

2015 NTCA CONFERENCE PRESIDENT'S REPORT

Once again it is a privilege to deliver the NTCA's Presidents Report and even more so being that of the 31st Anniversary of NTCA.

As this will be my last one ramifications don't matter so much do they? So I could be a little bit bolder. And it is why I have not had this report edited by my CEO, which gives her the shits because it has not given our "twittersphere" the head start on twitterworld.

And now I have been told I am to be on a panel this afternoon so it could be a bit interesting

It is also a pleasure to deliver a report with the outlook looking so much better than it has for a very very long time. I say much better than rather than excellent and fantastic and words like that as this is where we should be. 12 months ago the \$3/kg mentioned was a dream. Now it close to being a reality.

And if we get it right, in 3 years time we have seen the back of it as an average price rather than a dream.

Aside from the markets there are quite a few domestic fundamentals we need to get solidly into place to provide that 20-50 year outlook platform which major infrastructure like the Livingston Beef plant need in order to deliver what is required.

From an NTCA perspective it could be considered that the last 12 months have been a pretty quiet with not too many major issues coming to light. Publically anyway.

Well that is how it should be as we need to foresee issues and get on top of them before it becomes a story.

However there has been plenty of grind going on behind the scenes with so many issues and projects that keep emerging and need addressing on behalf of members.

The problem we have is our staff have far too much to do and they do it. They just hook in and do it anyway. Every member on NTCA should be very proud of this.

We do now have a new CEO in Tracey Hayes, a new Exec Officer with Tom Ryan and a new Office Manager going and coming.

A bit of a turnover this year so nobody is allowed to leave in before the next conference!

I will touch a bit more on NTCA outlook and strategy later on.

Unlocking the North is a great theme for this year. It is critical to us, our industry, our NT, and the nation that we succeed this time.

The demand and the market is there. It is up to us to make it happen. We cannot rely on governments, the mining industry, or others to be of any great assistance.

It is agriculture and beefs turn to be in the frame.

Governments are still a bit **gas addicted** at the moment as that is where they will get royalties from. That is OK and understandable but a bit more evenhandedness could be appreciated. A very negative legacy of the gas and mining boom is the regulatory environment we have inherited. These companies agreed to all sorts of propositions as time was money. For years these regulations will hinder us in our Ag and cattle industry, and the broader community. We must be globally competitive at the end of the day!

The demand prospects for Ag and beef have never been brighter. With the Asian middle class projected to go to 3.2 billion people by 2030 demand for our exported food will be on a rising trajectory for many years to come. And as Donald McGauchie of AACo quoted at the opening of the Livingston Beef plant, the regions food consumption will double by the middle of this century. And this is why AACo have made this investment.

Congratulations to AACo for responding to this opportunity. This investment in infrastructure will deliver outcomes for NT for years to come. The startup will be a bit rough but AACo have always acknowledged and factored this in, and I am sure will ride it out successfully.

We just need to attract more infrastructure initiatives like this and as an industry we need to ensure a regulatory environment that is competitive with other jurisdictions.

This “Develop the North” endeavour has failed before, however I am very positive about the Asian demand that it is more achievable now than before.

And I believe Australian needs it more now than before!

On the other hand I am afraid we now have a political environment that will render Governments more or less materially useless in providing funding until we have “political reform” of some sort.

I don’t know what “political reform” looks like but the current political situation is a bloody disgrace, a blight, and an embarrassment. That opposition parties, irrespective of political ilk, are now willing to compromise the National and/or States interests for their own agenda to get into power just bewilders me.

They make knowingly impossible promises and if they get into power, intentionally break them. I believe this should be illegal.

Blaming the mad independents is pointless as they are only there because people don’t have faith in the major parties.

Right now all we can realistically expect Governments to do whilst we are in so much debt is create legal and regulatory environments that promote productivity.

This being productivity from soil, plants, livestock, people, infrastructure, logistics, markets, and other fundamentals. And then we will get somewhere.

That said...we need bi-partisan support from both major parties to develop the north. Both parties have subscribed to it in the past and they need to keep on the page together and make it happen. Everybody knows the balance of electorates favoring the south. Neither party has the numbers in cabinets or party rooms - but it is your job, Mr Ministers, as our reps to get those numbers. You have to sell this great story successfully.

From a macro sense the reality is we are not globally competitive in our primary and secondary industries and we need to be. Our costs are too high and our productivity too low.

We are dreaming if we are not competitive that something is not going to change. It will either be our lifestyles, or the way we do business. I would say change the way we do business is a much easier concept to stomach.

