



# **Application for Financial Assistance Northern Territory Cattle Marketing Pool**

**July 2011**





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## Northern Territory Cattle Marketing Pool

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### **Assistance Request**

Establishment Funding	<b>\$250,000</b>
Seasonal Guarantee	<b>\$25,000,000</b>



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## Northern Territory Cattle Marketing Pool

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### ***Background***

The Northern Territory pastoral Industry post the BT eradication during the 1980's built a herd based on Bos Indus cattle genetics suitable for the south East Asian cattle feeder market. Over the past three decades substantial improvements have been made in genetics, pastoral management, animal logistics and Asian feed lotting.

The current Australian Government statutory obligations are for the accountability and welfare of animals up and to the point of embarkation at either sea port or air port.



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## Northern Territory Cattle Marketing Pool

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### ***Background...Cont'd***

Post the viewing of the Four Corners program “A Bloody Business,” the Australian Government suspended all live exports to Indonesia due to intense public pressure.

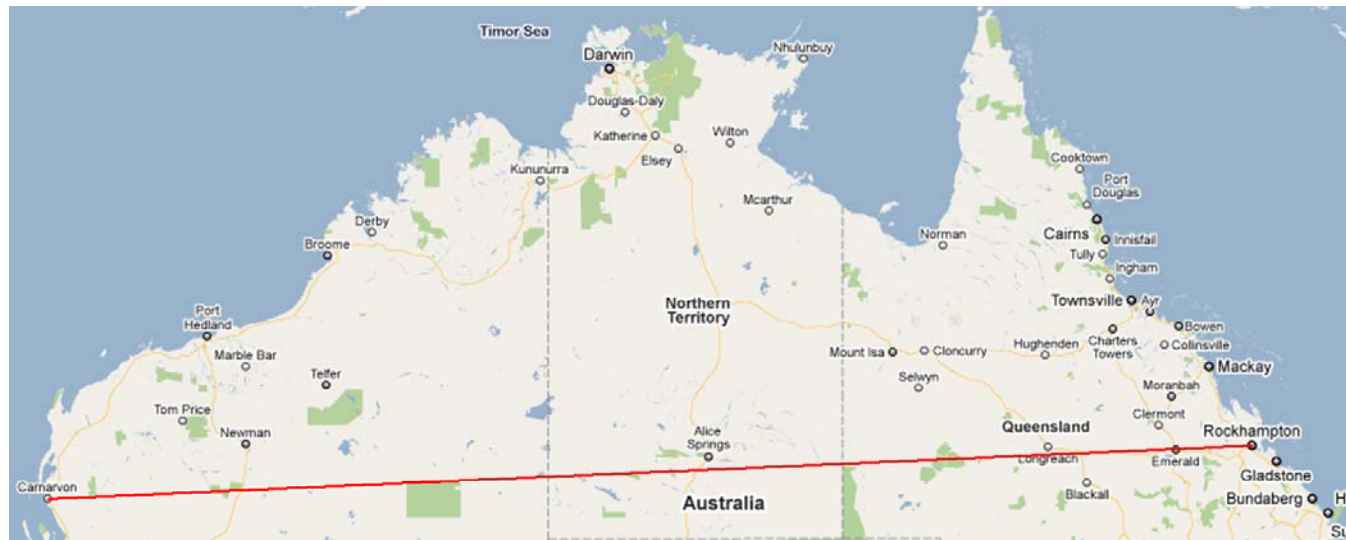
The Australian Government has formed an Industry Working Group to develop a “Closed Loop” auditable supply chain to ensure animal welfare is managed humanely up to and during the point of slaughter.

Negotiations with Indonesia, pastoralists, shippers, importers, feeders and ultimately abattoir operators will take time to successfully conclude.



## Northern Territory Cattle Marketing Pool

Cattle Shipped in 2010	874,916
Cattle Value	\$684,525,613
Employees	In excess of 9,000
Size of Herd	Circa 3,200,000
Land Mass	Rockhampton to Carnarvon (approx 3,461,413km <sup>2</sup> )





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### ***Background...cont'd***

Once the trade is reopened, it is expected to be a trickle trade, not the normal seasonal flows of 15,000 head per week.

