



# Naracoorte Regional Livestock Exchange

## Management Plan 2017-2028

November 2017

### **Vision**

*Naracoorte Regional Livestock Exchange will be the premier livestock selling centre for South Australia and Victoria. We will work collaboratively with stakeholders to be the industry leader in livestock handling and selling in safe modern facilities. We will have a minimal impact on the environment while deriving financial benefits for the community, stakeholders and Council.*



## **Introduction**

Naracoorte Lucindale Council owns and operates the Naracoorte Regional Livestock Exchange (NRLE) located approximately three kilometres east of Naracoorte on the Wimmera Highway. It was constructed by the Naracoorte District Council in 1973. Operations at the site are designated as an Activity of Environmental Significance under Schedule 1 of the Environment Protection Act 1993, which applies to activity within a Water Protection Area (as defined by the Water Resources Act 1997). Conditions of the EPA Licence for the facility include having a Wastewater Irrigation Management Plan (WIMP) together with an Environmental Monitoring Program.

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 who work 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 to 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 recognized 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) will oversee the development, construction and general operations and monitor the financial performance of the Naracoorte Regional Livestock Exchange. Their objective is to implement the Management Plan and monitor the performance of the NRLE.

Weekly sales are held each Tuesday, with store cattle sales every fourth Thursday. Specialty sales bring the total sales to approximately 84 each year. The sales are operated by the Naracoorte Combined Agents, comprising Pinkerton Palm Hamlyn and Steen (PPHS), Elders, Landmark, Southern Australia Livestock (SAL) and Thomas DeGaris and Clarkson (TDC).

The operation of the NRLE has Strategic Alignment to Naracoorte Lucindale Council Strategic Plan in three areas;


### **Prosperous community - Facilitating and supporting sustainable growth to achieve economic prosperity**

- Diverse range of thriving primary industries

### **Healthy Landscapes - Working together to protect and enhance our natural environment for the future**

- Water resources and ecosystems are protected and restored

### **Progressive leadership – a well led and managed district supported by a professional approach to managing infrastructure, and the delivery of projects and services to the community**

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- Sustainable community finances and assets

### **Objectives**

- Contribute to the economic prosperity of the Naracoorte Lucindale Council district and Limestone Coast region
- Provide a continuing business opportunity for stakeholders
- Manage risks in collaboration with stakeholders
- Manage the NRLE business to ensure its long term viability
- Minimise impacts of NRLE activities on the environment
- Meet and exceed animal welfare standards
- Provide a safe working environment for all staff, agents and contractors

### **Assets**

The NRLE was established in 1973. Many changes have been made since its initial construction; additional yards have been added, a truck wash installed and expanded, waste water management has changed, selling practices and animal welfare have a stronger focus and WHS requirements have greatly increased. Some of these changes are driven by external influences such as legislative requirements, while others are driven by business opportunities and operational requirements.

#### **Land**

The land is zoned Industry in the Naracoorte Lucindale Council Development Plan and consists of the yards themselves and effluent ponds, being; Section 120 & Lot 654 (23.4 Ha) and Lot 653 (2.45 Ha) Hundred Naracoorte respectively. Two additional sections are zoned primary production; PCES 5 & 6 Hundred: Naracoorte (52.8 Ha) adjacent to the north and Section 3 Hundred Naracoorte (7.7 Ha) including the residence adjacent to the east.

#### **Asset Valuations**

The buildings and infrastructure have a Replacement Value of \$12,791,449 and a Written Down Value of \$7,754,155 as at 30 June 2017.

### **Renewal of Assets**

Priorities for capital upgrades have been determined through the development of a Business Plan in 2010 and updated in the Strategic Management Plan 2012, and several major projects have been completed at the NRLE since 2011;

- Roof over cattle selling pens \$2.8M
- Waste water treatment plant \$1.5M
- Weighbridge and associated yards \$750,000

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- Loading ramps \$600,000

Each of these projects has been supported through grant funding. Three applications have been lodged for the replacement and upgrade of cattle selling pens but all have been unsuccessful. The LTFP has been developed assuming that grant funding can be attracted for loading ramps and that no other projects will attract grant funding. If grant applications are successful projects could be brought forward ahead of the schedule outlined in this plan.

