



**Consolidated Pastoral
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Submission to the Agricultural Competitiveness Green Paper

12 December 2014

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Mr Paul Morris
First Assistant Secretary
Agricultural Competitiveness Taskforce
Department of Prime Minister and Cabinet
PO Box 6500
Canberra ACT 2600

Dear Paul,

CPC welcomes the Government's focus on developing agriculture in Australia.

Our company has major investments in the agriculture sector. We are the country's largest private beef cattle producer operating a portfolio of 19 stations, with more than 360,000 cattle, across 5.6 million hectares.

CPC also holds a 50% interest in a joint venture which owns and operates two feedlots in Indonesia and a 50% joint venture beef processing and marketing business in China.

CPC's direct sales channels primarily involve selling cattle and beef to Asian consumer markets, domestic feedlots or processors and exporting live cattle.

We are keenly interested in building on our already significant investment – particularly in northern Australia - if the right policy settings are in place to encourage sustainable development and exploit the emerging market opportunities in Asia.

The company believes that the basic test for the sustainable development of agriculture will be its ability to attract the necessary private capital. That will only happen if there is an adequate return on that private sector investment.

The keys to achieving that outcome are cutting the cost of production, lifting productivity and increasing international competitiveness.

While the company's focus is on the impediments to developing the beef industry in northern Australia, we consider many of the actions proposed in our submission to have broader application.

Yours sincerely,

Troy Setter
Chief Executive Officer
Consolidated Pastoral Company



Summary

Consolidated Pastoral Company (CPC) believes the key to the economic and social development of rural and regional Australia is the development of agricultural industries that are economically and environmentally sustainable and internationally competitive.

This can only be achieved through effective coordination of effort, and the pursuit of common priorities, by industry and government and between governments at a federal, state and local level.

CPC notes that the Agricultural Competitiveness Green Paper, recently released by the Minister for Agriculture, the Hon Barnaby Joyce, is built around nine policy principles.

The starting point for the development of the White Paper around these principles must be a policy framework that promotes the lowering of production costs, builds profitability and increases the international competitiveness of Australian agriculture as identified in principle one.

Targeted investment in transport infrastructure must be an essential feature of the White Paper given the size of the freight task, the cost of transporting production inputs and the cost of getting goods to market.

The strategic reallocation of funding in existing infrastructure programs and targeted new expenditure on infrastructure should focus on improving transport efficiencies and access to domestic and international markets as identified in principle three.

It is essential that both large and small scale investment options are assessed for their contribution to improving the efficiency of the whole supply chain and not simply based on the priorities of one government in one state.

Reducing red tape is also important if the full potential of agriculture is to be realised. That means not only reducing the regulatory burden at all levels of government, as identified in principle five, but also harmonising regulations across all jurisdictions.

CPC believes that cutting the regulatory burden currently imposed on export focused agricultural industries should be prioritised given their importance to the national economy and their contribution to the nation's export income.

Building market access for agricultural production must be a key point of focus for the White Paper as identified in policy principle six. Maximising export opportunities requires a coordinated and prioritised effort by all governments and industry.

CPC is also of the view that, given its economic importance to rural and regional Australia - particularly in the north - its potential to exploit growing opportunities in Asia and its competitive advantage in meeting the growing global demand for protein, the beef industry should be an area of focus for the Government in the White Paper in line with government principle seven.

Only if the policy objectives identified in principles one, three, five, six and seven are realised will the government achieve its objectives of sustaining family farms (principle two), creating well paying jobs



(principle four), supporting regional communities (principle eight) and delivering high quality and affordable food (principle nine).

Priorities and Actions

Advancing a policy framework for Australian agriculture will require close cooperation between industry and government and a cooperative and coordinated working relationship between the federal, state, territory and local governments. The administration of all levels of government has an impact on the cost of farming in Australia.

The Government, through the Agricultural Competitiveness Green Paper, has identified nine policy principles that will underpin the development of a plan to grow agriculture.

