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Pigmeat Safeguards Inquiry
Productivity Commission
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To whom it may concern:

Submission to the productivity Commission: Safeguards Inquiry into the Import of Pigmeat

This is a submission from Geoff Edgerton, A.J. Edgerton & Co / Glenita Stud to the Productivity Commissions Safeguards Inquiry into the Import of Pigmeat.

In this submission, I/we wish to address the following matters:

- Imports are injuring the Australian pig industry and as such, appropriate provisional safeguards should be implemented to stabilise the industry;
- Grounds exist for a Productivity Commission recommendation to implement provisional safeguards and general safeguards;
- An implementation of provisional safeguards and general safeguards would not:
 - a. be a disincentive for the industry or for our company to adjust
 - b. inhibit our industry or our company's international competitiveness;
 - c. impact negatively on consumers in terms of price increases as it would provide the breathing space we need to continue improving our productivity and competitiveness; or
 - d. slow our company or industry restructure

We have evidence of the actions already taken by our farming enterprise to manage import pressures. We have comparative evidence to show that our farming enterprise is responsive to changes in the industry. We show how our business has changed and by how much from 2002 to 2007.

We demonstrate that despite our continued efforts to restructure our operations, imports are depressing our pigs prices and impeding our ability to recover our costs of production. It is imports which are causing serious injury to our business and without immediate provisional safeguard action, we are faced with long term irreparable damage to the future of our businesses and in turn to the Australian pork industry.

I would be happy to discuss any matters raised in my submission with the Commission, given the opportunity to do so and can be contacted on 6384 3260.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'G Edgerton'.

Geoff Edgerton

Owner

A.J. Edgerton & Co/ Glenita Stud

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A J EDGERTON & CO

GEOFF EDGERTON (PROP)
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GLENITA STUD EST 1952

PRODUCERS OF QUALITY PORK
STEVE DEASEY (MANAGER)
PH: 02 6384 3448 FAX: 02 6384 3446
MOBILE: 0407 216 782

Dear Sir/ Madam,

We are a farrow to finisher 400 sow stand-alone piggery on 290 hectares, situated 11 kilometres south of Young in NSW operating on this site since 1967.

I have been breeding and raising pigs since 1952, 55 years continuously.

I Geoff Edgerton, at 69 years old am the owner and work in the piggery, depending on necessity. Steve Deasey has been manager since 1987.

The total number of sows should be 400, but at present are 360. The total number of growing stock should be 3100 but is now 2646, due to the necessity to sell extra pigs to pay our way.

Our average number sold is approx 155 per week (8000 per year), 8272 sold in 2006-2007. Sales July 07 to Dec 07 should fall to 128 per week. Sales are normally bacon weight but currently 20%-25% of necessity is going as pork.

Exports: We have not attempted to enter the export trade ourself, but our buyers marketing strategies have from time to time exported our pigs.

We have not changed our production system recently; it seems to us that people who have changed dramatically are the ones who are no longer here. We have of course had to change some pig buyers, as some who import large quantities deliberately forced us out of their market. Our piggery was erected in stages between 1967-1998 and is not really suitable to change.

In the last few months, many piggeries that converted their home farm, to breed only and have grow out growers to grow out the progeny have found this to be a failure.

We have had to continually alter feed rations to make use of available ingredients. We have four full time employees, the manager lives on land adjoining ours and he and his family have had to do extra work to cover necessities.

In 2002 we had five full time employees plus one or two casual. The reason for fewer staff is inability to employ them due to higher feed prices and we cant recover this extra expense due to the cap imported pig meat puts on our income. Virtually all of our average income of \$1,200,000 for the last six years is spent in Young. The feed merchant supplying the feed may have to buy it out of town.

Profitability: In year ending 30th June 2002 we made a profit from pigs of \$ 137,273.00. This was after making extensive rebuilds to the interiors of our sheds. We have not increased the size of our operation since 1998, but in order to improve profitability; during the better financial times of 2000-2002 we erected increased storage capacity for grain by 1100 tonnes. If full the total capacity of 2300 was utilized enough for one year supply. Due to increased grain prices due to the drought and the cap on pig prices due to imports, this extra silo capacity has only been filled once.

Trading from pigs in year ending June 2006 was a loss of \$ 57,934.00. Trading from pigs in year ending June 2007 was a loss of \$77,700.00. This is despite a period of relative profitability from May to August in 2006, in fact we thought we were in for a good end to 2006 until the dry set in

again in September 2006 and sent grain prices skyrocketing again. In the 3 months ending September 2007 slowly increasing pig prices and rapid increase in grain prices have meant a loss of \$55,738.00 for 3 months. (See diagrams).

Operating Expenses. Feed costs are the biggest part of expenses, virtually all other costs, fuel, electricity, rates, insurance go up with no help in sight. We can only cover these if we get a rise in our sale product but imports cap these. We have had to stop any absolutely unnecessary repairs and maintenance. Have had to sell extra pigs to keep going. Feed costs have gone up due to drought; we could live with this if our pig prices had risen too. Quality sheep and cattle prices have gone up to help with the extra cost of raising them in drought feeding conditions, but imports of pig meat stop our prices from rising. There is of course no imports of sheep or cattle meats. In year 2006-2007 total piggery expenses were \$1,328,861.00, feed amounted to \$ 836,827.00 on the other hand interest on over half a million dollars was only \$44,454.00.

