

JC:1133

24th May 2010

Metropolitan Strategy Review
Department of Planning
GPO Box 39
Sydney NSW 2001

Email:

Dear Sir

**POULTRY INDUSTRY SUBMISSION – METROPOLITAN
STRATEGY REVIEW**

On Behalf of Independent Processors located in the Sydney Basin:
Cordina Chicken Farms Pty Limited/Summertime Chicken Pty Limited and
Red Lea Chickens Pty Limited

1. INDUSTRY OVERVIEW

The NSW chicken meat industry consists of two key groups made up of processing companies and contract growers. There are five vertically integrated processor companies operating in NSW, engaging in the breeding, hatching, growing and processing of chicken meat products for distribution for within Australia and for export. Processing plants are located in the following areas:

- Baiada/Steggles: Newcastle, Griffith, Tamworth plus interstate operations
- Inghams: Liverpool, Newcastle plus interstate operations
- Cordina/Summertime: Girraween (Cordina) and Galston (Summertime)
- Red Lea: Blacktown
- Sunnybrand: Byron Bay

There are approximately 270 growers in NSW consisting mainly of non-processor company growers being either private independent small business entities contracted to one processor or corporations operating larger growing sites (for Baiada/Steggles). I have attached an aerial image of the Sydney and Central Coast regions, plotting the various locations of existing broiler and turkey farms. Inghams have ceased contract broiler growing in the Sydney basin, however have turkey farms in the south-west centring round the Picton area (attached image: green



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dots). Baiada have recently closed their Pendle Hill processing plant, but still have under contract approximately 18 broiler farms (blue dots). These contracts are expected to be eventually terminated or transferred to other processors. Cordina/Summertime, with 32 farms (yellow dots), and Red Lea, 38 farms (red dots), have by far the largest presence in the Metropolitan area. The farms are broadly spread through the Sydney basin and the economic impact in their localities is significant. A summary of farms remaining in the Metropolitan area is as follows:

	Metropolitan	% of Total Farms
Cordina/Summertime	32	58 (total 55 farms contracted)
Red Lea	38	75 (total 51 farms contracted)
Baiada/Steggles	18	

Australian Bureau of Agricultural and Resource Economics (ABARE) estimate that in 2006/7 the gross value of production in Australia was \$1.367 billion of which 94% or \$1.29 billion is chicken meat, the retail sale value of which was \$2.7 billion. Over the last 10 years NSW has increased the number of birds slaughtered from 36,538,900 in September (Qtr) 1998 to 37,382,400 in September 2008, an increase of 2.3% (Interstate comparatives: Victoria 15.8%, Queensland 47.5% and SA & WA 35%). In the same period, the production of Chicken Meat in NSW has increased 13.5% from 59,616 tonnes to 67,693 tonnes. However, countercyclical to these moderate increases is the fact that as a percentage of the total number of chickens slaughtered in Australia, NSW has DECLINED from 39.3% in September 1998 to 32% in September 2008. In the same period the production of chicken meat in NSW has fallen from 41.8% to 32.9%. Over the 10 year period, NSW has lost market share to all other states, 7% in terms of birds slaughtered and 9% in terms of meat production. (Ref: Economic Worth Study of the NSW Chicken Meat Industry E-Generation Marketing, May 2009).

This loss of market share resulting from the uncompetitive trading environment in NSW is continuing. Following the Barter/Steggles takeover by Baiada in 2009, the Baiada Pendle Hill processing operation has been closed and Inghams have confirmed that their Liverpool processing site will close in 2010-11. These two plants (will) represent a loss of approximately 50% of the Metropolitan and well over 20% of NSW's production capacity and inevitably a significant portion of this production will be taken up by interstate operations. The loss of jobs as a result of these closures are estimated to be between 500-800 jobs, but more significant is the loss of investment (with its multiplier effect) for NSW. In recent years, it is estimated that Inghams have invested interstate in excess of \$250 million in new facilities and when plant expansions in Queensland, South Australia and (now) Victoria are added, this figure would probably increase to the \$400 million plus range. Likewise, Baiada's recent interstate investment has been in excess of \$50 million and future developments for the newly combined Baiada/Steggles business in NSW are in the balance.

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According to the attached Sun Herald article of 16th May, 43% of poultry meat is produced in the Sydney basin, but refers to internal government analysis that predicts the planned redevelopments in the north-west and south-west growth areas will lead to a possible 35% drop in poultry meat production. It would appear that this Government prediction has been seriously underestimated and it is significant that the north-west and south-west redevelopments have yet to fully take place.

