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Resources, Energy and Manufacturing
Department of Employment, Economic Development and Innovation
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Dear Suzanne,

R.E. Ethanol Mandate in Queensland

Australian Pork Limited (APL) is the national representative body for Australian pig producers. It is a producer-owned not-for-profit company combining marketing, export development, research, innovation and strategic policy development to assist in securing a profitable and sustainable future for the Australian pork industry.

APL is opposed to an ethanol mandate using grain as a primary input. An ethanol mandate is poor public policy. In an environment where grain supply is tight, the mandate will artificially inflate grain and food prices, increase production costs for pig producers and increase cost of living for the public. Mandates for ethanol are already opposed by the Federal government, some state governments and industry associations who are negatively impacted by this policy. We provide our support to issues raised in the Australia Lot Feeders' Association's submissions and their strong representation on this issue.

An ethanol production mandate encourages farmers to grow crops for biofuel and not food production. The World Bank, the International Monetary Fund and the OECD universally agree that Government biofuel support and protection policies are to blame for the majority of the 140% increase in global food prices between 2002 and 2008.

APL's analysis from 2008 shows that if a 5 per cent ethanol mandate was implemented in Victoria, NSW and QLD it would consume approximately 1.8 to 2 million tonnes of grain unless imported ethanol is allowed to fill the mandate. Such demand would distort grain prices in local regional areas and significantly increase the likelihood of importing feed grains into the east coast. This would artificially raise feed grain prices for the feed grain value adding industries that have to compete in international markets.

Sorghum, which is proposed to be a source of ethanol production, will seriously undermine the competitive strength of pork production in Queensland. The by-product of ethanol production in wet distiller's grain will not replace tonne for tonne, the energy requirements for the feedlot sector. There are also microbiological contamination risks associated with using this product in feedlots. Further, since pigs cannot eat wet distiller's grain, sorghum supply for the pork industry will simply be removed.

In a typical season, 80% of Australia's east coast grain production is consumed by all intensive livestock industries, including pork.

The real impact of the mandate will be felt during dry periods when QLD's grain harvest is reduced. The mandate will act to severely limit grain supply during these times. This is particularly concerning for the pork industry considering that feed grains represent the single biggest input cost for pork producers - up to 80% in dry periods.

The future of the ethanol industry lies in the development of second and third generation biofuel production which does not strain grain supplies. The current Bill does not provide any incentives or preferential treatment to the development of second or third generation biofuel production technologies.

To the best of our knowledge, no intensive agriculture industry associations were ever contacted by the Department regarding the proposed introduction of the ethanol mandate into Queensland except the Australian Lot Feeders' Association. An email sent by the Office of Clean Energy – Resources, Energy and Manufacturing within the Department of Employment, Economic Development and Innovation was used to make contact only with stakeholders the Department thought would be most affected by the mandate.

APL is extremely disappointed and somewhat alarmed that we were never consulted by the Office of Clean Energy - Resources, Energy and Manufacturing on this proposed Bill. This is despite two consultation rounds in July 2009 and November 2009. Further, we note that submissions made during the round of consultations were never made publicly available on the internet. The public benefit test report was also removed from the website on Tuesday 23rd February 2010. Information on the consultation process is also no longer on the consultation website.

The pork industry is one of the few Australian food industries operating in a truly global marketplace, maintaining an export industry to Asia and competing with increasing volumes of heavily subsidised imports from Canada, the USA and Denmark. The pork industry generates substantial income and employment in rural and regional Australia. The 2006-07 figures show the Australian pig industry generated over \$805.22 million in household income. The pork production and processing industries also generate approximately 7,928 full time jobs. The industry's export markets are now valued at approximately \$156.5 million per year, compared to \$24 million in 1997. Considering that QLD has the largest pig herd in Australia at 630 000 head (ABS 2008-09 data), this mandate will have a significant impact on the QLD economy and on the Australian pork industry.

Given the lack of consultation with the industry to date and the serious impact this Bill will have on the future competitiveness and sustainability of the industry, we expect these views to be fully considered, and appropriate mechanisms put in place, before proceeding to mandate. In particular we support the Australian Lot Feeder's Association recommendation that a confidentiality agreement should be established with the bulk grain traders so that the Government can fully understand the Queensland grain supply situation. This in turn will help inform the Government with regard to what should trigger a suspension of this mandate.

Yours sincerely,

(signed)
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