



# Naracoorte Regional Livestock Exchange

## 2017/18 Annual Report





## Executive Summary

The 2017/18 financial year saw a decline in the number of cattle sold, reflecting the decline in the national cattle herd, with sheep and lamb numbers increasing. The NRLE is still holding a small reserve demonstrating the careful financial planning and conservative budget forecasts by the NRLE Board are ensuring the successful operation of the facility as a stand-alone business for Naracoorte Lucindale Council. Fees were increased by 10% for the 2017/18 year with revenue raised slightly lower than the previous year. A total of 70,062 cattle were yarded, a decline on 2016/17. Sheep numbers increased from 382,844 in 2016/17 to 416,316, a five year high.

Naracoorte Combined Agents sold \$81,854,364 worth of cattle and \$59,206,408 worth of sheep and lambs for a grand total of \$141,060,772 on behalf of primary producers, through the Naracoorte Regional Livestock Exchange. This was a decrease in dollar terms reflecting a downturn in cattle throughput. Higher prime lamb numbers improved the bottom line.





## **Introduction**

It is the Council's vision that the NRLE remain the premier livestock selling centre in the South East region, and establish itself as a leader in the Australian livestock selling industry. The Naracoorte Lucindale community derives significant direct economic benefit from the NRLE; local growers with a facility close to their operations, transport operators who move stock and purchase fuel, locals employed there, agents who use the yards and the businesses in Naracoorte who support the NRLE operations and its users. There are also substantive indirect benefits that flow onto the community through increased business transactions and services that are required to service the families that live in the district because of the sale yards and the additional activity that takes place when people outside of the district attend NRLE sales.

Council has recognised the need for the NRLE to operate as a commercial business and operate independent of financial support from Council rate revenue. To achieve this, the Naracoorte Regional Livestock Exchange Board (the Board) was established in 2012 to oversee the development, construction and general operations, and monitor the financial performance of the Naracoorte Regional Livestock Exchange. This is the sixth report prepared by the Board, fulfilling its objectives under the Terms of Reference established by Naracoorte Lucindale Council.

## **Assets**

The revision of the Long Term Financial Plan and Management Plan was completed in 2017/18. This will ensure the replacement and upgrade of assets can be achieved in a sustainable manner while maintaining the NRLE as the premier selling location in the region. After 3 grant funding applications were not successful over a period of nearly 2 years, the Board has committed to a staged approach to the upgrade of the cattle selling pens. New lights were installed over the unloading cattle ramps and B Yards upgraded. Consideration was given to the construction of an additional race from the weighbridge but was put on hold due to cost.



**Financial - Profit and Loss as at  
30 June 2018**

	<b>2013-2014</b>	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>	<b>2017-2018</b>
<b>Operational Income</b>					
Agistment - Land	-5,080	-3,688	-2,534	-6,121	-91
Canteen Lease	-6,630	-6,916	-6,493	-6,969	-7,197
Fees	-1,126,332	-1,271,148	-1,050,846	-1,069,154	-985,188
Fees - EU Cattle	-26,167	-28,190	-46,471	-25,226	-20,725
Fees - Store Cattle	-72,819	-86,766	-87,128	-64,741	-154,037
Fees – Non Sale Day					-1,181
Grant Income - Operating					
Interest Income	-433	-1,535	-2,720	-1,653	-2,227
Licence Fees (Agents)	-7,311	-7,480	-7,609	-7,705	-5,576
Recoveries					
NLIS Tags	-17,007	-17,818	-12,702	-10,694	-10,791
Other Income	-47,356	-227	-4,600	-50,066	-36
Phylloxera Shed					
Paddocking Charges	-28,186	-23,815	3,570	-1,903	-7,330
Reimbursement Reporting Costs				-3,900	-5,400
Stock Disposal Income	-11,970	-12,876	-9,501	-8,241	-8,993
Truckwash Fees	-146,698	-161,997	-139,458	-136,532	-142,715
<b>TOTAL INCOME</b>	<b>-1,495,989</b>	<b>-1,622,456</b>	<b>-1,366,492</b>	<b>-1,392,905</b>	<b>-1,366,765</b>
<b>General Expenditure</b>					
Administration	53,301	55,754	59,381	59,381	61,355
Advertising	1,740	2,131	5,614	3,660	4,568
Annual Audits	1,496	1,622	1,386	1,035	1,354
Board Expenses	1,977	1,758	2,652	2,163	3,837
Consultants Fee/Legal Fees					
Consumables	3,716	3,768	4,347	4,138	3,336
Council Rates	25,865	27,071	27,614	26,060	29,158
Electricity	76,135	89,960	56,287	57,808	64,527
EPA & Water Licence	7,163	3,205	4,443	8,532	12,763
Furniture & Office Equip Mtce	838	769		31	
Insurance	23,389	25,330	23,860	20,344	19,230
Licences - EPA & Safework	7,535	7,740	7,922		204
Other Expenses	1,479	1,242	9,048	837	860
Plant & Equipment Maintenance	17,057	14,787	17,021	7,831	16,035
Paddocking Costs	621	1,130	189	107	120
Printing & Stationery	1,338	1,011	1,767	1,146	2,152





