



**PRIMARY INDUSTRIES**  
**AND RESOURCES SA**

**Submission to the**

**Productivity Commission Inquiry**

**Australian Pig Meat Industry**

**Prepared by**

**Primary Industries and Resources South Australia**

**For**

**Government of South Australia**

19 October 2004

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## Executive Summary

This submission by the Department of Primary Industries and Resources SA (PIRSA) on behalf of the Government of South Australia, has examined available information relating to the challenges and opportunities facing the Australian pig industry and in particular their impact in South Australia.

Industry and Government have worked together to develop “The South Australian Pork Industry’s Strategic Plan for 2010” which was launched in February 2004. The plan has a vision for the pig and pig meat industries in South Australia which capitalises on regional resources suited to further development of intensive piggeries and involves value-adding potential for the two recently constructed export registered abattoirs. South Australia is concerned that its vision for a competitive industry with profitable export capacity may now be less viable in the immediate future than appeared to be the case during the development of the plan.

The pig industry is currently faced with a series of challenges and opportunities in achieving its preferred future. These include the exposure of the industry to outside shocks such as currency fluctuations and changes to export/import conditions. The feed grain market, additional processing capacity and value-adding for pig meat, tighter development of supply chains, industry benchmarks, environmental and welfare issues all require attention for the industry to further develop its competitiveness and profitability.

Possible roles are proposed for Government in the areas of:

- Infrastructure development for value-adding
- Support new market and technology development
- Development of supply chains and alliances
- Feed grain market review
- Pork Industry CRC establishment
- Establishing industry benchmarks of competitiveness

# 1 A VISION FOR THE PIG AND PIG MEAT INDUSTRY IN SA

The pig industry in South Australia is seen as an integral part of the State's food industry and as such is a significant contributor to the State Food Plan which has ambitious economic, environmental and social goals. The goals for the pig industry are enunciated in The South Australian Pork Industry's Strategic Plan for 2010 and are as follows:

- **State production increased by 50% in volume** to fully utilise current processing plant capacity, with product targeted at higher value markets.
- **Farm-gate value will rise from \$116 million to \$273 million**, prior to the multiplier effects of employment and service industries. The increase of boned and packed product will raise the value-add on that volume by an additional \$25-30/head.
- **Wholesale value will increase from \$205 million to \$396 million, (equivalent to \$668 million gross food revenue value).**
- **Number of sows in production will rise from 53,800 to 76,300.**
- **Production and processing will become more integrated** in order to better manage production throughput and carcass profitability to service more diverse domestic and export markets.
- **Market access and product profitability will improve**, both domestically and internationally, as new partners, alliances and appropriate investors establish in SA.
- **Production expansion will occur** through large producers or with smaller producers in alliances. Many small producers (less than 200 sows) will move from full birth-to-market production systems to specialist production under contract, such as grow-out sites. This expansion will primarily occur within 100km of the processing facilities of Murray Bridge and Port Wakefield, and in specialised regions that are zoned for intensive production.
- **Skill levels and family-farm quality of life will improve**, as production sites become more specialised.
- **All SA production will be processed within the state.**

The scenario will be underpinned through:

- SA attracting greater processed product manufacturing capability
- Increasing the proportion of boned product from 64 to 85%
- Construction of a central packaging plant for domestic production
- Uptake of untapped productive capacity in existing large scale farms, and conversion of many existing operators to specialised production units or alliances

- Better intelligence flows between producer and processor to improve carcase utilisation
- All SA pigs being APIQ-accredited by 2005
- 75% of new production from deep litter-based systems leading to improved water use efficiency and environmental benefits
- Streamlined planning approvals within defined geographical areas

## **2 CURRENT SA POSITION**

Since the opening up of the domestic market to imported pig meat in 1990 and the significant increase in imports in the mid 1990s the South Australian industry has changed dramatically, with improved practices throughout the industry. These advances have at least in part been driven by the increased competition.

The establishment of the country's two newest export licensed abattoirs was not by accident. The developers identified the local industry as being progressive and able to produce the product required in a competitive manner. Consequently, and quite independently, the two facilities were established within South Australia. This has reversed a situation where 10,000 pigs per week were leaving SA for slaughter interstate. At the time of the Productivity Commission investigation in 1998 South Australian producers were at the mercy of eastern states buyers and processors. The condition of the pigs deteriorated over their long journey and consequently the quality of the pig meat decreased, with lower end-value and livestock transport expenses adding to costs. The 2003 Australian Pig Annual (Table PS-6004) (2003 APA) shows pig meat production in South Australia through the 80s and 90s ranging from 30,000 tonnes to 40,000 tonnes. By June 2003 it had risen to 64,000 tonnes at a rate well in advance of the comparative national figure. Pig slaughterings (2003 APA) confirm this turn around by the local industry, going from 427,000 pigs per annum in 1998 to 884,100 in the twelve months to June 2003.

