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Pig Meat Safeguards Inquiry, Productivity Commission

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Melbourne VIC 8003

SUBMISSION TO THE PRODUCTIVITY COMMISSION

Presented by Mark Fullagar and Richard Shaw on behalf of the FOCUS GROUP

Contributors to the group submission are:

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Mal & Alison Gett,
Garry & Wendy Maguire,
Glasshouse Mts Farms
Gjadick Pork
Deidre Curtis
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Richard & Kate Shaw
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David & Wendy Bryce

Paul & Jenny Taylor,
Terry & Leslie Reed
"Brentwood"

Executive Summary

In the financial year 2006-2007 the group making this submission lost $12 per head on the 92,819 pigs slaughtered. The group submits that imports which were in the order of 109,000 tonnes in the year ending August 2007,are capping the wholesale price of pig meat at a level which is forcing members of this group to reduce herd size, reduce employment opportunities, increase their liabilities and reduce the level of owner equity in their businesses. The group is of the firm opinion that action must be taken to safeguard their future and the future of their staff who have invested heavily in the pork industry by addressing the effect of imports and advising government to introduce tariffs to allow time for the group and the industry to restructure.

Introduction

The contributors to this submission that will be presented at the Commission hearing in Brisbane are a group of pig producers based in South East Queensland and Northern NSW. They have all contributed financial data to the "Business Monitor program" coordinated by IAS Management Services of Kingaroy. IAS Management Services provide a summary of the aggregated data under the title of the "FOCUS GROUP". The "Focus Group" summary allows the individual businesses to benchmark their financial performance against the group's average and national herd performance. The summaries also enable the members of the group to compare their achievements against industry data in other pig producing nations including Denmark, USA and Canada.

The Businesses

All the businesses are described as long established family businesses specialising in pork production. The businesses in the FOCUS group range in size from 65 to 1200 sows. The average herd size of the sample is 470 sows producing 92,819 pigs for slaughter in the financial tear ending June 30th 2007. The businesses produce bacon pigs for slaughter at around 105 kilograms live weight. Five of the herds purchase prepared diets from reputable stock feed manufacturers and the remainder mix feed on farm from purchased grains, proteins and micro-nutrients. Four of the businesses have arrangements with contract growers to feed the growing pigs for part of the growing period prior to slaughter. In addition to employing family members eight of the businesses in the group employ staff as skilled animal attendants.

All members of the group use one or more of the wide ranging portfolio of services provided by IAS Management Services including herd health management, business monitoring, staff training and quality assurance auditing.

All the members of the group apply sound business principles, office procedures and budgetary control, have risk management and environmental management plans in place, employ nutrition consultants and are members of the industry's Quality Assurance program (APIQ). They all attend industry conferences and workshops and are committed to improving their knowledge and applying technical developments. They are recognised by their peers as leaders of the industry in their localities. Details of the individual businesses are included in Appendix A.

Members Specific Qualifications

Paul Taylor is a director of Pork Queensland (the political organisation serving the interests of the Queensland Industry) and an elected delegate to Australian Pork Limited (APL). Dierdre Curtis's partner, Dr Greg Marr is an elected delegate to APL and one of the leading swine veterinarians in Australia. Malcolm Gett represents NSW Farmers as a delegate to APL. Terry Reed is a former chairman of the Queensland Pork Producers Organisation and a member of the Pork Council of Australia. Mark Fullagar is a regular contributor to DPI&F and APL seminars regionally and nationally and Gary and Wendy Maguire are hosting the international delegates to the Australia Pig Science Association Conference at their pig unit on Thursday 29th November 2007 to demonstrate the application of new technologies in the Australian pig industry.

Benchmarking the Australian industry against major competitors

Benchmarking the Australian industry with other pig producing countries is fraught with difficulties. The management systems, marketing weights, nutritional strategies, labour skills and buildings vary considerably from country to country.

