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Pigmeat Inquiry  
Productivity Commission  
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Dear Commissioner

### **Submission to the PC Inquiry into the Australian Pig Meat Industry**

This is a submission from the Grenfell Rural Producers Co-operative to the Productivity Commission inquiry into the Australian Pig Meat Industry. This submission has been prepared on behalf of the Members of the Grenfell Pig Producers co-operative, and as such represents the issues of small to medium sized pig producers, mixed farming enterprises and contract growers. I offer this in my capacity as both a pig producer and Chief Executive Officer of the Grenfell Rural Producers Co-operative.

#### **Background to the Grenfell Rural Producers Co-operative**

The Grenfell Rural Producers Co-operative has been established for over 20 years and since its inception has grown to be one of the largest buying co-operatives of its kind in the Australian pig industry. Operating out of Grenfell, NSW, the co-operative effectively services the buying needs of regional pig producers and contract growers via consolidated negotiating and buying power. In addition the co-operative hosts ongoing educational activities for its membership and organises a highly successful biennial pig field day referred to as the NSW Grenfell Pig Field Days.

The Grenfell Rural Producers Co-operative has a depot based in Grenfell and employs a permanent part-time staff member to manage the activities of the organisation. The Co-operative has been operating for 20 years with a current membership base of 39 pig enterprises. The membership represents a herd equivalent of approximately 6000 sows.

Over the past four years we have seen a rapid decline in the profitability of individual enterprises with many members expressing concern over the short term future and long term viability of remaining in the industry. Discussions with the membership would suggest that the major factors in this decline are as follows.

1. Imported product – there is no doubt that increasing imported product volumes have had a downward effect on market price, making it impossible for domestic producers to compete. Members of the co-operative have explored and adopted numerous on-farm initiatives to reduce the costs of production and improve productivity yet these realised efficiencies are not sufficient to offset reduced prices and net losses on-farm. This has caused frustration and angst – if producers are working at world best practice levels, adopting new technologies – combating increasing input costs and staving off the effects of drought they are then faced with imports which make it impossible to compete.

2. Market volatility – members have also explored ways to offset market volatility, something which we appreciate is inherent in most agricultural markets. However the industry has seen the market fluctuate substantially beyond the norm and we feel this is directly attributable to the periodic influx of imported product on the domestic market which in turn enables participants further along the production chain the opportunity to effectively “swap” standing orders for imported product. This also has a direct impact of fresh product Producers are often finding themselves in the disastrous position of having market ready product no longer required or offered at substantially reduced prices. This is a significant issue when the production life cycle is taken account and margins are minimal if existent at all. This market distortion is not something producers, or the industry in general, can directly address and we urge that safeguard action be considered in the immediate term to address this critical issue.
3. Market access – there has also been a concern expressed by members of the co-operative that any relaxation of the current import protocols pose a risk for disease incursion. Our disease free status is clearly one of the few competitive advantages the industry has left in terms of continued access to export markets. Members fully support the activities of Australian Pork Limited in seeking a review of the recent Import Risk Assessments released by Biosecurity Australia.

It is apparent to the members for the Grenfell Rural Producers Co-operative that the industry is in crisis with many members reducing their numbers or leaving the industry all together. The Co-operative itself has felt the effect with annual turnover almost halving from \$1,032,000 in 2001/02 to around \$595,000 on 2003/04. This is having an impact not only the co-operative but also the small rural community we live and work in.

Whilst there is always rooms for improvement in any enterprise, and Australia’s pig producers have certainly demonstrated a capacity for continuous improvement, the industry will not survive if urgent action is not undertaken to safeguard the viability and sustainability of the industry.

I would be happy to discuss any matters raised in my submission with the Commission and can be contacted on (02) 63 476 217. I am also interested in attending and/or presenting to the Commission in the public hearings scheduled for December 2004. My preference is to attend a meeting in Canberra or a regional NSW location.

Yours sincerely

John Penrose  
Chief Executive Officer  
Grenfell Rural Producers Co-operative