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SELECT COMMITTEE ON AGRICULTURAL AND RELATED
INDUSTRIES

Reference: Food production in Australia

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**SENATE SELECT COMMITTEE ON
AGRICULTURAL AND RELATED INDUSTRIES**

Wednesday, 1 April 2009

Members: Senator Heffernan (*Chair*), Senator O'Brien (*Deputy Chair*), Senators Fisher, Milne, Nash and Sterle

Participating members: Senators Abetz, Adams, Arbib, Barnett, Bernardi, Bilyk, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Farrell, Feeney, Fielding, Fierravanti-Wells, Fifield, Forshaw, Furner, Humphries, Hurley, Hutchins, Johnston, Joyce, Kroger, Lundy, Ian Macdonald, McEwen, McGauran, McLucas, Marshall, Mason, Minchin, Moore, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Stephens, Troeth, Trood, Williams, Wortley and Xenophon

Senators in attendance: Senators Barnett, Farrell, Fisher, Heffernan, Milne, O'Brien

Terms of reference for the inquiry:

To inquire into and report on:

Food production in Australia and the question of how to produce food that is:

- a. affordable to consumers;
- b. viable for production by farmers; and
- c. of sustainable impact on the environment

WITNESSES

BARKER, Mr John, Consultant, Cuthbertson Brothers	1
BYARD, Mr David, Private capacity	49
DICKINSON, Mr Doug, Managing Director, Cuthbertson Brothers.....	1
JONES, Mr Wayne, Manager, Cuthbertson Brothers	1
LOONE, Mr Robert George (Bob), Private capacity	40
McNEIL, Professor David Leslie, Director, Tasmanian Institute of Agricultural Research	20
MILLS, Mr George Duckett, Private capacity	49
OLDFIELD, Mr Chris, Chief Executive Officer, Tasmanian Farmers and Graziers Association.....	60
RICKETTS, Mr Andrew, Convenor, Environment Association Inc.....	29
STEEL, Mr Nicholas, Commodities Manager, Tasmanian Farmers and Graziers Association	60
TOWNSHEND, Mr Beecher, Consultant, Cuthbertson Brothers.....	1

Committee met at 10.02 am

BARKER, Mr John, Consultant, Cuthbertson Brothers

DICKINSON, Mr Doug, Managing Director, Cuthbertson Brothers

JONES, Mr Wayne, Manager, Cuthbertson Brothers

TOWNSHEND, Mr Beecher, Consultant, Cuthbertson Brothers

CHAIR (Senator Heffernan)—I declare open this public hearing of the Senate Select Committee on Agriculture and Related Industries. The committee is hearing evidence on the inquiry of the committee into food production in Australia. I welcome you all here today. This is a public hearing and a *Hansard* transcript of the proceedings is being made. Before the committee starts taking evidence, I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee. Such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence. The committee prefers all evidence be given in public, but under the resolutions of the Senate witnesses have the right to request to be heard in private session. It is important that witnesses give the committee notice if they intend to give evidence in camera. If a witness objects to answering a question, the witness should state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. If the committee determines to insist on an answer, a witness may request that the answer be given in camera. Such requests may, of course, also be made at any other time.

I welcome the Cuthbertson gang. Boys, perhaps you could give your name, rank and serial number, and if you want to make an opening statement go for it. We will then ask you some questions.

Mr Dickinson—I would like to table the following submission that we are presenting here today. Cuthbertson Brothers believes this matter breaches the Trade Practices Act and that Swift Australia have used their market power to push players out of the sheep and lambskin market. They have also acted in a misleading and deceptive way to achieve these outcomes. We ask the Senate inquiry to call on the ACCC to launch a formal investigation into this matter. I add that I am very disappointed that Swift have not come along today.

CHAIR—Is that your opening statement?

Mr Dickinson—Yes.

CHAIR—Any further additions? Do you want to subtract or take away from anything you have in your submission?

Mr Dickinson—No.

CHAIR—Appearing with you on our schedule is Mr Ian Richards. Is he about?

Mr Barker—He is not here at the moment.

CHAIR—If he turns up, we will get him to tag himself.

Mr Barker—He indicated yesterday that he would be here.

CHAIR—He might have missed the bus. I have to declare an interest—I am a farmer and I sell thousands of sheepskins every year. We hang them up and sell the lambs over the hook. There is a process at the abattoir. I know the skin market pretty well. Could you give us the history of what went on before Swifts arrived? I am also disappointed that Swifts are not appearing, because there are always two sides to a story. Their assertion, to me, was that you fellas had the best of the market and they wanted to square it up somehow, but I am sure there are two sides to the argument. It seems a quaint system to me, if it is a fair dinkum tender, that you tender the price and the person who is supervising the tender gets to open the tender and can put a tender in after the tender documents have been opened. That is novel! We are all used to having likeable rogues in most industries, but that sounds like a bit of tomfoolery.

Can you describe what used to go on? The criticism is that it was a fairly concentrated market before Swifts arrived. It could well be argued that it is even more concentrated now, but could you describe the system that existed? Was it a serviced abattoir set-up where three or four people came in and bid or tendered? Tell us what used to happen compared to what happens now.

Mr Jones—Over the last several years there have been a couple of companies coming in and bidding. We had this problem with Tasman Group Services a couple of years ago. We came to an agreement to have an open tender. They would get descriptions sent to Melbourne, people would put in a price and we would put in our price. It would be opened up in front and the highest price got it. That changed when Swift took over. We were probably getting close to 70 or 80 per cent. All of a sudden they brought over this skin merchant from Melbourne, John Knox, as a consultant. We would put in a price, Southern Commodities would put in a price and several companies from Melbourne would put in a price. Then those prices were emailed or rung through to John Knox in Melbourne. He would go down and pick out which ones he wanted and then go 5c or 10c above the best price. Swift would take the skins, salt them down and send them to Melbourne, and he would class them out for them over there under Swift's name.

CHAIR—What they are doing is not outside the law—or is it?

Mr Jones—It is supposed to be a tender.

CHAIR—I appreciate that it sounds like a quaint tender system if you can open the tender before you put your price in. Do they have to tender? Is it a service abattoir?

Mr Jones—It is a service abattoir.

CHAIR—So what is the legal obligation of the service abattoir to dispose of the skins which are the property of the lamb producer?

Mr Jones—The main thing comes back to the agent. He is responsible for selling the goods. He is representing the farmer, so it is up to him to represent the farmer.

CHAIR—There is an argument that under the system they have now the growers are getting more for their skins. Is that borne out in the outcome?

Mr Jones—No, they are not getting more for their skins.

CHAIR—Are they getting less for their skins?

Mr Jones—I would say so.

Mr Dickinson—We have evidence—

CHAIR—I am well aware of the vagary of the sucker market. What are you paying now for an unshorn sucker skin?

Mr Jones—Unshorn is about \$6.50.

CHAIR—They were \$14 last year, were they not?

Mr Jones—Yes, but the market has gone back quite a bit.

CHAIR—Swifts argue—unfortunately, they are not appearing, because we would love to hear their argument—that it is a fair tender system and that it is conducted by an independent person, but are you saying it is not and that in fact the tenders are sent to Melbourne and the so-called independent person opens them and can put in a bid after they are opened.

Mr Jones—Yes. Swift are actually buying the skins. He is a consultant for them and he picks out which line. They sell them here; they go to Melbourne; he classes them out and switches the skins off.

CHAIR—So other than the tender system, if they said that they were not going to have a tender system, that they will offer the producer at cost at the abattoir and then it will be up to them to dispose of the skins, and Swift will make further profit. Is there anything to prevent them from not having the tender system altogether?

Mr Jones—You have got to have the tender system to get the best price for the farmer. The skins belong to the farmer, controlled by the agent. The agent in Tasmania guarantees payment and in the event of the process for us not paying the government finds the money.

CHAIR—So what arrangement does that person, the agent, have with the abattoir to ensure that the grower gets the best price? Obviously we do not want to see anyone going out business, and competition, as we have proved many times recently in the fertiliser market, makes a lot of difference. Is there evidence that that is not happening now?

Mr Dickinson—I would say that the agents have a responsibility to follow through the sale if they are taking a commission from the product. In a lot of instances that is not being done. Two years ago we tried to change this system. Two years ago we went to the TFGA and we asked them to put someone up who was independent to take the prices. We would ring the prices through and within two hours, or whatever the time was for the tender, they would determine

who got what. It means that the agent has got to have either a representative on site or come to some arrangement that we ring him.

Mr Jones—There was a case a couple of years ago too in Devonport when we put \$7 on some sheepskins. The agent rang us and asked what price we had put on them. We said \$7 and he said, ‘How come I only got \$4.50?’ This was the type of thing that was happening when people were selling the skins on their behalf.

CHAIR—Is it the responsibility of the grower? For instance, if you go to a hospital these days it pays to follow your father or your mother—the patient—through the system because the system can let you down. Is it a case of the notice that should be given to Tasmanians is that if you are a lamb grower you should take an interest in your skins on the way through the process? Are they taking that interest? Is it a matter of, as you say, the agent getting a commission here having an obligation to maximise the profit for the grower? Is that happening? Are the growers taking an interest in their skins?

Mr Jones—They are starting to.

Mr Dickinson—It really needs improvement—I agree with you, Mr Chairman. The whole system needs improvement. That is what we have been on for nearly two years with this matter. We have gone to the TFGA. We have had meetings with the agents. We have been pressing for an independent open tender system that is conducted professionally and properly, and we have been unable to get that. And when we take a stand we are barred from—

CHAIR—The consolidation of the market is a problem which reduces competition, which is an ACCC thing. Can you provide the committee with evidence that under the tender system that exists now the tenders are put in and after the tenders are put in Swift can put a price in to top the tender?

Mr Dickinson—We can show you documented evidence.

CHAIR—Thank you. If you can provide that to the committee, we would be grateful.

Senator BARNETT—You have got that with you, have you?

Mr Dickinson—Yes, we have.

Mr Townsend—Section 9 has a number of details which are worthy of note around the tender process. One thing that is also worth noting in the context of these questions is the ever moving feast that has occurred over the last few months with tendering at Longford where the tender process appears to change on a weekly if not a daily basis. Doug and Wayne are better equipped to explain the details of that information.

Senator BARNETT—Through you, Chair, this document is a public document—correct?

Senator O’BRIEN—It is if it is a submission that we have received.

CHAIR—I am confirming that that is correct, and perhaps we should put that on the record. Are you happy for these documents, which are in your submission, to become a public document—

Mr Dickinson—Yes.

CHAIR—or are some of commercial-in-confidence?

Mr Dickinson—We are comfortable with that.

Senator O'BRIEN—Could you indicate to the committee how these documents show a post-tender closure bid by anyone?

Mr Jones—This document here shows that they belong to a Queensland company called Marcellford.

Senator O'BRIEN—Which one are we looking at?

Mr Jones—Section 9.

Mr Jones—These all belong to a service kill at Devonport. You will see the numbering down the side. There is the number of skins, the date, the buyer—that was who they purchased them from, the farmer—and then you will see the rate, and they have got Knox written there: \$5.75, \$4.55, \$6.05, \$6.05, \$6.05, \$6.55, \$5.75. Cuthbertson's price was \$5.50. Southern Commodities, which is Beasey, was \$5.70, so there was 5c the difference. The next lot was \$4.55, Cuthbertson's was \$3.00, Beasey \$4.50, which was 5c the difference.

Senator BARNETT—Who has written this in?

Mr Jones—I have written those in with our prices.

Senator BARNETT—So you have written in Knox, Cuthbertson and Beasey—

Mr Jones—No, Knox's price was there.

Senator BARNETT—Knox was there but you have written in Cuthbertson and Beasey?

Mr Jones—That is right.

Senator O'BRIEN—So just to clarify what this document is showing us: you have indicated that the rate, that is, the successful tenderer which is typed in and headed 'Knox', is the successful bid on each of those—

Mr Jones—He was buying on behalf of Swift.

Senator O'BRIEN—Cuthbertson's is what your bid was?

Mr Jones—That is right.

Senator O'BRIEN—And Beasey is what their bid was?

Mr Jones—That is right.

Senator O'BRIEN—You are seeking for us to extrapolate from that that in each case Knox bid 5c higher than the other bids—

Mr Jones—That is right.

Senator O'BRIEN—and it is your indication, in addition to this document, to tell us what the difference was. I suppose that does not prove anything happened other than your proposition, I take it, that it is unlikely that in every case there would have been a 5c difference on the high side for each of Knox's bids in a tender process that was closed. Is that right?

Mr Jones—Yes.

CHAIR—For clarification, does Knox have a commercial interest in these skins?

Mr Jones—Only in that he has a service fee he puts on for Swift.

CHAIR—To process them and grade them?

Mr Jones—Yes.

CHAIR—So he has a commercial interest?

Mr Jones—Yes.

CHAIR—So it is in his interest that Swift wins the tender?

Mr Jones—That is right.

CHAIR—Yet he, allegedly, is the independent processor of the tender system. That in itself is bullshit, in my book.

Mr Jones—He does not even see the schemes in Devonport. They are told the prices that Southern Commodities and Cuthbertson's are and he just goes and—

CHAIR—But clearly he has a conflict of interest.

Mr Jones—Yes, very much so.

CHAIR—That goes to more than the evidence. The system is flawed because there is a conflict of interest in the delivery of the system.

Senator O'BRIEN—Who prepared this typed document?

Mr Jones—Swift Devonport. It came to us by mistake.

Senator O'BRIEN—It says; name 'Cuthbertson', address 'Hobart'. That was a mistake, was it? It should have gone to someone else?

Mr Dickinson—It should have gone to Swift Devonport direct—or to Melbourne.

Senator O'BRIEN—Who is the agent that is supposed to be managing this?

Mr Jones—There is no agent there.

Senator O'BRIEN—So in the process of sale—and I just need to be clear on this; perhaps the Chair is but I am not—someone buys the lambs and the skin price is a separate component, I take it?

Mr Jones—Yes.

Senator O'BRIEN—And that is done through an auction process or a private sale process?

Mr Jones—Through a tender.

Senator O'BRIEN—Not the skins, the lambs. The farmer puts the lambs up for tender and there is—

CHAIR—No, he doesn't.

Senator O'BRIEN—Could you explain it, Mr Jones? I would rather the witnesses explain it than you, Chair, because this is about what has happened to them.

Mr Jones—The stock buyer will go to the farm and negotiate the purchase at so much per kilo. The lambs then go into the abattoirs and are slaughtered and put over the scales.

Senator O'BRIEN—When the negotiation is done at so much per kilo, the skins are a separate component of the sale?

Mr Jones—That is right.

Senator O'BRIEN—But there is not a price for the skin?

Mr Jones—No.

Senator O'BRIEN—The understanding is that the skin is separate from the other part of the transaction?

Mr Jones—Yes.

Senator O'BRIEN—And that will be the subject of a separate sale process? Is that how it should be described?

Mr Jones—That is right.

Senator O'BRIEN—Perhaps you can clarify this for us. It sounds as if there are not very many specific details about how that separate sale process is carried out.

Mr Jones—No. It is up to the buyers at both companies to go to the tender. They put in their prices—

Senator O'BRIEN—No, I am getting back to the root of the transaction. The farmer sells on the terms at which he sells. There is an understanding or agreement of some sort with regard to the sale of the skin. Is there anything specific about that? Is there any documentation you could refer us to that would indicate what the farmer could legally expect in the conduct of the sale of the skin?

Mr Jones—No. They expect the best price but, if it is through an agent, the agent then should look for the best price.

Senator O'BRIEN—So it is all implied obligation, is it—nothing written?

Mr Jones—That is right.

Senator O'BRIEN—There is an implied obligation for the buyer to dispose of this skin at the best price?

Mr Jones—Yes, the best price.

Senator O'BRIEN—But there is no written or formal obligation?

Mr Jones—No.

Senator O'BRIEN—In the process where the skin is sold through some tender process, flawed or otherwise, is it the buyer's obligation to see that there is a best price achieved? If so, where is that obligation set out?

Mr Jones—It is up to the agent. If it is sold through an agent, it is up to the agent to get the best price, because he is getting a commission off the lamb and off the skin.

Senator O'BRIEN—The agent has gone out and done the purchasing?

Mr Jones—He has worked in with the farmer and the buyer.

Senator O'BRIEN—He has some undefined obligation to the seller?

Mr Jones—Yes.

Senator O'BRIEN—There is no written contract anywhere that we could refer to?

Mr Dickinson—They are governed, I expect, by one of the auctioneers and estate agents acts. These agents are all registered and have certain abilities and qualifications. The agent would contact the farmer that they are selling for. They would go to the meat company and ask, 'What price are you paying for lambs with live weight of 50kg, dressing 24s or 22s, heavyweights'—

CHAIR—We are on about \$4.80 at home at the moment.

Mr Dickinson—Are you? They would probably take the meat company along and say, 'Yes, on those lambs there that reach these weights we'll pay \$4.95'—or \$4.50 or whatever you like for an example—'on weight and grade.' Those lambs would go in and be delivered, and then we would inspect them on the floor prior to the day of the kill. That is the normal process. You are handed a list of what is available for the kill and you go through and price everything. You then hand that, theoretically, to the agent, but if he were not there you would hand it to the meat company representative.

Senator O'BRIEN—It would be helpful, if there are such things, for the committee to be referred to any documents or laws which refer to the obligation of the agent. The other question I have is whether the agent is able to say that even in a flawed tender process—and, judging by this document, this would be a factor for this sale—they have obtained the best possible price.

Mr Jones—Have they 'obtained'?

Senator O'BRIEN—If, on the basis of the document you showed us, they have a price 5c higher than any other bid, does that enable them to say they got the best available price for the grower?

Mr Jones—No, it does not, because you have a fellow like Knox whose price could be another 50c more. Why is he going to pay 50c when he can buy them for 5c or 10c?

Senator O'BRIEN—But they would say—playing devil's advocate—'Here are the bids; I got you the highest bid.'

Mr Jones—But they are not told who runs second or third.

Senator O'BRIEN—I understand that. I do not want to enter into the debate about the nature of the process—we have heard plenty about that. I just wanted to go back to the question of what the obligations are in this process, given that you are alleging (a) that it is unfair to Cuthbertson, which we understand, and (b) that there is no guarantee that the growers are getting the best price. That is the other proposition that I am seeking to explore.

Mr Dickinson—We proved that later in an experiment—Ian Richards is not here—where a farmer had 800 lambs and he sent 400 of the lighter lambs to Devonport. We bought those at what price?

Mr Jones—I think it was \$6.50.

Mr Dickinson—Because our price was being disclosed to Swift, when the farmer sent his 400 heavier-weight lambs which should have made more money to Longford, we purposely quoted a very low price. It was a lot less than we did at Devonport. Swift bought them at 5c more, and they were something like \$3 or \$4 less in value than the ones at Devonport.

CHAIR—Do you have any paperwork to back that up?

Mr Dickinson—Yes. We have a letter from Ian Richards in relation to that.

CHAIR—That will be fairly telling.

Mr Dickinson—We will find that for you.

CHAIR—I am going to throw to Senator Barnett, but I first say that this is a wake-up call to the growers. Get off your arses and take an interest in your skins, because you own them till they are delivered somewhere.

Mr Dickinson—Absolutely. We have been trying to do that for two years.

CHAIR—The news to the Tasmanian Farmers and Graziers Association is that they ought to get off their backsides. It is an argument that incidentally they are getting 5c more for their skins under this system, but Senator O'Brien's point was that it would be till they put you fellas out of business. Then they will use market power to screw the growers. The growers ought to get off their backsides.

Senator BARNETT—Congratulations on your submission. This has to be one of the most professional and comprehensively prepared submissions that we have seen in some time, and it is most useful to the committee. I also declare an interest via my late father, who pioneered the export of live sheep out of Tasmania. With that background said, I note you have provided to this committee pretty telling evidence about the unfair tender process. You have also made a number of other allegations, and I would like to draw those out and ask some questions about them. You have referred to section 46—misuse of market power—of the Trade Practices Act and you have said that you have been locked out of the Longford abattoir. You have also said that there is evidence that farmers are getting less for their skins, and I would like you to back that up. You have also said that Swift going direct to the farmers may force agents like Roberts and Elders out. We would like to see a little bit more evidence of that if you can back those claims up.

Mr Dickinson—We had a meeting with the TFGA. The first meeting they refused to come to. We had a second meeting with TFGA on the 16th of last month and Swift attended. Swift said at that meeting that it is their aim—and they have been doing it—to buy 88 per cent of their requirement direct with no agent involved and no skin buying involved. That is their aim. Here in Tasmania I would say 80 per cent of your product is generally handled through an agent. The agent handles the product and contacts an abattoir, whether it be this abattoir, that abattoir or a mainland buyer. Quite a bit goes out of the state to the mainland. The agent handles that. Swift's aim, as I see it, is to get us out of the market as the person in between who is giving the prices on the lamb. The next move is to get the agent out and buy direct.