However, in 2004 the Danish Pig Industry commissioned a report (No 29 2006) on the performance of pigs in a number of countries including Canada and the USA. Table 1 summarises key performance indicators compared with Australia. The figures for the growing herd are corrected to the growing period from 30 to 100 kg live weight. The Australian results for the grower herd are extrapolated from the APL Australian Pig Annual 2005 and the analysis of records of a large scale producer recording performance on a number of contract grow out units. The source of the Australian breeding herd data is the APL Australian Pig Annual 2005.

Table 1. Performance of the Australian growing and breeding herds compared to the major pig producing countries.

Grower herd	Australia	Denmark*	Canada*	USA*
Feed Conversion efficiency (kg feed/ kg wt gain)	2.65**	2.69	2.96	3.18
Growth rate	820**	835	826	700
Breeding herd Litters per sow per year	2.27	2.25	2.2	2.2
Pigs born alive per litter	10.32	12.7	10.8	10.34
Pigs weaned per sow per annum	21.05	24.7	21.4	19.9
Pigs sold per sow per year	20.3	23.7	20.9	19.1

- **Extracted from Danish Pig Production Report No 29 2006 Jacob Rasmussen**

**** Source:- John Riley, IAS Management Services (Unpublished)**

The data presented in Table 1 shows that the performance of the growing pig in Australia is comparable with the world's major industries.

The performance of the breeding herd compares with that in Canada and the United States. It is recognised that the reproductive performance of the Australian sow might be increased by improvements in heterosis resulting from the importation of new genes. However, the bio-security risk associated with importing genes is also recognised. The Canadian government for example have recently allocated their pork industry a total of US$25.4 million to control Porcine Circovirus related diseases. Circovirus associated diseases do not exist in Australia.

Performance of the FOCUS GROUP

The performance of the FOCUS GROUP for the financial year ending June 30th 2007 is summarised in table 2. The summary shows that despite above average performance the group recorded an operating loss of $1,112,681 or $12.08 per pig in the twelve months. The operating loss does not make allowances for depreciation and interest on capital invested.

Table 2. Summary of Financial Performance Focus Group July 2006-June 2007

Total income	$18,426,916
Total Feed Cost	$10,910,049
Total Non-feed costs	$ 8,638,548

Operating loss	$ 1,121,680
Total Pigs slaughtered	92,819

The key performance indicators achieved by the group on a kilogram of dressed carcase weight basis are included in Table 3.

Table 3. Average performance of FOCUS GROUP June 2006-July 2007

Key Performance Indicator (KPI)	
Average return ($/ kg dressed carcass weight)	$2.506
Cost of production ($/kg dressed carcass weight)	$2.659
Feed cost ($/kg dressed carcass weight)	$1.484
Non Feed Cost ($/kg dressed carcass weight)	$1.174
Average dressed carcass weight (kg)	79.210 kg
Average herd dead weight Feed conversion (kilograms of feed used per kilogram dressed carcass weight)	3.965:1
Average feed cost ($/tonne)	$374.234
Pig meat feed price ratio (kilograms of feed that can be purchased by the sale of one kilogram of dressed carcass)	6.697:1
Average operating margin per slaughter pig ($)	-$12.084