In the absence of international benchmarking of the processing sector it is difficult to gauge where they stand against world's best practice. While processing is seen to be efficient, the current level of further stage processing attached to the abattoirs to value-add and allow marketing (domestically and internationally) of boned product or prepacked portions restricts efficiency and opportunity. In South Australia, both the lamb and beef export abattoirs are marketing pre-packed portion product internationally as part of their goal to improve competitiveness.

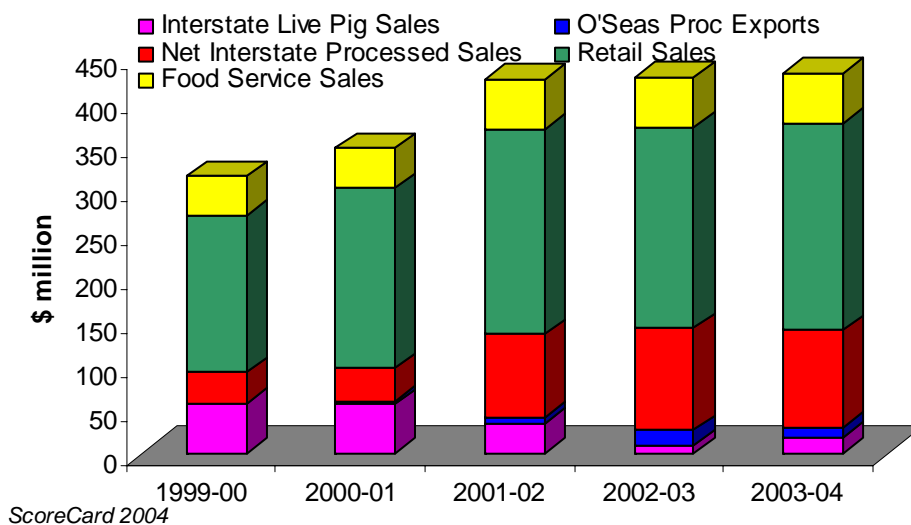
An indicator of the SA industry's ability to adapt to market signals is the movement in average carcase weight over the past several years, influenced by demand for large carcasses to suit smallgoods and export markets. At the same time a smaller carcase has been required for the domestic fresh meat markets.

South Australia has approximately 15% of the national herd and 20% of the nation's pig farmers. In line with national trends the number of farms is declining (down from 836 in 1993 to 457 in 2003) while numbers of sows have increased from 48,000 to 52,000 over the same period.

The SA industry is dynamic and moving consistently towards best practice. However, as detailed in the industry plan, industry stakeholders are aware that improvements can still be made and all sectors of the industry are working towards this goal. Examples of the industry's move to best practice include South Australia having the highest uptake of artificial insemination, batch farrowing management and precision farming technologies such as automated weighing and drafting facilities.

South Australia's pig meat gross revenue has grown from \$315 million in 1999-00 to \$433 million in 2003-04. As well as showing the growth in value of the South Australian pig industry, Figure 1 shows the change in structure of the industry for that period. A substantial increase in processing within South Australia over the last three years has seen a decline in revenue from interstate live sales coupled with an even greater increase in the value of net interstate processed sales and the emergence of overseas processed exports. These changes are the major reason for the increase in South Australian pig meat revenue in recent years. Retail and service sales have only grown marginally during the period shown.

**Figure 1: South Australia Pig Industry Value Chain, 1999-00 to 2003-04.**



### South Australian Food Industry *ScoreCard*

(See Attachment 1 for more details about the SA pig industry)

In summary, the South Australian pork industry has made substantial adjustment to the changing supply and demand situations. Committed producers are adopting improved practices and/or increasing the sizes of their enterprises while others are leaving the industry. The processing sector has changed dramatically within the State and both processing companies are actively working to further improve the efficiency of their marketing and processing chains.

## **3 KEY ISSUES**

### **3.1 A Fine Tuned Industry**

Precision management systems and the competitive nature of the industry provides little margin for unplanned shocks to any link in the pig meat chain. For example, the recent drought, while not severe in South Australia, forced up feed grain prices and impacted severely on producers. Freight and fodder subsidies by interstate governments put an added demand in the feed market, resulting in a more severe price shock for local producers than would normally have occurred. Historically, much feed grain was grown on pig operator's farms but as the size of pig farms have expanded and ownership structured changed and dietary requirements become more specialised, a much larger proportion of feed grain is now purchased.

Any external shock be it grain price, currency movements, pig meat imports or changes in exports which are beyond the control of the producer send severe price shocks throughout the industry. The inability to "turn off" the supply of pigs in the supply chain means the supply/demand curve becomes severely disrupted. By contrast, the chicken meat industry, if faced with an over-supply situation can withhold hatchings to rebalance demand. Such measures are not feasible in the pig industry where it is harder to modify turn-off because of longer lead times for each batch.

The net effect of profit/loss volatility within the industry is a lack of confidence to reinvest even when prices show some improvement. Many producers cautiously wait for a period of reasonable stability in prices before reinvesting, and currently confidence in reinvestment is low. Some producers are continuing to invest.