Senator BARNETT—You have had your meeting with the TFGA. I notice you have a reference to that meeting in your documents. You see that as evidence to back that up.

Mr Dickinson—Yes.

Senator BARNETT—Why is being locked out of the Longford abattoir so significant? I also want to deal with the issue of the farmers getting less money for their skins.

Mr Dickinson—The lock-out resulted because we refused to give Swift our price. Until we got a fair, open and honest tender system, we said—and we ran press releases to say—we would give the prices to the agent or the farmer, but we refused to give them to the processor because of the dishonest nature of the tender system. When we did that, Swift locked us out. When our employees went to the gate at half past six in the morning to tender for the skins, everyone was allowed in but us. We refused to give them the tender system for the very reason that the tender system was not honest. So we started to give it to the farmers. At that stage the agent became a lot more interested. For a week after that we bought 80 per cent of the skins, didn't we?

Mr Jones—For the week we put the tenders in, yes—80 per cent. Then on the Monday we bought 90 per cent. That is when they stopped us.

Senator BARNETT—So after that they stopped you.

Mr Jones—Unless we gave the tender prices to them.

Mr Dickinson—At that meeting on the 16th, Swift said, 'You can come back in—we'll let you through the gate—but you give us the tender prices.' We said, 'We can't give you the tender prices because the skins don't belong to you.'

Senator BARNETT—Is part of your evidence that the farmers are getting less?

Mr Dickinson—That is part, but we have documented evidence—

Senator BARNETT—Is that part of the submission?

Mr Townsend—We have a document to follow up on Senator O'Brien's query regarding the skin price for Devonport and Longford, but it is not part of our submission.

Senator BARNETT—Are you happy to table that?

Mr Townsend—Yes.

Senator BARNETT—You have been reported in the media in the last 48 hours saying there are 20 jobs at risk. Where are they and, if we cannot find a solution, what are the consequences?

Mr Dickinson—We are a fairly conservative company. I do not have any borrowed money and I have money in the bank. We are living on our own resources, our own savings. We have not put anyone off. I am hoping that Swift will come to their senses or that we can get sufficient support for them to open the gate and let us in. They have nothing to lose in letting us compete.

They are not frightened of us, surely. We are the smallest sheepskin base in Australia and I reckon they are the biggest meat company in the world. What have they got to lose? We are employing all our men and getting about half our skins at the moment.

Senator BARNETT—How many have you got employed?

Mr Dickinson—About 20 direct and indirect.

Senator BARNETT—Where are they?

Mr Dickinson—Launceston, Devonport and Hobart.

Senator BARNETT—What is the break-up?

Mr Jones—Five in Devonport, about 15 Launceston and three or four in Hobart.

Senator BARNETT—And the consequences?

Mr Dickinson—If we close it, the consequences for the farming community are pretty dire. You will have virtually no-one quoting on the skins except Swift. There are all the little abattoirs at Cygnet, where we provide salt and some machinery. We also supply salt and equipment to Flinders Island.

Senator BARNETT—And they employ eight or nine.

Mr Dickinson—We buy their product, arrange for it to come to us and advance the salt payment.

CHAIR—If Swift managed to make you unviable that would have an impact on all the smaller operations. You would be out of the market and they would say, ‘We’ll have to send these to Swift to get rid of them.’

Mr Dickinson—They will put them on the tip, I reckon.

Senator BARNETT—How long have you got to sort it out?

Mr Dickinson—At the press conference yesterday I said that we have probably got two months.

Senator MILNE—A little while ago the Chair started talking about the consolidation of the market in Tasmania’s concentrated system, but it has been put to me that these kinds of practices have gone on for some time. I see in the Minter Ellison advice the comment:

... a misuse of market power manifests in conduct in the supply (or refusal to supply...) of particular goods or services.

Can you tell me whether Cuthbertson used to take skins from Cooe Abattoir?

Mr Jones—Yes.

Senator MILNE—Can you tell me why you stopped taking skins from Cooee in April last year?

Mr Jones—Those skins were preserved down there, salted in their works, and we received them on a weekly basis. Then for approximately two months we saw that the hair was coming out of them continuously so they were not treated properly. We rang and told them time and time again and they just said that the skins were all right and that it was our problem. So we just refused to take them because they were damaged.

CHAIR—They had gone off, had they?

Mr Jones—They had gone right off. They were salting them down the next day.

CHAIR—I understand what happens when they go off.

Senator MILNE—Did you provide anything in writing to them saying that their skins were not of a quality that you would wish to buy? Is there any paper trail of that?

Mr Jones—No, I do not have any paper trail of it. It was done through our Devonport store.

Senator MILNE—What would you say if I put to you that Cooee Abattoir had given one lot of skins to Aberfoyle and that they took a phone call from Chris Jones saying, ‘Don’t shoot the messenger, but we are not taking your skins anymore.’? Is that true?

Mr Jones—Yes. That was when we were repeatedly ringing them up and telling them that the skins were damaged and were of no value.

Senator MILNE—So there is no paper trail of any of that criticism of the standard of the skins but the week after they gave one lot of skins to Aberfoyle they were told that you would not take their skins anymore. That is a coincidence, is it?

Mr Jones—No, they were told several times over the weeks that if they did not improve the curing of the skins we could not accept them.

Senator MILNE—I find it extraordinary that when an abattoir has been supplying for a long time that there is then an occasion when they supply to somebody else and without any paper trail they get a call to say—

Mr Jones—No, it was nothing like that. I did not even know they were supplying anyone else. There was a change of management. I was dealing with Mr Gee and we had no problems whatsoever. Then he left and went to the mainland, from what I can gather, and his sister took over and our Devonport manager told her and he was abused by her. We rang them again and told them several times that if they did not improve we could not accept the goods.

CHAIR—For clarification, how many lambs do they process a day at this place?

Mr Jones—Approximately two days a week they kill about 200 lambs—

CHAIR—So it would not be a viable proposition as it is—and I come from Junee and Junee Gold is bloody good lamb! So you pick the skins up green—

Mr Jones—No, they used to bring them across—

CHAIR—It would be much better if they were green when they went to your setup.

Mr Jones—The cost was too great—

CHAIR—I understand that the viability is not there.

Senator MILNE—I may seek some further clarification on notice so I will come back to you on that. I would like to go on now to the particular circumstance. There has been a lot of talk in parliament and in the media about the ACCC. It is not clear to me where it is up to in the process with the ACCC. Has a formal complaint been made—if so, by whom? Has the Tasmanian government also complained to the ACCC or just the company? Can we just have a clarification, please, where it is up to with the ACCC so that we as a committee have some sense of that.

Mr Dickinson—We complained to the ACCC in writing on 16 January I think. John and I went to see them and presented the letter to them. They have asked for a lot of correspondence, which we have supplied. We had a visit about 10 days ago. I got the impression from the ACCC that they were investigating it. They were interviewing people who we had mentioned in the correspondence but they had not contacted Swift directly. That is they had made one phone call to one of the Swift employers and were asked to put it in writing. As I understand, the ACCC have not put anything in writing to Swift and that was up to about 10 days ago.

Senator MILNE—Okay. What about the Tasmanian government? Are you aware whether they have made any representation to the ACCC in view of the importance of this issue to jobs and diversity in the Tasmanian economy?

Senator BARNETT—Or indeed directly to Swift, through you, Chair.

Mr Barker—The Tasmanian government have been monitoring the position. They have been briefed regularly on the developments of this. In fact, we are seeing the minister again we expect next week. We arranged that meeting today. We received a call before I came in. They have simply been monitoring it. My understanding is they are clearly aware of how difficult Swift is to deal with. That is for them to answer. We hope that we can get some support from them. That is what we are asking for.

Senator MILNE—What sort of support?

Mr Barker—An indication of support and of their concern with what is going on so that it can supplement our submissions to the ACCC.

Senator BARNETT—But you have not received that yet?

Mr Barker—Not yet. They are sympathetic to our discussions.

CHAIR—Being an interloper, could you explain to me the size of the lamb kill? It does not have to be precise but how many lambs would you kill a year in total?

Senator BARNETT—Chair, just on the point that Senator Milne has asked about, has the state government made any representations to Swift to your knowledge?

Mr Townsend—As far as we can understand they are currently in discussions with Swift regarding the King Island issue.

Senator BARNETT—I am not asking about King Island, I am asking about your matter—Cuthbertson's concerns.

Mr Townsend—My understanding is that the government has been monitoring it and has had some discussions with the TFGA about organising some kind of process to facilitate an outcome. Recently, we have had a series of meetings, and they are documented here, with the TFGA, the second of which Swift attended and a proposal was put. I think the meeting we are talking about with the government now is for us to go back to them and say, 'We attended the TFGA thing, nothing came out of it, now's the time to come forward.'

Senator MILNE—To follow up on that in relation to the TFGA, there has been quite a lot of criticism in the media about the role that they have played in this from day one. There are a variety of proposals that have been put forward. Can you sum up for me the criticism of the TFGA from Cuthbertson's point of view?

Mr Townsend—We have a letter from the agents passing comment to the TFGA. Mr Dickinson is probably in a better situation to articulate it than I am.

Mr Dickinson—In the first meeting we had with the TFGA and the agents, the TFGA indicated that they were not interested in doing anything because the fee that they received ex the primary producer goes via Swift.

Senator MILNE—Could you say that again?

Mr Dickinson—The fee that the TFGA gets via the primary producer goes from Swift's.

CHAIR—What do you mean when you say 'the fee'?

Mr Dickinson—Generally there is a kill fee that is paid to the TFGA when you are killing cattle. If you are a member of the TFGA, you agree to pay so much a head, so many cents or so many dollars.

CHAIR—That is dodgy!

Senator MILNE—So what you are saying is that there is a direct conflict of interest from TFGA in coming to some sort of resolution which prioritises a fair outcome.

Mr Dickinson—That was pointed out to us on the 16th, yes, and we said no more about that.

Mr Barker—If I can answer that question: in section 8 of this presentation, there is a letter that was sent—initially unbeknownst to us—by the agents to the TFGA which expressed their concern about what went on.

Senator BARNETT—I have read that letter, but I have also read the TFGA's response to it, which is in section 7. I note that for fairness—to ensure that there is a balance in the argument.

Mr Barker—I was going to continue that we also tabled in this documentation the TFGA's response to the letter that the agent sent. As I said to you before, we did not know of this letter until the TFGA sent us a copy. The scenario was that we were in attendance at that meeting and we would concur with the agent's position.

CHAIR—What is the bloody fee for?

Mr Dickinson—I suppose the fee is a contribution that you make to the body that represents you.

Senator O'BRIEN—I think these are questions you could ask the TFGA instead of a third-party witness.

CHAIR—No worries.

Mr Dickinson—Since then, the TFGA held a further meeting, which Swift came to, and have endeavoured to broker a satisfactory arrangement. They have tried very hard with it.

Senator MILNE—We will take that as a response for now and pursue it with TFGA this afternoon. I would like to go big picture now and try to understand what you think Swift's ambition is in the Tasmanian market generally, not just with skins. I also see that the Australian Lamb Co. has been shut out of Longford. We have seen what has happened on King Island. I realise it is a personal view—it will be taken as such—and no-one can gaze into a crystal ball, but I am interested in what you think the strategy is. Where do you think Swifts want to end up in Tasmania?

Mr Dickinson—Swift are the biggest meat company in the world. Swift have the only export sheep and lamb works in the state. Swift have unlimited resources. Swift, by getting us out of the skin market as an independent person and getting themselves or their agent in, control the skin market. They will eventually push the livestock agents out. Their aim—and they have stated this—is to buy 88 per cent direct on the mainland; they do not want anyone else involved. They have pushed the Australian Lamb Co. out. They were killing between 40,000 and 70,000, and we used to quote on their skins. They were given about a fortnight's notice to get out. They have had to go to the mainland. They are taking them out of the market on the prime export lambs for Tasmania, of which there are roughly 800,000 processed a year.

Senator MILNE—And they have been able to do that because they own Longford. Was there any contract that required them to process for the Australian Lamb Co.? I do not understand why they were able to take that over without having to guarantee the service to that company.

Mr Dickinson—All I can say is that I have spoken to John Verrall, the owner of the Australian Lamb Co., about it. We have dealt with them over the years and quoted on their skins. We have been successful about 65 to 70 per cent on their skins—and theirs are very good skins—at all times. We have a letter here that says to me that they just got a fortnight's notice. I do not think a contract matters to Swift. I do not think it represents anything for Swift. Swift's management are very different. I feel that it is their endeavour to get control of the sheep and lamb market and, eventually, the cattle market in this state. There is only one export works and they are controlling what goes through. Here we are with Swift pushing out the Australian Lamb Co. today, yet two days this week they will not have one sheep or lamb to kill in their plant. Is that sensible?

Senator MILNE—If they succeed in that, get rid of the Australian Lamb Co., get Cuthbertson out of it, shut down the abattoir on King Island and take the stock elsewhere, where does that leave the Tasmanian brand? Where does that leave Savour Tasmania and our high-niche marketing, brand identification and so on? Is the Tasmanian government looking at this as an opportunity cost to agriculture in Tasmania?

Mr Dickinson—It is very similar to the King Island brand. Both are very good brands. John Verrall spent 15 years developing the Australian lamb market around the world as authentic Tasmanian. In the stroke of a pen, they pushed him out. He tells me that he now has to go back, pay the freight to the mainland and get another plant to process his stock. Worse than that, he has to go back to all the buyers of authentic Tasmanian meat and tell them, 'Sorry, it's now Tasmania lamb killed in Victoria, processed in Victoria and freighted out of Victoria,' when he said they were 100 per cent Tasmanian. That ruins the marketing that he has done for 15 years, and it gives very few other meat exporters any chance to use the Tasmanian brand.

Senator FISHER—If the scenario that Senator Milne painted and the consequences that you are talking about eventuate—I am a Senator for South Australia; like Tassie, we try to punch above our weight—would there be an economic impact on Tasmania, and what would it be?

Mr Dickinson—We have estimated that the loss in Longford alone in the lamb and sheepskin market will be \$10 million to the primary producer alone, without the meat. The Australian Lamb Co. are going to pay somewhere between \$10 and \$13 to process these lambs in Victoria. That comes off the farmer.

CHAIR—The farmers in Tasmania ought to be marching on parliament. This is ridiculous. This is classic market consolidation.

Senator FISHER—You have talked about farmers, other buyers in the market and livestock agents being affected. Do they know about your evidence today, and where are they?

Mr Dickinson—I have made representations to the agents. Two years ago we put the proposition to them: 'We have to have a fair and open tender. Let's get it all cleaned up.' Swift swing a very big baton, believe you me. I have a letter signed by a farmer saying that he had Swift come down to his property to inspect his cattle. This is a man selling 500 to 600 cattle and 2½ thousand lambs and sheep a year. The Swift buyer came down and priced the cattle—and this is typical of what has been going on—and the owner said, 'Your price is not as good as your competition at Greenham,' and the senior buyer for Swift turned round and said, 'I'm not

interested in your sheep and lambs, so you'd better sell them to Greenham too.' But Greenham does not handle sheep and lambs. Most farmers are frightened. We got to the stage where we were inspecting sheep on trucks outside the gate or on the property. Swift have been saying, 'We won't price your skins.' What happens then? You are out.

CHAIR—I have just received a letter signed by Mr George Mills and dated 31 March. It says:

Contract with Swift for 75 lambs @ \$4-00 dressed weight ...

...

Therefore I approached Cuthbertsons to inspect the lambs prior to their delivery and quote for the skins.

Lambs delivered on Wednesday March 18 to Swift. Agent was instructed by me to ask Swift to quote a price for the skins. Swift asked the agent that if a price had already been quoted for the skins; the agent replied "yes" and Swift refused to quote and said "that they would not tender for the skins, that they would only purchase the skins if no-one else had tendered for the skins."

That says it all. What concerns me is not only the skins but the service kills going out of Tassie. Tasmanian farmers ought to get down to parliament and protest.

Mr Dickinson—I agree with that.

Senator BARNETT—You have tabled a letter here early today which is addressed to Wayne, signed by Ian and on Richard's livestock letterhead—is that correct?

Mr Jones—Yes.

Senator BARNETT—The way I read this brings me to a similar of view to the chair's in that it is a rev-up big time for Tasmanian meat producers and Tasmanian farmers. It is a wake-up call. The evidence here says:

Assessed Elson Pastoral Lambs Monday 12th January

Weighed every lamb. Put into weight classes.

And then for the heavier lambs, Swift paid \$3.60 per skin according to this document and for the smaller lambs Woolworths paid \$6.50 per skin—nearly double. Ian at the bottom says:

The obvious ridiculous Price for Larger skins at Longford remains unanswered, how can an agent explain this to a client

This is another cold, hard fact that you are tabling before our committee of severe concerns, problems, perhaps misuse of market power, vis-a-vis farmers, your business and the agents, and that is the reason for their concern. So you see this as all part of the same pattern of behaviour?

CHAIR—Can I just clarify that? There has obviously been a copy. I assume that they were either unshorn or shorn on the same day—they were the same sorts of skins.

Mr Jones—They were exactly the same types of lambs. We paid \$6.50. The others went into Longford and we knew that we would not get those.

Senator BARNETT—So you see it as a wake-up call.

Senator O'BRIEN—Woolworths do not buy skins, do they? It is Cuthbertson who bought the \$6.50 skins and it is Swift who paid \$3.60—

CHAIR—For the same skins, yes.

Senator O'BRIEN—from the same flock but of larger lambs.

Senator BARNETT—They are just highlighting their predicament; they cannot explain it; it is inexplicable.

CHAIR—Thank you very much for your evidence today. The farmers and graziers down here ought to get off their backsides. By the way, to put that into the context of the food inquiry, obviously when it comes to the future food supply if you monopolise the market and put people out of business you reduce the capacity of farmers to produce food. That is how I see it.

Mr Barker—Absolutely. Thanks very much to the committee. We appreciate the time you have given us.

[10.58 am]

McNEIL, Professor David Leslie, Director, Tasmanian Institute of Agricultural Research

CHAIR—Good morning, Professor. I welcome the Institute of Agricultural Research. If you would like to make an opening statement, we would be delighted.

Prof. McNeil—I have been the Director of the Tasmanian Institute of Agricultural Research for just under 2½ years now, following on from a career of about 34 years in universities and state departments of agriculture in Australia, the United States and New Zealand.

I have given everyone a document. The issues I am raising are probably less controversial than what you have just been listening to. I am here to give you some sort of understanding of where agricultural research organisations within Tasmania specifically are going and a bit of a philosophy about how they might be dealing with the future. This sort of joint venture between the state and the university has been copied now through a number of other states within Australia as well as in New Zealand—for instance, AgResearch has combined with the Lincoln University on the south island of New Zealand.

There is detailed information in here, but I want to bring a few of the main issues to your attention. We are increasingly involved in theme research across different industries. Increasingly we are looking at the total value chain as an issue within agricultural development. While for the last 200 years the wheat industry has been increasing productivity at a rate of about two per cent per year—half through breeding and half through other factors—and the most recent ABARE report indicated that total factor productivity in on-farm industries is increasing at about five per cent a year, which is equivalent to the communications industry, we believe that there is considerable development still possible, particularly through some of the new sciences like GMOs.

If we look at the industry in total, there are other areas that need work. For instance, I worked on *Plantago ovata*. The final product from that is fibre gel and Metamucil. Five per cent of the total value of that product actually went to the farm. Ninety-five per cent of the costs—

CHAIR—Can you put that in plain language? I have no idea what you are talking about.

Prof. McNeil—*Plantago ovata* is a medicinal herb that is grown in Australia. It is the product which goes into Metamucil and fibre gel. Have you struck those?

CHAIR—I have no idea what you are talking about.

Prof. McNeil—It is a specialist gel substance which keeps you regular.

CHAIR—It has the same effect as prunes?

Prof. McNeil—It has a very similar effect to prune juice, yes. The issue of concern is that when we analysed the value chain 95 per cent of the product value was post farm gate. Increasingly, when we look at agricultural products there is this large post farm gate component. Whilst with our more traditional research we can continue to increase on-farm productivity, that

is a smaller part of the cost to the consumer. We are looking at cross themes as well as traditional agricultural research. We are looking at those value chains to try to develop systems so that the chain functions as a single unit and we can get greater returns to all involved in those chains. We want more efficient chains.

We are also very concerned with the social factors associated with improving the Tasmanian agricultural economy. For instance, the Premier has indicated a desire to have Tasmania as a food bowl for Australia by increasing value through irrigation. We are concerned that there are multiple levels of productivity that people can operate at. For instance, 50 per cent of the water in the Cole River valley still goes to irrigate grass rather than higher value returns. That is an eminently reasonable proposition for the people involved, but it does not get the maximum value for Tasmania. We are increasingly looking at the social impediments for growers to shift into higher value products, which increases the value.

