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The Commissioner
Productivity Commission
Australian Government
Locked Bag 2
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MELBOURNE Vic 8003   (fax: 03 8653 2302)

PRODUCTIVITY COMMISSION INQUIRY into the Australian Pig Meat Industry

This is a submission by Amitie Pty Ltd to the Productivity Commission into the Australian Pig Meat Industry.

There are currently 2642 pig producers in Australia, with 24% of these supplying 87% of pigmeat for both domestic and export markets.

Amitie Pty Ltd is positioned in the top 2% and produces some 35,000 animals for slaughter each year at South Australian abattoirs. We are a privately company with an investment of some $4.5M, and our turnover for the fiscal year 2003/4 was $7M. Our fulltime employee base of 15 is augmented by outside contractors for specific tasks.

We consider our company which has a direct focus on the production of pigmeat, is efficient, utilising best practice procedures involved sophisticated diet formulations to ensure the production of quality carcases to meet specifications as required by the market, and sourcing all feed from a local mill.

We submit the following points should be seriously considered to assist your review in achieving a satisfactory outcome for the Australian Pig Industry.

1. In the 1980's progressive producers, whose sole income derived from the production of quality pigmeat, were encouraged to invest in new facilities in order to increase production to meet the demand of processors who required a regular supply of pigmeat to achieve output through their own processing plants.

2. Over the past decade imports of pigmeat have escalated, effectively capping local pigmeat prices as a direct result of overseas producers receiving 'hidden' subsidies to lower their costs. Those processors loyal in utilising locally grown Australian product were quickly forced to import part of their manufacturing requirements in order to remain competitive. The impact of imports on the Australian pigmeat industry, and in particular, our own business, affects viability, especially since the cost of local grain to Australian Pig Producers exceeds that of export parity pricing.

3. It has been suggested that increasing carcase weight would improve profitability. Unfortunately, Australian processors do not want heavier carcases (as required by overseas markets) and consequently penalise carcases outside their specifications for being overweight and over fat.

4. Feed costs play a major part in determining viability and Australian producers are forced to pay excessively high prices for grain, particularly during times of drought, which can carry an impost of $50 - $100 Tonne over export parity pricing, thus affecting our potential to export pigmeat at competitive prices. The ability to import grain during times of drought would assist in keeping costs contained. At our level of production even half of the above price impost would add three quarters of a million dollars to our cost of feed.

5. The value of the Australian $ has over the past decade generally favoured importers and this situation is likely to continue.

6. Opportunities to expand export volume to compete with imports have only been successful when some health catastrophe has occurred overseas creating a short-term drop in available supply.

7. The 'clean, green' image, a status we cherish in Australia has a significant impact on our ability to promote and sustain a degree of export volume but insufficient impact when price is a major consideration to the importing country.

   Our high costs of production inhibit the opportunity for the profitable export of pigmeat to overseas countries.

In conclusion it is only too obvious that the uneven playing field gives overseas producers a competitive edge in the export market. On one hand overseas countries are in many cases having their costs structures reduced with 'hidden' support, and on the other hand Australian producers are disadvantaged with over export parity pricing for local grain.

In the local market imports are seriously eroding the viability of the industry for the same reasons.

Appropriate trade measures must be implemented to provide some benefit to the Australian Pig Industry while producers who wish to stay in the industry and remain viable adjust to a lower production base.

I would appreciate the opportunity to discuss further any points that may require clarification.

Yours sincerely
AMITIE PTY LTD

B G Streets
Director