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**PIGMEAT SAFEGUARDS Inquiry**  
**Productivity Commission**

I currently run a 400 sow piggery in the Goulburn Valley area, employing six full time staff. We are a farrow to finish organization selling approximately 175 bacon pigs per week at a dressed weight of 78 kilos. Our growth rates are 680 grams per day so we are considered a highly professional and efficient organization by Australian pig producer standards.

After thirty years experience in the pork industry my observations indicate:

Our biggest competitor is not my fellow Australian Pork Producers, but since 1990 when the Australian Government deregulated the pig industry it effectively made all importers of pig meat into "*pig farmers*." The difference between "*importing pig farmers*" and Australian pig producers is that importers:

- ***Do not*** have any infra structure to support the growth of livestock
- ***Do not*** use any feed
- ***Do not*** have to transport livestock to abattoirs
- ***Do not*** have Abattoir costs
- ***Do not*** have to maintain herd health

Thus this ruling severely disadvantages my business organization.

Australia by opening access to imported pork is supporting overseas pig producers who already receive subsidies from their governments and unlike local pig producers have:

- Access to genetics which give them the ability to produce a more uniform carcass.
- Access to feed grain giving them lower production prices
- Access to agricultural sector assistance

The deregulation of the pig industry (1990) with little concern for the consequences by the Australian Government has given the supermarkets unlimited power to manipulate the price of pork.

This power forces every processor to use imported pork. As supermarkets wield their buying power the quantity of local pork used in processing decreases as processors try to remain competitive.

The power of the supermarkets over local pork producers is four fold:

1. They control the price paid for processed pork by creating a ceiling through linking local price to the imported price of pork. This manipulation of price sees local pork producers having to disregard their production costs to remain in the market.  
Many producers are forced to quit the industry as they cannot see any other alternative.
2. Processors are being forced to use imported pork to keep production costs as low as possible. This results in the local pork being deemed too expensive to use in the production of processed pork. Creating a loss of market share for the local producer.
3. Supermarkets set the shelf price based on '*what they think*' the consumer will pay, rather than a realistic price based on cost of product plus a reasonable profit margin.
4. Labelling laws as they currently stand enable imported pork to be sold as '*Made in Australia*'

Imports have now taken approximately 70% of the processed pork (bacon etc) side of our industry. (APL Imports) Currently our pig is broken into three parts after it is sold. Legs go into ham and small goods, loin and ribs into fresh trade, as do forequarters. Any leftover trim goes into process as well. So to get a fair fresh trade price is impossible because my fellow "*pig farmer*" the *importer* can buy legs from the United States for between \$2.80 and \$2.90 boned out C105, which means boned out, skin off, fat off. This action puts a ceiling on our price. **It doesn't matter how high demand increases this determines the price of pork in Australia.**

Current world markets do not allow Australian pig farmers to compete on a level playing field with imported pork. Australia's pork production pre October 2007 was 100,000 pigs slaughtered per week. The USA slaughter levels at 29/9/07 were 2,223,000 per week. Australia's total production is 5% of USA. The USA has so much room to discount their export price to gain market share that they disadvantage their Australian counterpart. Because Australian producers account for such a small percentage of the market whatever we do, we are at the mercy of the USA. **Since the supermarkets in Australia have so much power they will continue to import cheaper pork products.**

Currently Denmark has a similar situation with pig producers looking to leave the industry. Danish producers are suffering high feed prices which are seen all over Europe in the last month. Due to a down turn in their incomes, like many farmers in Australia they have decided to stop production. In Australia the situation is similar, but the downturn in income is not only due to high grain prices which in the past we have coped with, but the increased percentage of imports. **The EU has responded by introducing a private storage scheme commencing on October 29, 2007.**

See following graph:

The industry will receive the following subsidies:

DKK/kg (4.7 Denmark Kroner equals \$A1.00)	2 months	3 months	4 months	5 months
Pork sides	1.80	2.07	2.35	2.62
Bone-in ham(legs), Picnics, foreends, loins	2.20	2.51	2.83	3.14
Bellies, bone-in and Boneless	0.98	1.22	1.47	1.72
Boneless collars, picnics hams and loins	2.20	2.51	2.83	3.14
Middles, bone-in and Boneless	1.64	1.90	2.16	2.42


The scheme will include 100,000 metric tonnes of pork to be stored with subsidy from the EU for a period between two and five months after which the pork can be freely sold into EU and or non EU markets. This scheme aims to increase the pork meat price in Europe for the coming months to compensate their farmers for the drastic feed price increases. As Australia is suffering from the same problem and importers are bringing in middles from Denmark it makes it even harder if not impossible for Australian farmers to compete. As stated by APL chief executive Andrew Spencer 110,000 tonnes of frozen pork were imported into the country during the 2006-2007 financial year "this staggering amount of frozen pig meat is equivalent to just under five kilograms of pork for every Australian man, woman and child." "Producers are receiving on average \$2.30 per kg of pork, which costs \$3.00 a kilo to produce." "This situation is inequitable for the pork industry." Consequently Australian producers are being forced to shut down their businesses.

In my case the cost of producing pigs has reached an all time high. The increased cost of production because of the drought cannot be passed on because imports have increased 53% since June 06 (Australian Pork Ltd) resulting in an oversupply of pig meat for the processing industry. The displacement of local pork by imports has as again stated by Andrew Spencer "left the industry in a precarious position." Of which the Australian public has little knowledge. "I am sure Australian consumers would be shocked to know that approximately all ham, bacon and smallgoods sold in Australia comes from imported pig meat." (Andrew Spencer. Australian Pork Media Release October 18, 2007)

If this trend isn't stopped immediately, Australia will not be able to produce enough pork to supply its fresh trade market. Relating again to my situation I will not be able to continue to operate in this no win situation. I along with my fellow pork producers would welcome provisional safeguards allowable under the World Trade Organisation (WTO) guidelines to stem the flow of record level imports. I understand the importance of free trade but not to the demise of our industry.

Clearly we need consultation between producer bodies and processors. It would be in every ones interest if the Government was to ensure that the processors use 50% of local product. This would be a win, win situation for every one and put some stability back into the Australian Pork Industry. If this 50% ratio was to be implemented it would mean that tariffs would be eliminated thus allowing free trade to occur and Australian producers would be able to compete on a level playing field which is all we ask.

Yours Faithfully

A handwritten signature in black ink, appearing to read 'John Bourke', with a stylized flourish at the end.

John W. Bourke