We are also concerned with getting value through that value chain which, to a large extent, means provenance and quality and the safety associated with them. We find in the concentrated value chains it can be quite difficult to maintain that provenance through the system. A consumer can pay more for a product and still believe they are getting better value for it. In so doing you have actually improved the price of food and we see this through the Tasmanian cool wines, organic produce, King Island brands and so on. We are increasingly concerned about maintaining that provenance through the system particularly in situations where you have concentrated marketing organisations for whom the maintenance of provenance is not a high priority, in fact it makes their business more difficult.

CHAIR—We might go to questions unless there is something you are busting to tell us.

Prof. McNeil—The only other issue of concern arises particularly from our concern with respect to training nationally in agriculture. We are interesting in that we are both a state department and a university and we see the issue from both sides. Whereas the state departments only tend to see problems on farm and the universities see lack of students, we see problems on farms and lack of students together.

CHAIR—You are speaking the language of evidence that we received from the University of Western Sydney in Sydney. The whole cycle of research right back to the high school has become less sexy.

Senator MILNE—I am interested in the conflict there is between claims about wanting to go to high-value niche markets, organic provenance labelling and asking the consumer to pay higher price because the product has authenticity and integrity. At the same time, the Premier is saying we want to be the food bowl of Australia and we want to go to mass irrigation when we have seen the salinity problems that come from shifting water around river systems and so on. If you are going to undervalue sustainability, you cannot run this—ultimately, you will be found out. One of my concerns first up is the fact that we are talking about this clean, green Tasmania, which I have been promoting for a couple of decades, but we have companies like Simplot, for example, marketing Chinese frozen vegetables as a product of Australia. Just because they package it here and put cauliflower stalks in it, suddenly it becomes Tasmanian vegetables. What is the institute doing with the government to actually get stuck into this issue? The labelling issue is one but there has also got to be some regulation here that gives farmers some certainty. If

they actually produce a cauliflower crop in a sustainable way so that they can command a high price as a frozen vegetable for the consumers who are willing to pay for it, how is it that this is being allowed?

Prof. McNeil—I think you are probably getting out of the area that we as a research development extension institute can have direct effect on. I absolutely agree with everything you have just said. For instance, within the sustainability area, we are working with the state government, the CSIRO and the university to look far more closely at and attempting to develop projects which look at the sustainability of irrigation projects and we are trying to get our advice on that sustainability more incorporated into government policy directly. We have been involved to a large degree in looking at ensuring that there are social and environmental sustainability projects associated with the development of the water in Tasmania as well as productivity projects. For instance, I have in the past done analytical work on material to confirm actual origin. We have done some work on hazelnut oil in the past analysing that to ensure that it was hazelnut oil and not some mix of other cheaper oils. So we would supply a resource to do that.

We would not be in a position to define the state government role in specification—what is acceptable and what is not—but we are certainly heavily involved in trying to develop chains which maintain the integrity of the food products. We are looking at frozen vegetable value chains. For instance, we have done a project ensuring that the frozen vegetable through the system is in fact what it purports to be, that there are clear mechanisms and clear tracking in place so that if a frozen vegetable comes out from Simplot which is labelled as ‘Tasmanian frozen peas’ it is in fact Tasmanian frozen peas.

Senator MILNE—How do I do that now? If I go and buy a packet of mixed frozen vegetables from Simplot, how can I check that I haven’t got four vegetables from China and one from Sassafras?

Prof. McNeil—At the present moment you will have to rely on the food labelling laws. We are stating that they are not strong enough, that we believe they should be considerably stronger, and particularly through the Vegetable Industry Marketing Committee we have projects looking at that. As a research organisation we are trying to develop provenance as a major article of faith and we are working on that. For instance, we are strongly involved right now through the minister’s organic agriculture advisory group in advising on the rules relating to labelling of organic produce, nationally and through export systems, to ensure that Australian organic produce is accurately, fully and clearly labelled.

Senator MILNE—We have had an organic advisory group for 20 years and, frankly, the government steps in but has done precious little in that 20 years to get any kind of transition in Tasmania. There are people who could have, like Tony Shearer, who came from California, from broadacre organic vegetable growing, and virtually got shown the door in Tasmania. So I am really tired of hearing about advisory committees on organic agriculture because that never gets anywhere.

I want to get to the issue of sustainability versus niche marketing, high quality and so on, and these water projects. You say you are trying to do more about that, but we have got a government with proposals on the table right now that, if they go ahead, it will lead to salinity. We have got salinity mapping showing high-risk areas of salinity and yet we get everyone talking up building

dams to irrigate dairy from one end of Waterhouse to the other. What is your role as an institute? Do you just advise the government that this might not be a good idea and they take no notice? What is the relationship here?

Prof. McNeil—We are a research, development, extension and education institute. It is not our role to advise government on policy. It is our role to advise government on the consequences of policy. For instance, we have already specified that we have serious concerns about natural resource management associated with the use of water, particularly within the Midlands area of Tasmania. We have proposed a number of projects to the state government with respect to better understanding the natural resource management consequences of that irrigation within that area. We are not in a position to determine whether or not government will actually fund those projects, and without funding for those projects we have no mechanism to carry them through.

Senator MILNE—Are you able to make those documents public? Are you able to come out and publicly criticise when the government takes no notice of the professional advice you give in relation to matters of sustainability, biodiversity, salinity et cetera? Or do you have a relationship such that you can privately advise them but say nothing when they ignore your advice?

Prof. McNeil—We are in a position as a university where we can criticise government or provide information contrary to government policy. We are not bound to respond in accordance with government policy. We are in a position to make project applications to state government. We would not be in a position, simply because the state government funded this project and not that project, to criticise the government's expenditure priorities, because they are the ones setting the priorities. We can say, 'We think this work needs to be done.' We can say, 'This work should be funded.' If inadequate environmental work is done we can and do say, 'This can lead to issues.' I do not know that we would be in a position to directly be critical of any government policy as part of our core business. We would be critical of consequences of government policy but not critical of government policy.

CHAIR—Can you be critical of the fact that they are funding the wrong research?

Senator MILNE—And that they are funding the wrong projects?

CHAIR—Or do you just have to cop that, in fear of losing funding for something else?

Prof. McNeil—To some degree we will state what research we would like to do. We will state what sort of things we would want to do. We can say, 'We thought this would've been good research to do.' But for state government, industry or federal government projects we would not be in a position to say, 'You should've funded this.' We will say: 'This should've been funded. This is a good idea.' But we are not making government policy on what they should or should not fund.

Senator MILNE—The point I am trying to make is that you make those reports on salinity and have concerns about bringing that water to the midlands. Is that a public document?

Prof. McNeil—Virtually all of the research reports that we produce are public documents. But a document where we present a proposal to someone would be confidential.

Senator MILNE—The community needs to be able to access those reports to make judgments. You cannot have poor natural resource management and claim to be sustainable.

Prof. McNeil—I agree with that.

CHAIR—I declare an interest: I have an irrigation licence. This committee has a very strong culture of cutting through all the bullshit. Senator Milne makes a very good point, but what is the risk to salinity in wherever this irrigation is proposed? Surely, with good science, irrigation does not have to impact on the water table.

Prof. McNeil—If what the irrigation is going to be used for, where it is going to be used and how it is going to be used are well understood, there is very little risk in good irrigation practice.

CHAIR—Is the research that is required research to identify how you would manage the water, rather than just a blank statement of ‘we’re going to irrigate that valley’?

Prof. McNeil—Yes. If you look at the total amount of water, it is not going to irrigate 100 per cent of any valley.

CHAIR—What amount of water are we talking about?

Senator O’BRIEN—It is water from the hydro scheme.

Prof. McNeil—One of the biggest concerns with irrigation is where the water is too cheap, because not enough thought goes into how to use it.

CHAIR—You need to create a market, most definitely.

Prof. McNeil—It requires a good market mechanism. One of the other concerns that I have with water is that you need to make sure that it goes into the most productive uses from that water.

CHAIR—Are they compliant down here with the National Water Initiative, where there is a tradeable market in water, or are you a bit off the pace there?

Prof. McNeil—We are starting to get rules into regulatory parts, which is not our role.

CHAIR—Is the water licence tied to the land or a separated title?

Prof. McNeil—Most of the water licences here are tied to the land. I reiterate that I am not involved in that end of the process.

CHAIR—It is not necessarily a threat to any environment if you go with the right science on irrigation. Carnarvon uses 8½ gegalitres of water, which would produce \$3 million worth of cotton, to produce \$60 million worth of all sorts of vegies, and that works out at \$7 million a gig. The Ord is 40 times as inefficient as Carnarvon because it has a very sloppy, untidy system where the water is tied to the land and there is no tradeability, so, as you say, there is no incentive.

Prof. McNeil—A lot of the old water licences were tied to the land. My understanding is that, for instance, all of the Meander Dam water is tradeable water licences. I may have misled you. The new water is not going to be tied to the land.

CHAIR—Did you say that in whatever valley—and I am an interloper here—there is a threat to the salinity situation with the proposition of new irrigation? Is that what you said?

Prof. McNeil—Yes. There is always that threat.

CHAIR—Is that based on if there is no pricing in the water and it is a lazy scheme like the Ord? The Ord is a dead set lazy irrigation system. They even put their tail water back in the system up there. We would put you in jail in New South Wales if you did that. We need to get that up to speed down here.

Prof. McNeil—Yes. Irrigation per se does not necessarily threaten anything.

CHAIR—That is exactly what I wanted you to say.

Prof. McNeil—Irrigation badly done does. We are involved in trying to put together projects to make sure that within individual schemes and locations that that water is used on the highest return product and that it is using the least possible—

CHAIR—So it is a matter of getting on the pace. The last time I visited Tassie it was a seagull. I was amazed to discover that Forestry Tasmania had never employed up until that point a hydrologist. I could not believe it.

Senator BARNETT—With regard to this view that Tasmania can become the food bowl for Australia, what is your response to that objective?

Prof. McNeil—Tasmania has a number of significant advantages in producing high-value food in that it traditionally has a very reliable climate. The new model research indicates that that climate through the climate change scenarios looks to be fairly benign into the future compared to some other areas. We also have in Tasmania an enormous variety of potential locations to grow things, whereas, for instance, in western Victoria you have an awful lot of flat land that is capable of growing only one thing. Tasmania has north-facing valleys, south-facing valleys and all sorts of different systems capable of producing a range. There is an imperative in Tasmania associated with generally smaller size, higher quality soils and better environments that requires getting higher returns as opposed to large-scale more commodity based industries.

Senator BARNETT—Are you saying yes? I am trying to get an answer. Is that a good objective to have?

Prof. McNeil—Yes.

Senator BARNETT—Do you think it is a realistic objective?

Prof. McNeil—It is realistic to expect that Tasmania should be able to produce more high-quality food and get provenance type values out of it than many other locations.

Senator BARNETT—Do you think that good quality, appropriately priced irrigation is part of that solution?

Prof. McNeil—I believe so, yes.

CHAIR—What I have just given you is the latest CSIRO snapshot of predicted future rainfall.

Prof. McNeil—We have a major project at the University of Tasmania with CSIRO looking at downscaling the climate predictions to a 15 kilometre grid.

CHAIR—Can you provide that to this committee?

Prof. McNeil—I can do so, yes.

CHAIR—I will have to take that one back off you because it is part of a presentation that I do.

Prof. McNeil—Basically, it looks as though the climate change in Tasmania may be more benign than in a lot of other regions.

CHAIR—We will all be down here to visit you. We will have to either come here or go north. As you can see the Mediterranean and the southern part of Africa is going to get it in the neck as is south-west Western Australia. We are very grateful for your evidence, Professor. I entirely agree that R&D for agriculture has become almost like the classified ads in the Fairfax press, which are seen as a mature industry where there is no future, but there is a hell of a future if we are going to feed the world.

Senator BARNETT—I have a final question. Have you done an assessment of the irrigation projects for Tasmania and prioritised those in terms of which you deem to be the most appropriate and sustainable?

Prof. McNeil—The short answer to that is no. We are in discussions with the Department of Primary Industries and Water and CSIRO putting up proposals around evaluating the different projects that are coming up, but we have not carried that out as yet.

Senator BARNETT—On what basis would you be doing that evaluation? Is it a commercial basis?

Prof. McNeil—As I said, we have a social natural resource management value chain across themes as well as production capability. Our expectation is that all of those elements would be incorporated into those evaluations.

Senator BARNETT—Who would instruct you to do that?

Prof. McNeil—It would most likely be a state government funded initiative and it would be an additional project funded by the state government.

Senator BARNETT—When will that start?

Prof. McNeil—I cannot speak for the state government on that, but we would like to start as soon as possible.

Senator BARNETT—Have you had preliminary discussions?

Prof. McNeil—We have had preliminary discussions. We have further meetings programmed into the future.

Senator BARNETT—Why hasn't this been underway years or months ago?

Prof. McNeil—For specific projects it has. For instance, with the Coal River Valley there are a number of projects that have looked at the productivity of water out of that.

Senator BARNETT—Have you done that?

Prof. McNeil—We were involved in that. It was done through the University of Tasmania through the Jonathan West innovation group at the University of Tasmania.

Senator BARNETT—Is that a public document?

Prof. McNeil—My understanding is that it will be when the final publication is made.

Senator BARNETT—When is that?

Prof. McNeil—It is their document, but my understanding is that it will be in the next month or so.

Senator BARNETT—Are you surprised it has taken so long in light of the crisis that we have faced over the summer period?

Prof. McNeil—I am a little bit surprised that we have not been more deeply involved in some of this. But, as I said, we have been involved in projects in the past.

Senator BARNETT—Likewise the Meander Dam irrigation projects and the pipelines off that?

Prof. McNeil—We at present also have a proposal in for better evaluation of the water use through the Meander Dam project. I guess, yes, I am a little surprised that did not happen a few years back.

Senator BARNETT—So that still has not happened?

Prof. McNeil—It is in progress now. There are a couple of projects looking at the evaluation of that. One of the big concerns with this is that we do not actually have any control over how the water is used, so until some uses are decided on, it is a little unclear what we would be evaluating. We have done major water evaluation projects up around the Montague catchment area. We have done other major water evaluation projects elsewhere in Tasmania.

Senator BARNETT—Are they on the public record?

Prof. McNeil—They are all on the public record or published.

Senator BARNETT—When will we hear about the Meander Valley evaluation project? Have you started it and when will you complete it?

Prof. McNeil—The contracts have not been sorted out on that. My expectation is that would take about a 12-month period.

Senator BARNETT—Have you commenced the project?

Prof. McNeil—We have not commenced that project, no.

Senator BARNETT—Have you been instructed to undertake the evaluation?

Prof. McNeil—We have not been instructed to undertake it. My understanding is that the state government now has tenders out for this project. We do not automatically receive any project from the government.

Senator BARNETT—So you will put in a tender too and hope to be successful.

Prof. McNeil—Yes.

Senator BARNETT—Why would they be doing it at this stage rather than years ago?

Prof. McNeil—You would have to ask them that.

Senator BARNETT—You are very surprised at the delay.

Prof. McNeil—I will leave out the word ‘very’ but I am surprised at some of these delays, yes.

Senator BARNETT—It would certainly be frustrating for the farmers and for the consumers, the users, for it to take so long. It is certainly surprising to me.

CHAIR—Thank you very much, Professor. We are grateful.

[11.30 am]

RICKETTS, Mr Andrew, Convenor, Environment Association Inc.

CHAIR—Mr Ricketts, if you would make an opening statement we will then ask you a few questions.

Mr Ricketts—I am the convenor of the Environment Association, which is based in Deloraine. We have today provided a preliminary submission about what is a very wide-ranging inquiry. I will talk a little bit about the Australian situation generally but perhaps make more comment about Tasmanian conditions.

Senator BARNETT—Mr Ricketts, through you, Chair, I and perhaps other senators do not appear to have your submission, so perhaps I could get that.

Mr Ricketts—Certainly. I have also brought with me a couple of maps. As you can probably imagine, we have a focus on sustainable development. That term means many different things to many different people. I would perhaps characterise it as no loss of ecological quantum from one generation to another. For agriculture, that is very difficult in a country like Australia. We have soils which distinctly lack phosphorous. We have very little phosphorous production and import all of that. There is an estimated 100-year resource of phosphorous in the world, certainly in economic terms. About 50 per cent of Australia is farmed and it is estimated that we feed 300 to 400 million people. They are amazing statistics.

It has been suggested that Tasmania has opportunity and a reliable climate, but much of Tasmania has a Mediterranean climate with a long, dry summer period, and growing things without supplementary water in Tasmania is very difficult unless you happen to be at Waratah. If you, on the other hand, happen to be in the Richmond valley, even if you are hooked up to the irrigation system, at the moment there is no water in Craigbourne Dam. You can devise such systems, but if it does not rain and if there is no water, you have got a serious problem.

I represent a community association. I also happen to be a small orchardist in the central north of the state. Historically, there is an average rainfall of 950 millimetres there. This last year was a good one but rainfall only reached about 750 millimetres. In the previous two years it reached about 600 millimetres.

CHAIR—Where is your orchard?

Mr Ricketts—At a place called Reedy Marsh. It is on class 5 agricultural land. That is what it is mapped as but it is perhaps a little better than that. It is hill country.

In our opinion, there are great opportunities for the diversification of agriculture in Tasmania. We are extremely concerned about the lack of a level playing field in Tasmania with regards to agriculture versus forestry and the taxation advantages of managed investment schemes in particular, as well as the competition between cashed-up corporations and farming families. It is

no competition at all. The cashed-up corporation which has the tax benefits is going to win every time. In our area we have seen quite a large number of farms go to agriculture.

On the other hand, we are extremely concerned about the fact that Tasmania does not have an end to land clearance. It had an agreement to do so early on but the Regional Forest Agreement has not met that commitment. I am going to show you some maps to show the problem. The map I am showing is of Tasmania's land tenure. The yellow shows private land. There are some 2½ million hectares of private land in Tasmania. The next map I am showing is of the key fauna habitat for threatened species in Tasmania; it is a Regional Forest Agreement map. The point is that the soils across here are the richest, best cropping soils in Tasmania: classes 1, 2 and 3 soils. There is a little bit over near Scottsdale.

The whole area which I am showing you across the north of the state is the key fauna habitat. When you put that in conjunction with inadequate land clearance controls, an ending private land conservation program and an inept threatened species unit at the state level, you have got a bad recipe. Whilst you may not think that this is an issue relevant to food production, in Tasmania the farms are interspersed in a matrix with the remnant vegetation. So this is a sustainability issue for food production, and it can be addressed but it is not satisfactorily addressed at the moment.

CHAIR—We are going to have cut you off at some point.

Mr Ricketts—Yes. Those issues around threatened species, land clearance and the matrix of Tasmania are of particular concern.

CHAIR—Do you agree that you can farm and be an environmentalist?

Mr Ricketts—Oh, yes.

CHAIR—What do you actually farm? Do you grow hoochie? What do you grow?

Mr Ricketts—I grow apples, and I would like to say something about apples. I am totally imposed to importing—

CHAIR—Yes, it is in your submission.

Mr Ricketts—fire blight into Australia.

CHAIR—Yes. You are talking to the converted here.

Mr Ricketts—Well, I have to tell you it is one of the most stupid things. I do not know whether it is the Australian government or who it is.

CHAIR—Can I tell you whatever the strong language you use, it will not be as strong as the language I have used—unless you want to get right out there!

Mr Ricketts—It is stupid.

CHAIR—Yes; you do not have to explain that to me. Can I go to your submission, and thank you very much for your passion. You are opposed to genetically modified food—that is ‘end of statement’ or with the right research?

Mr Ricketts—A precautionary approach.

CHAIR—Thank you. Obviously, the global food task is going to double in the next 50 years if we grow the population to nine billion. According to the same science, 30 per cent of the productive land of Asia is going to go out of production and two-thirds of the world’s population is going to live in that area, and we could have 1.6 billion people on the planet displaced. That might turn out to be wrong, but you have got to have a plan. So, if we are losing productive land through climate change and other reasons, do we have an obligation to learn how to farm that part where you say the native flora and fauna are best situated in Tassie in a way that sustains all of that but also farms it—and are we doing that?

Mr Ricketts—The matrix can easily be dealt with. If I did not have an adequate fence around my orchard, I would have—

CHAIR—Kangaroos.

Mr Ricketts—no orchard. Historically, in farming terms, fencing is relatively new. High-quality fencing that separates the natural elements from your introduced crop is essential and has not been adequately explored. You increase your production—even if you happen to be growing grass and you exclude the wildlife, you do a much better job. I cannot understand why, especially if you resorted to buying a super-expensive centre pivot, you would have wallabies on it. To my way of thinking, one of the problems is that the sorts of environments on the private land are not on the public land, so where you have got remnant vegetation it is important to retain it. In addition, it provides windbreak services and things like that. If you go to New Zealand, where they chopped it all down, they are busy trying to recreate the windbreaks, at enormous cost.

