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14th November, 2007.

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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 Christine Sapwell of Gawler Baconer Enterprises, to the Productivity Commission's Safeguards Inquiry into the Import of Pigmeat.

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

- Imports are injuring the Australian pig industry and as such, appropriate provisional safeguards should be implemented to stabilize 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 to adjust;
 - 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 can provide 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 can 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 0408 800 011 or csapwell@senet.com.au. Within business hours I can also be contacted on (08) 8523 1100 - ask for Christine please.

Yours sincerely,

Name CHRISTINE SAPWELL


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Proprietor

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1. Farming Enterprise Background

- My business trading name is Gawler Baconer Enterprises.
- The business was established in 1968.
- The business is situated in Angle Vale, approximately 35kms. North of Adelaide, South Australia.
- The business has operated as a pork production unit since 1969 producing bacon weight pigs which suit both the fresh and processed sectors of the Industry.
- It is a "farrow to finish" unit with a small number of breeding sows and boars being supplied to other pork production units. All production is taken out to market weights on this property.
- We produce no grain on this property and our only income is from pork production.
- We have operated profitably for eight of the last ten years of production going back to 1997/1998.

2. Capitalization & Investment.

- Investment in this property over the 39 years of production approaches \$800,000. Land holding is relatively small at 3.6 ha. The land is bound by current zoning laws to carry on the business of pig breeding or be used for horticultural purposes. It would be unsuitable for horticultural use because of the piggery buildings.
- We have been consistently careful in our decisions re expenditure over many years with the decision-making being based on improved welfare of animals/humans or improved efficiency of production, feed or labour use.
- We have operated profitably over eight of the last ten years from 1997/98.

3. Production and Marketing.

a. Production

- The production of pork from this business commenced in 1969 when we carried a total of 80 sows from which we supported a family with three children.
- The piggery now has approximately 170 - 180 sows. The total growing herd numbers approximately 1500-1600 at any time with a turn off of 60 bacon per week at 20-22 weeks of age with some breeding stock being held back for future sales.
- In 1969 our weekly turn off of pigs was 20 per week whereas today we consistently market 60 pigs per week.
- 70% - 80% of our production is to the fresh pork market with product being sold to both local and interstate processors. Five years ago our production ratio was 40% fresh/60% processed product. This has gradually reversed to the current to 70-80% fresh/and 20-30% processed. This has had an impact on the weight of carcase we can optimally sell.

b. Marketing Strategies.

- Despite there being economies of production in marketing a heavier animal there have been pressures applied, over the last 5 years, by pricing grids, to produce a lighter carcass. This emphasis has occurred and to an increasing level since more imported product enters Australia and more local product is displaced to the fresh meat area. (The cost of production per kg. increases as the overheads are shared over a reduced number of kgs.)
- We have dealt with this change by expanding the herd to allow for increased production to counteract this inefficiency which has been dictated to the industry through the processing sector and through to the supermarkets.
- In 1998 my Farm Manager and I became members of a Benchmarking Group operated by Rural Directions Pty. Ltd. This company was the winner of the Telstra National Small Business Award in 2003. The company provides this service to a number of industries and operates from a base at Clare, north of Adelaide **and would be a source of further material supporting the crisis which has recently been exacerbated by the drought.**
- Involvement with this Group has enabled us to discuss and track efficiencies of production and marketing against the other 10-12 businesses within the Group and achieve consistent improvement in profitability for our unit.

c. Employment

Due to advancing years I have chosen to work off farm since 2002 and employ a Farm Manager to run the day to day operations of the piggery.

- We currently employ two full time employees including a Farm Manager along with three part-time casual employees.
- The Farm Manager and his wife are both employed in this business. They have a house mortgage and two young children who they are currently educating.
- Another employee who was originally working full time, now works approximately 30 hours per week and has been advised his hours may have to be further reduced. This employee supports an elderly parent, a daughter with a child and a son who still lives at home. To worsen his situation he is also involved in the harness racing industry and is currently so concerned about his future that he is openly looking for another job. Although my pork production business needs his labour we are unable to promise him that hours will not be further reduced as we endeavor to survive this current crisis.
- Two other part time employees have both had their hours reduced indefinitely.
- For the past 12 years we have maintained a stable workforce by continual improvements in production, marketing initiatives and fine tuning of our business expenses.
- The current situation of increasing feed costs due to drought, along with the improved value of the Australian Dollar working against Australian pork producers has made me decide this industry does not have a reliable future.

