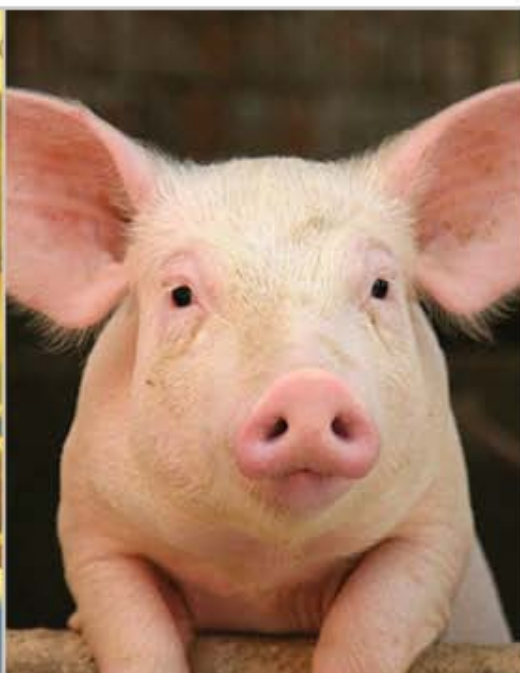


AUSTRALIAN PORK LIMITED

Agricultural Competitiveness Issues Paper

17 April 2014



Australian Pork Limited (APL) welcomes the opportunity to provide a submission to the Department of the Prime Minister and Cabinet (PMC) regarding the Agricultural Competitiveness Issues Paper.

2 APL is the national representative body for Australian pig producers. It is a producer-owned, not-for-profit company combining marketing, export development, research and innovation and policy development to assist in securing a profitable and sustainable future for the Australian pork industry. APL works in close association with key industry and government stakeholders.

3 The Australian pork industry employs more than 20,000 people in Australia and contributes approximately A\$2.8 billion in gross domestic product to the Australian economy. The pork industry contributes approximately 2.13 per cent of total Australian farm production with roughly 1,500 pig farmers producing around 4.8 million pigs annually.

4 As a member of the National Farmers' Federation (NFF), APL has also provided input into and is supportive of the NFF position as outlined in their submission to this Paper.

Agricultural Competitiveness Issues Paper

5 APL has followed with interest the government's efforts to reduce red and green tape, and welcomes the introduction of the Issues Paper. APL supports the Australian Government's efforts to realise the potential of a strong, vibrant agricultural sector.

6 APL provides the following comments against the backdrop of growing demand in overseas markets for high quality, clean and safe food and agricultural produce. The Australian pork industry, with its high health and hygiene standards, is well positioned to meet this growing demand.

Food security

7 Much has been made of the opportunities arising from the rapidly expanding and increasingly prosperous region in which we live, including Australia's ability to meet the growing demand in high-value markets in Asia, for high quality, clean and safe food and agricultural produce.

8 Pork is the world's most consumed protein, with China alone accounting for over 50 per cent of the world's production and consumption of pork. The high-quality of Australian pork means Australian producers can make the most of new and improved market access opportunities by supplying our customers some of the world's best quality food and agricultural produce.

9 To achieve the necessary growth in production to meet the opportunities arising in this Asian century, government policies must ensure Australia's unique disease-free status is maintained through robust biosecurity protocols.

Farm gate returns

10 Industry statistics collected by the Australian Bureau of Statistics (ABS) vary greatly in accuracy when compared to other sources of data. An example of this includes inaccurate data on slaughter numbers, pig weight and volume produced in Australia when compared to levies collected and industry sourced information. Other ABS data material to industry investment, returns and productivity often has large potential for statistical variation. For example, sow numbers represent a large portion of industry infrastructure and working capital investment. If those figures with high statistical variation were used to develop government policy, this could potentially result in flawed policies, directly impacting industry. The frequent divergence of ABS data from industry's figures also leads to others challenging the accuracy of all data.

