

President's Report

**President: Roger Swain (current)
Rupert Gregg (to May 2005)**

The new Board structure became operational in May 2005 and I was honoured to be elected by my fellow directors as the Association's President.

Overview of Operations

The past twelve months have been very challenging, both for the Association and our members. Many of our members were directly affected by the continued downturn in demand for wool and the associated reduction in price and our vegetable farmers had to endure significant reductions in crop acreage and price. The signing of the Tasmanian Community Forest Agreement without consultation with TFGA, or the farming community in general, created significant uncertainty for members and as the year came to a close, this land rights issue remained outstanding.

These challenges did not go unanswered. The Association joined together with members, industry representatives and our national affiliates and met these and other challenges head on.

The Australian Wool and Sheep Industry Taskforce had wins on the international front in securing European and American markets for our wool products, whilst closer to home TFGA signed a memorandum of understanding with Elders and the Sunshine Group. The Sunshine Group is China's largest and most innovative wool processing and marketing company and they are committed to commencing a dedicated program of purchasing and processing superior Tasmanian grown merino wool. The IWTO Congress that was held in Hobart also identified a number of positive strategies that are aimed at increasing demand for wool.

In response to the crisis that hit the Tasmanian vegetable industry in 2005, the TFGA Fair Dinkum Food Campaign was launched.

This Campaign delivered a number of positive outcomes and Vegetable Council will continue to work hard in 2006 to ensure any outstanding actions are implemented, including those outlined in the industry strategic plan.

Wins were also had in the meat commodity area as we were able to negotiate a reduction in the price of NLIS devices for Tasmanian cattle producers and at a national level, \$20,000,000 was secured in federal funding to assist producers with the implementation of NLIS.

To help address the shortage of young people entering the agricultural industry, the Working in Wool and Cropping a Career programmes were run to promote the career opportunities available in these industries to year 11 and 12 students. A Young Dairy Farmer Forum was also held during the year, and a greater emphasis on these events is planned for 2006.

Dairy Council and the national representative body, Australian Dairy Farmers, worked hard to secure outcomes for members, which included improved trade access, a sustainable market for dairy heifers to China, the retention of collective bargaining, input into submissions on the review of the Water Management Act and Animal Welfare Act and participation in dairy farmer study tours to New Zealand.

A moisture meter calibration system, a two-year phase out of the chemical Fenitrition (as opposed to an immediate ban) and the implementation of a suitable solution to address the low traces of genetic modification detected in Grace canola cultivars were all positive outcomes for the Cereals and Seeds Committee.

Forest and non-forest native vegetation issues were a key focus during 2005, and whilst these issues remained unresolved at the end of the year, TFGA has made



considerable headway and will continue to fight for members' right to farm in 2006. Wins were also had in relation to water with the Meander Dam project being secured and Tasmania signing onto the national water initiative to give irrigators greater security over water rights. Submissions were made on behalf of members on the review of the Water Management Act and revised National Weeds Strategy and significant progress was made in relation to game management.

The activities of the Association during 2005 are explored further in the remainder of the Review of Operations.

Strategic Plan

2005 was the first year of operation for the Association's three year strategic plan and it is pleasing to report that we achieved many of the goals set for the year. We ascertained the key issues affecting our members via a survey, which enabled us to better allocate resources to achieve required outcomes.

Our communication with members was significantly improved and we were able to keep members informed through the Primary Focus magazine, regular member meetings and the enhanced website as well as by obtaining greater coverage in the rural section of the regional newspapers, including The Hub.

Financial Performance

In 2005 the Association recorded a loss of \$228,081. It should be noted that this result includes expenditure of \$108,368 for the Vegetable Fighting Fund, expenditure that is not part of ordinary operating activities. When this figure is excluded, the operating loss is reduced to \$119,713.

