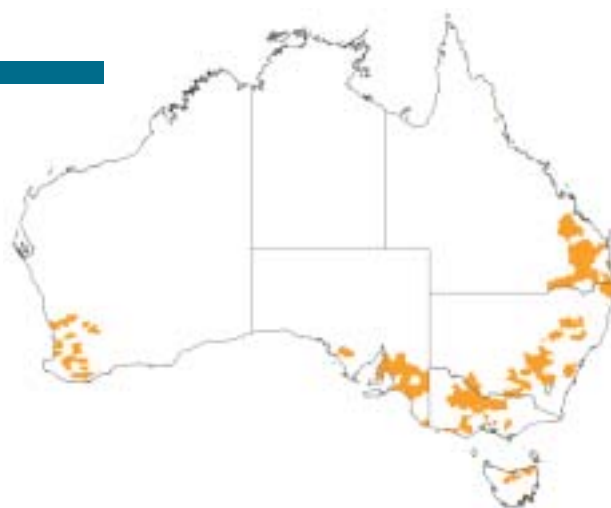


## 6 Pig meat



### Location

The Australian pig meat industry is highly dispersed in the grain-producing regions in each state. The quantity of pork produced in each state is affected by factors such as feed grain supplies, infrastructure (transport and processing facilities in particular) and proximity to major population centres.

- New South Wales produces the most pig meat (30 per cent of production), followed by Queensland (21 per cent), Victoria (19 per cent), South Australia (17 per cent) and Western Australia (12 per cent).

### Industry features

Table 11 shows the major features of the Australian pig meat industry, including its size, output, market orientation and position in the global market.

Table 11 Overview of pig meat production and trade

	Unit	1983–84	1993–94	2003–04
<b>World</b>				
Production	Mt	56.4	76.4	90.0
Trade <sup>a</sup>	Mt	na	na	3.7
<b>Australia</b>				
Pig numbers	'000	2 527	2 775	2 553
Sow numbers	'000	335	317	340
Average slaughter weight	kg/head	54.5	66.4	72.7
Production	kt	253	357	406
Share of world output	%	0.4	0.5	0.5
Gross value <sup>b</sup>	\$m	828	860	878
Domestic consumption <sup>a</sup>	kt	249	348	453
Exports <sup>c</sup>	kt	3	6	51
Value <sup>b</sup>	\$m	18	33	181
Share of world trade	%	na	na	2.8
Imports <sup>d</sup>	kt	0	3	58
Employment <sup>e</sup>				
Pig meat growing	'000			3.5
Processing <sup>f</sup>	'000			5.0

a Carcass weight equivalent.

b In 2003–04 dollars.

c Shipped weight.

d Boneless equivalent.

e ABS 2001a.

f Plus an estimated 2800 people employed in the meat processing sector.

na Not available.

Sources: ABARE 2004, 2005; ABS 1990, 2001a,b.

### Markets

The Australian pig industry is relatively lightly assisted. The OECD estimates that the monetary value of transfers from consumers and taxpayers to support pig meat producers as a result of policy measures was equivalent to 4 per cent of producers' gross incomes in 2003 (OECD 2004).

- In comparison, EU pig producers received assistance equivalent to an estimated 24 per cent of their gross incomes in 2003 and Canadian producers 8 per cent, while US producers were supported at much the same level – 4 per cent – as Australian producers.

In contrast to most other agricultural products, a significant proportion of pig meat consumed in Australia is imported. In 2002–03, for example, imports accounted for around a quarter of total pig meat consumption, and 37 per cent of the bacon, ham and smallgoods consumed in Australia.

- The price competitiveness of imports with locally produced pig meat is affected by such factors as exchange rates, feed, labour and disease management costs, and rates of genetic improvement.
- Some further growth in imports seems likely as more potential suppliers meet Australian biosecurity requirements for the import of pig meat, and some local bacon, ham and smallgoods manufacturers seek to manage supply and price risks by diversifying input sources.

Principal export markets are Singapore, Japan and New Zealand. Competition from other offshore suppliers such as the United States, Canada, the European Union (particularly Denmark) and Brazil is strong in the Singapore and Japanese markets.

- Relative exchange rates of competing supplier countries and the importing country are a significant factor in the amounts of Australian pig meat imported.
- A stronger Australian dollar over the past 12 months has led to reduced unit returns from the key Asian markets, and consequently the volume of exports has fallen around 24 per cent since July 2003.

Increasing average slaughter weights for Australian pigs are a reflection of genetic improvement, changing processor requirements, and industry efforts to achieve greater production efficiencies at farm and processing levels.

- However, slaughter weights were still well below average Canadian (77 kg), Danish (77 kg) and United States (86 kg) weights in 2002.

