



**HANS CONTINENTAL SMALLGOODS PTY LTD**

Incorporated in Queensland - ACN 009 758 258

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**Submission to Productivity Commission 1998**

Hans Smallgoods is a medium to large sized Queensland smallgoods manufacturer employing 250 Australians. Annual sales are \$40 million.

Hans Smallgoods is not a vertically integrated company and all meat used within the manufacturing operation is sourced on the open market from abattoirs and processors.

How pigmeat is used at Hans Smallgoods.

Pigmeat generally is blended with red meat, spices and starches to produce our range of products. This range includes salamis, sausages, liverwurst and other cooked products.

Pigmeat is one of Hans Smallgoods key inputs. Of meat used, pigmeat represents approximately 45% of both value and volume.

Our concern is not with pigmeat imports per se but with pigmeat imports that are escalated to such a level that the local pig industry is killed. For Hans Smallgoods if this did happen we see our input costs increasing for some products and for other products the inputs we require would not be available. The final result would be loss of profits for Hans Smallgoods and inevitably the loss of Australian jobs.

Concerns outlined in a little more detail.

Pigmeat from the head and jowl area as well as offal (liver) are prohibited imports into Australia. (I believe this is the case because glands may be present in these products)

These products represent 40% of the pigmeat used by Hans Smallgoods and as such are key inputs into our operation.

Hans Smallgoods ability to trade profitably will be seriously eroded if the importation of pigmeat is escalated to a volume that the small local producers are forced to leave the industry and at the same time larger producers reduce their herd size. The worst case scenario would be no Australian pork industry leaving importation as the only source of pigmeat.

From a 1995 IC research report on "Pigs and Pigmeat" (p.12-18) it is noted that by far the biggest imported product is bone out leg pork. In part this is because leg pork is a high value product and for whatever reasons is able to be landed into Australia about 15 to 30 per cent cheaper than the local product.

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However, for the cheaper products like pork backfat, an essential input within salamis and our continental smallgoods range, there is not a price advantage in purchasing the imported product. Comparative prices sought in January 1997, indicated that imported backfat was 15% higher in price than the local product.

Another higher priced imported pork product is sow meat. Current pricing has the imported product 10% higher priced than the local product.

This impost of higher costs is unlikely to be recovered from the Australian public and so would only mean further erosion of margins for Hans Smallgoods and other smallgoods manufacturers.

In order to support the local pork industry Hans Smallgoods has, as an unequivocal policy that imported pigmeat will not be used in any of our products.

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