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Thirty Australian Champions

Shaping the future for rural Australia

edited by Keith Hyde

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RIRDC's major publication documenting the experience of thirty outstanding Australians who, through their business enterprise, vision and perseverance, are making a significant contribution to the welfare and economic growth of rural and regional Australia. Each chapter is presented as a separate html file which you can view, download and print.

Lagoon Crocodile Farm

The crocodile is arguably one of our ugliest and most infamous native animals. Most of the crocodiles at the Hannon Group's family-owned Northern Territory farm — Lagoon Crocodile Farm — are not quite the huge beasts we recognise from film and television. Most reach a maximum size of only 140 centimetres. But the Hannons' crocodiles are not 'anklebiters' either, nor are they underachievers, for they have served to turn what sceptics would call a high-risk venture into a viable business enterprise.

The Hannon family has a long history with Northern Territory crocodiles. The father, Mick Hannon (1916 –1985) was a crocodile hunter for many years, before turning to building up a range of business enterprises in and around Darwin with his sons — John, Michael and Brian. John Hannon is now Executive Director of the Hannon Group which has interests in transport, waste management and electronic media in addition to crocodiles.

During the 1970s, the Hannon family joined other partners to set up one of the first Australian crocodile farms, mainly for tourism purposes, just to the south of Darwin. John Hannon became more interested in farming the animals for their meat and skin towards the end of the 1980s, and he began setting up their own farm.

"Being a minority shareholder in that first farm, we wanted to control our own destiny with the new business," he says, "so we bought some hatchlings and started a new farm. But we wouldn't have been able to do it without our other business interests. We have spent hundreds of thousands of dollars developing the farm and like any farm, whether it be a mango farm or whatever, you put your trees in and then you have to wait until they mature before you get any return out of that market. Also, at that time the banks considered crocodiles to be wildlife owned by the Crown, so we could not raise any funds for the venture, we had to rely on our own resources." The farm has grown steadily and the Hannons now farm some 8,500 crocodiles.

Farming the Crocodiles

The young crocodiles are sourced from a licensed contractor, Grahame Webb, who works closely with Aboriginal communities in northern Australia to collect the eggs from the wild, before hatching them under carefully controlled conditions, then on-selling the crocodiles to the Hannons within two to three days of hatching.

Left: John Hannon displays one of the first-grade skins destined for the lucrative French handbag market.



The Northern Territory Government issues a quota each year and the collection starts at the beginning of the wet season through until May. The recent years' quota has been around 15,000 eggs. "It's a long season and a very costly operation because the collectors have to cover vast areas of coastline," John says. "A lot of the collecting is done with helicopters which are about \$650/700 an hour to hire. So at the end of the day, hatchlings can cost us between \$40 and \$50. However, the survival rate of farmed crocodiles is much higher than in the wild, so the operation is supported by both the Aboriginal communities and the conservation groups. In the wild, up to 97 per cent of eggs and hatchlings are lost due to flooding of (crocodile) nests and predators. On the farm, we lose less than five per cent.

John readily acknowledges research on feeding and farming crocodiles by Grahame Webb in the early years of the industry. "Nobody knew exactly what the best diet was for crocodiles. Grahame found that prawns were an ideal diet, but it just wasn't economical to feed crocodiles prawns.

"So there was a lot of trial and perseverance there with diets in those early years. Now, we primarily use kangaroo meat because it's very high in protein and very low in fat. We also add a vitamin supplement that's been designed for the crocodile industry. We've found we can attain quite good growth rates using the calcium supplements. As they get bigger, we start feeding them whole chicken heads. Once we get them on to the chicken heads with the calcium supplements they seem to thrive. They just take off."

Champion Qualities

- Prior experience with industry
- Established base in region
- Focus on quality/value adding
- Market chain development
- Focus on management as a business
- Research base and support

The hatchlings are graded monthly initially, with the bigger animals separated from the smaller ones in order to improve the mean growth. The older crocodiles are graded every three months. "As they get bigger you just can't do it — you just can't grade your stock economically on a monthly basis when you've got 7,000 crocodiles." The average time to grow the crocodiles to market size is between 18 months and two years.

