

WEST AUSTRALIAN PORK PRODUCERS ASSOCIATION

Pig & Pigmear Industries Inquiry,
LB2 Collins St East Post Office,
MELBOURNE, VIC 8003.

Dear Sir.

Unless we stop this cyclical nature of prices received for our pork, no young person, in their right mind will venture to pork production. The cost/price squeeze is ever present for the Australian farmer especially for those farmers competing on a global market. Pork production is under this category. Unrestricted access of imported pork onto the Australian market does make a difference. Read the statistics. When excess amounts of imported pork arrive in Australia, farm-gate prices of pork decline. Many efficient farmers have left the Industry, never to return.

Australia's population is only 20 million, small, in comparison to some other nations.

The capital cost to set up a viable piggery of 100 sows, working 7 days a week, 365 days a year, the young of today will turn their back of this type of venture without assured profit. They are better off to put their money into shares, it is just as risky, but if they bought shares from the top ten stocks, reinvested the profits, left their money in those shares for 25 years they would be better off. Unfortunately, they wouldn't receive the satisfaction of growing good stock, but neither would they have the heartache my family has suffered.

We commenced pig farming in the 60's, running an outdoor unit, handfeeding pigs, in partnership with my husband's brother. We began clearing land, his brother left the farm which meant we couldn't concentrate on all facets of farming so we closed the pig enterprise. In those days, the only way to sell your pigs, was through an auction system. Wool prices crashed in the 70's, by then we had 3 children, one of our sons was profoundly deaf, so we decided with his future in mind to return to pig farming. We began by buying pork pigs at auction, fattening them in paddocks and selling bacon, weight and grade over the scales. Goff Whitlam was in Government, we had a wage cost surge, which necessitated us to reassess our cost structure. Queensland had led the way bringing their pigs into sheds, after a factfinding tour to Queensland, my husband decided this was the way to go. In 1975, after obtaining bank finance we commenced to build a 100 sow pig unit. Pigs in sheds gave us greater control over live births, food conversion, herd health, the P2 measurement, staff enjoyed the working conditions indoors and not continually in the heat in summer and the cold wind and rain in winter. We supplied the domestic market, prices received were relatively stable, just how much profit we made relied on the price of grain and the cost of meatmeal. We ploughed back our profits, restructured loans with the Bank, by 1988 the pig unit had expanded to 330 sows. Other pig units had been constructed in our area, Watsons built their 1,000 sow unit in the 1980's, there was a tremendous camaraderie between pig farmers, they banded themselves together to form an Association with branches in the pork growing areas, each learning from each other. Advances were made in technology, biochemistry departments in Universities were developing vaccines, research was undertaken, a greater understanding of the pig carcass was being developed, research and development was conducted on the best ways to house pigs, we were

gleaning ideas off other countries in the world. The world was becoming a smaller place. The Eighties was a decade of rapid advancement in decadence and wealth in the western world, the mining industry and share prices were booming, the days of the long lunches were acceptable, we won the America's Cup, Australia had a long line of entrepreneurs, Bond, Connell, Holmes a'Court, Skase, Packer, Murdoch, our Australian work place was relatively stable, there was consensus between the Unions. We experienced the stock market crash in 1987, which pulled us up with a hiss and a roar, but Australia recovered. Asia was awakening, this sleeping giant, with millions of people desiring a higher standard of living. This giant opportunity was knocking at Australia's door, our Governments knew the potential and what this would mean for Australians and Australian agriculture, the export dollars we could generate when we became the food bowl of Asia. So began the promotion and urgency for Australian agriculture to expand. Australian grain farmers are known world wide for their efficiency. Trading Treaties were made, markets were opened where before they had been closed. Australia trading strongly in grain, beef, wool and sugar, markets had to be found and maintained to keep these industries viable. To allow additional quota Australian beef and open a mutton market to the North American market, in 1990 Canadian pork was allowed to be imported into Australia, unfortunately with no reciprocal rights for Australia to trade our pork to Canada.