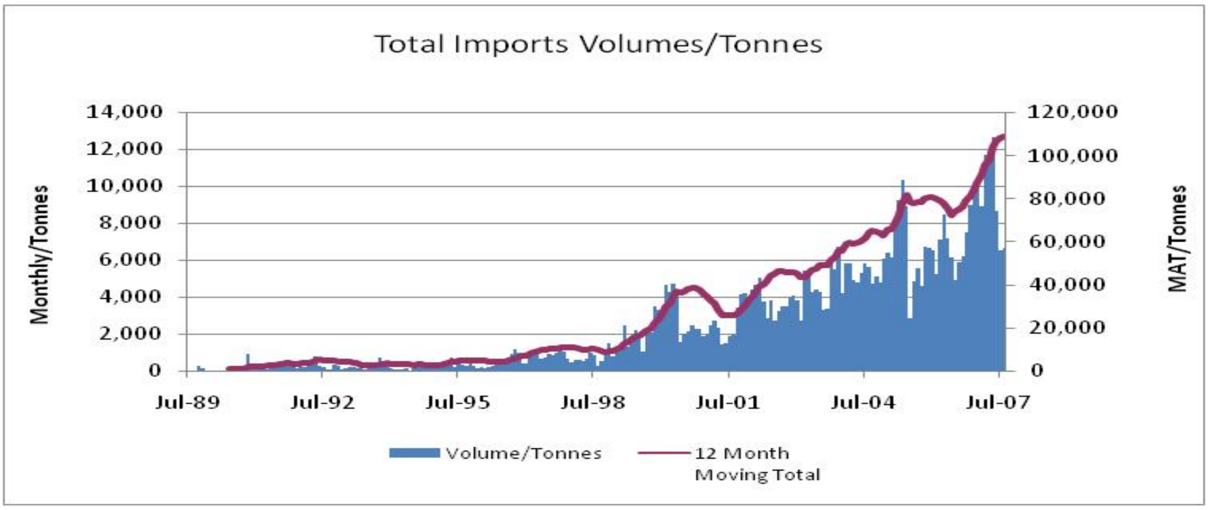
The performance of the group has been benchmarked against the industry figures published by the Queensland Department of Primary Industries and Fisheries and as shown in Table 4, the average performance of the group is as we would expect well above the Queensland DPI & F benchmark **for the selected key performance indicators.**

Table 4. FOCUS Group compared with Queensland DPI& F data.

KPI	**FOCUS GROUP**	**Queensland DPI & F**
Average Feed Cost ($/tonne)	$374.234	$382
Average Market Returns ($/kg dressed carcass)	$2.506	$2.28
Pig Meat : Feed Price Ratio	6.697:1	6.0:1

Despite the groups above average performance the loss is $12.08 per pig on the 92,819 slaughter pigs produced in the year. The losses are due in the groups considered opinion to the level of imports in the last twelve months capping the wholesale price paid for domestically produced pig meat at levels below their average cost of production per kilogram of pig meat sold. The growth of imports reported by APL in the period 1990 to 2007 is illustrated in Figure 1. The imports in recent months total 60% of the total available domestic pig meat production.

Figure 1. Total imports of Pig Meat in the period 1989-2007



In the last twelve months the level of imports has increased by 44.6% reducing significantly the demand for and the price paid for our product.

Table 5. Percentage change in pig meat imports 2006-2007

	Total	Canada	Denmark	USA
	Tonnes shipped weight	Tonnes shipped weight	Tonnes shipped weight	Tonnes shipped weight
MAT Aug 2007	108,926	41,908	37,087	28,904
MAT Aug 2006	75,309	30,661	25,143	18,546
% change	44.6	36.7	47.5	55.9

MAT=Moving Annual Average **Source : ABS**

The influx in imports has been from Canada, Denmark and the United States of America, where the industries must receive significant government support to allow their product to be landed in Australia below the cost of production incurred by Australian producers and the authors of this submission in particular.

The group believes that the level of imports has

- Undermined the industry's ability to absorb the increased costs of production incurred due to drought and the strength of the Australian dollar

- Undermined the industry's confidence to invest in new technology and improve its international competiveness.

- Undermined the industry's ability to expand and to exploit the increased demand for pig meat and pig meat products.

- Capped the wholesale price of pig meat, in particular legs and middles, thereby reducing the income of the Australian producer and in particular the group making this submission.

Group response to the economics of the industry

In the light of the adverse trading conditions the members of the group have reduced sow numbers by 1450 or 31% at the time of writing with a further reduction likely if trading conditions do not improve.

The reduction in sow numbers and financial pressure has resulted in 16 of the 36 skilled staff employed by the group being made redundant. The chances of these employees finding employment in the pig industry or in the local community are remote. To date no family members of the businesses in the group have been forced to seek alternative employment. However, if the prospects for the industry do not improve significantly and quickly family members will be forced to seek other employment.

