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Contains no confidential material.

TO – Safeguards Inquiry into the Import of Pigmeat.

We do not agree with & reject the findings of Commissioner Banks Accelerated Report.

2.7 Concluding Remarks.

Para 2. “But this situation has been triggered by extraordinary increases in feed grain prices . . . not by increased imports significantly undercutting & pushing down domestic prices”.

Agreed the first part – most basic economics “the law of supply & demand” – the supply of grain is reduced - the cost of grain must increase & has done so.

Not agreed the assumption of the second - While the price paid for pig meat may not have fallen against historical values it would be reasonable to expect that at some stage the laws of supply & demand would come in to bearing & the price of pig meat would increase.

Similarly with increased (dramatically) imports the law of supply & demand cannot be denied.

Demonstrably imports have suppressed or “put a lid” on prices.

Whilst the domestic supply of pig meat has yet to reduce significantly without doubt it will & as accepted there is significant damage to the industry (producers).

The WTO allows for measures to be taken TO PREVENT damage.

The production cycle of pig raising is almost a year from preparation of females for mating to slaughter – there is no possibility nor history of quick market response to changed cost structure.

Of interest Commissioner Byrons 2005 Report agreed with the facts as put by the Industry & made a logical case for accepting the industries chosen requests. Surprisingly his recommendation/advice to the Govt was contrary to the facts as he reported them.

Commissioner Banks & his assistants would seem to have rejected the inclusion of evidence put before them.

Most especially the rate of increase of imports & the seemingly simple fact that they must reduce the price paid for domestic product.

It is accepted WTO members can take action if “as a result of unforeseen developments” imports cause or threaten serious injury”.

The argument might more logically be about whether the local industry is internationally competitive. In fact no country can be competitive against “unlimited” subsidy.

The argument is also about if it is in Australias interests to penalize cheap (& in this instance largely highly subsidized) imports or allow the pig industry to survive.

We reject the findings that imports taking 50% of the processed pork market have not affected the domestic commodity price – commonsense would accept that 120,000 T. would reduce the price by a considerable amount when even the threat of imported product as alternate supply can be used to suppress price.

2.

The statements that the December market price is within the expected range does not hold when grain prices are at their 2007/8 levels. Production in N.America may have access to cheaper corn but a great % of international production is fed wheat & the market for wheat internationally is at a higher price than is the norm.

It is accepted that international grain prices will be maintained at a higher level than those pre 2003 but most likely below the international wheat price currently \$380 tonne.

This will govern & maintain a pork market price at higher than historic level.

If the regulation that we in Australia & the WTO operate under provides that “drought assistance/safeguard action” is not legally allowable then those entrusted with Law & Administration of Australian Trade are doing an unacceptable job.

To quote American comment “US Farm Policy is decided in Washington not in Geneva” – unfortunately for Australia ours is decided in both Washington & Geneva not Canberra.

Australia is out of step with the realities of WTO Trade implementation.

Half Australias imported pig meat is sourced from Denmark – it is accepted that Denmarks COP is higher – it is also accepted that only subsidy allows these imports to be competitive.

Pig production in N.America also receives greater subsidy than does Australian albeit lesser than Denmarks.

Traditionally countries with cheaper stock feed price have produced pig meat more cheaply than those without. Economists are in some agreement that grain diverted for Ethanol will increase demand (& price) of suitable grain. It would be logical that mandate of Ethanol use (quota) would increase the price of suitable grain (corn, sorghum, etc) up to the price of wheat reducing the advantage of those countries (America North & South).

In a free trade situation Australia will not produce Ethanol until that margin ceases or diminishes. Like wise if the cost margin between “Corn” & Wheat diminishes Australia will overcome the hurdle of Cost of Production.

The Past.

Through the “80’s & 90’s” Denmark was the largest exporter of pig meat & Taiwan rated No2. The US was an importer.

By 2005 the US, Canada & Brazil with access to cheaper grain & lower labour cost have hit the lead.

Denmark remains an exporter while subsidy allows but would terminate immediately without.

Taiwan is presumably now an importer.

History would indicate the quite violent changes that have occurred & no doubt will agin.

The Present.

China’s pork production was devastated in 2007 by an outbreak of Porcine Respiratory & Reproduction Syndrome at a time when domestic demand reached new highs. The lack of supply lead to “Pork Hyperinflation” with prices rising 65% (Rabo) against China’s CPI of 5.6%.

The Chinese Govt has attempted to slow down the exodus from Chinese agriculture by subsidizing production – as their economy can absorb the displaced farmers their Govt will allow greater foerign market penetration.

In the period 2002 to 2007 US export to China has grown ten fold to 100,000 Tonnes.

Rabo Bank states “Regardless of where China actually imports pork from the pull on global supplies is likely to keep world prices buoyant”.

It was thought certain that there would be an outbreak of H5 N1 “Spanish Influenza”. Even without the “outbreak” chicken consumption was curtailed.

If there is an epidemic although pigs were thought carriers of the virus the disruption to chicken meat trade would be quite devastating & the most likely diet substitute would be pork.

3.

The Future.

All economists agree that meat/protein demand will increase with the dynamic GDP increase in China, India & for the most part of the Asian countries.

The Australian Farm Institute paper “The changing Asian demand for animal protein” expects Asian demand/consumption for pork to rise by 30% between 2007 & 2020 an increase of 17.7 million tonnes of which 1.2 million tonnes would be imported.

Consumption is quite dominated by China with expected increase from 55 Million Tonnes to 75 M Tonnes with imports of 400,000 t required.

Rabo Bank in its most recent Economic Treatise notes the slow down in increase of US Pork production but notes the likelihood of China increasing imports (in the short term).

Rational planning would be to position Australian production in readiness for increased production to meet that & domestic demand.

Short sighted planning would be to reduce Australias production potential.

Piggeries shut down decay at extraordinary rate – once shut down historically they stay shut down – it is unlikely this phenomenon will alter making it difficult for Australian production to expand/catch up other than very slowly.

The confidence of Australian producers has been destroyed by Govt inaction to protect Australian producer s from unfair subsidized import.

The US has been banned from traditional beef markets on Phyto Sanitary grounds. Its recent readmission to those markets should reduce the amount of beef available.

Additionally the US has a current high rate of heifer & cow slaughter.

Reduced domestic supply beef will likely divert pig meat to the US domestic market.

Sensible Outcome.

The Australian Pig Industry is or was worth saving.

It does have a future in a competitive world market.

It is important that the existing investment in infrastructure be preserved.

It is important to shield Australian producers from the damage caused by subsidized imports until WTO arrangements allow for FREE & FAIR Trade & the “serious damage” caused by drought grain price.

It is important to assist Australian producers to “catch up” their renovation & innovation programs curtailed by the 5 years of drought & import damaged market price by temporary relief from imports or by Govt funded grants.