11 APL stands ready to continue to work with the ABS to review data collection and provide effective and timely statistics with lower variations, while reducing future errors in both reporting and forecasting. This is important as ABS data is used as a basis for the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) forecasts.

12 Industry understands that ABARES forecasts are difficult, and the final product must be one owned by ABARES. While industry has worked closely with ABARES on historic prices for pigs, we do not yet collaborate on future prices. APL can provide volume estimates up to nine months in advance, which we believe has the potential to contribute to more accurate ABARES forecasts.

Competitiveness and value chains

Food labelling

13 The current food labelling system is failing to meet its policy objective as it confuses, rather than informs consumers. Research suggests that consumers believe labelling should be clearer, and that many consumers don't understand the existing *Made in Australia* claim. The flaws in our food labelling system undermine Australian producers, who ought to be able to capitalise on their good reputation for production systems including animal welfare, food safety, and above all, quality.

14 APL believes that an improved food labelling system should:

- Be simple, consistent and easy to understand;
- Align with Australia's trade obligations and trade liberalisation credentials;
- Be minimum cost and practical to implement;
- Ensure *made in* claims are qualified;
- Include clearly defined tests;
- Include clear pack labelling, and;

- Be mandatory.

15 APL encourages the recently announced *Country of Origin Food Labelling* inquiry by the House Agriculture and Industry Committee to incorporate these elements into any revised labelling system.

Marketplace competition

16 The Australian pork industry is one of the few agricultural industries truly competing in a global marketplace – both in the domestic market with cheap subsidised imported pork product, and against the same subsidised product in our export markets.

17 Australian pork producers voluntarily agreed to phase out the use of gestation stalls by 2017 – a world first for a pork industry. Moves to introduce similar standards in the EU have largely failed, with only 13 countries of 28 EU member states complying with the policy, and no similar national standards in place in North America. With Australia's domestic industry and consumer expectations holding Australian pig production to higher standards, with associated higher costs, than those imposed on competitors supplying imported pork product to Australia, domestic producers cannot compete on a level playing field either domestically or internationally.

18 The pork industry faces further domestic pressures through competition with other sectors for workers, capital and resources, as well as competition with overseas pork producers who benefit from subsidies. Whilst competition and innovation is welcome, unfair competition through subsidies and exploitation of market dominance is not.

19 APL remains concerned regarding the high level of concentration and market power, including imbalances in negotiating power between farmers and others in the supply chain, and supports the investigation by the Australian Competition and Consumer Commission (ACCC) into supermarket conduct.

Competitiveness and inputs

APL model

20 APL's unique model continues to secure valuable benefits for both the industry and the broader community. The support provided by the Commonwealth through matching research and development levy funds enables APL to significantly leverage producer levies and their investment into research, development and extension (R,D&E) delivering real benefits from welfare to productivity and sustainability.

21 The development and implementation of the Australian National Pork R,D&E Strategy has provided significant cost efficiencies as a result of base funding of core R,D&E facilities. The R,D&E for Australian pork has been conducted across a range of federal and state government and private industry facilities. These totalled 12 R,D&E providers that covered approximately 18 individual R,D&E sites across Australia. Following a capability and capacity review undertaken by APL and the Pork CRC in conjunction with the R,D&E

providers, six core facilities were identified as being critical to supporting the key pork R,D&E programs commissioned by APL and Pork CRC.

22 The funding of core R,D&E facilities has meant that these facilities are used to their full potential, ensuring that scientists can focus on delivering the research to enhance the sustainability of the pork industry rather than worrying about securing funding for their key technical staff. Scientists currently not linked to a pork R,D&E facility have been able to conduct their research at an appropriate core-funded site. The timeliness of research conducted has been enhanced, with a number of production focused R&D projects being conducted in commercial facilities, and collaboration between researchers and organisations has been improved, allowing for increased exchange of ideas.

