



# King Island

## Beef Producers Group Inc.



### **Submission for the review of the Tasmanian Freight Equalisation Scheme (TFES)**

The King Island Beef Producers Group represents the majority of beef producers on the island, shipping approximately 40,000 head off the island per annum, including cull cows, prime grass-fed beef, and store cattle for feedlot or grass finishing markets.

Since the triangular shipping service (Melbourne-Grassy-Devonport) was abolished in 2017, there has been a dramatic increase in freight prices and a reduction in cattle market access. The TFES remains unchanged for many years, and now represents a small amount of the total freight task for King Island in comparison to the rest of Tasmania. The comparative numbers are outlined below in table 1.

- There has not been a review of the scheme since the southbound leg from King Island to Tasmania was added in 2007.
- The TFES component of the total freight cost is very minor as a percentage of total freight cost, in comparison to the benefits it may have given 15 years ago. The TFES needs to be a set percentage of the total freight cost and increase with CPI at a minimum.
- The cancellation of the triangular sailing; Melbourne-Grassy-Devonport, has resulted in a lower level of products that King Island livestock producers can claim TFES for, if it has already been claimed by a Tasmanian business that has imported the product from the mainland. This is opposed to buying direct from the mainland -which was possible with the triangular sailing.
- King Island has a much larger freight cost than that of mainland Tasmania, and the current TFES component does not put the King Island beef industry on an equal footing with the mainland or Tasmania. Bass Strait is the national highway for Tasmania from the mainland, the current TFES component acknowledges this, but does not acknowledge that it is also a national highway for King Island. The margin of inequality between King Island and Tasmania freight rates are shown in Table 1.
- Farm production systems on King Island have changed from the majority being grass finished prime beef, and now store cattle selling into grassfed finishing or feedlot markets. The broader market opportunities for the majority of these animals are on the mainland. King Island should have the opportunity to market our livestock like any other producer in the nation. Tasmania has a limited store market, and prices can often be close to \$1.00/kg liveweight different to the mainland.

Table 1: Comparisons of Sea Freight King Island vs Tasmania

Product and Route	Price	TFES Component	Cost after TFES Rebate
20ft Sea Container Melbourne-Devonport (24 metric Tonne)	\$1,300	\$855	\$445 \$18.54/tonne
20ft Sea Container Devonport-Grassy (24 Metric Tonne)	\$3,840	\$855	\$2,985 \$124.37/tonne
Stock Trailer Grassy- Stanley (51 yearling cattle)	\$8,060	\$1,710	\$6,350 124.50/hd
Stock Trailer Melbourne to Devonport or return (51 Yearling Cattle)	\$5,350	\$1,710	\$3,640 \$71.37/hd
Stock Trailer Grassy to 200km Port Welshpool (51 Yearling Cattle)	\$12,155.00 (incl approx. \$2100 road freight)	\$1,710	\$10,445 \$204.80/hd

The King Island beef industry requires more equitable access to Tasmania and mainland markets, to assist with managing seasonal risk, and to assist with lack of slaughter capacity, feedlots and backgrounding space in Tasmania. As shown in table 1 the freight costs are exorbitant. The freight component of total on farm costs is approximately 25% of all on farm costs -the highest cost item of all farm input expenses. This makes margins much lower for King Island cattle producers.

Beef production on King Island is the main industry- with the potential closure of the King Island Dairy factory. Since the closure of the JBS abattoir in 2012, the Island's beef producers are totally reliant on sea freight to access markets.

King Island beef producers expect to have equal opportunity to markets and to do that King Island needs to remain freight competitive on a national level.

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