CHAIR—I know; we are doing that on the mainland. Going to your submission, you do not support live sheep exports, intensive piggeries, feedlots, battery and other intensive egg production.

Mr Ricketts—You can grow pigs in the field.

CHAIR—Yes, but at what cost? Forty per cent of the world’s food is actually chucked out, it is wasted. The convenience of modern living causes good food to be chucked out. If you go to this club, this place right here, you can look at what is left over after breakfast. I had a look and all the trays were still full. I said, ‘What happens to that?’ They chuck it out.

Mr Ricketts—I think we are profligate.

CHAIR—In terms of the global food task, if we introduce carbon emissions trading to save the planet and include agriculture, 30-odd per cent of the cost of open farmed beef will be the tax; if we do it through intensive industries, like piggeries, we absolutely cut the emissions.

Bearing in mind that we have to feed the world, this is a rock and a hard place. So do we have them free range and have this huge tax?

Mr Ricketts—Do people eat so much animal protein?

CHAIR—We are receiving evidence on that. Lots of people do, and there are lots of people who say we should not eat any meat and we should do away with all animals.

Mr Ricketts—I believe we are omnivorous. I do not believe that meat should be banned, but the issue is balancing the environmental cost with other sources of protein which perhaps have a lesser environmental cost.

CHAIR—In terms of water use, there is about a 200 to one advantage in using water to grow veggies over livestock.

Mr Ricketts—Yes.

CHAIR—The same predictions say that in 50 years time there will be a billion people in the world unable to feed themselves. At the present time there are 800 million people who are short of food and there are a billion people who eat too much and are obese, which is interesting. But given that there are going to be a billion people unable to feed themselves and that 50 per cent of the world's population, which is 4½ billion, will be water poor, haven't we got to meet that challenge in a way that—

Mr Ricketts—It is a massive public interest issue.

CHAIR—What if we did something like the wild rivers legislation? Cape York Peninsula is the size of Victoria. In from the coast there are 4,000 people, about 14 pastoral companies, 800,000 feral pigs, 20,000 feral cattle and a whole lot of Aboriginal freehold land. Peter Beattie, for his own reasons—and the Australian Conservation Foundation agrees with me and not the government—locked up the first kilometre from all of those rivers for a political purpose. Do you think we can afford to do that? Do you think we should leave the north and just forget about it?

Mr Ricketts—I cannot answer that question without delving into the issue.

CHAIR—Could I acquaint you with the global—

Mr Ricketts—I think the—

CHAIR—Do you believe in science?

Mr Ricketts—Do I believe in science? Like everything, some science is good and some science is not. It is like all human endeavours.

CHAIR—All human endeavour has some failure. All science has some vagary, but you have got gingery skin, and if I told you that that little spot on your arm was a melanoma and I were a specialist doctor, you would either get a second opinion or do something about, wouldn't you?

Mr Ricketts—I would probably get a second opinion.

CHAIR—But you would do something about it. You would take some notice. Well, there is the science on—

Mr Ricketts—I would take some notice. There is no doubt that we have—

CHAIR—A serious problem.

Mr Ricketts—a serious problem. For a significant amount of Australia it is not that it is going to get drier—it is drier. It has already occurred and is likely to worsen.

CHAIR—We understand that. The big question that we want to know the answer to—and I am a farmer, and I want to know this year, because they are telling us that below a line south of Bega, Canberra and Bourke there is a 50 per cent of average rainfall this year and above the line there is a 70 per cent chance—is whether what is happening now—and it is obviously a lot drier because it is under the 40-year percentile for runoff—

Mr Ricketts—Yes.

CHAIR—in the southern Murray-Darling Basin—is the way it is going to be or whether it is just a dry run.

Mr Ricketts—I contacted a person about a personal matter who lives in a town in South Australia by the name of Goolwa.

CHAIR—Yes, that is in your submission.

Mr Ricketts—I will forward the photographs to the committee, because this person took a range of aerial photographs of the Murray River.

CHAIR—No, no. We have well and truly been through the Lower Lakes issue. This year—just so that you know and there is nothing to argue about—if we do not get winter rainfall, the Murray River is going to fail, the Goulburn River is going to fail and the Lachlan River is about to fail; it has 90 days of flow left in it. We are in a serious, serious position. This is with zero allocation for irrigation, by the way.

Mr Ricketts—For the farmers who are going to suffer the consequences of this, and for people who have their whole lives invested in their land, this is a nightmare. However, what I would like to say about this is that Tasmania is rushing headlong into what they call drought proofing Tasmania without necessarily deciding whether or not in the future it is going to be able to sustain that level of water deployment to irrigation.

CHAIR—We understand that you have got a bit of time.

Mr Ricketts—The lesson of the Murray is before us. I think it must be devastating. Just imagine owning a citrus orchard. You cannot not water citrus trees—they die. You might be able to make the grapes live but—

CHAIR—The reality is that Mother Nature is the referee. It does not matter what we—

Mr Ricketts—But we can see what is happening.

CHAIR—Given the science that is saying that that is going to get worse and be not so bad in the north, as that thing there will show you, shouldn't we be reconfiguring the way we settle rural and regional Australia?

Mr Ricketts—Yes, I advocate that. We are the most urbanised country in the world and Tasmania does not have rural decline.

CHAIR—Your concerns are legitimate—and I am sure Senator Milne will take this up in a second. Landcare did Australia's farmers a lot of good because we learnt to take notice of what was going on on the farm and not necessarily do what the grandfather did. We are pretty good conservationists and environmentalists. We do that because we want to survive. This is part of the institution of family farming. But if we use proper science—and we have gone to zero tillage, fertigation et cetera—irrigation does not have to be some big black devil—

Mr Ricketts—I irrigate the orchard.

CHAIR—Subsoil?

Mr Ricketts—It is irrigated with the appropriate irrigation for an orchard.

CHAIR—Subsurface?

Mr Ricketts—It is an adjustable dripper system. That is what is generally necessary. Occasionally this year certain plants obviously had a lack of water on the system and I had to additionally irrigate.

CHAIR—So how much do you pay for your water?

Mr Ricketts—I do not pay anything for the water.

CHAIR—Where do you get your water from?

Mr Ricketts—Out of Brady's Creek. The amount of water I use is below what would require a water licence.

CHAIR—How much do you take out?

Mr Ricketts—I do not have a meter on it, but I imagine it is in the vicinity of half a megalitre.

CHAIR—It is an unregulated stream.

Mr Ricketts—It is unregulated. You will notice in the submission that we are very critical of the lack of regulation of groundwater. Tasmania specialises in dragging the chain. The current proposal is that the existing groundwater extraction remains unregulated.

CHAIR—But have they done the science on the connectivity between groundwater and stream water?

Mr Ricketts—That is interesting. I do not think they have.

CHAIR—About 40 per cent of the groundwater for the Lower Murray-Darling is actually river water, which they did not figure when they issued the licences. So is your groundwater licensed?

Mr Ricketts—I do not take groundwater.

Senator MILNE—Tasmania wouldn't have a clue.

Mr Ricketts—There is no licensing of groundwater in Tasmania.

CHAIR—Bloody hell. I had better come down and spend a month or two to sort this out.

Mr Ricketts—You cannot have a groundwater licence, because they do not exist. The 1999 water act, which allows for tradeable water licences, does not deal adequately with groundwater. It is a fundamental un-sustainability of Tasmania—

CHAIR—It is as fundamental as ABC in writing a sentence. Are they just deadheads or do not know or not care?

Senator MILNE—All of the above.

CHAIR—I am referring to the decision makers—your politicians, policy makers and bureaucrats. Are they deadheads or do they not care or not know?

Mr Ricketts—Traditionally water in Tasmania was the province of the Hydro-Electric Commission. It was regarded as power, not water for life. Tasmania continues to have that legacy. Even though we have a relatively new act governing water—that is, the 1999 act—it remains inadequate. Seventy per cent of the light in this room comes from Yallourn.

CHAIR—It is terrible. It does not even light the room, unfortunately.

Senator O'BRIEN—Because it is coming from a long way away.

Mr Ricketts—There is not enough water to run the hydro schemes.

CHAIR—Can I give you a bit of comfort? The Ord has an abysmal plan—great concept; lazy plan—and most of the water in the Argyle dam is allocated to their hydro, the same as you have down here. They do not have a value on their water either, so they need a rocket up them as well.

Mr Ricketts—When I went to Echuca some seven or eight years ago the water was still running around in dirt canals. I cannot understand, if it is really precious, why the water is running around in canals.

CHAIR—There are critics of the Snowy and there are reasons to be critical, but it was a great bedrock on which to build a food supply even though it was done without the science we have now. It is fair to say that, in the times when there was not the extraction out of the lower Murray-Darling system—the Goulburn, the Murray et cetera—the river would actually dry up and stop running, the fish would stay in the pools remaining in parts of the river and the Lower Lakes would fill up with seawater. Then there would be a huge 1956 or 1952 type event and it would clean the whole system out, including the Lower Lakes, and you would be back in business.

Mr Ricketts—When did it last do that?

CHAIR—I do a 40-minute PowerPoint presentation on what has happened to the weather. The event we are in now is 50 per cent under the 50-year average and it has been going on for some years. If the science is right and we spend all the money in the Murray-Darling that we are going to spend—the \$10 billion, which is supposed to go all around Australia—there will still be zero allocation for general purpose water. You have to have tradeable water so that the person who can grow the crop with the smartest technology gets to use the water, although he might have to pay a fair bit of money for that water.

Mr Ricketts—Are you going to pay the citrus farmers, for example, to pull out their trees if they only have an allocation of half the water they need?

CHAIR—That is a question this committee is considering. I live on a farm and they are saying that my farm is going to go from 21- to 18-inch rainfall. We have to adapt to that. Senator O'Brien has asked: what is the value of land, and if it becomes overcapitalised how do you get a return on your money? You can give exit grants but you cannot control mother nature. If it does not rain it does not matter what happens—you are going to have to change what you are doing. That is why I say we have to reconfigure the way we have settled the joint.

Mr Ricketts—Whilst certain states have land-clearing controls, Australia needs no more deforestation. It is an essential part of keeping the country healthy.

CHAIR—I hear what you are saying, but there are 2½ million hectares in the lower gulf which used to be a grassy black-soil plain which is now spiny echinacea. Don't you think we should do something with that?

Mr Ricketts—I do not know about that.

Senator MILNE—Have you done any work on whether the water projects being put up by the Bartlett government comply with the requirements of the National Water Initiative, given that the National Water Initiative requires baselines to be done?

Mr Ricketts—We have not done any work on that and have not seen any baseline data. The amount of information about many Tasmanian rivers appears inadequate to us. Many of Tasmanian rivers are not very long and have very low summer flows. Maintaining summer flow

in Tasmanian rivers is a problem because it does not rain in summer. Many of them drop to a trickle. The Rubicon is an interesting example. It was regarded as very degraded and now a dam has been put in the upper reaches of it. How, when the stream is already regarded as very degraded, is a dam justified in the upper reaches? It is not a huge dam but it will dry that river up.

Senator MILNE—That comes to the next thing about enforcement and planning in terms of water. I thought we had a policy of no in-stream dams anymore. I thought we were meant to be having off-stream storage in Tasmania.

Mr Ricketts—They want to build more in-stream dams and most of those dams would see the removal of vegetation that is 100 per cent required for conservation—that is, vegetation that is generally between 90 per cent and 97 per cent depleted. Those dam sites almost always carry *Eucalyptus ovata* forests.

Senator MILNE—That was the case with the Meander Dam, wasn't it?

Mr Ricketts—Yes, there was about 40 hectares of ovata forest at Meander.

Senator MILNE—What were they required to do about that?

Mr Ricketts—I believe they were required to reserve some forest somewhere else. That is my understanding.

Senator MILNE—Has that happened?

Mr Ricketts—I am not aware whether it has or not. When you have only got five per cent left, how do you solve that problem?

Senator MILNE—Exactly. Just to come back to the enforcement of water in Tasmania, in the absence of water meters—

Mr Ricketts—There was meant to be water meters. Whilst they might be on the verge of starting with them, to the best of my knowledge they still basically have not been introduced.

Senator MILNE—So we have got virtually no regulation, very little enforcement, no baselines on groundwater and a proposal to drought-proof Tasmania. What would you say the priority on sustainability is in Tasmania? You can speak very frankly.

Mr Ricketts—I think the intensification of irrigation is a problem. That is unregulated. Whenever an industry wants to intensify that should require some planning oversight. I am not suggesting an overly complicated mechanism, but you need to ask yourself: 'If we do this now, is it going to be okay in 10 years, 20 years and 40 years time? Is it going to be durable? Is our decision going to be long term?' That is what sustainability is about. It is not about saying no to everything; it is about making it last a long time. If it is not going to last a long time then why are you doing it?

By the way, the thing I think is most important is land clearance coupled with threatened species because for Tasmania the matrix is so complicated. That issue is a key indicator of sustainability, and it can be achieved. Incidentally, the Commonwealth program that gives money to farmers for preserving their remnant vegetation—currently called the Forest Conservation Fund—is due to finish in June. They will not have met the targets. We are supporters of that program. We think it is important to give money to the farmers in the public interest so that farmers do not shoulder the whole responsibility.

CHAIR—I am going to have to cut you off. Senator O'Brien, do you have a question?

Senator O'BRIEN—Obviously you have a small-scale orchard operation. How many hectares?

Mr Ricketts—About one.

Senator O'BRIEN—Are you producing for local or domestic markets?

Mr Ricketts—Local.

Senator O'BRIEN—You would have to concede that there is a fair bit of irrigated agriculture in the Midlands at the moment. You fly over it as you come into Launceston—and, unfortunately, I have to do that regularly—and you can see the centre pivot circle. So there is plenty of it there at the moment, isn't there?

Mr Ricketts—Yes, and in our area.

Senator O'BRIEN—Reedy Marsh?

Mr Ricketts—Deloraine.

Senator O'BRIEN—And all across northern Tasmania there is plenty of irrigated agriculture for dairy, vegetables, pyrethrum, other silage crops, fodder.

Mr Ricketts—Yes, a massive expansion of irrigation in the last 10 years.

CHAIR—Final question: Senator Barnett.

Senator BARNETT—You did not support the Meander Dam development then, Mr Ricketts?

Mr Ricketts—That is correct.

Senator BARNETT—All right. So you are aware—

Mr Ricketts—We advocated—

Senator BARNETT—No, that is fine; let me just ask—

Mr Ricketts—We advocated farm storage.

Senator BARNETT—Mr Ricketts, please. The Tasmanian Conservation Trust pursued litigation and delayed that development, which increased the cost of the development by in excess of \$12 million. Are you aware of that?

Mr Ricketts—No. I am aware that the Tasmanian Conservation Trust opposed the development. I am not aware of the increased cost.

CHAIR—We are going to shut, but can I ask you about on-farm dams—turkey-nest storage. Do you have an interception regime for that? You can absolutely bugger the stream with on-farm storage. What extraction regime? Or is this just a fantasy?

Mr Ricketts—No. I think there needs to be an approvals process.

CHAIR—Can I tell you there is every bit as much environmental risk with on-farm storage as there is with a main headworks storage. There is every bit as much environmental risk, and we have demonstrated that the in Queensland. Thank you very much for your evidence.

Mr Ricketts—Thank you.

[12.06 pm]

LOONE, Mr Robert George (Bob), Private capacity

CHAIR—Welcome.

Mr Loone—Thanks very much. It is great to be here. I feel among friends.

CHAIR—Give your name, rank and serial number first, because if we've got to get you locked up we want to know who you are!

Mr Loone—Just dangerous! I do not know what I am really; a bit of everything. I suppose you would call me a self-funded retiree at present but I have been a farmer and I have been in forests and I have been in farm supply businesses most of my life. I am now Deputy Mayor of the Meander Valley Council and I have been on the council since 1995-96. But I come here just as an individual today, not representing the council, because I have concerns about what is happening in our community.

CHAIR—You have got plenty of punches left in you, by the look of you. You look pretty fit.

Mr Loone—Thank you very much. I am 68—I will be 69 this year—and I am still going well. I have got a good wife; she looks after me well.

CHAIR—Would you like to make an opening statement to set out your concerns?

Mr Loone—Yes. I suppose if I was preparing my statement again I would probably change it a bit, considering what I have heard this morning. My main concern is about the farms being destroyed by the MIS corporations subsidised by government incentives. We have been discussing irrigation here and it really breaks my heart when I see many irrigation farms—dairy farms and others—in our area that are being taken over by the MIS corporations. The irrigation systems, some of them are underground and they are quite sustainable, are ripped up or pulled down or sold off; all the fences and everything else are destroyed; the houses are bulldozed or carted away and sometimes burnt. Those sorts of things are happening in good farming, high rainfall areas of our state.

I feel sympathy for people who are in drought stricken parts of the state, but it seems to me absolutely stupid that we are spending megadollars trying to take water to their land—some of it is all right but some of it is a bit debatable—at great cost while farms that are already producing food very efficiently and without very much irrigation, because they are in the high rainfall areas, are being totally destroyed by these MIS corporations. As I said, they are an offshoot of the federal government giving tax-free incentives to allow huge profits to be accumulated. The MIS corporations go out and compete against the farmers, who pay tax on all the money they have to earn to buy their farms, but these corporations are given tax-free money and of course knock the farmers out every time, therefore our farms are disappearing. It seems so stupid to be doing this. That is one part of what I want to say. I have probably six topics I could discuss with you. Do you want me to do that now?

CHAIR—Yes, if you do it quickly—just another three or four minutes.

Mr Loone—I have some handouts there which are my submission and a DVD called *The Power of Community*. That is an excellent documentary DVD. You will see that when you play it. It supplies practical answers to many of the questions that you are raising here today because it is the study of a country that has been through what we are going through now and what we will face in the future. We can learn by their experiences and I think we are stupid if we do not do that. I always say a wise person learns from other people's experiences. If you learn by experience, that is okay. If you cannot learn by your experience or other people's experiences, you are not doing too well. The submission gives a bit of a rundown on the MIS and the damage that they are doing to our food production in Tasmania and right around Australia. Even in Kununurra they are taking over the farms.

CHAIR—They certainly are.

Mr Loone—You know about that. So it is right around Australia and to me it is a national disgrace. Some people call it the corporatisation of Australia's farmland, which is very bad for future generations, and I can go into that if you want me to. I also have a copy of a letter on MIS forestry effects in Chudleigh by a local person John Hawkins. It gives a brief overview of what is happening in that area. Then there is a copy of a short letter that was published in the *Examiner* a few days ago on food production and MIS forests written by Peter Hudson. That little letter sums up what I will say today.

CHAIR—Will you table this for the committee?

Mr Loone—Yes. I can give you some more if you want. I have a whole computer loaded with this stuff and the problem is to know what to leave and what to bring. If you want more information, I can certainly supply it. I have been studying this for about 15 years and I think I have a good handle on it. It is very complicated, but I think I can speak with some authority on it. There is also a list of the farming areas in the Meander Valley municipality, which was put together by the council staff. I can give you that if you want. Basically, it says that there are 15,000 hectares of farmland in our municipality which are now owned by MIS corporations. That equates to about 70 or 75 farms if you look at a size of 200 hectares per farm. That works out at a loss of about \$30 million a year to our local economy, a loss of about 270-odd jobs and perhaps there might be 30 or 40 jobs created in forestry so you can subtract that. There is a huge loss to our whole economy and to our whole area. I am very concerned about this.

I have been a farmer all of my life. I used to have a farm supply store. That has closed down now. My daughter took the business over. She had two stores, one at Westbury and one at Chudleigh. When I was there the Chudleigh one was probably just viable, but we worked it well but when we lost a dozen farms in the area that was enough to make the thing not viable any more and we had to close it down. That has also happened in Sheffield, Websters had to move out and things like that, so it is not only us but other people who cop this too.

I was going to talk about genetic modification. The latest I have on that is that the GM crops produce no more than conventional farming methods. One thing that really concerns me is that in the straw of the GM crops they have found a chemical. The straw does not break down like it normally does. Therefore, if the chemical is in the straw, it is also in the food. We know that

these chemicals break down our immune systems. Simply, chemicals in our food and atmosphere, air and water, speed up our ageing process. They break down our DNA prematurely. We know our DNA works like a photocopy system and, when there is a defect in the photocopy, it transfers on and on. Once the defect is there it stays there. It even passes on to our children. For instance, if a female rat is exposed to a triazine product during pregnancy, her male progeny for two generations will have prostate cancer. Those things pass on from generation to generation, and I am very concerned about that.

