

# Senate Rural Affairs and Transport References Committee

**Questions on Notice – Friday, 2 September 2011  
KATHERINE, NT**

**Inquiry into Animal welfare standards in Australia's live  
export markets**

<b>Question Number</b>	<b>Page No's.</b>	<b>Witness</b>	<b>Question asked by</b>	<b>Answered</b>
1	9	Ms Val Dyer	Senator Xenophon	13/9/11
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1	39-40	Northern Territory Agricultural Assoc.	Senator Xenophon	9/9/11



## Rural Affairs and Transport References Committee

### Question Taken on Notice – Ms Val Dyer

#### Public Hearing – Animal Welfare Standards in Australia's Live Export Markets

Katherine – 2 September 2011

Page	Question
9	<p><b>Senator XENOPHON:</b> Finally, Mrs Dyer, you have talked about it needing to be centrally located around Elliott; I am just looking at a map of where Elliott is. Do you think that there have been political rather than practical considerations in the past determining where there could be a complementary abattoir in the Territory?</p> <p><b>Mrs Dyer:</b> Yes.</p> <p><b>Senator XENOPHON:</b> When was there a feasibility study done?</p> <p><b>Mrs Dyer:</b> Oh, heck! You are testing my memory. I could not say. But it was prior to the construction of a very large abattoir in Tennant Creek. Somebody else might know. I could get back to you on that.</p> <p><b>Senator XENOPHON:</b> If you could take it on notice, because we might try and dig up—</p> <p><b>Mrs Dyer:</b> Around '82; it could have been around then.</p> <p><b>Senator XENOPHON:</b> Could you take the question on notice, if it is not too much trouble.</p> <p><b>Mrs Dyer:</b> Sure.</p> <p><b>Senator XENOPHON:</b> Thank you.</p>

# **A pre-feasibility study of supply and demand issues for a multi-species abattoir in Northern Australia**



**Prepared by**

Geoff E Niethe

31 August 2009

## Executive Summary

The beef industry is a major contributor to the rural economies of both the Kimberley region and the Top End of the Northern Territory. Both regions rely almost entirely on the live export trade as the outlet for their production. Although the live export trade therefore presents the northern beef industry's greatest opportunity, it also poses its greatest threat, should it ever collapse.

Industry and government both recognise the need for the successful operation of an abattoir in northern Australia to ensure alternate market options, to create employment opportunities and also possibly aid feral animal control. While the live export trade may have contributed to the demise of viable meatworks in northern Australia, other factors, such as rationalisation in the Australian processing sector, have contributed as well.

This project aims to determine the likely numbers of cattle and other animal species that may be suitable and available to be processed at a multi-species abattoir located in northern Australia. It also examines the seasonal nature of the production, type of markets that are available, marketing costs, freight advantages and alternate production systems which may be considered by producers.

Analysis of turnoff data from the Northern Territory and the Western Australia Pastoral Lands Board data demonstrates that there could be around 60,000 head of cattle available per year for processing in northern Australia, if suitable prices can be offered for the cattle.

District	Average Numbers	Period
Kimberley to abattoirs	10,041	1998-2006
Tennant Creek to abattoirs	20,428	2002-2008
Katherine to abattoirs	3,467	2002-2008
Darwin to abattoirs	885	2002-2008
Cows and bulls live export through Darwin	25,628	2002-2008
<b>TOTAL</b>	<b>60,449</b>	

Most of the cattle eligible for slaughter would be available during the dry season (end of March to early October), as this coincides with normal mustering practices in the breeding herd prior to the peak of the calf drop. Loss of condition at the end of the dry season and possible access problems due to early storms, will also affect cattle supply late in the dry season.

The cost of grain and the cost of producing irrigated forages in northern Australia are prohibitive to the production of cattle suitable for the local trade. The small human population base in the north and competition from a high eating-quality, grain finished *Bos taurus* product from the southern regions, negates any incentive to attempt such development. The only small meat processing operations that could operate successfully would be those supplying product into indigenous communities where meat eating quality is currently not a highly rated consumer requirement.

The freight advantages for an abattoir located at Katherine were examined. The additional cost of freight between Katherine and Darwin (300 km) is around \$16.07 for a cow and \$22.50 for a bull.

<b>Class</b>	<b>Mean Wt. of Cattle</b>	<b>No. head per Deck</b>	<b>Freight Cost/head/100 km</b>	<b>Freight Cost/head/300 km</b>
<b>Heavy Steer</b>	<b>350</b>	30	\$5.00	\$15.00
<b>Cow</b>	<b>400</b>	28	\$5.36	\$16.07
<b>Bull</b>	<b>600</b>	20	\$7.50	\$22.50
<b>Herd Bull</b>	<b>650</b>	18	\$8.33	\$25.00

The additional costs to meet health protocols and prepare stock for the live export trade are approximately \$29.70/head for stock more than 8 hours travel from the wharf as they require 3 days pre shipment rest. This equates to a \$11.44/kg liveweight advantage on a 400kg cow, if the animal was processed at Katherine instead of entering the live trade.

Current prices available for producers for both the live export market at Darwin and at Queensland saleyards are very comparable. The ability to match these prices by any processing operation located in northern Australia would depend entirely on how efficiently they can operate and how well they can find markets for all products and by products. It is highly unlikely that small inexperienced operators could compete in this environment.

<b>QUEENSLAND SALEYARDS</b>					<b>LIVE EXPORT ex DARWIN</b>				
	<b>Japa n Ox lwt</b>	<b>Korea n Steer lwt</b>	<b>Trad e Steer lwt</b>	<b>US Co w lwt</b>	<b>Indonesi a n Steer Heavy Darwin</b>	<b>Indonesi a n Steer Light Darwin</b>	<b>Cow Darwi n</b>	<b>Light Bull Darwi n</b>	<b>Other Bull Darwi n</b>
<b>Average prices 2006-2008</b>	181	173	180	132	169	182	127	158	130
<b>Average prices 2009</b>	170	167	170	127	162	182	128	158	130

An export abattoir located in northern Australia would offer great support to the beef industry by providing an outlet for both pregnant cows and light weight cracker cows. The importance of such an outlet would increase further if the practice of spaying was ever discontinued but the beef industry itself would need to support the operation from establishment.

New welfare standards and driver fatigue regulations will impact on the cost of long distance movement of stock in future years. A processing plant in northern Australia would help address these issues when they arise. Producers should seriously consider welfare issues now as to where they market their stock as their options may be limited in the future.

The current size of the water buffalo herd in southern regions of Arnhem Land could range between 60,000 to 150,000, distributed over an area of approximately 132,000 km<sup>2</sup>. Harvesting would be restricted to the end of the dry season. The numbers slaughtered after the Brucellosis and Tuberculosis Eradication Campaign (BTEC) and more recently, going to live export, suggest that either the markets are poor or the density of stock is not conducive to supporting a viable harvesting operation. Nevertheless, it would appear that 3,000 to 5,000

head may be available for slaughter, if operations are well managed and prices are sufficiently robust.

Central Australia's feral camel population is estimated to be around 1 million head. Harvesting would not be subject to the monsoonal effects that apply to the water buffalo. While the cost of freight would be significant, it is understood that approximately 70 head per day are being processed in abattoirs in South Australia and the distances involved would be similar. Rail freight may be an option that could reduce freight costs if innovative systems can be developed. The timing of the rut may affect supply for a few months, but initial observations suggest that supply of camels late in the season could extend the killing season for a multi-species abattoirs. The biggest threat to the availability of camels could come from the Federal government's policy on eradication, especially if the high density regions are targeted first.