## Farm businesses

There is no representative survey information available on Australian pig farms. However, some data are collected from annual surveys of a small number of cooperating pig producers by Australian Pork Limited (APL). A selection of results from the surveys for 1993–94 and 2001–02 is shown in Table 12.

Because of the small sample sizes (29 in 1993–94 and 18 in 2001–02) and possible bias in responses, these results should be taken only as broad indicators of industry financial performance. In 2002–03 and 2003–04, a combination of drought, high grain prices and lower pig meat prices meant that financial performance in those two years was well below that achieved in 2001–02. Also, the data in Table 12 fail to take into account income from farm enterprises other than pigs, which an unpublished ABARE survey of specialist pig producers in 2003 found amounted to around 15 per cent of total receipts. The APL (and ABARE) surveys also excluded off-farm income, a possibly important source of revenue for at least some producers.

Table 12 **Features of pig farms in Australia** Average per farm

	Unit	1983–84	1993–94	2001–02
Number of businesses	no.	12 705	4 683	2 914
<b>Average performance</b>				
Sow numbers	no.	26	68	114
Litters per sow per year	no.	na	2.23	2.17
Pigs weaned per litter	no.	na	9.22	9.2
Average sale liveweight	kg	na	95.0	95.3
Pig sales <sup>a</sup>	\$	na	228 583	387 816
Total costs <sup>a b</sup>	\$	na	219 828	314 823
Net income <sup>a</sup>	\$	na	8 755	72 993
Capital investment <sup>a</sup>	\$'000	na	236	344

Source: Australian Pork Limited.

With pig prices likely to continue to decline over the longer term relative to prices of farm inputs used in pig production, productivity gains in the pig industry will be important for international competitiveness and for determining the farm-level allocation of resources between pig meat production and other enterprises.



a In 2003–04 dollars.

b Includes all cash costs, changes in value of inventory, depreciation, and an allowance for owner/operator labour.

na Not available.

With feed accounting for between 50 and 60 per cent of the total costs of on-farm pig production, returns to producers are particularly sensitive to grain prices that, in turn, are affected by international market prices and local supply conditions.

- During the 2002–03 drought, for example, earnings were adversely affected when a lack of feed barley and grain sorghum resulted in many pig producers and feed suppliers having to resort to high-priced milling quality wheat to maintain animal diets.

### Herd management

National and international animal welfare pressures are likely to have an increasing role in determining how animals are farmed in the future. The Australian Pig Industry Quality Program (APIQ) addresses food safety and food quality issues, together with standards for animal welfare that must be satisfied for producers to maintain their accreditation. Accredited APIQ pork producers account for over 60 per cent of pigs farmed.

### Natural resource management

Environmental issues in the industry include effluent emissions and disposal and odour impact.

APL has published *National Environmental Guidelines for Piggeries* for the industry.

### Employment and infrastructure

Employment in the industry is principally in the pig farming and ham and smallgoods manufacturing sectors. Additional employment is associated with the meat abattoir sector, some of it in dedicated pig slaughter facilities, and with transport and other associated supply and support operations.

- Around 3500 people were employed in the pig meat industry in 2001, largely in Queensland (27 per cent), New South Wales (23 per cent) and Victoria (21 per cent), with a further 5000 employed in ham and smallgoods manufacturing.

In pig-growing regions, large concentrations of pig meat production by large-scale specialised enterprises lie alongside more widely dispersed smaller enterprises, often operated as a sideline to grain growing.

- The industry accounts for around 1 per cent of total employment in agriculture, and up to 5 per cent of agricultural employment in major producing regions.
- Employment in the manufacturing sector tends to be outside the main meat production regions.

### Institutional arrangements

#### *Peak body*

APL provides national representation for pig farmers and represents 80 per cent of the pig industry. It also undertakes marketing and research and development for the industry.

#### *Marketing and research and development arrangements*

APL receives grower levies for marketing and research and development, and matching government funding (up to a maximum of 0.5 per cent of industry gross value of production) for eligible research and development. In 2003–04, APL spent \$5.7 million on marketing. It also spent \$9.2 million on research and development activities, equal to 1.1 per cent of the industry's GVP.

APL's research and development program aims to drive up domestic demand while building export capacity and improving environmental sustainability. Industry-wide research has focused on improving carcass value estimation and meat tenderness in abattoirs. Producer-targeted research has focused on farm benchmarking tools and the introduction of national environmental guidelines for piggeries.

### Industry outlook

Key factors for the future include the following:

- the pig meat industry's capacity to improve on-farm and off-farm productivity, which will affect its ability to remain internationally competitive and profitable compared with other farm enterprises
- the industry's future competitive position with respect to competing red and white meats produced in Australia and overseas
- the rate of genetic improvement in areas such as feed conversion rates, and the contribution of imported pig genetic material to this process
- addressing animal welfare and environmental concerns
- maintaining disease-free status relative to competitors.