

29 February 2008

Ms Andrea Coulter  
Pigmeat Safeguards Inquiry  
Productivity Commission  
LB2 Collins St East  
**MELBOURNE VIC 8003**

**By email: [pigmeatsafeguards@pc.gov.au](mailto:pigmeatsafeguards@pc.gov.au)**

Dear Ms Coulter

**Re: Productivity Commission's Safeguards Inquiry into the import of Pigmeat.**

The NSW Farmers' Association (the 'Association') welcomes the opportunity to present a submission to the Productivity Commission Safeguards Inquiry into Import of Pig meat.

**Response to Accelerated Report**

The Association is disappointed with the Productivity Commission's findings from the accelerated report. The application for safeguards was made on strong economic grounds and the Association believes safeguard action was warranted.

The analyses in previous submissions and the accelerated report clearly show that there is direct correlation between rising imports and the fall in domestic price, despite high grain prices and cost of production.

Pre 1997, there were close to nil imports. Currently over 100,000 Tonnes (shipped weight, moving annual total) of pigmeat is being imported to Australia each year. This is a 48% increase from 2002 (Australian Pork Limited) and over half of this comes from Denmark. The cost of production in Denmark is high and the subsidisation of their industry is the only factor which allows their imports to be competitive. To a lesser extend this occurs in the US and Canada as well.

Imports are adversely impacting on the competitiveness of the Australian Pork industry by placing a cap on prices. The World Trade Organisation ('WTO') allows for measures to be taken to prevent injury to an industry and the Association believes there is still a strong case for safeguard action in the Australian Pork Industry.

The accelerated report clearly portrayed the vast numbers of producers who have left or are leaving the industry. There has been a 15% reduction in the number of establishments reporting pigs in the last 3 years (ABS Yearbook 2005) and it is expected that a further 30% will be lost in the coming years (Australian Pork Limited). Herd sizes have fallen and currently the local pigmeat industry is losing \$2.59 million a week (Australian Pork Limited). History shows that once piggeries go out of production it is highly likely that will not return to production again. This is a significant waste of infrastructure.

A flow on effect to abattoirs and processors is also being felt. Furthermore this has an affect on our regional communities who provide support to the pork industry. Immediate action is required to prevent avoidable financial ruin across the industry.

### **Addressing the Terms of Reference for the Final Report**

The Australian Pork industry is one of the most productive and efficient in the world. In many areas it is at the forefront of research and production with regards to animal nutrition and health advice, reproduction and welfare practices, and infrastructure improvements. The potential it has for expansion in the future is significant.

A recent report by the Australian Farm Institute "The changing Asian demand for animal protein" clearly demonstrates there will be an increased demand for quality protein in Asia in the near future. The potential this has for Australian livestock industries, particularly pork is enormous. The report states that between 2007 and 2020 a 30% rise in demand of pork is expected in Asia. This equates to 17.7 million tonnes of pigmeat, of which 1.2 million tonnes would be imported.

### **Structural/Operational Changes to the industry**

The Australian Pork Industry requires immediate assistance to provide relief from the record high levels of imported pigmeat and grain prices. The cost of saving the Australian Pork Industry will be trivial compared to the potential gains that will come from world food demand in the future.

The Association believes that a restructure package would be beneficial for the Australian Pork Industry to improve its efficiency and international competitiveness. The Association recognises that packages have been provided to other industries in the past and would support the consideration of similar arrangements for the local pork industry.

### **Recommendation 1.**

*The Association requests that the Australian Government provide a restructuring program/package for the Australian pork industry to allow the building of improved infrastructure and that this is designed and implemented in an orderly way.*

There have been many structural and operational advances which have taken place in the industry since the Commission's August 2005 inquiry into the Australian Pigmeat Industry and these are continuing. However, due to high feed costs and poor pork prices producers have been unable to invest to improve infrastructure.

Technology has improved dramatically and sheds which once decayed quickly, now last significantly longer. This makes investing much more attractive.

Improved production systems are being adopted such as separate site production and batch raising where weaned pigs are grown out on separate sites in batches. This significantly reduces the risk of disease and improves overall animal health.

Shed designs which incorporate improved ventilation systems, flooring, pens and automated drafting systems improve animal welfare, production and cost efficiency.

Producers who have invested in these kind of improvements have seen their production and efficiency increase dramatically. Producers have estimated that 20c/kg can be taken off production costs through investments of these kind, allowing them to be competitive on the world market.

