

# LEDA CUSTOM FARM EQUIPMENT

## Non-forestry MIS review submission

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### **Introduction**

Leda Custom Farm Equipment was established in 2000 by (then) sole owner Damien Higgins, with Michael Matthews coming on board as a partner in 2005. The company started out manufacturing custom horticultural equipment such as slashers and aerators. In 2004-2005 after extensive work with Maqtec Australia in research and development for their olive harvester (the biggest in the world), Timbercorp Australia and Boundary Bend Estate recommended that Leda take over the day to day operations of Maqtec Australia. This involved the manufacture of the Colossus Olive Harvester. There were a total of nineteen Colossus Olive Harvesters in Australia in 2007, with a further four built for customers in the 2008 Harvest year. With the plantings that have been established over the past 5 years, it is projected that Maqtec will be required to build an average of 5 machines every year for the next 4-8 years, and the manufacturing contract for the 2008-2009 season has been secured. In addition to the manufacturing branch, in August 2007 Leda opened a retail branch, supplying a large range of horticultural and general-industry spare parts. In their first year of operation, Leda Farm Equipment and Bearings had gross sales of \$2,393,000, a large percentage of which is the sale of components to Maqtec for manufacturing purposes, and the sale of spare parts to Boundary Bend Estate and Boundary Bend Management Boort.

### **Ownership Structure**

Leda Custom Farm Equipment is a proprietary limited company owned wholly by Damien Higgins and Michael Matthews.

### **Relevance of MIS**

Leda Custom Farm Equipment is contracted to Maqtec Australia to manufacture the Colossus Olive Harvester. Maqtec Australia then sells olive harvesters to various customers, the main being Timbercorp and Boundary Bend Estate. Of the four machines manufactured last year, two were sold to Timbercorp and two were sold to Boundary Bend Estate. Both of these companies are obviously involved in MIS projects.

### **Employees**

Leda Custom Farm Equipment currently employs twenty seven full time staff. This is made up of fifteen workshop employees, six workshop apprentices, two administrative employees, and four sales employees at the retail branch. During the build period between from October to April, Leda employs another five to six workshop employees and extends operating hours to cope with the time constraints.

### **Turnover**

In the 2007-08 financial year, Leda Custom Farm Equipment had a total turnover of \$4,355,918. \$2,266,386 of this was generated by the manufacturing branch, and \$2,089,532 was generated by the retail branch. It is forecast that for the 2008-09 financial year, Leda will have a total turnover of \$5,153,824, with \$2,646,386 generated by the manufacturing branch and \$2,507,438 generated by the retail branch.

### **Effect of MIS and Timbercorp**

Prior to the contract with Maqtec Australia and the manufacture of the Colossus Olive Harvester, Leda Custom Farm Equipment was a small company, involved only in the manufacture of small-scale horticultural machinery such as slashers and aerators. In the 2004-05 financial year, Leda had gross sales of \$262,000 and employed five people. In the 2007-08 financial year, Leda had gross sales of \$ 4,355,918 and currently employs twenty seven people. It is fair to say that without the ongoing manufacturing contracts with Maqtec Australia, and the sale of spare parts to Boundary Bend Estate and Boundary Bend Management Boort, all of whom are involved in Managed Investment Schemes, Leda would not have experienced such massive growth and would not be in the financial position they are in today.

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### **Domestic Market**

#### *Domestic Production*

Leda Custom Farm Equipment manufactured four Colossus Olive Harvesters in 2007-08 for the 2008 harvest. Leda is contracted to manufacture a further four machines in 2008-09 for the 2009 harvest.

#### *Domestic Consumption*

All machines manufactured are sold to Maqtec Australia, who has sales orders for these machines to Timbercorp/Boundary Bend Estate. In 2008, of the four machines manufactured, Timbercorp purchased two and Boundary Bend Estate purchased the other two.

#### *Consumer Preferences*

It is widely recognised that the Colossus Olive Harvester is the preferred method of olive harvesting. The nature of olives grants only a very limited timeframe to remove the olives from the trees and transfer for processing. Olive harvesters are far more efficient as opposed to alternative methods such as hand picking or tree shakers, and the Colossus is recognised as the top of the line olive harvester.

#### *Effect of MIS on Marketplace*

As a result of MIS, in particular Timbercorp, olive plantings and therefore harvesting requirements have been vastly increased. This has increased the supply of olives and olive-related products, which has increased the demand for olive harvesting equipment. Currently the supply of Colossus Olive Harvesters is dependent upon the demand, both of which are holding steady.

#### *Market Price*

Market price of the Colossus Olive Harvester is largely reliant on the cost of manufacture. Recently the cost of manufacture has been affected by worldwide increases in the price of steel, which is used to build the machine frames. Cost has also been affected by fuel price increases within Australia, with this having a flow on affect from the cost of freight to the cost of components. However the sale price of the Colossus Olive Harvester has overall remained steady.

### **International Market**

#### *World Production*

Currently the Colossus Olive Harvester is built by Maqtec in Spain, Portugal, Argentina and Australia with Australia manufacturing an average of four machines per year.

#### *Production techniques*

Production techniques worldwide are essentially the same, as the same machine is being manufactured. However with Leda being the sole Australian manufacturer of the Colossus Olive Harvester, production is on a smaller scale than that of international companies.

#### *International Trend*

Currently there is a steady demand for olive harvesters world-wide.

### **Market/Product Development**

All research and development of the Colossus Olive Harvester by Leda is performed in conjunction with Maqtec Australia and also the international branches of Maqtec. Last year's build saw the introduction of a larger machine to cope with the growth of the olive trees. Research and development of the Colossus Olive Harvester is a continual process, as the olives groves being manufactured by the machines are not yet fully grown, and with the manufacturing process being relatively new, adjustments and modifications are inevitable.

### **Effect of MIS & Timbercorp on Development**

Leda Custom Farm Equipment's manufacture of the Colossus Olive Harvester is entirely dependent upon contracts from Maqtec Australia, which in turn depends on sales orders from Timbercorp and Boundary Bend Estate. In addition to simply building the machines,

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Leda is involved in researching and developing various aspects of the machines. In 2007, for example, the Colossus Olive Harvester was tested as a new method to harvest oranges and Leda was heavily involved in designing the modifications needed for this to take place.

In addition to research and development opportunities, Leda has also performed major factory and machinery upgrades to cope with the logistics of manufacturing on the large scale required for olive harvesters. Specialised manufacturing equipment has been purchased, and a major upgrade of offices and staff facilities has been made possible.

### **Environmental Management**

Leda Custom Farm Equipment is committed to upholding strict environmental protection standards. All manufacturing completed on site is compliant with these standards, with waste minimisation and disposal of dangerous chemicals and by-products carefully regulated. Water consumption during the manufacturing process is also kept to a minimum, with alternative methods used wherever possible.

### **Local Communities**

Leda Custom Farm Equipment is heavily involved in the local community. All twenty seven of its employees live locally, and additional staff employed during the build period are also local. In addition, Leda makes a point of sourcing components from local suppliers wherever possible. Leda has supply contracts with locally-owned suppliers for goods such as paint, consumables, mechanical components and outsourced labour work such as specialised machining. The only component of the Colossus Olive Harvester that is not sourced from within Australia is the cabin of the machine, which is imported directly from Maqtec Argentina.

Leda also supports community organisations, sponsoring local events, sporting teams, and making donations wherever possible.

### **Investment**

Australian agriculture provides Leda Custom Farm Equipment with almost 100% of its business. Any investment in the agricultural industry will benefit not only Leda, but the local community and Australia as a whole and should be encouraged as much as possible.