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Mr Gary Banks AO  
Chairman  
Pigmeat Safeguard Inquiry  
Productivity Commission  
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MELBOURNE VIC 8003

Dear Mr Banks

We provide below responses to the two issues you raised at the December 4, 2007 hearing.

**Issue One: Recent Trends in U.S. Exports Versus Canada and Denmark Show that U.S. Imports are not a Substantial Cause of Injury.**

In each year since December 2004 when U.S. imports first entered Australia, U.S. imports have been smaller than imports from any other country in both absolute and relative terms. The following table shows imports of pigmeat into Australia from all sources since 2005.

**Table 1 Share of imports into Australia from Canada, Denmark and the United States**

Concept	2005	2006	Jan.-Oct. 2007
Global Imports	78,139,238	81,385,578	87,672,535
Imports from Canada	34,407,537	34,792,793	33,926,780
Imports from Denmark	25,305,557	27,508,573	28,051,342
Imports from United States	18,386,856	19,043,768	25,644,918
Canadian Share of Total Imports	44.03%	42.75%	38.70%
Danish Share of Total Imports	32.39%	33.80%	32.00%
US Share of Total Imports	23.53%	23.40%	29.25%
US/Canadian Share of Total Imports	67.56%	66.15%	67.95%
Source: ABS Statistics			

Source: ABS data

As Table 1 shows, U.S. imports were lower than imports from either Canada or Denmark in 2005, 2006 and 2007 year to date<sup>1</sup> and U.S. imports held a smaller share of total imports than imports from other sources in each year.

<sup>1</sup> Year to date data includes data for 2007 through October, the most recent month for which Australian Bureau of Statistics ("ABS") import data are available.

For the most recent period, year to date 2007, U.S. imports have held a smaller share of total imports than either Canada or Denmark in nearly all of the months in 2007. The following chart provides monthly import volumes for 2007:

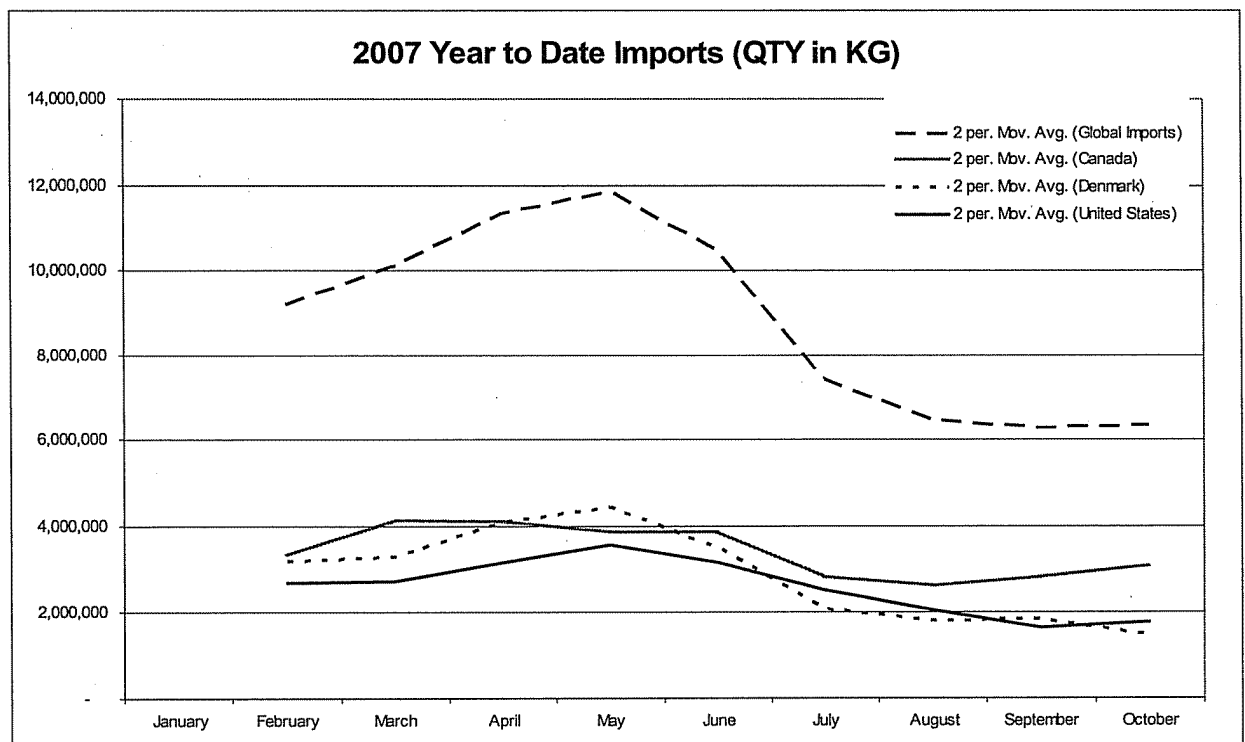
**Table 2 Monthly import volumes for 2007**

