



6 October 2004

Reference: Pig meat inquiry

Australian Pig Meat Industry Inquiry
Productivity Commission
LB2 Collins St
East Melbourne
Vic 8003

Dear Australian Pig Meat Industry Inquiry,

The Australian Food Group Pty Ltd (AFG) was formed in June 2004 with the bringing together of two companies

Perfect Pork – this company was founded in 1972.

Blue Ribbon – this company was acquired some three years ago and is the largest ham, bacon and smallgoods manufacture in Tasmania.

Together these two companies have formed a very unique business in this country. With one side of the business being aligned to the independent pig producer / grower and the other forced into a position of being totally reliant on imports to remain competitive. It would be easy for one to say that the solution to stopping this reliance is for one to supply the other, and that does happen where ever possible. But the real reason that this does not happen is that it can't compete at the price that is on offer from overseas countries. In most cases it is well below the cost of our production and that of our production partners.

Since imports have started the quality of hams and bacon have continued to decline. This has been to the detriment of the Australian consumer. In the past a lot of hams and bacon were made from fresh local product and now they are made from frozen imported pork (as imports only come in frozen). This in turn has caused what is known as opportunity buying at times when product is discounted in overseas markets. Companies can then purchase hundreds of tons and then step back from the domestic market until the local price has decreased.

This cycle does not reflect in the ham and bacon prices that are on display to the consumer. This in turn causes fresh meat to look out of sync with ham and bacon prices to the consumer.

Problems caused by imports – long term:

- Downturn in employment in both the rural and urban sector
- Lack of job opportunity in these industries
- Australian smallgoods pricing is a reflection of overseas markets
- Potential disease risk to the fresh meat industry
- The financial sector is reluctant to invest capital funds in the Australian industry due to potential risk factors caused by imports.

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- Exports are harder to develop, as they require a heavier carcass than that used in the fresh domestic market. If these sales experience a down turn they have no home in the domestic market, as they don't fit the fresh table market. Manufacturers are unable to use this product as it is non competitive with import prices.

Problems caused by imports – short term:

- Overseas seasons are the opposite of ours which cause cuts of meat to have opposite seasonal trends
- Perceived small quantities of stock are sold to clear at discounted pricing. This is to hold up sales in other parts of the world (one container of leg meat (16 ton) is equal to 1900 pig leg units).
- Smallgoods manufacturers are able to buy at the lows in overseas markets and store product for months on end or until such time as the local pig price has dropped.
- Smallgoods manufacturers can then quote for longer periods and have finished product on sale below the cost of raw materials domestically available for the same period of time.
- Meat processors are unable to commit to long term pricing with such influences caused by imports without a domestic smallgoods market that can cope with higher raw material cost.

If imports are to continue and they are reported to be safe, what is the solution for the industry both now and in the future that will have safe guards to disease issues and long term commercial viability?

Moving forward with imports:

- Poor labelling on finished goods. The industry doesn't show the actual content (i.e. the percentage) of imported goods. Current terminology on labels include open ended statements such as "May contain local and imported product"
- No labelling at all in the delicatessens. They need to clearly attach labelling to each product stating the country of origin and manufacturers name.
- No access to overseas pig genetics to help and improve Australian strains in line with that of foreign competitors. Currently Australian genetics is a closed shop, with too few having a vested control.
- Currently the whole import process is reliant on a time /temperature cooking process. If there is any break down in this process all manufacturers must be able to identify where each batch has been sold to prevent extensive product recalls which damage consumer perception to all pork products.
- All imported products must have a complete audit trail that leads to the point of sale for manufactured products. This will allow for recall by product or manufacturer. These audits should be administered by AQIS and a full reconciliation of each batch should be maintained by them. This would also stop product substitution at the point of sale where a commercial advantage may be taken with different price points for domestic versus imports.
- Open published industries register detailing imported tonnage each month by manufacturers. This only requires tonnages and not commercially sensitive data like price paid. This would allow the industry to be more transparent with self regulation and detection of labelling and import breaches. Currently some companies import vast quantities of product, yet in the market place their labelling does not reflect this, with little or no reference to the use of imported product in their range.



As the world becomes a more open and transparent trading place Australia must move to reflect this in its regulations and attitudes. As well as doing this we must use our clean green status to market into those countries that do understand the value and safety associated with this. These countries will be prepared to pay the additional cost which is bought to these products in maintaining this clean status. There are very few or no other country that has this option left to them in the world today, so we must take full advantage of this because once it is lost or damaged it can never be replaced.

Regards,
Darren G Vincent
Managing Director