



Naracoorte Regional Livestock Exchange

2016/17 Annual Report





Executive Summary

The 2016/17 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 2016/17 year with revenue raised slightly higher than the previous year. A total of 75,543 cattle were yarded, a decline of nearly 17,000 on 2015/16. Sheep numbers increased from 327,411 in 2015/16 to 382,844.

Naracoorte Combined Agents sold \$105,693,834 worth of cattle and \$52,166,182 worth of sheep and lambs for a grand total of \$157,860,646 on behalf of primary producers, through the Naracoorte Regional Livestock Exchange. This was an increase of \$15,487,051 on the 2015/16 financial year, reflecting very strong prices achieved for both cattle and sheep.





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 fifth report prepared by the Board, fulfilling its objectives under the Terms of Reference established by Naracoorte Lucindale Council.

Assets

Three grant applications were submitted seeking to attract funding to upgrade cattle selling facilities, with each of them unsuccessful. The replacement has now been programmed over 2 construction periods across 4 financial years, and is included in the revised management plan and Long Term Financial Plan.

The new toilets were completed and an Avdata key system installed to control access, after use by people not involved with the Saleyards.

The revision of the Long Term Financial Plan and Management Plan commenced this year, and will be adopted 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.



**Financial - Profit and Loss as at
30 June 2017**

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Operational Income					
Agistment - Land		-5,080	-3,688	-2,534	-6,121
Canteen Lease	-6,242	-6,630	-6,916	-6,493	-6,969
Fees	-1,043,097	-1,126,332	-1,271,148	-1,050,846	-1,069,154
Fees - EU Cattle	-21,345	-26,167	-28,190	-46,471	-25,226
Fees - Store Cattle	-64,992	-72,819	-86,766	-87,128	-64,741
Grant Income - Operating					
Interest Income	-4,954	-433	-1,535	-2,720	-1,653
Licence Fees (Agents)	-6,000	-7,311	-7,480	-7,609	-7,705
Recoveries					
NLIS Tags	-14,786	-17,007	-17,818	-12,702	-10,694
Other Income	-2,892	-47,356	-227	-4,600	-50,066
Phylloxera Shed					
Paddock Charges	-27,714	-28,186	-23,815	3,570	-1,903
Reimbursement Reporting Costs					-3,900
Stock Disposal Income	-22,746	-11,970	-12,876	-9,501	-8,241
Truckwash Fees	-54,700	-146,698	-161,997	-139,458	-136,532
TOTAL INCOME	-1,269,468	-1,495,989	-1,622,456	-1,366,492	-1,392,905
General Expenditure					
Administration	55,510	53,301	55,754	59,381	59,381
Advertising	2,661	1,740	2,131	5,614	3,660
Annual Audits	1,508	1,496	1,622	1,386	1,035
Board Expenses		1,977	1,758	2,652	2,163
Consultants Fee/Legal Fees	190				
Consumables	4,235	3,716	3,768	4,347	4,138
Council Rates	14,506	25,865	27,071	27,614	26,060
Electricity	47,502	76,135	89,960	56,287	57,808
EPA & Water Licence	4,259	7,163	3,205	4,443	8,532
Furniture & Office Equip Mtce	686	838	769		31
Insurance	15,728	23,389	25,330	23,860	20,344
Licences - EPA & Safework	7,318	7,535	7,740	7,922	
Other Expenses	2,599	1,479	1,242	9,048	837
Plant & Equipment Maintenance	9,956	17,057	14,787	17,021	7,831
Paddock Costs	1,207	621	1,130	189	107
Printing & Stationery	3,202	1,338	1,011	1,767	1,146
Refuse Collection	4,107	4,868	4,932	3,210	5,409