### **Recommendation 2.**

*The Association requests that either grants, no interest, or low interest loans be provided to producers to invest in improved infrastructure.*

The bureaucratic red tape which is involved with the lengthy planning process severely impedes development and the improvement of infrastructure. The Association would support the reduction of red tape involved with development

applications and believes this would greatly assist the industry in improving their infrastructure and competitiveness.

**Recommendation 3.**

*The Association requests that bureaucratic delays for extension approvals of existing piggeries and new projects be reduced.*

For those producers who are currently facing decisions to exit the industry it is essential that they be provided with the means to do so. The Association would support the consideration of exit and retraining grants and requests that the lost value of producers' land and infrastructure be recognised. This will assist with further rationalisation and restructuring of the local pork industry.

**Recommendation 4.**

*The Association requests that exit and retraining grants be provided to those producers exiting the industry and that the lost value of producers' land and infrastructure be recognised.*

The Pork CRC was established to undertake research and development on behalf of the pork industry and this has been invaluable. It is essential that the work of the CRC is continued and enhanced to improve the production and efficiency of the local pork industry.

**Recommendation 5.**

*The Association requests that the Pork CRC is continued and that additional funding be injected to enhance research and development of the industry.*

**Feed Costs**

Australian pork producers have adopted feed budgeting and utilise animal nutritionists as common practice. This puts them at the forefront of the industry around the world. However, the Australian Pork Industry is heavily reliant on grain and recent grain shortages around the world have resulted in record high cost of production in Australia. This is exacerbated by the production of ethanol around the world which has further increased the demand and price of grain.

Australian pork producers who have invested in alternative feeding systems, such as liquid and bi-product feeding have benefited with some protection from grain prices. The market for alternative feed stuffs however is limited and grain is still heavily relied upon to meet the energy demands of pork production.

The US pork industry on the other hand benefits from solid maize production which buffers the effect grain prices have on their pork industry, allowing them to be more competitive. While US maize prices have increased in the last 5 years with the onset of the ethanol industry, they are relatively small increases compared to Australia's domestic wheat price fluctuations as a result of the drought.

Producers have been able to manage this risk to a certain degree, but the compounding of factors over the last 5 years has resulted in producers being in very marginal positions, with limited ability to cover themselves. Forecasts expect grain prices to eventually return to more reasonable levels but until this occurs, Australian pork producers are vulnerable and exposed.

With recent rains, it is expected that there will be a good harvest for 2008 and the long term outlook for improved grain prices is promising. This will put pork producers in a better position for purchasing grain. However, in the short term the effects from drought are still being felt and world grain supplies are low. It is essential that Australian pork producers are provided with some protection/assistance until such time as they can be competitive on a world market.

**Recommendation 6.**

*The Association requests that the government provide feed and water transport subsidies to producers.*

Promoting a more transparent system of grain supply would give pork producers better information and allow for better long term business decisions and management of costs. While many farmers make use of risk mitigation strategies, without information on the availability of supply and stocks on hand, these strategies have limited effectiveness with large short term fluctuations in price.

**Recommendation 7.**

*The Association requests that a transparent system of grain supply be put into place that will deliver to livestock producers the major input they need at competitive world prices and give a fair return to grain farmers.*

**Concluding Remarks**

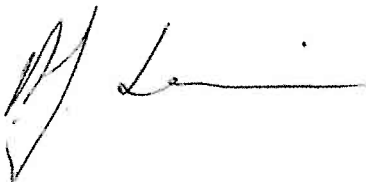
The Association believes the Australian Pork Industry is worth saving. It is a small but productive industry, it can and will be competitive on a world market again and there is an enormous potential for the industry in the future, especially with the increased demand for pork throughout Asia.

It is vital that assistance be provided to Australian Pork industry to preserve existing infrastructure and continue renovation and innovation programs curtailed by 5 years of drought and import damage. Infrastructure upgrades will significantly improve production efficiency and reduce cost of production.

It is also important to shield the Australian Pork Industry from the volume of subsidised imports coming into the country and protect it from the high cost of grain it currently faces, until such time that they can compete on a world market again.

The Association encourages a push from the Australian Government to ensure true 'Free Trade' is established where the WTO allows for protection measures for an industry where serious and irreversible damage is being caused by imports.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jock Laurie', with a long horizontal stroke extending to the right.

**Jock Laurie  
PRESIDENT**