

PERFECT PORK

8-14 Hume Road
Laverton
Victoria 3026

Phone: 03 9369 6777

Fax: 03 9369 3430

Email: admin@australianfood.com.au

ABN: 48 367 956 877

Contact: Jim Willis – Business Manager

David Kalika – Livestock Manager

October 4, 2004

Australian Pigmeat Industry Inquiry
Productivity Commission
LB2 Collins St East
Melbourne VIC 8003

Dear Sir/Madam,

I am submitting this paper on behalf of Perfect Pork, a pork processor based in Laverton North, Victoria and 27 concerned Victorian pig producers. These businesses combined represent 18,000 sows, directly employ 260 people and have an estimated gross value of production in excess of A\$110 million.

At a meeting held on Tuesday 28 September 2004 the following issues were identified to be of high importance to the Australian pig industry.

a) *Disease free status:*

The disease free status of Australian pigs, acknowledged as the highest in the world, is currently under threat if the importation of pork from countries afflicted with post-weaning multisystemic wasting syndrome (PMWS) is approved by the Australian Government. Under the new proposed quarantine standards, it has been predicted by CSIRO that the Australian pig herd will be exposed to a 95-99% chance of an exotic disease outbreak inside 10 years. Australian Pork Limited has estimated that an outbreak of PMWS in Australia would increase the cost of pork production by 15%, making even the most efficient pork production businesses unviable. Post Weaning Multi-Systemic Wasting Syndrome (PMWS), discovered less than 10 years ago, has killed 8 million pigs in Europe at a cost of A\$1.5 billion and was reported in New Zealand in September 2003. The NZ Ministry of Agriculture and Forestry (MAF) believes PMWS may have entered New Zealand through pigs being fed imported, uncooked pork, but regardless of how it entered the NZ pig herd, it cannot be eradicated. Australia is currently free of this disease. Aside from Australia's freedom from many diseases affecting pigs in other countries, we are one of only three countries free of PMWS. We believe that it must stay this way.

There is no known cure for pigs affected by PMWS and there is no vaccine available. This disease causes mortalities in excess of 25% of pigs between the ages of 4 to 16 weeks. There is limited scientific knowledge of its causes or how it is transmitted. Disease controls are therefore difficult to implement and little can be done to reduce the cost to the Australian pig industry if an outbreak does occur here. Additionally, the Australian pork industry is currently struggling against the appreciating value of the dollar, rising costs and the impact of imports. In light of these factors an outbreak of PMWS would be devastating. It has been estimated that PMWS would result in losses of \$250 million in exports, a \$189.9 million decline in gross domestic product, a \$55.3 million loss in productivity and 15% increase in costs of production.

The Australian pork industry generates substantial income and employment in rural and regional Australia. Our industry generates over \$1.1 billion in household income and employs more than 33,000 people across Australia through the pork value chain and is valued at over \$2.5 billion nationally. In recent years Australia's pork sector has evidenced one of the fastest rates of export growth for any agricultural industry. Our main competitive advantage in international markets is our unique health status. This, together with food safety, is positively viewed, by our two important export markets, Japan and Singapore.

b) Imports:

All imported boneless pork must be cooked prior to retail sale. Imported pork now accounts for 33% of domestic processed pork sales. Australia imports about 45,000 tonnes of pig meat per year and some cuts have been up to \$2/kg cheaper than Australian pork. This is a major threat facing the viability of the Australian pig industry, and, as imported tonnages increase, this situation will only worsen. In June 2004, pork imports into Australia were 21% higher compared with June 2003 at 5,347 tonnes and valued at A\$19.6 million. Canada and Denmark are the major suppliers of imported pork to Australia, with Canada mainly supplying boneless legs and Denmark supplying middles. Danish volumes increased by 87% from June 2003 to June 2004. This surge in imports from Canada and Denmark is threatening the livelihoods of local producers. Australian pig farmers are competing in an unbalanced market against subsidised importers.

New Australian quarantine rules came into force on July 1, 2004 which require that all importers must have HACCP programs in place to satisfy inspectors that product is free of lymph nodes. Import data is not yet available to determine the short term impact of these new changes on import volumes.

Additionally, Australian supermarket chains don't know how much imported product goes into all the smallgoods they sell. While these companies prefer selling local produce, whenever quality and price compare, smallgood manufacturers are not obliged to identify how much Canadian or Danish pork is used in their products. New labelling laws are coming into force for meat products that are sold in supermarket dairy cases. These new laws will require smallgood manufacturers to indicate that the product contains both local and imported products. However, this falls short of detailing what the "imported product" is and the percentage content that it contains.

c) Poor labelling of smallgood products

Currently, the average consumption of pork by Australian consumers is about 20 kg. About 60% of this is consumed as processed pork products (ie. as hams, bacon, salamis, frankfurts). No smallgood products are labelled in Australian supermarket delicatessans according to country of origin of pork used in their manufacture. Similarly, processed pork products presented for retail sale in the meat display case as bulk, overwrapped items are not labelled according with details of country of origin.

