6th , October, 2004

Pigmeat Inquiry
Productivity Commission
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Dear Commissioner

Submission to the PC Inquiry into the Australian Pig Meat Industry

This is a submission from Blackwood Piggery to the Productivity Commission Industry in to the Australian Pig Meat Industry. In this submission, I wish to address among other things, issues relevant to the sustained profitability and competitiveness of my farm business, including the damaging impact of imports on the industry and the need for appropriate trade measures to be implemented to benefit the Australian pig industry.

1. Farm structure and activity

We have been pig farming for 25 years when we started from nothing and built up to 500 sows in a start to finish operation. We did a Swiss depop 2 years ago where we removed all pigs from the farm except adult animals which were medicated. We did tis to eradicate several diseases which we had.

We employ 5 full time staff until recently and have now reduced this to 4 and will use a part time person to do what little maintenance is necessary.

2. On Farm Profitability

2001-2002	Reasonable profit
2002-2003	A significant loss
2003-2004	Small profit

We owe very little money, so we would be in a better position than many but have not been game to borrow for piggery expenditure because of the uncertainty of the industry's future.

2.1 Prices and Production

Our cost of production over the last 2 years has ranged from \$2.30 - \$2.20 kg head off which I believe because of our present disease status and production levels would be within the top 10% of the industry. This makes us very competitive but I think we would need \$2.80 per kg to justify borrowing money to build a piggery today.

Because 70% of pork is sold through the supermarkets and they are very reluctant to have contracts, very little contracting occurs.

2.2 Contributing factors to farm profitability and competitiveness

I believe the most negative effects on our industry over the past few years have been the drought and therefore increased feed prices and imports which put a ceiling on the prices we can achieve. I talk to abattoirs and they say we cannot pay more because processors are buying imported pork for $2.50 or some very low price. This is disheartening because no matter how efficient and hard we work we cannot complete if subsidized pork is dumped form overseas.

Over the last year we have operated with the bare minimum of labour which has affected the employees' job satisfaction. We have also spent nothing on maintenance which is not sustainable.

We have a close relationship with the abattoirs whom we have supplied to 10 years. We discuss their requirements and change our production to meet these changes. They have also built a close relationship with the fresh pork sector.

We have implemented various technologies to save labour and improve productivity over the years. We have a computerised feed system, automated ventilation systems and our last shed has evaporative coolers and floor heating. Most of the feeding is automated and we minimize pig movements and time involved with effluent management.

3 The wider socio-economic impacts of your business

I believe one problem with the industry at present is the lack of confidence.
We have made a profit over the past 6 months but because of the unknown of imports I am not confident to spent money because I may face negative profit sometime down the track.

I would like to expand my sow numbers and some major maintenance work which would create employment and business locally but because of the unknown I won't. I do not think I am conservative or lack ambition because I have always had debt and for many years have been in expansion mode.

4 Industry outlook and enhancing competitiveness

To be internationally competitive the industry needs to be of a certain size to get production, transport and processing economies of scale. At present because of the effect of imports and the unknown this is limiting expansion. Regulations to building piggeries is also making it difficult to expand and develop in most of Victoria. I think that if imports are allowed to continue, the industry will eventually scale down to a size that can satisfy and fresh pork market.

5 Conclusion

A key issue for pig producers is the short term outlook of the industry and its future sustainability given recent and current difficult economic circumstances. Falling import prices and increasing import volumes when combined with market distortion, structural inefficiencies in the supply chain and the composition of the pork market, have effectively capped and domestic prices and limit pig producers ability to recover costs. As the processed market and the fresh market are inextricable linked, and artificial downward pressure placed on pork product supplied into the processed sector in turn has a similar price lowering effect on the Australian fresh pork sector.

The difficult financial circumstances facing pig producers and the supply chain suggests that more substantial changes within the industry are needed, particularly further structural change for all sectors of the Australian pork industry supply chain but that this can not occur in isolation and will need government assistance including appropriate trade measures such as a safeguard action. If the Australian pork industry is to substantially improve its global competitive position, it must be given the breathing space to enable adjustment to build the necessary competitive momentum to realign the supply chain and compete effectively with imports. At he very least the Australian Government should agree to carry out a safeguard investigation.

Yours sincerely,

Ian Bayley
(Blackwood Piggery)