In summary, the production capacity in the Sydney basin has been decimated and in the near future there will only be two operations remaining, i.e. Cordina/Summertime and Red Lea. Whilst national companies Balada/Steggles and Inghams have the flexibility to transfer production to their lower cost interstate operations, the Sydney based independent operations do not have that luxury.

2. NSW LOSS OF MARKET SHARE

A study commissioned by the Poultry Industry (Economic Worth of the NSW Chicken Meat Industry, prepared by E-Generation Marketing May 2009), identified

7 years to assess and may still not proceed due to onerous approval conditions;

- urbanisation of older poultry meat locations, firstly from the ongoing encroachment of high density urbanisation spreading out across western and south-western suburbs of Sydney; secondly, through the ingress of ex-Sydney people relocating to a country lifestyle in existing chicken meat regions. Both factors accentuate the urgency for the industry to relocate;
- the increasing tendency for community groups such as 'voiceless' to lobby against the industry. Socio-political motives are impacting on the ability to develop the poultry industry across NSW;

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- the number of local and state government departments involved in the

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costs;

and regulations;

- reduced development application approval times;
- more collaborative approaches that develop cooperation between business, government and communities.

As noted above, the impact of the above enticements has been significant. The South Australian poultry strategic plan has set an ambitious plan of capturing 50% of the anticipated national consumption growth to the 10 years to 2015. This would grow the gross food value of the industry to \$956million in 2015 (2005 \$324million). Significant investment by the two national processors has taken place in response to SA strategic plan. In Victoria, The Bendigo Regional Poultry Cluster was formed in 2005 and stemmed from the recognition of the economic worth of the poultry industry to the Bendigo regional economy. The key to the success of this approach was the regional and state government taking a cooperative approach that was supportive of the industry.

Both of these strategies are successfully providing a sustainable competitive advantage over other areas in Australia, in contrast to the Sydney basin where barriers to growth are slowly strangling the industry. IS NSW GOING TO CONTINUE TO STAND ASIDE AND ALLOW SMALLER STATES STIFLE OUR INDUSTRY!

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3. IMPACT ON FUTURE PRODUCTION CAPACITY IN THE SYDNEY BASIN

As stated above, in the near future production in the Sydney basin will be reduced to only two groups - Cordina/Summertime and Red Lea. The competitiveness of these two groups can only be assured if there is access to viable chicken growing facilities. In the 1990's 100% of growing facilities for these groups were located exclusively in the Sydney basin but because of the reasons outlined above, the overwhelming majority of new growing facilities are now accessed from the Central Coast Region, resulting in higher servicing and transport costs. A third of farms are now located outside the Sydney basin.

The importance of the Cordina/Summertime and Red Lea processing operations in the Sydney basin should not be underestimated. In this regard, I highlight some brief statistics:

- represent approximately 25% of NSW's production capacity - over 800,000 birds processed per week;
- employ directly approximately 800 employees, with the equivalent wage income in excess of \$40million per annum;
- contract 70 broiler farms (out of 88) representing 80% of farms located in the Sydney basin - ultimately will contract 100% of broiler farms located in the region;
- contract a total of 106 broiler farms, representing 39% of State's contract growers;
- combined turnover approximately \$325 million per annum;
- combined contract grower income in excess of \$25million per annum.

Clearly, the poultry industry is extremely significant to the various regional communities, dotted throughout the metropolitan and central coast areas. The company would be more than willing to provide a report to the NSW government demonstrating this point by highlighting just how successful the Bendigo poultry cluster has been in terms of growing their regional economy and the associated financial benefits accruing to the community at large. Furthermore, a more detailed analysis can be provided of the Economic Worth of the Industry in the Sydney basin, based on the Industry research undertaken by E-Generation Marketing.

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4. METROPOLITAN STRATEGY

The Metropolitan Strategy sets out a long term plan for growth and development in the Sydney Metro region. The Government has stated unequivocally that the Sydney basin is recognised as the major food bowl in the State and that this food production capacity has to be protected. The Premier in the Review Discussion Paper notes a number of focus points including:

- Sustainable planning for a growing population;
- Providing more jobs closer to where people are living, especially in Western Sydney;
- Making Sydney climate change ready;
- Integrating land-use with transport and infrastructure planning; and
- Protecting Land for primary production, open space and conservation especially on Sydney's fringe.