23 A cost comparison for seventeen projects commissioned by the Pork CRC and APL was conducted in 2011/12. On average, the cost of projects in base funded facilities was \$28,405 compared to \$92,460 for projects not conducted in base funded R,D&E facilities.

24 The CRC concept of joint investment between research providers and end-users is now a well-accepted model for pork industry stakeholders. The RD&E participants understand that under the revised CRC guidelines this term will be the last for the pork industry within the existing CRC framework.

25 The industry has begun proactively investigating options to ensure a mode of co-investment can be sustained to undertake industry RD&E. Rather than directing significant effort into a further CRC bid, the pork industry identified that it would investigate alternative models of co-investment to commence within the term of the current CRC for High Integrity Australia Pork. This revised RD&E funding model will form the basis of the next National Pork RD&E Strategy. Key components within the existing strategy such as the base funding of RD&E infrastructure will remain within the proposed new RD&E strategy.

Feed grain

26 As a major user of feed grains, the Australian pork industry supports the findings and recommendations of the Wheat Industry Advisory Taskforce. The industry is keen to see the benefits of increased transparency flow to stakeholders through the monthly reporting of grain stocks held in storage.

27 Specifically, APL supports the monthly reporting of feed stocks data to maximise the economic return to both intensive livestock industries and grain growers. Reporting of grain in storage must be comprehensive, incorporating meaningful information, which must be made available in a timely manner.

Regulations

Red-tape reduction

28 APL applauds the Government's commitment to red-tape reduction, and its recognition that unnecessary regulatory burdens with their associated anti-competitive compliance overheads impose avoidable costs on industry.

29 Whilst APL acknowledges the need for effective regulation, it is important that regulation is appropriately targeted, and that consideration is first given to whether a regulatory approach is the best way to achieve the desired outcome.

30 APL proposes collaboration with Government to undertake a pilot project examining red tape throughout the full supply chain - from farm to end use. This would identify areas requiring work from both industry and government, with findings and methodologies that could be replicated for other industries, decreasing red tape and improving productivity.

Co-regulation

31 The Australian pork industry encourages the Government to pursue strategies such as co-regulation, wherever possible, that build on existing industry frameworks to reduce compliance costs for both industry and Government while maintaining effective regulatory outcomes.

32 An example of effective co-regulation is the Victorian Livestock Management Act of 2010 wherein the Australian pork industry's own Quality Assurance Program (APIQ[✓]®) was recognised under an "Approved Compliance Arrangement". This arrangement means that APIQ[✓]® Certified Producers in Victoria are deemed compliant with the Livestock Management Act Standards in the first instance, and are not subject to further inspection or audit (other than already required under their existing compliance arrangement) saving considerable cost to both producers and government.

Anti-farming activists

33 The illegal behaviour of anti-farming lobby groups, and the issues their illegal activities generate, including biosecurity breaches and the safety and well-being of our farmers, their families and livestock, means that in some instances, new laws may be necessary.

34 Effective laws to protect the right to farm can support industry best practices, enabling a robust defence against wilful misrepresentation and false claims from anti-farming activists. APL encourages the government to engage with the agriculture sector to consider such legislation, and increase the government's role in both protecting our farmers and refuting misleading claims. To this end, APL is supportive of the recent recommendation from the Australian Law Reform Commission for a new statutory cause of action, an invasion of privacy. This would allow producers suffering farm invasions to take appropriate legal action to protect their privacy. Such a cause of action would also empower producers whose privacy is invaded by activists piloting unmanned drones.

Welfare

35 APL recognises that the Standing Council on Primary Industries (SCoPI) and the Primary Industries Standing Committee (PISC) have been replaced with Agriculture Minister's Forum and Agriculture Senior Officials Group, respectively. APL approved of the strong role that those groups played ensuring consistency between the states on animal

welfare regulation, and urges the Commonwealth to do what it can to ensure that these new groups play a national coordinating role in animal welfare policy issues.

