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To whom it may concern:

Submission to the Productivity Commission: Safeguards Inquiry into the Import of Pigmeat

This is a submission from **Dr. Patricia Mitchell, BroadAcres Piavella P/L,** to the Productivity Commission's Safeguards Inquiry into the Import of Pigmeat.

In this submission, I wish to address the following matters:

- Imports are injuring the Australian pig industry and as such, appropriate provisional safeguards should be implemented to stabilise the industry;
- Grounds exist for a Productivity Commission recommendation to implement provisional safeguards and general safeguards;
- An implementation of provisional safeguards and general safeguards would not:
    a. be a disincentive for the industry or for our farming enterprise/company to adjust; or
    b. inhibit the international competitiveness of our industry; or
    c. impact negatively on consumers in terms of price increases; or
    d. slow our farming enterprise or industry restructure.

We have evidence of the actions already taken by our farming enterprise to manage import pressures. We have comparative evidence to show that our farming enterprise is responsive to changes in the industry. We show how our business has changed and by how much from 2002 to 2007.

We demonstrate that despite our continued efforts to restructure our operations, imports are depressing our pig prices and impeding our ability to recover our costs of production. It is imports which are causing serious injury to our business and without immediate provisional safeguard action, we are faced with long term irreparable damage to the future of our businesses and in turn to the Australian pork industry.

I would be happy to discuss any matters raised in my submission with the Commission, given the opportunity to do so and can be contacted on BH-0429882306, AH-0354882306

Yours sincerely,

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Submission Contents

(Please delete those sections which you choose not to address)

1. Farming Enterprise/Company Background

2. Farming Enterprise/Company Structure Production and Markets
    a. Production
    b. Exports
    c. Marketing Strategies
    d. Employment and Regional Business Effects

3. On Farm Profitability
    a. Prices
    b. Operating Expenses:
        i. Production and other costs
        ii. Feed and grain costs
    c. Capital Requirements
    d. Risk Management
    e. Profitability

4. Impact of Imports: Current serious damage and the threat of further serious injury

5. Conclusion

1. Farming Enterprise/Company Background

Our business name is BroadAcres Piavella P/L and we run a multi-enterprise farming operation based completely in Northern Victoria. The Mitchell family has been farming in this area and on this particular farm for over 100 years. Enterprises include fat lamb production (self replacing flock), broad acre cropping (5000 acres) and intensively reared pigs. Pigs have been raised on this farm since the family came to the area. However, intensively reared pigs (a farrow-to-finish operation) have been an enterprise on this farm for nearly 50 years. The farm is managed by family members

2. Farming Enterprise/Company Structure, Production and Markets

a. Production

Our total number of sows is currently 140, while total number of growing stock on the farm is about 3810 head. Total sow capacity of the piggery enterprise is about 500. Over the last few months we have averaged about 470 sows and mated gilts. We were able to reduce sow numbers because of improvements in productivity. We have made the decision to de-stock the piggery because of the financial losses the enterprise was sustaining. We check our COP on a monthly basis and early September this year our forecasted figures indicated that we were losing $30/head and with the forecasted grain prices and pig prices, if we continued in pig production, we could lose between $30-$50 per head. De-stocking the piggery was the only option.

Our average weekly turn-off is 200. This number has not varied greatly over the last 12 months. The majority, sorry, all of our production (excluding our cull sows) at this time goes to the fresh pork market and the average carcass weight is about 53 kg. At the start of the year our average carcass weight was 76 kg, a figure that was not dissimilar to our average carcass weights in 2002-2003. From 2002 to early 2007, the majority of our pigs were designated as bacon carcasses with less than 10 % going to the fresh pork market

b. Exports

None our pig production goes to the export market

c. Marketing Strategies

We changed genetic lines nearly a decade ago in an attempt to satisfy consumer demand for both the domestic and export market, for eye muscle and general carcass conformation. Although this did take considerable effort and planning, it did not lead to any financial or market gains, although it did make our supplier more willing to purchase our pigs. But now market preferences have changed once more.

d. Employment and Regional Business Effects

Five years ago this farm employed 9 people with 4 people full time, 1 part time and 1 casual employee in the piggery. Earlier on this year, the piggery employed 3 full time, 3 part time and 1 casual employee. Currently the piggery has 1 full-time and 2 part time employees. Up until the present, family/ownership employment has comprised about 1.5 full time equivalents or 1 full time and 1 part time employee. All piggery employees received TAFE based training to achieve certification. We also have a qualified trainer who has several years experience in RTO based pig industry training. So we have put quite significant amounts both in time and money in insuring our staff has access to the highest levels of training.

We have had to let go 5 people go. These people live not far from us and they will find it difficult to get further employment because of the drought. We could not afford to continue to employ them. The increased feed costs coupled with very poor pig prices have made employing people unsustainable.