Capital expenditure for the next ten years has been reviewed and a program established. This has been included in the Long Term Financial Plan with each of the projects described below.

### **Cattle selling facilities**

The total project cost is estimated at \$2.8M from Kattle Gear, the project designers. This project has been broken into a number of stages;

- 2018/19 and 2019/20– 25% of cattle selling pens funded each year
- 2020/21 and 2021/22– 25 % of cattle selling pens funded each year. With each of these projects, it is anticipated that construction will occur between March and August of 2019 and 2021. The cost is based on Kattle Gear’s estimates, but does not include the replacement of either the buyers walkways or auctioneer catwalks, anticipating reuse of these elements. These have been costed in from 2022/23 over a 3 year period.
- 2021/22 – bull pen replacement. This could be completed in stages with the cattle pens as funds allow and as dictated by requirements.
- 2022/23 – loading ramp replacement. This element of the cattle selling facilities upgrade could possibly attract a safety-related grant so has been defined as a separate project.
- 2022/23 – 2024/25 – the replacement of the auctioneer’s walkways has been allowed for over a 3 year period

### **Sheep selling facilities**

- 2023/24 – 2024/25 – construction of shade over sheep selling pens

### **Signage- roadside**

The Carters Road and Wimmera Highway intersection will be upgraded in 2017/18 and replacement signage is planned.

### **Solar Energy**

Investigations are underway for the implementation of solar energy. As an investment in this area will be offset by savings over a period, it has been excluded from the plan.

### **Land and Building Maintenance – Yards and Fences**

Maintenance requirements are high on the cattle selling pens which are 54 years old. As these are





Canteen										
Ablutions										
Weighbridge hut										
Weighbridge										
Workshop										
Small Shed										
Roof over cattle pens										

## Financial Strategy

The Naracoorte Regional Livestock Exchange is managed as a business unit of the Naracoorte Lucindale Council. Financial forecasts need to be conservative and incorporated into Council’s Annual Business Plan; considering market trends, seasonal factors, external economic drivers, capital investment, maintenance requirements and maintaining the appropriate staffing levels.

The Long Term Financial Plan 2017-2028 projects that the NRLE’s financial position and performance over time is stable, however, this projection is based on assumptions and will require continual review.

The following strategy is essential for the NRLE’s future financial sustainability: -

- Maintain throughput of livestock.
- Set realistic revenue targets on an annual basis to ensure expenditure does not exceed revenue generated
- Ensure strong links between the NRLE’s projected capital investment and capacity to service any borrowings.
- Loan borrowings to be used as appropriate to achieve strategic targets, where detailed analysis of cost/benefit has been undertaken.
- Requests for expansion of asset base to be fully assessed for “whole of life” cost & benefit prior to any commitment.
- Grant revenue to be targeted in a strategic manner.
- Depreciation reviewed on an ongoing basis to ensure it is not over or understated.

*Note: The LTFP projects a healthy balance at 2027-28. No capital investment projects have been included in the plan for the last 3 years of the plan as changes noted in the risk management strategy may require 10 years rather than the forecast 7 years to achieve the planned developments.*

The assumptions used in developing the Long Term Financial Plan (appendix 1) are as follows;



## **Operational income and fees**

Income has been estimated using;

- 2017/18 fee structure and an annual increase of 2%
- Cattle throughput of 90,000
  - Ten year average 99,000 cattle (high 118,873 – low 75,543)
  - 5 year average 93,000
  - 3 year average 93,000

The projected throughput of 90,000 cattle is slightly lower than the 10, 5 and 3 year averages, but with cattle numbers low in Australia, is a realistic figure on which to base long term revenue.

- Sheep and lamb throughput of 380,000.
  - Ten year average 457,000 sheep and lambs (high 591, 210 – low 327,411).
  - 5 year average 391,000
  - 3 year average 375,000 Sheep and lamb numbers have been steadily declining with 2016/17 the first increase for 6 years.