Source	January	February	March	April	May	June	July	August	September	October	May/Oct
Global Imports	9,756,735	8,670,176	11,583,561	11,162,837	12,518,611	8,436,611	6,389,533	6,508,054	6,053,731	6,612,686	-47.18%
Canada	3,353,459	3,316,238	4,918,636	3,266,157	4,425,103	3,267,680	2,364,466	2,843,267	2,767,712	3,401,742	-23.13%
Denmark	3,472,989	2,911,050	3,643,458	4,538,458	4,320,607	2,629,687	1,517,150	2,075,500	1,567,407	1,343,770	-68.90%
United States	2,905,584	2,439,888	2,976,677	3,358,224	3,772,901	2,538,664	2,507,917	1,589,177	1,688,612	1,667,174	-50.51%
Canadian Share of Total Imports	34.37%	38.27%	42.54%	29.26%	35.35%	38.74%	37.01%	43.69%	45.72%	51.44%	
Danish Share of Total Imports	35.60%	33.59%	31.51%	40.99%	34.51%	31.17%	23.74%	31.89%	26.36%	20.32%	
US Share of Total Imports	29.78%	28.14%	25.74%	30.08%	30.14%	30.09%	39.25%	24.42%	27.89%	28.24%	

Source: ABS data

As the data in Table 2 show, imports from Canada represented a higher percent of imports than imports from the U.S. in every month of 2007 year to date except April. Imports from Denmark also represented a higher percent of total imports than U.S. imports in the majority of months (7 of 10) in 2007 year to date. In addition, in 2007, after reaching a peak in May 2007, U.S. import volumes have decreased significantly, and at a far greater rate than imports from Canada, and imports from Canada and Denmark. U.S. imports in October 2007 were 50 percent lower than U.S. imports in May. In contrast, Canadian imports decreased by only 23 percent.

The following graph shows the trend for U.S. imports compared to Canadian, Danish and total imports for 2007, year to date:



Source: ABS data

The graph shows that U.S. import volumes have remained lower than Canadian and Danish imports for most of 2007. Moreover, the graph illustrates that, after reaching a peak for 2007 in May, U.S. imports have decreased significantly, and at a faster rate than both Canadian imports and total imports.

The import data for 2005 through 2007 year to date show that imports from Canada and Denmark, both individually and collectively, are greater than imports from the United States. If

imports are a cause of serious injury, imports from the other countries are a more important cause than imports from the United States. Therefore, U.S. imports are not a “substantial cause” of serious injury because they are, in fact, less than another potential cause – imports from Canada and/or Denmark.

## **Issue Two: Canadian and EU Subsidies are Above U.S. levels.**

The Danish and Canadian pork producers currently receive greater levels of subsidies than U.S. pork producers. Recent announcements confirm that these benefits will only increase in the European Union (“EU”) and Canada.

