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Date – 22nd February 08
To – Commissioner of the Productivity Inquiry re Importation of Pigmeat.
Mr. Banks

Dear Sir,

Thank you for the opportunity to contribute to the PC review regarding importation of pigmeat into Australia. I have previously made contribution to the inquiry via Australian Pork Farms and as a VFF Pig Council member. I also have not been enthused to repeat what most other producers had put to you.

I am hopeful now that I can assist in some small way.

I see that the Government is very unlikely to provide assistance to Australian pig farmers in the form of quotas and tariffs because of the political fallout not only domestically via other agricultural commodities, but from the overseas threat of retaliation. However the current Government is addressing issues in a different light to the previous.

I believe that the most the Government is likely to offer some financial packages, as has been the case previously, so my comments following are addressed to cover this scenario.

Please find attached a brochure I have developed (titled “Wake Up”) on what I believe that the pig industry must do. I intend distributing this brochure to all I associate with including APL, its delegates, our Industry Strategic Groups and industry media.

I believe that this brochure explains what the industry requirements for assistance are. Can I suggest that you read the “Wake Up” document prior to going any further with this document so that you get the full understanding of where I am at.

I also consider that the Government ought to liaise with the importing countries, suggest that we will allow their dumped imported product in, but with a sizable contribution to our industry to assist in its restructuring.

I believe that we can have a very viable Australian pork industry (although smaller than currently); have imports come in to give the consumer the cheapest processed products in the western world (a vote winner for government) via the purchase of dumped or subsidised product; and also an extremely competitive fresh trade because of the lift in efficiencies plus a product we can assure is safer to eat (than US and Canada) and will be a guaranteed top quality.

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Areas of Assistance –

- To overcome the skatol[1] problem – some of the industry will require capital to put in accommodation to finish the pigs in conventional housing rather than on straw. This is a complex issue that involves applying for permits for the changes involving the sheds or revamping sheds from straw to tiles, effluent system alterations and Environmental Management Plans altered and approved.

- An alternative is to have a system at the abattoir to identify the problem pigs, but this goes against my belief that we can no longer be in a position where we have to supply pigs to the processing sector. These 'compromised' pigs can only go to the processing sector.

- Castrating and bigger carcasses – as much as I hate to say it, I am not happy with where the last lot of government assistance went, in that much of it went to processing companies that have caused this industry demise. This change in pig type does create the situation where the meat preparation area is in need of capital to accommodate this change. Ideally I would like to see any support given for plant and equipment in this area, be under industry ownership.

- Genetics – I am not up with the latest of being able to move genetics from offshore. I don't believe that we can get around the diseases PRRS and PMWS/PDNS. My only thought is for a two or three year program before introduction from an isolated island as a quarantine area. Capital is an area that can be assisted if something like this was to go ahead as well as the location and any barriers associated with this. Preservation of our health status is essential to us. Within Australia we have no system to evaluate the better genetics. I am sure there is scope for government assistance (through our CRC?) in this area.

- Product presentation/type -research (as in checking out how the best of the overseas countries do it) into different cuts etc is imperative. Our APL or a commercial company employed by APL should be in an advisory position to assist any company in the change over to the different cuts that is necessary.

While offering suggestions as above, I personally have problems with individuals getting assistance that is inequitable or supports the least efficient or those that make bad business decisions. The better operators usually miss out. However, I can't offer a better alternative.

[1] Skatol is an unpleasant eating experience caused by aroma from pigs finished on straw

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I am concerned that there is a lack of understanding about the correlation between ‘dumped’ product entering Australia and the price effect that it has on our fresh market. I am happy to go through this correlation with you if required.

In summary, I have given what I believe is the only option for the pig industry to be world class and the least painful way for the Government to show some support without political backlash.

The best case scenario would be for Government to have the intestinal fortitude to put a tariff onto imported pork and that tariff is to fund the (compulsory) restructuring as mentioned. However I understand that it will be a bold Government to put on a tariff or quota, and I can accept that.

I’m done with positives, now the negatives.

The thing I really have problems with is a Productivity Commission giving to Government incorrect or lack of correct information or a message that lacks a true understanding.

I am being somewhat two faced now in that in the previous a have suggested that the pig industry possibly needs to decline a little and what the Commission are doing will guarantee that, whereas in this next portion I am defending the industry from the inequities being put forward. I can’t help myself, but I get somewhat upset when I see information in reports that are factually incorrect. Especially when it affects peoples lives so much.

Unfortunately I have not been able to download the full report of the Commission findings (a rural telecommunications issue) but have received “Concluding remarks from APL”.

