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Pork industry responds to Productivity Commission's draft report

The findings detailed in the Productivity Commission's draft report on its inquiry into the competitive situation and outlook for the pig meat industry have been described by the pork industry as preliminary in nature and likely to be subject to substantial change as the inquiry proceeds.

Dr Paul Higgins, Chairman of the industry's national representative body, Australian Pork Limited (APL), said it was difficult to make detailed comments considering the report was only a draft, but stated he was concerned by a number of inconsistencies in the drafts findings.

"It is difficult to understand how the Productivity Commission (PC) can claim the case for industry-specific assistance is weak given that APL has made only two of its proposed four submissions addressing the PC's terms of reference.

"From this perspective, I feel it is too early for the PC to be commenting on the impact of the behavior of our international trading competitors when we are still gathering information through the Pork Market Improvement Program (a joint initiative of the industry and the Australian Government), which will enable us to benchmark Australian processes against those of our international competitors. Once we have completed this process we will include that information as part of our further submissions to the PC.

"On the question of industry-specific assistance, it should be clearly understood that assistance has been sought on three separate matters only:

- financial support for the development and implementation of the HomeGrown initiative. This support has been obtained;
- funding approval for a Cooperative Research Centre addressing feed cost issues as part of the Pork Industry Restructure Plan. This is generalized assistance available to most agricultural industries and many other industries; and
- assistance on animal health, envisaged to be regulatory in nature and estimated to represent a \$25 million saving to costs of production."

Dr Higgins said he was particularly concerned by comments made in draft finding 5.2 seeming to indicate that the PC considered trade distorting behavior of international competitors was acceptable if it lead to lower prices for consumers even if that behavior had adverse effects on Australian pork producers and by implication the rural and regional communities that depend on them.



“Draft finding 5.2 is fraught with dangerous implications not just for the pork industry, but for Australian agriculture in general. Effectively what it says is that it’s OK for our trading competitors to undercut our costs of production through subsidies and other forms of support so long as it results in lower retail prices for consumers. There will be no future for any Australian farmer if this reasoning is universally adopted,” Dr Higgins said.

In emphasising this point, Dr Higgins pointed to a recent report from the Danish Bacon and Meat Council detailing higher production costs than those existing in Australia.*

“What emerges from the figures detailed in this report is that Danish costs of production are \$2.42 per kg, while Australian costs of production are \$2.15. An inevitable question flowing from these figures is, how can the Danish industry continue to export product, absorb associated shipping costs and a 27 cent disparity in production costs and still be profitable, unless that product is subsidised, or the Danish industry is dumping product?

“These facts are inconsistent with the PC’s draft findings and will be addressed in APL’s further submissions to the inquiry.”

Notwithstanding the preliminary nature of the findings, Dr Higgins said he was encouraged by the PC’s supportive comments for the Pork Industry Restructure Plan, as well as its acknowledgement that high grain prices had caused substantial financial harm to the industry in 2003.

“One of the major obstacles facing the industry is our inability under current arrangements to access competitive feed grain prices. As noted in the PC’s draft report in 2003, Australian pork producers paid a much higher price than the international price. This issue must be addressed if producers are to maintain profitability.”

APL is now in the process of scrutinising the analysis and noticeable inconsistencies in this draft report in order to fully determine whether the PC’s draft findings address the real issues confronting the industry.

APL has two further submissions to make to the PC in addressing the inquiry’s terms of reference and encourages all interested parties to make further submissions (due 24 January 2005) and attend the public hearings in late January and early February 2005.

*Danish Bacon and Meat Council Report, referred to in an article by Jacob Rasmussen, ‘Costs in International Pork Production – 2002’, *Whole Hog* 12/04.

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