

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

November 2007



Prepared by

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Houston Pork Wholesalers

Matthew Houston Pty Ltd trading as Houston pork wholesalers has been operating since September 1988. Our company wholesales Australian fresh pork to the domestic market supplying smallgood processors, wholesalers, butcher shops and supermarkets. Our business on average sells 1200 pigs a week, supplying fresh pork to Sydney, Canberra, the central and south coast of New South Wales as well as some of our local area butchers sold either as a full carcass or basic broken cuts i.e: legs, saddles, forequarters, loins or bellies.

We source our pigs from the Riverina, South West Slopes and Central West regions of New South Wales, all considered safe farming districts of the state. All of our pigs are processed at Burrangong Meat Processors (BMP) in Young NSW, the largest employer in the town. We employ four full time staff and an additional 5 casual staff working every weekday and their employment is directly related to the pork industry.

Houston Pork wholesaler's carcasses and broken meat are sold 25% to wholesalers 40% to processors, and 35% butcher shops and supermarkets.

2 The requirements for safeguard action

In 1998 we had 68 pig growers that we purchased pork from. This number has now reduced to 37 in 2007, with 11 growers choosing to shut down in the past six months as well as another 6 regular suppliers of ours looking to leave the industry if things do not improve. As a result we could see our business volume reduce by up to 50% in 2008 if market conditions do not improve, and that will mean two things for our business:

- 1) a reduction in business expenditure in our local area, and
- 2) less jobs within our company.

A reduction in the number of pork meat processing plants over the last couple years has been quite evident with the closure of Griffith (closed 2006) and West Wyalong (closed 2005) abattoirs. Whilst our main processor BMP has seen a reduction in pig numbers from well over 7,000 (this time last year) a week to around 5,000 a week according to David Hewson at BMP - pork production management . As a result of the reduction in volume Burrangong has had to close their offal room as it was untenable at the current volumes which has seen the removal of 28 staffing positions.

2.1 Have imports increased?

One only has to consult the ABS monthly imports of pigmeat under tariff subheading 0203.29 to see how much additional product is coming into our country. Our company believes that the increased imports have caused serious injury to the domestic pork industry and we will continue to be a problem in the short to mid term if nothing is done about it. We only have to look at the severe reduction in numbers of pig growers and sows in the industry to see that the Australian pork industry is hurting significantly.

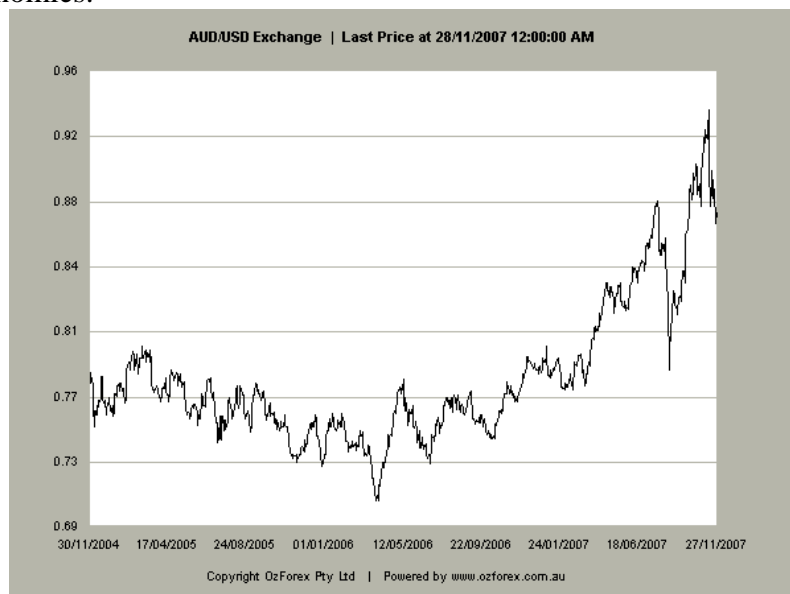
The incentive for the pig farmer in the current market structure is unworkable. As stated on ABC's Landline program article 'Pigs in Crisis' "pig growers are losing \$50 a pig they produce".

In the past few years our growers have been able to run their business more efficiently, because they have had to. Four years of drought have made them run their businesses as tightly as possible waiting for the season to turn only to face 2007 and its extreme challenges.

2.2 Was the increase of imports the result of unforeseen developments and the result of [WTO] obligations incurred?

The increase in pork exports can be put down to a number of factors that were unforeseen and the result of obligations incurred.

- i) Exchange rate: As seen on the graph below the Australian dollar has appreciated drastically against the US dollar and the short to mid term it could continue to appreciate with the way with the differences in our respective economies.