### **3.2 Impact of Import Variability**

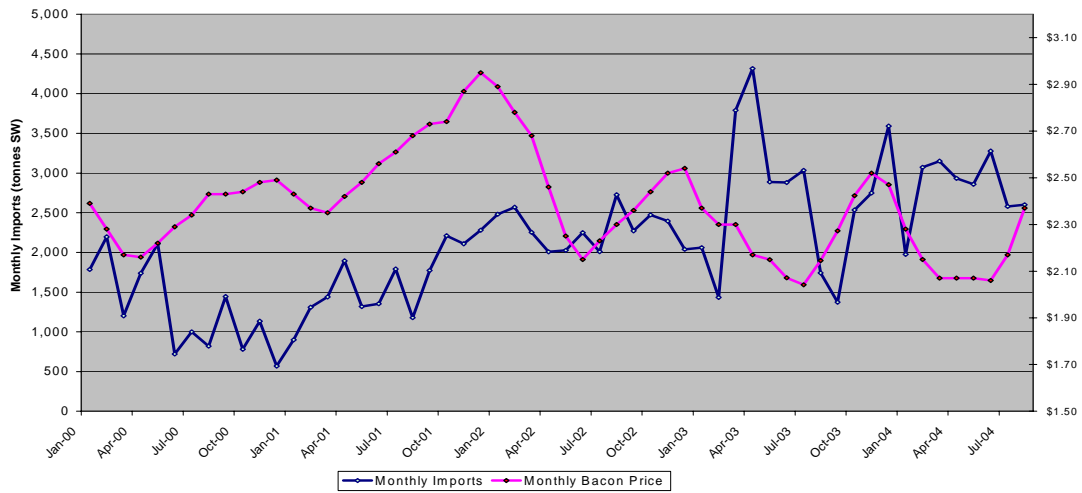
Imported volumes of pig meat vary significantly from month to month, as shown in the following figures provided by Australian Pork Limited. A number of factors influence these import decisions. Prior to April 2002 a strong relationship existed between average monthly domestic price and the volume of imported product arriving three months later (for period April 01 – March 02,  $r^2=0.9$ ) Since then others factors such as currency movement appear to be acting more significantly. The volume of imports clearly influences demand and price for Australian pig meat.

Australia's relative insignificance in world pig meat production means that the industry reacts to global market movements rather than influencing them, making the Australian market highly vulnerable to market shocks. On-going improvement in competitiveness is the key long term strategy to address this issue.

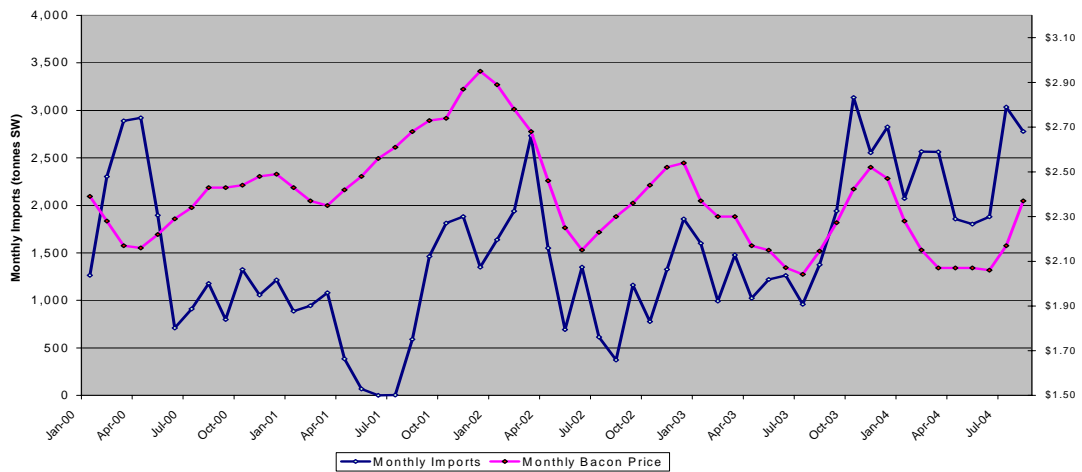
The goal of the local industry is to regularly and consistently supply the market with consistent numbers of quality carcasses and pig meat products. In the absence of some forward selling or price levelling mechanism, fluctuating

level of imports in a finely balanced industry will impact severely on the profitability of pig meat production.

