

This is **Craig Mostyn Group, Pork Division's** submission to the Productivity Commission Inquiry into the Australian Pig Meat Industry.. In this submission we wish to address the following matters :-

- Imports are damaging the industry and as such appropriate trade measures should be implemented to benefit the Australian pig industry;
- Grounds exist for a Productivity Commission investigation into safeguards; and
- APL's draft Industry Restructure Plan is designed to achieve global competitiveness of the whole of the supply chain and the short and long term assistance required by the industry to achieve this.

- **Company Background**

[Scope out a brief over view of your business, location, length of operation extent of vertical or horizontal integration, ownership, strategic focus etc]

The Craig Mostyn Group's Pork Division consists of Linley Vally Pork – LVP (export abattoir) and PPC Wholesale Foodservice – PPC (boning room facility) at Wooroloo, east of Perth, Western Australia. The Craig Mostyn Group's Pork Division also consists of Globe Meats (smallgoods manufacturer) at Bellevue, in the Midland region, 25 kilometres from Perth.

The Craig Mostyn Group actively entered into the Australian Pork Processing sector in 1999 when it commissioned a domestic pork processing facility at Wooroloo. This domestic abattoir (LVP) and boning room (PPC) initially slaughtered approximately 1800 pigs per week. The Craig Mostyn Group also invested in a number of supply farms which accounted for about 15% of its weekly kill. In spite of a successful expansion program which saw the domestic abattoir increase its weekly slaughter capacity to 4000 pigs per week, it became apparent that the Craig Mostyn Group needed to increase its slaughter capacity to match its on-farm supply farm expansion. The Craig Mostyn Group purchased a de-commissioned WAMCO sheep abattoir adjacent to its domestic abattoir in Wooroloo and redeveloped the site to an export pork processing facility. The initial stage of this re-development program saw the building of a state of the art slaughter floor which was commissioned in June 2003. The next phase of the processing facility redevelopment will see the upgrading and expansion of the current boning room facilities.

In addition to its pork processing facilities, the Craig Mostyn Pork Division also has a number of contract supply farms.

- **Extent of Business Activity**

[ This section should detail your business scope and some indication of statistics and relative size of operation eg number of pigs processed, number of workers, size of capital investment, turnover range]

The Craig Mostyn Group Pork Division's core business scope includes those strategies that are intergral to a viable pork processing facility and the supply of pork and pork products for the domestic and export pork market. A key business strategy adopted by the Craig Mostyn Group Pork Division is to deliver the highest product quality and has used this to differentiate itself both domestically and the export markets of Asia. This has been done by the development of a pen to plate supply

chain to facilitate the enhancement of product quality and these supply chains are formalised by business alliances for the domestic and export market.

Business statistics include;

- 13000+ pigs slaughtered a week. This is approximately 90-95% of WA's pig kill. The abattoir is rated as the largest pigs slaughtered per shift in Australia.
- 250 FTE
- Main export market is Singapore (others include New Zealand, Taiwan, Hong Kong, and China).

- **Market Focus**

[This section should highlight your relative position along the supply chain and market focus] Once again if possible some indication of market magnitude should be included }

The Craig Mostyn Group's market focus over the last 3-4 years has been the export of chilled pork to Singapore and to maintain a market share of the domestic retail and foodservice market. The Craig Mostyn Group have also invested in a number of supply farms which accounted for about 25% of its weekly kill. The Craig Mostyn Group has chosen to use product 'brands' as a vehicle to consistently deliver quality pork and products to its customers.

- The marketing strategies adopted have been done in conjunction with its alliance partner to gain a better understanding of the market dynamics and targets for domestic and export markets
- Formation of business alliance with Action supermarket group in WA under the "Select Pork" brand to consistently deliver quality pork and pork products to the domestic market
- Development of 'Linley Valley Fresh', a pork brand for the food service industry
- The use of specific genetics, high health status pigs, welfare friendly straw based housing systems and the implementation of product quality interventions to underpin the eating quality of pork for the domestic and export market
- Development of a wet market promotional campaign in Singapore using the PPC export establishment number '618' as a brand
- Selection of specific genetics, feeding regimes and on-farm management strategies to improve the quality of chilled pork and specialty offal
- Implementation of eating quality pathways to underpin all brands to better meet the specific needs of the different domestic and export markets
- Use of state of the art equipment such as the Butina stunning system to ensure highest animal welfare considerations, Rovani scald systems for optimal carcass skin colour, chiller systems to allow differential chilling regimes to enhance colour of pork for different end users (retail, food service, domestic and export)
- Use of the SASTEK electronic data system from carcass information through to electronic invoicing
- Rapid adoption of new product quality interventions developed by the Department of Agriculture

- **Impact of Imports on the Australian Pig Meat Industry and Specifically on Our Business**

[ Identify the issues and if possible the quantitative impact on your business]

The Craig Mostyn Group strongly supports the need to protect Australia pig health status and on this issue thinks that imports are a threat to the Australian pork industry. If Australia loses its clean and green image, this will have severe ramifications for Australia's export industry, which represents a substantial business component for the Craig Mostyn Group.

To date, the Craig Mostyn Group Pork Division does not use imported pork. However, it will be conducting manufacturing trials to ascertain suitability of imported Canadian pork for bacon manufacturing. While price and availability is certainly a major factor, the impact of imported pork on quality parameters needs to be investigated by the Craig Mostyn Group.

The Craig Mostyn Group would rather see farm efficiencies and best practice improve consistency of pig supply to the industry rather than import frozen pork.

- **Options to Improve Global Competitiveness of the Australian Pig Meat Industry and Our Business**

[ This section should identify what needs to happen to make your business and industry internationally competitive.]

- Systems need to be developed, investigated to improve the inconsistent supply of pigs by Craig Mostyn Groups supply farms
- Reduce carcass variability
- Use of higher carcass weights by retail sector
- Reduce cost and improve the availability of feed grains
- Development of specific feed grain varieties for the pig industry
- Adoption of improved farm management systems to improve production inefficiencies of farms
- Improvement of genetic stock in keeping with overseas countries
- Increase in market share for domestic pork
- Reduce transport costs for export markets ie adoption of sea freight for chilled pork to Singapore
- Rationalisation of supply farms
- Access to qualified staff remains a major issue for both Craig Mostyn Group's farms and pork processing facilities
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- **Other Issues Relevant to The Sustained Profitability of Our Business**

[This section should respond to some of the key questions as per the Inquiry indicative question sheet accompanying this submission master]

- Need to implement longer term strategies rather than just market reaction
- Need to benchmark businesses
- Need to improve and increase pig R&D program to encompass whole of supply chain

The Craig Mostyn Group Pork Division would welcome a visit from the Productivity Commission to first hand experience the intricacies and issues affecting our business.