Camels and to a lesser extent water buffalo would therefore appear to be the two most likely species found in northern Australia that could ensure sufficient total numbers are processed on an annual basis to make a multi-species abattoir viable.

Both horses and donkeys were examined, but little information on numbers is available. While some anecdotal evidence suggests there are reasonable numbers in some regions they are fairly well scattered. It is likely they would, at best, be an opportunistic enterprise as they are found in inhospitable and often inaccessible country. Both donkeys and wild horses are more difficult to muster and handle humanely, and extra consideration would be needed to maintaining adequate animal welfare standards.

Because of the protocols and regulations involved in running a multi-species abattoir, continuity of supply and ensuring sufficient numbers are accumulated for a day's processing creates operational challenges when changing between species. This must be managed by careful planning and avoiding delivery of small mobs.

The TenderBuff program has struggled for many years to survive. The relatively small numbers that need to be processed on a weekly basis mean that they are not suited to a multi-species abattoir unless combined with a routine water buffalo kill on any particular day. While this may be manageable for three to four months of the year, the seasonal operation of the feral buffalo harvest would not suit the year round requirement for processing TenderBuff. Therefore processing at a smaller indigenous abattoir eg Oenpelli, may still be the only viable alternative.

Modelling in Bcowplus demonstrates there would be advantages for stations in better country to revert back to an older steer/ox turnoff if an abattoir was able to operate and provide improved market options. This would guarantee long-term cattle supply to the slaughter floor, however, the cost of reverting back to older turnoff (the 'store trap') would need to be managed, and departmental extension resources would need to support producers in the transition period.

A multi-species export abattoir located north of the tick line and operated by an experienced company with access to global markets is probably currently the only feasible option for a successful, sustainable abattoir operation in northern Australia that would address the needs of the majority of producers and clients in the regions and create community benefit. On the

other hand, a small multi-species abattoir, even if it were sustainable, would bring benefit to only a few individuals and would not address industry or community concerns and needs.



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such independent enquiry and investigations as they may require to satisfy themselves in relation to all aspects of the report and the northern meat industry generally.

## **Introduction**

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The Northern Territory and Western Australian governments have jointly funded a pre-feasibility study into the prospect of establishing a multi-species abattoir in northern Australia. There are several reasons why government and industry are keen to encourage some processing capability in northern Australia, namely:

1. The pastoral industries, namely beef cattle, make significant contributions to economies in the north.
2. The beef industry in northern Australia is almost completely reliant on one major export market – the live trade to Indonesia. Disruption or cessation of this trade would create major issues for many people in these northern regions.
3. There may be opportunities that will assist with the control and/or eradication of feral animals which are emerging as serious invaders of the rangelands.
4. An abattoir industry of some type may provide direct and indirect practical and long-term employment opportunities for the resident indigenous population.
5. Abattoirs have previously operated and survived successfully in the north and have supplemented and contributed to the regions.

Several reports have been produced in recent times and it is believed that it is a matter of 'when' a successful operation will occur, rather than 'if'. David McKenna et al<sup>1</sup> in 2003 concluded that *"a mini, multi-species, export accredited works could be viable, provided that it can source approximately 100 head of manufacturing quality, beef cattle per week (4,000 per year) to be sold either domestically or overseas. This quantity of cull cattle is certainly available. The issue of whether an operator in the Northern Territory could compete against the large processors on price, both in terms of selling finished product and buying cattle, needs to be validated."*

The landscape is littered with many previous attempts: some have survived for several decades, while others have survived for only a few years, hardly justifying the outlay of capital expenditure. The majority of these abattoirs have been decommissioned and demolished, but several are still in place, for example, the export abattoir at Katherine, a substantial, albeit small works at Bachelor, and the original 'horse' abattoirs at Tennant Creek.

In a previous feasibility study of a multi-species abattoir undertaken by Lorraine Corowa in 2007<sup>2</sup>, lists of the various Northern Territory abattoirs are provided – those decommissioned, those still functional but not operating, and those still operating. Although this list is fairly comprehensive, it does not include operations at McArthur River, the townships of Tennant Creek and Katherine, and those located in Western Australia eg Wyndham and Broome. There are probably other small operations that have not been included.

## **Terms of Reference**

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The terms of reference for this pre-feasibility study include:

1. A comparison of the costs associated with supply of cattle to the live export market (Darwin Wharf) and the Katherine Meatworks.
  - Variation in the cost of transport for cattle destined for live export and the abattoir (from various locations).
  - Depot, treatment protocol, inspection and other costs required for cattle destined for the live export trade.
  - Current price penalties for out-of-spec cattle for the live export trade.
  - Current turnoff numbers of various classes of cattle (including out-of-spec).
  - Estimated yields of various cattle classes.
  
2. Assessment of feral animal populations in the Northern Territory
  - Costs of supply of various feral animal classes to the Katherine Meatworks
  - Estimated numbers and consistency of supply of various feral animal classes
  - Estimated yields and dollar returns for various feral animal classes
  
3. Consideration of establishing a TenderBuff industry and trade
  - Estimation of cost to supply, and minimum sale price requirements
  - Estimation of timeline to establish local, national, and international markets for product
  
4. Using the existing feasibility study of a multi-species abattoir undertaken by Lorraine Corowa in 2007, undertake an economic analysis that highlights the minimum supply requirements required to ensure operational viability, using an estimate of financial return of various animal types against the estimated ability to supply those classes.
  
5. Assess market demand for what is produced (either for human consumption or pet food) – including currently, and requirements of licenses and export protocols

## **Methodology**

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The pre-feasibility study was approached from the following angles:

1. Access and review the previous feasibility study undertaken by Lorraine Corowa in 2007.
2. Explore the history of abattoirs in the north.
3. Examine and analyse herd turnoff for the Kimberley and Northern Territory, live export prices and selling costs including freight charges over the last eight years.
4. Obtain data on the prevalence and distribution of feral stock in the northern regions, including some aerial inspections, where appropriate.
5. Perform basic herd modelling using Bcowplus<sup>3</sup> to determine the sensitivities of alternate turnoff options and herd structures.

## **Previous Reports and Recommendations**

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### **Executive Summary of Lorraine Corowa Report - 2007**

The Executive Summary of the feasibility study of a multi-species abattoir undertaken by Lorraine Corowa in 2007 is provided below.