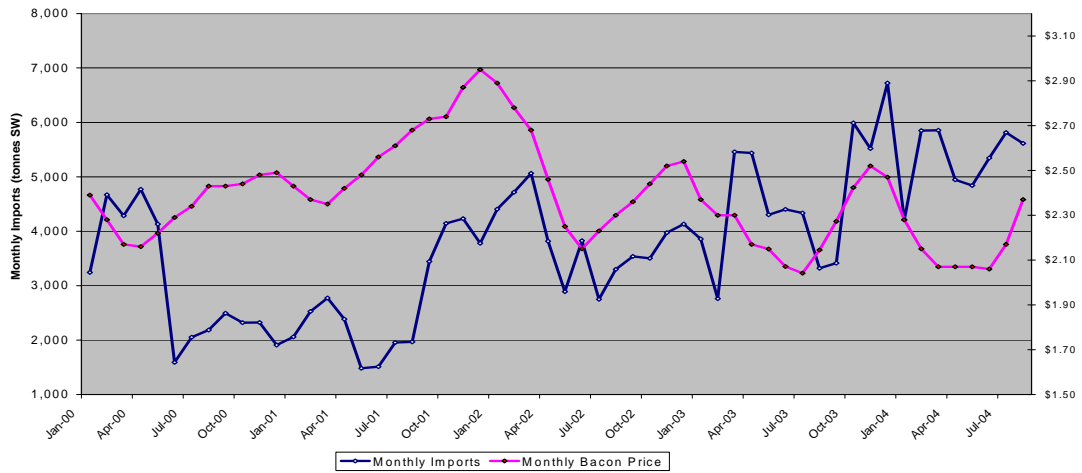
**Canadian Pork Imports vs Baconer Price**



**Danish Pork Imports vs Baconer Price**



**Total Pork Imports vs Baconer Price**





### **3.3 Feed Grains Market Issues**

As a leading State in barley production and use, the issue of barley feed grain price volatility is of increasing significance in South Australia. The volatility is in consequence of several factors including drought, grain market structures and rising demand for feed grain by livestock industries.

Droughts are a natural and recurring phenomenon in Australia. Some imbalance in the market over and above normal supply and demand issues is caused by some State Governments providing transport subsidies for purchase of grains for extensive grazing operations during drought (see earlier).

Feed grain prices fluctuate significantly throughout the year and over seasons (Bartholomaeus, 2004). With grain infrastructure at ports geared for export and the strict phytosanitary requirements for imported grain for livestock, it is difficult, expensive and time consuming to import feed grain. The inability of the pig industry to source inputs such as feed grain at international prices at all times has a serious impact on the competitiveness of domestically produced pig meat. There is a need to investigate the options available to pig producers to better manage feed grain price risk and the skills needed to implement these strategies.

The rising demand for feed grain is due to the growth of intensive livestock industries and greater industry specialisation. The impact on South Australian livestock farmers is exacerbated by the rising demand for barley from interstate, especially Victoria. A report by ABARE "Feed Grains – future supply and demand in Australia" highlights this development. Total feed grain availability is expected to only rise slightly from 21.5 million tonnes in 2003-04 to 21.8 million tonnes in 2007-08.

Large increases in livestock numbers over the period to 2007-08 are projected in the cattle feedlot, poultry meat and pork production sectors. Currently the livestock feed market is largely a residual market for the grain industry. A challenge facing the intensive livestock industries is to convince the grains industry to change their focus from breeding and producing grain for human consumption, with a focus on exports, to the development of high yielding quality grains for domestic livestock. While this has not been seen as worthwhile in the past, as the demand for feed grains increases it is becoming more important.

### **3.4 Processing capacity and value-adding**

Processing capacity in South Australia has changed dramatically since the 1998 Productivity Commission Inquiry into the pig industry. The State now has two state-of-the-art abattoirs with the capability to process all the State's current pig production and potentially more. As detailed in the Industry Plan, the processing sector needs to move to another stage of value-adding. The current situation in the industry has hindered plans to take the next step.

Two of the State's major exporters of red meat have taken the step to further processing, value adding and marketing specific portions of boned-out product, opening up a greater range of markets domestically and overseas.

Both SA pig meat processor works will benefit from specific opportunities to value-add through additional chiller, boning, value-adding and packaging facilities. Moving to this next step opens opportunities in domestic and export markets, with the opportunity for different parts of a carcass to be targeted at specific markets. Adding this next stage also improves stability of the operation and brings employment and additional skills into the regional economy.

With the international trend to central packaging plants with high standards of quality control, processors are better able to manage food safety issues.

### **3.5 Alliances**

To provide consistency of supply and quality the development of alliances along the supply chain is seen as vital. In South Australia these are developing rapidly from small groups where a breeder produces weaners to supply neighbouring growers with modern grow out facilities through to large integrated operations where common genetics, health status, management, housing and nutrition work together to provide the processor with pigs of consistent size and quality. Alliances now account for the majority of pigs supplied to the two processors and it is expected this move will strengthen as companies look for high quality consistent carcasses.

As alliances have developed and some previous breeders have moved to growing out operations, housing is being used for purposes other than those originally intended. In the longer term, to achieve efficiencies it will be necessary for these to be replaced by purpose built facilities but this will not happen until there is sufficient confidence and ability to finance new facilities.

The successful development of alliances is dependent on good communication and feedback along the demand chain. Improvements in carcass assessment and therefore feedback to producers could be achieved through the incorporation of state-of-the-art technology into processor processing lines in South Australia. Such technologies are expensive and may be an area of potential Government support.