The projected throughput of 380,000 sheep and lambs reflects what appears to be the new average that the NRLE can expect to attract. Direct selling of prime lambs has had a significant impact on numbers but the decline appears to have settled and it is realistic to use 380,000 for the period covered by this plan.

## **Selling fees**

The NRLE Board has considered the introduction of a commission fee. This would take a small percentage of the gross sale price of stock. Various fee structures are in operation at Australian Saleyards; from commission only, a mix of commission and set fee, or a set fee as at the NRLE. A commission, or part commission fee can attract additional revenue when sale prices are above the average used for setting yard fees, with the downside being that below or very much below fees having a negative impact on revenue. The benefit of a set fee structure is it reduces the number of variables. Low stock numbers combined with low prices would have a compounding deleterious effect under a commission fee structure compared to a set fee structure.

Council has increased fees by CPI annually, from 2010/11 to 2015/16 in line with the Board's recommendations, with a 10% fee increase in 2016/17. This plan uses the current fee structure and fees set for 2017/18 as the basis for the 10-year plan.

Fees need to be commensurate with the level of service offered, and a substantial improvement in infrastructure may warrant an increase in fees. It is assumed that the current fee level will ensure revenue meets operational and the capital development costs based on the livestock throughput modelling.



### **General expenditure**

It has been assumed that CPI will be 2% for the period 2018/19 to 2027/28. Consumer Price Index (CPI) is regarded as Australia's key measure of inflation. It is designed to provide a general measure of price inflation for the Australian household sector as a whole. The CPI measures changes over time in the prices of a wide range of consumer goods and services acquired by households and is published quarterly. In line with this, expenditure has been increased by 2% each year. Variations due to upgrades, efficiencies or anticipated expenditure above or below the current level are noted below.

### **Employee costs**

It is anticipated there will be staff turnover with senior staff expected to retire during the period of this plan. The construction of new cattle pens will reduce maintenance requirements in both materials and labour. This is reflected in reductions in L&B Yard Maintenance. Full time employee costs have been estimated to increase by an average of 2.5% from 2017/18 with savings achieved through the reduction in casual staff hours required with maintenance following upgrades.

### **Interest repayments**

The NRLE's current loan borrowings are all fixed for both term and interest rates, so actual costs are included in the plan.

### **Management**

The Naracoorte Regional Livestock Exchange Board will implement this Management Plan and oversee all aspects of the operations of the NRLE including future investment, fees and charges, expenditure and levels of service. The Board reports and performance is reviewed by the Audit Committee which reports to Council. An annual budget and annual report is prepared for endorsement by the Audit Committee for adoption by Council.

Annual reports include an assessment of;

- stock throughput,
- financial evaluation of performance,
- audit report
- assets – maintenance, upgrades etc
- stakeholder satisfaction,
- issues,
- key events,
- a forward look at animal welfare, industry changes/expectations, economic drivers etc.
- possible revisions to the management plan

and are made available on Council's website.





## **Schedule of Sales**

The Board is responsible for establishing an agreed schedule of sales. Maximum livestock numbers will be fixed at a level determined by the Board considering all operational and legislative requirements. As at January 2012, these are set at 2,800 for Prime Cattle, 5,000 for Cattle Weaners, 40,000 for Sheep. Additional special sales may be held by agreement with the NRLE Manager.

Sales will be held at dates and times to draw the maximum number of stock and buyers to the NRLE. Sales should be held so they do not conflict with other livestock sales that could impact the success of an NRLE sale.

## **Marketing**

Promotion of the NRLE as a marketing facility is the responsibility of the Board. Marketing of individual sales is the responsibility of the Agents conducting the sales. A joint marketing approach has been used successfully with the Naracoorte Combined Agents. Market research will be undertaken on a regular basis to determine;

- Opportunities to increase throughput
- Additional business opportunities
- Catchment area of sellers and buyers

## **Compliance**

The NRLE needs to comply with a number of legislative requirements and adhere to industry best practice guidelines.

