



HD Northern Frontier

BY Ginny Stein

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A number of stations in the Northern Territory have changed hands in the past year, raising questions about the future of cattle producing in Australia.

PIP COURTNEY, PRESENTER: In this story, Landline travels to the Top End, where the impact of the 2011 ban on live cattle exports is still being felt. A number of stations have changed hands in the past year, while many others remain on the market.

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The **purchase** of two properties owned for generations by the Underwood family has raised questions about the future of beef production in Australia. And a warning: Ginny Stein's report has images of a working abattoir.

GINNY STEIN, REPORTER: Remote cattle properties Riveren and Inverway are both vast and in the middle of nowhere. Nine hours by road from Darwin and close to the West Australian border, the adjoining properties cover 5,500 square kilometres, or a little over 1.3 million acres.

Mick Underwood has spent a good part of his working life in the sky over Riveren.

MICK UNDERWOOD, RIVEREN-INVERWAY STATIONS, NT: I do a lot of flying. I've probably done 15,000 to 18,000-plus hours in a helicopter and flown most of the area, so I know it pretty well.

GEORGIA UNDERWOOD, RIVEREN-INVERWAY STATIONS, NT: Riveren's beautiful. It's golden because of the beautiful black soil plains. It's a beautiful part of the world.

GINNY STEIN: The Underwood family have for generations devoted their lives to building and growing these Outback cattle stations.

MICK UNDERWOOD: I would just say it's the ultimate upbringing for a child. It's being brought up in the bush and, you know, we're allowed to roam freely, we did correspondence, Mum taught us school.

GINNY STEIN: Mick and Georgia Underwood took over running Riveren when Mick's parents retired a couple of years ago. But this is no longer a strictly family business. Riveren and Inverway have new owners.

Late last year, Japfa Santori, one of Indonesia's largest agri companies, bought the stations. Bruce Warren is the Indonesian **company**'s head of Australian operations.

BRUCE WARREN, HEAD OF AUST. OPERATIONS, JAPFA SANTORI: We had bought their cattle for a long time. We knew that they had good cattle. We knew that this **property** was actually very good. I mean, it was selected a long time ago.

GINNY STEIN: Based in Jakarta, he's now a regular visitor to Riveren, but this is the first time for his wife Michelle.

When the Government ended the live export trade in 2011, its impact was felt hard and fast across Australia's beef-producing north. Riveren and Inverway stations straddle the headwaters of the Victoria River. They've been at the centrepiece of the Underwood family pastoral empire for more than 40 years.

When they decided to sell, it was to Indonesia's largest beef importer in a bid to guarantee supply for the future.

Mick and Georgia may no longer be the owners, but they still manage the properties. That was part of the takeover deal, one that Bruce Warren worked hard to achieve.

BRUCE WARREN: Look, the most important part of this whole scenario is actually the fact that Michael and Georgia agreed to stay on.

GINNY STEIN: When Japfa Santori bought the stations, they also bought what they wanted most: more than 46,000 head of cattle.

This year is a good year, a one-in-five. It's so good, they're about to stock up, trucking in cattle bought from drought-affected Queensland.

BRUCE WARREN: It's a good year. To get April rain and to get weather like this in July, the grass just starts shooting - no, it's a special year.

MICK UNDERWOOD: We've been very lucky. You know, I think we were probably successful at buying at the bottom of the market.

GINNY STEIN: The Underwoods' decision to sell wasn't made lightly.

GEORGIA UNDERWOOD: A very difficult decision, but the best decision for the family and for Mick's parents.

MICK UNDERWOOD: We sat down as a family. Georgia and I, we wanted to stay on, but we were only going to stay on if we were going to be sole owners of the place and be able to take over management from the rest of the family. It was never going to happen. These businesses are asset rich and cash poor.

GINNY STEIN: For decades, Mick's parents, John and Terry Underwood, were at the forefront of Northern Australia's pastoral industry, working hard to build up the live export trade, with Terry gaining additional acclaim and documenting the family's Outback life in words and pictures.