Four members of the group have alliances with a total of eleven contract growers. The contract grower provides facilities, labour, power, water and other services to manage the growing pig for part of the growth period. The price paid to the contractors as been reduced from an average of $1 per pig per week to $0.80 per pig per week. On average each contractor has in the region of 3,000 pigs on site which equates to a loss in income of around $30,000 per annum. In addition, contracts with six contractors have been terminated as a result of a reduction in sow numbers.

To save costs the purchase of replacement gilts has been severely reduced. The decision has short term merit but long term the genetic merit will be adversely affected resulting in reduced growth rate, less acceptable carcasses and poorer feed conversion efficiency.

All the businesses in the group have sought additional finance either from banks, the Queensland Rural Adjustment Authority or private interests. The effect is that assets have been reduced; liabilities have increased and the percentage of owner equity in every business in the group as fallen.

The effect on the individual businesses

The effect of the trading conditions in the financial year ending in June 2007 on each individual business varies slightly and are summarised in Appendix A.

Performance Period July 2007 – September 2007

The financial performance of a sub sample of eight herds in the FOCUS Group for the period July –September 2007 is summarised in Table 6.

Table 6. Average performance of FOCUS GROUP July 2007-September 2007

Key Performance Indicator (KPI)	
Average return ($/ kg dressed carcass weight)	$2.270
Cost of production ($/kg dressed carcass weight)	$2.240
Feed cost ($/kg dressed carcass weight)	$1.404
Non Feed Cost ($/kg dressed carcass weight)	$0.836
Average dressed carcass weight (kg)	87.06 kg
Average herd dead weight Feed conversion (kilograms of feed used per kilogram dressed carcass weight)	3.399:1
Average feed cost ($/tonne)	$413.037
Pig meat feed price ratio (kilograms of feed that can be purchased by the sale of one kilogram of dressed carcass)	5.496:1
Average operating margin per slaughter pig ($)	$2.629

At first glance the results for the quarter from July 2007 to September 2007 might suggest that the FOCUS Group is now in a positive financial position. In fact the positive operating margin of $2.63 per pig is due to action referred to earlier namely:

- The culling of healthy productive sows
- The reduction in the number of employees
- The termination of alliances with contract growers
- Reduction in the investment in genetic improvement
- A reduction in non-feed costs
- Plus a moratorium on repairs and renewals

At the level of margin achieved in the quarter the groups businesses are not sustainable and further contraction is inevitable.

Owner Equity

The level of owner equity in each of the businesses in the FOCUS Group has fallen significantly in the last 15-18 months. As indicated the number of stock on hand as fallen and due to the level of imports the value of pig units has fallen.

To survive, nine of the ten businesses in the FOCUS Group have had to re-negotiate their loan arrangements and in five instances have had to apply to the Queensland Rural

Adjustment Authority for carry over finance because their banks were unable to support them beyond their current levels of debt.

In brief, liabilities have increased and assets have fallen significantly.

Promotion of Imported Pork

The group draws the attention of the commission to the fact that in the financial year 2006-2007 we paid to APL $234,369 in levies. Of the total levy, $153,151 is allocated by APL to promotion of pig meat and pig meat products. Whilst recognising that the APL's promotional focus is on fresh pork and bone–in Christmas hams, the group at times query whether they are actually supporting Canadian, Danish and/or American pig farmers particularly when the labelling regulations are so misleading.

Effect on the Local community

The group have reduced the size of their business to date by 31%. Table 7 is an attempt, albeit an amateurish one, to assess the loss of 31% of sows and the progeny owned by members of the group to local businesses.

Table 7. Estimated financial loss to local businesses by reduction in Group's activities

Suppliers of feed ingredients	$2.88m
Haulage industry	$0.5m
Animal health services	$0.2m
Genetic suppliers	$0.26m
Employee's wages	$0.5m
Contract growers	$0.18m

The financial implications of the reduction in the size of the group businesses are relatively simple to list. However, there is also the effect on the social infra-structure of the rural areas where the businesses are located. The effect on schools, medical services, retail outlets and service people whose businesses rely on this group for part of their income.

