

This is Deluxe Meat Supply's submission to the Productivity Commission Inquiry into the Australian Pig Meat Industry. In this submission we wish to address the following matters:

- Imports are damaging the industry and as such appropriate trade measures should be implemented to benefit the Australian pig industry.
- Grounds exist for a Productivity Commission investigation into safeguards; and
- APL's draft Industry Restructure Plan is designed to achieve global competitiveness of the whole of the supply chain and the short and long term assistance required by the industry to achieve this.

#### • **Company background**

I established my business 48 years ago and have built it up from butcher's shops to a significant boning room business. We are one of the largest pork boning rooms in Melbourne. This business is privately owned.

#### • **Extent of Business Activity**

Deluxe Meats used to bone approximately 1000 pigs per week all sourced from local producers and processors. We employ 11 people and have about \$1.5 million invested in the business. At peak capacity we would turnover approximately \$7 million per year.

#### • **Market Focus**

We bone pigs exclusively for the food service and smallgoods manufacturers principally in Melbourne.

#### • **Impact of imports on the Australian Pig Meat Industry and Specifically on our Business**

As a company we have thrived on a competitive environment and our time in business is testament to this. What we can not do is continue to compete against cheap imported and subsidised product. Put simply we are being asked to compete on a level playing field but the playing field is not level because of the landed value of pork is so much lower than we can access from Australian pig meat production. It should be remembered that pork is the only imported meat in quantity, coming into Australia – the pig meat industry is so small it does not get the government support larger industries such as beef get. The drive seems to be coming from supermarkets putting pressure on smallgoods manufacturers to come up with increasingly lower prices – no problem with that because the consumer wins. The question that has to be asked is should the consumer win at the expense of an industry that is a major contributor to regional economics and an industry that is effectively developing export market niches.

This business is under threat of permanent closure because of our inability to compete with subsidised pork products coming into Australia from Canada and Denmark. At this stage we are closing our business until the capacity to be profitable returns.

Over the last 6-8 weeks because of the volume of imported pork we have been cutting back production. For every Australian pig we process we operate at a

negative margin. But in recent weeks I have been losing approximately \$7-8000 per week. It costs me about \$10,000 in fixed costs to open my business.

The imported pork has an advantage of approximately 30 cents per kg over Australian product. The following table is indicative of the price disadvantage Australian pork has over imported product as at 5 October, 2004.

<b>Cut</b>	<b>Australian Pork (AUD/kg)</b>	<b>Imported Pork (AUD/kg)</b>
Middles	5.00	4.60-4.70
Boneless leg	6.20	3.80-4.75
Shoulder	3.60	2.80

People ask why don't we get access to the imported product – but this is simply not part of our business which is breaking and boning whole pigs or quarters for smallgoods manufacturers. Under the import scenario these smallgoods operators can buy direct off brokers and access imported product which is high quality and incredibly low prices.

#### **• Options to Improve Global Competitiveness of the Australian Pig Meat Industry and Our Business**

My submission relates to our long term viability in the Australian domestic market. Continued cheap imports will eventually collapse the Australian pigmeat industry and in so doing jeopardise my and other employers and regional businesses including those supplying the export pork market.

Options to prevent this occurring may be the application of quota on imported pigmeat or levying imported pigmeat to the extent of the subsidy differential to enable imported and Australian pigmeat to compete equally on price and then on other factors such as quality, yield and uniformity.

I am prepared to attend a public hearing in Melbourne and speak to my submission.

V Taranto