### **3.6 Triple Bottom Line Considerations**

As discussed in the Industry Plan, both industry and Government in South Australia believe the industry must not only look to financial sustainability but also be environmentally responsible and look to foster human development and amenity in the community. In meeting these needs a long term sustainable industry is achieved within the community. However, this can add to cost pressures in being able to be world competitive if other countries do not have the same community standards and requirements.

An integral part of the industry plan is training be it for farm labourers, managers or employees throughout the processing sector. Modern operations need skilled staff and the State plan implementation group is working with educational institutions to ensure this happens. The proposed Pork Industry Cooperative Research Centre will be integral to lifting the focus on training as well as ensuring a national Research and Development base for the industry.

Government agencies are working with industry to look at innovative ways to achieve development sites, which meet community needs for environmental standards but allow smooth approval processes. One example of this has been the development of a large intensive animal precinct where, through the planning process, an area has been identified for the siting of intensive animal farms and associated industries.

### **3.7 Benchmarking/Industry Data**

A deficiency in the Australian pig industry is the lack of comparative local and international production data on-farm or post-farm. Some livestock sectors have ABARE collect data for them to provide an ongoing picture of production and the economic situation. The current herd level financial performance data in the Australian Pig Annual is of limited value as the sample size is too limited to draw any conclusions.

There is a need for comprehensive benchmarking for producers and processors to allow them to assess their position, identify their weaknesses and then to strive towards best practice. There is a need for government and industry to cooperate in the improvement of present data-sets to enable more comprehensive and accurate monitoring of the industry to facilitate business and policy decision-making.

### **3.8 Animal Welfare**

Further challenges for the Australian pig industry are likely to result from changing community values. If animal welfare conditions more stringent than those of our overseas competitors were imposed on the industry, the cost structure of our industry will increase. The evolution of pig housing from pigs on slatted floors with limited ventilation to straw based and tunnel ventilated facilities has been positive but some potential changes could have capital and efficiency impacts.

### **3.9 Profitability**

The drop in pig meat prices received by producers in all states combined with drought and high feed-grain prices is generally considered to have adversely affected the profitability of pig production in Australia during 2002-03. It is not easy to verify the financial impact of the circumstance with credible industry-wide data about farm physical and financial performance.

The Australian Pig Annual 2003 reports financial data for seven farms in an industry with more than 2,600 producers (APL 2003). The seven farms are contributors of data to a new, confidential, benchmarking bureau service. No other public data source is available to gauge the profitability of the industry to

our knowledge. It is critical that the Productivity Commission seek statistically reliable data that accurately indicates the profitability of pig meat production.

In the absence of industry survey data it is not possible to be conclusive about the extent or severity of losses during the recent downturn. Generally in downturns there is a proportion of producers where low-cost production and high equity enable enterprises to trade profitably or break-even, even when others are incurring significant losses in their 'financials' - profit and loss, cash and balance sheet statements. While it is reasonable to deduce from gross margin models and anecdotal evidence that pig enterprise profitability has generally suffered during the downturn, it is not logical to extrapolate from margin analysis of model enterprises to farm business profitability or viability. Adjustment is a daily mixture of diverse activity with some farmers continuing to invest, others endeavouring to recover and some forced to leave the industry.

### **3.10 Competitiveness**

Industry competitiveness is dynamic and influenced by many factors. The Australian pig meat industry has been forced to restructure extensively and lift its competitiveness in the past decade in the face of import competition. The farms that have survived are not necessarily the biggest. They are most likely to be the farms that have been able to drive down unit costs of production through economies of scale while maintaining equity as a cushion against price downturns, drought and smaller margins (Dial et al., 2004)).

The South Australian pig meat industry includes supply chains where innovation in design and technology is being integrated into world-best pig farm and pig meat processing management systems. A cursory comparison of international farm data shows that Australian pig enterprises are capable of achieving reproduction and growth performance comparable to the best in other countries. Where the Australian industry is not comparable is enterprise scale (USA and Canadian benchmark bureau data). Apparently economies of scale continue to be achieved for pig herds of tens and hundreds of thousands of sows per business. There are multi-site farm businesses in the USA which have more sows than the whole Australian industry. This is a parameter where the Australian industry is clearly not comparable with the biggest businesses in North America and not likely to be comparable in the foreseeable future. It appears that international scale competitiveness is presently in the range 1000 to 2000 sows per business.

Scale is very important at farm level, but is one of many parameters influencing industry competitiveness. Exchange rates, location, freight logistics and costs, product differentiation and markets are among many factors.

The USDA Foreign Agricultural Service provide a pertinent overview of the competitiveness of the Australian pig meat industry:

“...recent times have seen a stronger Australian dollar reducing the competitiveness of exports and increasing the competitiveness of imports. This has placed the domestic market under considerable pressure, with pork prices in 2003 falling to the lowest level since 1997/98. Despite improved feed grain supplies in 2004, the approval of pig meat imports from an additional set of countries (including the United States) is likely to maintain the pressure on domestic pork prices for the foreseeable future (USDA, August, 2004).”