Industry is at a standstill, the internal logistic supply routes are disbanding, the infrastructure of feeding facilities are shuttered, the port prices have collapsed 25% to 30% or more.

Working capital shortages are being experienced across Northern Australia. As sales cannot be effected, values have imploded and the northern herd is not suitable for the southern grazing conditions or southern markets.



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### ***Need***

- Immediate access to working capital is required.
- Welfare payments via Centrelink cannot service the industry needs.
- Pastoralists and the service industry are dealing with living breathing live animal assets, supported by skilled workers operating large mobile capital intensive equipment.
- Working capital must be available commercially, not via welfare.



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### *Opportunity*

- The standing herd is an asset that can be securitized and monetized.
- Forming a NT cattle marketing pool, secured by legal commitments from pastoralists to supply a set number of live weight kgs to a known destination port would allow a marketing loan program to release capital to pastoralists for immediate working capital requirements at little or limited risk to the community and Government.





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## Northern Territory Cattle Marketing Pool

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### *Steps Forward*

- Northern Territory Cattlemen's Association has endorsed the development of a NT Cattle Marketing Pool (NTCMP).
- Seek both NT and Federal Government support to establish the NTCMP.
- Seek capital for the drafting of supply agreements, sale agreements, the cattle marketing pool constitution and employment of systems and management.



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## Northern Territory Cattle Marketing Pool

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### *Steps Forward...Cont'd*

- Secure seasonal treasury guarantee and cattle inventory to secure a trading/inventory line of advance credit of \$100,000,000.
- Enrol pastoralists to sign into the marketing pool development.



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# Northern Territory Cattle Marketing Pool

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## ***Requirements***

- Immediate action
- Board of Governance
- Marketing Pool Constitution and Rules
- Sign In Agreement
- Sales Agreements
- Management
- Line of Trade Credit
- Treasury Guarantee to secure Credit Line
- Freight Rebates from Government
- Agistment Payment Agreements from Government



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## Northern Territory Cattle Marketing Pool

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### ***How will the pool operate?***

- Define a set number of days of sign in period.
- Define a set number of live weight kgs to be accepted and marketed.
- Define the marketing life of the pool.



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## Northern Territory Cattle Marketing Pool

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### ***How will the pool operate?...Cont'd***

- NTCMP to sign in pastoralists for a known number of live weight kgs to a set animal profile and delivery port.
- NTCMP advances via a marketing loan, 50% of the live weight port value.
- NTCMP sells cattle over a defined marketing period. As sales progress, NTCMP advances further funds to the pastoralists up to 85% mark to market valuation. After the last commitment in the NTCMP is sold out, the NTCMP pays out to pastoralists the balance of the pools receipts after repaying all loans and deducting expenses.



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## Northern Territory Cattle Marketing Pool