*“This study has found that there is potential for multi-species abattoir and/or game meat processing facility; however the commercial risks would need to be properly managed by the equity partners. The major findings of this study are as follows:*

#### ***Northern Territory climate and land capabilities dictate cattle production.***

- *The Northern Territory’s natural advantage is large areas of reasonably priced land which underpins the production of low cost cattle;*
- *Northern Territory cattle bred in the north (Bos indicus) historically produce manufacturing quality meat (although this is changing over time) suitable for the US burger trade and export to SE Asian markets;*
- *Northern Territory cattle bred in the south (Bos taurus) yield higher quality beef and are usually sold into South Australian feedlots/abattoirs;*
- *Feed-lotting for cattle fattening purposes may be successful in the future, however the costs (grain and transport) are prohibitive at the moment and seasonal variations are difficult to overcome; and*
- *Northern Territory climatic and geographic conditions support the currently successful cattle breeder operations.*

#### ***Profitable markets currently exist for Northern Territory cattle, outside an abattoir.***

- *Live cattle export trade into South East Asia is currently (September 2005) producing good returns for both exporters and producers at around \$1.80 per kg;*
- *The outlook is strong for live cattle export for the next 5 years;*
- *If live cattle export trade fails the next available market for Northern Territory cattle is the Queensland feedlots/abattoirs;*
- *Northern Territory cattle could be transported to Queensland and sold into the feedlots/abattoirs at a reasonably competitive price;*

- *The cost of transporting cattle from Katherine to the Queensland feedlots is currently (September 2005) around 20 cents per kg, making it a viable market; and*
- *The presence of large numbers of Northern Territory cattle in the Queensland feedlot markets would likely drive producers' prices down in the short-term – it may be useful for some producers to hedge against this commercial risk.*

***A Northern Territory abattoir is unlikely to be able to compete at the moment.***

- *If the price paid by Queensland feedlots/abattoirs or live exporters was lower than \$1.00 per kg, it is possible that the economic incentives would be present for an abattoir to establish and/or re-open;*
- *The general feeling is that if producers felt an abattoir was needed, they would support it;*
- *Cattle producers may struggle financially during a lag time between the hypothetical failure of live cattle export activities and the establishment of an abattoir; and*
- *It may be useful for cattle producers to consider hedging against market failure risk in the future.*

***Territory abattoirs would need to be low cost and efficient to compete.***

- *There are large efficient abattoirs operating interstate (especially Qld) sourcing cattle from low-cost efficient feedlots;*
- *There is a possibility that the Batchelor abattoir may operate again as a multi-species abattoir, however the conditions need to be right (these conditions are outlined in this report);*
- *Katherine abattoir is currently being kept in mothballs, although it is considered by many to be an older style abattoir that may not be able to compete with the larger efficient abattoirs interstate and there is industry speculation that it will not open again;*
- *A new small modular, efficient multi-species abattoir and/or game meat processing facility close to Darwin (between Noonamah and Manton) has a chance of success in the future if the conditions are right (these conditions are outlined in this report) and could be established within a 12 month timeframe;*
- *The annual operating cost differential between an export licensed abattoir and a domestic licensed abattoir is conservatively estimated at \$300,000; and*
- *If a genuine commercial opportunity exists for an abattoir, it is highly likely that a commercial operator will see the gap and seek to establish quickly, without the need for NT Government assistance.*

***Game Meat processing may be possible in the same facility/complex.***

- *Field shooting feral pig, horse, donkey, camel and buffalo for human consumption in the domestic and global game meat market may be successful in the future and may be the best way to use this resource;*
- *It may be possible to have a multi-species abattoir processing a base load of cattle in addition to processing field shot and dressed feral animals (camel, horse, donkey, buffalo and pig); and*
- *A multi-species abattoir would require a very experienced operator as the separation of the species is extremely important.*

***The key messages gleaned during the course of this research were as follows:***

- *You must know that you have a market before you start;*
- *Give the customer what they want – not just what you have available;*

- Find out what the markets are willing to pay, then work backwards to find out if it's profitable;
- Product "throughput" is vital to success, it needs to be finely tuned to maximise profits;
- This is a high volume, low margin game - It matters which market you are trying to sell into – as to what product you produce;
- To really make money in abattoirs you must use the whole animal (including the offal products);
- You need to be an experienced meat abattoir operator to run a meat-works - it is not just a processing plant;
- You need a base load of cattle to make a multi-species abattoir work;
- Currency fluctuations can kill an abattoir overnight; and
- Markets and returns drive producers.
- There may be scope for non-commercial investment for social, environmental and/or community development outcomes. Abattoirs are high risk ventures. Any investor seeking non-commercial returns would need to be prepared to risk their capital investment and for the possibility that the venture may be short-lived."

#### **4.2 Abattoirs which have ceased operation in the Northern Territory**

In her 2007 report, Lorraine Corowa provided a list of abattoirs that had ceased operations in the Northern Territory.

Abattoirs Closed	Closed but still capable of operating
<ul style="list-style-type: none"> <li>• Alice Springs Township</li> <li>• Amoonunga</li> <li>• Tennant Creek (Gilbertsons)</li> <li>• Victoria River</li> <li>• Mistake Creek</li> <li>• Angliss at Berrimah</li> <li>• Vestey's at Darwin</li> <li>• Mt Bundy</li> <li>• Point Stuart (Wild Boar)</li> <li>• Mudginberry</li> </ul>	<ul style="list-style-type: none"> <li>• Batchelor (variably known as Tenara/Meneling/Rum Jungle Meat Exports) - 250 head/day capacity</li> <li>• Tennant Creek North (known as the Horseworks) - 70 head/day capacity</li> <li>• Katherine - 800 head/day capacity</li> <li>• Murwangi</li> </ul>

The closure of abattoirs is not unique to northern Australia. Seven major export abattoirs have closed in North Queensland in the last 25 years, and there are currently only two abattoirs still operating – Swifts at Townsville and Borthwicks in Mackay. The following export abattoirs have closed in northern Queensland in recent times.

Mareeba	Mt Isa	Pentland	Queerah
Bowen	Innisfail	Ross River	



Similarly in the Kimberley abattoirs have closed at Wyndham and Broome. There are several reasons for closures of abattoirs in Australia. Some went into liquidation due to inefficiencies and crises in the market place, while others were caught up in a rationalisation process which occurred when Australian Meat Holdings developed the concept of the mega-abattoir. Capacity, throughput and efficiency have steadily increased in the processing sector.

The abattoirs currently operating in the NT are listed below:-

Wamboden (100 head per day capacity – selling to local Alice Springs markets),  
Gunbalunya (Oenpelli), Kalkaringi & Palumpa – supplying indigenous communities

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<sup>1</sup> “Evaluation of the feasibility of establishing a Northern Territory Multi-species abattoir” David McKenna et al Pty Ltd, June 2003.

<sup>2</sup>“The Meat Industry of the Northern Territory”, Editor Lorraine Corowa - originally commissioned by the Department of Industry and Resource Development (DBIRD) which included Primary Industries. Following changes to the administrative arrangements this study was completed by the new Department of Business, Economic and Regional Development (DBERD) with assistance from the Department of Primary Industry, Fisheries and Mines (DPIFM).

<sup>3</sup> Holmes, W.E. (2006). Breedcow and Dynama Herd Budgeting Software Package, Version 5.04 for Windows 95, 98, Me, NT, 2000 and XP. Training Series QE99002, Queensland Department of Primary Industries and Fisheries, Townsville.

