

6th October 2004

Pigmeat Inquiry
Productivity Commission
Locked bag 2
Collins St East
Melbourne VIC 8003

Fax: 03 9653 2305
Email: pigmeatinquiry@pc.gov.au

Dear Commissioner,

Submission to the PC Inquiry into the Australian Pig Meat Industry

This is a submission from **TD and RA Lynch** to the Productivity Commission Inquiry into the Australian Pig Meat Industry. In this submission, I wish to address among other things, issues relevant to the sustained profitability and competitiveness of my farm business, including the damaging impact of imports on the industry and the need for appropriate trade measures to be implemented to benefit the Australian pig industry.

1. Farm Structure and Activity

- We have a mixed family farm of cattle and pigs with pig production as our main income for the past 50 years. Over this time our business has shown a good profitable sustainable income, that is, prior to government intervention when we were sold out in a trade deal with Canada in the late 90's -- our sugar for their pork. Since then it has been a spiraling downturn in our financial situation as more and more imported pork arrives in Australia. These imports are cheaper thus governing prices paid to us for our product. We have our backs to the wall.
- Normally we carry about 60 sows, with a growout capacity of approximately 700 baconers with dressed weight average of 71kg.
- Currently we are carrying 45 sows having decreased production due to the unstable market prospects i.e. low market prices and increasing fodder costs. We have increased our dressed weight average for bacon to 75kg to try and recoup some of our losses.
- In the past we have hired part time workers but this has become unaffordable leaving farm management duties solely to my wife and myself.

2. On farm profitability

- We have been running at a loss financially for the last 5 years, with the level of our farm debt increasing by over 8 %.
- The fodder costs increasing by up to 20 % is making our farming enterprise unviable.
- The last financial year, we have incurred a loss of \$11,000 just for pig production. This loss has not taken into account maintenance and wages.
- The bank charges and fees with all ongoing costs and maintenance have increased.

3. Prices and Production

- The major cause of our problems is the high feed prices, low pig prices and the import of cheaper overseas pork on to the domestic market.
- It is a fact that most overseas farmers and producers are being subsidised directly or indirectly by their own Governments. We are behind the “8 ball” from the start.
- During the drought when our feed costs nearly doubled, our State and Federal Governments didn't assist us at all. The savings and equity for our retirement were used to continue pork production.

4. Contributing factors to farm profitability and competitiveness

- We consider that the imported pig meat is a major factor in our lack of profitability is flooding our domestic market and making it extremely difficult to survive in the pork industry.
- The lack of tariffs is a contributing factor to our disadvantage. This governmental decision needs to be reconsidered if the Pork Industry is to survive.
- The levy fees paid by all Australian Pork Producers for advertisements of pork marketing etc, is not paid by the overseas countries importing pork. If this is a problem due to legal ramifications why cant the Australian Companies, who are importing this pork from overseas, at least contribute to our marketing program?.
- We feel that labeling laws should be introduced so as all Australian Pork produced in Australia is labeled as “ Australian Grown” thus identifying the difference between local and imported pork. Consumers would find this a great help as many want to buy local produce but are unable to source its origin.
- Abattoirs should be more thorough in the processing and reading of fat levels. Technology should be more advanced and the reading should not be subject to human error.
- Over the years we have made considerable changes to farm management to increase our efficiency in pork production. We have incurred additional debts due to loss of income and used our savings and equity.
- The issues of the Free Trade Agreement is a major concern for us as pig producers. The impact of the imported pork from overseas countries apart from flooding the domestic market

is a major concern with contractible diseases entering the country and jeopardizing the Australian Livestock standards. Due to research in this area, diseases, which we believe, can survive extreme cold and heat conditions. Australia is at extreme risk to these diseases. We don't want an outbreak of mad cow disease or the like for the pig industry in Australia.

- Quarantine laws need to be reviewed and have a 100% guarantee that no disease has been introduced by imports. Thus guaranteeing a future in the pork industry for the next generations.
- If a disease is introduced due to a lapse in quarantine standards and testing, what compensation would be forthcoming to pig producers?
- Internationally, a disease affecting the pork industry will cripple Australia's exporting potential to overseas countries.

5. The wider socio-economic impacts of your business

- We are hesitant to take on any more improvements to the piggery, which at present are totally unaffordable. Unfortunately at this stage, we are unable to recommend the pig industry as a viable business to family members or other potential farmers because its future looks bleak, unsustainable, and uneconomical with long term instability.
- The North Coast Region is a major farming community. If agriculture declines, unemployment and crime rates will increase. Rural stores are feeling the pinch due to lack of money circulating in the local area.

6. Industry needs and possible solutions

- We need support as primary producers in Australia. Our product is relatively disease free compared to overseas counterparts. This has to be sustained to ensure continued growth in the national herd.
- Unlike secondary industry we cannot pass our expenses on to the consumer. The buck stops at the farm gate and we are told what we are to be paid for our product. We desperately need stability so we have some future financially, to plan ahead.
- There are inadequacies in the prices of pork throughout. For example we get \$2.20kg dressed weight and bacon in the supermarket is sold for \$12.00 kg.
- One solution to help solve import problems is to govern the amount of imported pork to all establishments to ensure that local produce is used, for example quotas.
- We would like to see available to the general public a list of those companies using imported pork including corporate businesses and franchises.
- More advertisement of the importance of local Australian Produce to consumers i.e. labeling of produce.
- The fluctuations of the high Australian Dollar also impacts on our livelihood with overseas companies importing pork at lower costs.

Conclusion

A key issue for pig producers is the short-term outlook of the industry and its future sustainability given recent and current difficult economic circumstances. Falling import prices and increasing import volumes when combined with market distortion, structural inefficiencies in the supply chain and the composition of the pork market, have effectively capped domestic prices and limit pig producers ability to recover costs. As the processed market and the fresh market are inextricably linked, any artificial downward pressure placed on pork product supplied into the processed sector in turn has a similar price lowering effect on the Australian fresh pork sector.

The difficult financial circumstances facing pig producers and the supply chain suggests that more substantial changes within the industry are needed, particularly further structural change for all sectors of the Australian pork industry supply chain but that this can not occur in isolation and will need government assistance, including appropriate trade measures such as a safeguard action. If the Australian pork industry is to substantially improve its global competitive position, it must be given the breathing space to enable adjustment to build the necessary competitive momentum to realign the supply chain and compete effectively with imports. At the very least the Australian Government should agree to carry out a safeguard investigation.

I would be happy to discuss any matters raised in my submission with the Commission.

Yours sincerely,

Tom Lynch

(Pig Producer)

New South Wales

Robyn Lynch

(Pig Producer)