They are:

- increasing returns at the farm gate by cutting costs and reducing barriers to productivity and profitability;
- keeping families as the cornerstone of farming;
- building infrastructure for the 21st century;
- creating well paid jobs;
- reducing unnecessary regulation;
- promoting exports;
- focusing on Australia's competitive advantage;
- supporting regional communities; and
- maintaining access to high quality and affordable food for all Australians.

CPC believes the Agricultural Competitiveness White Paper process should focus on developing a policy framework that delivers lower production costs, builds profitability and improves Australian agriculture's international competitiveness.

The basic test for the sustainable development of the agriculture sector will be its ability to attract the necessary private capital. That will only happen if there is an adequate return on that private investment.

The beef industry a priority

While the Green Paper is built around broad principles and not particular sectors, CPC believes that beef should be identified as a priority industry in the White Paper.

Clearly, the Australian beef industry has a competitive advantage and the capacity to make a significant contribution to meeting the rising food demand from the growing middle class in our region in line with principle seven in the Green Paper.

The role of the beef industry in meeting this regional challenge has been further elevated by recent Free Trade Agreements struck with Korea, Japan and China.



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The beef industry is a major part of the national economy. Australia is one of the most efficient producers of cattle in the world and the world's third largest exporter of beef. The latest Australian Bureau of Statistics (ABS) data shows there are 77,164 properties with cattle; that is, 57 per cent of all farms with agricultural activity. According to the ABS, the national herd is in the order of 28.5 million head of cattle and calves.

The latest estimate by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) indicates the gross value of Australian cattle and calf production (including live cattle exports) is \$7.4 billion.

According to the ABS in 2012-13, Australia exported 67 per cent of its total beef and veal production to over 100 countries, the value of total beef and veal exports in 2012-13 was \$5.06 billion and Australian live cattle exports were valued at \$590 million in 2012-13.

The pastoral industry also manages a large part of Australia. For example, the pastoral industry utilises over 60 per cent of the total northern land mass. That is, pastoralists are responsible for managing more than half the area of land defined as northern Australia.

Queensland has the largest area held under pastoral lease (62 per cent of the state), followed by the Northern Territory (47 per cent) and Western Australia (34 per cent).

As the Green Paper notes, successive generations of ownership have seen farm families build a deep understanding of local ecosystems and weather patterns that in turn have led to the development of management practices that support the long-term sustainability of land resources.

CPC believes that there is capacity to significantly increase Australian beef production, particularly in the north, with the correct government policy and investment in productivity, innovation and infrastructure.

The beef industry is also an important contributor to advancing the economic and social interests of Indigenous Australians.

CPC has a close relationship with a number of Indigenous communities, including mutually beneficial commercial relationships across Northern Australia. We actively seek to employ staff from local Indigenous communities to allow traditional land owners to work and live on their country. The company also has land lease and agistment arrangements in place with Indigenous communities that allow us to work with traditional owners to develop their land and create sustainable employment opportunities and community income.

Building Indigenous participation in the northern beef industry will also provide the opportunity for Indigenous communities to share in the economic benefits offered by expanding the northern Australian economy; in particular realising the opportunities offered by a rapidly growing Asian region.

Proposed Action: The Agricultural Competitiveness White Paper should identify the beef industry as a priority sector for development given its dominant position in the national economy and its potential for growth in an expanding Asian market.



Cutting costs

While the Green Paper rightly points out that it is farmers who need to make business decisions that will make them profitable and competitive there are a range of policies implemented and costs imposed by government that adversely impact on farm gate returns, productivity and profitability.

Regulations

CPC strongly supports the Federal Government's general commitment to reducing red tape and, in particular, its commitment through principle five in the Green Paper to reducing unnecessary regulation imposed on agriculture by all levels of government.

We note that the Federal Government is implementing a national deregulation agenda that it states will improve the business environment across the economy. It has a target for that program of cutting \$1 billion a year out of business costs.

Reducing and, where possible, harmonising regulations across jurisdictions would lower the cost of doing business in rural and regional Australia.