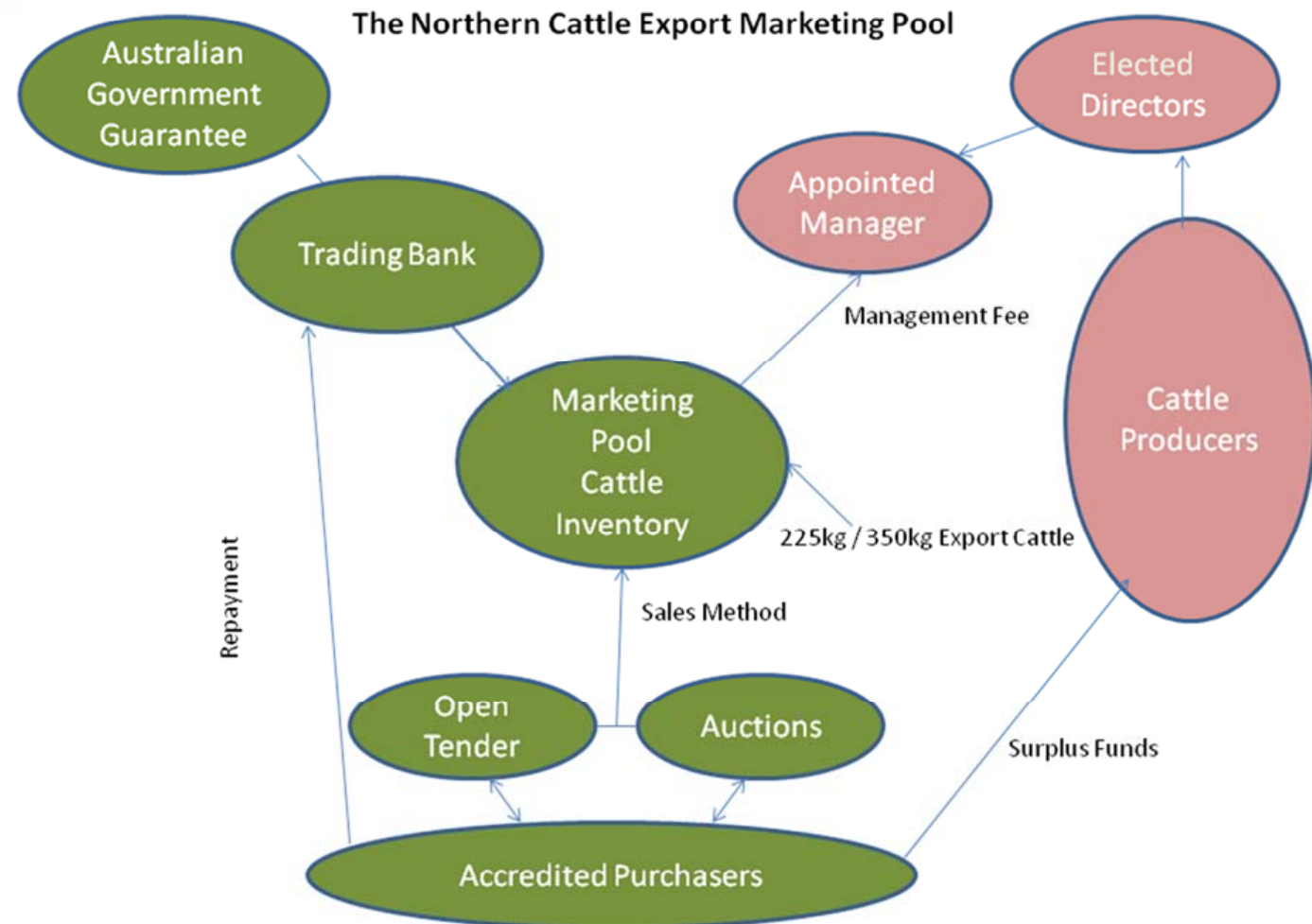
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### ***How will the pool operate?***

- Cattle entered into the NTCMP must be below the 350kg port weight limit. Cattle within the pool that grow past the 350kg limit are to receive an agistment payment per week from the Commonwealth until sold out of the pool.
- Cattle exceeding the weight limit are trucked south into the domestic markets (to be rebated the freight differential between destination yards and port freight cost).
- All costs to operate the pool are to be deducted from the advance payments during the life of the pool.



# Northern Territory Cattle Marketing Pool





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## Northern Territory Cattle Marketing Pool

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### ***Contacts***

#### **Luke Bowen**

Executive Director

NT Cattleman's Association

Tel: 08 8981 5976 Mobile: 0427 815 990

Email: [luke.bowen@ntca.org.au](mailto:luke.bowen@ntca.org.au)

#### **Rohan Sullivan**

Cave Creek Station

Tel: 08 8975 4321

Email: [cavecreek@bigpond.com](mailto:cavecreek@bigpond.com)

#### **David Farley**

Chief Executive Officer and Managing Director

Australian Agricultural Company Limited

Tel: 07 3368 4400

Email: [dfarley@aaco.com.au](mailto:dfarley@aaco.com.au)