In 1990, when this decision was made to open our pork market, back on the farm, we made the decision to expand, we reckoned on economies of scale, the more throughput we had the better off we would be. We aligned ourselves to a processor, sold on a weight and grade schedule, which was reviewed regularly, this gave our Bank some security for the returns we had budgeted for. So began the expansion to 500 sows. Our processor would only take bacon pigs that dressed to 65kgs, Clovers were exporting offal to Asian countries and some pork to New Zealand. The trend coming from North America was for heavier and heavier pigs, it was the same cost to the abattoirs to handle a dressed pig of 75kgs as it was for a 65kg but the heavier pig yielded more pork. We changed our allegiance to a processor who took the heavier pig this proved profitable. We averaged from July 1994 to June 1995 a price of \$2.11, prices dipped in 1995 to rise strongly in 1996, and we averaged \$2.25. We relied on the eastern states market for our price as our processor sold to this market.

In 1995, our Primary Industry Minister, Monty House, initiated a Taskforce with the goal of value adding onto Western Australia's massive grain industry as well as offering long term competitive advantage to investors wishing to produce and market world competitive pig meat products. West Australia producers supply the domestic market, surplus pork is sold to the eastern states. All our States private abattoirs, over the years, for one reason or another had closed their export boning rooms. The facilitator of the Taskforce, John O'Donnell surveyed producers on their future business plans for their pork units, what would be required for West Australia to compete on this global market. Results showed, Western Australia would need 50,000 sows by the Year 2000, for us to be able to supply the domestic as well as a growing export market to Asia. This meant an expansion to our herd of 4,000 sows every year for the next 5 years.

Our marriage fell apart in mid 1996. I left the farm to commence employment as Executive Officer for the West Australian Pork Producers Association in January 1997. Pig prices were still buoyant, my husband made the decision, on economies of scale to once again expand, this time to 800 sows. He revamped existing buildings to expand the farrowing house, leased Eco shelters to accommodate the weaned pigs and to grow out the porker pigs; the grower to bacon pig was finished back in the old facilities where pens housed the bacon pig. This gave

him greater control to sell the pig at a premium. Pig prices in the 1990's had always average above \$2.10 per kilo, the buoyant prices he obtained in 1996, coupled with the lowering of interest rates gave him the confidence to expand. He believed now Australia was part of a global market, prices would be sustained.

Never did he envisage, (a) the total collapse of the monetary system of the Asian economy, (b) the unimpeded imports of Canadian pork into Australia, which took 27% of our lucrative ham market, (c) coupled with the world-wide over production of beef, (d) over production of pork in North America, (e) our expanding pork production especially in the eastern States of Australia, gearing up for export and no where to go, (f) Victoria experiencing a prolonged hot summer, resulting in food poisoning scares, which all but closed the smallgoods market. Just one of these factors would have impacted on pork prices but to receive these market glitches month after month, pork prices fell to a 25 year low, these facts combine make an exceptional circumstance for the Industry. Maybe the unit would have been saved had the Government not granted Exceptional Circumstance.

By June, we were receiving a top price of \$1.90; July the market fell to \$1.65. In June, I was asked to lift the overdraft by \$100,000.00, the bank refused to accept this move, the liquidators are now working on the account, we have trade creditor debts of over \$200,000.00; leasing debts of over \$300,000.00, the Bank owed around \$1million mark plus the debt to the stock firm. The farm is under offer, which will settle the bank debt, and some of the money owing to me under the family court settlement. The four housing properties in town purchased for staff are all for sale. The closure of this pig unit means 7 children will leave the Tambellup Primary school, causing concern among the residents that the school may well lose a teacher. The Shire has a population of 700, 72 are students attending the local primary school. Including my son, six people will lose their jobs by Christmas this year, a women employed part time in the farrowing house left at the end of July. My husband is fortunate he will receive a RAFCOR resettlement loan, the maximum amount of \$45,000.00, and his superannuation. Our son, his wife and family because they were not included in any partnership arrangement, although they invested \$20,000.00 in the farm and are now classed as unsecured creditors, will walk away with a car, furniture and chattels. It is so sad to remember it was because of his affliction that the Unit was created in the first place. It is a dismal end to a lifetime of work.

