

J W & G E Bourke Pty Ltd

Response to The Productivity Commission *Accelerated Report* (No.42, 14 December 2007) February 6, 2008

In my previous submission to the inquiry I established that due to my involvement in the pig industry for 35 years I believe I am competent to comment on the changing situation. I outlined several reasons to prove that the pork industry was suffering serious injury due to imports. However in this submission I would like to comment on the outcome of the Commission inquiry and especially the situation which has developed in "price capping".

My view of the reason for this situation differs from the outcome of the Commission. The commission has drawn the conclusion that "price capping" has not arisen due to imports or that imports are not causing serious injury. I recognize that the feed prices are increasing the cost of production and I will acknowledge the Commissions model of using feed costs as a model for production costs however as I will go on to outline the commissions argument is flawed.

Historically, raised feed costs have increased and decreased the cost of production over a period of many years. In this time the margin to increase the price of domestic pork has always been available to producers. As admitted by the Commission in its concluding remarks reduced profitability is an outcome of cost – price squeezing. But the only change in the market other than the historical fluctuation of feed costs is increases in imports of pork. The argument that world wide increases in feed costs is causing a global increase in production costs, is a manipulation of the situation that draws an inaccurate conclusion to the cause of the injury to the domestic pig market.

The countries dealing with raised feed costs which Australia is being compared with, are the exporters who are dumping their produce on Australian markets. We as domestic pork producers do not have this ability nor due to the availability of low cost imported pork products are we able to pass on our increased costs of production. We are in a gridlock. No other primary industry which at the present time is also dealing with increased feed prices is in this situation. Imports need to be recognized as the reason for serious injury to the pork industry.

The amount of imported pig meat exported to Australia has been steadily increasing since it was first allowed in to the country in 1990. First Canada then Denmark and now the USA have found a growing demand for their product. In the period 2001 to 2006 the volume increased by 163%; to complement this there was a rise in pig meat consumption of 32%, however there was not a complementary increase in Australian production as imported pig meat met the demand. Why? Because frozen imported pig meat is used in the manufacturing sector to produce ham, bacon and small goods. The fresh Australian product is locked out of this market, due to cost. To compete with the imported product Australian producers have to forgo any profit margin and run at a loss. Prices are being undercut by processors and supermarkets demands, making it impossible to compete or stay in the industry.

As stated before pig producers do not have the capacity to pass this cost on. All other primary producers are having to source feed and grain which is expensive and decreasing their profitability margin. However their buyers are paying more at the farmgate e.g. milk, beef. The cost is then passed on to the consumer. But because of the availability of imported pig meat this option is not available to Australian pig producers. They are tied to a farm gate price which is set by processors who have a replacement product and supermarkets who determine their own buying price. If our farmgate price does not increase the fresh trade industry will be further decimated. This will lead to the consumer paying more as the shelf price is increased due to the shortage of supply. It would be in the Governments interest to keep production of fresh pork at a sustainable level to stop any inflationary flow on to the consumer.

On a personal level since the January 15, 2008 the price per kilo has dropped 22 cents. My processor has stated that if he does not decrease the over the hook price, he will be losing money. As I do not have any bargaining power I have no choice but to accept this situation. This state of affairs does not relate to feed prices but to the flood of cheap imported meat which give processors '*a don't care if they buy or not attitude*'.

The evidence is there to show that the industry is suffering serious injury due to imports. Safeguard measures according to WTO criteria are justified.

The Productivity Commission *Accelerated* Report (No.42, 14 December 2007) has given the processing sector the power to continue to '*RAPE*' our industry. The inquiry shows similarity to the 1998 Productivity Commission Report. The outcome being that little was achieved other than Australia being recognized as a champion of 'Free Trade' to the detriment of our industry. Ten years on nothing has been achieved.

In the world market high feed prices are set to be the norm, all primary production will suffer but not so much as the Australian pork industry. The Productivity Commission has the power to stem the serious injury caused by the record high level of imported pork products. Our industry needs support now more than ever, as we will never be able to compete with subsidized imports. ***FREE TRADE SHOULD BE FAIR TRADE***

Yours Faithfully



John W. Bourke