This is one of the aspects of these forestry corporations that I put in my submission. I have recently been very concerned that so many people in our area have been sick after MIS corporations have sprayed their trees with insecticides. The first year they did not get too sick, but by the next year they are getting worse. Just in my little area of Mole Creek I have reports of about 10 people—

CHAIR—I am going to have to pull you up.

Mr Loone—I beg your pardon?

CHAIR—Quickly finish up. We are going to have to ask you some questions.

Mr Loone—I could go on and on and on.

CHAIR—I can see that.

Mr Loone—These people are getting very sick. I have those reports and that is another thing that has happened.

CHAIR—You are almost a clone of me.

Mr Loone—I could talk about why it is not raining.

CHAIR—No, don't. Shut up for a minute!

Mr Loone—I would like to ask you a question too.

CHAIR—No, we have to ask the questions. Thank you very much for your passion and interest. A lot of it almost came out the back of my head. I have a very strong view, which is not enjoyed by everyone on this committee, about MISs. I think they are a disgrace. They have a big potential to impact on future food production, and the Ord and the Douglas and Daly rivers in Northern Australia are really good examples of that. It is all made viable by the generosity of the taxpayer—some of that is almost a vertical graph—and there is no environmental planning. In the planning stages, are there environmental-planning requirements to convert what was a good dairy farm or whatever to a plantation, or—and I know the answer, but I want you to put it on the record—is there an exemption from the environmental planning because it is forestry?

Mr Loone—Forestry is virtually exempt from all environmental planning.

CHAIR—I am not allowed to use the b-word, but this is silly.

Mr Loone—I am on the council, and these corporations come in and remove the remnant vegetation. Most farms have some remnant vegetation on them. It looks very nice on the hilltops and things like that. That is all chopped down.

CHAIR—Do they still have to leave out class 4 and 5 streams? Everyone is shaking their head, so I guess they can plant through the stream. What is wrong with you blokes down here?

Senator MILNE—It is supported by both major parties.

CHAIR—That does not matter. I always thought that with laser surgery you could never find the second head, but there is something wrong down here.

Mr Loone—That is why I am here.

CHAIR—This is bloody crazy.

Mr Loone—It is crazy.

CHAIR—I had better let Senator O'Brien start. He might want to refute me.

Senator O'BRIEN—I do not, apart from the fact that the chair makes speeches from the chair, which takes up time for questions. The essence of your submission on the conversion of farmland to plantation is that it is taking arable farmland from a productive purpose to a wood fibre purpose. Is that the essence of your submission?

Mr Loone—That and a lot more. I went to another hearing just a few weeks ago where forestry were saying they wanted class 1, 2 and 3 land. Even though it is not meant to be, in the new power policy that is allowed by combining a few farms under a management system. Where more than 30 per cent of the area is classed 4, 5 or 6 land, they can go and put the MIS forestry plantation on the prime agricultural land as normal. So really that part in the power policy means absolutely nothing.

Senator O'BRIEN—What area are you familiar with?

Mr Loone—The whole state. When I was in business I used to travel the state a lot. I had state franchises for machinery and things like that, so I have been watching this over many years throughout the whole of the state—but mainly in the Meander Valley municipality.

Senator O'BRIEN—So mainly Meander Valley, and you have some knowledge of the rest of the state.

Mr Loone—I have a good knowledge of the rest of the state.

Senator O'BRIEN—So what sort of area are you familiar with—how many hectares of farmland have been converted from conventional agricultural operations to forestry?

Mr Loone—That is a good question. They will not tell us.

Senator O'BRIEN—You are not familiar with it?

Mr Loone—I can give you some figures up to 2004. Back in 1994 there were about 4,500 farms in Tasmania. Up until 2001 we had copies of titles on about 2,000 farms that have gone to MIS corporations. Since 2004 there has been an acceleration of that. At this stage I am saying that 25 per cent of our high-rainfall, highly productive farmland in Tasmania has been taken over by MIS corporations but in the whole of the state it is probably about 20 per cent.

Senator O'BRIEN—What is your source for those figures? Or is that your estimation?

Mr Loone—I can only gather from several different areas. It is from looking when I go around. As I said, we have about 2,000 titles that have been transferred. I can look at the growth in the MIS corporations. Private Forests Tasmania put out figures one year—I think it was 2006. They did not dare do it any more because obviously it revealed the story that they do not want us to know. Basically I am complaining because the figures are not available. They will not tell us.

Senator O'BRIEN—Is it fair to say that the majority of high-rainfall farmland that has been converted to trees was formerly dairy farms?

Mr Loone—Probably not the majority of it, but at least 30 per cent or 40 per cent. They have been highly productive cropping farms and beef. Certainly, in our area about 50 per cent have been dairy farms. There have been other types of farms—mixed farming and a bit of everything.

Senator O'BRIEN—Would you have expected Tasmania's milk production volume to have gone down?

Mr Loone—No.

Senator O'BRIEN—Why not?

Mr Loone—Because other people have gone into dairying—

Senator O'BRIEN—It has gone up, hasn't it?

Mr Loone—It has gone up because of the feed regime on farms—grain and concentrates are fed to the cows these days. There are run-off properties and things like that, so areas of land that used to be beef are now running dairy heifers for the farmers so they can run more stock on their own farm. So sure it has gone up. I did not say that in my submission.

Senator O'BRIEN—I am asking a question. There is no point in me asking you to reiterate your submission, is there?

Mr Loone—No.

Senator O'BRIEN—I am asking a question to elucidate an answer.

Mr Loone—And it can go up a lot more too. They want more milk. Lambs, cattle and those sorts of things have gone down.

Senator O'BRIEN—Drought and dry conditions in the central highlands and places like that would have had an impact on that, wouldn't they?

Mr Loone—That is a contributing factor. Certainly you cannot take that much land out of production without there being an effect. Obviously they have upped the rate. The potential is there. I talk about that a lot. We are talking about that. The other question I want to ask you—

Senator O'BRIEN—No, we ask the questions here. You will just have to put up with the regime of the senators asking the questions at Senate inquiries. We are happy for you to give evidence and put a point of view, but I think that is where it ends.

Mr Loone—Okay. It affects that because it is about the future. I was going to ask did you hear evidence about it.

Senator O'BRIEN—I beg your pardon?

Mr Loone—In Sydney and Western Australia they are talking about having food production areas of about a quarter of a hectare with a hothouse, fish in a pool and hydroponics growing the vegetables.

Senator O'BRIEN—We have had some limited evidence about intensive production, but not generally—

Mr Loone—Is that going to take over?

Senator O'BRIEN—I would not have thought so in a country like Australia, but there certainly has been evidence about food production around cities and the like.

Mr Loone—To me, that is a factor in this.

Senator O'BRIEN—Are you familiar with an increase in the amount of farmland that is subject to irrigation in areas that have not traditionally been irrigated such as the Northern Midlands?

Mr Loone—It has to be viable and that is the big problem.

Senator O'BRIEN—It is happening now isn't it?

Mr Loone—There is a lot of talk about it. Very little is actually happening yet. It will not be successful unless they can grow a highly intensive crop such as fruit. It would just work for pasture for dairying, but as far as beef is concerned that would not work.

Senator O'BRIEN—You would not irrigate for beef. But you would irrigate for fodder.

Mr Loone—Then there is the market and what they get for their product. If it is food such as potatoes or something like that it has to be viable. With potatoes especially, the amounts of artificial fertilisers that are put on do a lot of damage to the soil and also the equipment that goes over it really knocks the soil about. I support irrigation, although I think it is quite stupid, as I

said before, to be handing over farms that already have irrigation on them to MIS corporations while we are trying to prop up at huge cost other areas which have lower rainfall and will take a lot more irrigation. That does not make any sense at all. I am not knocking it, but I think that when we get to put the rubber on the ground it is not going to be as wonderful as we have said.

Senator O'BRIEN—Is it fair to say that you are not very familiar with what is happening in the Midlands in terms of irrigation?

Mr Loone—I think I am reasonably familiar with it.

Senator O'BRIEN—It is just that every time I fly in I see more and more of those centre pivot circles around the Northern Midlands—

Mr Loone—I talk to the farmers when they put them in. I say: 'Look mate, you're putting that pivot irrigator in. Do you know that soil is very fragile?' They say: 'Yes, we know that. We're going to be very, very careful.' They promise me that they will, but I have heard quite a few reports about them falling over.

Senator MILNE—That is exactly right.

Mr Loone—They are on very shaky ground. They might be right over 10 years, but 20 or 30 years is a different story.

Senator O'BRIEN—Where would we find the reports that you are talking about, about them falling over?

Mr Loone—You only have to look at what is happening on the mainland.

Senator O'BRIEN—Thank you.

Senator MILNE—That is an interesting comment on the Northern Midlands because that is why I was asking the questions earlier about long-term sustainability. I want to ask you specifically about your municipality and its karst system, the MIS and the conversion, and also about what has happened with water and biodiversity et cetera.

Mr Loone—There seems to be a totally different set of rules for the farmers to abide by insofar as looking after the karst and virtually no rules for forestry. We are seeing chemicals being sprayed above and over the karst systems. Let's face it, there are 400 caves in the Mole Creek area, which you can go into. There are thousands and thousands of sinkholes which go into caves; therefore we know that caves run underneath those sinkholes. There are supposed to be some guidelines put out but sometimes they are sort of attended to and other times they are totally ignored. We even had forestry put a road straight over the top of a sinkhole. Of course, when they went over it in a truck, it fell in. We get all that sort of stuff. Chemicals are one of the problems but there is also the debris from clear felling going into sinkholes, sticks, dirt and that sort of thing, all going down into the karst system. Forestry seems to be totally exempt from any responsibility on that. I can give you pictures and show you stuff on that. I have all that information.

Senator MILNE—I would be very interested in you providing some information about forestry building a road over the top of a sinkhole and then it collapsing. That is very interesting. You would be aware that, on top of the MIS, the government has introduced a 100 per cent tax deduction for carbon sink forests. Given what you have said about the impact of MIS, is there anything that local government can do in Tasmania or does it require a change to state and national laws?

Mr Loone—It requires a change of law nationally. Local government is basically hopeless and helpless to do anything at all. We have no authority whatever. Even if we did something, the state government would change the law next week to prevent it from ever happening again. Local government is at the bottom end of the line. There were two parts to your question; what was the other one?

Senator MILNE—It is all right. I just wanted to get to the point that you are relying on a change of heart and a change of law federally to stop what is effectively an unequal playing field. Could you comment on whether young people can go into buying farms if they are competing for them with the MIS and the carbon sink forest companies?

Mr Loone—The carbon sink with the other thing I was going to say something about. Fortunately, as I see it, there are only about 7,000 hectares of Tasmania earmarked to go into carbon sinks, so that is a bit of a plus for us. Certainly it is a bit of a worry.

Senator MILNE—A plus for us in terms of the fact that it is limited?

Mr Loone—Yes; at this stage, anyway. Most young people who set out to buy a farm buy a small one, then they will buy one a bit larger one and then one a bit larger—that is how they do it. There is a big push in the government and even in local government to prevent that from happening by forcing small farms to amalgamate with larger farms. That is totally the wrong thing to do. That has been proved, and the DVD I gave you shows that also. I am in favour of small farms. I know small farmers who have farms of less than 20 hectares who are making a very good living and certainly have a far superior lifestyle to the person who has 2,000 hectares.

Senator MILNE—Can I come back to the impacts on the community in the municipality you are in from the loss of 70 farms that have gone under—is that the figure you gave me?

Mr Loone—It is 15,000 hectares. At 200 hectares per farm, it would be about 75.

Senator MILNE—How has that impacted on the viability of the Deloraine community?

Mr Loone—The Meander Valley community. It has been a slow process. There has been a growth in tourism, which is very important and it is sustainable. We are a get-up-and-go community. When we get a kick in the guts we do not just lie down, we get up and have another go and try another way. We have lots of people with lots of initiative. There have been some downturns in the farming area. We are still going okay, but we could go a lot better if we still had those farms producing in our municipality. We would certainly have been flying ahead, whereas now we are basically just holding our own and perhaps going a little bit ahead.

ACTING CHAIR—Thank you, Mr Loone.

Mr Loone—Thank you very much for the opportunity.

Proceedings suspended from 12.32 pm to 1.06 pm

BYARD, Mr David, Private capacity**MILLS, Mr George Duckett, Private capacity**

CHAIR—Welcome. I appreciate the cooperation of Mr Byard in allowing Mr Mills to be with him at the table.

Mr Byard—As long as it does not get too long.

CHAIR—The shorter your opening statement, the more time we will all get.

Mr Byard—There is no rush. Can I have five minutes to give my opening statement?

CHAIR—Go for your life.

Mr Byard—Here with me is Rebecca Walsh, who is a colleague of mine. I have been TFGA meat council chairman, which is an important point to bring up at this stage. I have been a meat retailer and a farmer with quite a bit of interest in this area. You asked me earlier what I am after. I want to see that the ACCC have a system in place to check that what is being reported is correct and that who is reporting is accountable. When we visited the ACCC a month or so ago, they were very keen to talk to us and very helpful. But when we got the letter back it was complete waffle. They went to water. They admitted they were probably had. I will discuss it very briefly and quickly.

In my submission I have included the ACCC report *Examination of the prices paid to farmers for livestock and the prices paid by Australian consumers for red meat: a report to the Minister for Agriculture, Fisheries and Forestry* and have highlighted the bits and pieces and put in the relevant pages that you may care to look at. In February 2007 the ACCC brought out that report, which examines the prices paid to farmers for livestock and the prices paid by Australian consumers for red meat. The report is completely flawed in my book of rules. The ACCC say in their defence that there were no formal investigating powers. They practically admit it was a waste of time. Letters to me from the ACCC say that the minister's request did not constitute a formal inquiry under part VIIA of the Trade Practices Act 1974; therefore, they had no information-gathering powers. The report would probably have been used to form government policy at the highest level as it came from a federal minister. The ACCC inquiry into groceries report was used and quoted, and I assume that report was a formal, proper inquiry.

I have picked out five main points—but I can find 25 points—that I really want to have a look at. My purpose addressing the Senate is to try and get an independent investigator with the powers to look at the whole chain from A to Z, which would include the farmers, processes and so on. This independent person would go out there and say, 'Bill, what did you get in 2006-07 for your cattle?' Bill might say: 'I didn't get a cent more for the blessed thinks. The supermarkets didn't pay any more, despite the price of grain going up.' So the price of grain is the first cab off the rank.

The price of grain is summarised in section 2 the livestock and red meat report. The ACCC consider the price of grain to be having an impact on retail prices of grain fed cattle. On page 20 they say:

Increasing grain costs throughout the course of 2006 have been adding to the supermarket costs—

and they go on to refer to the CEO of Woolworths, Michael Luscombe. My understanding, as I said before, is that the price of cattle came down at one end, so Woolworths said to the people in their supply agreements: ‘You will get the same price because the price of cattle’s come down. Your in-costs are much less and that takes away the cost of the feed grain, so it is cost neutral.’ That is what they left it as—price compensation. A researcher going through the producer’s books would soon prove or disprove that. I can see you sharpening knives there, Bill. I know what is happening. You can have a go at me in a minute.

I can see you sharpening knives there, Bill. I know what is happening. You can have a go at me in a minute.

The long and complex supply chain is on page 8. The way I read it is Woolworths purchase the animals, finish them to specifications and transport them to the abattoirs. The first three things on that page are simply not true. The fattener in the supply agreement has to buy the cattle and put up with any losses, any animals that die. They have 60 days on grain and they are transported to the abattoirs at their own cost. Woolworths and Coles take delivery when the beast is killed, skinned and checked to make sure that they meet the specifications.

On the back of this thing here you will find a picture of a carcass. It shows how they measure a carcass. There is a P8 site on the rump. They measure them for fat—lack of fat or too much fat—and weight—too much weight or too little weight. They will use any excuse they can to get you down in price. They will knock them back if they are not quite right. If the beast does not meet specifications there are severe penalties or, in some cases, complete rejection. On page 8 it states:

...Coles reveals that the prices it pays for a whole cow ... accounts for 53 percent of the end retail price. Processing activities and costs (kill fee, boning, packaging and chilling) account for 14 per cent ...

To package, slice and retail the meat is 30 per cent and there is three per cent profit. There are 3,000 small butchers in Australia. I am sure that if they were turning only three per cent they would have their feet up.

Take a carcass weighing 200 kilograms. The supermarket pays \$4 a kilogram for grain fed with all the bells and whistles. That amounts to \$800. Bear in mind this is probably some of the best beef you can get. The supermarkets make much of what they actually do out there and how well they do it. They only have top-class beef. That is rubbish. That 200 kilograms carcass will have 70 per cent saleable meat. So that 200 kilogram carcass hanging on the hook has 60 kilograms of fat and bone, which is thrown away because it is useless, and the other 140 kilograms goes to the meat. If we take that meat and put it all in to mince at \$14 a kilogram—that is the price in Coles and Woolworths—it would add up to \$1,960. On the other hand, with the top prime selling up to \$30 a kilogram, eye fillet and scotch selling at \$38 and \$33 and rump selling at \$26, perhaps you could use \$16, which would amount to \$2,200. So I am saying here

that we have \$2,200 and it has cost us less than \$1,000. They are saying they make three per cent. Someone is missing a nought somewhere—either I am or something is happening.

A small retailer in 2006 could expect to pay \$65 to kill a beast and then they would get a rebate of \$45 for the hide, leaving the cost of \$20. To bone and package it in cryovac bags costs 70c a kilogram. If you multiply 140 kilograms of beef by 70c you get \$98. To slice it and package it ready to sell, Woolworths say costs 30c a kilogram, so that is \$42. The whole animal costs the supermarket \$800, \$20 and \$98; it has cost less than \$1,000 in all. Supermarkets like to kill in export abattoirs so they can get rid of livers and tongues. I read somewhere that tongues are worth \$120 per kilogram in the export market. They are trimmed and exported.

What price do supermarkets get to kill, bone et cetera? I am talking about a small butcher. Coles say they pay \$4.60 for beef. That is utter rubbish. As most of them will tell you, it is \$3.60 in the paddock and \$4 for grain fed. Woolworths buy grass fed cattle at \$3.50 and grain fed at \$4. Both large supermarkets buy—

CHAIR—Your five minutes is pretty well up.

Mr Byard—If you give me another two, I will be finished. I will just cut into George's time. He will not mind.

Page 21 deals with the quality of the meat. Both Coles and Woolworths go to great lengths to tell us about the standard of meat they get and they finish to specification. I would like to know what percentage of meat they actually buy from the processing works, which would come from the saleyards. The supermarkets talk about that being inferior quality meat. How much of their meat do they get from them? How do they check on the quality of that? When they have a producer they say, 'Listen, you will feed it grain for 60 days—

CHAIR—Halt. In one sentence what is the message for the committee?

Mr Byard—The ACCC needs a foundation in concrete before we can move forward. The ACCC to my way of thinking—a \$100 million organisation—

CHAIR—Thank you very much. You would be aware that in the supermarket food and grocery inquiry held by ACCC, onto which was tacked the fertiliser inquiry, they concluded that there was not an issue with market consolidation. I did make some remarks about tits on a bull and the appropriateness of the ACCC there. I thought they were useless.

Mr Byard—A toothless tiger I would have said.

CHAIR—I can offer you some comfort. The Australian Beef Association have more or less said what you have said to us. From their evidence to our hearing the other day they said that the Australian beef producer gets at least 50 per cent less for the carcass than in the USA and the consumer over there pays approximately 50 per cent less.

Mr Byard—You can talk about that until the cows come home. To my way of thinking when the dollar comes into it I keep well away from it.

CHAIR—No, this is in dollar equivalents.

Mr Byard—I am always very sceptical about that.

Senator MILNE—Mr Byard, your evidence is certainly the same sort of evidence we have been getting from a whole range of people. What is your proposal here? Is it your view that the ACCC is an organisation which has a huge amount of potential but is not delivering for Australia?

Mr Byard—I would not use the words ‘tits on a bull’ but I would say that they are a toothless tiger.

Senator MILNE—We have heard this morning about Cuthbertsons as well. You could go to all this trouble to refer something to the ACCC, you could have a full inquiry but you would not have very much confidence that: (a) you would really get to the truth there; or (b) if you did, that there would be an enforcement mechanism.

Mr Byard—Absolutely. But Rebecca and I are proposing that we get a researcher to go from A to Z—to go to the farm and the processor—and find out all of the things that I have covered here and whether they are correct. Skin me if I am wrong.

Senator MILNE—Okay. On that basis, why haven’t the farmers’ organisations done that? Frankly, it is the responsibility of those who represent the producers, I would have thought, to actually pay somebody to go and do this independent analysis right through. You cannot expect a parliament to do that. Why hasn’t the TFGA meat council done this?

Mr Byard—As a former chairman of the TFGA meat council they just have not got the whatever.

Senator MILNE—Whatever—is it money?

