



CANADA PORK INTERNATIONAL
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5 October 2004

Canada Pork International (CPI) is the export market development agency of the Canadian pork industry and is a joint initiative of the Canadian Pork Council, the national association of provincial pork producers' organizations, and of the Canadian Meat Council, the national association of meat packing, processing and trading companies.

It is our understanding that the terms of reference as set by the Government of Australia require the Productivity Commission to report on the competitive situation and outlook for the Australian pigmeat industry and on whether circumstances are such that government and/or industry measures are necessary to enhance the competitiveness of the industry and if so, what measures would be necessary and appropriate. It is further understood that in doing so, the Commission will identify and assess the nature and level of impediments to improving industry competitiveness.

The Canadian pork industry commends Australia's approach of a comprehensive examination of the conditions facing the pork industry, including the challenges and opportunities facing the sector, prior to considering whether any further measures are required.

We urge that the Commission take into account the rapid increase that has occurred in international trade of pork which has resulted in most pork-producing countries' industries having to focus on what is required to be able to compete in the world market rather than just on their home turf.

It is also our hope that the Commission will not view imports as a sign that corrective action or intervention is needed. We offer as evidence that Canada has become one of the world's largest pork exporters while at the same time seeing its pork imports increase to an amount now approaching ten per cent of domestic consumption. Canadian pork exports amounted to 925,000 tonnes in 2003, while imports will easily exceed 100,000 tonnes in 2004. We would be pleased to provide the Commission detailed Statistics Canada data on pork exports and imports, should the Commission so wishes.

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To the extent that the domestic industry can be rendered less competitive by internal structural considerations, input supply issues (e.g., consistency of supply of high-quality feed grains) and foreign exchange developments, imports should not be considered as a cause for industry protection but instead, as a symptom of problems needing to be addressed.

The pork market is really composed of many different sub-markets for various cuts and specialized products. Imports can be the result of a healthy growing process whereby the domestic industry orients itself to those segments in which it has comparative advantage while its domestic consumer base takes advantage of an increasing range of products — both domestic and imported.

Like Australia, Canada is a mature market where consumption patterns are difficult to change and where it makes more sense at times to import some products than trying to become self-sufficient at all costs. For exporting countries, like Australia and Canada, it is important for their meat packers to maximise their returns, but at the same time both cannot afford to overly restrict the quantities of products made available to their domestic processing and food service sectors. When those sectors experience supply difficulties, they have the ability to turn around and substitute with other proteins. It could then become very difficult to regain any market share lost under those circumstances. In what is essentially a commodities market, Canadian exporters of pigmeat to Australia are price takers rather than price setters or leaders, as would be Australian beef exporters to Canada which is an even larger market.

It is worrisome to note that when stating its expectations for this current inquiry Australian Pork Limited is first looking to the Commission's report for detailed analyses on imports with specific recommendations regarding imports and appropriate trade measures and/or assistance. APL has also clearly indicated that it would be seeking a safeguard investigation once the Commission releases its final report. We agree with APL that there is an acknowledged need for the industry to continue its push towards achieving greater efficiencies and competitiveness, but we will caution that it has to be done within the framework of international trade treaties, of which Australia is not only a signatory but also is a leading champion.

From our perspective, it is always difficult to understand why the Australian pigmeat industry, which is located in a technologically advanced country, which has definite climatic advantages over its competitors, which receives a much higher price for its animals than its competitors, which is protected by the most stringent import quarantine regulations in the world and whose competitors have to incur high transportation costs to reach its market, should have such a difficult time competing against imported pork. There is no denying that the Australian pigmeat industry went through difficult times in 2003, as did Canada's due partly to a phenomenon experienced equally in Australia - a strong and rapid appreciation of our dollar. One has to look at all the factors that have an impact on its competitiveness to ensure its long term survival and prosperity. It is

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interesting to note that since Canadian pork first appeared on the Australian market, both pigmeat production and per capita pork consumption have increased. And Australia has also since become a significant exporter.

When it comes to any safeguard determination, the Canadian pork industry is still convinced that Australian producers of the like product, namely pork processors, have not been injured by Canadian imports. In all likelihood they have benefited from the diversity of supply opportunities, otherwise the choice would not have been made to source Canadian imports. Furthermore we are unaware of any injury impacts at the slaughtering stage of production.

It is our intent to provide additional information should it be require when the Commission publishes its discussion draft.

Yours sincerely,

A handwritten signature in black ink, reading "Jacques Siméon". The signature is written in a cursive style with a large, prominent initial "J".

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