

Senate Enquiry on Export Certification Reform

APL Introductory Statement

Good morning Senators and thank you for the opportunity to have our views heard at this Committee hearing. My name is Andrew Spencer and I am joined this morning by Mr. Bill Salter. Bill is the Manager for Pork Supply Chains System Integration at Australian Pork Limited and I am the company CEO. We are here this morning as employees of APL and representing the interests of Australian pork producers.

The pork industry in Australia is an important part of the total meat industry, an important part of the Australian food industry. The industry has an ex farm gate value of around \$1 billion which with multipliers through the supply chain increases to over \$3 billion measured at retailer buying level. Thousands of Australian are employed on the farms, in the abattoirs and boning rooms and importantly in the smallgoods processing facilities around the country.

We have significant concerns regarding the proposed export certification reforms. These concerns on the one hand reflect those of the red meat industries (note re terminology here) and on the other hand are uniquely applicable to the pork industry due to some very specific differences between our industry and the red meat industry.

We support the statements from the Australian Meat Industry Council regarding the proposed export reforms. That is, that in their current form, they do not represent a more efficient system nor do they represent a more progressive technical model to achieve the necessary outcomes. There is just cause in our view to argue that Government has a responsibility to share costs in export certification for the public good in terms of food safety, animal welfare and to provide incentives to implement efficiencies. A model for full cost recovery for a

Government monopoly - which AQIS is for export certification purposes – is always poor policy with no incentives in the system for efficiency or effectiveness improvement.

But with respect to pork specifically, there are three differences within our industry that means we are disproportionately affected by the export certification reforms. Those three differences are:

1. The domestic pork industry - unlike lamb, mutton and beef – suffers from intense import competition here at home in Australia. Alongside the 4 to 4.5 million pigs slaughtered here for local consumption, there are another 2.5 million equivalent imported into the country every year with the assistance of substantial foreign taxpayer funded subsidies. It is our understanding that not only do the exporting country industries pay nowhere near full cost recovery for their export certification, but in addition, their certification models bear no resemblance to those proposed for us through the standard AEMIS model. In fact, through this whole process, no-one has asked the simple question as to “how do our export certification models compare to those of our import competitors sending product here?” Our understanding is that our proposed systems are much more stringent and costly.

You may say “so what? That’s the domestic market and we’re here to talk about export certification”. That brings me to the second difference with the pork industry...

2. Around 85% of all pigs in Australia are processed through export abattoirs but only 11% are exported. This of course means that export certification and its associated costs apply to almost all of the domestically grown and consumed pork. This is not an issue of export competitiveness – for the pork industry, it is about the competitiveness of the

whole industry and I remind you of that competition with subsidised imports mentioned earlier.

3. The third difference with the pork industry is that most of our export certified processors are operating today under the Meat Safety Enhancement Program (MSEP) system which is a lower cost, highly effective certification model that the whole of the red meat industry ultimately aspires to. My understanding is that today, only one red meat processor is as yet operating under a system similar to MSEP. This MSEP system has been in operation within the pork industry for 13 years with great success, with the knowledge and acceptance of our markets and with demonstrably continually improving hygiene outcomes. In negotiating the new AEMIS model with international markets, AQIS have failed to distinguish between the red meat and pork models, with the result now that they expect us to move to a more costly AEMIS model completely unnecessarily and for absolutely no benefit.

The new fee structure for AQIS export certification services to apply under the standard AEMIS will add between \$250,000 to \$400,000 additional costs for each pork export abattoir.

In summary, the implementation of the proposed export certification reforms would mean for the pork industry:

- Significant increases in the cost of almost all pork processing through the full cost recovery and amended certification models;
- Reducing our competitiveness against subsidised imports even further;
- For a total industry benefit of zero in terms of the quality of the outcome.

The pork industry requests that the government consider the following to improve the export certification reforms:

- Firstly, a variation to AEMIS, referred to as AEMIS Pork, which seeks to 'tighten' the current system but does not have a Food Safety Meat Assessor. The FSMA is, in our view, a requirement of the US market and the pork industry does not export to the US market. AEMIS Pork recognises the differences between the pork industry and the red meat industry, the markets they serve, and the success of the current pork certification system.;
- Secondly, the pork industry also supports the AMIC in seeking a contribution from the government for export certification;
- And thirdly, we also support a mechanism to achieve AQIS export certification cost reductions and efficiencies over time.

Once again, thank you for the opportunity to put our views forward on behalf of Australia's pig producers.