Below: Each pen at Lagoon Crocodile Farm has ultra-smooth floors, two ponds for ease of handling and shade cover.

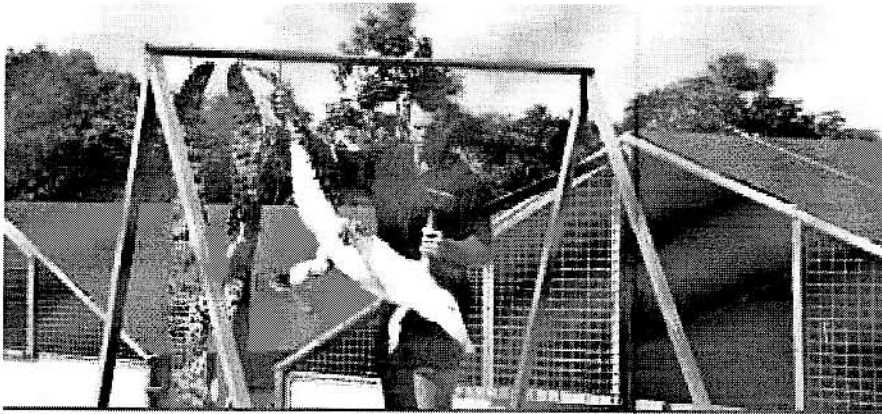


The Hannons 'market size is about 140 centimetres, which is an appropriate size for the handbag market. "The quality starts to suffer with anything larger than that," John says. "As they get older they become more territorial and start becoming a lot more aggressive in the pens, which affects the quality of their skins."

Each pen on the Lagoon Crocodile Farm has a concrete base with two ponds. With this design, one pond can be drained while the other pond remains full; an arrangement which keeps the crocodiles calm. In a single pond pen, the crocodiles are pushed out of the way by handlers, which often leads to aggression between the crocodiles themselves.

"We also have to be very careful with our water," says John. "If water quality is low then the animals will start to get bacterial and fungal infections in their skins. We add chlorine to help keep out any bacteria — but that 's the only chemical we use in the industry. One of the problems we have had is that our concrete in the pen became very rough, and as the crocs grow, they tend to drag themselves around, rather than walking. This causes small cuts in their skin. So we ground the concrete back until it was smooth again and covered it with a layer of two-pack paint, so now the pen surface is really smooth — much like the mud surface over which they slide in the wild.

Below: Crocodiles are harvested at 18 to 24 months, with 140 cm being the optimum size for the handbag market.



Wild-born Hatchlings

John credits the growth of the Northern Territory crocodile industry to Government policies on the availability of stock and to research support from the local Departments. While the Territory allows the controlled harvest of crocodile eggs from the wild, in Queensland and Western Australia the crocodile industry relies primarily on captive breeding.

In the Northern Territory, there are now three major farms and another three smaller operations.

"We have adopted a system very similar to the American and Zimbabwe farms, with our ranching programs," John says. "We can obtain hatchlings out of the wild. A lot of conservation organisations support the practice, because the crocodiles habitat is protected. While you value the crocodiles in the wild, then their habitat is going to remain. Most animals become rare and extinct because of habitat destruction, but taking crocodiles out of the wild and paying landowners a royalty, it 's understood that there 's value in looking after those crocodiles, rather than going out and shooting them."

Marketing

While there is a loose association of Australian crocodile farmers and they work together on issues affecting the entire industry, they are very competitive when it comes to marketing and most of the Australian farms operate independently.

John believes it has something to do with the spirit and competitive nature of the people involved in the industry. He does, however, market with a group of four farms in order to get a consistent supply of

product.

Australia produces about 10, 000 crocodile skins each year. The United States — our biggest competitor — produces about 200, 000 skins, and Zimbabwe — another significant competitor — produces about 60, 000 skins.