## 12.7 The Tick Line.

One of the key tactical errors made with the location of the export abattoirs at Tennant Creek was constructing it just below the tick line. Not only did this create negative barriers and extra expenses for producers wishing to market their stock, it also increased the amount of bruising, added to the animal welfare problems as cracker cows had to experience additional handling and stress associated with a clearance plunge dip at Elliott and it increased the risk of chemical exposure in the meat. It should be noted that all the major export abattoirs located in Queensland are located within the tick zone. The situation becomes even more problematic with regards clearing horse in a plunge dip as they can't be treated with Amitraz which is the treatment of choice for cattle and buffalo and which also has a nil with holding period. It is imperative therefore that if an abattoir wishes to maximise its access to stock and be competitive in the marketplace, it needs to be located north of the tick line (Appendix 14.2)

## 13 Conclusion

This study has attempted to determine the attributes required for a sustainable and viable multi species abattoirs in northern Australia. There are currently only 4 abattoirs operating in the NT and it can be argued that multispecies capacity already exists on a very small scale eg Wamboden and Onepelli. The demand for MSA graded beef is not an issue for indigenous communities and therefore these abattoirs don't need to compete with product from the south. It is doubtful that small export abattoirs could be sustainable in the long term as they generally rely on specialised overseas markets and are susceptible to market closure and currency fluctuations. A large multi-species export abattoir located north of the tick line would appear to be the best option for a sustainable meatworks that could survive in

northern Australia and create considerable industry and community benefit. There are sufficient cattle available from the Northern Territory and the Kimberley to support a successful export abattoir operation. Camel and buffalo slaughter would complement the cattle operation and could extend the killing season.

While there are many good reasons why an export abattoir would be highly desirable in the northern beef regions, the question remains whether it is a viable proposition, and to what extent industry would support it. Given the competitive cow prices currently on offer in the live export trade, the prices that would need to be offered by a meatworks operation could only be about 11 cents/kg less. It is likely therefore that the profit margins would not be great in the short term, if the abattoir has to offer these sorts of prices to get animals. However, there are savings on freight and animal welfare issues which could impact on where producers ultimately sell their stock.

The cost of operating an abattoir processing only 400- 600 /day in northern Australia is going to be significantly more on a per head basis compared to the very large export abattoirs in southern Australia that can process 1,500 to 3,000 head per day. Operational costs such as salaries, repairs and maintenance and electricity will be proportionately higher in remote locations. The study shows that it would be a risky exercise if a company had to invest in a new facility but as the Katherine abattoir could be renovated at a reasonable price, then this would seem like the option with the best chance of success especially if an experienced meat processor with global marketing expertise operates the business.





## Rural Affairs and Transport References Committee

### Question Taken on Notice – Mrs Cynthia Bakalian

#### Public Hearing – Animal Welfare Standards in Australia's Live Export Markets

Katherine – 2 September 2011

Page	Question
35	<p><b>Senator XENOPHON:</b> Because of time constraints, Mr and Mrs Bakalian, I have two things and you may want to take one of these on notice. If you could provide further information—and you may want to do it on a confidential basis—about the impact on your business I would appreciate that and I think the committee would as well. The other issue is in relation to the tarpaulins in order to save 8,000 tonnes of hay could you tell us what the replacement value of that would be and if you could get assistance in the short term to get tarpaulins to cover that would that see you through at least the wet season on a temporary basis?</p> <p><b>Mrs Bakalian:</b> Thank you, I wanted to bring that up.</p> <p><b>Mr Bakalian:</b> Obviously if we could get tarps it would help. There is no doubt. If it is not tarped, the hay will turn into nothing.</p> <p><b>Senator XENOPHON:</b> Sure. How much is that hay worth?</p> <p><b>Mrs Bakalian:</b> We normally have tarps. We have some.</p> <p><b>Senator XENOPHON:</b> Obviously not enough.</p> <p><b>Mr Bakalian:</b> The price has dropped but most of the hay in our yard is worth \$200 a tonne.</p> <p><b>Senator XENOPHON:</b> So it is \$1.6 million worth of hay?</p> <p><b>Mr Bakalian:</b> Yes.</p> <p><b>Senator XENOPHON:</b> Thank you.</p>

# NORTHERN FEED AND CUBE

PTY LTD

ABN 61 076 560 499

8 Sept 2011

## Rural Affairs and Transport References Committee Animal Welfare Standards in Australia's Live Export Markets.

Dear Senators and Committee Secretariat,

Senators Zenophon and Edwards both asked that we submit further evidence of the impact that the Ban on Live Cattle Exports had on our business, Northern Feed and Cube Pty Ltd when the Senate Committee Hearing was held in Katherine on 2 September 2011.

I have decided to give to you the exact figures. I would ask that you keep them as confidential as possible. In doing so I hope that you see that we are not asking for handouts or trying to make money from this lousy situation.

Our business Northern Feed and Cube Pty Ltd ,which we started from a bare block in 1997, was developed to support the Live Export Trade out of the northern ports. The Live Export industry accounts for 95% of our income today. Until July 2010, when we began making pelleted feed as well as cubed feed it was 100% of our income. We had no time to produce other products as we were constantly busy and constantly growing just supplying cubed feed to the live export industry. When we put in our pelleting mill in 2009-2010 it was for two reasons – 1) to be able to supply pelleted feed to the newer export boats that required pelleted feeds for their automated systems and 2) to be able to produce a line of new products including weaner feed for the cattle stations and horse feed for the top end horse market. We knew it would take time to grow the new products but having had many talks with our current customers and assured of new customers once we had pellets we were not worried that the new shipping pellets would greatly increase our sales.

I have attached to this email a chart entitled “ Northern Feed and Cube Pty Ltd - Sales by Month”. This is a sheet that I do both for in house use and is given to our bank at regular intervals during the year.

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
2007-08	560727	458862	265599	213186	114721	43505	28045	36505	981	111965	483078	475453
2008-09	459362	547862	808423	561446	669349	528796	261326	272384	224549	47456	120112	629203
2009-10	222281	604794	626362	741895	590194	485840	274493	466645	198893	135584	224257	508052
Avg	414123	537173	566795	505509	458088	352714	187955	258511	141474	98335	275816	537569
2010-11	433321	393284	345882	267975	391552	272170	328312	178971	196721	188500	300561	131355
% of Avg	1.05	0.73	0.61	0.53	0.85	0.77	1.75	0.69	1.39	1.92	1.09	0.24
2011-12	69794	323564										
% of Avg	0.17	0.6										

As we work on a financial year you will see the horizontal lines which have the financial year and then the column headings which have the months. In each box is the amount of live export feed sales we have made that month. Therefore you can simply look down “July” and compare July 07 with July 08 with July 09.

I have put in a line, highlighted in yellow which shows the average sales amount for each month based on the previous three years. I chose to average after the 2009-10 year for two main reasons,

- 1) This was prior to the commencement of our new pellet mill. During 2009-10 we were building and installing the new pellet mill but it did not operate until June 2010 and it wasn't until July 2010 that we had a reasonable amount of pellet sales.

- 2) During the busiest part of the 2010-2011 season, that being August thru December 2010, the live export industry was affected by Indonesia strictly enforcing weight restrictions on the cattle being exported. This caused sales of cattle to slow which affected our sales.

Therefore I feel that using the average after 2009-10 is a fair representation of what we would expect normal cube sales to be by month.

The blue boxes on the chart show the percentage of that average amount that NFC achieved that month. For example, in July 2010 NFC had sales to live export of \$433,321. That amount is 105% of the average of \$414,123 for July Sales. However as the weight restrictions effected the shipments of cattle as the season progressed, you will see NFC was doing 73% of the average in Aug 2010 and so on. However when the new season for this current year began in March 2011 NFC was back to 139% of Average, and 192% in April – we believed we were going to have a good year and be above average.

The Ban occurred on June 7 and you can clearly see the immediate impact this had on our sales, which are the boxes highlighted in red.

June 2011 was 24% of average and July was only 17% of average. (June sales were the 7 days prior and some feed for the cattle caught up at the yards in Darwin when the ban occurred.)