Opportunities foregone due to imports

The pork imported in 2006-2007 equates to the production from about 120,000 sows. Whilst the group accept that imports are a fact of life and are not seeking a total ban on imports but a realistic level at a price which allows the Australian industry to be competitive, the loss to Australians is worthy of note.

Table 8. The opportunities for Australians derived from 120,000 sows

Suppliers of feed ingredients	$288 m
Haulage industry	$60 m
Animal health services	$20.5m
Employee's wages in production	$51m

Conclusions

The group have demonstrated that despite achieving above average performance they are still losing money on every pig sold. The loss is due to the level of imports capping the wholesale price of pigment.

The group believe that safeguards should be introduced immediately to allow the group and industry to restructure.

Acknowledgements

The group wish to place on record their indebtedness to the assistance given in the production of this submission by:

- John Riley NDA, CDFM, MIMC, IAS Management Services, Kingaroy
- Sara Willis, BAppSc (Rural Technology), Senior Extension Officer, Department of Primary Industries and Fisheries, Toowoomba.
- Mark Bauer, BAppSc (Rural Technology), Pig Unit Manager, Queensland University, Gatton College Campus, Queensland.

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APPENDIX A

The participating businesses

- **Mark and Kerry Fullagar**

My wife and I own and operate a 90 sow pig unit at Bell situated on the northern rim of the richest grain growing area in the nation – The Darling Downs.

Each year we source 400 tonnes of grain within 40 km of our front gate. With diets formulated by nutritionist Sara Willis QDPI&F and production advice from IAS Management Services, this combined with my Certificate in Animal Husbandry (Queensland University Gatton College) we convert this grain into 1750 pigs at 105kg live weight. These pigs are the progeny of semen purchased from Eastern Genetic Resources, an AI station located 10 km from our farm.

Our pigs are transported by the same contractor who transports our grain, Graham Patch, who lives in Bell 3 km from our farm. Each week he transports our pigs 70 km to the north to Swickers Kingaroy Abattoir. Here they are converted into 135000kg of fresh pork annually.

We own our farm and have minimal machinery finance. We have no labour charges and when combined with our logistical advantages and best practices production efficiency we are a very competitive business.

Despite all these strengths, after 20 years of successful trading our business is now failing to cover the costs of production. The reason is clear, refrigerated pigmeat imported from the Northern Hemisphere and processed upon arrival in Australia, is available cheaper than locally produced product, the resulting over supply has held prices below our cost of production.

To fore fill my duties as a trustee of a superannuation fund I have completed a Graduate Certificate in Applied Finance and Investment. In the process I have learnt the value of a free market and free trade between countries; these forces bring about efficient and competitive production of goods and services. However, a distortion in these markets brought about by the subsidisation of some market participants is unfair and inefficient.

How can it be possible for Denmark, Canada & USA, all members of the OECD sharing very similar economies to our own, to produce perishable goods and freight them across the world cheaper than we can deliver them 70km away? Australian grain is exported across the world, yet I buy it from my neighbour. Australian beef is another key export, yet I buy meat protein for our diets 30km away at Maclagan, but despite these competitive advantages we are falling short of our production costs.

We remain in this industry because it is a good one, we don't fear competition for it makes us strive to be better, however just now this industry is under siege from a distorted import pricing situation. All that is required is that our competitors are made to reflect their production costs in their pricing.

- **Richard and Kate Shaw**

We have been pig farming at Sligo, Bell, Qld for 13 years. We first started as contract breeder-growers for Kewpie Enterprises and then in 2001 bought the herd and became pig producers in our own right.

It is now an owner operated enterprise of 320 sows that turns off on average 120 pigs/ week to the fresh food market selling to a local butcher abattoir and through an alliance group to a wholesaler in the Sydney area. We would source 1500 tonnes of grain annually from Australian farmers. We employ 2 full time staff. We have a grow out contractor for some of the growers.