But that takes balls as it requires legislative and regulative change in the first instance and this can only come from Governments.

From an Unlocking the North perspective we at NTCA need to continue to drive the Critical Success Factors to this aspiration.

Infrastructure has been talked about for years. Primarily roads, water for irrigation, and export logistics.

Every one of NTCA's 31 years in fact and we don't seem to be getting to where we need to be. We need to ask why? And make change.

Or we may as well wait until Jesus turns up.

Capital is not the constraint. It is available from many sources around the world, but the environment in which this capital could be deployed is not competitive due to our political, legal and regulatory framework.

I would also say that the economic analysts undertaking infrastructure projects are often constrained by parameters set before the analysis is undertaken.

For example I was talking to a consultant who had been up here a while back regarding redevelopment or building a new port. He was told to do an analysis that was based on current demographics, which I agree everything has to be based on, trajectories those on a historic basis, and work out if a port development would give a good return. He did not say this officially but the answer is known. Given the current costs, current regulations, current demographics we need at least 500,000 people and may get a port in 50-70 years.

I would say the question that should be asked is how we get the legislations and regulations right and 500,000 people here asap. That is legislation 100% around immigrant labor, around tax incentivisation, and land tenure.

Just recently I met a man who builds cities. And big ones. He wants to buy coastal country and build a city or two with immigrant labour. It happens in many places around the world but not here. He is astounded at our inefficient use of land across the board.

Land Tenure has been identified as another major constraint to developing the north. Perpetual Pastoral Leases running cattle take up 45% of the NT landmass and turnover close to \$500million. Point 25% of 1% of NT's land is freehold land used for agricultural purposes and it is turning over more than \$200million.

And we have an amount of water, after all environmental, cultural, contingency reserves, or whatever, to be so much more productive if put to good use.

Now that we are approaching the \$3 per kg livestock price, mentioned right here, on this platform.

This price is now above the cost of gain to grow crops in the north and feed cattle. We have never been into this territory before. If this is sustained it can fundamentally change a production system.

Recently our Minister for Agriculture Willem Westra Van Holthe commented on vision of the NT running twice as many cattle as the current 2 million. This is only possible with water, which we have; a market, which we have; and a business environment which stimulates and enables it, which is what we must develop.

I would like to congratulate the NTG here on rolling out the Non-pastoral Use Permit legislation. It has certainly been a start, however it is becoming clearer that we need more than this. This cost of drilling for irrigation water is too risky for smaller operators unless you have a crop in mind that will deliver a Gross Margin of \$10-15,000 per hectare for example. These are a bit thin on the ground and need to be developed and proven up. Just to drill, log, and

pump test one failed irrigation is bore close to \$100k. To equip one is over a \$1million and so that comes in at about \$15,000 / ha.

Building dams is a limited opportunity I believe in that sites are limited, however, the regulatory environment is either prohibitive or too costly to get through. I believe we will see them built on Crown Land to water populations of people, firstly because it is popular, and secondly, a bit of irrigation attached may happen, but getting through Native Title negotiations quickly enough with current Government capacities and terms is going to be problematical.

To address developing the north efficiently and productively we need to talk about the elephant in the room and that is Native Title on Pastoral Leases.

Unless this is resolved the gate is shut.

This discussion need to be had in good faith by experienced people in this arena, from both sides, with a vision and an outcome in mind. And by experienced people I mean Traditional Owners and experienced pastoralists. Minimise legal representations until the end, as that only makes it nigh on impossible from either perspective.

This then needs to lead into discussions around developing Aboriginal Freehold Land for commercial purposes. There is so much capital out there wanting to come in, and which wants to contribute to the Aboriginal solutions. It is not hard to imagine a solution that could take the issue a long way forward. Currently we are all constrained by legislation and regulation on this issue. This must change.

Markets

As I've been mentioning hasn't **the market** come good? For 2014, 730,000 head to Indo and 182,000 to Vietnam, plus the recent openings of Cambodia and Thailand. And now Livingston Beef under commercial operations regularly buying slaughter cattle. A job extremely well done by Livecorp, ALEC, exporters, importers, shippers etc. And obviously AACo

However Indonesia is still our biggest and best market with established infrastructure and good uptake of ESCAS. Indonesia is to be congratulated on how they have addressed the changes we have imposed on those supply

chains in such a positive manner. The proof is in the pudding as such that if you want to make it work it can. Other markets could certainly take a leaf from this book.

