

## **Sunnydale Farms**

**Sheens Creek Pty Ltd (ACN 001 015 149) ATF Budd Family Trust T/as -**

4 September 1998

Pig and Pigmear Industries Inquiry  
LB2 Collins Street East Post Office  
MELBOURNE VIC 8003

### **- Statement of Serious Injury -**

From the beginning of this calendar year our 300 sow pork enterprise has been subject to unsustainable losses occasioned by unfettered and increasing pork import levels.

In the first quarter of calendar year 1998 we averaged \$ 1.97 per kilogram, whilst in the second quarter we averaged just \$1.50 per kilogram, hitting a low of \$1.34 in this quarter.

Our cost of production over this period has been \$2.03 per kilogram HSCW.

Selling 124 pigs per week at 70 kg dressed weight at a loss of \$0.53 per kilogram represents a loss of \$4600.00 per week over the second quarter. Obviously unsustainable.

Whilst we do not carry debt our reserves over this period have been heavily depleted.

We have ceased to invest in our industry over the past six months, carrying out only essential repairs and maintenance not knowing what the future holds whilst feeling very exposed with our existing investment.

Two years ago we commenced a major refurbishment of our unit. Had this been delayed to coincide with the price performance of the past six months we would certainly not have proceeded. The faith placed in the future of the Australian pig industry has proven to be a poor judgement.

I have included a graph of our returns since 1989. It demonstrates the serious plight of our industry. The graph plots actual returns to the present, unadjusted for inflation. We have managed to survive the relentless decline in real dollar terms by improving the efficiency of our operation and accepting ever declining profit margins. In this environment, it is critical that pig meat trade in a predictable price range, uninfluenced by opportunistic imports of subsidised product that have caused the recent price collapse.

Unrestricted levels of pork imports have shaken our confidence in the industry. Our locally produced product is now forced to compete with cheap subsidised product from Canada and other countries who are able to realise advantage from the fact that we

enjoy negligible government support coupled with a Federal Government that is wholly committed to free" (but not "fair") trade irrespective of the consequences for our industry.

It is no longer possible to forecast our returns as it once was when prices followed a seasonal cycle. Traditionally the first three calendar quarters have generated small profits and on occasions small losses. offset by firmer prices and predictable profits in the fourth quarter. However with the record levels of imports in 1997 the price declined during the fourth quarter before falling precipitously in early 1998 to unheard of levels.

With the Australian processing industry at liberty to choose between domestic and imported product, inevitably imports will profoundly affect returns to Australian producers. Our fortunes are now inextricably linked to the global marketing decisions of Canada, a country that has benefited from meaningful government support for many years. It is also a country that produces a vast exportable surplus that must be sold and, if need be, at any price.

The effect of imports is exacerbated by the gross inconsistency in trade policy expecting our industry to be internationally competitive (without government assistance) whilst denying our industry access to international grain markets when we need it most. As a precondition for international competitiveness this anomaly must be addressed.

I have yet to observe any lasting evidence that our future, as we are regularly informed, lies in exports. I have yet to see a study that concludes that there is a net benefit to Australian producers by processors attempting to export unsubsidised product onto subsidised world markets. It is patently absurd calling for producers to export, as producers surrender control of their product at the farm gate.

We will only succeed in exports when our government has succeeded in removing subsidised product from potential export markets.

It is essential for the future of the Australian pork industry that it be given temporary relief from the levels of imports experienced over the past two years until the international trade reforms touted so proudly by the federal government eliminate subsidised product from Australia's potential export markets. If the cycle of the past six months is allowed through imports to be a regularly recurring feature of the Australian pork' industry (without viable export markets .o act as a viable .-relief valve") it will result in massive ongoing hardship and wholesale departures with profound implications for all those associated directly and indirectly with the industry. Our business could not endure a repeat of the past six months. Effective action must be taken to prevent it. and promptly.

### **Recommended Safeguards to be Applied**

A temporary (4 year) quota of 5,000 tonnes and an out of quota tariff of \$2.00 per kilogram is essential to provide the necessary breathing space for orderly adjustment, to provide time for international trade reforms to eliminate subsidised product from our potential markets, and for the resultant development of an internationally competitive industry.

Andrew Budd  
General Manager  
Sunnydale Farms

Encl: Graph Sunnydale Farms Pig Meat Returns 1989 - 1998