

Email from Productivity Commission to Danske Slagterier

Subject: FW: Market support arrangements for Danish pig producers

Dear Nicolaj Christoffersen and Mr Knud Buhl

Thank you for your prompt reply to my colleague, Mr Gavan Dwyer. The information is very useful in improving our understanding of EU and Danish market support arrangements for pigmeat production in Denmark.

I would be grateful if you could assist us further on four issues we do not fully understand.

First, EU statistics indicate that farm gate prices for pigmeat in Denmark are below the EU average. We are puzzled as to why this is so, and any explanation for this differential would be appreciated.

Second, we are not sure if the 'bonus payment' referred to on the Danske Slagterier website http://www.danskeslagterier.dk/smcms/Danske_Slagterier_UK/Statistics/6671/6694/6697/Index.htm?ID=6697 refers to a bonus for the quality of the pigmeat supplied, or if it represents a member's share of the profits of the respective co-operative. Your clarification will be appreciated.

Third, our analysis of Danish export data indicates that the Australian market provides Danish exporters with above average returns for the type and quality of pigmeat supplied. On the other hand, some submissions to our inquiry have suggested that Danish pigmeat is being sold to Australia at prices below the wholesale price in Denmark. We would be grateful if you could confirm which view is correct. Any evidence you can provide (for example, average Danish wholesale price for the type and quality of pigmeat exported to Australia) will be gratefully received.

Fourth, economic theory suggests that the size and efficiency of the Danish pigmeat processing sector could provide an important competitive advantage to the Danish industry. On the other hand, some participants in the inquiry have suggested that the Australian processing sector is as efficient as the Danish processing sector. We would be grateful for any information you could provide on the efficiency of the Danish processing sector. We would be particularly interested in any evidence on the average cost of processing a pig (either on a per pig or per kg basis).

Once again, many thanks for your assistance to date. We look forward to your reply.

Productivity Commission