Our business is directly related to the live export sales from the Northern Ports of Darwin, Wyndham, Karumba and Townsville. If the year is wet and cattle aren't mustered and able to leave those ports we are effected, so our sales are never consistent but will vary with the cattle availability. This also causes us to have busier months during the Dry Season and slower months during the wet months.

In our business we have to make decisions many months ahead. Hay must be harvested and brought into the plant during the dry season months of April thru Oct. We have to commit to growers to buy their hay and in many instances we buy the hay standing in the field which means NFC will hire and pay for the contractor's to come in and harvest the hay and NFC will transport that hay to our site on our trucks. That was what happened this year. We had already signed contracts to purchase hay, we had hired contractors to harvest the hay, we had hired an extra truck driver to bring in the hay. Then the Ban occurred. Hay must be harvested when it is ready. If it sits in a field too long, the leaves get dry and either fall off on their own or fall off or turn to dust when it is finally harvested. The leaves are the nutrition part of the hay. Without lots of leaves the hay is simply straw and has no nutritional value, so we felt we had no option but to continue to harvest and move the hay.

We have also spent three years getting a new pellet mill purchased and installed. As I said earlier it finally began making pellets in July 2010. We had not been able to supply certain exporters and we were unable to fully supply some of the exporters we were already supplying with our cubed feed. The newer cattle boats have automated feed systems which require the feed to go through onboard tubes to each pen. Cubes do not work in these types of systems – they do not make corners and can bind up and cause expensive stoppages. These boats require pellets. So prior to July 2010 we could not supply feed to pellet-only boats.

Last year was the first year we had pellets to sell. However last year was the year that Indonesia decided to strictly enforce a 350kg weight limit and to limit permits – both caused issues within the industry and meant that fewer cattle were available to go at the end of the season meaning a large drop in the number of boats leaving ports that we could supply.

NFC was able to weather this slump in sales and the larger than normal inventory that we had to keep through the last wet but we did believe that the 2011 season would be better than normal and with the addition of our new pelleting mill we would be able to capture a larger portion of the market. As you can see on the chart, the yellow line of averages is cubed feed only. We had spoken at length and repeatedly to our exporters and we believed that we would be doing almost the same amount of sales each month of pellets. Therefore we fully expected and had planned and prepared to double our sales during this year. Unfortunately we can not prove what has not happened. We have invested in ourselves and in an industry that we wholeheartedly believed in. The pellet mill is

capable of producing 2500 Tonnes a month. This is in addition to the Cubing plant which we put in in 1997 which can produce 3000T a month. We built the new pellet plant and support structures for two pellet mills and expected this year to be ordering another pellet mill. We did not do this as a whim or without much homework and discussion with northern exporters, and of course we had to convince the bank. So believe me when I say this is not just me telling you things that were “maybes” and “hope so” they were well researched and developed business decisions. The average on the chart shows the average cubed feed sales. We have no history of pelleted feed sales to average so while I believe we are actually further down in sales than the chart shows, especially as sales begin to resume ( as in Aug 11) , since we would normally have also been selling pelleted feed + the cubed feed.

Our bank has always been and continues to be supportive. We were fortunate that the bank allowed us to extend our overdraft during last year’s wet. The new pellet mill cost approximately \$3.6 million dollars. Steve and I put in \$1.4 million dollars of our own money and the balance of \$2.2 million was financed. The bank had allowed us interest only payments until June 2011 at which time we were to make \$50k monthly payments from June thru Dec. Luckily for us the bank has postponed the \$50k monthly payments that we were to make this calendar year however the interest continues and we must make those interest payments monthly.

Like most medium sized companies, we value our assets every two years as part of our finance agreement with our bank. Last year the bank valued NFC at \$ 7 million dollars. That was the land and the plant but did not include the business. Having spoken to several local valuers it is now worth only what the land and large sheds are worth approximately \$1 million dollars. If we are forced to sell, the plant including the new pellet mill will be a hindrance and we are told we would have to move it to be able to sell the land and sheds.

We had hoped that someday a large feed manufacturer would want to expand into the north and would want to buy a going concern instead of starting from scratch. That would be our payoff for all the hard years and the going without that all business owners do. This would be our Superannuation. We have built a state of the art facility, with plans and room for expansion, followed all the rules to make it a safe and worker friendly workplace, we have hired qualified staff that want to make Katherine home – not transient labour, planning so that the plant would last for decades and continue to be a well-functioning, integral part of the cattle industry of the Top End.

That dream was killed on June 7, 2011.

Everyone can say what they want; that the changes to the industry will eventually mean a better live export industry and that Australia will lead the world in animal welfare issues. I hope so. However as a business owner, I am not only concerned with what I have lost in hard income but how the value of my business has been changed for a very long time.

An uncertainty will hang over this industry for the next few years. Business will resume but when my property is valued the Valuer will not have the confidence he once did to value my assets – he can be held responsible if my property will not sell for what he values it at, he will now have added doubts about the value.

Who would want to buy a facility such as this now? Large companies will take a wait and see attitude or be interested only at fire sale pricing. I would find it hard to believe an individual or family group would want to invest either except at rock bottom pricing. Even without selling, the value of the property is critical in our financing and in the cost of our financing. The points we must pay on loans and for packages are directly tied to our loans to value ratio. This can change our borrowing costs by a great deal or make or break whether the bank will even finance us.

At the hearing it was discussed that the value of properties in the north is down 30% - that is a decline of over \$2million on just the land and plant. I personally believe the values are down more like 50%. Not a single property has sold since June 7. There is that unspoken threat that hangs over the industry at the moment, the “what if” there is a breach in a supply chain and it gets media attention –the threat has been made that if there are “any further” problems the live export industry



will be shut down and shut down permanently. I can't tell you who said it, and even whether it is true and could happen but after June 7 everyone in this industry believes it could happen.

You also asked me to address the issue of tarps. I have attached some photos of some of the stacks of hay located at NFC. As you will see some stacks are already tarped but 10 stacks still need to be tarped.

The bales in each stack are each approximately 500 kg bales and measure 3' x 4' x 8'.

I have also enclosed a copy of an invoice for 2 new tarps we purchased last year. As you can see we purchased Two(2) - 20m x 50m tarps for a cost of \$6782.00 + GST each. There is an additional cost of approximately \$580.00 + gst to get the tarps to us. I have also attached the Toll invoice for getting one of the tarps to us. So each tarp will cost approximately \$7362.00 + gst each. We need 10 = \$73,620 + gst.

NFC must go ahead and order these tarps as the hay is too valuable to not be covered and it can take up to 6 weeks to get the tarps once ordered.

Tarps must be put on correctly as well or they will not withstand the gale force winds and driving rain. Stacks must be built correctly, the bales stacked flat not on end and then peaked so water will not accumulate on top of the tarps. The ground under the hay stacks needs to be built up, and ditches put in to channel the water away from the stacks so it does not pool underneath.

It will take 5 experienced men about 2-3 hours to tarp one stack.

Trade has picked up and a few boats are moving. We are grateful for every boat we get. However the ugly side of business is already beginning and since we have publicised our situation we now have exporters that we have taken care of for years threatening to go elsewhere, to purchase feed down south, if we do not lower our prices. This is another side effect of the ban. Everyone knows that I am hurting, that the cattlemen are hurting and that we need to sell our products at almost any price. People will do their best to exploit that.

Thank You for your time and again thank you for coming to Katherine and letting us all have our say.