CPC believes that export focused agricultural industries should be made a priority in the Council Of Australian Governments' (COAG) deregulation agenda given their importance to the national economy and their contribution to the country's export income.

As these industries compete in the global marketplace, a focus of government must be to improve their international competitiveness. That is particularly the case for northern based sectors such as the beef industry.

While the Green Paper identifies specific areas of regulation that should be reformed, CPC is of the view that a much more structured approach to cutting the red and green tape burden is required.

In the first instance the extent and the cost of the regulatory burden imposed by the three levels of government on the beef industry should be determined. A prioritised work program to remove, refine or harmonise regulations across northern Australia should then be established and implemented.

Proposed Action: The Federal Treasurer should write to the Productivity Commission requesting that it undertake a review of regulations administered by local, state and territory and Commonwealth governments that apply to the northern beef industry.

The Treasurer should also request that the Productivity Commission provide a prioritised work program to remove, refine or harmonise regulations across all northern Australian jurisdictions.

The establishment and implementation of that work program should be coordinated by the Commonwealth and regular reports of progress should be provided to the Northern Australia Strategic Partnership.

While CPC has focused on the beef industry, the approach proposed to address the regulatory burden could be broadened to cover all the major agricultural export industries.



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Land tenure

CPC notes the complex land tenure arrangements across northern Australia and the impact of these different arrangements on investment was the subject of a detailed report by the CSIRO and James Cook University (JCU).

This work was commissioned by the Northern Australia Ministerial Forum. CPC sees this work as important in informing the preparation of the Agricultural Competitiveness White Paper.

The CSIRO/JCU analysis highlights the many types of tenure in the north, administered separately by each jurisdiction, which impose a high degree of complexity and therefore add to the cost of doing business. The analysis also identifies other rights and entitlements that overlay these tenures such as native title rights.

The CSIRO/JCU report notes that there are multiple reviews under way in each of the jurisdictions that are seeking to increase the diversity of land use available to investors. The report notes that while different industries face different challenges there are some common impediments to investment.

The report states these include:

- deficiencies in specific aspects of the tenure information base including registration of interests and accessibility of this information to investors;
- diversity of tenures and land and water entitlements including the different conditions of use on similar tenures across jurisdictions;
- inefficiencies in the development of assessment processes, particularly for major projects, which exacerbate tenure-related problems;
- under-resourced negotiation and tenure-resolution mechanisms; and
- legal and other conditions that limit Indigenous and other land owners' ability to leverage their land assets for capital and development purposes without affecting existing rights.

CPC has had practical experience in these impediments and the administrative and financial burden they impose on our business.

CPC also supports the three key actions to reduce these impediments to investment proposed in the CSIRO/JCU report.

They are:

- the establishment of a consistent set of principles across the four jurisdictions to be applied the regulatory review processes,
- the harmonisation of major project assessment processes, and
- the improvement of landscape scale planning processes to address issues related to land use and resource contestability.



Proposed action: The development of a consistent set of principles across the Federal Government and the three northern jurisdictions to be applied to the regulatory review processes coordinated by the Northern Australia Strategic Partnership to ensure a harmonised and simplified approach to land management across the north.

Long haul transport

Despite new National Heavy Vehicle rules coming into effect early in 2014, the practical impact on CPC and other operators across the north is that we are still required to comply with three different regulatory regimes.

The new regime is being used in Queensland, New South Wales, Victoria and South Australia but not in Western Australia or the Northern Territory.

Proposed Action: Review the current long haul transport regulatory system as it relates to livestock transportation with the aim of developing a single system for operators across northern Australia.

Exporter Supply Chain Assurance Scheme (ESCAS).

CPC believes that an area of focus for reducing the regulatory burden on the beef industry should be the Exporter Supply Chain Assurance Scheme (ESCAS). This scheme is currently the subject of a review which is welcome.

Inefficiencies in ESCAS are imposing a considerable cost burden on the live export industry without delivering improved benefits through better animal welfare outcomes. In its present form ESCAS, is process focused when, to maximise welfare outcomes and minimise industry costs, it should be outcomes focused.