Historically, U.S. pork producers have received much lower levels of subsidies than EU or Canadian producers. Data available from the OECD confirms that the subsidies received by EU and Canadian producers have been consistently higher than those received by U.S. producers every year since 1995.<sup>2</sup>

As a member of the EU, the Danish producers also will benefit from the EU’s new export subsidies program. On December 3, 2007, the EU announced that it will reintroduce export subsidies for pork. It proposes to offer export subsidies of about \$0.20 per pound (CWE) in order to remove approximately 97,000 tons from the EU market.<sup>3</sup> These export subsidies are valid for all destinations outside the EU.

The Canadian pork producers already receive significant subsidies from the federal and provincial governments. The federal government has nine programs that benefit pork producers. The governmental payments under these subsidy programs confer a substantial benefit upon pork producers in Canada. During January through September 2007, the Canadian government made payments under the Canadian Agricultural Income Stabilization (“CAIS”) program and CAIS-related programs in the amount of C\$1.3 billion. During the same period, the government made payments totaling C\$311 million of the C\$400 million committed under its new Cost of Production Payment program. In 2005, the Canadian government reports that it made “net program payments” of C\$41,994 per pig farm, which is equivalent to C\$7.68 per pig.

Canadian provincial governments also provide subsidies that confer benefits on pork producers. Although these provincial subsidies cannot be quantified, they include five programs in Manitoba, three programs in Ontario, three programs in Quebec and five programs in Alberta.

Moreover, the Canadian pork producers currently are requesting that the Canadian government increase subsidies and provide immediate loans to pork producers. On November 27, 2007, the Canadian Pork Council announced that it had met with federal and provincial officials and that it “is asking the government to make improvements to the current Canadian Agricultural Stabilization (“CAIS”) program and for a short-term loan for producers, as well as an immediate advance against future CAIS payments.”

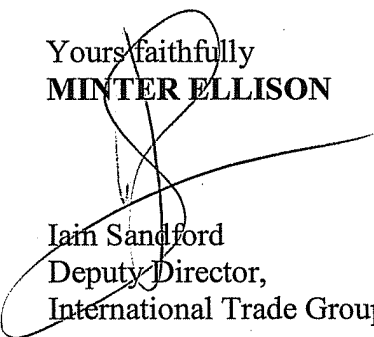
<sup>2</sup> The OECD provides producer subsidy equivalent (“PSE”) data reported to the OECD. See OECD Producer and Consumer Support Estimates OECD Database 1986-2003 available at [http://www.oecd.org/document/58/0,2340,en\\_2649\\_37401\\_32264698\\_1\\_1\\_1\\_37401,00.html#http://www.oecd.org/document/58/0,2340,en\\_2649\\_37401\\_32264698\\_1\\_1\\_1\\_37401,00.html](http://www.oecd.org/document/58/0,2340,en_2649_37401_32264698_1_1_1_37401,00.html#http://www.oecd.org/document/58/0,2340,en_2649_37401_32264698_1_1_1_37401,00.html).) Although the data are available for the period 1986 through 2003, the US has not maintained any coupled payments since 2003. In contrast, Canadian payments under subsidy programs have increased since 2003, and the EU has announced a new export subsidy program that will increase payments on a prospective basis.

<sup>3</sup> See Pig Progress.net, “EU Export Subsidies Officially Granted,” December 3, 2007 available at [http://www.pigprogress.net/news/id1602-37702/eu\\_pork\\_export\\_subsidies\\_officially\\_granted.html](http://www.pigprogress.net/news/id1602-37702/eu_pork_export_subsidies_officially_granted.html)

Therefore, the Danish and Canadian pork producers receive more government benefits than U.S. producers. The large and increasing subsidies confer a benefit on Danish and Canadian pork producers that provides them an advantage over U.S. producers in exporting to other markets.

Yours faithfully

**MINTER ELLISON**



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