

MA05/40

The Hon Peter Costello MP
Treasurer of the Commonwealth of Australia
Parliament House
CANBERRA ACT 2600

Dear Mr Costello

I write in response to the Productivity Commission's recently released draft report on the Australian Pimeat Industry.

The NSW Department of Primary Industries prepared an initial submission on behalf of the NSW Government to this Inquiry, which sought to provide background information on the pig industry in NSW and to canvass issues that warranted more detailed consideration by the Commission. Those issues were:

- quarantine protocols relating to imported pig products, feed grains, breeding stock and semen;
- industry costs associated with potential new animal welfare regulations;
- assistance provided to overseas producers; and
- the adequacy of domestic assistance programs aimed at facilitating industry adjustment.

The Commission's draft report contains comment on these and a range of other issues. However, the nature of those comments appears to reflect a lack of interest on the part of the Commission to pursue any particular issues that would require action by Commonwealth government, with the exception of dismantling single desk marketing authorities in order to lower domestic feed grain prices. Furthermore, the Commission concludes that most issues are either insignificant with respect to their impact on pig meat prices, or, that they are already being dealt with elsewhere. Consequently, the draft report does not offer any meaningful outcomes for pig producers.

I believe that there are issues that warrant greater attention by the Commission. The first is the adequacy with which assistance to overseas pig meat producers has been explored. For example, on page 50 of the draft report the Commission states that indirect assistance provided to overseas grain producers may have a larger impact on the costs of production in overseas countries than direct assistance. It therefore seems appropriate that the Commission undertakes a more thorough quantitative analysis of both direct and indirect assistance and the associated cost advantages enjoyed by overseas producers, including those from Canada and Denmark, particularly in relation to subsidised grain inputs and assistance provided to processing industries.

A second issue I wish to raise is the uncritical review the Commission has undertaken of adjustment and research programs. Given that relatively high domestic feed prices and subsidisation of overseas producers is likely to remain for some time, it is apparent that the Australian industry will face major ongoing adjustment pressures. A strong case therefore exists for the Commission to undertake a more detailed assessment of whether the existing adjustment and research programs appropriately address those pressures and to consider how such programs should be funded to ensure efficient adjustment outcomes

are achieved. Such an analysis by the Commission may also assist in establishing a framework that could be applied to other industries facing adjustment pressures.

Should the Commission wish to discuss the matters I have raised or to seek further information, the contact Officer in the Department of Primary Industries is Mr Scott Davenport, Director Industry Analysis, phone 0263 913629, email scott.davenport@agric.nsw.gov.au.

Yours sincerely

IAN MACDONALD MLC
NSW MINISTER FOR PRIMARY INDUSTRIES

cc. Dr Neil Byron
Presiding Commissioner, Productivity Commission