Any reasonable assessment could only conclude that previous planning strategies have failed badly in relation to the poultry industry and other forms of agriculture. Accordingly, the Metropolitan Strategy needs to incorporate into its planning measures, protection of existing agricultural activity and also make provision, areas for future expansion. Land availability for poultry farming (and intensive agriculture) in the Sydney basin has been in decline and time is literally running out to reverse this disturbing trend. The major integrators, Baiada/Steggles and Ingham, have made no secret of their plans to concentrate expansion investment to facilities outside NSW and unless the two remaining independent groups are supported in their ability to expand, the industry will come under increasing threat in the Sydney basin.

WHAT IS NEEDED:

- a) There needs to be a strategy/long term plan to create certainty. There has to be a commitment to protect the poultry industry, particularly in the Sydney basin and in this regard **DIRECT GOVERNMENT INTERVENTION IS REQUIRED!**
- b) Any Plan for maintaining agriculture should be Sydney metro wide to ensure there are no LGA boundary inconsistencies. Right to Farm legislation should be introduced, incorporating a relaxation in aspects of impractical environmental laws!
- c) There needs to be a mechanism to protect agricultural lands within growth centres. Mechanism needs to allow farmers to continue farming activities without the threat of environmental orders from neighbour complaints. Reverse buffer zones should be considered, i.e. redevelopment should be banned within a certain distance from an agricultural operation/zone as a means of reducing possible conflicts.

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- d) There needs to be a mechanism to facilitate efficient processing of development applications and a 'single approval body' is recommended. A "can do" attitude must be adopted. The current system has tipped the balance against producers, leading to lengthy, costly and inconsistent assessment of development applications. A clear example is the Baiada Tamworth development application which took 7 years to assess and has resulted in onerous consent conditions.
- e) Specific agricultural precincts should be set aside for intensive agriculture and zoned accordingly, with protection from future residential development. Multiple precincts need to be identified to ensure farming sites are adequately separated for bio-security reasons. Environmental laws, particularly in relation to odour and noise need to be relaxed in these zones. Intensive agriculture does not require good quality land, therefore there is an opportunity to identify lower cost and/or otherwise unusable land, making prospective operations more commercially viable.
- f) Government owned land should be made available for agricultural use, as a means of encouraging increased production in the Sydney basin.

5. SUMMARY

Whilst government is going to considerable lengths to plan for NSW's future urban development, equal emphasis has to be placed on protecting the Sydney basin as the most important food production area in this State. There are numerous reasons justifying this approach, such as outlined in the attached Sun Herald article with the rationale obviously recognised by government. The recent long term drought conditions in inland areas, such as Griffith and Tamworth came perilously close to negatively impacting on poultry production and it simply makes good planning sense to maintain viable alternative production areas in the coastal regions, where climate conditions are likely to be more favourable in the future.

Under current conditions, urban sprawl and the high cost of land is driving "traditional agriculture" out of the Sydney basin. In conjunction, government regulation has tipped the balance against the agricultural producer and the time has arrived for this trend to be reversed. It is simply unworkable to expect a farming operation to operate with say nil offensive odour or nil noise at a property boundary, with the possibility that the nearest receptor being only metres away. Farms simply have to be protected!

Clearly, intensive agricultural industries such as poultry and greenhouse farming are integral to the needs of the State's future food production requirements. Even though urban sprawl is gobbling up prime agricultural areas, intensive industries can survive and thrive by implementing

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workable initiatives, such as locating farms in 'poorer quality land precincts' which are more economically viable and isolated from urban development.

It is naive to assume any loss of agricultural production from the Sydney basin will simply be taken up in country precincts with the poultry industry a clear example of massive investment loss for the State. It is incumbent on the Government to adopt a more radical approach to ensure the protection and expansion of poultry farming in the Sydney basin and in the State overall. In this submission, I have proposed several initiatives which I believe are workable, IF THE GOVERNMENT HAS THE WILL TO IMPLEMENT CHANGE!

Yours faithfully,

John Cordina
Cordina Chicken Farms Pty Limited/Summertime Chicken Pty Limited
Red Lea Chickens Pty Limited

Atts:

cc: Premier, Kristina Keneally: premier@www.nsw.gov.au
Leader of the Opposition, Barry O'Farrell: lop@parliament.nsw.gov.au

Reference Documents: The Industry has undertaken extensive research examining the value of the Poultry Industry in NSW. The research reports have only recently been completed by E-Generation Marketing and titled "Economic Worth of the NSW Chicken Meat Industry: Regional Case Studies" and "Poultry Cluster Analysis - Summary Document". These reports which add substantive value and expand on the issues raised above are available to Government upon request.

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