

28 February 2008

Mr. Gary Banks
Chairman
Pigmeats Safeguard Inquiry
Productivity Commission
Locked Bag 2
Collins Street East
MELBURNE VIC 8003

Dear Mr. Banks,

Danske Slagterier (DMBC in English) is pleased to put forward its second submission to the Australian Productivity Commissions Pigmeats Safeguard Inquiry and to comment on the findings in "The Accelerated Report" released by the Australian Government the 20th December 2007.

First of all we again would like to thank the Productivity Commission for the possibility for DMBC as an interested party to have the possibility to participate in this inquiry.

DMBC therefore submits the following comments to be considered in the final report.

1. General comments to the Accelerated Report

First of all DMBC welcomes the Commission's preliminary findings in the Accelerated report from December 2007. We believe the finding that "*clear evidence of causation from increased imports to serious injury is wanting*" is correct and should be maintained in the final report.

DMBC also welcomes the Accelerated Report's conclusion that the cause of the reduced profitability in the pig meat sector in Australia appears to be higher domestic feed prices. DMBC had also highlighted in its submission the very negative consequences of the high feed costs, which it argued were further exaggerated in Australia due to the fact that Australian farmers are unable to access efficient genes due to SPS limitations on imports of genetic stock.

However we would also use this opportunity to restate some of our arguments from our first submission and to comment on some of the findings in the Accelerated Report that we believe need further clarification.

2. Price capping and imports

Especially we in general acknowledge the Commissions “fundamental commitment” to the gains from trade expressed in the Accelerated Report (p.48) where it is stated that the Commission does not accept the logic of “price capping”, meaning that without imports, or with fewer imports, prices would be higher, and therefore, imports are causing serious injury.

In some of the responses to the Accelerated Report (submissions made after the publication) it is stated that imports is the only reason why the Australian producers have not been able to increase the price of domestic pork. As we argued in our first submission the profitability situation in Australia could in fact have been positive if the feed costs had remained unchanged compared to one year ago and that the Australian feed conversion rate had been at international level.

From our viewpoint imports have contributed in a positive way to the development of the Australian industry, when defined as de-boning- and processing facilities. With imports of raw material it has been possible to further develop the market for processed products and bacon.

As a matter of fact new jobs have been created in the processing industry and consumers have got a wider choice.

3. Policy changes by some foreign governments which could, directly or indirectly, affect prices of their export to Australia

In the Australian Productivity’s Commissions Accelerated report of imports of pig meat it is mentioned in the concluding remarks (p.49) that policy changes by some foreign governments could affect prices of their export to Australia and this policy development could be part of this investigation.

The above remarks indicate that the introduction of market support measures in the European Union could be subject to further considerations in the final report.

On this background the following points should be considered by the Productivity Commission:

1. The PC inquiry is a safeguard investigation and not a subsidy inquiry. For this reason alone we believe it is not appropriate to draw EU market support measures into consideration.
2. If however the EU support should be discussed the following points should be mentioned:
 - a. The EU pig meat sector is not subject to permanent subsidies. It is more the exception than the rule that market support measures are applied and even by international standards the level of subsidies in the EU pig meat sector is considered negligible.

b. Export refunds were introduced the 30th of November 2007 for a limited number of pig meat tariff lines. It is important to notice that deboned middles which is the only product exported by Denmark to Australia do not benefit of EU export refunds. This has also been the case by earlier use of the EU export refund instrument. Thus the Australian market is not affected by the EU export refunds.

Conclusions

We would like to restate again the conclusions of our first submission from 21 November 2007:

- Developments in imports of frozen pig meat are not recent enough, sharp enough, sudden enough or significant enough to justify introduction of safeguard measures.
- Due to SPS requirements Australian pig meat has a quasi monopoly on app. 80 pct. of the Australian home market.
- Imports has a positive effect on the over all Australian industry defined as integrated deboning- and processing facilities (ref. definition WTO Lamb, DS 177, 178)
- Due to imports it has been possible to further develop the market for processed products and bacon. New jobs have been created and consumers have got a wider choice.
- Imported cuts and locally produced carcasses cannot be considered as directly competitive products and therefore the industry concerned has not been correctly defined.
- The Australian farmers economic difficulties is due to a number of other factors than imports. These “other factors” are the main reason of the change in farming profitability over the last year.

Sincerely Yours

Knud Buhl