BUNGE MEAT INDUSTRIES

Submission to the Productivity Commission on the registration of animal medications in Australia

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30/9/98

The registration of animal medications in Australia is handled by the **National Registration Authority** which is a statutory authority set up by act of Parliament and based in Canberra. It is essentially an independent body which is free from political pressure. In the early 1990's it replaced the previous system whereby animal medications had to be individually registered in each state.

How the registration process works
Applications are made directly to the NRA for the registration of new products. The NRA then investigates the products exhaustively before the application can be approved.
Areas covered include:
Occupational health and safety to the user
Safety of the target species
Safety to the environment
Quarantine issues (for imported products)
Efficacy of the product (whether or not it works)

The registration procedure is exhaustive and for new products it is expected to take at least 15 months. Some of the investigations are outsourced to other agencies eg Quarantine issues are handled by AQIS , and environmental issues are looked at by bodies such as the EPA.

The issue which seems to delay the registration of most of the products we have dealt with is the proving of efficacy. The NRA insists that data be presented to prove that the product works under Australian conditions. Furthermore it prefers that these trials be run in more than one place in Australia . These trials can take a long time to run, as was the case for the Pig Mycoplasma pneumonia vaccine, where trials take a minimum of six months to complete.

The pig industry in Australia is very small on a world scale, and like many other industries must compete globally. We are therefore at a disadvantage if technology (new vaccines or medications) which are available to our competitors take several years to become available here.

We do not believe that agricultural and veterinary products should be able to be freely imported into Australia. The NRA performs an important function in ensuring that our country is kept free of foreign diseases such as Foot and Mouth disease and BSE. However the requirement that products be proved to be effective in Australia can delay the registration procedure unduly. We acknowledge that some vaccines (in the poultry industry) which have been effective overseas have failed to perform in Australia, but given they are safe, market forces would eliminate the use of such vaccines.

Some diseases have different strains and sub-types in different countries, and even within a country. Other organisms are more uniform and can be controlled by the same products world wide. Mycoplasma pneumonia in pigs is one of these. It is a disease that effects a large majority of piggeries in the world and causes major production loss. Vaccines became available overseas to control this disease in the early 90's. However despite heavy pressure from the industry in Australia, the first vaccine was not registered until August of 1998, and others are still not registered. This delay has cost Bunge Meat Industries alone in excess of .....

There are several other products available overseas that may be useful in Australia. These include a vaccine for Glasser's disease, and an oral vaccine for Mycoplasma pneumonia. With the pig industry struggling to make a profit in Australia, and needing to compete against imports of meat we are worried that unjustifiable delays in registering new products will needlessly add to the burden of an industry already in crisis. We feel that the NRA should consider each product and disease in turn, and weigh up the down side of an ineffective but safe vaccine being registered against the potential savings to be had if it works.

STOCK FEED COMMENTS RE BMI SUBMISSION TO PIG AND PIGMEAT INDUSTRY INQUIRY.

The feed grain market in Australia competes with the cereals grains intended for human consumption.

Research and Development has been focussed on human consumption cereal grains in preference to that of feed grains.

The feed market is the market of last resort for a grain grower.

Statutory Marketing Authorities (SMA) and enterprises previously linked to an SMA. (AWB Ltd) have been granted powers that allows them to control the sale and price of various grains in Australia. The intention of these vesting powers is to protect the grain industry and allow it to compete internationally.

The primary function of a SMA is to maximise returns to their members or growers.

The AWB pooling system provides a mechanism that supports the wheat industry by offering a fixed price, total purchase of the crop and single desk marketing of the various types of wheat internationally .

The pool price is based on forward sales made or budgeted for prior to the commencement of harvest.

The pool price offered is the lowest contestable price in the market place. Other domestic end users must pay more to secure the grain.

The ASW pool price is set for human consumption wheat based on international sales prices.
The major grain produced in Australia is wheat with the majority comprising ASW and other human consumption category wheats.
There is no alternative feed wheat or adequate volumes of other suitable coarse grains available to the intensive livestock industry.
The intensive livestock industry is forced to purchase ASW wheat at prices that are inflated.

This price is artificially high due to the nature of the wheat causing the domestic feed grain price to be artificially high.

Pool pricing adds to costs post harvest due to full carry (freight, storage and handling) charges being imposed. There is no reflection of world price fluctuations.

Freight, storage and handling in Australia is inefficient compared to the private integrators over seas.

AWB can not dump cheap grain on the domestic market.

The US corn price is generally accepted as the indicator of world parity feed grain price as this is the largest component of feed grains consumed throughout the world.

The attached graph describes Grain Indicator prices for the period February 1997 through to September 1998.

The erratic nature of the Gulf corn line describes the volatility of international feed grain prices during this period. In contrast the AWB pool prices is very static. Australian domestic grain prices are held up based on this static pool price.

The AWB pool prices through this period range from $175 to $203 with the average being $191.40.
The corresponding corn prices range from $125.50 to $169.70 with the average being $151.90.

The average difference between the AWB fob price for ASW wheat in Australia and the US fob Gulf corn price during this period was $39.50.

This difference is the cost that the Australian pig producer has to pay over that of his US counterpart - competitor.

For every AUD$10 difference (wheat vs corn) equates to about AUD$5 in feed cost.

This represents a $0.0225/kilogram change to cost of production (COP).

For every 1 cent change to Bunge Meats Industries COP represents ..... to the bottom line.

In the above analysis the average difference is approximately $40 which increases feed cost by $20 which increases COP by $0.09/kilogram.

The effect to BMI bottom line would be .....

Estimated Silo Returns (ESR) for growers delivering into the Australian Wheat Board (AWB) pooling system.

The expected return per metric tonne to a grower who delivers ASW 10% Protein Wheat into the AWB Pool for 1998/99 in close proximity to Corowa NSW is as follows.

Current Pool Price	$170
Less deductions for freight, storage and handling in NSW (This value is determined by the Grain Handling Authority, Grain Corp.)	$ 49
Total return to grower if pool remains at $170	**$121**
1st payment is 80% of $121 and paid 14 days after harvest delivery (This value is a guaranteed payment)	$96.80
2nd payment of 10% of $121 maybe paid in March (This value is not a guaranteed payment)	$12.10
3rd payment of 10% of $121 maybe paid at the conclusion of the total sale of the pool (This value is not a guaranteed payment)	$12.10
Total return to grower if pool remains at $170	**$121**

If the pool was to increase after the initial payment then the March payment would reflect the upward variation in the 1st and 2nd payments and the final payment would reflect the balance due.
Conversely a decrease in the pool would have the opposite effect.

The above pooling system provides an advantage to the AWB for the procurement of wheat.
The AWB initial payment of 80% of the ESR to a grower is the AWB only guaranteed commitment to purchase whereas Bunge has to pay in excess of the ESR to secure the same parcel of grain.