- Environmental Protection Authority (EPA) licence conditions for the disposal of waste water.
- Department of Health conditions for the reuse of treated waste water.
- Department of Environment Water and Natural Resources licence conditions regarding the extraction of water from the aquifer.
- National Livestock Quality Assurance
- European Union guidelines for the sale of EU cattle.



## Risk Management

The NRLE has a strong risk management approach to its business. Risks have been identified, and are managed and monitored by the Board and considered with management decisions.

Risk	Control
<p>Livestock numbers well below forecast levels leading to serious decline in revenue. Possible causes:</p> <ul style="list-style-type: none"> <li>• Reduction in stock levels Australia wide</li> <li>• Changes in selling methods eg direct marketing to abattoir, online selling</li> <li>• Agents recommending other selling options</li> </ul>	<ul style="list-style-type: none"> <li>• Highlight value of NRLE as a selling forum to agents and vendors.</li> <li>• Review capital investment projects and implement as funds on hand allows, projects broken into manageable portions.</li> <li>• Changes in selling that reduce numbers to saleyards could determine smaller yard sizes are required. This needs to be considered with capital investment, especially with sheep selling facilities</li> <li>• Maintaining positive relationships with Naracoorte Combined Agents</li> </ul>
<p>Operational costs increase above predicted levels</p>	<ul style="list-style-type: none"> <li>• Fees are set annually and can be adjusted in response to a decline in numbers and improvement of facilities</li> <li>• Operate with a balance of full time and casual staff to enable efficient management of staff wages</li> </ul>
<p>Introduction of new compliance requirements. While these are difficult to predict with certainty, most can be anticipated to some degree;</p> <ul style="list-style-type: none"> <li>• Electronic systems including eNVD and sheep EID</li> <li>• Environmental management requirements</li> <li>• WHS requirements and Animal welfare requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement with Victorian Saleyards and membership with relevant Saleyards association</li> <li>• EPA approved management plans in place</li> <li>• Participation in relevant forums, yard design and requirements to at least meet and preferably exceed standards required at time of development</li> </ul>
<p>Loss of experienced staff</p>	<ul style="list-style-type: none"> <li>• Documented procedures for sale day operations</li> <li>• Recruitment strategy</li> </ul>



	<ul style="list-style-type: none"> <li>• Training of staff</li> </ul>
Poorly targeted capital investment	<ul style="list-style-type: none"> <li>• Approved investment within LTFP and Management Plan</li> <li>• Regular review of LTFP</li> </ul>
NRLE falls behind regional saleyards competitors	<ul style="list-style-type: none"> <li>• Strategic planning and implementation of projects.</li> <li>• Exemplary delivery of services</li> <li>• Maintaining relationships with agents and vendors</li> </ul>
Biosecurity	<ul style="list-style-type: none"> <li>• Participation in “Stock Standstill” exercises</li> <li>• Maintaining clean facilities</li> <li>• Engagement with PIRSA</li> </ul>
Closure of Teys Australia abattoir, leading to loss of key buyer	<ul style="list-style-type: none"> <li>• Not a controllable risk for Council, although Council can support Teys through a variety of actions e.g. support for 457 visas</li> </ul>
Infrastructure and safety systems don’t adequately protect NRLE users	<ul style="list-style-type: none"> <li>• Workshop held to identify WHS responsibilities for each activity</li> <li>• New infrastructure meets relevant standards</li> <li>• Responsive and preventative maintenance</li> </ul>

## Work Health and Safety

The NRLE is a high risk worksite, but with appropriate mitigation in place, many of these risks can be reduced or even removed altogether. As owner of the NRLE, Council is responsible for providing a safe worksite to ensure the safety of all people who operate on the facility, regardless of their employer. A workshop was held with NRLE users in 2014 identifying responsibilities for each activity at the facility. Council is a PCBU (Person Conducting Business or Undertaking) under the WHS Act 2012 as the owner of the NRLE, however various other users such as the agents and transport operators are also PCBUs. As such, safety is a shared responsibility of all users at the NRLE.

WHS systems will be reviewed regularly including consultation with the Naracoorte Combined Agents and their contractors.

Incidents and hazards are reported through Council’s WHS system and included in the annual reports.