

**To: Committee Secretary
Senate Standing Committees on Rural and Regional Affairs and Transport
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REF : EXPORT MARKET DEVELOPMENT GRANTS AMENDMENT BILL 2020 (the 'Bill')

Providore Global Pty Ltd is a privately owned family operation which is involved in a beef cattle vertically integrated production and marketing enterprise. The core of our business is a feed lot operation in northern NSW to supply live cattle to the local market and also for processing to fulfil our processed beef export sales operation.

Although we have had an involvement in export for some years, we successfully sought our first EMDG rebate only 2 years ago. We established a presence on the ground overseas at our own expense without claiming EMDG rebates and with growth in mind we believed the EMDG program could be very strategic to support our growth plans by expanding our presence overseas in key market regions – Asia and the Middle East. We set up a presence in Hong Kong some years ago - I actually relocated there for some time essentially to establish our name, our brand 'Rosedale Ruby', our story and our presence and a network of customers across a range of countries in Asia and the Middle East – this was a big commitment but we see the export trade as being an essential long term arm of our diversified operation.

I refer the Committee to our website www.providoreglobal.com.au Members will see we are a core family based and committed Australian enterprise and we are reaching out to a global customer audience.

Our strategy has been to establish links into a diversified spread of overseas markets as a risk mitigation strategy and we have now exported Australian meat to some 35 countries around the world – yet we are in reality a small player in this space but down-stream we do create a steady supply avenue for local cattle breeders and producers across our sourcing region.

I have been apprised of the proposed changes to be introduced by this Bill and what I see pretty much means our operation will no longer qualify for any further EMDG support beyond the current 2020/21 year. Pity because we are really only just getting started.

The \$20M Turnover threshold is unrealistic.

As a business operating in the commodity sector, the major local risk we face is essentially that of financial risk and climactic risk – unfavourable weather conditions. I expect the review committee will know only too well how a large swathe of Australian rural enterprise has been knocked around very badly by drought over the past 3 years.

However, as an exporter, the risks elevate considerably as in addition to balancing our exposure in our local Australian market, we are confronted with much bigger risks from the commercial trading

environment overseas which varies from country to country, political risk and furthermore the currency risk.

The Committee will also acknowledge that despite this high risk trading environment, trading margins typically are much less for commodities than say elaborately transformed manufactured (ETM) products or services. As a general rule, to compare our operation to an exporter of a typical ETM line is a multiple of 3-4 for comparative Gross Profit. In other words, if we export \$20M of meat on a GP margin of 7-8%, on a comparative profit basis, that equates to \$5 – 7 M export sales for an ETM that typically has a GP margin 25-30%. It should also be noted that our operation requires intensive capital investment – not only do we have to fund inventory (livestock) the infrastructure surrounding our operation is very capital intensive.

The key point here is that the Bill proposes to restrict EMDG access to business with less than \$20M turnover. In our field, that is a modest operation. Accordingly, we see this as a primary reason the Government should be **adopting Option B** – to leave the EMDG program in place – at least for a few years when we can see how the world recovers from the turmoil and disruption of the past 10 months.

Forward planning and forecasting

The commodity markets around the world see daily fluctuations for a wide variety of influential factors – some of these are referred to above – currency fluctuation, political intervention, weather intervention – as well as supply chain interruptions with abattoirs and shipping.

The proposed arrangement for EMDG entitlements based on a pre-approved marketing plan is just plainly unrealistic for any business in our field. Market conditions fluctuate continuously across all markets and we have to be adaptable to both take advantage of good opportunities and equally avoid exposure to sharp unfavourable trends.

If we do qualify for EMDG and there is a requirement to submit a forward Marketing Plan, at very best it would be a rough outline of where we see the market trending in our various target markets. In reality this is crystal ball exercise.

Accordingly, we do not see a forward marketing plan delivering a reliable tool that would be of much benefit to either Austrade or an applicant from our industry sector.

Again, for an exporter engaged on our line of business, we believe the Government should leave the EMDG program as is (at least for the next few years) and **adopt Option B**

Sam McNiven

Managing Director

Providore Global Pty Ltd
