GREENHAM

Greenham Tasmania Pty Ltd
ACN 099 121 301
ABN 61 099 121 301
Meat Exporters

January 31, 2014

Tasmanian Shipping and Freight
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Submission from Greenham Tasmania Pty Ltd

Greenham Tasmania is an export beef processing facility based in north-west Tasmania. The company is a wholly owned subsidiary of H.W. Greenham and Sons, which operates a separate processing facility in rural Victoria, about 300km north of Melbourne.

Greenham Tasmania employs more than 190 locals from its immediate surrounds and sources most of its cattle from nearby areas in Tasmania and from King and Flinders Islands.

The business turns over more than $100 million a year and returns most of that amount into the Tasmanian economy through cattle purchases and wages to employees.

We supply high-end beef product to restaurants all over Australia under our Cape Grim Beef brand and, increasingly, to overseas customers in the US, Japan and Korea.

The beef industry is a low-margin/high-turnover industry which succeeds or fails based purely on its processing and freight/logistics costs, as cattle purchasing and sales prices are relatively fixed based on market forces. Any change to this delicate balance can have dire consequences, as has been evidenced at the King Island beef processing facility.

When it comes to operating globally, our costs are greater than any of our competitors. Scale and access to cheaper labour in other places mean that, in some cases, our market rivals enjoy cost levels two to three times less than ours.

The ability to sell into overseas markets is our saving grace, as Australia enjoys unparalleled access to nearly every market in the world thanks to our "clean and green" status. In the past, this advantage has been hampered by the inequality of the TFES, as we receive no freight subsidy on export loadings, unlike our domestic sales.

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Our Tasmanian operation has been labouring under a clear 7-10c/kg disadvantage compared with our Victorian works, due to the non-allowance of TFES on export containers. This gap has been expanding over recent years.

Cattle movements between Tasmania and the mainland are a regular occurrence. Seasons vary between Victoria and Tasmania – on the one hand, lack of stock in Tasmania can be overcome by cattle imports and, on the other, an oversupply in Tasmania (which is common three to four months of the year) can help with demand in Victoria.

If the southbound subsidy were to be removed, we would see a dramatic change to the flow of cattle northbound. As a consequence, the viability of operating a processing facility through the winter months would fall away, creating huge losses for producers and processors.

We have more than 1000 producers, with an average land holding of 100ha, who supply us with more than 100,000 cattle a year. These producers use about 400kg per hectare of superphosphate, much of which has to be imported from the mainland. The cost of this fertiliser is one of the largest inputs required in running beef and dairy properties in the state. If the southbound subsidy were to be removed, it would be a major impost on producers in Tasmania. You would definitely see some of the more marginal producers leaving the industry.

The benefits of extending the TFES to export containers would be extensive and long-lasting. Tasmanian beef is well suited to export markets, being a premium niche product which, in the right market, can bring huge dividends to both producer and processor. Issues of access and costs in getting the product to the market have been significant hurdles in the past – it costs about the same to send export meat from Burnie to Melbourne as it does to get the same meat to China from Melbourne.

If this were to change and a mechanism put in place to keep these costs the same as road freight over a distance equivalent to the Bass Strait crossing, Tasmania could once again compete on a level playing field with its mainland competitors. In turn, benefits would flow back to the producer through higher returns for cattle again driving up investment in the state by the farming sector.

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Costs are exploding in our industry with higher regulatory and wage burdens. Greater costs to us or our suppliers would devastate an industry which employs not only our company's own staff, but more than 1000 producer families and their suppliers. It would have a huge ripple effect through the state.

We have a great opportunity with this review to implement a system which is equitable for producers and processors alike while creating a generous dividend to Australia through increased exports and higher returns to producers, so generating more investment and confidence around the state.

Our understanding is that the freight equalisation scheme was originally introduced to provide Tasmania with freight costs equivalent to transporting goods by road over the same distance as the Bass Strait crossing, thus allowing Tasmanian businesses to compete on an equal footing with their mainland competitors. Unless the scheme is maintained Tasmanian businesses will be at a severe disadvantage putting at risk future employment and investment potential. We urge you to remain faithful to the original objectives of the scheme and ensure that businesses such as ours are not put at such a disadvantage.

Granting the Tasmanian farmer/producer an equal footing with his interstate competitors would cost relatively little, but the resultant increase in confidence and hope for the future would drive investment and marketing efforts which would benefit the Tasmanian and Australian economies for years to come.

Yours Sincerely

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