Refuse Collection	4,868	4,932	3,210	5,409	4,724
Scanning Charges	18,443	18,706	9,463	4,176	1,582
Subscriptions	9,210	7,495	8,725	9,650	9,544
Telephone/Internet	6,162	5,516	7,394	5,009	5,199
Truck Wash (Avdata) Costs	14,935	16,625	14,844	13,632	14,005
Water Monitoring	118	120	123	4,729	
Market Reporting Costs			800	8,600	10,000
Cleaning & Gardening	17,228	15,004	12,963	12,762	11,820
L&B Mtce - General	35,865	42,215	49,456	43,101	61,517
L&B Mtce - Compost Pit	10,496	6,037	5,752	6,002	7,346
L&B Mtce - Effluent Dams	8,024	18,194	5,746	14,589	8,161
L&B Mtce - Truckwash	19,247	25,953	21,349	19,361	20,056
L&B Mtce - Water Reuse Plant	6,723	9,906	85,666	83,484	75,661
L&B Mtce - Weighbridge	8,644	11,841	13,574	5,958	9,106
L&B Mtce - Yards	121,775	132,747	136,528	96,421	85,311
Soft Flooring	30,870	44,431	38,023	37,889	42,553
Yard Washing	50,776	53,336	50,982	50,322	49,782
Wastewater Irrigation Management					19,660
<b>Depreciation</b>					
<b>Depreciation Buildings &amp; Infrastructure</b>	<b>259,835</b>	<b>367,960</b>	<b>367,960</b>	<b>368,867</b>	<b>371,085</b>
<b>Depreciation Plant &amp; Furniture</b>	<b>25,726</b>	<b>22,469</b>	<b>27,774</b>	<b>30,448</b>	<b>34,362</b>
<b>Employee Costs</b>					
Clerking of the Market	21,327				
FBT Liability	11,479	16,628	10,452	9,167	10,128
Income Protection Insurance	5,745	6,415	6,507	6,361	6,181
Liveweight Wages	21,753				
LSL Liability	11,076	12,856	13,002	10,836	4,686
Project Management/Business Plan	12,897	12,069			
Protective Clothing/Uniform	5,060	4,542	3,505	3,394	3,738
Salaries	126,984	119,077	126,094	140,722	125,274
Sale Day Support		59,436	54,852	51,612	50,775
Superannuation	35,213	39,168	37,670	38,214	36,571
Training Costs	12,182	4,061	6,011	4,282	4,925
Workers Comp	20,478	21,617	21,960	22,107	15,908
<b>Interest</b>					
Interest Payment - Cash Advance	4,514	3,399	227	629	424
Interest Payment	26,044	119,695	111,890	103,624	94,868
Interest Payment	101,020				
<b>IT Expenditure</b>					



