

Page 1.

This is Mt Compass Bacon Company 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**

Mt Compass Bacon Company operates 1850 sows in the Murray Bridge area in South Australia. The Company is solely owned by the Hurstbridge Group and has been in ownership since 1994.

The Hurstbridge Group also own a 20% share of the Big River Pork abattoir where the 800 pigs it produces weekly are slaughtered.

- **Extent of Business Activity**

Mt Compass also operates a trading Co which exports pigs into Singapore as well as trading pigs on the domestic market including fresh meat wholesaling. Incorporated into the business as well is Murray Bridge Pastoral Co which involves and extensive cereal cropping programme as well as sheep production incorporating the 2000 hectares of land.

We process in excess of 70,000 pigs per year through our Abattoir (Big River Pork).

We employ directly 25 staff on farm as well as support two Transport Companies full time. The Capital investment is in the vicinity for all the SA business of approximately 12 million dollars.

Our Pig Farming business turnover is in the vicinity of \$6 million per year.

Comparative prices of Australian pork for processors to buy compared to Imported pork is in the vicinity of .75c-\$1.00/kg.

- **Market Focus**

Our market focus until recent times has been export into Singapore. This has seen a dramatic turnaround in the recent year due to global and economic problems and as a result less demand for Australian meat.

Due to this decreased export demand we are now placed dealing with the local fresh meat trade which is continually driven down in price mostly due to imported meat being brought into the Country. This imported meat is freely available at prices that Australian fresh meat operators can not compete with especially as we are just recovering from one of the longest and most severe droughts on record. Lack of quota restrictions on imported pigmeat is not enabling the Australian industry to sufficiently recover and reinvest in the industry to the extent that APL's industry restructure plan can be implemented effectively

- **Impact of Imports on the Australian Pig Meat Industry and Specifically on Our Business**

Imports continue to be our main competitor not only driving down local prices but also putting at risk the health of our Australian pig herd.

Cost of Production has increased so much over the years with droughts, increased wages etc, and the cheap imported meat does not allow us to be competitive anymore.

The opportunity for the processors to at will purchase cheap imported meat continues to keep the price down for fresh meat.

Our Company achieved a development application approval for a 10,000 sow expansion more than two years ago which has been put on hold mostly due to imports holding prices down. If this development were to take place it would mean a further 60 or so jobs and a facility built worth more than 30 million dollars producing a further 4,000 pigs weekly for the abattoir as well as increasing the workforce and other businesses directly and indirectly.

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

Grain prices are set at global rates, which does not give us a competitive edge to produce and buy our own grains according to our market structure.

Imported pork effects local demand to the extent whereby when normal increases like Christmas normally occur, imported meat offsets this demand and reduces prices dramatically.

Our producers are not subsidised or given any incentive to produce more product. Our industry is slowly dying as it gets smaller and becomes less profitable competing against imports. Managing the quotas of imports or price equalisation to any subsidy level in the Country of origin would be worth consideration.

Could price equalisation to subsidy level be used to part fund Australian industry restructure??

Page 3.

- **Other Issues Relevant to The Sustained Profitability of Our Business**

Feed being the main cost factor which increases the cost of production is what determines the profit situation at any one given time. Again feed prices appear to be driven by a world market which takes no consideration on the cost for producing pigs. Labour and other associated costs continue to increase along with environmental constraints adding costs as well typical things like fuel.

Maybe Government should facilitate imported feedgrains at export parity prices to enable the intensive livestock industries to compete with imported product.

I am prepared to appear at public hearings for the Inquiry in Adelaide to talk re my submission

Jeff Morgan.