Scanning Charges	13,827	18,443	18,706	9,463	4,176
Subscriptions	9,155	9,210	7,495	8,725	9,650
Telephone/Internet	7,527	6,162	5,516	7,394	5,009
Truck Wash (Avdata) Costs	5,083	14,935	16,625	14,844	13,632
Water Monitoring	118	118	120	123	4,729
Market Reporting Costs				800	8,600
Cleaning & Gardening	28,048	17,228	15,004	12,963	12,762
L&B Mtce - General	34,944	35,865	42,215	49,456	43,101
L&B Mtce - Compost Pit	9,404	10,496	6,037	5,752	6,002
L&B Mtce - Effluent Dams	6,640	8,024	18,194	5,746	14,589
L&B Mtce - Truckwash	25,794	19,247	25,953	21,349	19,361
L&B Mtce - Water Reuse Plant		6,723	9,906	85,666	83,484
L&B Mtce - Weighbridge	5,119	8,644	11,841	13,574	5,958
L&B Mtce - Yards	133,137	121,775	132,747	136,528	96,421
Soft Flooring	29,555	30,870	44,431	38,023	37,889
Yard Washing	57,437	50,776	53,336	50,982	50,322
Depreciation					
Depreciation Buildings & Infrastructure	236,876	259,835	367,960	367,960	368,867
Depreciation Plant & Furniture	25,904	25,726	22,469	27,774	30,448
Employee Costs					
Clerking of the Market	17,466	21,327			
FBT Liability	10,323	11,479	16,628	10,452	9,167
Income Protection Insurance	5,340	5,745	6,415	6,507	6,361
Liveweight Wages	19,317	21,753			
LSL Liability	18,483	11,076	12,856	13,002	10,836
Project Management/Business Plan	36,838	12,897	12,069		
Protective Clothing/Uniform	4,560	5,060	4,542	3,505	3,394
Salaries	115,563	126,984	119,077	126,094	140,722
Sale Day Support			59,436	54,852	51,612
Superannuation	34,003	35,213	39,168	37,670	38,214
Training Costs	5,863	12,182	4,061	6,011	4,282
Workers Comp	18,617	20,478	21,617	21,960	22,107
Interest					
Interest Payment - Cash Advance	22,301	4,514	3,399	227	629
Interest Payment	28,216	26,044	119,695	111,890	103,624
Interest Payment	82,854	101,020			
IT Expenditure					
IT Consumables	603	3,558	1,939	6,600	4,060
IT Recovery	3,000	3,000	3,000	3,000	5,196
Vehicle Expenditure					



Vehicle Expenses	6,788	8,580	7,657	8,672	8,509
TOTAL EXPENDITURE	1,233,877	1,303,505	1,472,324	1,492,305	1,422,195
OPERATING PROFIT/(LOSS)	35,591	192,484	150,132	-125,813	-29,290
ADJUSTED FOR DEPRECIATION	298,371	478,045	540,561	269,921	370,025
Capital Sales & Income					
Diposal of Asset			-11,364		-11,364
Sale of Plant		-10,000			
Loan Income					
Grant Income	-200,000		-225,001		
Principal Repayments					
Loan Repayment - Council (Internal)	17,280	17,280	17,280	17,280	17,280
Loan Repayment - Principal	30,276	32,417	34,709	37,163	39,791
Loan Repayment - Principal	44,477	92,520	97,489	102,724	108,241
Capital Expenditure					
Capital Expenditure	8,250				
Furniture & Equipment		6,142		7,045	6,690
IT			1,054	14,595	9,008
Fleet					33,995
Infra Addition Minor Plant		4,923	8,540	9,646	16,946
Infra Addition Major Plant			31,600	10,164	
Infra Additions Buildings			11,473	23,618	69,009
Infra Addition Loading Ramps upgrade		30,206	478,413		
Infra Addition Shed	194,529				
Infra Addition Water Reuse Project	166,211	13,890			
Infra Addition Weighbridge	595,375	161,577			
Infra Addition D Yards		5,548	49,002		
Infra Addition Signs					7,376
Infra Addition Cattle Sellling Pens				86,460	14,400
TRANSFER TO RESERVE	-558,027	123,542	47,366	-38,774	58,653
NRLE RESERVE	-95,133	28,409	75,775	37,001	95,654



Preventative maintenance and breakdown costs

The reduced numbers of cattle had an impact in a number of areas of the business. The reduction in income 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.