Mr Byard—It is resources; it is everything. It is not the commitment to actually do it. They are scared of these people. We talked earlier about a levy system. They collect 0.35 of one per cent in a levy to pay to the TFGA. This is where I think they are compromised. You say it is not the responsibility of someone to actually check—

Senator MILNE—No, I did not say it is not the responsibility of somebody, I said it is not the responsibility of the parliament. If the producers have an organisation to which they pay levies and which represents them, my suggestion was that that organisation nationally—the NFF, the TFGA, the meat council or whatever—ought to, on behalf of the beef growers, go through the entire system and present evidence that shows that the ACCC has done a poor job of it.

Mr Byard—I have one quick answer to that one. When they go to Coles and Woolworths and say, ‘Can we have a look at your books?’ the simple answer is, ‘No, you can’t.’ We need somebody there with an official base to say, ‘We need to have a look.’

CHAIR—Mr Mills, do you have something to add?

Mr Mills—I grow crops, cereals, vegetables, small seeds, beef and sheep. This inquiry came to light in the press. I could see that perhaps you were looking for evidence of the actions of lambskins in Cuthbertsons. I tendered the evidence to you of what happened to me only a week ago whereby my agent had Cuthbertsons view the skins on the lambs presented for slaughter the week before. I agreed to a price, which was \$4 a kilo dressed weight, plus payment for skins, contracted to Swift.

When the lambs went into Swift, my agent asked the Swift representative to quote the price for the skins. The Swift representative asked the agent, ‘Has a price already been quoted for the skins?’ The agent said the truth, ‘Yes.’ So the Swift representative said: ‘We’re not in the business of quoting. You either take our price or forget it.’ That happened a week ago.

Senator MILNE—Could I ask for clarification there. When the represent said, ‘Take our price or forget it,’ did ‘forget it’ refer to quoting on the skins?

Mr Mills—Yes—‘Forget it; we will not quote on the skins.’ The meat company refused to quote on the skins.

Senator MILNE—Thank you. I just needed to get that clarification.

Mr Mills—So as a producer I would be paid the price that they would be prepared to pay. That is a small part of what is happening. On the skin issue, the consequences of Swift’s actions are as follows. Firstly, they make it impossible for other skin buyers to access the skins, they prevent competition and they allow Swift to pay a price that they deem suitable. Secondly, very quickly, once they have got rid of their competition, Swift will not pay for skins as a separate item. They will claim that the skin is covered in the grid price that they are prepared to pay you for the lamb, just as they do with cattle hides. Thirdly, farmers will again be losers, with an item of value no different to that of cattle hides, offal and HGP-free products—we get no value for those. I rang Swift’s marketing arm only yesterday to ask if I could purchase HGP-free offal and was told I would have to tender for it, it was all sold and there was no hope of me ever buying any, yet as a farmer in Tasmania I do not receive any recognition for the expense I go to to produce HGP-free meat or offal.

Swift have already manipulated other aspects of livestock selling to unfairly burden the farmer. Swift supported the introduction of chapter 3 to the livestock auction terms and conditions, whereby the normally accepted principle that the buyer accepts the goods at the fall of the hammer does not apply to the meat processor; sale contracts that insist that any loss of livestock delivered to Swift and awaiting slaughter whilst they are in Swift’s meatworks is the responsibility of the farmer, so any losses are losses to the farmer; and livestock pricing that reflects the price difference of livestock freight across Bass Strait instead of the cost of freight of processed product, so they will always quote a price lower in Tasmania, to the point where it would pay you to ship stock across Bass Strait. There also seems to be little recognition on price terms paid to the farmer of our guaranteed HGP-free status. The HGP-free status comes at a considerable cost to the farmer and is a marketing price advantage made by the meat processor and retailing industry but not delivered to the farmer.

These are, again, but a small part of the marketing prospects for farmers. The difficulties experienced by farmers with Swift are only symptomatic of the whole marketing system

currently being experienced, which results in farmers being unable to gain value or competitive pricing for their products. The marketplace has become dominated by a few large national and multinational purchasing entities who dictate the price and terms to suit their systems, the result being a loss of competition for the farmer's product.

This domination manifests itself in a variety of ways. Contracts are unfairly slanted towards the purchaser by putting all the production risks on the farmer—for example, grain contracts, supermarket supply contracts and so on. The attitude often expressed by large purchasing entities is, 'You don't have to grow for us.' There generally is no alternative for the farmer but to sell to that entity because it is the only one in the market. I suggest one way to alleviate this problem would be for governments, through the right of association legislation, to allow farmers to easily join industry groups to deal with these marketing entities with one voice.

Senator MILNE—To finish the story could you clarify what happened with your animals after Swift told you, 'Accept the price or that's it'?

Mr Mills—They were slaughtered on the day. To date I have not received the funds for those animals, and that was 14 days ago. Their terms of trade are seven days payment.

Senator MILNE—So you were forced to accept what Swift had to offer because you had no alternative but to do that in the circumstances.

Mr Mills—A lamb cannot be slaughtered without giving up its skin. Once the lambs were on the premises I could not withdraw them. You cannot take them back from the meatworks.

Senator MILNE—And you cannot require Swift to send the skins to Cuthbertson from their premises.

Mr Mills—I believe the skins would have been received by Cuthbertson. I told Cuthbertson that the skins were theirs because Swift would not offer me a price. Swift said: 'We're not in the business of tendering for skins. Either you send the lambs in and we'll pay for you the skins or, if you want to do something else with the skins, you do it.'

Senator MILNE—In terms of the hormonal-growth-promotant-free status of Tasmanian beef, you said that the people who benefit from that are the people who process and market the meat, not the growers. Has there ever been a market advantage translated in price to the growers in Tasmania for that particular value of the meat?

Mr Mills—Sometimes there is a market price increase for what are termed EU accredited animals. You have to be EU accredited to receive that price increase. I am not sure of a percentage, but somewhere between 20 and 30—and maybe up to 50—per cent of animals in Tasmania are EU accredited. However, no farmer benefits from the fact that all the animals that are not EU accredited are still, and have to be by law, HPG free.

Senator MILNE—Do we know how much premium is achieved in the marketplace, when it hits the consumer, for that status?

Mr Mills—HPG free is not an advertised status in Australia but it is a requirement of some markets overseas. Those markets obviously pay more, although I am not sure how much more.

Senator MILNE—So what you are saying is that the farmer does not benefit from the premium value of that meat because of that particular feature.

Mr Mills—Correct. The farmer does not receive value for that and also receives a penalty, in that we could have heavier carcass weights and faster growth rates if we used them. I am not advocating for their use, but what I am saying is that this market advantage is not delivered to us in price.

Senator MILNE—I would like to come to your solution, because this committee likes to recommend how to address these issues as well as identifying what the problems are, which is why I was asking Mr Byard about what we actually need to do here. Can you elaborate a little bit further on your solution in terms of association and allowing the representative bodies to act as one?

Mr Mills—It is difficult to act. These people continually say to us, ‘If you don’t want to deal with us you can’t group together because that is against the Trade Practices Act,’ et cetera. We have registered in the potato-processing field—and it is a long and tiresome project costing some \$20,000—so that we as a grower organisation could market potatoes. Personally, I am involved with McCain. We are a registered group, but that is a difficult and costly process. I am saying that the government should make it more readily available. In this state we deal with only one or two buyers of vegetables, grains and meat, and we have no voice to legally deal with them as one voice.

Senator MILNE—I asked Mr Dickinson to speculate on this this morning: if Swift continue in Tasmania as they are the moment, what is the likely impact on Tasmanian meat producers five or 10 years out?

Mr Mills—Again, price reflections and price increases are going to be minimal. They will pay the price that they deem they can get away with. If they can make themselves the only processor in Tasmania—there not being a processor on the north-west coast of Tasmania—they would have succeeded in market domination. I note that on the west coast of America there are more trucks plying the roads with ‘Swift’ written on them than there are trucks driving on the roads in Tasmania. I think that they are very capable of dominating the market to the producers’ detriment.

CHAIR—I think Senator Farrell has a question for Mr Byard.

Senator FARRELL—Thank you for coming along and giving us some information, Mr Byard. I gather from reading your submission that your complaint is not really that the ACCC have no teeth. Your complaint is that, I assume, you do not like the outcome of their report. Presumably if the ACCC had found that all of the things you say are true—assuming somebody put that position to them—they would have acted on that and would have had powers to do so.

Mr Byard—They actually wrote us a letter saying it was a report and that they did not have investigative powers to go into it. They admitted to us freely in private that they had not actually

got it right. We can sit in rooms all day, but we need to get an investigator out there to find out what is happening. The ACCC needs to have a foundation across the board in all industries. I am not just picking on meat. If this occurs across the board we need the ACCC to change their ways. I think the whole way it is done is wrong.

Senator FARRELL—Let me see if I understand what your argument is. You are essentially saying that the price that the producer gets from the supermarket is too low.

Mr Byard—The price you get across the board is too low altogether. You will see rural industries disappear because they are squashing us so hard. They actually say that they have no power. In the summary they say there is no one player big enough in the Australian market to do it. In Western Australia we have 5.4 per cent of the beef herd, in Tasmania we have 2.7 per cent and in Queensland we have 51 per cent. In Western Australian they said, ‘We’re getting less than any other state in the Commonwealth for our beef.’ After much publicity Woolworths said, ‘We’ll start killing 500 cattle per week forthwith.’ In Tasmania we export about 70 per cent of what we produce and import 80 per cent of what we consume. That makes a huge difference to the prices we get in Tasmania, and Swift and these companies are working very closely together to work it as such. It is rubbish for them to say that it does not have any effect and that no-one is big enough.

Senator FARRELL—So you want the supermarkets to pay more for the produce.

Mr Byard—No. Obviously, I would like them to pay more. They can manipulate the market where, as I said a minute ago, they are importing probably 60 or 70 per cent. Take Tasmania with 500,000 people, 70 per cent of them shop at the supermarket so that is 350,000 people. Thirty-six kilograms for every man, woman and child, takes us up to about 54,000 live cattle a year that they would be processing. We process between 6,000 and 7,000 cattle a year in Tasmania, so they are importing the equivalent of 45,000 cattle. In a small state, such as Tasmania, that is a huge step. So they can actually manipulate markets and force prices down. Swift, when they come in, can bring stuff from Queensland so cheaply that it is ridiculous. The supermarkets say they will make a three per cent profit on their meat which really bugs me because they are buying rumps for \$4.50 and selling them for \$26. The sorts of things they are telling me are completely wrong. If we had an independent researcher with some teeth to actually get into it, whether the Senate puts it in place or whoever does it, we would find it completely wrong.

CHAIR—Chinese bottled water comes into Australia at 38c a bottle and retails for \$2.50.

Mr Byard—The reporting is not factual anyway. They have become very cynical. When we actually saw them, one of the directors said, ‘We’ve become very cynical. This is just like the petrol inquiry, this is rubbish.’ But they will not put that in writing of course.

Senator MILNE—No, they never do.

Mr Byard—If Bill Heffernan and Christine Milne went to David Byard and asked, ‘What did you get for your cattle in 2006-07 when the price went up? Where’s the price? When did you get a price increase?’ The answer would be that I did not get one. Then you would go to the processor to find out what he had to say. You go from A to Z, you do your sums and you find out that the producer is not stupid.

CHAIR—That is quite evident today. Cattle are as cheap as they have been for 20 years in real terms today. Fat heifers are at 400 kilo, \$1.45 and meat is as dear as it has ever been in the supermarkets. That is market power.

Mr Byard—With all due respect that is what the McGauran report went to find out.

CHAIR—That is the market power but as I said this morning—and I said it in South Australia a few weeks ago—it is time Australia's farmers marched. They ought to be outside parliament yelling right now about what is going on in Tasmania.

Mr Byard—It is too wet today for that.

CHAIR—We would love to be able to march in the rain in New South Wales.

Mr Byard—I went to one of the meetings that Doug went to. The membership officer actually said, 'We can't do that. We can't coach Swift and push them because they collect our levies for us.'

CHAIR—We are going to get to that quaint little conflict of interest shortly.

Senator FARRELL—To clarify, your problem is not that you are not getting a good enough price from the supermarket.

Mr Byard—The supermarkets will pay what they have to pay, like everybody else. They will squeeze it down as low as they possibly can by manipulating prices.

Senator FARRELL—At the end of the day, what is it that you want the ACCC to do that they have not done?

Mr Byard—Investigate. Get a nice little person in a suit to go out there and say to the producer, 'Right, I'm from the ACCC, I'd like to see how much you were paid in 2006.' Then they should go to the processor and check the facts that the producer has given them. Then they could say, 'Gosh, this bloke's lying. The producer might look silly, but he's right.'

CHAIR—Part of that is the enthusiasm, energy and intellectual base in the farmer representative bodies, one of which is about to appear here. The capacity of the farmer representative bodies seems to have declined in recent years. The NFF is a classic example of that. They have almost lost their critical mass not only in financial terms but in intellectual terms. They are the ones that advised the ACCC that there was not a problem in the fertiliser industry. Clearly, there is and was.

Mr Byard—The MLA are the same. You do the same as I do. We pay \$5 every time we sell a piece. What are we getting out of them? When the ACCC were asked to ask one of the directors their response was: 'We don't buy cattle; we don't sell cattle. We only look after the interests of the farmers.' Let me spell it out. What they were reporting was not factual. They seem to have become very cynical of the job and protect their position just like the farmers do. Everybody is out to protect their position—the ACCC are too.

CHAIR—It is an interesting proposition that you put, Mr Mills. I had not really given any consideration to it before. Perhaps there is a plan to do away with the skin as a separate part of the sale proposition for a lamb, as with the hide. I still do not understand why the cattle industry do not have mandatory removal of specified risk materials. I think they are stupid to not do that. If farmers do not have the energy to state their case very publicly and instead have some sort of part funding because they have almost lost their critical mass financially, you are just beholden to the people you are allegedly supposed to be protecting growers against.

Mr Mills—I cannot ask you questions, but a question I propose is: why don't farmers get paid for the hides on their cattle or the offal from cattle or lambs? When I ask that question to most people they just shrug their shoulders. No-one knows. I will tell you why: it is tradition. It started as tradition from the local meatworks. Every town had a meatworks where you took your stock to be killed, and the killing shed kept the hides for the cost of the killing. It is a far cry from that now. They are products that belong to the farmer—no different to BHP, who supplies nickel, copper and steel to a car manufacturer. Does BHP pay for the manufacture of the car or the washing machine? No. The person purchasing the item pays for the production. That is what should be happening in the meat industry. The value of the product should be paid to the producer and the cost of the killing should be passed on to the people purchasing the meat, no different from any other manufacturing process in the world.

Senator MILNE—So why are sheep different? I am interested in how that difference came about.

Mr Mills—It is tradition. When you took a mob of lambs along to the killing works 150 years ago, you could take the skins home and you could salt them and use them at home. The butchering works never got the skins because the lamb skins could be taken home. Cattle hides are more difficult to deal with and require more processing—this is in a backyard form—so they were not taken home.

CHAIR—We used to just hang a lot of sheep skins over the fence and dry them out, as you know. I can confirm that, right up until a year or two ago, when you took a beast in for a private kill, the cost of the private kill was covered by the hide and internal bits and pieces. They considered that to be how you paid your bill.

Mr Mills—Yes. The hides are now down to a value of \$10 to \$15, and the response from the meat processor to the farmer is, 'Would you like to pay for the cost of the killing,' and the farmer backs off very quickly and says no. But that is where the whole system is wrong. We should be paid for all of the products and the cost of the killing should go on to the cost of the meat, to the person who is purchasing. Simple. The price for hides now is \$10 or \$15, and now is the time for farmers to take possession.

CHAIR—We had a hearing in Melbourne the other day and I went to the DJs food hall. A rack of lamb in Double Bay in Sydney is \$59.99 a kilo, but in the DJs food hall in Melbourne they were selling it not by the kilo but by the number of bones in the rack and they were selling the cutlets by the piece, not by the kilo. We were told in Melbourne that they might be breaking the law. I got them to weigh the rack of lamb to get a sense of the per kilo price. It was \$40 or \$50 or something, but it is quite deceptive retailing. I guess that is the power of consolidated retailing—they are selling it by the piece and not by the kilo.

Mr Byard—Can I just finish with this point. This is all about power. The ACCC have no power, it seems to me; the large supermarkets have a colossal amount of power; the producers have no power. It needs to be balanced out. I am saying it is a long chain. It should be evened across the board. It is just skewed one way.

CHAIR—Can I just say, with deference to your colour and movement, I have never had a flogging with a hot lettuce leaf!

Mr Byard—Well, that was an interesting one, wasn't it!

CHAIR—Thank you very much.

Mr Byard—It just shows how innocuous it really is.

CHAIR—It says hot lettuce leaf.

Senator FARRELL—I know, but it is generally a wet lettuce leaf.

Mr Byard—I thought it sounded rather good, actually.

CHAIR—Thank you very much anyhow.

[1.46 pm]

OLDFIELD, Mr Chris, Chief Executive Officer, Tasmanian Farmers and Graziers Association

STEEL, Mr Nicholas, Commodities Manager, Tasmanian Farmers and Graziers Association

CHAIR—Welcome. Would you like to make an opening statement?

Mr Oldfield—Thank you for the opportunity to appear before you today. We have studied the terms of reference for this committee inquiry and we will be making a detailed submission by the closing date. Our submission will be on the basis that we believe that maintaining a sustainable and profitable agricultural sector is vitally important for the future of Tasmania. We have long held the view that we need a whole-of-government approach to agriculture in this state that embraces water security, biosecurity, a full understanding value added chains, correct business development procedures, the natural resource management tools that our farmers need to develop a stronger understanding of climatic changes, transport and infrastructure training. We believe that unless there is a whole-of-government approach to the future of agriculture, our future is limited. This is the line we have been promoting very, very strongly to government in recent months.

In our submission that we will put forward to the Senate we will be devoting energy to examining supply chain efficiencies and rail and road infrastructure improvements that we believe will add value to our farmer members. Again, we will be looking at a state and national approach to these issues. We will also be devoting significant time to looking at regulation and the impact that is having on the growth and security of our industry, in particular, matters relating to native vegetation, pest control, water, farm safety—which is a strong focus of ours—animal welfare and the costs of complying with government regulation. We understand that the restraints on farming in many cases are restraints that the community insists upon, but we are concerned that it seems on many occasions farmers have wear the full financial brunt of community expectations. Clearly, water and drought will also form a major part of our submission and we have been working very strongly in recent months with the state and federal governments on drought management.

Over the next few weeks we will put together that detailed submission. It will be along the line that we believe the piecemeal approach to agriculture is not what farmers need. The classic example of that is water management in this state. We appreciate the work of the Irrigation Development Board, Rivers and Water, the Hydro et cetera. What we do believe is that there needs to be a state-wide strategy for water. It is an example of where we believe a whole-of-government approach is worth while.

CHAIR—Thank you very much for that. They are obviously well off the pace on water in Tassie.

Mr Oldfield—Yes.

CHAIR—One of the criticisms we have received in these hearings—when we were in Perth last week, for instance, and in Melbourne last week—is on MISs. We have received some more evidence on that today. What is the Tasmanian Farmers and Graziers Association’s view on MISs?

Mr Oldfield—It has been very much the position of the Tasmanian Farmers and Graziers Association—and it is our published position—that we believe individual farmers have the right to make decisions on what they do with their land. We understand concerns regarding managed investment schemes and we understand the concerns about the conversion of agricultural land into tree farms. We have been very strong in saying that we do not like the idea of farmers being told by anybody what they can do with their land. We understand the community concerns with that—

CHAIR—You do not think there should be some environmental planning around that process?

Mr Oldfield—There is environmental planning around those processes now.

Senator MILNE—How?

Mr Oldfield—In regard to tree farm establishment?

CHAIR—Yes.

Mr Oldfield—There are clearly state regulations.

CHAIR—There are certain exemptions in the system for environmental planning.

Mr Oldfield—For example?

CHAIR—On the establishment of the forestry under the forest agreements.

Mr Oldfield—But what restrictions?

CHAIR—I will tell you exactly. In New South Wales in Bombala or somewhere the first thing anyone knows about a plantation forestry going in next door is when the rippers go in. There are no environmental planning requirements at all. You wonder why all the streams are drying up up there. If that is the view of the Tasmanian farmers, you are off the pace. I realise you used to work for Broken Hill and you may well be a forest plant—

Mr Oldfield—I have never worked for Broken Hill.

CHAIR—North Broken Hill, I am sorry, that sold out to Gunns.

Mr Oldfield—Let us go back a bit. Did you say I was a ‘forest plant’?

CHAIR—That was light-hearted—you the forest plant in the Tasmanian—

Mr Oldfield—I have lost you, I am sorry.

Senator BARNETT—With respect, Mr Chairman, I find that observation with respect to Mr Oldfield a little bit—

CHAIR—Colourful?

