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To whom it may concern:

Submission to the Productivity Commission: Safeguards Inquiry into the Import of Pigmeat

This is a submission from Riverhaven Enterprises to the Productivity Commission's Safeguards Inquiry into the Import of Pigmeat.

In this submission, we wish to address the following matters:

- Imports are injuring the Australian pig industry and as such, appropriate provisional safeguards should be implemented to stabilise the industry;
- Grounds exist for a Productivity Commission recommendation to implement provisional safeguards and general safeguards;
- An implementation of provisional safeguards and general safeguards would not:
 - a. be a disincentive for the industry or for our farming enterprise/company to adjust; or
 - b. inhibit the international competitiveness of our industry; or
 - c. impact negatively on consumers in terms of price increases; or
 - d. slow our farming enterprise or industry restructure.

We have evidence of the actions already taken by our farming enterprise to manage import pressures. We have comparative evidence to show that our farming enterprise is responsive to changes in the industry. We show how our business has changed and by how much from 2002 to 2007.

We demonstrate that despite our continued efforts to restructure our operations, imports are depressing our pig prices and impeding our ability to recover our costs of production. It is imports which are causing serious injury to our business and without immediate provisional safeguard action, we are faced with long term irreparable damage to the future of our businesses and in turn to the Australian pork industry.

I would be happy to discuss any matters raised in my submission with the Commission, given the opportunity to do so and can be contacted on 0427 138 919 or on email mcleanm@riverland.net.au

Yours sincerely,

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1. Farming Enterprise/Company Background

Riverhaven Enterprises is a family owned and operated farm business. Our family commenced this business over 30 years ago and it has grown into a medium size operation with modern pig housing and infrastructure. We operate a 600 sow farrow to finish operation with long term supply contracts to a major retail chain. Our marketing is coordinated through an alliance of 23 family-owned pork farming businesses.

Our business is based in the Riverland of South Australia and employs 6 full-time staff on the piggery. Company founders, Robert and Nancy McLean still remain involved in the business as directors and their Son, Mark McLean manages the operation.

2. Farming Enterprise/Company Structure, Production and Markets

a. Production

We operate a 600 sow breeder unit with around 5000 total pigs on the farm at any one time. We sell around 260 pigs per week and have been maintaining very consistent sales. Our primary market is the fresh pork market through a major retail chain in conjunction with a large processor. We have engaged many processes to become more globally competitive and lower our cost of production over recent years. Consumers have indicated a preference for fresh Australian pork and for this reason our primary focus is to supply high quality pork for this market segment.

To meet these market requirements we have invested around \$300,000 on an annual basis in housing to improve on farm performance and improve animal housing conditions. To build a new unit of our size would cost in excess of \$5,000,000. Our business targets an annual turn over in excess of \$3,000,000. We employ 6 permanent staff directly on our pig unit and provide regular hours and working conditions for them unlike the seasonal work in much of our region. We have support from our customers for expanded production and increased growth for their markets; however plans for this have been shelved due to shrinking margins and ever increasing imports which have damaged our market.

b. Exports

In conjunction with our alliance partners over recent years some of our pigs have been destined for export markets. Due to the rising Australian dollar and pressure from other countries these markets are not a focus presently. Our primary focus in on the domestic fresh meat trade.

c. Marketing Strategies

Our pork production is very focused on the needs of consumers. We are involved in regular communication with both processors and retailers who provide us with directions that need to be considered. The major change over the last 5 years has been the reduction in carcass weight to reduce portion size and provide greater consistency of the portion size in the packaging at retail level.

We have engaged a breeding programme to ensure our pork is of a premium quality with excellent meat eating characteristics. This has involved a 3-way cross breeding programme to ensure very tender and high yielding carcasses. We are very focused on quality assurance and food safety with an emphasis on product integrity and attention to meeting very high processor specifications on uniformity.

Our business is a founding member of a producer pork alliance of 23 family-owned and operated pork farming businesses throughout Victoria and South Australia. We have also been part of a joint-venture which developed a quarantine site and separate multiplier unit to protect the genetics of our group. The model used to develop this site was based on a growing market that would require more breeding stock, however due to increased imports and lower returns of investment within the pig industry there has not been growth. Imports have further reduced the profitability of this business as it has our own business by reducing market prices.

d. Employment and Regional Business Effects

Riverhaven Enterprises has re-structured our labour force following this continued bleak market outlook. We have had a staff member leave and have not replaced them knowing that conditions were tightening. The family is doing more hours each week and my Father is 63 and still working in excess of 50 hours per week even after 3 heart attacks. The General Manager would work over 70 hours each week and this takes a huge toll on his health and family life.