A breakdown in the waste water treatment plant meant that it didn't operate for a period of weeks while parts were sourced. The operation continues to be a large expense, especially for electricity with rising costs, and investigations into solar energy have commenced.





Operations

Cattle numbers decreased from 92,523 in 2015/16 to 75,543 in 2016/17. The value of cattle was almost the same however, at \$105,693,834 reflecting very strong prices for the year. Sheep and lambs increased from 327,411 in 2015/16 to 382,844, returning \$52,166,182 for vendors. The total value of livestock sold was \$157,166,182, the second highest gross turnover ever achieved at the NRLE.

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 \$312, a record price for the NRLE, with an overall average of \$237. The top price for ewe lambs was \$256 with an overall average of \$186. There were 57,524 yarded over the two days, an increase of 2,500 of the previous year for a total revenue of \$12,124,974.

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 4,005 steers sold to a top of \$1,574 to an average of \$1,352. Heifers sold on the Friday to a top of \$1,394 and an average of \$1,138. Total revenue for the two days was \$7,193,308.

The last weaner cattle sale held in January saw 3,901 steers average \$1,291 and a top price of \$1,645. The following day saw 2,173 Heifers selling to a top of \$1,527 and an average of \$1,130. There was a Female Breeders sale held in early February with a yarding of 1,490. Heifers made to a top of \$2,660, Cows made to a top of \$2,670 and Cows with Calves at foot made to a top of \$2,880. Revenue was \$3,421,440.

Management

The Naracoorte Regional Livestock Exchange Board membership for 2016/17 comprised;

Cr Toby Robinson Chair
Cr Scott McLachlan
Mr Robin Gericke
Mr Ian O'Loan
Dr Helen Macdonald CEO (non voting)
Mr Steve Bourne Director Operations (non voting)

Naracoorte Combined Agents

Chair Darren Maney – TDC



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 1 July 2017.

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 elected to the ALSA committee at the August 2016 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. ALSA secured funding for a study tour of the United Kingdom and the Netherlands to investigate the implementation of electronic sheep identification system. The NRLE was represented on this tour by Steve Bourne.

Analysis against budget

Stock throughput for 2016/17 were below forecasts for cattle, with cattle sales of 75,543 almost 15,000 below the 90,000 target. Sheep and lamb numbers were just over the 380,000 target used for budgeting purposes. forecast. Selling fees were increased by 10% which meant the revenue received was similar to the previous year on reduced throughput. Expenditure was less than the previous year and budget forecast, reflecting less maintenance effort required with the lower cattle throughput, as well as careful budget management when it became obvious cattle targets would not be achieved.



Short term forecast

The cattle herd in Australia is currently low due to dry years across much of the country and a big sell off in recent times. Producers are in the process of rebuilding livestock numbers and this may take a few years if conditions are favourable. Lamb numbers are influenced by direct selling to processors. When yard prices exceed the direct selling price, greater throughput is achieved. 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, should be achieved.





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 28 MI in 2016/17.

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 increase competition and better returns.

OHS and Risk Management

Incidents

No incidents were recorded at the NRLE for 2016/17. Farm Safety Week was actively promoted as was a new guide to safely handling cattle.

The NRLE was awarded a Certificate of Recognition and \$15,000 in the 2016 LGAWCS Best Practice and Return to Work Awards for *Innovative solutions to reduce risk of injury*



at the Naracoorte Regional Livestock Exchange. The award recognises the significant investment in upgrading the facility and the focus on ensuring each development addresses safety hazards and risks.

The Year Ahead

Council's Audit Committee raised concerns about the reduced livestock throughput and as a consequence, reduced income. They have requested the NRLE Board review their Management Plan and develop a Long Term Financial Plan. This will be a key piece of work for 2017/18.