IT Consumables	3,558	1,939	6,600	4,060	6,411
IT Recovery	3,000	3,000	3,000	5,196	5,196
<b>Vehicle Expenditure</b>					
Vehicle Expenses	8,580	7,657	8,672	8,509	6,744
<b>TOTAL EXPENDITURE</b>	<b>1,303,505</b>	<b>1,472,324</b>	<b>1,492,305</b>	<b>1,422,195</b>	<b>1,432,851</b>
<b>OPERATING PROFIT/(LOSS)</b>	<b>192,484</b>	<b>150,132</b>	<b>-125,813</b>	<b>-29,290</b>	<b>-66,086</b>
<b>ADJUSTED FOR DEPRECIATION</b>	<b>478,045</b>	<b>540,561</b>	<b>269,921</b>	<b>370,025</b>	<b>339,361</b>
<b>Capital Sales &amp; Income</b>					
Disposal of Asset		-11,364		-11,364	
Sale of Plant	-10,000				
Loan Income					
Grant Income		-225,001			
<b>Principal Repayments</b>					
Loan Repayment - Council (Internal)	17,280	17,280	17,280	17,280	17,280
Loan Repayment - Principal	32,417	34,709	37,163	39,791	42,605
Loan Repayment - Principal	92,520	97,489	102,724	108,241	114,054
<b>Capital Expenditure</b>					
Capital Expenditure					
Furniture & Equipment	6,142		7,045	6,690	1,500
IT		1,054	14,595	9,008	9,779
Fleet				33,995	
Infra Addition Minor Plant	4,923	8,540	9,646	16,946	15,012
Infra Addition Major Plant		31,600	10,164		
Infra Additions Buildings		11,473	23,618	69,009	2,979
Infra Addition Loading Ramps upgrade	30,206	478,413			
Infra Addition Shed					
Infra Addition Water Reuse Project	13,890				
Infra Addition Weighbridge	161,577				
Infra Addition D Yards	5,548	49,002			19,468
Infra Addition Signs				7,376	
Infra Addition Cattle Selling Pens			86,460	14,400	3,206
<b>TRANSFER TO RESERVE</b>	<b>123,542</b>	<b>47,366</b>	<b>-38,774</b>	<b>58,653</b>	<b>113,478</b>



NRLE RESERVE	28,409	75,775	37,001	95,654	209,132
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### **Preventative maintenance and breakdown costs**

The reduced numbers of cattle resulted in less income which was slightly offset by reduced maintenance required in the cattle pens, and less costs in preparing for sales with soft floor lasting longer with less stock throughput. Most maintenance was routine in the yards with B Yards upgraded as a small capital project.

Issues continue with the waste water treatment plant and a long period when it was not operating. The reduced volume of water used for yard washing now means the pond capacity is such that irrigation to the paddock is greatly reduced.





## **Operations**

Cattle numbers decreased from 75,543 in 2016/17 to 70,062 in 2017/18. The value of cattle was reduced to \$81,854,364 reflecting the reduced number yarded for the year. Sheep and lambs increased from 382,844 in 2016/17 to 416,316, returning \$59,206,408 for vendors. The total value of livestock sold was \$141,060,772.

The blue ribbon first cross ewe sales were a highlight for the year with a very high standard of sheep and lambs being yarded. The highest price for one and a half year old ewes was \$366 a/c Coolawang, another record price for the NRLE, with an overall average of \$301.47c. The top price for ewe lambs was \$326 with an overall average of \$229. There were 54,356 yarded over the two days, for a total revenue of \$13,896,961.

The first of the weaner cattle sales was the Christmas Calf sale held in early December. Steers were sold on the Thursday with the heifers sold on Friday. There were 4,216 steers sold to a top of \$1,495 to an average of \$1,194. Heifers sold on the Friday to a top of \$1,454 and an average of \$1,013. Total revenue for the two days was \$6,768,494.

The last weaner cattle sale held in January saw 3,079 steers average \$1,082 and a top price of \$1,412. The following day saw 1,525 Heifers selling to a top of \$1,520 and an average of \$918. There was a Female Breeders sale held in early February with a yarding of 2,730. Heifers made to a top of \$2,260, Cows made to a top of \$2,000 and Cows with Calves at foot made to a top of \$2,000. Revenue was \$4,288,180.