The second paragraph under 2.7 Concluding Remarks states -
“But this situation has been triggered by extraordinary increases in feed grain prices in Australia since the middle of 2007, not by increasing imports significantly undercutting and pushing down domestic prices”.

I disagree with this comment and give the scenario that it was common for producers to be receiving in the high $2/kg to $3/kg bracket in the later part of 2006. From this, producers who were prepared to commit their production were able to secure contracts for a similar price through 2007. When new contracts have been sought for 2008, the wholesalers/retailers are just not interested and the price now is 40 to 60 cents lower. This is only because they can get product so much cheaper at present (pretty short sighted I would suggest and perhaps it’s the greed factor coming in there). This is the common thing from those producers that I am aware of, that have been prepared to commit to contracts in the past.

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If I have convinced you of the import domestic connection, then you must agree that this statement in 2.7 is incorrect.

In the fourth paragraph you commented -
"They *(meaning us the Pig Industry)* will be assisted by a recent rise in pig prices, and a slight weakening of the Australian dollar against the United States dollar."

Sir, if the Commission want to speculate on price movements and dollar values I would suggest that they are skating on extremely thin ice. Of late the dollar has improved against the American dollar and has also strengthened against the Euro. Also of late (mid February) the price of pork has come down yet again.

I am but a simple minded farmer who deals with the real elements of nature and tries to think in logical terms. Logic tells me that while a resource boom is on, our dollar will remain strong. It also makes our manufacturing side weaker because we are less competitive because our labour costs go up and everything else due to the demand and finances from the resources area. Our resources are processed in overseas countries and shipped back value added thus leaving us less competitive in the long run. So when the resource boom has declined, manufacturing has diminished somewhat, our costs are high compared to the majority of the world because of our countries financial good fortune, this is when our dollar will decline to levels that will make a real difference. The problem with the above is that logic and financial markets/forces don't seem to go hand in hand.

What the comment in the report suggests to me is that the author really hasn't grasped the seriousness of our financial situation. The report is talking cents variations when the industry is bleeding many 10's of cents.

And also the sixth paragraph under 2.7 -
"It should also be pointed out that even if imports were entirely prohibited, the ability of price rises to accommodate such high feed grain costs would be limited by demand forces (including substitute meats) and could not match the full amount of the cost increases".

This statement is also incorrect. Three dollars per kg is well within the competitive range with other meats. Fresh meat wholesalers have been paying it and have been able to compete well. If to compare with lamb for example, we have just been slugged down to $3.50 per kilogram (which is the lowest it's been for many years). Lamb is much dearer to transport, kill and process than pork is. As a lamb producer also, if the price is to stay at $3.50/kg, given that I can change to cropping, I will be seriously looking at not producing lambs. We can still be more than competitive with any of the meats at $3.30. As producers we may find it tough at $3.00/kg, but with short term cost cuts, as in longer term maintenance etc. we can at least get through.

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It is not at all unrealistic to be able to be successfully competitive with others meats and receive an adequate price for us to exist.

And also the seventh paragraph under 2.7 -
"Furthermore, since the commencement of the enquiry, policy changes have been announced by some foreign governments which <u>could</u> directly impact upon competitive conditions in the Australian market".

I hear and see very different situations to that referred to by the Commission. I see the Canadian government providing up to one billion dollars to assist their producers. I also see the Danish government giving the pig industry 50 cents per kg export incentive, after they have supported them in chiller costs for some time. I see also of late (two weeks ago) that the Danish Government is again considering assisting their producers because of the industry down turn.

Within the Finding 2.5, second paragraph -
"The evidence for primary processing is less consistent. Some operators have reported increased profits, whereas others reported lower profits, …..".

The question I ask of the Commission here Sir is; are you comparing apples with apples?
Have you distinguished if there is a difference in where the processors purchase their pork, domestically or purchasing subsidised imported pork?
Are you comparing those that process and trade fresh local pork compared with those manufacturing imported pork into ham and bacon etc?

The industry's jugular has been severed. With the Commission recommendation to Government of taking a course of inactivity in December, the Pig Industry has continued to bleed and it also has taken to some degree from the industry, the willingness to live.

Thank you for your time

If you wish, I am available at any time for further discussion.

Regards
Tom

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PS – Hot off the Press

$60M in loans for Manitoba Industry
<http://www.thepigsite.com/swinenews/17135/60m-in-loans-for-manitoba-industry>
CANADA - Manitoba's government is making $60 million available to help livestock producers struggling to deal with soaring feed costs, low livestock prices and the high Canadian dollar.

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