The current Food Standards Code does have a transitional Standard for Country of Origin Labelling requirements (Standard 1.1A.3) however, one does not seem to apply for pork. Consumers remain relatively unaware that smallgood products available in contain imported pork. Although it may be printed onto the packaging of smallgood products, country of origin is not stipulated on retail price tags in supermarket delicatessens (nor to our knowledge are supermarkets legally obligated to do this). Additionally, there are no audit processes/requirements used by supermarkets to enable them to know whether or not smallgood products supplied to them contain imported pork or what proportion of the meat mix is from imported product. Australian consumers generally remain unaware that the smallgood products on offer are manufactured from imported pork and they would rarely see the outside packaging of hams, bacon, frankfurts and sausages.

This issue is therefore one that needs to be rectified to allow Australian consumers the choice between pork products that are manufactured from local (if any exist) or imported pork.

d) Lack of competition in the retail sector

The Australian retail meat sector is dominated by two major companies, who together, account for about 70% of all meat (processed and fresh) sold at retail. This impacts upon prices received for pork, as producers are price takers. This is due to year round production of pigs that requires pigs to be moved out of sheds once targeted market specifications are met to allow the next batch to move in.

e) Too small an industry in comparison to other Australian agricultural industries

Although the Australian pork industry produces only 0.4% of the world's pork, it is a very significant contributor to the Australia economy and was valued at \$919 million in 2001/02. However, the small size of the Australian pig industry in comparison to other animal industries (eg. lamb, beef and dairy) means that there is a reasonable risk that it can be traded off, politically, for the sake of the bigger animal industries.

f) No floor price for imports

Australia does not impose import tariff quotas to imported pork or subsidise producers, unlike other countries (eg. Japan, USA and EU).

g) No access to overseas genetics.

Australia has had a longstanding ban on the importation of pig semen, embryos or live pigs, for quarantine reasons. Although this enables the Australian industry to maintain its high health status, it has resulted in a lack of genetic diversity in the Australian pig herd. This means that improvements in feed efficiency, growth rates and lean meat yield may be more difficult to achieve compared with our overseas competitors.

h) High Australian dollar.

The increase in the exchange rate of the Australian dollar has impacted upon the export performance of the Australian industry, particularly in our key export markets of Singapore and Japan. In the Singaporean market, chilled Australian pork now competes against frozen pork. In June 2004, Australia's share of the Singaporean pork market was 19.7% compared with 27.4% in the 2003 calendar year and exports to Singapore are now 21.2% below volumes recorded in 2003.

i) Lack of feed grain industry

Feed costs account for 45-60% of production costs, thus the high cost of grain is one of the major factors that can force pork producers out of the industry. Australian Pork Limited has claimed that the Australian Grains Council's single desk marketing system favours exports at the expense of the domestic market. This is due to prices being set by overseas demand during periods of short supply. The cycle of supply and demand favours pork producers during periods of oversupply, but industries, including the milling sector, fare better in periods of short supply as they are able to negotiate forward contracts.

j) Forward selling (future exchange)

Other countries use forward contracts and futures prices for selling pork. These marketing options assist both producers and processors to forecast returns and be proactive in the marketplace. It is almost impossible for Australian pork processors to forecast pig prices and production volumes several weeks in advance. This mainly reflects the relatively small size of the Australian pig industry. Forward contracts and futures pricing for pork are not really available to Australian pig producers and thus there is no mechanism for producers to move from being price takers. Limited opportunities have been available in the past to negotiate forward contracts with processors. This ultimately means that producers do not have this marketing option available to them they are not able to accurately match costs of production with ultimate sale price, until pigs are sold for slaughter.

Recommendations

- Protocols for handling of imports to be reviewed.
- Protocols for handling waste from imports.
- Thorough inspection to ensure these protocols are met.
- Continued ban on imported genetics, with an allowance for this in domestic production.
- Ensure accurate and concise origin labeling of all pork and small goods, including Deli and fresh meat products.
- Labels to include the percentage of local and imported products, to inform consumers accurately.
- Assess and act on unreasonably priced imports allowing for a controlled percentage of this product to influence our Australian Industry.
- Workshops to include producers, processors and retailers to discuss a more transparent pricing.
- Workshops, with all sectors, to help introduce a forward planning and pricing system.

We welcome this inquiry into the Australian pig industry and consider that all aspects of the industry, from genetics through to the retail sector, needs to be reviewed. We also welcome any opportunity to discuss our industry, and details contained in our submission, with you.

This group wishes to be pro-active in any initiatives recommended by this inquiry to ensure the ongoing viability of the Australian pig industry.

We thank you for the opportunity to submit our concerns about our industry to you for your consideration.

Yours sincerely,

Jim Willis
Business Manager, Perfect Pork

David Kalika
Livestock Manager, Perfect Pork

Producers:

Albert, D
Charles IFE
Dalrymple
Hill
Kia-Ora
Midland Bacon
Perfect Pork
Tuck, S
Western Plains Pork

Blackwood Piggery
Claverings
Follett, Neil
Jeffcott Pastoral
Laws, WA & LC
Murray, BL & KL
Southern Banks
Van der Drift
Willow Creek

Camboon
Cormican, Colin
Guthrie, Max
Kelly, WR
Manintveld, JT & JA
Pastoral Pork
Stewart, MB & MT
Weir, RJ & NM
Wintle Investments