CPC has in place stunning in all Indonesian facilities that slaughter our cattle as well as employing a comprehensive CCTV network to ensure that world best practice is consistently applied to the processing of all animals.

We believe considerable costs can be taken out of the system without compromising its integrity. The process has become more important than the outcome with the current management of ESCAS.

Proposed Action: Reform the Exporter Supply Chain Assurance Scheme (ESCAS) to ensure that it maximises welfare outcomes and minimises industry costs by being refocused on outcomes rather than process.

Infrastructure

CPC agrees with principle three in the Green Paper that infrastructure is key to building a strong and diversified rural and regional Australia.

The strategic allocation of funding in existing infrastructure programs and targeted new expenditure on infrastructure should focus on cutting transport costs and improving productivity across agriculture generally and for key sectors such as beef production in particular.

The focus of CPC is on the infrastructure needs of the beef industry in northern Australia.



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The Green Paper on Northern Australia highlights the example of moving cattle to markets. This involves long distances that are exacerbated by some poor quality roads. The Paper refers to estimates suggesting that road conditions in the north can almost double the cost of transporting cattle.

CPC is a major user of northern Australia's road and rail transport systems, moving in the order of 180,000 cattle annually. Transport is therefore a major cost to our business and strategic investments by government in upgrading this infrastructure would make an important contribution to the company, and the industry, meeting our objectives of cutting production costs and improving our international competitiveness.

CPC believes that a detailed assessment of the following major projects should be undertaken: the extension of the Darwin Port to allow lower cost exporting from Darwin port, linking Mt Isa with the Adelaide to Darwin Railway near Tennant Creek, upgrading the Buntine Highway and upgrading the Tanami Road.

CPC also supports the view, expressed in the Green Paper on Northern Australia, that planning and prioritising infrastructure need not only focus on large scale or 'mega' projects. While we are of the view that investment in these major infrastructure projects would make a significant contribution to the development of the north and give companies such as ours greater confidence to invest further in Northern Australia, we agree that small scale investments and upgrades can also deliver important productivity benefits.

In that regard, CPC notes that while it is unlikely that unsealed or partially sealed roads such as the Dry River Road, the Barkly Stock Route, the Duncan and Buchanan Highways and the Murrarji Stock Route will be fully bituminised given tight fiscal circumstances facing governments, some additional funding would enable proper maintenance for these roads before they become rivers in the wet season and unusable corrugated tracks in the dry season.

Further, strategic investments such as the construction of a trucking yard near the Northern Territory/South Australia border would deliver significant efficiencies, at a minimal cost, to the task of transporting cattle from the Territory south.

Overall, it is essential that both large and small scale investment options are assessed for their contribution to improving the efficiency of the whole supply chain across the region and not simply based on the priorities of one government.

A CSIRO project – Livestock Industry Logistics: optimising industry capital investment and operations – identifies potentially substantial savings along the northern beef supply chain through targeted infrastructure investment.

According to the CSIRO this work is designed to:

- improve the efficiency of existing livestock transport, handling and processing infrastructure;
- identify new infrastructure investment potential that achieves greatest industry benefits at least cost; and
- identify synergies between beef and other industry infrastructure assets to assist with unlocking value across the north as a whole.



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The project was developed by the CSIRO in partnership with the Commonwealth, Northern Territory, Western Australia and Queensland Governments.

According to the CSIRO, land transport costs comprise up to 35 per cent of the market price of livestock, which can largely offset the advantage of the region's proximity to Asian markets.

It is CPC's view that while long term planning is important, the Agricultural Competitiveness Taskforce should also consider recommending there be a reassessment of infrastructure planning and expenditure already committed by local, state, territory and Commonwealth governments using the CSIRO tools.

This focused approach to investing in infrastructure is important for two reasons.

The current tight fiscal environment confronting governments increases the need for strategic investment in new infrastructure or the reallocation of funding in existing infrastructure funds.

