

2011 President Report

Distinguished guests, Ladies and Gentlemen. It is a privilege to present my second report to you today as President of the NT Cattlemen's Association at this, the 2011 conference; **and**, on such an auspicious day, the 1st of April. In fact, I could think of no better title for it than "Sullivans April Fools Day Address".

I believe our industry can look forward with some confidence. Seasonal conditions are excellent throughout; demand for our product is strong and emerging markets such as Turkey and Russia have added strength to continuing demand from our existing customers such as Indonesia, domestic and export processors. The Australian Agricultural Company's planned northern abattoir holds out the prospect of Top End cattle once again being processed locally, and the launch of the NT Government Agribusiness Strategy by the Chief Minister indicates a renewed commitment to development of the primary industry sector in the territory.

This is not to suggest that it's all blue skies and sunshine! We face a challenging situation on a number of fronts. Our margins are being squeezed relentlessly by rising costs. We face high exchange rates, new taxes, an uncertain regulatory environment, pressure from animal rights groups, more restrictive legislation, extreme fire conditions and more. We need to remember, and to remind the community, that we create jobs, generate local economic activity and export income. This year marks 100 years since the Northern Territory was cut off from South Australia and this industry has been there all the way.

I begin where I started last year; Indonesia, our most important market. I'm sure I don't need to remind you of the events of 2010 as the Indonesian government responded to the pressures created by the large numbers of cattle and boxed beef imports which occurred in late 2009 and early 2010.

While prices for feeder cattle recovered as the year went on and reached higher rates than previous years, northern producers with heavier cattle such as cull cows, bulls and heavy steers were hit hard. Cattlemen from right across northern Australia were forced to look south for markets. Large numbers of cattle were sent interstate to agistment, sold as re-stockers, or to slaughter at abattoirs in Qld, NSW, VIC and SA. Department of Resources figures indicate that some 80000 extra cattle were cleared from north of the tick line to go south or east.

While prices were generally good, the extra costs involved in freight, dipping, yard fees and charges, shrinkage and price penalties meant that up to half the gross value of each animal was being taken up in direct selling costs. This is not a sustainable long term option for the northern cattle industry.

The bid by the Aust Agric Co. to establish an abattoir in northern Australia is a welcome development. While there has been scepticism in some quarters about the ability of the industry to supply sufficient cattle and ensure the viability of such a plant, the fact is, an export abattoir would be a real asset to the northern pastoral industry in terms of spreading market risk and processing animals which are not suitable for the live trade.

Figures on cattle exported from Darwin indicate that only about 20,000 less NT cattle were exported to Indonesia last year than in 2009. This indicates that more feeder cattle may have been found to replace heavy cattle. The implication of this however, is that many of these may have been light steers originally intended for export this year or heifers which would normally have been retained as breeders. The impact may still be felt later on as this works its way through the herd structure.

There is no doubt that Indonesia and Australia rely on each other in this trade. The trade reflects the comparative advantages of each country in terms of land area, agricultural production, labour availability and markets. At the current importation numbers for live cattle of 500,000 head, and assuming an average liveweight gain of 100kg per head while on feed in Indonesia, then there is some 50,000 tonnes/year of value-adding to imported cattle taking place in Indonesian feedlots. At a rough estimate this may be worth A\$150m at the feedlot gate and a substantial multiple of that in the market place as well as the local employment and economic benefits.

We recognise the legitimate aspirations of the Indonesian government and people towards increasing local production of beef and moving toward increased self-sufficiency. It is no different than the attitude of most Australians towards their own food supplies. That is why NTCA, with the assistance of the federal government is engaging with Indonesian Ministry of Agriculture, Provincial Governments and Farmer groups, in an effort to add value to the activities of various agencies, strengthen relationships and increase our own knowledge. In November last year, a small group consisting of NTCA and NT Government representatives and a Social Scientist, visited East Kalimantan province to participate in a livestock workshop and visit farmer groups in the area around Balikpapan; and I would like to acknowledge the presence of Pak Ibrahim and his delegation from East Kalimantan here today. NTCA also contributed \$5000 through APFINDO and the Indonesian Animal Science Association to assist farmers around Mt Merapi, the volcano in Central Java that erupted last year, with loss of life, destruction of farmland and livestock as well as contamination of pastures. The money was used to purchase feed concentrates for distribution to farmers in the affected areas.

I am confident the current difficulties around the issue of import permits and point of weighing will be sorted out to the benefit of both countries. There has already been good progress. An issue of far greater potential impact is the ongoing campaign by animal welfare and rights groups against the live export trade. While the sheep trade to the Middle East takes most of the heat, we should be under no illusions that radical animal welfare groups such as Animals Australia will do anything, including underhand tactics, in their efforts to discredit the trade and sway public opinion.

