

2013 NTCA CONFERENCE PRESIDENT'S REPORT

Federal Minister for Agriculture, Senator Joe Ludwig, the Indonesian delegation that is here, Distinguished Guests, NTCA Life Members, Members, Ladies, & Gentlemen.

It is a privilege to deliver my 1st, and NTCA's 29th President's Report to you today.

It is eerie and frankly, disturbing, how similar the situations of 1985 were, to now.

Headlines of that report being;

Aboriginal Land Rights,

BTEC,

AMLC (now MLA) needing more money to finance the budget,

Herd numbers – we have hit 23.4 million cattle The first increase since everyone got their fingers burnt in the 70's. Shades of this period on the dusty horizon.

Here we are with over 30million head again.

It would be more satisfying for all if the short and medium term market and seasonal outlook was just a little bit better.

OVERVIEW

Indonesia, Indonesia, Indonesia. Whatever happens in this market is going to have a profound effect on us in the NT.

More on Indonesia and the dry times shortly

Although I generally believe the longer term outlook is good, we certainly need to reposition all agricultural industries in many ways. 50 years ago we were better off. We had superior terms of trade creating real wealth to industry land owners and participants. We had better relationships with governments in that agriculture and food production was given a far better hearing than we receive today, and most importantly we had a much closer relationship and connection with our urban counterparts and consumers.

How do we fix this?

A very difficult question

The problem being is that, it is the city, not us, who have lost the connection. 50 years ago everybody had a natural rural connection of some sort. That connection, is now broken. It has not been due to policy. But natural demographic trend. I think the only

way to a real and solid reconnection is through the education curriculum on a National basis. I know the NFF are working on this.

I suspect we will certainly witness the so called “Food Boom” that is around the corner; however, we will need some smart footwork in the next couple of years to participate and see real benefit. Almost all and sundry will need to take a breath and understand that cutting costs in hard times such as these is only a survival strategy and does not auger well with productivity increases and development of domestic and international market positions

To participate in a boom, strategic positioning is required by industry and major players. And with commonsense facilitation by governments.

I fear that as industry is in such a depressed situation, and in many instances, survival mode, we will most certainly miss opportunities that require start up and supply chain investments.

Processors, value adders, traders, and exporters certainly will not pass profits down the chain if they don't need to. With an impending dry time in front of us our leverage is diminished as we have limited options to hold supply back as we are forced to unload.

If however, industry gets together and focuses on a way forward we could get there. By industry I particularly mean the financiers & landowners Governments, Peak Councils, Representative bodies and MLA.

I mention Financiers AND Landowners because ABARE figures now tell us that the LVR on Australian Ag Land is now well above 50% debt. Probably higher in the NT

REPRESENTATIVE BODIES

I now turn to Industry Representative Structures

From an industry & government perspectives, NTCA is certainly performing above its weight. At least we can honestly say we represent 90% of Northern Territory Cattlemen. No State Farmer Organisation comes anywhere near this.

This is an absolute credit to NTCA executives and members over the last 29 years to have established and maintained this position.

Unfortunately, it is becoming more and more obvious that NTCA is going to have to get involved in the restructure of Cattle Council and then probably NFF. We will certainly need members and corporate support. It needs to be done quickly and decisively.

This is an unfortunate situation because, now, almost all other representative bodies are in strife of some sort. And if our membership was at levels of these organisations, we too would be in strife. And unfortunately NTCA is continually forced to participate

outside NT issues. We are a State Farmer Organisation that spends more than our fair share of time, resources, energy, hours etc on National issues because others can't or won't. Often at the cost of the dealing with local issues like member communication, bushfires, wild dogs, local government etc etc. Certainly areas we will be working on this year

The pastoral companies have also made significant contributions to NTCA in many ways over the entire period and we need this to continue. There is, however a rumbling as to value for money spent on membership..Nearly understandable, but a real concern.

I don't believe individual producers or companies can be as effective as large representative organisations on a constant basis. They can and should lobby on specific and incidental issues but not in competition, or off message, with effective industry and organisations.

As an aside here, I take this opportunity to commend AACo on the decision to construct the abattoir in Darwin. A very positive show of faith in the longer term prospects of the industry that will be good for all producers.

We need this sort of commitment from all and sundry where possible.

The representative organisational structure of our industry is now under serious question. Performance of peak bodies and service providers is simply not good enough.

Why? The diminishing connection I just mentioned is the hidden driver of fear. My opinion is also, that these organisations are now under resourced as memberships decline due to lack of performance. Therefore the vortex gets tighter and tighter until the organisation collapses and we have none.

It is a chicken and egg scenario. Declining resources, therefore declining performance, therefore declining membership, and therefore, further declining of resources.

People, are what we are short of primarily I would say due to the lack of Ag related subjects at all curriculum levels

How possibly can good solid, consistent, leadership be developed in this scenario.

As well, I don't know how many members out there have been sponsored by industry into various scholarships etc, but there are far too many slipping through the cracks and not contributing to industry thereafter.