Capital requirements. As stated earlier, we did massive rebuilds inside our sheds in 2000-2002. We are now at a stage where the sheds themselves need massive rebuilding, but no finance is available to do the job.

Over \$1,500,000 has been spent on sheds and infrastructure since 1967 which is worthless unless used for pig production. We had invested in 2001 in grain silos and infrastructure around them to keep grain clean and free from pests. This cost over \$200,000 we may be able to recoup about &70,000 if we were to sell them.

We are not planning on exiting the industry at present, but will probably have to if things don't improve financially.

We have reduced the number of pigs on hand and may have to further downsize both pigs and staff to survive. If we de-stocked, we would be unlikely to start up again.

Risk management. We have only once signed a risk management contract with disastrous results. Small producers like us don't have the knowledge to compete with processors. This year a lot of producers signed contracts with a grain merchant to receive grain from the merchant and when prices went up and he could not supply, he went into receivership and the purchasers were left with worthless bits of paper.

Profitability. Profitability is receiving more for your product than it costs you to produce it. Up until 2002 even with some imports we were able to ride out the ups and downs of pig prices. Since 1952 I have made a profit some years and a loss in others but even after losses we were able to turn things around and expand in the good years. This expansion or improvements in productivity have taken place continuously from 1952 to 2002. Since 2002 it has been a battle for survival with increased bank borrowing and transfer of profit from other parts of the farm to keep the pig section afloat. We have always been able to sell our quality pigs without loss of access to domestic market albeit at sometimes huge financial loss.

Impact of imports. Imports affect our ability to cover cost of production by putting a cap on our income while no cap applies to our costs. Increases in costs mainly feed would be covered by supply and demand if it were not for imports. As feed costs went up a number of Australian pig producers would quit until supply and demand and profit were in balance again.

At present time this supply and demand situation does not occur because of unlimited imports at a price, which may bear no relation to their cost of production.

Imports stop us from receiving a reasonable price. They have resulted in one permanent employee and two casuals being let go, but with more work being done by myself and my manager to partly make up.

If we were to exit the industry we would walk away from buildings that cost \$1,500,00 to build with nothing for them. If we were to de-stock buildings would rapidly deteriorate and together with the cost it would need to start up again it is very doubtful if it would be worth it.

If imports had stayed at 2002 levels instead of 2006 levels, despite the drought we would have

made a profit of \$60,000 instead of a loss of \$77,000 so we would have been about \$137,000 better off.

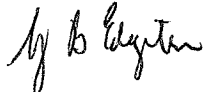
Conclusion, Our business is in trouble from imports because we are unable to cover our costs. We have been unable to do any but absolutely necessary maintenance for the last three years. We are unable to maintain present losses of approx \$7,500 per week. At present we are at our borrowing limit and are only able to keep going by putting income from lambs, wool and any grain grown into the business, this can only keep us going for another two-three months. If imports levels are sustained or continue to increase and provisional safeguards are not applied we will have to consider our future in pig rising. At the very least we will have to downsize and put more employees off.

We may then reach a stage where it is not feasible to continue, we need some breathing space from this enquiry to see if we are able to compete in the future when the drought breaks.

For reasons mentioned above, if we had to close down we would almost certainly not reopen this would mean \$1,200,000 at least a year not spent in the economy of Young with loss of work for at least four employees.

A J Edgerton & Co & Glenita Stud strongly believes that the ration able for a provisional safeguard measure is warranted and should be applied immediately imports are clearly affecting our livelihood and future sustainability. It is imports that are depressing pig prices and impending our ability to recover our loss of production as we have clearly shown in our submission there is an imminent threat of further serious injury from imports which will have long term irreparable consequences to the future of our business and to the pig industry unless a provisional safeguard action is taken immediately.

Sincerely,

A handwritten signature in dark ink, appearing to read 'G. Edgerton', written in a cursive style.

Geoff Edgerton

A J EDGERTON & CO

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Type	i) Financial year ending June 2002	ii) Financial year ending June 2006	iii) Financial year ending June 2007	iv) Current pig price (Oct 07)
a) \$ / kg baconer (HSCW) Trim 1	2-87	2-30	2-57	2-45
b) \$ / kg porker (HSCW) Trim 1		2-60	2-67	2-60
c) \$ / kg cull sows (HSCW) Trim 1	1-37	1-05	1-05	0-70
d) \$ / kg cull other (HSCW) Trim 1	1-37	1-05	0-45	0-45

Type	i) Financial year ending June 2002	ii) Financial year ending June 2006	iii) Financial year ending June 2007	iv) 3 months ending September 2007 \$
Total Farm Income	1,452,137	1,244,453	1,328,406	337,208
Income from pig production only	1,366,225	1,205,830	1,252,161	337,208
Expenses from pig production only	1,228,952	1,263,746	1,329,861	392,946
Net Profit / (loss)	137,273	(57934)	(77700)	/55738)