## **Management**

The Naracoorte Regional Livestock Exchange Board membership for 2017/18 comprised;

Cr Toby Robinson Chair

Cr Scott McLachlan

Mr Ian O'Loan

Mr. Jonathan England (from October 2017)

Dr Helen Macdonald CEO (non voting) to January 2018

Mr Trevor Smart CEO (non voting) from April 2018

Mr Steve Bourne Director Operations (non voting)

## **Naracoorte Combined Agents**

Chair– Tom Dennis





## **Canteen**

Canteen lessees Ginny Harvey and Jo Moore relinquished their lease of the NRLE canteen after four years of excellent service. Leah Bretag took over the lease on 1 July 2017 and continues to provide a very high standard of quality food, both sit down or takeaway. Evening meals are also available the night prior to special sales as agents and transport operators prepare livestock for sale.

## **Sheep EID**

The Victorian Government announced the introduction of mandatory electronic identification for sheep, with the implementation to occur from 1 January 2017. A workshop was held with the Australian Livestock Saleyards Association for agents and producers, to understand the potential impacts with sheep and lambs from Victoria sold at the NRLE. The South Australian Government has not indicated it will follow the Victorian lead, however the NRLE Board considers it inevitable it will occur with processors keen to be able to provide full identification from “paddock to plate” for consumers, especially lucrative overseas markets. The NRLE will continue to learn from the Victorian implementation and seek to implement scanning infrastructure if there is a financial and operational benefit.

## **Australian Livestock Saleyards Association (ALSA)**

Council’s Director Operations Steve Bourne was re-elected to the ALSA committee at the August 2017 AGM of the association. The five South Australian Saleyards; Naracoorte, Mount Gambier, Millicent, Mount Compass and Dublin, have membership in ALSA as a South Australian Corporate Member. This membership is providing useful information on the sheep EID project.

## **Analysis against budget**

Stock throughput estimates for 2017/18 were below forecasts for cattle, with cattle sales of 70,062 almost 20,000 below the 90,000 target. Sheep and lamb numbers were forecast at 385,000, with the final yarding exceeding this at 416,316. Expenditure was \$1,413,380 against a forecast of \$1,473,051. Revenue was \$1,350,632 against a forecast of \$1,514,520 resulting in a small operating loss of \$62,748 but still adding \$110,392 to the NRLE Reserve Fund.



### **Short term forecast**

The cattle herd in Australia is set to remain low due to dry years across much of the country and a big sell off in recent times. Rebuilding of livestock numbers may take a few years when conditions become favourable. Lamb numbers are influenced by direct selling to processors. When yard prices exceed the direct selling price, greater throughput is achieved. The favourable season in the immediate region and dry conditions in many parts of Australia is driving prices up indicating a possible favourable selling season again. The first cross ewe and lamb sales, and weaner cattle sales will continue to provide a reasonable number of livestock through the NRLE, with forecasts for both cattle and sheep set at the 3 year average.

### **Promotion and Marketing**

Most promotion of the NRLE was conducted in partnership with the Naracoorte Combined Agents. Several advertisements were taken in farm newspapers promoting specialty sales. A full page advertisement was taken in *Farmguide* promoting the value of selling through a Saleyards. This guide is distributed to all farmers in South Australia.

The NRLE continues to be an attraction with several groups visiting and participating in guided tours provided by staff. These are provided free of charge and have a strong promotional value for the NRLE.



### **Compliance**

Environmental Protection Authority (EPA) license conditions for the disposal of waste water. A new Water Irrigation Management Plan (WIMP) was commenced when license conditions were revised by the EPA.

Department for Environment Water and Natural Resources license conditions regarding the extraction of water from the aquifer.

Council holds a water license number 8650 allowing for the extraction of 80MI per annum. Water use has reduced from 52MI in 2011/12 to 26 MI in 2017/18.

The NRLE was assessed under the National Livestock Quality Assurance (NSQA) scheme and remains fully accredited. No non-conformances were recorded in the audit. The NSQA program is an important part of the NRLE operations, as it demonstrates an audited commitment to animal welfare.

The NRLE was assessed and fully conforming under the European Union (EU) guidelines for the sale of EU cattle. Maintaining EU accreditation provides market access for vendors leading to increased competition and better returns. A review of the EU procedures version "8" was completed. The department of Agriculture, inspected and stamped the document on 11 January 2018. The next review will be in 2020.



## **OHS and Risk Management**

### **Incidents**

No incidents were recorded at the NRLE for 2017/18. Farm Safety Week was actively promoted as was a new guide to safely handling cattle.