Clearly the outlook is for increased import competition on the domestic market and extra difficulty in exporting when the Australian dollar revalues. While these aspects of competitiveness are beyond the control of pig producers and processors they do emphasize that the industry's viability is dependant on maintaining a rapid rate of enterprise adjustment. The pursuit of world best practice and international competitiveness is not a strategy that guarantees individual enterprise viability. However, enhancing the competitiveness of supply chains is the only strategy that has a chance of keeping firms and the industry in play on the domestic market while securing and satisfying niches in regional (i.e. Asian) markets. The strategy requires on-going improvement in supply chains to successfully connect to niche markets that value Australia's quality pork products.

The South Australian industry continues to position itself for growth in domestic and export markets. The challenge from imports is best responded to, not with protection, which will reverse competitiveness, but with assistance with market identification and delivery of value-added products along efficient supply chains.

### **3.11 Policy**

Industry adjustment policy in Australia has come to a position where it is appreciated that, difficult as they are, it is best for industry in the long-term that market forces determine the extent of adjustment in conjunction with appropriate support policies. The community-wide and rural sector services of Centrelink for farm family welfare, Rural Counselling Services for individual options assessment and Re-establishment Grants to aid farm exit are accepted 'safety-net' policies, facilitating adjustment without impeding restructuring.

Any assistance to the industry will best be directed to improving competitiveness. Better firm and industry data than presently exists publicly is a prerequisite to analysis of trends and reliable comparison for management and policy purposes.

Technical solutions to securing improved genetic material without jeopardizing biosecurity would ensure that the industry does not lose ground against competitors with larger gene pools.

Technical and management systems that facilitate entry of feed-grain into Australia to avoid price spikes without adverse effect on biosecurity would also be consistent with the imperative of all-seasons cost control and competitiveness.

Attack may be the best form of defence, so continuing to assist the industry to define its best market opportunities and how best to satisfy them remains a top priority as the domestic market is further opened to competition.

There is a need to support the further development of value-adding to processing and the further introduction of new technologies such as carcase assessment to provide more precise information along the chain from producers to marketers to ultimately develop new markets and better meet expectations of consumers.

## **4 SUMMARY RECOMMENDATIONS**

### **4.1 Infrastructure**

South Australia has a clear plan to develop and expand the pig meat industry into a world competitive and efficient industry from the on farm sector to the processing and marketing sectors. Previous Government programs have supported the development of modern abattoirs in South Australia but the processing sector needs to move to a new level of sophistication in value-adding and marketing carcase portions to be able to compete into niche markets locally and internationally. This will only come with additional investment in further processing and storage facilities and Government may elect to encourage such development.

### **4.2 Adjustment**

Adjustment has been progressing rapidly in the industry and the industry must continue to grasp this adjustment challenge to have the potential to grow. The industry is finely tuned and external shocks such as fluctuations in currency and import/export conditions and opportunities threaten future development if industry cannot adapt to these changing conditions. Any specific support from Government may best be provided in terms of market development and the adoption of new technologies.

### **4.3 Alliances**

The industry needs to continuously improve its efficiency through the further development of market chains. The further development of alliances could be assisted by support for the installation of new technology into abattoirs to allow better basis for payment and better feedback to producers.

### **4.4 Feed Grains**

Feed is a major cost in pig production and volatility of price is a major issue that needs to be addressed to ensure that pig producers can consistently purchase domestic cereal feed grains at world parity prices. Mechanisms such as long-term contracts and futures need to be developed to minimise fluctuations in grain prices and dialogue with the grains industry needs to be further supported given the potential for the expansion of the domestic feed market. Government needs to consider if it can play a role in this issue of stabilising the supply and price of feed grains.

### **4.5 Pork Industry CRC**

The pig industry has developed a strong proposal for a Cooperative Research Centre which would ensure a base for research and development as well as educating and training over the next seven years. The support of this Centre would provide opportunity to further improve the efficiency of the industry and to develop skilled human resources for the industry.

## **4.6 Benchmarking**

There is a need for government and industry to cooperate in the improvement of present data-sets to enable more comprehensive and accurate monitoring of the industry to facilitate business and policy decision-making.

## **5 REFERENCES**

ABARE (2003) "Feed Grains future supply and demand in Australia" e-Report 03.21 Prepared for GRDC by A Hafi and P Connell.

Australian Pork Limited "Australian Pork Annual" various editions,

Bartholomaeus, M (2004) "Current Issues with Single Desk Arrangements for Wheat and Barley", ABARE Regional Outlook Conference Murray Bridge September 2004.