Had the Government initiated an import tariff when our domestic prices fell below \$2 per kilo, Australia's cost of production, the above would have been prevented.

Our 1996 yearly production represented a complete weeks kill at the abattoir, having a spin off effect employing 100's. In 1997 it would have represented more days. The pig unit is not included in the sale and neither is the family home. It is hoped that a buyer will be found, if confidence is restored to the Pig Industry.

You cannot say, our business decision to expand was done without thought.

ASEAN markets more than doubled their share of world imports in the decade to 1996; if combined with other Asian developing economies and Japan, the region accounted for 25 percent of world merchandise imports in 1996. Governments openly supported business to expand and export, unfortunately the infrastructure in Australia for post farm gate prices were not in place. To be the most efficient our freight and processing costs are too high, over time these problems may be rectified however it is not going to help the producers who are left in

the Industry until they are. When our domestic price of pigs fell to the level they did and remained there, our family business could not support the \$8,500.00 per month interest bill, the \$8,500 per month leasing costs, plus pay for grain, electricity, water and staff wages. We were losing \$4,000 per month, or over \$10 per pig sold, you can't sustain those losses for many months without the Bank stopping cheques. I reiterate if the Government had activated the provision that they legally had in place in their World Trade Organisation Treaty without Industry having to prove it again - this would never have happened.

I cannot supply to the Productivity Commission kill sheets over the period of 1995 to 1998, had I been living on the property I would have been able to. My ex husband is bitter and full of remorse and we are concerned over his mental health. Our accountant son has taken away the day to day decision making from his father as he cannot cope and we have given this task to a trusted employee.

In my position as Executive Officer for West Australian pork producers I fought long and hard for the family pork producers, I wrote and saw Senator Winston Crane who is the Coalition Chairman for Primary Industry Policy, I wrote and spoke to Hon. John Anderson, Minister for Primary Industry, he appeared to listen but did nothing. I phoned politicians, wrote to politicians, but no body was listening, the whole exercise has been very frustrating and demoralising, I understand what these farmers are going through.

The Pork Council of Australia to their credit have never waived, they warned and gave the Government sixty days from the 30th March this year, procedures to put in place to safeguard the Industry. They were:- .

1. Urgent provisional safeguard action for 200 days by the application of a tariff of \$2 per kg on imported uncooked pigmeat pursuant to Article 6 of the GATT Agreement on Safeguards.
2. A Temporary Tariff Quota for 4 years on pigmeat imports set at 4,000 tonnes at current bound rates of duty with imports thereafter at a duty of \$2 per kg following industry agreed public investigation procedure by the Productivity Commission inquiry announced by the Government on 10th June, 1998.
3. Urgent review of the industry's Exceptional Circumstances relief request under the Rural Adjustment Scheme.
4. Commitment by government to on-going pigmeat industry international competitiveness, structural adjustment and export development assistance over the 4 year period of TTQ structural adjustment.
5. Establishment of industry/government consultative processes to restore industry and investor confidence.

otherwise a marginal seats campaign would be levied against the Coalition Government. This has now been activated, and the ballot box will tell. I am appalled the pork industry had to resort to this type action, traditionally, country people are coalition voters.

The price consumers pay for pork has not declined. This can only lead me to believe that the Government is governing for the multinationals and the share profits they make. When

Governments stop caring about the survival of its own Australian industries, its own Australian people and their communities, they are not worthy of government.

Any government that places adherence to international treaties before the welfare of its own people is not worthy of government.

What the Pork Council has asked Government for is totally legal. Safeguard measures were written in the treaty for the very purpose the Pork Industries finds it self in. The citrus industry asked Government for help when Brazil began importing cheap orange juice to Australia at prices the Australian industry couldn't sustain, help wasn't forthcoming, acres and acres of Australian Orange trees were ripped out. Brazil still imports orange juice to Australia, but back to the prices that is sustainable to sustain an Australian industry and obviously a Brazilian industry as well.

Is this what's going to happen to the pork industry?

Sincerely,

Lea Newing.
Executive Officer