d. Future Planning

- We have experienced droughts from time to time over my 40 years of involvement in this industry and this is not my reason for pessimism.
- Production has been relatively stable, despite an increase by 50% over the last 12 months of imported processed pork entering the country.
- We do not have an oversupply of pork meat in the fresh meat area at present. Our problem is with the imports which are replacing that portion of the domestic carcass which is normally used by the processing sector.
- Our previous mechanism for negotiating a "fair" price for our product has always been on efficiency of production and producing a good clean product. However none of this applies any longer. Our product is being priced on the portion of the carcass which has an equivalent import entering the country. Our cost of production or efficiency is irrelevant while this situation occurs.
- Our domestic trading against imports is difficult with our basic feed ingredients being sourced from within Australia (no imports to compete), no subsidies to assist us in reducing our costs and a currency trading against us encouraging further imports. We have labour laws and employee benefits which increase our costs of production.
- We have a national Quality Assurance program which ensures a clean, safe product yet this same requirement is not made of the imported product.
- We have Welfare Codes which increase our costs of production and again, imported product is not required to meet these standards.
- Although I have been frugal over the years and put profits aside for hard times I now see no future in going into substantial debt when there is no reason to suppose I have any chance of recovering this debt.
- For this reason I have reached the decision I must leave the industry, the only matter to be decided is when and how.
- I feel for my employees who are in their mid years, unskilled in other areas but have been good reliable employees over many years. If it was possible for me to see an industry recovery I would review my decision for the single purpose of maintaining their employment.

e. Regional Business Effects

- My business expenditure for the financial year 2006-2007 was \$513,000 and this expenditure was mainly spent within my own local community across a number of companies who will be affected should this business cease to operate. These companies provided milled feed, protein meals, veterinary products & coltultancies, piggery equipment, general hardware for repairs & maintenance of the piggery, power, water and accountancy expenses. Some of these business have already approached me re my future plans. They are extremely anxious.
- My employees have no skills of recognition with which to pursue new careers yet have families to support. There is little chance of employment with other piggeries as all but a few are planning to exit the industry and those who are are all reducing their staff as a means of survival.

4. On Farm Profitability

a. Overview:

- The income of this business showed an increase of 17.8% from 2005/06 to 2006/07 yet the expenditure over the same period showed an increase of 0.35. This increase of income through 2006-2007 was mainly through improvements identified in the benchmarking group referred to earlier. This business has not been making time and has never relied on industry or Government support.
- The business has operated profitably for all but two of the last 10 years.
- My current losses from July 07 – 31 October, 2007 are \$38,000 and increasing.

b. Prices

The table below shows comparisons of prices received for (HSCW Trim 1) bacon pigs sold over the period 2002 – 2007.

Type	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Projected
							2007-2008
\$/kg (baconer)	\$2.80	\$2.64	\$2.52	\$2.60	\$2.23	\$2.27	\$2.45
Feed Costs as % total income	45%	68%	74%	57%	54%	58%	79%

5. Conclusion

Our business suffers greatly from the impact on pricing of the domestic product, which ever increasing imports have affected. Due to threatened industrial problems in Denmark, processors have over ordered their import requirements and this is also heavily impacting the current price of domestically produced pork/bacon. These are matters totally beyond our control/influence.

We are unlikely to maintain losses of up to \$2,235 per week being currently experienced. This is a small family unit. In the next twelve months, if import levels are sustained or continue to increase, and provisional safeguards are not applied, we will need to commence culling sows, reduce feed use by marketing pigs earlier and rapidly exit the industry. We will not consider returning to the industry if these circumstances occur.

Many rural businesses in our region rely on our business to provide employment in the northern city fringe areas of South Australia. We contribute >\$500,000 to these local and regional businesses and to our state's economy. We are good, hard working citizens and the current situation is soul destroying to honest, hard working people.

The exit of our business from the pork industry will in turn have an adverse and accumulative affect on local businesses and the community in general.

Gawler Baconer Enterprises 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.

In addition to this request I would request that a full investigation into the pricing mechanisms of food items from paddock to plate be carried out with urgency. Margins need to be identified at each step of the process. This request is on behalf of producers of all perishable food items - fruit, vegetables and all species of meat products.

The consumer has never paid more for ham, bacon and small-goods than the current prices and this is supposedly when cheaper and more competitive imports are coming into the country to provide cheaper food to the consumer. This is clearly not the case and a full investigation of the pricing mechanisms of the two main supermarket chains would identify what is happening in the market place right now.

I thank you for the opportunity to make this submission.

Yours sincerely,



Christine Sapwell.

CHRISTINE SAPWELL
ANDREW SMITH
NOEL CRADDOCK
GREGORY ROGERS
ANN SMITH
CHRISTINA GOGGINS-JACKSON

Proprietor
Farm Manager
Husbandry/Maintenance
Husbandry/Maintenance
Farrowing House Supervisor
Production processor / Assistant