The independent report prepared last year on animal welfare throughout the market chain in Indonesia found that animal welfare was generally good but that there were issues that needed to be addressed, mainly around the point of slaughter. Many of these issues are already being addressed through the joint MLA/Livecorp Live Export Program and MLA now has an officer based in Jakarta with responsibility for delivering training and promoting adoption of restraining boxes and conducting a pre-slaughter stunning trial.

Climate change and Carbon tax

After the demise of the Carbon Pollution Reduction Scheme in 2010 and despite pre-election promises to the contrary, the government in Canberra now looks set to impose a Carbon tax.

Regardless of ones understanding of, or subscription to, the hypothesis of human-induced catastrophic climate change, there seems to be a large herd of elephants in the room. The developing nations, the largest of which are China and India, are undergoing rapid economic growth. Economic growth is directly linked to energy consumption and carbon dioxide emissions. In 2006, China surpassed the United States in the level of CO₂ emissions and now produces over 7 billion tonnes a year. This is despite having an economy which is around 1/3rd the size that of the US in GDP terms. With over 4 times the population of the USA, and even with the stated aim of reducing its emissions intensity per unit of economic output by 4%/year, China's population and economic growth means emissions are expected to increase by up to 500% by the year 2040. It raises the obvious question of how a tax or any other carbon pricing scheme in Australia can have any impact at all on global CO₂ emissions, let alone world temperatures or climate. Urinating into the wind comes to mind.

What the Carbon tax will do is increase our costs. Even with the exclusion of direct emissions from Agriculture announced recently by the Federal Government, modelling by the Australian Farm Institute indicates the impact of a \$20-30/t Carbon tax will add an extra 15% on input costs for our industry and will increase with time. I can tell you now that this is not sustainable.

This hasn't stopped Professor Garnaut from calling for Agriculture to be included in any Carbon Tax or Trading Scheme on the basis that the agricultural sector has the opportunity to make use of offsets to reduce the impact. Maybe there are some opportunities down south for growing trees, but I can tell Professor Garnaut that there are few, if any, offset opportunities for our industry and much of the arid and semi-arid parts of Australia. Even the NT Environment Centre acknowledges there is little opportunity in the Carbon Farming Initiative for the northern pastoral industry. We will hear more detail later in the day but the take home message is simple. Offsets and carbon credits will not compensate us for the impact of a carbon tax.

The Northern Territory Governments own climate change strategy has the following as a head line action and I quote, "By 2020, at least four million tonnes of carbon per year will be removed from the atmosphere through better land management." This figure is hopelessly optimistic and should be reviewed or abandoned. If such a figure is retained then it is incumbent on the Territory government to explain how this target is to be met without decimating land based industries such as ours.

Pastoral Lands Act and NVA

Last week the NT Government finally released its exposure draft legislation for amendments to the Pastoral Lands Act and a new Native Vegetation Management Act. In the case of the Pastoral Lands Act this has taken 7 years.

We have been extremely disappointed with the lack of due process and consultation around the development of the Native Vegetation Management Act in particular. The new act will entrench the current restrictive and bureaucratic land clearing guidelines in a framework of criminal penalties and sanctions. The Pastoral Land Board, an

independent, expert body will be sidelined and nearly 20 years of prudent management of the pastoral estate will be consigned to the dust bin, and replaced by the dead hand of bureaucracy and the malignant influence of urban-based environmental lobby groups. Legislation such as this needs the input of people with practical experience in land management, a commonsense approach and an interest in the long-term future development of the Territory and I urge anyone with an interest in this to make your opinions known during the consultation phase over the next two months.

Rain in central Australia

I am pleased to be able to report that once-in-a-generation seasonal conditions have transformed Central Australia in the past 12 months. Alice Springs has gone from record low to near record high annual rainfall in the space of a year. After a long run of below average and drought years, Central Australian producers have been able to begin a recovery period which will not only benefit their own businesses, but also the country itself. Indeed, the rain prevented some properties from mustering and turning off cattle for much of 2010. I'm sure that cattlemen right across the territory, while enjoying the rain, are now ready for some fine dry weather and the opportunity to get some work done this coming dry season.

Apart from the problem of mould in houses, the rain has had the inevitable impact on the rural road network with many roads impassable or severely damaged. The impact of rain on these roads has been made worse by the continuing neglect and lack of investment by governments at both Territory and Federal level.

The return of good seasons will also mean the inevitable return of wildfires. In October last year I wrote to the Minister concerned and pointed out the increasing risk of bushfires in Central Australia and the need for increased resources to prepare for and manage the impacts. There has been a degradation of bushfire response capability and preparedness over recent years, this needs urgent attention if the experience of the 1970's is to be avoided.