Australia's ban on live exports following the ABC Four Corners exposé on the brutal treatment of cattle in Indonesia hit the family hard.

How big an impact did that have?

GEORGIA UNDERWOOD: Massive, but I wouldn't say any more massive for us than anyone else in the northern cattle industry. You can still see the ramifications and effects of it flowing out now.

GINNY STEIN: Foreign ownership is not new in the Territory. It has the highest proportion in Australia of agricultural land owned by foreign businesses. The Australian Bureau of Statistics' latest figures suggest it could be as high as 32 per cent, or close to 18 million hectares. For Georgia, who's now on the front line of reporting back to Indonesian owners, that's been the biggest challenge.

GEORGIA UNDERWOOD: Running a family-owned farm and all being very involved in the business, you all knew exactly what was happening at any given day, you knew where things were up to, what money was in the bank, when you were planning on selling cattle.

Now, we're working for an extremely large corporation who aren't on the ground, we're the people on the ground, so we've got to make sure that they're extremely well-informed at all times so that they know what is going to happen in the future, where we are with our budgets, how the business is tracking. So, it's a lot more reporting, a lot more accountability.

GINNY STEIN: When Bruce Warren went shopping in Australia, purchasing land wasn't the plan at all. What Japfa wanted was cattle.

BRUCE WARREN: Actually, at that point in time, I thought it was - would be good for us to be able to show our support for the industry by finding a partner whereby maybe they were in some difficulty financially. We could go in, we could actually **purchase** their herd, we could pay them a management fee to look after their land and our cattle and lease the land for a period of time.

GINNY STEIN: But he could find no-one willing or able to enter such an arrangement, only those who wanted to sell.

BRUCE WARREN: We actually couldn't find a partner and at that time then we realised that the land prices were probably as low as they were ever going to be and so we decided, well, we might as well **buy**.

And so that was not our intention to start with, but in the end, that's what we ended up having to do to try and secure the numbers.

GINNY STEIN: This year has proved to be a bumper year for cattle movements north to Indonesia.

TRACEY HAYES, CHIEF EXEC., NT CATTLEMEN'S ASSOC.: Currently we are experiencing an all-time high of numbers out of Australia. So we've just - nationally, the live export numbers have just reached a million head, and in dollar terms, close to a billion dollars.

GINNY STEIN: Tracey Hayes is the new boss of the Northern Territory Cattleman's Association. She says foreign ownership in the Northern Territory is not a new concept.

TRACEY HAYES: The north of Australia, particularly in the pastoral industry, was developed on the back of foreign ownership, so it's not a new concept up this way and people are comfortable with it.

BRUCE WARREN: If you really do your sums on what's actually happening in the Australian agricultural business, cattle business, you know, the returns are very low. Maybe they're 2, 3 per cent. Now, commercially, that's not viable on a stand-alone business, you know. And if you really look at why so many pastoralists are in trouble today, it's simply that there's no **commercial** value anymore.

MICK UNDERWOOD: I personally believe that family-owned businesses on their own are going to become scarce entities up here. I think it's going to be a hard gig to survive. 20 years ago when we were getting \$1 a kilogram for our animals, we were probably making more money than we are on \$2 now. Costs of production have more than doubled and cost of fuel's tripled. It is a hard, old gig.

GINNY STEIN: So why **buy**? Japfa Santori says it's because it's committed to vertical integration, or investing in all points from the farm to the market. The scale and logistics of feeding Indonesia's more than 250 million people is phenomenal. Live exports from Australia make up just 7 per cent of Japfa's total beef needs. And beef is in reality a sideline for a **company** that produces more than a million chickens every day.

BRUCE WARREN: Basically, Japfa is an agribusiness **company** and Japfa is about supplying protein to feed the world. For our beef business, at the height of the industry before the ban, we were doing maybe about 160,000 head per year imports. We were the largest importer of live cattle into Indonesia.

