

LEAN TEAM TECHNICAL SERVICES™
A DIVISION OF AGRIBUSINESS PRODUCTS
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AGRIBUSINESS

14 September 1998

Professor Richard Snape
Chairman
Productivity Commission
Pig and Pigmear Industries Inquiry
LB2 Collins Street East Post Office
MELBOURNE VIC 8003

Dear Professor Snape,

My company has been involved in the pig industry as a supplier of technology and nutritional products since 1977.

During this time I have experienced many cycles in the pig industry. Each major downward spiral in pork carcass prices has been accompanied by a large number of marginal units exiting the industry.

The current situation is different from all previous recessions. The level of *confidence is at an all time low*. Producers faced with the decision of *investing* or *exiting* the industry are finding it extremely difficult to make this decision.

Factors which contribute to this position include:

- Volatility of *carcass price* is the *key risk factor* facing the pig industry. Introduction of subsidised Canadian Pork has dramatically increased this risk *destroying confidence* in what is otherwise a strong and viable industry with enormous export potential.
- The huge level of investment required to develop a state of the art unit. More than 90% of our production units are continuous flow. To compete in the international market place these units must be converted to multi-site batch flow.
- Past recessions have forced marginal units with low capital investment to exit the industry. Producers remaining in the industry have reasonable investment and would prefer to remain in the industry.
- Producers have been frustrated by government action which has impacted negatively including:
 - Failure to challenge the import of *subsidised* product from Canada and Denmark at a time when domestic prices have been decimated.
 - Failure to push ahead with truth in labelling legislation to give consumers the opportunity to purchase Australian produced pork.
 - Failure to challenge the protective trade policies of our trading partners.

- Failure to question the equity of our domestic market place which is dominated by the two monopoly retail institutions.
- The actions of government is light years away from their rhetoric.

Minister John Anderson was reported in the 1996 Pork Journal to say:

"Without stability of supply and prices there is little incentive for the industry to invest in modern pig raising methods which will be necessary if our producers are to meet foreign competition."

"I consider the industry must place a high priority on focusing on all possible measures to improve its ability to export and compete."

Government actions have been the major contributor to price instability which has destroyed confidence.

Producers are well aware of the need to invest and compete with international players, they do not need government ministers to remind them of this fact. What is required is government action on the following issues.

- Countervailing tariff legislation.
- Truth in labelling.
- Increased financial support for producers prepared to invest in the future of our industry.
- Action to limit price manipulation by the monopoly retail operators.

Yours faithfully,

CLIFF THURLEY
Managing Director