- ii) Feed prices: A lot of piggeries had run their businesses back in good seasons when wheat prices were lower than \$150 AUD per tonne. During this season after a promising start it ended up disappointing farmers like the last couple of seasons. During August and September global failure of crops saw a panic with wheat futures hitting record highs a lot of our growers paying in excess of \$500 AUD a tonne, considering the Australian pork farmer was losing money at \$300 AUD a tonne.
- iii) Ineffective labeling of products in the marketplace: it is deceptive to the consumer purchasing processed products in the supermarket where some goods are labeled 'Product of Australia' and they may be made of a mixture of imported products and Australian salt and water.

2.3 Defining the industry: who are producers of ‘like’ or ‘directly competitive’ goods?

The productivity commission stated that this inquiry relates only to imports of frozen pigmeat falling with tariff subheading 0203.29 of the Australian Customs tariff.

Our business does not bone the carcasses to a point where they are identical to the those products that fall under this subheading, but a number of our customers do process the carcass further to be an identical good and say that they cannot produce the products for the same as the imported product. Our processing clients are constantly saying that they are not in a position to pay more for the product as they are competing against other small good companies who aren't supporting the Australian Pork industry.

These businesses are being put at a disadvantage for supporting the local farmers whilst they are competing in a market against businesses that still doesn't appear to labeling their products ethically (stating Product of Australia when this isn't 100% true).

Also over the last couple of years there has been a change in the trend for processed leg meat, according to Tim Westwood from 'Pastoral Ham and Beef' in Sydney one of our processing clients. "The growth area in the processing sector is boneless, sliced, prepackaged ham. In certain products, for example the skinless and boneless products for soccer ball hams we can't compete from a price perspective with the imported products."

2.4 Has the industry suffered, or it is likely to suffer, serious injury?

In our business dealings we have seen severe reduction in grower numbers over a short period of time as stated previously in this submission. The ones that have been brave enough to push on with their livelihood are not being supported as we have let the short to mid term cheaper imported pork products take over their place in the Australian marketplace. This time it is not a case of the big getting bigger and the smaller inefficient players getting out of the industry, in the current situation we are looking at losing to up 20 to 25% of the Australian sow herd.

We definitely do not want to put ourselves in a position where we become reliant on overseas pork sources when we do not have control over diseases or management of the herd and putting the Australian marketplace in a dangerous position if we do not have an industry left. The Australian pork producers have been through a very tough period, whilst at the same time is doing a wonderful job getting up to speed with regulations i.e Pig Pass and the APIQ Quality Assurance program as well as improving carcass quality. If we let our herd diminish to such a state, are we going to be loosening our quarantine standards so that we can satisfy supply needs? We have a good industry here that is getting better genetically, improving efficiency and it needs protection.

2.5 Are increased imports causing serious injury?

As stated previously the increased imports are causing serious injury to the Australian Pork Industry. One only has to see the major reduction in the number of producers to see how much the industry is hurting. Besides other influential factors there appears to be a flattening of broken meat sales in the marketplace and the additional pork meat coming into the country is having a contributing factor with producers failing to cover costs let alone making a margin out of the process.

2.6 What safeguard measures would remedy serious injury?

Firstly a provisional safeguard is needed as we need to act fast before the industry loses some good producers. The Australia Pork producer needs a chance to prove themselves on a level playing field, with increased supply coming from subsidised imports combined with increasing feed costs, drought and an appreciating Australian dollar have taken their toll on the industry.

Quantitative restrictions could help even though maybe restricted to an average of the past three years, where the growth and quantity seems to be strongest.


The implementation of a tariff would also be helpful to bring the imported product to cost parity with the local product, thus making the buying argument to consumer one of quality and not cost.

2.7 What are the impacts on other parties?

We understand that our overseas trading relations are very important, however if our trading partners own industry was hurting as badly I'm sure they would look after their own affairs first. Action must be taken soon before we lose too much of own independence from a supply perspective.

I hope that by analyzing the submissions that you can realize that the Australian pork industry is suffering from serious injury and through the implementation of a rapid provisional safeguard, followed by a more certain protection for the industry in the short term to mid term as we need to rebalance levels that are in freezer storage as well as the feed crisis and difference between our economies is not going to improve within 200 days (which is provided with a provisional safeguard). A longer term solution is needed within reason.

Yours truly,

The image shows two handwritten signatures in blue ink. The signature on the left is 'Matthew Houston' and the signature on the right is 'Douglas Houston'.

Matthew Houston Douglas Houston – *Directors*
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