GINNY STEIN: In Indonesia, this is how the majority of meat is consumed, made into bakso, or meatballs.

BRUCE WARREN: In this factory, we do about 60 tonne of bakso per month. In our sister **company**, they do about 120 tonne of bakso per month. We also do about 125 tonne of a Frankfurter-type sausage. So that just gives you a little bit of an idea of the volume that comes just from Japfa.

GINNY STEIN: And this is the **company's** top Wagyu line. It's a niche product, but demand is growing fast.

For Japfa, buying Riveren presents an opportunity to make a possible profit at another point along the line.

BRUCE WARREN: The advantage we have with integration is that at times, every area has its ups and downs. So in the past, Riveren and Inverway had to basically stand alone and it was do or die here.

GINNY STEIN: Japfa's beef business now begins here in Australia and ends with the consumer in Asia.

BRUCE WARREN: From here, where you breed them, Mick, to Wabin here where we'll kill and processing and before that, the feedlot of course to actually finish them off and then from here to sales and marketing and distribution, and, yes, actually one day you'll be in a fancy restaurant eating Riveren-branded beef.

GEORGIA UNDERWOOD: From paddock to plate.

BRUCE WARREN: From paddock to plate.

MICK UNDERWOOD: Fantastic.

GINNY STEIN: Back in the Northern Territory, new owners mean more money to invest and changes to the way some things are done. More than 8,000 head have been shipped off the two properties this year, with the head count still rising.

There are now big plans for these stations. There's a breeding program to produce cattle more palatable to an Asian taste.

BRUCE WARREN: Speaking to Mick, he's been to Indonesia, he knows what we do, what we want and he believes that, yes, on Riveren and Inverway, he can do that. So this year, he hasn't cut any of the male calves. And cross-breeding, Indonesia, we want Euro types, less fat, more meat, and again, we can do that here.

GINNY STEIN: For Bruce Warren, who divides his time between Australia and Indonesia, he has no illusions about the state of Australia's cattle industry.

BRUCE WARREN: As sad as I hate to say it as an Australian, you know, Australia really doesn't have the money and don't have this integration to be able to make this work in the long run.

GINNY STEIN: Can it actually go up? Can you get smarter, can you get more for your cattle by better farming, by what?

BRUCE WARREN: I think from our side of it, from the integration, we probably also have a better chance.

GINNY STEIN: Japfa Santori, which runs its abattoirs according to Australian export standards, says its next step is to look to **China**.

BRUCE WARREN: As an Indonesian **company**, Santori are actually building a feedlot in **China**. All the plans and the designs are done by Temple Grandin. Santori has taken Temple to **China** and introduced her within the feedlotting, or the cattle business there. And part of the thing is that she will give seminars to people in the same industry over there. So here is an Indonesian **company** taking animal welfare to **China**.

GINNY STEIN: Today is Georgia's birthday, a rare chance to take some time off as a family.

Riveren is six hours away from the nearest town, which is Katharine. While Mick and Georgia Underwood now manage the land they once owned, it's their love of it that holds them to it.

GEORGIA UNDERWOOD: The main thing I want is more time with my children and more time as a family. That hasn't changed. In the family-owned situation, we worked seven days a week and we're still working seven days a week. So, my big priority is to try and ramp that down a little bit and have Mick at home a little bit more often.

MICK UNDERWOOD: It's a pretty special part of the world up here and I just hope live export can continue. I'm passionate about cattle, I'm passionate about live export, I'm passionate about the meatworks. I just want the industry to be as viable as possible and I want the people down south to understand that we love our cattle and our cattle are our life and we bend over backwards to look after those animals day in, day - you know, it's all about the cattle. And it breaks my heart when you get these people down south to think otherwise because we are our cattle and that's all we do, that's all we live for.

PIP COURTNEY: That report from Ginny Stein.

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