Feral animals, wild dogs and camels

2010 saw the first full year of operation of the NT Governments new permit and user pays system for management and control of wild dogs. The permit system is bureaucratic and cumbersome requiring no less than 4 separate qualifications or approvals plus qualifications for anyone else on the property involved in the handling or distribution of baits. Property owners have been unable to access the number of baits they require because of arbitrary limits set by NRETAS. Members are now reporting dog numbers are higher than they have been for years and in some areas are basically out of control. What should have been a valuable aid to wild dog control; access to manufactured baits; has been turned into an exercise in delay and frustration.

In Central Australia, little has been achieved in the program to control feral camel numbers as the consultation process for aboriginal land trusts grinds on. With such good seasonal conditions, camels are now scattered widely making control more difficult and much more expensive than was the case 18 months ago. This represents a major opportunity lost in efforts to manage this pest.

Valuations

The pastoral industry was again taken aback by the latest round of valuations released in June last year. Increases in Unimproved Capital Values ranged from 400 to as high as 1600%. In some cases they appeared more closely aligned to a walk in-walk out value rather than a value based on a bare block of land. Property prices certainly did not increase by that amount in 3 years and 50% of pastoral lessees lodged objections.

The NTCA was able to make a case to the minister responsible, Karl Hampton, to adjust the multiplier applied to Pastoral Lease rentals and reduce the impact of rent rises. We have made a similar case to shire and municipal councils and the Minister for Local Government with respect to council rates and await a decision on next years rates.

People have remarked to me, “oh it doesn’t matter what the UCV is, government will just vary the rate to get the amount of money they want to raise”. Well that’s fine, but as experience shows, it doesn’t always work, and isn’t it important that the UCV actually be correct, and be assessed in a transparent and understandable way. Incorrect and outlandish UCV’s give the wrong impression to the rest of the community who then ask, “if these properties are so valuable, why don’t they pay more”?

Local Government

People object to paying rates when they cannot utilise services provided by councils. The response of the local government lobby is that rates are not a fee for service, they are a tax, a tax on land; a tax to fund the ongoing operations of a local council. If this is the case, then why is so much land in the NT exempt from this tax? Land owned by religious institutions, benevolent institutions or charities, Commonwealth land, Land Trust land, educational facilities, public hospitals, the list goes on. Around half the land area of the Territory is not rateable and yet LGANT and some notable individuals continue to push for the ability to tax the pastoral and mining industries as they please. While we appreciate the difficulties shires are having in sourcing funding for their core operations, this does not justify singling out industry sectors which provide jobs, export income and local economic activity. There is almost a complete lack of economic activity in remote communities apart from government expenditure and no viable rate base. Why does the Commonwealth Grants Commission use a formula which provides Financial Assistance Grants to councils based on population rather than need? The effect of this is, that large metropolitan councils throughout Australia with large ratepayer bases and millions in cash reserves and investments are still receiving assistance through the grants commission to the detriment of low population, high needs councils such as in the NT.

Indigenous Employment

We are already showing what contribution our industry can make to the development of indigenous Territorians and the provision of employment and personal development opportunities. With the assistance of the Indigenous Land Corporation and FACSIA, NTCA is running the Real Jobs Program. This provides employment, training and development opportunities for 65 Indigenous trainees and provides ongoing support and mentoring to enable them to move through different levels of skills training and to take their place alongside other employees in the pastoral industry.

Loss of life member Bill Prior

Members, during the last 12 months we have seen the passing of a number of prominent people from our industry and I would like to convey my condolences to the families of those who have lost loved ones in recent times. One person I would like to mention in particular is Bill Prior, former manager of Hamilton Downs and Chairman of the Centralian Land Management Association. Bill was granted honorary life membership of NTCA in 2000 and passed away last year.

In closing, I would like to thank members of the executive, alternate members and branch committees of the last 12 months for their input and support. We have 5 new executive members who will take up their roles this year and I would like to thank the retiring members; Andy Miller, Geoff Murrell, Allan Andrews, Maria Townsend and Tony Searle. I also thank members that are not on the executive but represent NTCA, and our industry, on different committees and advisory boards within the NT and Nationally. Thanks also to executive Director Luke Bowen and his staff who continue to put in 110%.

Finally, to our members;

I've outlined a lot of challenges to our industry this morning, and history shows us the best way to face any problem is with a united front. That it is why the NTCA needs to maintain its strength and focus as a lobby group and your membership is an absolutely vital part of that. It is no fluke that over 450 people come to Katherine for an industry conference in the wet season, take up every bit of available accommodation, and fill up the biggest venue in town. It is a testament to unity, common purpose and a willingness to contribute. Thank you for your solidarity and support.

I would now like to call on the Minister for Agriculture, Fisheries and Forestry, Senator Joe Ludwig to officially open the conference.