With regards,

*Cynthia Bakalian*

Cynthia Bakalian

Director

Northern Feed and Cube Pty Ltd

# Northern Feed and Cube Pty Ltd

## SALES BY MONTH

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
<b>2007-08</b>	560727	458862	265599	213186	114721	43505	28045	36505	981	111965	483078	475453
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<b>% of Avg</b>	1.05	0.73	0.61	0.53	0.85	0.77	1.75	0.69	1.39	1.92	1.09	0.24
<b>2011-12</b>	69794	323564										
<b>% of Avg</b>	0.17	0.6										

	Average Monthly Income - These years were prior to installation of pellet mill and prior to weight restriction issue
	These months affected by Indonesian enforcement of weight restrictions which caused fewer boats to go during 2010 season
	Beginning of this "season" prior to Live Ex Ban
	Since Live Ex Ban which began June 7













**Darling  
Downs  
Tarpaulins**

PO Box 6267  
33 Industrial Ave  
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Qld 4350

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fax 07 4634 7725  
ddt@ddt.com.au  
www.ddt.com.au



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**TAX INVOICE**

**00033738**

**Northern Feed & Cube Pty Ltd  
PO Box 2353  
KATHERINE NT 0850**

**DELIVERED TO:**

Northern Feed & Cube Pty Ltd  
4745 Emungalan Road  
KATHERINE NT 0851

**Ship Via: WB Haulage**

Invoice Date	Order #	DDT Job #	P/Slip #	Con Note #	Invoice Terms	Due Date	
5/11/2010		25297	33738	3833 (DDT)	Net 7	12/11/2010	
Job Description					Sent	Price	Amount
White Landmark Hay Tarps 20m x 50m - sewn rope hem on 3 sides with eyes at 2m on the long sides - eyes at 1m across the end - other end to have a tape hem sewn in 1m with eyes at 1m - 1m flap with 10mm rope in hem extending 2m  <i>DIFFERENT material</i> <i>RECEIVED</i> <i>11 Nov 2010</i> <i>Dr. Harris</i>					2	\$6,782.00	\$13,564.00
<b>NAB BANK A/C DETAILS:</b> BSB #084-987 (NAB) A/C #518612503 Name: Darling Downs Tarpaulins  <b>TRADING TERMS - OVERDUE ACCOUNT</b> DDT may at its discretion charge interest at the rate of 1.75% per month on all overdue accounts from the date they become overdue.					<b>Sub Total</b>		\$13,564.00
					Freight		\$0.00
					Plus GST		\$1,356.40
					<b>TOTAL INC GST</b>		<b>\$14,920.40</b>
					<b>AMOUNT PAID</b>		\$0.00
					<b>BALANCE DUE</b>		<b>\$14,920.40</b>

**ENTERED**  
Date 19/11/10 By C

**American Express Cards - User Fee**  
 Payments Paid by American Express Card will be charged a fee of 1.95%  
 on the invoice total to partially offset the Amex fee





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BY: Harissa

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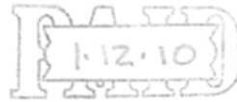
001 / 000527



NORTHERN FEED & CUBE PTY LTD  
PO BOX 2353  
KATHERINE NT 0851

Invoice/Statement Enquiries:

**Janice Folkard**  
**08 8229 5346**  
 **08 8340 4038**  
 [janice\\_folkard@toll.com.au](mailto:janice_folkard@toll.com.au)



**Your Account Details:**

<b>Account Number</b>	<b>111615</b>
Invoice/Statement Number	1327934
Period Ending	24/10/10

Spoke to Rose at Toll: She can not credit so will give us \$50<sup>00</sup> Credit for next time.

CB

**A Summary of Your Account:**

Balance Brought Forward		0.00
Payments This Period		0.00
Credit Adjustments This Period		0.00
<b>Total Trading This Period</b>		

**\$576.75**

**Total Balance Payable**

**\$576.75**

**Payment Due Date**

**07/11/10**

ChargeCodes: Frt = Freight Bas = Basic Onf = Onforwarding TES = Toll Extra Service Sur = Surcharges Oth = Other Ser = Service Fee  
Min = Minimum Fue = Fuel Surcharge Aqf = Aqis Inspection Fee HECS = HECS Fee Hdl = Handling Dem = Demurrage Hir = Handling In  
Hot = Handling Out Hir = Hire Ovt = Overtime Rnt = Rent Str = Storage Dev = Devanning Pku = PickupCharges DG = DG Surcharge

Bank account details are: BSB - 083 001 Account Number: 54 257 1019

Your Detailed Invoice/Statement is Enclosed. Trading Terms: Net 14 Days

Please Forward Your Payment To: Toll Transport Pty Ltd P O BOX 7222 ST KILDA ROAD VIC 8004

**RURAL AFFAIRS AND TRANSPORT REFERENCES COMMITTEE  
PUBLIC HEARING – ANIMAL WELFARE STANDARDS IN AUSTRALIA’S LIVE EXPORT MARKETS  
KATHERINE – 2 SEPTEMBER 2011**

**INFORMATION READ TO COMMITTEE BY CYNTHIA BAKALIAN**

We are the owners of Northern Feed and Cube which makes hay cubes and pellets for the live cattle export boats. We also own Katherine Cattle Yards which is a 30,000 head cattle export depot here in Katherine. We also farm approx 1000 ha of hay, 160 of which is under irrigation.

Were we affected by the ban on Live Exports- you bet we were.

I spent most of yesterday trying to write what I wanted to say here today. Steve said to tell you “our story” how we migrated here from the USA in 1997 with only \$200,000 and two young sons.

He said to tell you about all the stuff that we have gone through and how hard it is to start a business from scratch here. The sacrifices we have made to build our dream.

I don’t want to sound like a whinger. Ask anyone here in the Territory and life here is just harder than other places. Doing business is harder, living is harder. You have to want to be here or you wont stay. So many people don’t make it here. Lots come and they all think they have what it takes, but not many do. I can spend my whole time telling you how hard it was, how hard it still is but you will not understand. Honestly I don’t think you can possibly understand.

I want to tell you what you have cost us and the territory. I don’t think you realise yet what the long term consequences of your stupid knee jerk reaction will be.

Our sales stopped on Jun 7. NFC had sold 20k worth of fodder in the first 6 days of June but we sold nothing after. We had two trucks loaded and ready to leave that never did. Our expenses for June were just over 500k. July was about the same. That’s a loss of about a million dollars in a short two months. We have fought to keep our employees, we have still lost two. No matter how we reassure them they worry. When a guaranteed thing comes along for them I cant tell them not to take the opportunity.

We had committed to buying several thousand tonnes of hay and when the ban happened we had to decide to honour those commitments or not and blame the ban. Our decision was to continue to bring the hay in. That meant paying the drivers, repairs and fuel for the trucks but we felt we had to. We have not been able to pay the growers for that hay and at this moment we cant tell them when we will pay for it.

We currently have approximately 8000 Tonnes of Baled Hay onsite. We have another 4000 Tonnes in stacks on our other property. We have 1000 Tonnes of assorted grains in storage.

We brought in the hay we had signed contracts for. There were lots of other farmers who we don’t usually contract with but come in when their crop is ready and we buy it then. We could not buy from those farmers this year. They are now stuck with hay that they normally don’t have with no way to protect it from the 6 feet of rain that will occur in the next 6 months. Like them we have a lot more hay on hand than normal and we don’t have enough tarps either. Tarps for the size stacks at NFC cost 8000 each. We need 10 more. We need to order them now to guarantee they are here before the rain.

