

BENEDEK CONSULTANCY PTY. LTD. (INC.N.S.W.)

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To The Productivity Commission
Attn: Ms. Helen Silver (First Assistant Commissioner)
Locked Bag 2
Collins St East Post Office
Melbourne Victoria 8003

14th August 1998

Re: Pig and Pig meat industries: Safeguard action against imports

Dear Madam,

Having received the Issues Paper July 1998, we respectfully submit for your consideration our views hereunder:

1) I have had considerable experience in importing pig meat, both in cans and in uncooked, frozen, boneless form.

2) Earlier, from 1970 on, I had promoted shipments, in excess of \$100 million, of frozen beef and mutton to Eastern European countries. Romania and Yugoslavia, asked me to establish reciprocal trade and in 1979 we began to import canned, boneless leg and shoulder hams from both countries. These products were popular in the market because the Australian product was heavily over-priced and expanded steadily. The quality of the imported hams was second to none and the Australian Quarantine authorities were satisfied that all the requirements from the point of view of hygiene were met.

3) The local canneries, of course, claimed the goods were 'dumped' and subsidized, not to mention, a grave health risk and demanded the government take action to protect the industry.

4) My company successfully defended itself against 'dumping' charges but had to accept a quota set at existing import levels, as a result of the IAC hearing, and resultant government cabinet decision. That occurred, incidentally, at the time a federal election was imminent.

5) Subsequently, I left the company but still arranged importation of some canned hams from Romania and Yugoslavia, but to the best of my knowledge, none was imported from these countries after July 1992 which, incidentally, coincided with the pending 'dumping' accusation against importation of frozen, boneless, uncooked pork meat from Canada. Again, 'dumping'

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was not found and again, the 'undumped' imports were not the cause of any difficulties the local industry was experiencing.

I would like to remind the Commission that during these years, there were 8 canneries operating in Australia, of which only one remained active producing on a reduced scale, since the other 7 canneries had, not for reasons to do with imports, discontinued their cannery operations. Plumrose still imports a limited tonnage from Holland ,but for all intents and purposes, the market has virtually disappeared and that disappearance had nothing to do with imports. It was estimated that in a full year, locally produced and imported canned hams have amounted to approximately, 6000 metric tons.

6) The IAC enquiry of 1995 looked into further complaints by the local industry against 'clumped' Canadian pork. Again ,the claims were shown to be false. Again, this occurred just before a federal election .

7) Now, we are confronted again with allegations of 'dumped' and subsidized Canadian pork causing serious injury to the industry, again on the eve of a federal election. In this enquiry, however, we understand that there is no need to prove 'clumping' or subsidizing, but only that imports are damaging the industry.

8) We disagree strongly that imports are damaging the industry. We say that there are new elements present in a number of countries, which, not only effect the pork industry, but the beef industry as well. The boneless beef market in the USA, having been a large outlet for Australian beef, has declined by some 44% over the last 20 years, partly as a result of health concerns, and partly because of changing tastes and changing generations. This reduced U.S.A. demand, at a time when more beef is sold on the local market, is reflected in lower beef prices, which naturally forces down the price of pork as well.

9) It is evident that the pig industry is undergoing a restructuring process applicable, not only to Australia, but also to the USA, and Canada and this process obviously will strengthen some and weaken others.

10)We are not engaged in the local pig industry and our activity relates exclusively to importing the product.

11) In earlier years, it was suggested by the local pig industry that Canadian product is imported for the Christmas period, a statement which is not supported by facts since the Canadian product is imported all year round. Of course, congestions are capable of distorting monthly import figures, such as has been the case recently, being the result of the crippling wharf labourers' strike.

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12) Canada is exporting pig meat and pig meat products to approximately 75 countries, yet in no instance has it been said by any of the receiving countries that the Canadian product was 'dumped' or subsidized.

13) A former minister in our Federal Cabinet, the Honourable Bob Collins, has stated in the senate in 1995 that 70% of the cost of pig production arises from the cost of grain, which of course, we are unable to import at world level prices being the result of self inflicted embargo on Quarantine grounds.

14) Undoubtedly the Commission is well aware that since the latter part of 1997, the quantities imported from Canada are already markedly less. It is our belief that this trend is likely to continue for some time to come, particularly if the Australian currency will show further weakening which is generally expected to take place.(See attachment E)

15) Additionally, it should be remembered that the value of the Australian dollar has weakened by at least 25% during the last 18 months ,which obviously is creating a restraint such as a tariff would. The local industry still blames imports. It just isn't rational.(See attachment B, - - Re: Currency exchange)

16) ATTACHMENTS

We commend to the Commission on the following articles (Copies attached);

A) Canadian Pork Industry questions Australian safeguard inquiry dated 27.07.98, originating from S.P.I. Marketing Group Inc.- well -known Canadian pig producers and exporters.

B) Putting hog numbers in perspective by S.P.I. Marketing Group Inc, Canada, dated 27.07.98.

C) "The fall in Australian pig prices", which appears on pp166167 of the Australian Commodities Vol.5. No.2 June 1998. (copy attached)

17) The European Union has now introduced a 30% subsidy on all pork exports. This might have some effect on levels of future pork imports into Australia. Subsidised exports are properly dealt with by imposing a countervailing duty. Whilst we recognize that the current reference under your inquiry is not embracing EU countries, we would recommend that this action is brought to the attention of the Australian Customs Service.

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18) IN CONCLUSION, we'd like to say that the local pig meat industry has had almost 20 years to re-adjust in a manner which would ensure competitive presence against imported product as well as to become a significant exporter to world markets. Hence, the solution to existing problems of the Australian pig meat industry needs to be rectified within this country first, before looking to blame others elsewhere, and at the same time, it would not endanger the exportation of substantial Australian agricultural products to the Canadian market.

Yours faithfully,

John Benedek A.M.,
Managing Director.