Peter is the main link between Hassad's Victorian properties and its head office in Sydney. He is well suited to the role, having gained a wide range of professional experiences in agriculture since leaving his native Goulburn, NSW, in his teens. After finishing boarding school, he ventured to the Northern Territory where he completed three-year stints with both the Australian Agricultural Company and King Ranch. In the late 1980s, Peter studied at Marcus Oldham College and worked in Victoria's Western District and south-east South Australia before taking up a management position at Melbourne Water's Werribee Station.

"I joined Hassad in August 2011 when the company was just starting to get going in an operational sense," Peter says. He believes the diversity of the Hassad team and its focus on its properties are its greatest strengths. "We've got people who are specialists in cropping and stud breeding," he says. "My background is more in livestock trading, so looking after a livestock depot and two breeding properties is really my bread and butter. The focus is firmly on the properties, it's not about head office. The company acknowledges that the properties are our productive output, which is really refreshing."

Peter clearly gets a buzz out of his role in Hassad's ambitious agricultural plans and his enthusiasm is most evident while driving around the properties, pointing out the impressive array of sheds, homesteads and other infrastructure. "From Hassad Australia's

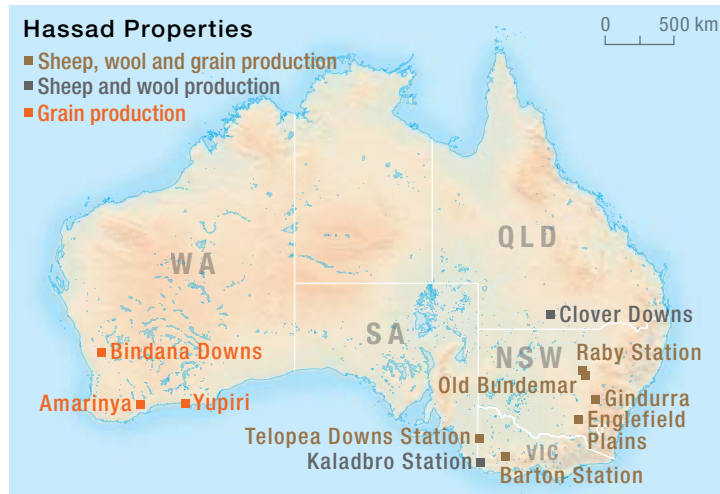
point of view, we've got the capacity to bring in capital, whereas it's not being disrespectful to say that non-corporate agriculture is capital constrained in perpetuity," he says. "Some people get worked up about foreign investment, but what we're doing actually adds to the capital stocks in Australian agriculture. We're not spending money that's been borrowed from Australia, this is new capital coming into the industry."

On top of the huge soil-development work underway on Telopea Downs, staff members are also coming to grips with an exotic breed of sheep. "The Awassi has caused a major rethink of how we go about things," Peter says. "We're all very used to running Merinos and first-cross sheep flocks, so one of the things we've all had to come to grips with has been changing our thinking about how sheep behave."

Long-tailed Awassi ram lambs are culturally significant in the Middle East and command a premium price. Awassi rams, bred at the company's stud property near Warren in New South Wales, are being mated with Merino ewes in an effort to build up numbers as quickly as possible. Subsequent generations of ewes will be mated back to Awassi rams until the flock can be considered purebred.

"We just can't build a quarter of a million Awassi ewes in five minutes – it's really a decade-long process," Peter says. "It takes about two years from the birth of a ewe until it has offspring and we're expecting a third-cross sheep, which will have more than 85 percent Awassi genetics, will be getting pretty close. When we get to that fourth cross, we can just about call that pure."

The first generation of Awassi-Merino lambs has already hit the ground, producing some interesting results. "The first-cross lambs almost look like Merinos, with a bit of extra hair



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Members of the Bordertown earthmoving team that has been contracted to clay Telopea Downs: (l-r) Peter O'Brien, Michael Chester, Trevor Williams, Paul Densley, Ian Campbell, Jamie Watson and Luke Keller.

on them,” Peter says. “The crossbred sheep that are retained in the flock still have to be shorn. The first-cross wool carries a percentage of medullated fibres, which presents potential issues with our neighbours who are still running traditional flocks and we are respectful of that.”

Although Hassad’s ultimate goal is to export lamb to the Middle East, in the interim production is aimed at both domestic and other export markets. Currently all livestock produced is sold within Australia, but as production is ramped up, the company will be looking to export. Long-term marketing will be based on a mix of both live-export and packaged or chilled product. “It’s still early days so we’re struggling for critical mass right now,” Peter says. “We’ll have about 20,000 ram lambs for the 2013 delivering season. Qatar takes about 400,000 sheep a year, which puts it all in perspective.”

It is the need to consistently and economically rear such a large quantity of lambs that attracted Hassad to Telopea Downs, especially given that the property can function as a complementary asset to its other two Victorian properties. Another key factor was the value of land around Telopea Downs compared to equivalent areas, such as parts of the New South Wales’ Riverina. “On that basis it stacks up very well,” Peter says. “Plus here we’ve got development potential and the capital upside because we’re adding value. The other selling point is the potential to develop really productive pastures on a pastoral scale. You just don’t have the capacity to develop huge stands of lucerne in pastoral areas.”

The main focus at the station is simple – to provide sheep with sufficient water and nutrition. The scale of the property,

combined with improved pastures, will go a long way towards meeting the sheep’s nutritional requirements. “Even if we’ve got 75,000 ewes here, it’s still less than one ewe per acre, so we’d hardly be stacking them on,” Peter says.

The other vital ingredient – water – also brings unique challenges. “One of the most interesting features about Telopea Downs is the fact that there’s not one creek across the entire 40,000ha,” Peter says. “You can’t build dams here because the water simply doesn’t run.”

However stock water is available from underground reserves and is pumped into a conventional system of tanks and troughs. Further water security is being added as part of the soil-development process. As tractors dig clay out of the ground, large dam-like holes are left in the paddock. The holes have a clay base and the machines batter the walls of the holes as they drive out. “We’re doing that deliberately to leave stock dams,” Peter says.

Hassad has given high priority to its drought-management plan at Telopea Downs. While cereal crops will be initially grown to help stabilise the newly developed soil, grain will also play a key role in offsetting seasonal risk. “We have the ability to use crops as part of our drought plan, to conserve some of the grain we grow,” Peter says. “If the season doesn’t deliver, we can make a decision to run lambs or ewes onto a crop and put the value of that crop immediately into the stock.”

Cropping flexibility, combined with renovated pastures, provides an enviable amount of security. “It’s very rare to get that balance in the one district, especially with this sort of pastoral size and scale,” Peter says.

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