The cycle needs to be broken or our peak bodies Cattle Council of Australia (CCA) and National Farmers Federation (NFF) we will end up like the grains industry Peak Council and collapse. In that situation it took 5 years for another body to emerge, as producers rallied again to get represented. We need to short cut the 5 years if at all possible.

CCA is the largest member of NFF and without that membership coming in NFF too could end up collapsing.

The deterioration of these bodies is like a cancer. It started in the State Farmer Organisations (SFOs) several years ago and is now knocking on the door of the Australian agriculture's peak representative body.

I believe we need to try our hardest to fix and adapt what we have rather than unwind, collapse, and rebuild. This will set the industry back so long that it will be difficult to encourage my children to have a go in this space.

INDONESIA

If we are smart and with some luck I feel we could see some improvements into this market from the current 230,000 head for 2013. I say this with some trepidation as there is much wiser opinion contrary to this.

At the end of last year a group from NTCA and NTG visited feedlots & abattoirs in Lampung and Jakarta and what we saw was very encouraging.

Obviously, the feedlots are managed very well and have been for a long time, however the slaughtering process under ESCAS with stunning is now massively improved.

It is an absolute credit to the Indonesians on the ground, as to how they have cooperated and embraced the system. It has taken away the risk of injury associated with traditional restraining with leg ropes etc.

ESCAS has certainly delivered terrific outcomes. Animal Welfare management is without question massively improved. The MLA staff on the ground undertaking training of Indonesians and installation of facilities have and continue to do a great job most of the time. There will always be complaints and they need to be better addressed. The challenge now is to get the cost of ESCAS to an affordable level. I have heard it is now over \$100 per head and needs to be closer to \$20 per head. Achievable in my opinion as there is far too much duplication both here and there from AQIS, DAFF, documentation and audit perspectives. Currently this expense is affordable as the profit at the importer/ feeder sector has this well covered. When the market recovers and profit margins shrink as supply comes on a \$100 cost will become a real issue..

As we move into the "permanent ESCAS" Indonesian market we need to ensure the correct approach is taken. As anybody with any Indonesia experience knows, it is a very complex and forever changing region. I have been there a few times and a lot less than many, and to me it seems the more I go there the more I understand what I don't know.

Indonesian logic is not always the same as ours, and Australian's is not the same as theirs. We need to understand this. We are in their country. They are the customer.

Visitors into the Indonesian market need to be "on song" as such. This does not matter whether you are a cattle producer, exporter, organisation rep or State or Federal Politician.

Politicians visiting Indonesia beating their political drum, given what occurred with the shut down, need to be very careful. If they are talking about livex then they should be talking to industry representatives first, and actually listening and taking notice of them. The focus needs to be on building relationships for a sustainable future.

As most of you would know beef and cattle prices in Indonesia are at all time highs. Beef at 100,000 rupiah per kg or \$10. 90cl grinding beef prices in Australia are around \$4-5.

This has also pulled the price of chicken, fish, and other foods up with it, and there is a lot of pressure bearing from consumers at the moment.

This pressure and considering some scandals around the issuance of permits and arrests of some officials it would not surprise me that we may have now seen the lowest level of permits. If we are smart, respectful, and nobody stuffs anything up I think before the end of this year we may see demand above 230,000 head. And more into 2014.

We all need to remember what the President of Indonesia said when he was in Darwin last year. He made it clear they expect investment into that market so we can expect some strategic intent and demands from their part.

INFRASTRUCTURE, LAND USE AND TENURE

In order to ensure we lock in the required investment to get North Australia moving again we need to have very strong relationships with governments, traditional owners, and the voting population. Effective peak bodies are essential to this dialogue.

The current government and opposition have made a hell of a lot of representations in regards to getting northern Australia firing from an infrastructure perspective. Not much happening, other than the Ord Stage 2 that I can see. And even that is still a bit subjective. However, an improvement on the last 10 years!

Remembering that something like over 85% of the representative seats in the federal parliament are south of a line drawn from just north of Brisbane to just north of Perth, we certainly have some strong competition for funds from a broke government.

Not only do these projects need funding, but land tenure and native title need to be dealt with effectively.

All is possible where there is desire and belief in like minded parties. Public assets like the wharf in Darwin may need to be privatised for example. Some imagination and “thinking outside the square” will certainly be needed.

Last year Luke & I met with members of the oppositions North Australia Strategy, based around developing dams to provide for irrigation infrastructures. 100,000 ha was the agreed area to provide the scale needed to be competitive. That is fine, but nobody had thought about the 20,000 tonnes of fertiliser that will be needed every year. And the logistics over the wharf needed to get this in or the produce or extra cattle out because of it. The wharf in Darwin is and will be a major constraint without significant expenditure.

Right now it is cheaper to get a container of hay from the Douglas Daly to Japan via Adelaide than Darwin. Shipping being \$2,400 cheaper, & Port and Bunker Adjustment Fees over \$200 cheaper. Total \$2,600 per container.

