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14 September 1998

Pig & Pigrate Industries Inquiry
LB2 Collins St East Post Office
MELBOURNE
Vic 8003

STATEMENT OF SERIOUS INJURY

This company which owns and operates two piggeries had a combined herd of some 3500 sows, and was in an expansion mode, until June 1997.

Since that time and due to the impact of ever increasing pigmeat imports from Canada we have -

1. In order to generate cash flow and keep creditors at a reasonable level we have found it necessary to reduce stock levels by some 750 sows plus progeny, as well as sell stock at lighter weights.

However these creditor levels are still higher than ever experienced by this company.

2. Repayments of capital to finance institutions have had to be deferred indefinitely and overdraft levels have been extended.

This puts additional strain on the company with increased interest and fees.

3. Staffing levels have been reduced by fourteen (14) people over the past twelve months. This has been done with great reluctance.

4. All expansion has been put on hold for the foreseeable future.

5. We are presently operating our business at less than potential capacity not only in an effort to contain costs but because we are not confident that the situation will not be repeated in 1999.

While feed prices are looking to be lower than they have been for some years this respite will be short lived as global grain stocks adjust to current demand levels.

The continued threat of imported pigmeat from Canada seriously inhibits our ability to effectively plan for the long term.

Following is a fiscal year comparison for the years 1995 to 1998 which clearly demonstrates the sudden reduction in gross margins as a direct result of imported Canadian pigmeat.

Comparison for Fiscal Years 1995 to 1998

This shows the gross revenue from all pigmeat sales as well as expenditure under major groupings for each year under review. However, administration costs and financial charges such as interest have *not* been included as these could vary considerably with other enterprises and would only distort information given.

Over the period under review and in line with our expansion process inventory levels rose from 28972 to 32714 at both properties but book value for stock despite rising costs only achieved a modest increase of \$2.53 per head.

Feed prices did rise in 1996 in response to global pricing but did not have a significant impact on margins due to a complimentary rise in pigmeat prices. However, in 1998 margins were seriously affected by imports and with feed prices remaining high the result was a negative impact on profitability.

Operating Performance Comparison Details

Gross Operating Margin Graph

At this point in time the industry is involved in its second major crisis in three years. On the last occasion some one thousand producers left the industry and it is conceivable that unless we can arrest this continual drain on business resources equity will be reduced to a point where operations will have no value and there will be a further exodus from the industry - most likely towards the end of this year.

Government seems oblivious to the fact the level of imported pigmeat albeit frozen is having a devastating effect on our revenues at a time when most other costs are escalating.

Like most rural industries the pig industry is not in a position to pass on costs beyond the farm gate and has to absorb them against a reduced revenue.

The need to introduce imports at a more structured pace is paramount if the people of Australia want fresh pork to be available on the supermarket shelves.

RECOMMENDED SAFEGUARDS TO BE APPLIED

A temporary (4 year) quota of some 5,000 tonnes and an out-of-quota tariff of \$2/kg is essential to provide the breathing space needed for orderly adjustment and development of a more efficient, internationally competitive industry.

Yours sincerely
AMITIE PTY LTD

B G Streets
Director.