In 1994 with a desire to become primary producers, we purchased an empty piggery between Bell and Jimbour. At the time we only had the finance to cover the cost of the piggery so we entered into a contract breeding and growing for Kewpie Stockfeeds. This enabled us to have a good basic background in the production of pig meat mainly from the animal husbandry side of the industry.

It became apparent to us after 6 years as a contractor that we would be financially better off if we acquired the stock, so we purchased the 200 breeding sows and their progeny up to 18 weeks of age. Since that time we have extended and upgraded the piggery to a stage now where in our mind we have: improved our genetics; purchased another piggery which is leased to a contract grower; setup a feed mill; built two more grower sheds and improved the facilities in our piggeries, replaced all feeders, farrowing crates and refurbished the weaner shed with insulation panel and expanded the amount of grain storage. Our business plan was to expand to 350 sows so that as we approached 50 years old we would have the extra income to employ staff so that we could wind back the hours we work.

We have always been able to ride out the highs and lows of the profitability cycle of the pig industry before. We have always taken steps to make our enterprise as profitable as possible.

We use computer programs to herd record and to monitor cost of production and feed conversion.

We have always been keen attendees at DPI and other seminars and at the Dalby Pig Improvement Group meetings to find out the latest innovations to improve performance and keep up with best practice.

We instituted a Quality Assurance Program through APL and we monitor herd health through veterinary checks done at the abattoir regularly.

We have changed genetics to produce a pig that reaches slaughter weight at a younger age, has a better meat yield and lower P2-saving on feed costs and giving a lower cost of production and market return.

We built a feed mill because we wanted more control over our ingredients and could see that there were great savings to be made mixing our own feed.

We have increased the grain storage on our farm and developed a network of grain farmers and Grain Traders from whom we can source grain at competitive prices. We are able to store six months of grain on farm and therefore able to purchase grain at a reasonable price avoiding market volatility.

We use Sara Willis a leading nutritionist with the Qld DPI&F who ensures the nutrients and ingredients in our diets are utilised efficiently.

We have 2 markets for our pigs. We supply 40% of our production to a local butcher. This means we reduce transport costs for some of our pigs. The second market is Sydney based and is supplied through a producer alliance. The Sydney market demands a heavier pig. Marketing as a member of an alliance enables us to secure a market where quality and consistency is rewarded. Three years ago we exported our pigs to help to get numbers out of the country but the rise in the strength of the dollar reduced the market.

The development of our piggery has taken a lot of effort, time and expense. All this effort and expense is now bought into question by the amount of pig meat coming into the country. This impact on our industry is totally out of our control. We and many farmers we have spoken to, have lost their faith in the stability of the industry. We were always ‘price takers ' but the **unprecedented** increase in the volume of imported pig meat has depressed the price. Our viability is at the mercy of the importers. Many farmers we know, who would never have considered exiting the industry before now have considered that an option for the future.

If we were to exit the industry there would be flow on effects to our local community.

- We are at the moment cutting back our sow numbers to do away with the contract grower situation so they will be without that income soon.
- We purchase 1500 tonnes of grain from mostly local farmers.
- We employ 2 staff who would be out of a job.
- We spend $5000-$8000 per month on piggery requirements and feed ingredients from Kewpie Stockfeed.
- We spend between $900-$1600 per month on veterinary goods.
- The local butcher would have to find stock elsewhere for his city client.
- The truck driver who transports our grain would have less work.
- Various businesses in town; the local plumbing shop, the fellows who repair the pumps, feed mill, motors, tractor, the people who service and fuel our vehicles ;the local electrician ; the hardware shop would all have reduced income.

We are only a medium-sized piggery – imagine the flow on effect on rural communities of 20,000 sows going out of production.

In some respects the drought has been a catalyst that has brought the importation/ domestic production plight of the industry to a head. If we didn't have this drought, importers would have kept on importing at record volumes and the domestic industry would have bled to death slowly rather than the dramatic exiting from the industry we have seen in the last six months and will see in the six months ahead.

