

13 December 2007

Dear Ms. Andrea Coulter,

Thank you for your mail.

I am traveling and have not been able to study in dept the very late new submission from APL. When browsing through the document I did however notice a couple of points on which I hope you will allow my comments:

Page 39, point a): By its statement APL claims that the fact that Australian pig meat have gained share on the home market for meat proves that there is no cross elasticity between beef and pork. This is obviously wrong and I must maintain my statement that an increase of the availability of beef has an effect – however difficult to substantiate – on the price of pork.

Page 39, point b): This is about the reason for the present negative profitability in producing pigs in Australia. If I accept the method of calculation as now recommended by APL and if taking point of departure in APL-price information the profitability calculation would be the following:

Grain price at present: 400 \$/t. Grain price app. 1 year ago: 200\$/t.

Feed price at present:  $400\$/t + 100\$/t = 500\$/t$ . Feed price app. 1 year ago:  $200\$/t + 100\$/t = 300\$/t$

Feed conversion: 4.00 Kg feed/ Kg carcasse.

Feed cost/kg carcasse at present:  $0.50 \$/kg \times 4 = 2.00 \$/kg$ . Feed costs/kg carcasse app. 1 year ago:  $0.30 \$/kg \times 4 = 1.20 \$/kg$

In conclusion if all APL's calculation methods are applied and if the feed costs had not unexpectedly doubled over the last year the profitability in producing pigs would have been improved with 0.80 \$/kg carcasse or 56.80\$ pr. pig produced. At present according to APL the loss pr. pig is 49.70\$. In other words had the feed costs remained stable farmers would have had a profit of 7.01\$/pig produced instead of a loss of 49.07 \$.

It could be argued which set of data should be applied but the result is the same. The unforeseen and sudden development in feed costs is the reason for the difficult situation among pig farmers at present and not the development in imports.

Page 39, point c): APL claim it is unfair to involve issues like productivity standard, slaughter weight etc. when evaluating the present profitability. If this argument is accepted the profitability would still be positive in Australian pig production if only feed costs had remained stable as demonstrated above.

The comments on subsidies has already been covered by the EU-Commission.

Page 39, point d): The APL claims that the DS calculation of market access limitation is wrong due mixing of carcasse weight and shipped weight figures. As indicated in our written submission we have only quoted ABS and we are sure that ABS would not make a such error ( web reference indicated in submission ). Furthermore we have used an estimate concerning import share of raw material use in the processing industry as submitted by Westpork and as referred in our written submission. We disagree with the APL statement that the bone-in segment is insignificant.

We don't claim that our calculation is exact, but it is a very good indication of the fact that Australian pig meat does not enter into competition with imports on the majority of the total market.

Page 48, table 3: The APL method of calculating imports share of total consumption is not explained. The calculated shares seems far too high. This might be due to a mixing of product weight and shipped weight or due to applying a wrong conversion coefficient when transforming from product weight too shipped weight and vice – versa.

Conclusion:

As mentioned I have only browsed through this very late and extensive contribution from APL. I have however found nothing to change my opinion that on causation it is other factors than imports – and in particular the development in feed costs – that has caused the negative profitability in producing pigs in Australia.

Furthermore Australian pig meat does not compete with imports on the majority of the Australian market due to SPS-import limitations.

My comments on profitability in the primary production is without prejudice to the conclusion that pig farmers should not be considered the valid industry in this SG-investigation.

Finally I disagree with the APL description of import developments as argued in earlier submissions by the EU, Canada, US etc.

Yours Sincerely

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Director, International Affairs  
Danish Bacon and Meat Council