Using the amounts of cattle that the industry is now predicting will leave the top end in the next year, we have enough hay and grain on hand to last that full year. Prior to the ban we used 1500 Tonnes of hay a month - in the last two months we have used less than 300 Tonnes. We had budgeted and expected to be using 2000 Tonnes a month at this time.

We have a very limited market other than the live export trade. We sell approximately 100 Tonnes of finished shipping pellets and cubes over the counter to locals. Our horse pellet sales are growing every month but again we are talking about 100 T on a good month. We make a weaner pellet that was specially developed for the cattle stations to use on their weaner cattle. Cattle Stations are not buying at the moment. Without the live export component for Northern Feed and Cube there is simply not enough other market opportunities for us to be financially viable.

Since the trade has resumed we have gotten 3 boat orders and we have 2 scheduled in the next 4 weeks. We are guessing that we will have 3-4 boats a month over the rest of the year. Prior to the ban, our normal budgeting assumed 4 boats per week.

Competition for those few boats has increased tenfold. Southern Competitors are offering lower prices to move product they have "gotten stuck with up here". So not only have we lost 90% of our sales we have had to lower the price on the product we do sell.

Everyone is hurting in this game. It simply can't be about loyalty it is about price because everyone is losing squillions.

How are we surviving, our bank has delayed the 600,000 worth of repayments that were scheduled for the next 6 months. Delayed them, not forgiven them. The interest is still ticking of course. So far we are making the interest payments, so far. We had put our trucks to work hauling freight but now that some boats are going we have had to stop as we can not guarantee their availability. Our sales have to come first. We are like everyone else. We are not spending unless we have to. This trickles down to the local businesses.

Before I close I would like to thank you guys for the assistance package. It certainly helped. The \$25000 paid one month's interest or one two week payroll – well almost. Honestly it is appreciated and for many of the small guys it put food on tables so I am grateful. But really guys for many of our businesses we need more well structured long term assistance with the losses we have suffered and the money that can never be recouped.

The Australian Government is quick to assist in natural disasters, drought relief, floods – all instances when people are financially compromised through no fault of their own. This ban was a disaster to the small businesses that support the live export trade. However this wasn't nature this was a deliberate act by the Australian Government on its own people.

I do not believe that any of you really understand the kick in the guts you have dealt to all of us in this industry. It goes deeper than even the financial losses. We have lost the faith in the future. I can only speak for myself but I will never trust that this could not happen again or that some other claim, that may or maynot be true, that has yet to be put to the test of investigation can cause our government to react without considering the consequences to its own people.



## Rural Affairs and Transport References Committee

### Question Taken on Notice – Northern Territory Agricultural Association

#### Public Hearing – Animal Welfare Standards in Australia's Live Export Markets

Katherine – 2 September 2011

Page	Question
39/40	<p><b>Senator XENOPHON:</b> Thank you all for your evidence. Mr O'Gara, could you tell me this on behalf of your association: how much time would people have to get the tarps up? Would you need to order the tarps now? What sort of time frame is there? I know you are not interested in compensation, but have you sought assistance from the Commonwealth, given the nature of the decision, to deal with this so that hay is not lost?</p> <p><b>Mr O'Gara:</b> There is an urgency. People really have to order their tarps now. We are going into the build-up. Quite often we get build-up storms in late September or October. They are infrequent, but they can be huge; they can be 100 millimetres, which would devastate a pile of hay. We are not going to get our tarps overnight; there will be a waiting time. So people really have to order their tarps and pay for them now. I have been banging on about this issue with regard to protecting this resource basically since the ban started, because I could see hay sales stop. I have spoken to Centrelink and Joe Ludwig's office.</p> <p><b>Senator XENOPHON:</b> What has the minister's office said about it?</p> <p><b>Mr O'Gara:</b> Bigger-all. They basically just ignored it; they did not even acknowledge what I had proposed or written.</p> <p><b>Senator XENOPHON:</b> Was there acknowledgement at least or consideration or was it just a flat rejection?</p> <p><b>Mr O'Gara:</b> Nothing. Not a rejection, just no acknowledgement really.</p> <p><b>Senator XENOPHON:</b> And you wrote to the minister's office?</p> <p><b>Mr O'Gara:</b> When he was up here, I handed him a one-pager on it. We had roundtable discussion.</p> <p><b>Senator XENOPHON:</b> Would you mind providing a copy of that to the committee and the date that you sent it to him?</p> <p><b>Mr O'Gara:</b> Yes.</p> <p><b>Senator XENOPHON:</b> That would be useful. Thank you for that.</p>



Senator the Honourable Joe Ludwig  
Minister for Agriculture Fisheries and Forestry  
Parliament House  
Canberra  
ACT 2600

Animal Welfare and the Resumption of Trade with Indonesia.

Dear Senator Ludwig,

The Northern Territory Agricultural Association (NTAgA) fully supports the immediate resumption of trade with accredited and regulated abattoirs. We believe this is essential to ensure animal welfare gains and processes continue and that lives and livelihoods of people reliant on the trade in both countries are not totally devastated. Enough has been said about the horrific and disturbing images presented in the 4 Corners report. Suffice to say animal welfare and humane treatment of all livestock is an ethical and moral imperative for everyone in society.

Ninety percent of NTAgA members are directly or indirectly involved with the live-cattle trade through the production and supply of hay, processed fodder, cattle, pastures and agistment in the Top End. All of these people are now in limbo with hay contracts being postponed or cancelled. Producers and contractors have stopped harvesting, with the real possibility of many going under. The welfare and nutrition of stock in the mustering, transport and depoting of cattle is dependent on the Territory's hay and fodder industries.

There is an even greater potential for animal welfare issues to develop across northern Australia, if stock are not moved immediately. Cattle already in yards across the Top End and other states will require extended periods of feeding until decisions are made on what to do with them. Stock returned to properties will only increase the grazing pressure on land at a time when there is absolutely no growth or pasture production for the next five to six months.

If properties are forced to hold on to hundreds of thousands of additional cattle there will be massive and widespread land degradation, pasture decline and increasing incidences of livestock starvation due to a lack of feed. This would have compounding effects into the next dry season and could take several years to rectify. Some degraded land may never recover.

It would be an ironic tragedy that the very measures taken to improve animal welfare in Indonesia , could quite easily and quickly result in unforeseen but widespread animal suffering and starvation in Northern Australia. NTAga and all of our members impress on you and the Prime Minister to work with industry to get this trade moving again to ensure all animal welfare issues, both here and in Indonesia are fully and completely addressed. We would be pleased to assist or provide you with any information that may assist you progress this situation.

Yours Sincerely  
Fergal O'Gara



Fergal O'gara  
13/06/11 14:27 +09:30  
Signed on behalf of



**Kane Younghusband**  
**President**  
**Northern Territory Agricultural Association**



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**Northern Territory Agricultural Association Inc**

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PO Box 2243 Katherine

NT 0851 Australia



## **Impact of the Live Cattle Trade Ban on Agricultural Industries of the NT**

### **Background:**

Agriculture in the north is intrinsically linked to fortunes and future the cattle industry. Both industries have a vital interdependence. Hay and fodder producers, feed millers, seed producers, contractors, transport operators and mixed farming enterprises all play a part in the northern cattle industry. The fodder industry is a vital component of the live-cattle trade and essential in the welfare and marketing of cattle in the NT.