Dial, G D, Roker, J.R and McWilliams, M. S. (2004), Driving cost out of the production system. Greenleaf Agribusiness Group, Prairie Swine Centre

FoodSA (2004) Scorecard "South Australian Pig Meat Sector Analysis 2003/04" Personal Communication prepared by J Langberg PIRSA



## ATTACHMENT 1.

### PIG INDUSTRY SCORE CARD PIG MEAT SECTOR ANALYSIS 2003/04

#### Introduction

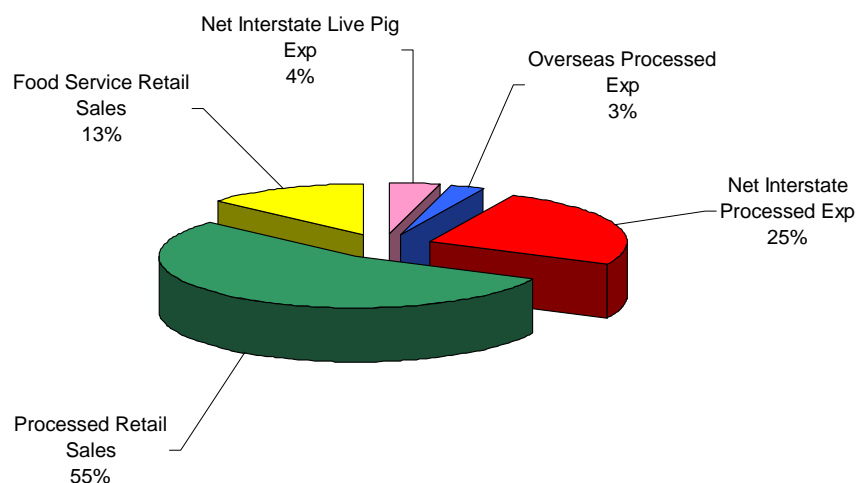
The Food South Australia Program conducts detailed value chain analyses for each food area. This information is used to create the South Australian Food Industry ScoreCard, which measures the commercial value of each industry sector. The ScoreCard measures all of the value adding components of food revenue – in the case of pig meat, we measure how the value of pigs increase from the ‘paddock to the plate’. This involves looking at each stage of the food chain from production to processing and through to consumption.

The State’s gross food revenue (excluding wine) for 2003/04 is \$9.1 billion. The South Australian pig meat industry contributed \$433 million to South Australia’s gross food revenue. This is 19% of the total meat industry gross food revenue of \$2.3 billion.

The net food revenue for the South Australian pig meat industry is \$416 million indicating that there was \$17 million net worth of pig meat imported into the State during the year.

Figure 1 shows the percentage and value that each stage of the value chain contributes to the South Australian pig meat industry.

**Figure 1: South Australian Pig Meat Gross Food Revenue, 2003/04.**



Scorecard 2004

## South Australian Pig meat Value Chain

South Australia produces 936,000 pigs for slaughter or 19% of Australia's pig production. In 2003/04 the farm gate value for pigs in South Australia is estimated to be \$157 million.

The main pig producing regions of South Australia are Murraylands (35%), Barossa (25%), Mid North and Northern (15%) and the South East (9%).<sup>1</sup>

In 2003/04 South Australian abattoirs processed 827,000 pigs into 57,900 tonnes (carcase weight) of pig meat for an estimated wholesale value of \$192 million. The remaining 109,000 pigs that were bred in South Australia were sold live to interstate processors for an estimated \$18 million.

In addition to the 57,900 tonnes of pig meat that was processed in South Australia, it is estimated that there were an additional 8,700 tonnes of overseas produced pig meat imported into the State<sup>2</sup> at a cost of \$17 million.

South Australia exported 4,466 tonnes of pig meat overseas for \$11 million and a further 33,210 tonnes of pig meat was sold interstate for \$110 million.

It is estimated that 28,900 tonnes of pig meat was consumed in South Australia during 2003/04. The ScoreCard measures the value of consumption of pig meat at two separate levels. At the retail it is estimated that South Australians consumed 26,000 tonnes of various forms of pig meat for \$235 million. A further 2,900 tonnes of pig meat was consumed through hospitality and service outlets for \$58 million.

Table 1 gives details of the pig meat ScoreCard analysis, showing volumes and corresponding values at each stage of the value chain. The shaded rows contain the variables that are used to calculate the gross food revenue. The table also includes indicator variables (i.e. production and processing) which are part of the ScoreCard but do not comprise gross or net food revenue.

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<sup>1</sup> Regional estimates based on previous regional Scorecard, NB Regional Scorecards have not been updated for 2003/04.

