

DENI PIGGERY



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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 David & Linda Donaldson, we own and run a 200 sow farrow to finish piggery at Deniliquin in the Southern Riverina of New South Wales. To borrow an expression, currently all the bad planets (drought, feed costs, commodity prices, interest rates) have aligned to create an impossible situation. I wish to make just a few brief points to put my observations about the plight of the pig industry in Australia.

- Drought – whatever the cause be it increased greenhouse gases or a shift in the sun's capacity to warm the planet we are experiencing a continual period of low rainfall and more importantly for our area any rain that is falling is not at the most suitable time for winter cereal production. In 2002 we had the 1 in a 100 years drought, 2006 and 2007 the drought has been worse; the reduction in cropping has resulted in a shortage of raw materials both grain, meals and straw for bedding.
- Feed Costs – a significant increase in grain with wheat reaching \$450/t and Barley \$420, this is being driven both by short supply and the world prices with a high Aussie dollar. Although this is historically high it is a world driven phenomena and our competitors are experiencing similar costs. Some of the cost is also being driven by the ability of the extensive cattle and sheep farmers to receive a freight subsidy, something unavailable to the pig industry. The cost of protein meals such as soya and meat meals are rising significantly due to the now world wide short supply.
- Commodity Prices – The market price of pig meat is at a level that cannot cover all the costs, yet allow for the normal renewal of existing facilities or adoption of innovative technology. The main ceiling in all this is our ability to compete against the imported product, the margins and mark-up that is demonstrated in the supermarket shelf price versus the price paid for the raw materials demonstrate the contempt these conglomerates have for the producers and consumers. We need to look at the banana industry and how the consumer now benefits by increased production to maintain a price acceptable to them and yet produce a return to the producer. Price will drive quality and supply, a point our processors are yet to realise. Australia has equal quality and suitable genetics to rival any international benchmark providing we can continue to keep it disease free in the face of imported product from disease carrying countries.

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- Interest Rates – with the increased demand on our budgets and the necessity to borrow further the continual increase in interest rates is yet another burden on the business, although some areas experience exceptional circumstance rebates, it still does not remove the fact that this money must be paid back at some time, and with the decreased maintenance of the pig facilities, their values or capacity to produce pigmeat is also diminishing.

FAIR TRADE NOT FREE TRADE

Although this is perhaps something that is outside of the commission's scope it has a direct bearing on the facts. I have had the opportunity to travel to the World Pork Expo in USA twice now with the last time in June 2007. One underlying series of facts stand out to me is that their production levels and costs are not that different from ours. Their feed is slightly cheaper and their production is slightly lower but they average out. Reading the many internet articles constantly reinforces this, so you must ask yourself how they land pigmeat so cheaply. With an industry that is roughly double and add a zero of our number, Australia is but a small part of their total production. Without a doubt they are providing meat at a special price and quality to establish a market presence and I am sure plenty of people could supply the necessary facts to prove this. For years the Canadians had an edge with the value of their dollar and the change in subsidies from transport to infrastructure and the Europeans have had direct subsidies for any product transported outside of the EU. Until recently Australia was able to compete in the Singapore and Japanese markets but the value to the dollar and in increase fuel costs in transport have made this unviable. This product now must be marketed in Australia against the over ordered imported product which does not contribute to the levy system enforced in Australia.

Australia farmers can produce the necessary volume and quality of pigmeat needed for a viable competitive Aussie industry but not against dumped product propped up with the US Farm Bill and the EU Farm Subsidy.

These market forces will not end with a 200 day tariff, we need a serious commitment by Government to ensure similar cost of production exist in importing competitors, if not then make this trade FAIR and EVEN with a levy.

Regards,

David

David Donaldson