

# Tasmania Feedlot Pty. Ltd.

A.B.N. 75 009 480 326

Registered Office - "ESKDALE", POWRANNA, TASMANIA AUSTRALIA. P.O.  
BOX 58, PERTH 7300, TASMANIA, AUSTRALIA.

FEEDLOT OPERATORS & EXPORTERS, TASMANIA. --- PHONE (03) 6398 6244 -- 6398 6104  
FAX (03) 6398 6297

Scanned copy of Submission

Tasmanian Freight Subsidy Arrangements Inquiry  
Productivity Commission  
P.O. Box 80  
Belconnen ACT 2616

16<sup>th</sup> June, 2006

Dear Sir/Madam,

Tasmania Feedlot is a wholly owned subsidiary of the Japanese AEON group and operates Tasmania's largest beef cattle feedlot at Powranna on the Midlands Highway south of Launceston. The cattle feedlot currently feeds about 12,500 head of cattle, the majority of which are fed for the Japanese long term grain fed beef market. Each year about 35-40,000 metric tonnes (mt) of cereal grain is fed to the cattle but only 1520,000mt of that grain is sourced from local grain producers in Tasmania. Consistently there is a requirement to purchase the balance of the grain from mainland sources.

## **Need for TFES**

Our business has an ongoing annual requirement to purchase grain from the mainland.

There are also other feed commodities which need to be freighted from the mainland as they are not available in Tasmania (molasses and micro-ingredients ).

The additional cost of freighting the grain in containers across Bass Strait makes the grain and thus the feedlot cattle feed dearer than for similar mainland feedlot operations.

The competitive nature of beef sales in Japan means we are always competing on price with mainland feedlots who are often able to purchase their cattle cheaper but nearly always able to purchase their feedgrains cheaper as our company always has to incur the additional freight and handling costs of crossing Bass Strait on mainland grain purchases.

## **Use of containers rather than bulk shipments**

Many years ago our company used mini-bulk shipments in co-operation with the TGEB however our expanded feeding numbers now require larger quantities of grain to be imported. We now receive all of our imported grain in containers due to the following factors:

- Container freight reduces the impact on storage capacities as a regular delivery program can be structured to provide grain as needed rather than a large delivery quantity that then has to be stored and then again re-handled at a later stage.
- The demise of the semi Government business ( TGEB) has meant that the bulk handling and storage facilities were placed in the hands of commercial operators

and thus diminished the security of the operation for users of any grain in those facilities as commercial considerations became the driving factor.

- Quarantine matters were always a considerable concern with a large bulk shipment whereas with the use of containers, that risk of delay or rejection of a grain parcel is related to each container individually rather than to the whole shipment. The use of containers creates a smaller potential impact on the grain supply to the feedlot cattle in the event of a quarantine problem.
- The use of containers allows for simpler segregation of grain types. We feed wheat, barley and triticale in our cattle ration. Bulk shipments do not always permit separate parcels of grain.
- The non inclusion of grains other than wheat in the TWFS has necessitated the commercial use of containers to ship those grains.

Containers of grain are proven to be more expensive to freight across Bass Strait than bulk shipments of grain however the abovementioned points indicate our preference for the continuing use of containers with both logistical and economic reasons coming into play.

### **Improving the integrity and effectiveness of TFES**

The system for claiming the TFES needs to be simplified and standardised so that it only relates to wharf to wharf freight and thus specifically relates to the Bass Strait freight component. This is required to give some integrity to the scheme and remove the opportunity for any "unjust" or distorted claims.

Furthermore creating a simple and standard freight subsidy would encourage potential grain suppliers to confidently quote prices on a delivered basis, something that they have not been able to do consistently due to the vagaries and uncertainties of the current system. This would give us the opportunity to compare different supplier quotes with confidence when making grain purchases from mainland suppliers and may remove some of the additional costs possibly built into the quoted price to cover the unexpected consequences of miscalculating the workings of the TFES.

### **Other Matters**

There is the associated issue of returning empty containers back to the mainland, which creates an additional freight cost and which currently is not subject to subsidy.

There is the issue of the non-subsidy of freight across Bass Strait related to our export of product from Tasmania to Japan, however that probably is a whole new policy issue outside of the considerations of this Productivity Commission review.

### **Conclusions**

The current level of TFES ( related specifically to our purchases of mainland grain) is critical to the ability of our business to successfully export into the Japanese beef market.

Any improvements to the combined schemes TFES & TWFS which enhance the cost effective bulk freighting of grains to Tasmania would be encouraged by our company but subject to the previously mentioned reservations regarding bulk deliveries of grain.

Yours Faithfully

Andrew Thompson  
Managing Director  
Tasmania Feedlot Pty Ltd