Vietnam have certainly come into the trade in a big way very quickly. The improvements required on the animal welfare front are a real concern. I was there in May last year and I saw for myself potential issues. Operators setting up feedlots with large capacities with limited animal husbandry experience was inevitable and I know NTG and exporters spent a lot of resources on animal welfare and animal husbandry training . I urge exporters to continue to fill this space.

There needs to be a capacity to self-regulate if need be. Industry did not have that capacity prior to 2011 and we paid the price.

We seem to be waiting forever for China's Health protocol. I am sure it will come and there will be positive kick in the market. We need to ensure it is a long term business and rolled out a bit more steadily than Vietnam, which really did grow too quickly and I am sure today's declining problems are a legacy of that.

And when this happens I am sure we will see the back end of the \$3 per kg Darwin barrier that got all the commentary last year.

Interestingly, the only negative comment at last year's conference to that end came from the MLA rep who told me I was dreaming. A very odd comment from the body that is charged with maximising the price. Congratulations to the Board of MLA and Richard Norton for the work you have undertaken over the last 12 months better addressing issues that are relevant to levy payers.

I am confident that 2015 will see much better prices again. Ross Ainsworth will justify his \$4 to \$5 prediction this afternoon. What all of this does confirm is my theory that segments within markets can pay what we need. There will soon be a time when there will be no excuse for bad export marketing strategy which over supplies a market and brings a price under \$3 per kg.

Industry need to come to grips with this. Livestock prices around the world are too far in front of ours to be ignored.

It is the old “conflict of interest” I have alluded to before - in that margin based export business marketing strategies are not in line with those of the production system and the levy streams that come from the grassfed sector.

I would like to thank and congratulate our federal Minister for Trade, Andrew Robb, for his achievements with FTAs, particularly in Japan, South Korea and China. A massive boost for Australian exporters.

Industry Peak Councils and rep bodies come to mine here. Last year I stated **“The risk of annihilation of some representative bodies is certainly not beyond the realms of possibility. They have too many conflicting agendas, they cannot represent one constituency and cannot fight one fight well. To me it seems there is too much dilution and fragmentation so nothing can be done as well as it should be.”**

A year later I don't think any have died but most are only still kicking, but at least they are doing something about it. Good to see the formation of the Kimberly Cattlemen's Association last year. Yet this will have a cost PGA in the future, no doubt.

It is great that Cattle Council of Australia is making positive moves towards a resolution. As is NFF. I only hope that when these and other organisations go through restructures they can source enough “lifters” as there are too many “leaners” in this space and it compromises industries and feeds the critics agendas.

I would like to thank and congratulate our Minister for Agriculture, Barnaby Joyce, for persevering with this restructure and I am sure the final result will be very positive for industry.

I went to the Harvard Business School 15 years ago. One of the lasting memories I have from that establishment is that they have a continuing case study into the demise of representative organisations. These range from churches, industry organisations, unions, many others, as well as Governments. Our industry problems are not unique by any means. Larger and larger bureaucracies and declining free cash are certainly symptoms. As is the increasing ease of communication through social media for radical minority groups who bear no consequences.

So it is going to be a continuous challenge I would say.

NTCA Strategy

NTCA's mission is "advancing and protecting the interests of cattle producers in the Northern Territory" and our key goals are to

1. Create and foster a profitable and environmentally responsible primary industry
2. Foster a health relationship and work with governments and government departments on industry direction
3. Represent interests of government.

We are entering an environment that is different to the past. Like all representative organisations if we don't admit this and change it will be to our own demise. However this does not mean we forget our mission and key goals.

Over the last 6-8 years NTCA have been able to make good margins from projects and this conference thus subsidising the membership costs in order to keep the organisation afloat.

As you would have heard in Tracey's presentation yesterday the membership income does not even cover half the organisations costs. Having less than 200 general members is very small comparatively.

The margin we make from projects now is getting thinner and thinner with some of them hardly worth undertaking. It now seems the project organisers opinion is that we should be doing them on a break square basis for them.

So unless this changes there is no point in growing these activities unless it directly benefits members.

As is obvious this conference and dinner has grown to the point of being one of the best in Australia with a hell of a good reputation. It firstly outgrew Tenant Creek, and more recently, and unfortunately Katherine. Having these conferences in Darwin and Alice Springs do make good margins but when you

consider the 1,000 hours of NTCA staff time goes into them, the on costs of that, as well as the fact that that time could have been put towards members needs, the question needs to be regularly asked.

