

# MINISTRY OF FOREIGN AFFAIRS OF DENMARK

The Trade Council

Mr. Gary Banks, Chairman  
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Enclosure

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Department

EIR

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## Submission from the Danish Government

Dear Mr. Banks,

On behalf of the Danish Government, I would like to thank the Australian authorities for the opportunity to once again contribute to the safeguard inquiry into the import of pig meat. As for our first submission, this second submission again complements the submissions made by the European Commission and DMBC (Danish Bacon and Meat Council) and the three should therefore be read in conjunction.

The Danish Government welcomes the ruling against provisional safeguard measures set out in the December 2008 "*Accelerated Report*" and agrees with your finding that "the principal cause of serious injury to the domestic industry would appear to be higher domestic fed prices". That being said, we do however wish to comment on other aspects of the findings of the "*Accelerated Report*" as follows.

### ***Domestic industry and like and competitive products***

While we accept that "imported and domestically-produced cuts essentially are interchangeable for the purposes of manufacturing smallgoods", we do not agree with the product scope and the industry definition in findings 2.1 and 2.2 and contest that:

- Australian-produced fresh pork cuts, and dressed carcasses and half-carcasses are 'like or directly competitive' with Danish pigmeat imported under tariff sub-heading 0203.29; and
- Pig producers and primary processors can be considered as one single industry for the purposes of this safeguard investigation.

Here, the Danish Government will again maintain that due to SPS-restrictions, the Australian domestic industry enjoys a monopoly like status in the fresh meat market, and imports therefore only directly compete in a narrow segment of the total market, i.e. the market for processed meat.

### ***Developments in import volumes***

While the trade figures presented in the Accelerated Report show an increase in imports over the years, we do not agree that there has been a sudden and sharp increase in import volumes as set out in finding 2.3:

*“Import quantities have increased both in absolute and relative terms. On balance, consistent with the requirements of WTO case law, the increase in imports appears to have been recent and significant enough, and sharp and sudden enough.”*

On the contrary, the Danish Government would argue that the shown increase in import volumes is quite steady over the years and that the fluctuations seen in 2007 are not too dissimilar to those of 2005. These fluctuations may be explained by difficulties in meeting demand at certain times of the year by Australian producers as well as external factors, as acknowledged on page 38 of the “*Accelerated Report*” in regards to the Danish contribution to this volatility.

Consequently, the Danish Government also takes partial exception with finding 2.4 in that we do not agree that “... *consequent import growth was due to developments which could not reasonably have been foreseen*”. The stated example of ‘pre-emptive’ stocking of imports, in our view, reflect normal market behaviour and should therefore have been foreseen, as should the higher production costs for Australian producers, given the continued drought, SPS restrictions on feed imports and lack of feed substitutes.

### ***Evidence of price ceiling***

We welcome the finding that “although domestic prices currently are lower than the usually high levels at this time of the year, they remain within normal cyclical bounds, suggesting that other factors are responsible of the current profit squeeze”.

As set out throughout the “*Accelerated Report*”, there is no evidence that imports have suppressed local prices and the alleged injury is therefore more likely to be a consequence of higher input costs and increased supply of substitute products as for example fresh beef.

The argument that imports are capping prices has been refuted in the report and we welcome the statement that “the Commission does not accept that such price capping is the cause of serious injury”. The argument here is that while imports may introduce some degree of competition in the local market, it does not automatically follow that



imports are the cause of serious injury. We concur with this assessment and will again stress that because imports and domestic products only compete in a very narrow segment of the total market (the market for processed meat), a direct effect on prices of the fresh meat segment cannot be concluded.

To make a proper analysis of price movements in the fresh meat segment, other factors such as production costs and the development in prices and supply of substitutes, as for example fresh beef, should be taken into account as they are likely to have had a much more significant effect on prices for fresh pig meat than the rather limited fluctuations in the supply of imported processed pig meat.

The Danish Government therefore welcomes the proposal, that any econometric modelling undertaken as part of this inquiry must include a theoretical framework for assessment of production costs, however difficult that may be.

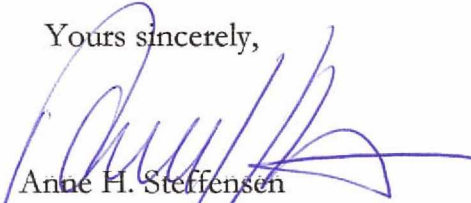
### ***Concluding remarks***

In conclusion, it is still our belief that factors other than imports are the cause of the current difficult situation for the Australian farmers and that injury to the domestic industry has been caused by other factors than imported pig meat for processing, in particular by increases in feed costs.

In our view, safeguard measures against imports of pig meat therefore cannot be applied under the WTO-rules and we trust that this finding will be upheld in your final report.

Finally, on the remarks in regards to policy changes by some foreign governments, we would like to again emphasize that the tariff lines, that Danish pigmeat export to Australia fall under, are excluded from the newly introduced EU subsidy scheme and that Danish pigmeat exports to Australia therefore do not benefit from these policy changes.

Yours sincerely,



Anne H. Steffensen  
State Secretary