The situation we now face is that the pig industry may contract in size to just having enough meat to supply the domestic market. If this occurs it would mean that the amount of meat imported should have no bearing on the domestic price and a status quo will be reached between domestic production and the importation of pig meat. This status quo would seem to be the solution but not an ideal one. If for any reason, the supply of imported pig meat was disrupted, the tonnages produced domestically would not cope with the demand- resulting in an increase in price to the consumer. The industry has spent a lot of money promoting the consumption of fresh pork and any increase in price would be detrimental to our market share.

In this whole scenario of importation and domestic production of pig meat, the only people that have lost money are the Australian pig farmers. Danish/Canadian/USA pig farmers have made money; importers of pig meat have profited; every link in the domestic supply chain has profited except the initial link- the provider of the resource- Australian farmers. How is it possible that a product from overseas, produced in climates that require so much costly heating for long periods of winter, can be shipped over under refrigeration to Australia and arrive here so much cheaper than the same product produced in Australia by some of the best , most efficient farmers in the world?

If a tenable situation is not achieved the Australian industry will contract further and the future could be that we import fresh and processed meat into a country which is perfectly capable of producing its own pig meat – as good or better than imported product; cheaper than subsidized imported product and cleaner than imported product. If the bottom line is competition in the market place so that consumers can get best choice of quality and price of product, then we need a vibrant and healthy domestic industry to provide competition against imports.

- **Terry and Lesley Reed**

My wife, family and I have been Pork Producers since 1970. We have experienced a number of down turns in the industry. These have usually been caused by over supply. This current situation is no exception; it is clearly caused by over supply.

Since the beginning of the nineties access has been granted to overseas countries: firstly, Canada, secondly Denmark and thirdly USA. During this period there have been a number of inquiries into the disastrous financial state of the industry, particularly the production sector. Each time imports have been cleared. Drought, inefficiency both before and after farm gate, lack of ability to export and sometimes too many producers all impact on the industry.

I might now express our thoughts on this current situation.

Prior to imports the industry was able to sort out its own crisis's by gaining more market, improving efficiencies etc. Import access was granted through Import Risk Analysis to the three countries mentioned above, the only restriction being quarantine. This then allowed a huge flood of imports into the country to take over the processed section of our market. Our country's processing market share was stolen by these countries. They did not and do not pay promotion levy. This was how our industry achieved our market share. Any government elect or advisor would be absolutely naïve to think that this type of import policy would not quickly destroy a domestic industry. In fact, it has! Graphs and other data included in other submissions will back up these statements. Import product trace back is also of great concern. We, personally, were able to view our tattoo in Singapore. Can we do this with Canada, Denmark or USA pork product here in Australia?

Drought is part of Australian agriculture and will continue to be. Grain has always been available in Australia. The freight has and always will be the problem that forces grain to the extreme prices, well above export parity.

Currently grain prices are at an extreme record high price and this, I believe, is because the ethanol industry has become a major user of American grain.

Water is becoming another issue to our industry. The lack of water puts huge pressure on the production sector.

Animal welfare in Australia has standards far above those countries that send product to Australia.

Both skilled and unskilled labour is becoming more difficult to source. We are competing against the industrial and mining sectors.

Australian finance is extremely costly in comparison to our competing nations.

The hot dry climate alone has serious impact on the Australian production.

Yet with all of these adversities the Australian Government expects us to compete in an international market.

We have been competitive over time but it is circumstances like now where we cannot compete without any form of limitations.

Surely, at serious times like this, it must be Australia first!

Some may question what experience we have to make these comments! Our family, through a number of generations, have farmed this area as grain growers while value adding through pork and beef since the beginning of the 1900's.

- **Darren and Jennifer Rafton**

We have been in the pig industry since 1993 and moved to Mount Marshall in 1999 with our family of three school age children. We purchased the Proston business in 2002 The Mount Marshall unit did run a 550 sows breeding unit and the second business at Proston runs 650 breeding sows. The progeny from both units are grown out on contract sites on properties in the vicinity of the breeding units. Until recently we engaged four contractors. On the breeding sites we employed a total of seven full time employees. As a part of our business management programme we have contract arrangements in place for the purchase of the pigs feed, the marketing of our pigs and veterinary and consultancy services.

