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NT trade link with Papua New Guinea

A long awaited formal agreement between the governments of the Northern Territory and Papua New Guinea will help open the doors of trade between the two regional neighbours. Dennis Schultz reports.

When Northern Territory Chief Minister Shane Stone met Papua New Guinea Prime Minister Sir Julius Chan in Port Moresby just before Christmas last year, it was the first official meeting of the two regional leaders. But it will not be the last.

Already the PNG Prime Minister has made a commitment to lead a trade delegation to this year's NT Expo '96 in June, and will take the opportunity to sign a Memorandum of Understanding (MOU) with the NT Government. It's a long-awaited formal agreement that will help open the doors of trade between two regional neighbours.

The MOU is of special interest to Darwin-based businessman Richard Kingsley, whose NT/PNG Trade Development Association has long campaigned for closer trade ties. Mr Kingsley wrote the original MOU drafts and accompanied Mr Stone to the PNG capital.

"We are now networking very closely with the Austrade office in Port Moresby," says Mr Kingsley, "and when an opportunity comes up they are now 'hot



NT Chief Minister Shane Stone with PNG Prime Minister Sir Julius Chan in Port Moresby late last year.

lining' the information to us. We can then immediately fax it to our 55 members."

Mr Kingsley sees training and development projects with AusAID as offering real opportunities to Territory businesses.

Although those business opportunities exist, the biggest obstacle to trade between the NT and PNG has always been a lack of air and sea links.

However this impediment is now being eliminated. A shipping service operated by the Queensland-based Austral Asia Line has been stopping in Darwin for the past year, along its circle route that takes in Singapore, Indonesia, PNG and Queensland.

Morris Meth, director of CSA Shipping, the local agent, said the Austral Asia line had committed three ships to the service and could now offer a fortnightly service between Port Moresby and Darwin.

While NT business has been slow to date, the service is still new and unknown to many local exporters. It is hoped that trade will accelerate when Territorians begin to take greater advantage of export opportunities in the area of mining servicing and maintenance.

Huge projects like the A\$2 billion Lahir Gold Project off the New Ireland coast and Chevron's oil project at Kutubu are just a few on the growing list of mineral and energy opportunities in PNG.

The most important link between Darwin and Port Moresby must be the establishment of a weekly air service – negotiations for such a service are underway.

A twice weekly direct flight already exists, jointly operated by Singapore Airlines and Air Nuigini, between Port Moresby and Singapore. Efforts are now underway to tap into that flight.

"Air Nuigini already flies to Singapore and they use Darwin as a navigation point," explains Michael Kilgariff of the NT Exporters' Council, "so the proposal is that instead of flying by Darwin, they simply call in and fly out again to Port Moresby." The signing of the June MOU should precipitate the establishment of that flight. ■

The new agribusiness essentials

Fortunes have been amassed in Asia from food production and distribution. David Hancock reports on the potential for profitable exchange in agribusiness between Darwin and the East ASEAN Growth Area.

Northern Territory lawyer Neil Philip sees Darwin as a key link in a major food distribution network throughout the East ASEAN Growth Area, which incorporates Brunei, East Malaysia, parts of Indonesia and the southern Philippines.

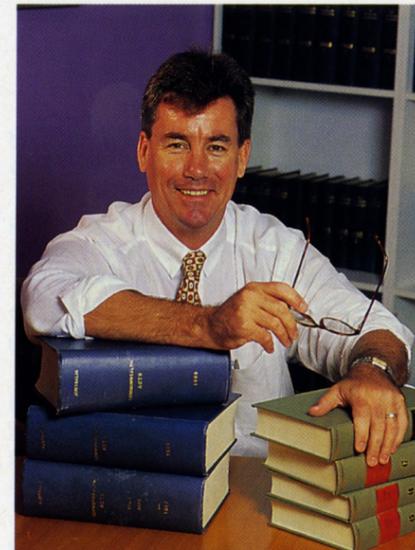
As the sole Australian director of the Desa Cattle Company, which is owned by Malaysian interests from Sabah, East Malaysia, he believes massive growth in agribusiness is inevitable in the region – and growth will come not just from live or frozen beef exports but in all products western, such as chicken for Kentucky Fried, ten-minute noodles...even Vegemite and cornflakes.

The Desa Cattle Company is about to embark on a major expansion program – it recently purchased a fourth cattle station in the Northern Territory (the 4500 hectare Ceres Downs in the Douglas-Daly region, south-west of Darwin) which will become a depot for live cattle exports.

Last year Desa exported approximately 12,000 head of cattle out of Darwin – a number which is projected to at least double within two years to fill extra feedlots the company is developing in East Malaysia and Indonesia.

While cattle exports will remain at the core of Desa's business, the company is poised to expand into other areas of agribusiness – such as chicken and egg production in Sabah and extensive food distribution – through its Malaysian parent company, KPD Holdings Sb. Bhd.

KPD was formerly owned and operated by the Sabah Government as part of the Rural Development Corporation, an organisation with a socio-economic charter to assist the poor in East Malaysia through rural development programs. KPD penetrated almost every town in Sabah and, last year, 60 per cent of the organisation was sold to private interests.



Darwin-based lawyer Neil Philip, a director of the Desa Cattle Company.

KPD is now a large and diversified agribusiness group with 29 subsidiaries and interests in the production of palm oil, tapioca, chicken, eggs, passionfruit, dairy products, cocoa, silk, tea, rattan furniture and a string of Desa Marts.

For Neil Philip and his Malaysian business partners the KPD network offers enormous opportunity to expand all forms of agribusiness throughout the region, beginning with East Malaysia.

"If you look at some of the biggest groups in Indonesia and Malaysia, they were originally, or are now, into agribusiness," he said.

"It's producing the essentials, and what is happening now for the people living in those areas is that the essentials have changed. Five years ago they couldn't afford what they regard as essentials these days – food like ten-minute noodles, Kentucky Fried chicken or Big Macs."



Modern housing development in Bandar Seri Begawan in Brunei.

Neil Philip sees Darwin as the logical point to distribute western-style food to a region which is fast-developing a taste for our way of life. This will be done initially by using containers carried on cattle ships to the region – eventually, Desa would hope to run a dedicated cargo vessel.

"A lot of the products into the region come from the United States and elsewhere – all food suppliers have a similar problem in that they have had to go through Singapore to reach destinations like Brunei, East Malaysia and parts of Indonesia," he said.

"We want to bypass that traditional food distribution route."

Mr Philip said it took around 21 days for containers dispatched from Sydney or Melbourne to reach their destinations in BIMP-EAGA, via Singapore. It would take about nine days to road freight the containers to Darwin and ship them to most ports in the region.

"Initially we are looking at containers of frozen beef but would expect to expand to fruit and vegetables, dairy products and a variety of other foods which are popular in supermarkets in Sabah and Brunei," he said.

"The Northern Territory could become a significant food distribution point for East Malaysia, Brunei, parts of Indonesia and even the southern Philippines. There would be substantial investment back into Darwin and opportunities for Australians wishing to invest in agribusiness in the region.

"These markets are going to expand dramatically because of western influences. We believe we can get Australian produce and products into the markets quicker and cheaper than is presently available by sea."

Mr Philip said Desa would expect to bring products from the region back to

Australia – of interest to the live cattle industry would be cubed feedstock, which is presently produced in southern Australia and trucked north.

"One of KPD's businesses in Sabah is a mill which supplies feed for their chicken hatchery," he said.

"There may be potential to bring milled feed back to Australia on returning cattle ships for animals being exported to Asia – if you can get them on the same rations they eat on the ship and in feedlots in Asia you are off to a flying start." ■