Senator BARNETT—Colourful, misrepresentative and inappropriate and I would like you to retract that.

CHAIR—I will explain it in closer detail. Given that you worked for North Broken Hill and given that North Broken Hill sold out to Gunns I said, ‘Are you the forest plant?’ It was not meant to be taken seriously, so please do not.

Mr Oldfield—First of all, North Broken Hill did not sell out to Gunns; North Broken Hill was taken over by Rio Tinto.

CHAIR—Right, whatever. In New South Wales—and I assume it is the same down here under the forest agreements—the environmental requirements for the conversion of land to plantation forestry are minimal.

Mr Oldfield—First of all, there are constraints to land use and they are obvious constraints in the use of chemicals in streamside reserves et cetera. There has been conversion of agricultural land here and the state has a policy on that, which the TFGA had fair input into. We do not want to see prime agricultural land converted to tree farms. That has been the position of the TFGA for some time. We are concerned about having the government tell farmers what they can do with their land. We say that in an environment of understanding that there will be community concerns when there is a change in land use. We accept that, but the alternative is to have government determine what farmers do with their land.

CHAIR—If you want to build a building or industry at the end of a street, there are environmental hurdles you need to jump; right?

Mr Oldfield—Correct.

CHAIR—Those hurdles are not there for forestry conversion.

Mr Oldfield—Can I ask a general question? I am more than happy to sit here and debate this issue, but I am struggling to see how this fits within the terms of reference of the Senate inquiry into food production.

CHAIR—It is about how in 50 years time, with a 30 per cent loss in the production land for agriculture, the doubling of the world’s population and the doubling of the food task, we maintain the capacity of agricultural land to be used for agriculture. I can go further than that. In the Ord system a lot of the sugarcane country is now being converted into sandalwood. It is MIS driven. It would not be there if the taxpayers did not put the benefit of the tax deduction up front for the investor. Great Southern Plantations are a really good example of that. They are ’94, ’95

and '96 rotations which have matured. It ran at a loss. They had to be propped up for investors from outside money.

Over in the Douglas-Daly area, all the beautiful black soil country is now being converted into African mahogany. It is beautiful agricultural land. The viability of it has nothing to do with the mahogany; it is to do with the tax deduction, and that is bloody crazy. The farmer organisations are silent. They are deadheads.

Senator MILNE—Mr Oldfield, I do not think you were here this morning but we heard evidence in relation to the Swift Cuthbertson matter and I asked the question there about what the Tasmanian Farmers and Graziers Association was doing in response to that dispute. I would appreciate if you could tell us what the TFGA has been doing in relation to that and then I will come back with some specific questions.

Mr Oldfield—Certainly. You would appreciate that there will be certain confidential matters.

Senator MILNE—I understand that. If you could just give the committee an outline.

Mr Oldfield—As the TFGA, we were first advised of this as a looming issue in December last year by various agents involved in the sale of skins in the state. We started conversations at that point. At that stage we chose not make public attacks on anybody. We hoped that by using our good officers we could try to resolve this. As this matter got worse and became an issue between Cuthbertsons and Swifts we proposed a settlement to JBS Swift which was that we believed there should be an independent person who assessed the tenders to lambskins in Longford on a daily basis. It was proposed that the TFGA should take that role, but I did not believe that to be a role of the TFGA. I thought it was a role of an independent person, perhaps someone like a retired accountant or someone who had been through the industry and who understood it. The proposal that we put forward at that stage was that that person be engaged on a daily basis, receive the lines of lambs in the morning, open the tenders by fax or email and make a decision. We thought that was a fair and equitable way to do it.

CHAIR—I think that sounds fair.

Mr Oldfield—At that point Swift rejected that approach. They said that they did not believe that to be a viable way of doing it. We disagreed with that.

Senator MILNE—Was that in December last year or more recently?

Mr Oldfield—That would have been about two months ago.

CHAIR—What did they think was unfair about it? That position seems eminently sensible.

Mr Oldfield—I agree with you.

CHAIR—Despite my earlier yelling at you!

Mr Oldfield—They stated that was the way it happens at most saleyards throughout Australia. Their argument is that, unless the price of skins is maintained, they will lose those lines of

lamb, they will go to Victoria. They have an interest in maintaining the price on skins. Our view is that the practice they were engaging in at the moment in fact was not enhancing the price of skins, so we disagreed with them on that. We put that proposal to them; they disagreed. We had approaches from various other people including Cuthbertsons. We suggested that if they believe the practice to be unlawful they should go to the ACCC. We offered that advice then and we still offer that advice now.

As the matter became more and more heated various meetings took place. We chose not to take a public position on this. We felt that we were better off trying to resolve this matter through negotiation rather than coming out and attacking either party. We brokered a meeting between JBS Swift's senior directors and Cuthbertsons in our offices about three weeks ago. I went through a number of issues with them. First of all we agreed on the points that we could agree on. We all agreed that maintenance of lambskins was vital both to the future of those works, the Cuthbertsons and the farmers. We went through a list of the points. We then said, 'Having achieved that, how can we get your goals agreed on or how can we achieve your goals whilst increasing the level of transparency?' The suggestion I put to them was that there should be a floor price established each day for those skins and that floor price be put on the tender documents each morning. Swift for example could say: 'We believe these skins are worth \$6. If you wish to bid above \$6, feel free but if we don't get a bid above \$6, we will take those skins out of the market—that is, we'll buy them.' We thought again that that achieved all the goals. It was fully transparent. It maintained the floor price that Swift said was important and it gave the transparency that Cuthbertsons said was important to them. Both parties at that point said that was worth looking at. Cuthbertsons went away, thought about it, wrote to us and said, 'Yes, we agree.' Swift contacted me last week and said, 'No, we disagree. We want to maintain the current system.' We think that is most regrettable.

CHAIR—You worry when you sell over the hooks how you refer yourself to what the market is. You have to have some market power somewhere operating to develop what, in this instance, is the skin price—

Mr Oldfield—Correct.

CHAIR—whether that is on the mainland or somewhere where there is competition so as to be able to make that floor price something that does not become convenient to all the likeable rogues in the sheep industry. In this case, of the skin processes, they are all God's children, they are all likeable rogues, but they all have to make a quid. So I guess there is a little tricky bit to that, and, surely, a fair dinkum, honest tender system would be the best way to go—with, as you say, an independent process and not some person who in Melbourne who gets a downstream quid out of having opened to tenders and advised of the price and then gets business out of it. This brings me to the levy that we were told about this morning which you fellas collect from the abattoirs.

Mr Oldfield—There are a number of levy collectors in the state, but people who choose to pay their TFGA membership through levies voluntarily agree that the levies will be taken out at the point of sale—be it through Roberts, Elders or at the abattoirs in some cases. Other members choose to self-assess and just send it to—

CHAIR—Can you explain that levy to me? Is it \$100 a year or \$200 a year? Can you get a copper gold star membership or a silver star membership? What is the membership fee arrangement?

Mr Oldfield—We have a scale of levies which we can—

CHAIR—Table, yes.

Mr Oldfield—They are based on a per kilo price.

Mr Steel—For the meat, for example, at the moment it is 40c per \$100 of sales. So if you have a beast that goes through the abattoir, it is worth \$100.

CHAIR—Why do you go to that trouble?

Mr Steel—That is the way that we raise revenue.

Mr Oldfield—That is our membership fee.

Mr Steel—Basically, that is a voluntary membership fee for TFGA.

CHAIR—So your little fellas pay a little and the big fellas pay a lot.

Mr Oldfield—It is paid on volume. There have been a lot of members who have either moved out of farming or have very small farms, and in the past they might have paid \$5, \$10 or \$20 a year. We are saying that the cost of administering those is up, so we have put a minimum fee in of, I think, \$300. After that, it is either paying levies, which is voluntary, or farmers can self-assess and say, 'Well, last year I sold x'. One of the conditions is that if you want to be a member of the TFGA, you need to pay your levies on your various commodities. That is a voluntary thing. I would like to think that all farmers have ticked all the boxes, but I think that in reality they do not, and that is fine.

CHAIR—We are all likeable rogues too.

Senator FISHER—Mr Oldfield, that would not be dissimilar to assessment mechanisms for membership fees used by farming organisations in other states, would it?

Mr Oldfield—All of the other organisations that are resourced are commodity based; you basically pay on the value. We have some farmers who might pay \$1,000 or \$2,000 a year. We have some who pay \$300. But this is very different to where government levies are collected at point of sale. This is a voluntary organisation, and members will only join the TFGA if they believe they are getting value. We are like a footy club: if we do not perform, we lose membership.

CHAIR—Financial viability and intellectual viability is—

Mr Oldfield—Yes.

CHAIR—Senator Milne.

Senator MILNE—How do you respond to the criticism that has been levelled today that the TFGA has not taken a harder line or a higher profile on this issue because it has a conflict of interest in regard to the collection of those levies at the abattoir?

Mr Oldfield—I totally reject that. We have a very clear interest, and that is in the benefit of our members. We will never be influenced by the fact that we have an issue with a levy collector. I know that inference has been made, but, Chair, you would remember from last week my comments on JBS Swift, and I do not think that is consistent with the inference that Senator Milne is making.

Senator MILNE—I did not make it.

Mr Oldfield—No, sorry. I meant the inference that you were repeating.

CHAIR—Would it not be better, though, to collect it from the agent, or do a lot of people sell direct and take—

Mr Oldfield—We do collect from the agents. If the animals are sold through Roberts, for example, they collect the levy.

CHAIR—So why do you have anything to do with the abattoirs?

Mr Oldfield—It is because a lot of animals are now going direct to the abattoir and not through an agent. The abattoir buys direct and our farmers can choose to have the levy—

CHAIR—Suppose you only have one abattoir. There have been a lot of farmers—

Mr Oldfield—There is more than one.

CHAIR—who have had a lot of experience over the years of selling direct, avoiding the commission and having not been paid when the abattoir goes belly up.

Mr Oldfield—Again, that is a decision of the growers themselves. In recent times, from what I understand, we have probably seen a little bit more going direct. That is, again, entirely up to the individual farmer.

CHAIR—But it is almost putting you in a difficult position. We recently took evidence in Victoria, where a supervising meat authority had a contractual financial arrangement with an abattoir which happens to be expert at buying hogget, branding it as lamb and sending it into New South Wales. We saw that as a seriously grey area. Since that hearing, by the way, they have been raided and actually lost their licence for one week. So it is a matter of jogging people up. The inference that was made, even though it was pretty seriously off the mark, is a legitimate summation of what you could think.

Mr Oldfield—I understand that view, but if at any stage the TFGA, by its actions or its intention, was being influenced by that I think the members would make a very strong and rapid response.

CHAIR—I well recall last week in Melbourne you were treading on the line.

Mr Oldfield—I do not know how else you do it, and I would like to think that is also the common view of people who work at the TFGA.

CHAIR—We have rural land protection boards—although they have some fancy new name now—where you have to tell the board how many stock you have, because what you pay in rates goes by how many stock you have on your property. Don't you think you could do that?

Mr Oldfield—We do. In some areas where we have producers across various commodities selling directly we do not have an agreement on levy taking, so those farmers self-assess. They work out what they believe their volume to be and simply write us a cheque. My answer to that is that this is a farmer organisation which can only achieve what the farmers want it to achieve. So if the farmers choose not to support it and it ends up being a post office box in Launceston then that is what the farmers want. But if they want a viable organisation then they support it. They will only support it if they believe that it is achieving something for their livelihood and their committee. That is why I say it is like a footy club—it depends on our performance. If you went to a total subscription base then I believe the potential criticisms you were raising would be removed. To do that rapidly would place the organisation, I believe, in financial jeopardy. If that is something that the members want to do in the longer term then that is something we would certainly try and achieve. But it needs to be done in a way that does not put the organisation in jeopardy.

CHAIR—One of the difficulties of the culture of farmers is that we do not like compulsory fees such as those for trade union movements and so on, although we probably should have them imposed on us, because New South Wales Farmers' financial viability is pretty shaky, as is NFF's financial viability.

Mr Oldfield—We understand that at the moment there is probably about \$40 to \$50 million a year paid by farmers in subscriptions to various organisations. Yet we see the peak body, the NFF, with a budget of about \$7 million. To me that lacks logic, and maybe it is because I am new to the industry. I would have thought channelling the rare and precious funds of farmers to better ends might be something the industry should pursue.

Senator BARNETT—Thanks very much for being hear on behalf of the TFGA today. It is greatly appreciated. I want to ask you about the Cuthbertson issue with Swift and its implications for Tasmanian farmers, Cuthbertson and the agents and about the impact of Swift's activities in Tasmania. The evidence we received this morning regarding the actions of Swift is very disturbing to me and, I think, others in the committee. Swift appears to be setting up a monopoly arrangement in Tasmania regarding abattoirs and their activities. There have been very strong allegations. I do not know if you have seen the Cuthbertson submission, but they have made allegations of unfair tender process, which you have touched on, and of breaches of the section 46 of the Trade Practices Act, 'Misuse of market power'. They put evidence to us that it would also, in due course, significantly adversely impact farmers with respect to what they would get in

return for their skins. They also tabled evidence with regard to Swift's action forcing agents out of the market, whereby Swift basically go direct to the farmers. I would like you to comment on each of those. I note you have outlined some of the TFGA position to date, which I really appreciate. Could you give us your response to some of those allegations and tell us what the TFGA might be doing about it?

Mr Oldfield—Thank you for the question. In relation to the skins issue—and it is a little bit complex, so if this gets boring please stop me—whilst we have some problems with the transparency of the mechanism that Swift's have been engaging in for purchasing skins, up until recent weeks farmers were not actually suffering as a result because, as I understand it, they may have been overbidding the next highest bidder, which in many cases was Cuthbertson's, so that was concerning Cuthbertson's. So, at that point, the farmer was not actually losing out; he was still receiving at a minimum the Cuthbertson price and maybe a little bit more if Swift's came over the top.

Senator BARNETT—Sure, if you look at it in the short term, rather than medium or long term.

Mr Oldfield—Correct. So, at that point, the farmers were not losing money. Where it would become more problematic to farmers is: if that behaviour ultimately ends up in Cuthbertson's leaving the market, what does that do and do Tasmanian farmers then suffer? You could run an argument that, yes, they will—and I think it is certainly an issue to consider. Equally, there are, I am told, eight other tenderers in the process. So if Cuthbertson's dropped out, does that mean that the market would collapse? I do not know. It certainly is not a healthy thing. We would like to see 80 people bidding, not just eight, so if anyone drops out that is obviously not in the interests of farmers.

Senator BARNETT—But are those eight mostly in Melbourne?

Mr Oldfield—Yes. But as long as they are bidding for the skins then, from a straight farmer point of view, farmers have not been missing out. From a Tasmanian point of view, the loss of a Tasmanian company would obviously greatly concern Tasmanian farmers.

Senator BARNETT—Can I interpose there that, firstly, there would be the loss of a Tasmanian company and 40-odd jobs—15 in Launceston, I understand, and five in Devonport and a few in Hobart. Secondly, there are smaller abattoirs, like those south of Hobart, on Flinders Island, and Quality Meats, which employs up to nine people, I understand—I was there not so long ago; it is a great little establishment. They sell their skins to Cuthbertson's. So there is a flow-on effect in terms of jobs and competition in Tasmania.

Mr Oldfield—Yes, and that is why we have actively tried to get this situation resolved with the mechanisms that we proposed, because we believe that would have satisfied the aims of both parties.

Senator BARNETT—Yes, but it is not in the best interests of farmers to have a monopoly arrangement in Tasmania across the board in your view, is it?

Mr Oldfield—Clearly, a monopoly is not in anyone's best interests, apart from the person who controls the monopoly, and we would like to see vibrant competition in the market. As Tasmanians and as a representative of Tasmanians in the broadest sense in the farming community, we want to see viable, employment-generating businesses in Tasmania. From a straight farmer point of view, there is always the alternative of transporting livestock to the mainland. So there is always that other market. And, ultimately, these markets—as you would understand—have a way of working it out between themselves: if any particular market develops an enormous advantage, then things happen very quickly to correct that. But we would much prefer to see livestock processed in Tasmania, and that is why we have taken a fairly strong stance, for example, at King Island.

Senator BARNETT—I was going to touch on King Island. Do you want to put on the record your concerns about King Island and the fact that the cattle would be headed to Victoria?

Mr Oldfield—Our concern with King Island, and again taking a broader interest on behalf of our Tasmanian members, is that there are 100 employees of the meatworks on King Island and there are probably another 100 to 150 people affected. Our King Island members want to maintain a vibrant community and they believe that is very difficult to do if you have that impact on employment. Secondly, we want to see the value of the King Island brand protected and enhanced, and we believe the way to do that is to have those cattle processed on the island. Again, we have taken a pretty strong line on that in terms of branding. It has been the TFGA's view, particularly the view of the King Island branch and supported by the broader TFGA, that there needs to be some protection for that brand and so the animals need to be processed on the island. We are working very closely with the King Island Council on that. We have been involved in a range of meetings with the council and the government. In fact, I will be at King Island tomorrow, meeting the producers and offering them whatever support we can. We do not fully understand and were not privy to Swift's decision making on King Island; it has not been explained to my satisfaction.

Senator BARNETT—All right. With respect to the agents being cut out of the process and Swift's going direct to the farmers, do you think that is probable or likely? What is your view of that?

Mr Oldfield—My view on that is that we would support what the farmers want. The farmers will make a decision on what is in the best interest of their businesses. If they believe they are getting service out of the agents that warrants the payment of a five per cent surcharge then they will go to the agents. If they believe they are not getting that level of service, they will go directly to the abattoir, and that, quite frankly, is a decision for the individual farmer to make. The agents understand that, if they want to receive their five per cent, they have to perform. That really—

CHAIR—And, of course, you can negotiate that down, as some do—

Mr Oldfield—Some do.

CHAIR—to three per cent.

Mr Oldfield—That really, again, comes back to the decision of the farmer. If he thinks he is not getting value, he will go directly to the meatworks, and that is not really a view that we can take. I cannot give you a view on whether Roberts deserve to be paid five per cent or not.

CHAIR—You would have to be very courageous because when people do not get paid and an institution goes belly up, they all wish they were with the agents.

Senator BARNETT—Let us go back to what you said earlier. You organised a meeting. You were a sort of mediator with Swift. I think you got representatives of Cuthbertson to that first meeting, which essentially failed in the outcome, which was to try and get a better and transparent tender process.

Mr Oldfield—Correct.

Senator BARNETT—What has happened since then?

Mr Oldfield—What has happened since then is that we have had the King Island abattoir closure, which I think has distracted everybody except Cuthbertson, understandably. I was advised of the rejection by Swift of our suggestion, I think, last Monday afternoon, whereas six hours before—

Senator BARNETT—Monday of last week or of this week?

Mr Oldfield—Last week, which was a few hours after we learnt of the closure of the King Island abattoir. Rightly or wrongly, we have not had the ability to focus back on the skins issue in the last week.

Senator BARNETT—What is your prognosis or plan of action regarding the skins issue for this week and future planning?

Mr Oldfield—We will go back to Swift's and try and use whatever influence we have to get them to agree to a method that is transparent. The other thing I have done is spoken to Cuthbertson on a regular basis and said, 'If you believe you have an argument with the ACCC then you should be pursuing that with all vigour at the ACCC'.

Senator BARNETT—They have advised us that they are doing that.

Mr Oldfield—They are, but I am not 100 per cent sure about with what degree of vigour.

CHAIR—The ACCC demonstrated their lack of vigour in their grocery inquiry and their fertiliser inquiry. They were dreadful.

Senator BARNETT—I would certainly look at following up on that issue regarding the ACCC, but that is something that the agents—

Mr Oldfield—They have contacted me.

Senator BARNETT—All right. You could follow up on that. So you have been in touch with them?

Mr Oldfield—No, they have been in touch with me—and there is a subtle difference; we cannot act for Cuthbertson's in this.

Senator BARNETT—No, but you can make representations.

Mr Oldfield—The ACCC has contacted me now on three separate occasions to ask me to give them my understanding of the facts, which is all I can really do. I have done that as recently as last Thursday.

Senator BARNETT—I will tell you what I will be doing. I am going to make sure that this information that is available today and the information and evidence tabled today is made available to the ACCC.

Mr Oldfield—There are two points that I do not think that the ACCC fully understood.

Senator BARNETT—Right.

Mr Oldfield—I do not believe they fully understood that the farmers still owned the skins.

Senator BARNETT—Yes.

Mr Oldfield—I think there was some confusion about what that really meant. Secondly, they said, 'When you have an auction system, it would be relatively normal for the person conducting the auction or the tender to say, "We do not necessarily accept any or the highest bid"'. I said, 'It is different in this case because you have got the person conducting the tender also tendering, so that is different to the normal caveat you would see on an auction.'

Senator BARNETT—And you would not like that, would you?