NTCA has always participated in the national debate and in many instances was one of the major influencers of it. NTCA have always had a terrific relationship with the corporate members who assisted in opening doors if need be. That was when they were owned by icons like Futuris, Consolidated Press, AMP Society, Commonwealth Bank, Bankers Trust, and an earlier generation in the large family organisations. Now it is very different and the political influence of the foreign owners of many of these organisations is certainly not what it once was. Some are not even interested.

This is food for thought as we look at the changing investor profile emerging.

It is a space that NTCA needs to initiate discussion around and bring back that corporate influence. It is a competitive advantage that is diminishing.

NTCA have always been very effective in reform and policy resolution. I know I will miss some but we participated in the Mudginberry blue against the AMIEU which resulted in a change of law for the Australian Meat Processing industry, the National BTEC program which resulted in over a \$Billion coming into the north Australian cattle industry, the conversion of land tenures to PPL which at the time were considered to be as good as Freehold Title except the miners had access, NTCA was active in the development of the Native Title Act following Mabo and Wik findings, and I am sure there are others and finally we were fundamental in the resolution of the live export debacle of 2011 as well as now facilitating members and some non-members participating in the resulting legal action.

Going forward we need to be part of the new land tenure discussion. We nearly had all pastoral lands freeholded before the mining companies blocked it back in the early '90s. We need to set that goal again as part of the north Australia debate.

We need to be part of the political reform that must surely take place, with or without our influence

We need to be part of the industry peak council developments that will occur with or without us.

We need to continue to be part of the ongoing development of the live export trade.

And I suspect in the future we will need to be part of a meat processor debate again. This could happen many ways. Time will tell what rolls out here.

NT Issues

It is interesting how bureaucrats can make simple things so complicated. The current Government has certainly made some inroads into improving outcomes in this regards and we certainly thank the Chief Minister and his team for attacking red tape and culture. However there are still problems, for example;

We have recently been going through an exercise and discussions in regards to roads. The modelling, assumptions, responses, spreadsheets and dialogue that I have seen come out of NTG is nothing but an intellectual wank in my opinion with the only outcome being to delay costs.

Dingo baiting is the same. Wild dog baiting nowadays with an additional permit to kill a native animal should you on the off chance happen to do so. The amount of courses and training that is required to do something that has been done without too much problem since 1080 replaced Strychnine 30 odd years ago is ridiculous. It is now easier to get semi-auto rifle training and licenses to go buy a rifle, than it is to efficiently address a \$60million problem. I will admit however it has improved but I bet if it was the NTG losing \$60million it would be fixed a hell of a lot quicker irrespective of culture or existing opinion.

Mining and Petroleum company access agreements negotiation is going along in fits and starts but I am sure Tracey will be successful here at the end of the day. It makes logical sense and if a mining or gas company is well intentioned it will certainly make their experience easier with a good relationship with the landowner than not.

NTCA should strive that just agreements and compensation are not enough.

At the end of the day it what our rights are under the land tenure and if we are to move forward as an industry and sector there is no reason why revenue from what is taken from a property cannot go back to the landowner rather than the coffers of Governments.

Thanks

I would like to thank the members of the Executive Committee for their efforts and contributions over the last 12 months. Particularly Tom Stockwell, our rep on Cattle Council and Rohan Sullivan & Tracey Hayes as our rep on NFF, until Tracey became the CEO. These people do a lot of work in these organisations.

As I said last year, I would also like to thank those life members who continue to participate in overseeing the wellbeing of NTCA now that we have entered the 2nd generation of executives. As expected we will never do as good a job as the old fellas did in the olden days so please keep an eye on us. Although said in a bit of jest, the life member contribution to NTCA is invaluable. It is not from one or two sources and it is a real strength of the organisation that these people protect NTCA as they do.

Many thanks to Tracey and all NTCA staff based in Darwin, Katherine, & Alice Springs. Tracey has found the first year challenging no doubt. It is a huge workload and not for the feint hearted. I am positive she will improve and improve and become a force in the space in the next few years. If anybody thinks she will give up you had better get up bloody early.

And lastly, as this is the end of my last term and the final seconds of my official duties as President of NTCA I would like to thank all the members, associate members, sponsors, and friends of NTCA for your support. Particular thanks to my wife Gina and the other wives who have to compete for our time when we are involved with NTCA, as well as make significant contributions from time to time.

The fact that NTCA has been a very strong organisation for all of its 31 years has provided the executive and staff a very solid and reputable platform from which to operate. Keep an eye on it, and preserve it.

Have a great conference and thankyou.

