

First initiative

In the event that the push for the Rural Reconstruction Board is not successful the concessional loans offered by QRRA should be at a significantly lower interest rate in order to have a lasting impact. Debt is now the major reason that agricultural businesses will fail. The question as to how rural enterprises have ended in this situation needs to be answered.

The commercial banks were complicit in the recent boom in property prices and an understanding of the banks' role needs to be reached. Could it be that the regulations imposed by the Australian Prudential Regulation Authority [APRA] created an imperative for the banks to be able to benefit from an overvalued rural sector? Close examination of the commercial banks' response to requirements with respect to tier one and tier two investments and the use of unused equity in rural property to underwrite lending which attracts a higher rate of return should be seen as a priority. Regulations imposed for valid reasons can deliver perverse outcomes as they are played out in the market place.

In summary

Conduct an independent review of the regulations imposed by APRA on the commercial banks with particular focus on the consequences as the banks adjust to fulfil the criteria whilst furthering their own ends.

Adoption of this initiative would

- Inform as to commercial bank's role in spiralling rural debt
- Demonstrate how the banks pass the costs of compliance on to clients
- Drive reform leading to more transparent lending models
- Flag to APRA how regulations can/could cause perverse outcomes
- Drive reform to value rural property in line with its' productive base
- Inject rigour into property valuation industry
- A Rural Reconstruction Board would set the standard for long term responsible rural lending

Second Initiative

There needs to be an ongoing conversation engaging representatives of all the stakeholders involved in the beef industry. A culture of “them and us” has evolved over time and the subsequent positioning exacerbates the boom/bust cycle inherent in an industry tied to the vagaries of the weather. Fostering a team approach where all stakeholders recognise the inter-dependence of each other is paramount. It is in nobodies’ best interest for any sector to fail. Communication with a genuine flow of information between sectors is essential to establish and maintain goodwill.

Current negotiation, with respect to price, between the processors and the graziers is flawed with the processors enjoying a dominant position. Processors use price to regulate cattle flow with recent events slewing conditions even further in the processors favour. Consequently there has been a huge dis-connect between the price meatworks are able to source cattle and the price they are able to receive for the beef. Similarly the major retailers are able to drive a hard bargain so they can buy low and sell high. Following is a mechanism which would help to redress this imbalance.

An indicator needs to be generated which is an amalgam of prices received for beef domestically and on the global market similar in concept to the Queensland Beef Market Index. This indicator needs to be in the public domain.

Table/tables could be developed which enables all to see what price should be fairly received along the chain given a certain indicator price. Surely processors, live exporters and retailers generate a version of this table?

The Global Beef Price Indicator could be used to establish the function of the price for cattle at the farm gate to the price received for the meat or the beast delivered overseas. All interested parties need to input with a goal to establishing this function so that a fair and reasonable return is enjoyed by all parties.

To ensure the ‘conversation’ continues a council with representatives from all the relevant peak bodies needs to be formed, in essence the peak of the peaks. May I suggest “The Everest Council” denoting the magnitude of its’ undertaking. This council would meet regularly in order to establish the relationships essential for respectful information flow between sectors. The Council would be charged with overseeing the continuing relevance of the Index and the tables and would advise the Federal DAFF Minister on all matters relevant to a sustainable beef industry. Roles of the existing industry structures and funding pathways should be considered and the Minister advised of the consensus view.

A senior bureaucrat from DAFF should have a seat on the Council with the secretariat supplied by DAFF. Funding for the Councillors should be met by the Peak Bodies so that they have a vested interest in the performance of the Council.

The Council would have a demonstrably independent Chairman who would meet with the Minister following each meeting.

Adoption of this initiative would

- Drive change in profit distribution to a more equitable footing.
- Inform and thereby strengthen the producers' negotiating position
- Inform the producer as to the viability of implementing differing marketing strategies.
- Introduce a transparent structure to pricing throughout the chain.
- Flag to processors/retailers that they may need to justify their price structure using the principles outlined in the unconscionable conduct legislation.
- Drive reform and efficiencies in all sectors
- Inform as to the continuing viability of the various sectors
- Maintain information flow throughout all sectors
- Enable industry to describe its' own solution
- Develop a template for other primary producers to adopt
- Create a relationship between government and industry which should negate knee jerk reactions similar to the recent live export ban