The fodder industry extends from the Barkley Tablelands through the Sturt Plateau, through the Katherine-Daly Basin and into the Darwin rural area. It is undertaken by many small family operations, corporate companies and Indigenous organisations. It employs 100's of people directly and indirectly and is a major supporter of local agribusinesses such as machinery and mechanical services, contractors, fertilizer, seed and agri-chemical businesses.

### **The Issue:**

The total value of fodder produced in the Top End of the NT is over \$30 million when transport, milling and value adding is considered. The fodder trade has virtually stopped since the interim ban was announced in early June.

The agricultural industry and mixed farmers of the Darwin and Katherine – Daly Basin and surrounding regions have been hit especially hard. Many businesses are both cattle and hay producers with the result that these people have been hit doubly hard by not being able to move or sell cattle or hay, despite having substantial production costs. Most have already let many staff go, including family members, many of which will be lost to the industry. The ban coincided with the time of year at which all hay producers and feed mills rely on sales and income. This has resulted in a dire situation for the industry and individual family businesses.

Individual producers have already incurred hundreds of thousands of dollars in lost income and are facing additional costs with the up-coming wet season. Producers now have thousands of tonnes of hay in the field and have they been unable to recover any production costs. They now face significant additional costs in restacking and covering the hay prior to the wet season. It is estimated that producers in the Top End have between 50,000 and 80,000 tonnes of hay to store at a cost of around 20/Mt, including tarping, transport and stacking.

Once the wet season arrives three things will happen. Firstly hay sales and demand will be significantly reduced, secondly prices for any hay sold will be downwards and thirdly hay will start to deteriorate with losses being significant unless well tarped or stored in sheds. This all adds up to continuing losses for the industry.



This valuable resource needs to be protected throughout the wet season. If not correctly covered there will be significant loss and spoilage. This will mean further losses for producers and could well mean a severe shortage of hay for next season with resulting animal welfare issues. Cattle producers are also in the position of needing hay but not having the funds to purchase it.

With a relatively modest amount of assistance producers could apply for grants to help them meet the costs of covering and protecting their hay. This would be a very cost effective investment in protecting between \$10 and \$15 million dollars worth of hay and many businesses in the process. This will also ensure there is hay on hand for the industry when required to ensure stock are fed.

The Association is asking for both the Federal and State Governments to contribute direct assistance of \$2.0 million in addition to the recent assistance announced by Senator Ludwig. This should be made available to the agricultural and fodder industry to meet the costs of stacking, transporting, storing and covering hay prior to the wet season, and to allow cattle producers to buy fodder to ensure cattle are fed when feed runs out late in the dry season. The existing measures should be re-evaluated and a portion of any remaining assistance should be made available through a revised allocation to assist the fodder industry.

While some in the industry would benefit from low interest loans, to construct sheds for hay storage, many businesses are not in a position to borrow any more funds and go deeper into debt. Therefore the necessity for more direct assistance to this essential industry. Three case studies are attached to illustrate the impact on the industry.

*Fergal O'Gara*

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The cost to our business over the past 10 weeks has exceeded one hundred thousand dollars in lost income and losses are continuing. Then there are the follow on costs of reduced feed value and quality in unprocessed hay, storing and tarping costs, and potential production losses next wet season due to our inability to afford fertilizer on improved pasture and hay crops. Weed control and pasture/crop maintenance will suffer due to our inability to pay for the necessary agronomic practices which will have long term repercussions for production into the future. The cost of replacing and training new staff will have a significant financial cost to our business. These are just some of the problems facing us in the future.

Nobody involved in this industry condones animal cruelty but to destroy our businesses, our livelihoods, our plans and put on hold our futures because of a few rogue abattoirs in Indonesia is beyond comprehension. Our property and business right now has little value, no opportunity to raise capital. This situation will continue for years as banks will now look on northern cattle business as high risk. It will take years to get property values back to where they were.

The Northern cattle export chain is an integral part of Northern Australia. The top end of Australia has a harsh environment and is a long way from markets, so when a supply chain has proven to be profitable it should be encouraged and helped so that northern Australia can grow.

Let us hope that the flow of cattle begins again and we can mitigate some of the losses that have and will continue to occur and get our lives back.

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On the 7<sup>th</sup> June 2011 we heard of the knee-jerk reaction to ban all live cattle exports by our Federal government, which shocked us all. The disastrous impact on our Industry, our community, family, friends and our property value was immediately felt. We immediately stopped harvesting our hay as orders were cancelled and hay movement completely toopped. Our remaining hay paddock which would normally return about \$78,000, still has not been harvested. Prior to the ban we were sending out 100T (200 bales) of hay per week, this has now ceased and as from the 7<sup>th</sup> of June and we have sold 4 bales of hay to the horse industry.

Since the start of the ban this has represented a loss of nearly \$200,000 in lost revenue and the situation is continuing. Our contracts which would normally have continued until January, which represent about 60% of our farm annual income have now practically ceased.

On top of this, as the wet season approaches this unsold hay will require storage and tarping at a cost of between \$10 and \$20/tonne. While having no income coming in for our hay we may be faced with a \$30,000 bill to re-stack, store and tarp the hay.

The ban has also affected our cattle sales with steers contracted for the 10<sup>th</sup> of June, unable to be sold to Indonesia. Subsequently 90 of these steers which had reached the 350Kg weight limit for the Indonesian trade, were sold to the Philippines at a significant price reduction form which we incurred a \$22,000 loss. We currently have 260 steers which are ready for sale, of which nearly one quarter are already over the 350 kg weight restriction and will have to be sold to an alternative market and lower priced market.

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The continued uncertainty in the live cattle export industry is causing a lack of optimism and enthusiasm for our family, business and industry and will have a significant financial impact into the future.

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Another 3000 bales remain in the paddock unsold with significantly lower prospects for sales and good prices due to the large stockpile of hay all over the Top End and the downward pressure on prices. Like all other hay producers, tarping and storage will represent a significant problem and cost. Tarping this amount of hay may cost up to \$30,000.

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If the trade is not resumed in full in the next few weeks the likely scenario will be a stockpile of hay and a rapid accumulation of hungry stock, with nobody with the money to transport or pay for the hay. With the onset of the wet much of this hay could be spoiled.

A number of strategies are being proposed by the Association.

1. Freight/fuel subsidy or rebates to move stock or hay, similar to drought assistance offered in other states. The fuel subsidy could also be used to assist with mustering costs and other on farm energy costs including pumping water and power generation etc.
2. Provide a fodder subsidy or rebate for stations/yards needing hay, by providing short-term interest free finance. Loans would then be paid back at favourable terms 12 months after the trade has resumed. This would get hay moving, allow stations to purchase hay as required to maintain stock health and welfare. This could be administered by the NT Government.
3. Short term interest free finance to hay producers for storage construction or covers for hay. This would insure that hay stocks are maintained and not ruined meaning hay can be held over and be available early next season given the potential needs of the industry.
4. Wage subsidies for stations and farms to keep workers on farm. Finding staff is difficult in remote areas and losing good staff can cripple a business. This could be in lieu of the current assistance package being offered to those that have lost their jobs. For many producers it is preferable to keep existing staff than lose experienced people and have to recruit again.
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