Traceability

36 Effective traceability systems underpin our capacity to quickly contain disease outbreaks and respond to food safety issues. A nationally consistent mob-based traceability system for pigs will help ensure that the provenance and safety of all Australian pork can be guaranteed. Far from being a regulatory burden, a well run and fit-for-purpose mob-based traceability system will support Australia's biosecurity now and into the future. These systems also lay the foundations for market access in the "Asian century", and will eventually allow consumers to verify claims made on products against quality-assured on-farm practices.

37 APL looks forward to the endorsement of the NLIS (Pork) Business Rules, which will build on the existing PigPass traceability system to provide stakeholders with more current and more up-to-date traceability information, in line with the National Livestock Traceability Performance Standards (NLTPS). On top of this, APL has also developed Physi-Trace for pork, an elemental trace profiling system which link shelf product to its place of origin – locally and internationally. These systems and technologies will be used in the future to validate product claims and underpin confidence in all Australian pork products.

QA and abattoirs

38 APL remains concerned with on-farm production standards permitted by domestic abattoirs, and those establishments' ability to provide a product of guaranteed safety and quality which meets the expectations of consumers. The current regime has serious gaps for traceability, food safety and animal welfare, as evidenced by a number of recent high-profile media cases.

39 APL believes that mandatory quality assurance programmes, such as the pork industry's APIQ[✓]® programme are vital to underpin confidence in product quality and food safety, and should be a necessary pre-condition for the commercial sale of pork. The Australian pork industry would welcome the opportunity to work with government as a pilot industry for such mandatory QA.

Exports

40 As an industry that firmly supports the principles of free trade and which indeed competes very successfully on domestic and international markets without the benefit of producer subsidies or tariff barriers, APL supports the government's efforts to liberalise trade and reduce trade distorting barriers in export markets.

41 APL has consistently called for the government to negotiate high-quality free trade agreements which counteract our competitive disadvantages, address restrictive tariff and non-tariff barriers and deliver commercially meaningful outcomes for Australia's pork producers. APL has repeatedly voiced caution to ensure that commodity groups are not

'traded-off' against each other, and that agriculture as a sector is not traded off against other sectors, to secure a deal.

42 To ensure Australian agriculture's long-term clean-green competitiveness, the maintenance of Australia's strong science-based biosecurity protocols must be protected as a top priority. Porcine Epidemic Diarrhoea virus (PEDv), a porcine corona-virus that typically results in up to 100 per cent mortality in naïve herds, is currently devastating herds across North and South America. Porcine Epidemic Diarrhoea virus is expected to result in a decline of 18.5 million (12.5 per cent%) pig slaughters in the 2014–15 financial year in North America, providing, is a case study of the economic impacts resulting from poor biosecurity practices, and the criticality of maintaining stringent biosecurity protocols.

43 Our competitive advantage is our ability to supply safe, disease-free high-quality product. Biosecurity must never be traded for short-term gains under free-trade agreements.

Investment and job creation

44 The Australian pork industry faces long-standing difficulties attracting and retaining suitably qualified labour. Given ongoing chronic labour shortages, APL is working closely with the Department of Immigration and Border Protection to develop an industry-wide labour agreement template, enabling employers to engage suitably qualified workers from overseas.

45 The need for an industry-wide agreement is crucial for the industry to function effectively. A lack of competent and suitably qualified staff has significant negative effects on both productivity and animal husbandry, potentially compromising our ability to meet legislative requirements.

46 APL encourages the government to support labour agreement initiatives to enable access to suitably qualified labour from overseas, where this labour does not exist in Australia.

Conclusion

47 There are several key factors which translate directly to increased productivity and profitability at the farm gate, of key interest to our members, including red-tape reduction and realising export potential.

48 APL welcomes the government's engagement with the agricultural sector through the Agricultural Competitiveness Issues Paper, and stands ready to work with the government through the Green and White Paper processes.