Our business is involved in on-going training continually and also provides staff with opportunities for off-farm training where possible. However all this adds significant cost to a business already running on very low margins. We invest in health and disease recognition training, feed and nutrition training and safety and animal welfare training. Breeding and reproduction is vital and training in this and artificial insemination procedures are also undertaken. We have a great challenge in this industry in competing for labour with other industries such as mining where labour rates are much larger. The cost of feed represents over 50% of the cost of production in a pig farm and this rose 35% in 2006-2007 and is rising again in the vicinity of 45% in 2007-2008. This massive increase in costs has not been translated in increased pork prices to the producer. For this reason massive losses are currently being experienced throughout the whole industry and they cannot be sustained. Unless real and immediate measures that provide relief to pork farmers are not implemented the Australian Pork industry will shrink beyond levels imaginable.

Our business relies heavily on our local community and town. We have needs of inputs and labour and service providers on a regular basis. We have significant, regular work for electricians, mechanics, builders, transport companies, feed stock suppliers, engineers and most other service providers in the town. Being a business that operates 365 days a year means we have regular work and regular need for inputs and service.

We have many businesses in metropolitan and wider South Australia that we regularly use to support our operation. These range from consultants (veterinarians, nutritionists, accountants and business consultants) to steel providers, feed companies, vaccine and medical suppliers. We also help supply pigs for slaughter to processing factories and there is a large number of jobs created through this sector. The knock on effect of the death of one industry will be massive in the flow on effect to other industries, businesses and communities.

e. Profitability

Imports are depressing pig prices and impeding our ability to recover our costs of production. There is an imminent threat of further serious injury from imports which will have long term, irreparable consequences to the future of this industry, unless a provisional safeguard action is taken immediately.

We as a business have taken active steps over the last 15 years to improve our efficiency and lower our cost of production. We have implemented latest technology in housing and equipment along with market linkages as well as working long hours necessary to keep our business alive.

3. Conclusion

We like other pig producers have implemented a traceability system called PIGPASS, privately a Quality Assurance management system and regularly improved this in line with customer expectations and welfare obligations. Imported meat does not have a strict and auditable traceability system which increases the risk of disease entering Australia. Our pig farm has significantly reduced its antibiotic usage which cannot be said for all imported pork. Slaughter levies are deducted from each pig sold from our farm; unlike the imported product which puts no investment in pork promotion or research and development.

Australia has a 'clean & green' image and environment which does not pose some of the health risks that occur in Canada and the USA. The impact of these diseases entering Australia would be devastating to our whole industry and animal health nationally.

Our business suffers greatly from imports both financially and in terms of our market share. I am in my early 30's and have wide ranging qualifications and experience. I would love to grow my investment in this sector and encourage other young people to become involved in agriculture in Australia, however under current inequitable circumstances I see no future for my generation. This may not bother many people; but I see the globalization model working well when consumers enjoy lower cost products in the short term. The long term damage from driving out local products is job losses and a heavy dependence on overseas imports and currency fluctuations. There is then real questions over food safety and the impact of growth in agriculture in Australia. When I travel overseas and see fellow farmers being assisted by their governments in various ways to ensure their long-term viability I wonder why? I have always prided Australian agriculture with its lack of government subsidies as resulting in an innovative and very cost-effective sector. This model falls down however when overseas competitors can 'dump' product in our market without the same costs and regulations as our industry. Fair competition is all I ask for!

In the next twelve months, if import levels are sustained or continue to increase, and provisional safeguards are not applied, we will need to decide if we are to remain in this industry in the future. The low return on investment that agriculture suffers aligned with severe downturns as currently being experienced by the pork industry lead us to question the long-term viability if these conditions persist. Imports are not subject to tariffs or meeting our quality standards and the wage and condition structures of our businesses and so can be dumped on our shores causing devastating impacts to local businesses and communities.

Attempting to re-enter the industry after exiting involves significant cost. A piggery once shut-down deteriorates very quickly and will have large costs associated with re-commencing business. The buildings and infrastructure does not lend itself to other forms of business opportunity and so is really only of sale as a going concern or for scrap-value.

Our city and region rely on our business to provide 10 direct jobs and up to another 50 in flow-on effects in the South Australian region. We contribute \$2500000 to our local and regional businesses and to our state economy. Further cut backs in our business will in turn have an adverse and accumulative affect on local businesses and the community in general.

Riverhaven Enterprises Pty Ltd strongly believes that the rationale for a provisional safeguard measures is warranted and should be applied immediately. Imports are clearly affecting our livelihood and future sustainability. It is imports that are depressing pig prices and impeding our ability to recover our costs of production. As we have clearly shown in our submission, there is an imminent threat of further serious injury from imports which will have long term, irreparable consequences to the future of our business and to the pig industry, unless a provisional safeguard action is taken immediately.