Secondly, the modelling undertaken by the CSIRO has highlighted the potential for significant and timely financial returns to the beef industry from a focused infrastructure investment strategy.

Proposed Action: A special taskforce be established to identify opportunities and develop priorities for strategic investment in infrastructure across northern Australia road and rail networks with an initial focus on those corridors that are most important to the beef industry.

Membership of the taskforce should be drawn from transport and agriculture officials from the four jurisdictions.

The Taskforce should undertake an analysis on the following major projects:

***Extension of the Darwin Port,
Linking Mt Isa with the Adelaide to Darwin Railway at Tennant Creek,
Upgrading the Buntine Highway, and
Upgrading the Tanami Road.***

The Taskforce should also review existing infrastructure funding programs. Its work should be informed by the application of the CSIRO models, Infrastructure Australia and the experience of the northern beef industry as a key user of the transport system.

The Taskforce should report to the Northern Australia Strategic Partnership in time to inform the 2015-16 federal, state and territory budgets.

Engaging Asia

The Agricultural Competitiveness Green Paper identifies as a key policy principle the promotion of access to key export markets (principle six).

In this context CPC welcomes the successful negotiation of Free Trade Agreements with Korea, Japan and China. The policy focus to be developed through the White paper must be on building a framework to realise the opportunities these agreements offer to Australian agriculture; particular in the north.



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In that context, CPC notes the emphasis given to building trade relationships with Asia in the Green Paper on Developing Northern Australia. That paper states that in progressing northern Australia's engagement with Asia, direct government-to-government links are vital. It states Australia remains engaged through a range of regional forums and dialogue with neighbouring Asian, Pacific and Indian Ocean partners.

We note that the Federal Government has also announced that it is reviewing Australia's international diplomatic network. According to the Green Paper on Developing Northern Australia, the Government will consider whether there is scope for Australia's overseas missions to do more to build the international profile of northern Australia and to develop trade and investment opportunities. It says Indonesian trade and investment opportunities could be a focus.

CPC welcomes these initiatives.

It is clear that growing demand for protein in the Asian region provides a significant market opportunity for the beef industry in northern Australia.

However, it is our view that current trade related structures for both government and industry are unnecessarily complex and therefore may not deliver optimal outcomes for exporters.

Two federal departments share responsibility for trade; the Department of Foreign Affairs and Trade is responsible for trade policy and administration while the Department of Agriculture is responsible for technical market access issues.

It has been the experience of the beef industry that there is not always an effective coordination of effort between these two agencies. We believe that ideally, both functions should be the responsibility of one department and one minister.

There is also an uncoordinated approach to accessing and building markets across governments with a number of states independently seeking to negotiate with potential markets. As a consequence some countries have to deal with a series of separate delegations from a number of state governments as well as the federal government. This disjointed approach has the potential to send confusing and sometimes conflicting messages.

While the initiative taken by state and territory governments and state industry bodies to grow market access is supported, CPC believes it is essential that such engagement with key markets is centrally coordinated through the Federal Government.

Given that the administrative responsibility for the live export trade rests with the Federal Government, the necessary regulatory framework for the establishment of live exports must be advanced at a national government level.

CPC also notes that there are a number of separate industry organisations that seek to engage in trade negotiations, again without necessarily presenting a unified position to the Australian Government or the targeted market.

While a broad level of engagement across the region is important in building market access there is a need to develop a strategy built on priority markets and focused on key access issues.



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It is our view that this strategy for the industry in the north should be managed through the Northern Australia Strategic Partnership, in close consultation with the beef industry, to ensure a focused and harmonised approach applied by government and industry to building market access.

Proposed action: The development of a prioritised market access strategy for northern Australia coordinated by the Northern Australia Strategic Partnership to ensure a harmonised approach across the three northern jurisdictions and the Federal Government.

This strategy should be complementary to the broader national trade agenda.

The northern market access strategy should be built around priority markets and, within those markets, specific barriers to trade.

The strategy should also be informed by key beef industry participants in addition to national industry organisations.



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