

STOCKFEED MANUFACTURERS ASSOCIATION OF QUEENSLAND
An Industry Association within the Queensland Chamber of Commerce & Industry Ltd

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*Submission to Productivity Commission Pig and Pigrate,
Industries Inquiry and Safeguard Action Against Imports.*

**Submitted by Denis M'Gee, President
18 September, 1998**

The Stockfeed Manufacturers Association of Queensland represents 30 individual Companies involved in the stockfeed manufacturing industry in Queensland. In all, the Stockfeed Manufacturers Association of Queensland represents 25 operational stockfeed mills of which 20 produce a significant proportion of pig feed. The Stockfeed Manufacturers Association of Queensland also represents several vitamin / mineral premix suppliers as well as chemical, veterinary medical and raw ingredient suppliers to the Queensland pig industry. As an industry body, the Stockfeed Manufacturers Association on Queensland represents a significant proportion of the compound feed production for the pig industry in Queensland.

There are approximately 63,000 sows on farm in Queensland. This represents over 330,000 tonnes of complete feed must be manufactured either on farm or supplied by feedmillers each year. It is estimated that 60% of all pig feed is supplied by commercial feedmillers i.e. 200,000 tonnes per annum. At an average selling cost of \$285.00 per tonne, this represents an annual turnover of \$57 million. As locally grown grain accounts for approximately 65% of compound feed formulation and approximately 55 % feed cost, the Queensland pig industry uses;

215,000 tonnes of grain per annum, of which 130,000 tonnes is purchased through commercial feedmillers

and contributes

\$32.2 million to the local grain growing industry, of which \$26.0 million is purchased through commercial feedmillers

It is estimated that the Queensland pig industry contributes in excess of \$12 million per annum to the gross profit of compound feedmillers and that this represents approximately 60% of gross profitability to our operations. In some instances this level of contribution could be much higher as several SFMAQ members are much more heavily committed to pig feed production.

Directly Queensland commercial feedmills employ in excess of 200 feed production staff as well as a similar number of management, technical and administration staff. The industry also employs, or sub-contracts, approximately 75- 100 delivery truck drivers.

Indirectly, the industry is supplied by and therefore supports employment of grain growers, grain traders, grain transport operators, raw ingredients suppliers and importers, vitamin / mineral premix suppliers and importers, feed manufacturing equipment suppliers and a range of other associated manufacturing suppliers.

In addition, the vast majority of commercial feedmills are located in rural and regional centres and therefore contribute to rural/regional community economics, employment and structure.

Over the past five years the Queensland stockfeed industry has undergone dramatic change and general downturn. In addition to a steady loss of pig feed clientele due to drought related high feed costs and industry turmoil, the industry has also had to cope with the almost overnight loss of the opportunity beef cattle feedlot sector. This sector once accounted for in excess feed production and total sales as the current level of pig feed production i.e. in excess of 300,000 tonnes of compound feed and \$80 million sales per annum. The business in this sector has fallen to almost 15 - 20% of levels produced in 1995 - 96. The loss of the beef feedlot sector has resulted in the Queensland stockfeed manufacturing industry becoming even more reliant on the pig sector than in the past. (Please note: the poultry layer and broiler feed sector is essentially serviced by vertically integrated operations and is thus unavailable to commercial feedmillers). This downturn in stockfeed manufacturing has seen several operations close down and has also been partially responsible for a number of take-overs, thus reducing the number of competitive feedmills in certain areas. In general, the Queensland stockfeed industry although currently static is far from stable and any further loss of clients will result in further closure of feedmills, loss of rural jobs and a decrease in competition.

From a financial and customer support perspective, the commercial feedmilling industry is in a precarious situation. While operators must control their own financial and business matters they are also required to offer support to generally long term and loyal clients. This support is very often in the form of extension of trading terms. In essence, commercial feedmillers are very often used as pseudo-banking facilities offering no interest short term loans. Many feedmillers while hesitant and concerned about this practice have little choice as we also need to ensure we have clients still left at the end of such industry crisis and downturn. Commercial feedmillers have to decide as to whether they;

- risk incurring a large and doubtful debt through support to client.
- Risk losing a valued client from industry closure through no support.
- Risk losing a valued client to another competitive feedmiller that is willing to offer support.

In addition, most of our clients expect their feedmiller to support them through tough economic periods. Generally, as feed cost contributes to 50 - 60% of cost of pig production, most feel it is the feedmills duty to repay their loyalty and to ensure their continued loyalty in the future.

While the Stockfeed Manufacturers Association of Queensland is an active industry body, its members are still competitors. It is therefore quite difficult to get accurate details of commercially sensitive information from SFMAQ members. In addition, the SFMAQ does not include all feedmill operators in Queensland, although it is estimated that SFMIAQ member tonnage accounts for 80% of all compound feed produced in Queensland. To this end, I have requested relevant members to separately supply commercial information which is to be attached to this submission. While this individual information is commercially confidential and not for publication, the participating members have agreed to the Productivity Commission collating all attachments and using this information under the banner of the stockfeed Manufacturers Association of Queensland.

Thank you for your time and consideration in this matter. On behalf of the Stockfeed Manufacturers Association of Queensland, I strongly voice our support and commitment to the Australian pig and pigmeat industries and our own concerns as to the continuing existence of not only Australian pig producers but also Australian feedmillers.

Yours sincerely,

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Attachments to follow: (Commercial in Confidence)

Burnett Valley Stockfeeds
Kewpie Stockfeeds
Covac's Produce
DA Hall & Co
Ridley Agriproducts
Riverina Stockfeeds
Better Blend Stockfeeds