



Kelly grows on US demand

By rights, Kelly Engineering should not be able to do what it does - export agricultural machinery to the USA. But the Fast Mover is not only doing that, but growing rapidly.

"Our main focus is manufacturing. We have always produced our own products, developed, designed, fabricated, marketed and distributed," says MD, Shane Kelly. "Some units go directly to end users but these days more go to machinery dealers. Our products are targeted to farmers and the national networks of dealers.

"The product we are focusing on is our light tillage range. We make a Diamond Disc Chain Harrow - not a very catchy phrase but an exceptionally good piece of equipment. It is a machine that helps farmers manage crop residue, prepare a seedbed and perhaps most importantly, control weeds.

"It is widely accepted that retaining crop stubble and having it break down into the soil has many benefits. This tool is a fast and cheap way to assist in this.

"Chemicals are relied upon for crop production, but to be sustainable there needs to be some balance in all things. Modern 'No Till' cropping systems are enormously beneficial for soils, for production efficiencies and for farmers' wellbeing and work regime. The only downside I can see is the complete reliance on herbicides for weed control.

"Our disc chain provides a viable solution that supports the intent and purpose of No Till. The same benefits can be seen in other cropping systems through efficiency and cost reductions."

Kelly's rapid growth hinges on several factors. After several mean seasons, more productive times are driving demand which the firm's disc harrows are well placed to tap.

"The most significant increase however has come about as a result of our decision to export," Shane says. "We know our product and we understand our marketplace quite well, to us the logical step was to enter new markets. Forming a relationship with a very good marketing representative has been a significant win for us. Sometimes the right relationships happen and this is certainly one of those occasions."

Shane expects US business growth to go on "for some time" - not a certain result when the initiative began.

"The first and largest barrier to growth is self belief," he says. "Following on come the tangible things like finance, production capacity, infrastructure, quality systems, skills and labour availability and hours in the day.

"Rapid growth, whether it be through export or not, absorbs working capital at an alarming rate. Wise counsel will warn you of this and you nod sagely, thanking them

for their guidance. When you run out of money you understand just what they were trying to tell you!

"Good strong relationships are the key and utilising all the products available to ensure the people most important to your business, your suppliers and your employees, get paid. This has certainly been our biggest challenge, to manage cashflow throughout the growth takes some courage from all concerned.

"We have found our infrastructure and people, the other key things for production capacity, were relatively easy to manage. We introduced some production efficiencies and are currently implementing more with Lean processes.

"A barrier that took a while to overcome was the US-held perception that Australian-made machinery is mediocre. This is far, far from the reality; critically however it is their perception. We had many inquiries and good leads that just wouldn't commit to importing. In 2006 I took a risk and sent a machine to the US to demonstrate. Two factors were key: firstly demonstrating trust on my part, forty thousand dollars worth of trust, was important. Secondly the machine dispelled immediately the myth of poor quality and it performed brilliantly, exceeding not only their expectations but also their hopes."

Predictably, the USD/AUD relationship affects Kelly's fortunes but Shane says the greater threat is IP theft.

Currently about 50% of the firm's work is overseas. That's expected to grow to 80% over the next few years, as Australia's market is inadequate.

"Agricultural production in most other countries you care to name employs more people and produces more goods than Australia can," Shane says. "This is no reflection on Australia, we do it as well as or better than anyone, it is simply a numbers game.

"The wise thing to do would be to pause and consolidate. Sometimes we get to choose the timing of our actions and intentions, sometimes the market chooses it for us. I see continued growth but at a reduced rate. We have limited our growth deliberately and still it has been rapid. The overall business is flowing more smoothly and in a better position for growth than we were a year ago. The challenges will be how and where do we achieve our production increases."



Steve Hood, Shane Kelly, Greg Cash and Larry Dulaney: Shane Kelly presents Greg Cash of Lawrence County Tractor Co (Hoxie, Arkansas) with a plaque as International Dealer of the Year for 2008. Steve Hood is Kelly's representative in Arkansas and surrounding states, Larry Dulaney is Greg's key salesman

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