Our regional community does rely on our business. Five people, who were the major bread winners in this small community, means 5 families with a much lower disposable income. So the other small businesses in the area will feel the fall-out effect. Between our enterprise turnover and the employees wages, over $2.5 million will not be going out in the community

Additionally, it must be remembered that rural sporting clubs that generally struggle for funds will also suffer. Employees will move if they cannot find work and this means that memberships and player numbers will dwindle and replacements will not be forthcoming. Moreover, many of our pig industry suppliers provide in-kind sponsorship to our local football/netball club. Our local club will lose over $10,000 in sponsorship because we will not be rearing pigs. Many of our fund-raising activities are based on our farming enterprises. The effects are far-reaching.

3. On Farm Profitability

a. Prices

Type	i) Financial year ending June 2003	ii) Financial year ending June 2006	iii) Financial year ending June 2007	iv) Current pig price (Oct 07)
a) $ / kg baconer (HSCW) Trim 1	-	2.23	2.15	2.25
b) $ / kg porker (HSCW) Trim 1	-	2.85	2.69	2.65
c) $ / kg cull sows (HSCW) Trim 1	1.4	1.35	1.42	0.7
d) $ / kg cull other (HSCW) Trim 1	_	_	_	0.4

Type	i) Financial year ending June 2003	ii) Financial year ending June 2006	iii) Financial year ending June 2007	iv) 3 months ending September 2007 $
Total Farm Income				
Income from pig production only	**1333524**	**1251553.1**	**2150126**	**382672.47**
Expenses from pig production only	**1266616**	**1219431**	**1726274**	**448249.9**
Net Profit / (loss)	66908.00	32122.10	423852.00	65577.43

b. Operating Expenses
i) Production and other costs

Our operating expenses have increased significantly from 2002-2003 to 2007-2008. In 2003 our cost of production was $1.98/kg. Up to the end of September this year our COP was hovering around $3.00/kg, yet we being paid well under that price and this was before feed prices jumped $100/tonne in October. It doesn't take a financial wizard to inform you that at this stage you have no cash flow.

We have implemented various production strategies to improve our farm's competiveness and the health and welfare of our animals. We undertook a Swiss depop 3 years ago to improve the health of our herd. Unfortunately, even with stringent quarantine restrictions, the herd broke with enzootic pneumonia 6 months later but even so we managed to maintain our production figures and growth rates fell only slightly. We've adopted a new set of operating procedures and training sessions tailor-made to our sheds and genetic lines that were developed by myself and my husband. These enabled us to increase our pigs weaned per sow from an average of 9.3-9.6 to 10.2-10.5 pigs weaned/sow. Our new operating procedures also allowed us to maintain a farrowing rate average of 88%. We are achieving the best figures this farm has ever achieved, we are at the highest level of efficiency and because of this we are losing more money.

It is impossible to recover increases in our production costs this year. In the past when the COP has been higher than expected, it was either offset by higher pig prices and/or we have grown our pigs to a heavier weight, thereby increasing the sale price per pig, increasing the profit per pig, and spreading the COP per pig over a higher weight (most of the COP is associated with the first half of a pig's life). This year we are unable to take our pigs to the higher weight, no one wants them because of the level & price of the imported pork. Penalty rates for heavier animals were no different initially to cull breeder prices. Because of the uncertainty associated with pig production we have decided to stop mating, cull when we wean, then grow out the offspring. The last pigs will leave this farm in April 2008. If long term forecasting indicates that pig farming is once more viable, and import levels are reduced to an industry sustainable level, we will return.

ii) Feed and Grain Costs

Feed costs form a significant cost for a pig rearing operation. In 2003-2004 our cost of production for the financial year was $1.98/kg of which feed costs consisted $1.32. In the first quarter of this financial year our cost of production was $3.12/kg, and our feed costs were $2.00/kg. Our average cost per tonne of feed (including freight) in June this year was $455/tonne. Our average cost per tonne of feed (including freight) in October this year was $628/tonne.

We grow our grain which is then sold to Ridley Agriproducts who sell us our completed feed. We maintain the pool of our grain at the Ridley stores. We have been fortunate in the last 3 years to be able to maintain our grain pool levels with only minor adjustments. While harvests in this area are well below levels in previous seasons they have been sufficient enough to grow substantial amount of what we require for our grain pool. We do not have the infrastructure, finance or ability to source alternative feed sources and then utilize it in our herd but we believe that the current high grain prices will settle down but grain will not return to pre-2007 prices. We envisaged paying up between $490-$550/tonne on average for pelleted rations when the price levels out.