This unfavourable result is attributable to a combination of lower than expected levy revenue across most commodities, one off expenses for the TFGA Fair Dinkum Food Campaign, reduced insurance commission revenue, an increase in Board expenses, extra labour resources being engaged in the areas of natural resource management, meat and cereals and seeds and other miscellaneous cost overruns.

Point of sale levy revenue for 2005 was \$1,269,127, which was approximately \$117,000 below budget and \$113,450 lower than the previous year. To help address this decline in levy revenue, Executive Officer resourcing levels for the Meat Commodity Council and Cereals & Seeds Committee were increased in the latter half of 2005. Through this increase in resources, these commodity areas should be able to deliver better outcomes for members, build stronger and more effective relationships with levy collectors and actively source new members. Levy revenue will be closely monitored in 2006 to ensure the increased costs from these extra resources are matched with equivalent increases in revenue.

As mentioned previously, Vegetable Council spent just over \$108,000 on activities associated with the TFGA Fair Dinkum Food Campaign. Council's expenditure included contributions to both the state and national vegetable fighting funds and the payment of fees for the consultant engaged to assist with the co-ordination and promotion of the Campaign and associated tractor rally.

There has been a downward trend in insurance commission revenue over the past few years which continued in 2005, with insurance commission

revenue being approximately \$18,000 lower than budget and the previous year. This trend prompted TFGA to enter into a dual carrier arrangement towards the latter half of 2005 that saw Wesfarmers Federation Insurance (WFI) become an alliance partner, in addition to MARSH. The introduction of this dual carrier arrangement is expected to see a reversal in the downward trend in insurance commission, however for this to occur our members must support our alliance partners and provide them with the opportunity to quote.

2005 was the first year that a director's fee was paid to every director, historically only the President, Senior Vice President and Treasurer received an allowance. A one day Company Directors training course was also held for the first time, training that is necessary to ensure directors are fully informed as to their roles, responsibilities and obligations.

To enable TFGA to better service members with regards to natural resource management issues, such as native vegetation, water, weeds and game management, a second Executive Officer was employed in the natural resource management area. This resulted in additional unbudgeted costs being incurred, however this expenditure was, and is necessary, as members have indicated that secure access to land and water are of paramount importance if we are to have sustainable farm enterprises.

2005 saw a net decrease in cash and cash equivalents of \$73,475, which was the combined result of negative net cash flows from operating activities and investing activities and positive net cash flows from financing activities. The negative net cash flow from operating activities can primarily be attributed to those items that have already been discussed, namely the reduction in point of sale levy revenue, reduction in insurance commission revenue, additional employee costs and Vegetable Council's non-recurring expenditure on activities associated with the Fair Dinkum Food Campaign.

The negative net cash flow from investing activities is largely due to the purchase of three additional motor vehicles, one each for the Natural Resource Management Executive Officer, Native Vegetation Field Officer North and Native Vegetation Field Officer South and the change over of the President's vehicle that was due for replacement. This also explains the increase in non-current assets.

The positive net cash flow from financing activities is attributable to two main factors. Firstly, TFGA received funding for a number of new grant projects in 2005, including Non-Forest Native Vegetation, Eat Well Tasmania and Environmental Management Services, resulting in a substantial increase in receipts from third parties and grants. These projects commenced in the latter half of 2005 and because the bulk of the grant money is received at the start of the project, there was a significant amount of unexpended funds at the end of the year, which explains the increase in other liabilities in the balance sheet and the payments to third parties and grants being lower than the previous year despite an increase in funds received.

In summary, despite the loss in 2005, TFGA remains in a sound financial position with good levels of cash reserves and retained profits, and net assets of \$1,442,742.

To ensure this sound financial position is maintained, the Board and I will be working closely with management and staff to identify alternative sources of revenue, opportunities for cost reductions and ways to retain current members and secure new ones. Financial management systems will continue to be reviewed to ensure effective management of the Association's resources.

On behalf of the Board, I present to you the annual report of the Tasmanian Farmers & Graziers Association for 2005.



Roger Swain
TFGA President