As a result of the unprecedented level of imports in 2006-2007 we have traded at a loss. To survive in the short term we have reduced our total sow numbers by 400 head, reduced the number of employees by two, terminated the contracts of two contract growers, reduced the returns to the remaining two contract growers significantly and increased our borrowings.

The result is increased liabilities, reduced assets and a lower level of owner equity in the business. In the longer term the reduction in the size of our business will increase our non feed costs and reduce further the margin per pig produced.

We believe that our level of performance is above average for the Australian industry and compares favourably with the performance of similar size businesses in major pig production countries such as Canada, Denmark and the USA.

- **Deirdre Curtis**

I run in conjunction with my partners 600 breeding sows with the progeny grown out on three contract units. One of the partners is recognised as one of the leading veterinary swine practioners in Australia. With his guidance we claim to be continually improving the business performance by the adoption of proven technology. The performance of our business is recorded in detail and is above the national average compared with published industry standards. Due to the impact of imports on our market in the last twelve months we have increased our level of borrowing and reduced the level of payment to our contactors by 20%.

- **Gary and Wendy Maguire**

We operate an 800 breeding sow unit and grow out units on the Darling Downs and in the Burnet. We came to the Glass House Mountain Farm after both obtaining Diplomas in Agriculture at Gatton College and were employed as managers. We subsequently became partners and sole owners in 1999. We own the Burnett facilities and rent the Downs unit. We employ fifteen skilled animal attendants and our two teenage children assist in school holidays.

To reduce our exposure to the risk of drought we have installed a computerised wet feeding system at the home farm and utilise bi- products from the human food industry in conjunction with purchased grains and proteins. Locally sourced grains and purchased proteins are mixed on the Downs unit and purchased complete diets are used on the Burnett unit. Diets are formulated by our consultant nutritionist.

We regularly attend industry seminars and workshops and have travelled oversees to increase our knowledge of and evaluate new technologies, many of which have been adopted.

We believe that we operate an efficient business. However with imports imposing a cap on pig meat prices at levels below cost of production our long term future in the industry is in question.

- **Wendy Bryce**

I run a 70 sow farrow to finish with one part time employee. I purchase feed from a national stock feed manufacturer and market my pigs through the local abattoir. I have considered expansion of my business, including drawing up building plans. However, due to the effect of imports capping the prices in the wholesale market I have not embarked on an expansion programme. I continually benchmark the performance of my business against the national herd data published by the APL and conclude that the performance of my herd is well above the national average.

- **Paul and Jenny Taylor**

We settled in Gayndah in 1987 and expanded the herd from 150 sows to 450 sows. We use purchased feed and market our bacon pigs through the Pork Link marketing group to ensure our product is marketed effectively. We firmly believe the current state of the industry is due to imports, and this has resulted in our property being put up for sale and the unit depopulated whilst we consider our options.

- **Mal and Alison Gett**

We have until recently run a 1200 sow unit near Narrabri. We have been in the pork production business since 1978. We mix the pigs diets from home grown or locally sourced grains and purchased proteins. We employ a consultant nutritionist and consultant veterinarian. Over the years we have invested in new buildings, refurbished older buildings and have adopted proven technologies as appropriate. From around 14 weeks of age the progeny from the breeding herd are transferred to contract grow out units prior to dispatch for slaughter. We have contracts in place for the sale of the pigs and buy grains forward and do not rely entirely on the spot market. During the financial year July 2006 to June 2007 we lost money on every pig sold.

To operate within our financial limits we have reduced our sow herd from 1200 sows to 650 sows. We have terminated the contracts of our three contract growers and in future will grow out the progeny from the smaller herd on the home farm. As part of the restructuring programme we have reduced our labour force from twelve to six with further reductions possible. The effect of record levels of imports has been to reduce our assets, increase our liabilities and have reduced our level of owner equity in our business. We have had our property on the market for around two years with no serious interest expressed by potential purchasers.