Mr Oldfield—No.

Senator BARNETT—Do you think that is an abuse of process?

Mr Oldfield—I do not think they understood that.

Senator BARNETT—Do you agree that that is an abuse of process?

Mr Oldfield—What? Opening the tenders?

Senator BARNETT—Yes.

Mr Oldfield—To me, it is certainly not transparent.

Senator BARNETT—But is it an abuse of process when this person, Mr Knox, I understand, actually gets the tender documents from Cuthbertson and others and then tenders, according to the evidence we have received, post the opening of tenders?

Mr Oldfield—It is another agent who tenders. It is not Swift. But that other agent may be tendering on behalf of Swift.

Senator BARNETT—That is right.

CHAIR—Is that not a less than arm's length relationship?

Senator BARNETT—Does that not smell bad to you?

Mr Oldfield—I do not think I'm qualified to say what smells bad. I am qualified to say that it is not a transparent relationship.

CHAIR—Could I just impose a little discipline on the process, Senator Barnett.

Senator O'BRIEN—That would be unusual!

CHAIR—Yes, but we have got to occasionally do it. This committee will actually be reporting to the ACCC on these matters, and you may do so as an individual. That is the purpose of these sorts of meetings.

Senator BARNETT—Of course, in terms of the report of the committee, but—

CHAIR—No, what I mean—

Senator BARNETT—Are you talking about today's evidence?

CHAIR—Yes. You do not know the culture of this committee: we are actually a growing feast and we will be inviting them to come along and listen to what we have got to say—in a briefing or in a public hearing—about the evidence we have received before we report.

Senator BARNETT—Of course. But what is public today is evidence that has been put to the committee—

CHAIR—Yes, you can do what you like with it.

Senator BARNETT—and the ACCC should be made aware of it.

CHAIR—And I am sure as a consequence of today's meeting they will be. Can I just go to the culture of opening the tenders. This is the likeable rogues culture. Good cattle thieves who pinch cleanskin cattle do not actually think they are pinching cattle—that is part of this likeable rogues culture. Back to you, Senator Barnett.

Senator BARNETT—Do you want to respond any further to that, Mr Oldfield?

Mr Oldfield—I can just summarise our position with skins. We would like to see full transparency, and that has been our position all the way through. We are not influenced by the fact that Swift's collects levies for us. I believe that, through our actions in recent times, we have managed to maintain a good relationship with both parties. I think if we want to try and broker a resolution it is important that we do that, and we will continue to do that. Our interest is purely what is right for the Tasmanian farmer. That is our only interest in this matter.

Senator BARNETT—All right. To take that a little bit further in terms of your summary, I would have a view that if Cuthbertson goes down, their jobs are lost and they are taken out of the market, then you have got a monopoly more solidified in Tasmania than previously—

Mr Oldfield—We have one less player in the market.

Senator BARNETT—and I am not sure that that is in the best interests of farmers.

Mr Oldfield—And I said that from the outset. We would rather see 80 people tendering, not just eight. The more competitive the market, we believe, the better the outcome for the farmers.

Senator BARNETT—The evidence they put to us is that there would be a significant financial impact on farmers and the broader community. They said there was evidence of farmers getting less for skins through the lack of competition. I draw that to your attention; it will be in the transcript of evidence. I would encourage you to pursue that evidence and follow it up in the best interests of farmers.

Mr Oldfield—We have a choice now. We could either say we have tried and give up or we can continue and try to get a resolution. We will continue and try to get a resolution.

Senator BARNETT—My other question relates to the state government. What role or involvement have they had in this issue, if any?

Mr Oldfield—In the skins issue?

Senator BARNETT—Yes.

Mr Oldfield—I do not think they have had any direct role in this issue at all, apart from us keeping them informed of the matter, which we have done. I stand to be corrected but I am not aware they have played any role. And, regrettably, I do not know what role they can play. This is why we keep saying—

Senator BARNETT—Do you know if they have had any involvement or made any representations to Swift with respect to the skins issue?

Mr Oldfield—No, I am not aware of any. That does not mean there isn't; that means I am not aware.

CHAIR—Swift's have been talking to the government on the King Island issue, but surely in that conversation someone would have given them a bit of a hit up the ribs over the skins.

Mr Oldfield—I honestly do not know.

CHAIR—Following on from Senator Barnett's question, wouldn't this be a task that a good local state member would take up with great enthusiasm?

Mr Oldfield—I think there have been some comments publicly from members of the opposition, if I recall, about this in Tasmania.

CHAIR—I do not understand why they are not standing outside with placards yelling at the parliament.

Mr Oldfield—We do what we can do and, regrettably, we do not control a lot of other people.

Senator MILNE—We have asked various people today where this will go to in terms of Swift's developing a monopoly, essentially, in Tasmania. We have heard some very concerning evidence about what it would do to a range of things, including the loss of the provenance labelling, the failure to get the value added premium for hormone-free and growth-promotant-free product et cetera. I have the same issue about frozen vegetables imported from China going into the processing plants on the north-west coast. What is the TFGA doing on behalf of the Tasmanian producers to really take this on and get behind making sure we protect Brand Tasmania so that we get a premium price for a genuine Tasmanian product? It is not just about labelling—and the labelling is a horror anyway. What are you doing with the government and the processors to really take this on?

Mr Oldfield—One of the things the TFGA has done in recent times with the state government has been to develop the vegetable marketing strategy for the state which you can now see evidence of, even in today's paper. There has been a fairly strong advertising campaign on the back of that strategy. Our view on Brand Tasmania and the branding of Tasmanian products is a developing view, to the extent that I do not believe a lot of people fully appreciate yet what a brand really means. I think you have touched on it by saying it is more than a label.

Senator MILNE—Yes. It has to have integrity.

Mr Oldfield—A brand has to be the promise to the consumer. Spinning off slightly to a more personal view at this stage than a TFGA view, what worries me a little bit about developing the brand 'Tasmania' is that we tend to diminish the value of that brand on many occasions when we start to look at local branding. I do not have a firm view on this yet but it worries me.

Senator MILNE—I understand where you are coming from, on the provenancing of King Island or the Tamar Valley.

Mr Oldfield—Correct.

Senator MILNE—I want to get back to the issue of taking on the processors particularly in relation to the integrity of the product with the importing of overseas frozen vegetables. What is going on with Simplot in relation to that?

Mr Oldfield—You would be aware of the Tasmanian vegetable campaigns about three years ago that were run very strongly by TFGA members, so labelling and the integrity of labelling is very critical to us. That has not been an issue that has been raised by our growers so much in the last year or so because they believe a lot of progress was made on that, but it is something that we remain concerned about. The strength of labelling and brand awareness is something we are very strong on, and that comes through to how we handle it with Swift's as well.

Senator MILNE—Yes. But is Simplot still importing frozen Chinese vegetables and putting five Chinese vegetables and one Tasmanian vegetable in a packet labelled as Tasmanian vegetables? Is that still happening and, if so, what are we doing about it?

Mr Oldfield—I am not aware of that happening. What I am aware about is a discrepancy in labelling protocols at the moment in terms of source of origin, where you can have something very different depending on where something is grown or processed and the terminology behind that is different. I accept that.

Senator MILNE—I understand about 'Made in Australia' and 'Product of Australia'—we are having that fight constantly.

Mr Oldfield—I do not know what Simplot are doing in terms of mixing Tasmanian vegetables with other vegetables and calling them Tasmanian. If that was to happen, I would have thought that was a clear breach of various trade practices laws.

Senator MILNE—No, it is not, so long as 50 per cent of the cost of the product is incurred in the country, and if that is in the plastic bag and the marketing, so be it.

Mr Oldfield—But doesn't the labelling then have to say: comprising of Tasmanian, or Australian, and other sources?

Senator MILNE—They get around it with the vegetables. I would like you to take this on notice, talk to your vegetable council and ask them whether it is still happening, what has happened with that vegetable processor in Devonport and how many Tasmanian vegetables are in a packet of frozen mixed vegetables from Tasmania. It is something I really think the farmers' bodies need to get cracking on.

Mr Oldfield—I would agree with that. I would be happy to do that.

CHAIR—Given the evidence we have received today, we will reissue an invitation to Swift's to appear before this committee to put their side. I am sure they will have their version of events and we would like to hear their version, so we will reissue the invitation.

Mr Oldfield—They were invited to this one, were they?

CHAIR—They certainly were. I made a personal phone call to Mr Berry.

Senator O'BRIEN—Mr Oldfield, I understand some evidence has been presented already with regard to that unusual relationship between the owner of the lambs selling them, the agent and the processor in relation to the responsibilities of each party to one another to achieve the

best level of value. Has the TFGA done any work in this area to better equip the farming community with skills to maximise their returns in these sorts of transactions?

Mr Oldfield—We have to the extent that we are looking at a whole-of-farm planning process through our property management systems. It is something that we do in conjunction with the various NRM units in the state and with the state government, and we receive funding from that. We believe that the good farmers in the years ahead will have a comprehensive farm property management system. Part of that is mechanisms and skills to enable farmers to understand the economics of their businesses a lot better than they perhaps do now. As you would appreciate, we have a wide range of business owners in terms of their skills.

One of the points that we are advocating at the moment is that the state government, in the Premier's *State of the state* address a month ago, talked about the need to establish an educational institute for farming in Tasmania. The Premier named the TFGA as being one of the parties who would have an involvement in that. We have a developing view that that skills training should be based strongly on business management—that people who go and do those courses do not need to know how to build a fence or shear a sheep; they probably know that. What they need to have are sound business skills, and I think that will be a developing factor in farming. It is certainly something we see in training.

We do not run particular courses in this regard at the moment over and above, but we do have an overview of this property management system that has financial modules in it. At the moment, for a farmer to make a decision as to whether he puts his lambs direct to the agent or to the works, he will make up his mind on what he believes is the best value. So we have some farmers, for example, who will simply ring their agent and say, 'I have got 300 lambs; find me the best price,' and, if they believe that is all they have to do, the agent does it, guarantees payment; it is not a problem. Others will believe that that is not worth five per cent. We at the TFGA do not have a view on that and, if we tried to have a view on that, we would be told by our farmers not to have a view. But, you are right, you wonder at times how much deep financial thinking goes into some of these decision making processes and how much of it is tradition.

Senator O'BRIEN—Everyone is wondering how much a kilo they are getting on the carcass. It is a fairly simple extension in the trade, isn't it, to suggest that the trade determines what is current market value for the skin and put it into that transaction, whoever it is going to be sold to?

Mr Oldfield—Yes.

Senator O'BRIEN—It could be done, could it not? I am just wondering.

CHAIR—Could I just caution—

Senator O'BRIEN—I am happy for you to give evidence separately, but I am asking questions, and—

Mr Oldfield—Do you mean selling lambs the way they sell beef, where you just get a whole price and it goes across to the yard?

Senator O'BRIEN—Yes.

Mr Oldfield—I think you probably heard evidence from Mr Mills earlier that not only does he disagree with that system but he would like to see a similar system to what we have for lamb introduced for cattle. I know, having spoken to Mr Mills, that one of his arguments for that is that it encourages him to make the investment needed on his property to look after his animals, going to damage to hides and things.

Senator O'BRIEN—You are presuming that what I mean is that you just have a per kilo price without an additional value for the skin, which could equally be in the transaction, could it not?

Mr Oldfield—Yes, it could be.

Senator O'BRIEN—That was the point that I was making, not that you would sell the beast and the skin be just a surplus part of the transaction or built into the price.

Mr Oldfield—It could be.

Senator O'BRIEN—I suppose either is a worthwhile transaction, but it seems strange to me that the farmer sells the carcass by weight on the hook and then says, 'Well, someone can go off and do the business about what the hide is worth', whereas there is undoubtedly information about what the market value is for different qualities of hide.

Mr Oldfield—The price of skins, in particular, can vary widely—

Senator O'BRIEN—They sure can.

Mr Oldfield—over a very short period of time and over a very short distance.

Senator O'BRIEN—They can vary on the same day, apparently, according to some evidence we got, depending on whether there is competition in the market for the skin or not. This is according to evidence we got this morning from Cuthbertson about someone they traded with, where smaller animals' hides went for \$6.50 and larger animals' hides from the same flock were \$3.50 in two different transactions.

CHAIR—I just caution—and I do declare an interest here; I have probably sold more skins than anyone in this room—

Mr Oldfield—Certainly more than me.

CHAIR—that there are a lot of variables in a skin and a lot is to do with the condition in which the sheep is killed, the damage to the skin and the maturity of the season with the grass seed. There is a range of variables which you really cannot come to terms with until the skin is off the animal because there is value in the hide as much as the skin. I have to say that you would have to be like a wool classer if you were going to go out and value the skins when you put the lambs in the yard to send the abattoir because there is serious variability between a sucker that has been on one feed and a sucker that has been on another feed and the maturity of the season et cetera. So I would urge great caution.

Senator O'BRIEN—The evidence we had about the situation at Longford was that it was exactly at that point that you say is dangerous—that the price had to be determined.

CHAIR—It would be dangerous to assess the value of the skin on farm and expect that to be what turns up dead on the floor of the abattoir, because there can be, as Mr Oldfield would know, a lot of variability. It is just a statement of fact; I have not got time to argue it here.

Senator O'BRIEN—It never stopped you before, Mr Chairman. Can you elaborate on the TFGA's view of the extension of the proposed irrigation farming in the midlands of Tasmania through water projects that the state government is advancing? Do you concur with the proposition that those additions to the irrigation output in the midlands of Tasmania will have an impact on soils, salinity and the like?

Mr Oldfield—The answer to that could be one paragraph or a whole book.

Senator O'BRIEN—You have time for more than a paragraph and certainly not a whole book. Unless you want to give it to us on notice, we will take what you can say now.

Mr Oldfield—I will have a crack at it. The TFGA represents a broad range of interests. To think that we have a common opinion amongst all our members on all issues would be very naive. When it comes to irrigation and the use of water in Tasmania, we encompass a wide range of opinion. There are some things that we do all agree on, though, particularly in terms of soil management, water management and their impact on the very areas you talked about. In relation to the developments of the Irrigation Development Board, one of the criteria they have placed on farmers receiving the benefits of those schemes is that they have to satisfactorily complete those modules in the property management system that I talked about before. So at the moment we are developing—and it is being managed by the TFGA—the creation of those modules of the property management schemes in relation to soils and pasture management for people who are going to be recipients of the water. The IDB are insisting that farmers have completed those modules before they can even buy the rights for that water. So I accept that point fully.

In relation to the benefits of the water, there will be a number of factors that will impact on that apart from the physical factors of soil. The price of water is obviously a major issue. There is a wide range of opinion on how that water should be priced. Ultimately, I believe, the price of that water will determine its end use to large degree. We support the development of sensible irrigation in Tasmania. It has long been the view of the TFGA that there is water available but it has been in the wrong place for farming. If that can be corrected and water is available to farms in a way that is environmentally sustainable, and if we produce products that are both in demand and profitable, then we would support it. In Tasmania we have the IDB, we have Rivers and Water and we have the Hydro. If we had our choice we would have an overall water strategy for the state that encompasses all those organisations, but at the moment we do not have that. We do have the minister, who is taking a global view. But I think it would be better to see an overall water strategy, and the government knows that it is our view. However, we work very closely with the IDB at the moment.

Senator O'BRIEN—We had some evidence earlier suggesting that there were particular problems in the midlands of Tasmania with regard to existing irrigation projects. Are you aware of any particular problems?

Mr Oldfield—I am particularly aware of the problems relating to the Clyde River and Lake Crescent.

Senator O'BRIEN—That is a shortage of water, isn't it?

Mr Oldfield—The farmers in that area would argue that there is a shortage of water but there is water available and that they are not allowed access to the water.

Senator O'BRIEN—What about problems with soils arising from the current irrigation practices in the midlands?

Mr Oldfield—No complaints or concerns have been raised with me. That does not mean there have not been any, but they have not been raised with me. To go back to the Clyde for a second, it is a classic example at the moment—certainly up until a couple of weeks ago—because in many of its areas it is dry. So by any test the current management systems have not worked. From an environmental point of view there is no water and from a farmer's point of view there is no water, so however you look at it the current method of management in that area has failed.

CHAIR—I might draw this to a conclusion, Senator O'Brien, but if you have got something that is burning a hole—

Senator O'BRIEN—Given that this is about food production and considering all the evidence that has been taken today, this evidence is probably the most relevant.

Mr Oldfield—Water is certainly the dominant issue in our world at the moment.

Senator O'BRIEN—I would appreciate it if you were to add to that answer on notice, because it is an important area and the TFGA will have some interesting insights that it can present to the committee about opportunities from water and some of the challenges that this state will face in properly managing its water resource.

Mr Oldfield—We will specifically address that in our written response.

Senator O'BRIEN—I appreciate that. Thanks, Mr Oldfield.

Senator MILNE—If there is any salinity mapping that can go with it, that would be useful too.

Mr Oldfield—Sure. We will also address your vegetable issues as well in our written submission.

Senator BARNETT—I know that Senator Colbeck would like me to ask you for a status report regarding the Clyde River, and I note our appreciation for your advocacy for the rural community and the farmers in that area. Can you give a status report on water and access to it in that community?

Mr Oldfield—At the moment there is an emergency release of water from the Shannon River going into the Clyde. The problem is it is coming into the Clyde downstream of some

agricultural properties between Lake Crescent and where that water is coming in. The water coming in at the moment is initially designed to keep the township of Bothwell in water, but there is some water available for irrigation. The method of delivery of that water from the Shannon into the Clyde at the moment is inefficient, but it may well be there was no other way to do it in the short term. However, there are significant losses because the water is flowing across pasture. So we do have at the moment some farmers irrigating with the available water, and there is a guaranteed water supply into the Clyde. The problem is those farmers who have traditionally relied on the Clyde for their water takes are not receiving that water, and there is some concern regarding whether the new levels of water that are available to them are fair and reasonable for them based on their historic takes. The National Water Commission came to Bothwell three weeks ago and we met them with a delegation of farmers who put that case strongly. They made a number of suggestions to those farmers about what they should do, and we have been following that up on behalf of the farmers.

Senator BARNETT—Have you been following up the refusal of Mr Garrett to allow water out from Lake Crescent, and what progress have you had with respect to that refusal? The view of the state government is, I think, not unlike your own and others'. What is current position regarding the refusal of Mr Garrett?

Mr Oldfield—The current position is that we that we found his decision most regrettable. We were actively involved in lobbying the minister to take a different view, and we believe that the management of the lakes is not benefiting from his decision. We think it fails that test and, equally, it clearly fails the needs of the community, so we cannot support it. That view has been made by the TFGA directly to Mr Garrett's office and I believe there is no misunderstanding of our view on that. In relation to the National Water Commission's view of that, they have explained to us that, if farmers can establish a historical right to the water that has now been diminished by the actions of the state government, there may be an argument that the state is noncompliant with the National Water Initiative. That is something we do not know the answer to yet, but I know that that is something that is actively being referred to farmers' lawyers in that region, in terms of compensation.

Senator BARNETT—How can we get an answer to that? Is that up to the National Water Commission?

Mr Oldfield—I hope we will advise the National Water Commission of our legal opinion on that by the end of this week.

Senator BARNETT—That is a ray of hope for the farmers in the region.

Mr Oldfield—Yes, in terms of compensation. But the farmers do not actually want compensation. What they want is water. If they cannot get water, compensation will go somewhere.

Senator BARNETT—So this is only going to lead to compensation. It will not lead to water.

Mr Oldfield—Correct.

CHAIR—What is the story with Garrett and the water? Is it for some other purpose?

Mr Oldfield—Yes. It is for the protection of the golden galaxias, which is a native species that inhabits the Lake Sorell area.

CHAIR—So what—the lake is pretty low?

Mr Oldfield—Yes. The lakes have been high and low over the 150 years since first settlement in that area. The golden galaxias is certainly threatened when the waters are low, but equally its major threat comes from trout, which is an introduced species, clearly. Trout thrive on golden galaxias, so the state government has actually removed trout from Lake Crescent. The two lakes, Lake Crescent and Lake Sorell, are joined. There is a gate in the middle at the moment, but we still have trout in Lake Crescent knocking off—

CHAIR—Anyhow, we have to finish. Tell me about this water that is going across a pasture. Why wouldn't you have put it into a channel?

Mr Oldfield—Because it is an emergency release.

CHAIR—How far across the pasture is it going—a mile?

Mr Oldfield—I think it is some kilometres.

CHAIR—With a grader and 10 hours work you would have a channel. That is ridiculous, wouldn't you agree?

Mr Oldfield—I am not disagreeing with you. I suspect the reason they did not do it is because they rely on the good graces of the property owner at the moment to have his land used that way, and I would suggest he does not want a channel through the middle of it.

CHAIR—I suppose he saw the benefit of flooding his paddock. Thank you very much.

Committee adjourned at 2.45 pm