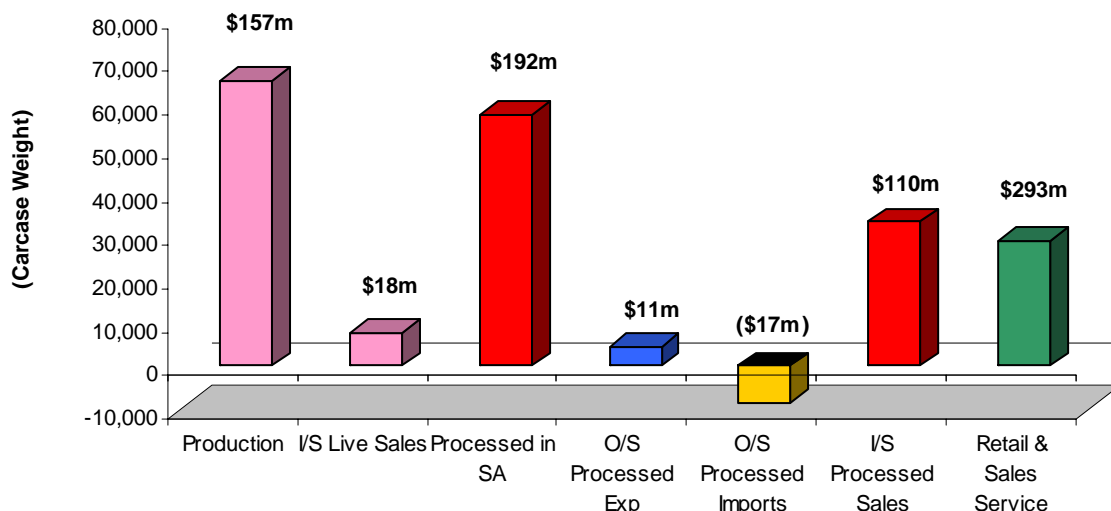
<sup>2</sup> This estimate was made by taking a population proportion of Australian pig meat imports.

Table 1: Analysis of 2003/04 pig meat sector Scorecard

	Number of Pigs	Carcase Weight (tonnes)	Value (\$ million)	
<b>SA Pig Production</b>	936,000			157.2
<b>Net Interstate Trade of Live Pigs</b>	108,840		18.3	
<b>Processed in SA</b>	827,157	57,900		192.2
<b>Overseas Exports of Pig Meat</b>		4,466	11.2	
<b>Net Interstate Exports of Pig Meat</b>		33,210	110.2	
<b>Retail Sales</b>		25,996	234.9	
<b>Service Sales</b>		2,888	58.0	
<b>Overseas Imports of Pig Meat</b>		8,660	(16.7)	
<b>Gross Food Revenue (Pig Meat)</b>			<b>432.7</b>	
<b>Net Food Revenue (Pig Meat)</b>			<b>416.0</b>	

Figure 2 shows the volume and value of Australian pig meat production at each stage of the value chain. Eight percent of South Australian pig production is currently being sold interstate for processing. This helps explain why some industry participants have recognised the potential for increased pig meat processing in this State. For this expansion to be successful new markets for pig meat need be developed either overseas or interstate as there is very little opportunity for import replacement.

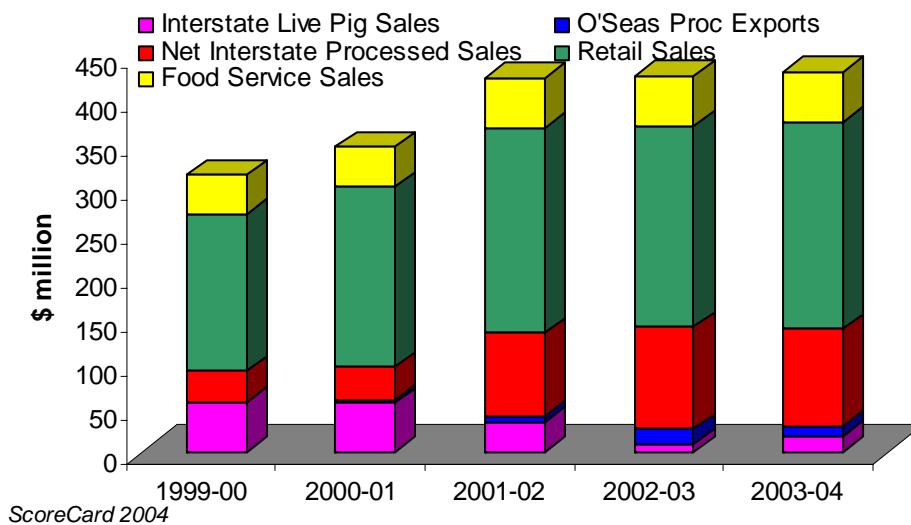
Figure 2: SA pig production at each stage of the SA value chain, 2003-04



Scorecard 2004

South Australia's pig meat gross revenue has grown from \$315 million in 1999-00 to \$433 million in 2003-04. As well as showing the growth in value of the South Australian pig industry, Figure 3 shows the change in structure of the industry for that period. A substantial increase in processing within South Australia over the last three years has seen a decline in revenue from interstate live sales coupled with an even greater increase in the value of net interstate processed sales and the emergence of overseas processed exports. These changes in effect are the predominate reasons for the increase in South Australian pig meat revenue in recent years. Retail and service sales have only grown marginally during the period shown.

**Figure 3: South Australia Pig Industry value Chain, 1999-00 to 2003-04.**



South Australian Food Industry *ScoreCard*