In order to remain in such a competitive market, the Hannons have developed a niche market for their first-grade skins with the prestigious French fashion house, Hermes. For over 30 years, Hermes has been producing a particular handbag called the 'Kelly 'bag (after Grace Kelly) which retails for US\$15, 000. For about ten years, John has been working with Hermes, who buy the farm 's first- grade skins. "We send shipments of first-grade skins, then they select and buy about 80 per cent of that shipment for around \$600 each and they tan the remaining 20 per cent and ship those back to us," he says, "but they are very good seconds. We would consider them first grade, it 's just that they 're not first-grade standard to Hermes.

Below: Crocodile skins sell for \$600 each and must be removed carefully to avoid damage.



Processing

In 1998, the Hannons built their own crocodile processing plant. "I 'm doing some of my own crocodiles and I 'm still sending some down to the original processing plant," he says, "but ultimately, I want to be in the position where I 'll be processing all my own crocodiles. My other processor was working at a capacity where he couldn 't handle extra volume without major extensions and the owner wasn 't prepared to put money into expanding the abattoir."

One worker can usually process between eight and ten crocodiles per day. The Hannons now have two permanent employees in the processing plant and four crocodile handlers on the farm. Once a month, they ship out half a tonne of skins (400 skins) to the American and European markets, particularly France and Italy. All the Lagoon Crocodile Farm crocodile meat is currently sold within Australia. About 80 per cent of all Australian crocodile meat production is sold locally.

Future Plans

For the future, John hopes to extend the farm operation to include crayfish and red claw for market and possibly also farm their own fish to cut their crocodile feeding costs, "whether it be catfish or perch, whatever we can grow to utilise the spare labour we have from time to time." His farm manager has a degree in aquaculture. "We 'd also like to get an AQIS [Australian Quarantine and Inspection Service] licence so we could sell our crocodile meat direct to the European market."

Below: Crocodile skin is sought after world wide for production of items such as handbags.



The Hannons 'biggest problem at the time of our interview was the after-effects of the Asian downturn. Second-grade skin prices had dropped and their market in Japan had all but vanished. "The crocodile market is shrinking. We have a lot of competition from the American alligator skin and the Nile crocodile skin," he says. "Porous skins are also produced in New Guinea and Indonesia. What we're trying to do at the moment is trying to get a better cash flow and better margins. We have to get smarter. These days, you have to have operations that are less labour-intensive. You have to reduce your food costs and get quick growth rates if you want to survive"

The crocodile farm receives research assistance from the Northern Territory Department of Primary Industries and Fisheries, particularly veterinary assistance for diseases." But there is now a marketing wing of DPI who are trying to look at helping the industry in terms of marketing our product," says John. "One of the problems is that, globally, it's such a small industry compared to any other industry and there's a small number of players who are very protective of their information and market. But there's been a lot of good work done in Australia. At the moment some research is being conducted on dry food, which I'm very interested in. Our food costs are in excess of \$150,000 every year and we need refrigeration to keep that food fresh."

Crocodile meat sells for about \$15 to \$20 a kilogram. A first-grade skin is worth about \$600, and a good crocodile yields about \$700 for a farmer " The biggest advantage we have is the US exchange rate," John says. "A lot of our product is sent to the US and traded in US dollars. It works out well for us when we convert that back into Australian dollars."

Almost all of the crocodile is used by the Hannons' farm; skin, meat, skull, claws and the teeth. It's no surprise that the crocodile industry continues to be buoyed by the tourist trade and the persistence of the 'Crocodile Dundee' phenomenon. "There's very little waste from the crocodile, that's for sure," says John. "People even make back scratchers out of the claws. If you go to some of the souvenir shops you might see them on the end of a piece of dowel. Akubra buys a lot of our off-cuts. There's a back strap that runs down the back of the crocodile which is used to make belts. And the off-cuts from the back strap are often used for hat bands for Akubra hats."

The Hannons have successfully developed their market in Australia. They now have a greater demand for the crocodile's back strap than for the finer skin of the belly — which allows them to save this piece for the lucrative European market. "There are people in Australia who even make hat bands with crocodile teeth in them," John says.

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