As northern Australia is developed as it should be, we need to ensure that it is done properly and not in a half arsed manner like many public projects. Reason being there will be no public support for infrastructure provided to a few at the cost of the majority

NORTHERN MEATWORKS

It is a pleasure to report that construction has commenced. I assume all is still on target for a September startup for trials etc and that into 2014 we can expect some real activity.

The lack of real options for non Indonesian Feeder cattle and cast for age breeders was bought to the fore in 2010 when Indonesia imposed the 350kg weight restrictions. At least the current “market limbo” we sit in waiting for heavy cattle orders will have a base to it.

The construction of this meatworks augers well into the Northern Australia infrastructure program. Once again the wharf and roads are critical to it’s competitiveness and we all need to lobby governments to support it far better than thus far.

Congratulations to AACo for seizing the opportunity and persevering through what has been a very testing period for industry. No doubt a difficult project in a difficult program. We all wish you the best of luck for a long and successful business. I would say don’t make too much money or the competition will come. Look after your producer suppliers.

NATIVE TITLE

The decision by the federal attorney general to discontinue native title respondent funding for pastoralists is one of those which beggers belief. A decision which makes no

sense, seems devoid of common sense and ignores the good will and progress made in recent years. Land councils have even come out and called for reinstatement of our funding, a figure of \$2.5m over 2-3 years for the Kimberley, NT and Qld. Maybe a few more words here

CLIMATE

At the time of writing it looks like the good times of the last few years are over, and the dry could be back.

Almost all areas of the top end have had record minimum monthly rains for January and February. At least in the top end a light wet can be better than the average providing the finish and start of the next one are not too far apart. To that end more is certainly needed.

The VRD and Barkly are well down on averages and plenty of cattle are being moved off as we speak.

Areas of Alice Springs have had as little as 4 inches over the last 18 months I have heard. I am sure there are some with less as well.

With what is now an almost nonexistent Drought Policy of the Federal Government's, I cannot see there will be any joy in terms of rebates and subsidies etc this year.

Or for better words "Assistance & Contribution" to maintain industry and communities, as well as individual businesses

CARBON CREDITS

The story goes on and on. Irrespective of what Government's system is in place the market price applied to Carbon Credits in 2015 will determine the size and success of the business.

Methodologies are being developed and approved. Savannah burning (for abatement) in the Top End works, and money will flow back into those new programs during 2013. Retrospective to beginning of 2010, At \$23 per tonne it is good business. At potentially \$10 or less, nowhere near as good.

As far as methodologies in the lower rainfall areas for sequestration go I don't believe there is any more scientific evidence supporting this than of a couple of years ago.

An abatement & sequestration assessment on camels, wild dogs, horses & cattle, pigs, and buffalo as part of a culling program would be interesting.

As well, from a biosecurity perspective.

VALUATIONS

Almost every presidential address since 2006 has addressed this vexed issue. 2013 is no different as we struggle with an unimproved valuation process delivered by the Australian Valuation Office which has done no more than create animosity, frustration and wasted time and money on all sides. As an industry and the Territory, we certainly cannot afford to see this shambolic process continue, and we positively engage with the NT Government to find a win win for all

WILD DOGS

A step forward and 2 back seems to characterise the road to an effective system *for the management of wild dogs which we have estimated to be costing more than \$60m annually in calf and production losses*. While not a phenomenon confined to the NT, inevitably state legislation and regulation accounts for the majority of the obstacles. Landowners plagued by dogs feel hamstrung by existing process and changes which move at snail pace, most recently leaving members with qualifications to undertake meat injection but no legal basis.

Effective dog control is in everyone's interest.

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 Tracey Hayes our rep on NFF.

These two do a lot of work in these organisations.

Luke Bowen continues to do a top job in all areas, except returning my calls.

Thanks to all NTCA staff based in Darwin, Katherine, & Alice Springs.

And particular thanks to members and those who have supported me and especially my wife Gina.

CLOSING

As per Grant Heaslip's closing caption of 1985

"Cicero, the great Roman statesman and lawyer of over 2000 years ago gave this advice to the government of the day: "The budget should be balanced, the Treasury should be refilled, the Public debt should be reduced, the arrogance of officialdom should be tempered and controlled and assistance to foreign lands should be reduced, less the State become bankrupt, the people should be forced to work and not to depend on the government for subsidies:

Cicero's warning was ignored and the empire was crippled by taxes, currency debasement, welfare, bureaucracy, and arbitrary government. It slid into dictatorship and final decay. They said of Cicero: "at least he tried"

What will our children say of us? They went down without a fight! (?) The need is urgent and the hour is late. Your dedicated support over the next twelve months may well shape our Territory's history into the future."

I would say now in 2013 that the NTCA has certainly shaped the Territory's development and congratulations to all the executives and members who have participated since 11th of July 1984.

I would also say now that the NTCA could well have to drive the agenda of others to shape the industries future if we decide not to become a victim of it.

Thankyou

www.ntca.org.au

www.dwsagricon.com