We expect that in times of drought grain prices increase, it's just a simple supply & demand situation. However, as previously stated the levels of pig meat imports into Australia have effectively introduced a glass ceiling, which does not allow us to sell heavier carcasses. We are forced to sell our pigs at a lighter weight; processors do not need the heavier carcasses of either our bacon pigs or sows for smallgoods manufacture as they are able to use the imports. Even though we are selling these lighter weight pigs at a higher price, ie. $2.65 for a porker compared with $2.30 for a baconer, we are losing money. For example, currently our average carcass weight is 56kg and we average $2.65/kg; so for a 56 kg carcass we are paid $148.40. If we could grow out our pigs to achieve an average carcass weight of 76 kg and if we were paid $2.65 our average carcass price would be $202.40. To achieve this higher carcass weight would require an input of less than $20, so we would make an additional $40 after costs for the same pig. By the way, last year our average pig carcass weight was 76 kg but we were being paid an average of $2.95/kg.

c. Capital Requirements

We would need to increase the size of our herd to take advantage of further economies of size. The other alternative is to come back but to a reduced herd size so that the piggery could be run by the family with only the need for 1 or 2 fulltime staff. It is a difficult situation because we had already invested in capital requirements because of the new Code of Practice. The piggery and associated infrastructure were worth (prior to 2007) in excess of $1.8million. Currently, in this present financial climate they are close to worthless. The land the piggery is situated on could not be used for other farming activities because of the presence of sheds etc. and it is not adaptable to other farming practices.

d. Risk Management

We have grain contracts in place and a caps and collars contract with our supplier which was not actually implemented once Biosecurity Australia deemed pig imports were "safe"

e. Profitability

Last financial year we made over $400,000 profit from the piggery. In the first quarter alone of this financial year we lost nearly $70,000. A decline in sales was not the problem as our production has actually improved. The problem was the depressed pig prices and the inability to grow our pigs to the weight where we could at least achieve a break even point. We have even been denied this avenue of management. We have been denied market access to the sector of the domestic market that purchases the heavier weight animals for small-good and fresh pork consumption. Most of our lost income is due to imports. Imports have significantly depressed pig prices and the glass ceiling which I mentioned previously has seriously impeded our ability to recover our costs of production. If this situation is allowed to continue, the consequences for our industry and for rural communities that depend on pig production will be dire. Additionally, given our location it is nearly impossible to find work that does not involve some sort of agricultural enterprise, although we have made enquiries only to receive mostly the same reason for rejection…the drought.

4. Impact of Imports: Current serious damage and the threat of further serious injury

In previous years, when cost of production increased (generally due to increased grain prices because of some natural disaster such as drought or floods), pig producers never have had to contend with such disastrously low pig prices in combination with such high feed prices. The current levels of imports have meant that

- We have been unable to market a heavier carcass in an attempt to recover some of our costs of production ie. we as Australian producers have been denied access to a domestic market, **our** domestic market. Our processor has said he cannot sell the heavier carcasses because of the level of imports.
- By April 2008, all our piggery employees will have been retrenched
- We are completely destocking the farm and will have a 500 sow facility infrastructure sitting idle
- We are unable to sell the piggery as a going concern because of the current crisis and the piggery is situated in the middle of our farm and not on a separate title.
- Our prime breeders that are now "cull" sows and boars are worth a pittance. We averaged 70c/kg for our prolific sows (total carcass price $98) and 40c/kg for our prime breeding boars (total carcass price of about $65). To re-enter the Industry, we would need to purchase breeders but not at the prices I've just indicated. A breeding boar is worth about $1500, a gilt around $500-600. However these prices are generally linked to pig meat prices. If there is a lack of suitable breeding stock or pigs in general, this price will go up considerably, and I doubt greatly whether pig farmers will be offered assistance to re-enter the Industry
- We would very much like to re-enter the Industry in late 2008 or early 2009. However, this is very much dependant on the level of imports. If imports continue at the present levels or increase beyond this, we will not re-enter the pig Industry, because imports provide processors with the means to control pig prices and pig meat volume for the larger carcass requirements. As such, pig meat prices are not subject to true market forces but become set at an artificial level which is significantly influenced by the volume of imports

If imports had stayed at the level that was permitted in 2002, we would be substantially financially better off as would be our employees, all our families and our communities.

5. Conclusion

Our business has suffered greatly from imports both financially and in terms of our market share. We have lost over $60,000 in the first quarter of this financial year alone and currently sell none of our animals into our traditional heavy carcass market.

We could not continue to sustain losses of up to $30-50 per week. Therefore we have decided to destock the piggery and retrench our employees. If the economic situation improves, ie if the level of imports is greatly reduced we would attempt to re-enter the Industry. However, this would involve serious costs and careful forecasting and budgeting would be necessary to ensure that the business would be sustainable and viable.

Our city and region rely on our business to provide 9 jobs in Northern Victoria. We contribute $2.0 million to our local and regional businesses and $2.5 million to our state economy. Further cut backs in our business will in turn have an adverse and accumulative affect on local businesses and the community in general.

BroadAcres Piavella P/L strongly believes that the rationale for a provisional safeguard measures is warranted and should be applied immediately. Imports are clearly affecting our livelihood and future sustainability. It is imports that are depressing pig prices and impeding our ability to recover our costs of production. As we have clearly shown in our submission, there is an imminent threat of further serious injury from imports which will have long term, irreparable consequences to the future of our business and to the pig industry, unless a provisional safeguard action is taken immediately.