

REPORT

Prepared by

BOURKE SHIRE COUNCIL

For the property

TOORALE

In relation to an

ESTIMATE OF INPUT COSTS

For the

TOORALE BUSINESS OPERATIONS

This report indicates that the annual input costs for the Pastoral and Irrigation Enterprises are at least \$4,700,000 excluding labour.

The report makes comments in relation to the implications of Toorale being converted from a commercial business to a National Park or Conservation Area.

The Business Owners in Bourke estimate that this will result in at least a 10% net impact on the economy of Bourke.

G Wise
General Manager
Bourke Shire Council

21st September 2008

B. IRRIGATION INPUT COSTS

IRRIGATED GRAINS

IRRIGATED WHEAT

- Variable costs \$1,002,153
- Freight \$ 193,072
- **Total wheat - variable costs and freight** \$1,195,225

IRRIGATED SORGHUM

- Variable costs \$ 225,045
- Freight \$ 203,175
- **Total sorghum - variable costs and freight** \$ 428,220

IRRIGATED MAIZE

- Variable costs \$ 118,281
- Freight \$ 147,900
- **Total maize - variable costs and freight** \$ 266,181

IRRIGATED COTTON

- Variable costs \$1,287,860
- Freight to Bourke Gin \$ 112,480
- **Total cotton - variable costs and freight** \$1,400,340

MULCHING ALL STUBBLES

- Mulching costs \$ 77,362

STEEL and EQUIPMENT HIRE \$ 40,000

TOTAL IRRIGATION INPUTS CONSIDERED ABOVE \$3,407,328

DIESEL USAGE ON FARM for IRRIGATION \$ 969,000

- Note that some of these diesel costs are also included in the variable costs for the various enterprises. Hence they are reported separately.

TOTAL OF IRRIGATION COSTS IDENTIFIED ABOVE

(Range \$3,407,328 to \$4,376,328) **Estimate say** \$4,000,000

COMMENTS

- Virtually no consideration has been given to labour costs, and no attempt has been made to determine the number of people directly or indirectly employed.
The variable costs are derived directly from the data published by Clyde Agriculture in the sales brochure for Toorale, and from the Department of Primary Industries Gross Margins publications on the web. The DPI publications specifically state that “labour is not costed” within their variable costs.
- These figures only apply to the input costs for primary production. They totally ignore general farm management maintenance, or profit or living costs, which all transfer directly to the local economy of less specialist rural businesses such as food, household contents, general farm supplies, fuel, personal needs and entertainment.
- The figures also totally ignore allied cash flow, such as tourism (eg fishing), sponsorship (eg Louth races), community support (eg sporting teams) and community service (eg volunteers).
- The figures totally ignore multiplier effects which are traditionally considered in economic modelling. For example, major flow on effects can be expected to service industries (eg schools, hospitals).
- Toorale has historically been one of the three or four major non-government contributors in eastern Australia to rural skills training for the Australian Pastoral Industry, with a significant proportion of station managers throughout the industry having been trained on Toorale. Clyde Agriculture regularly uses Toorale as a location for specialist skills training for all their staff from all their properties. Apart from the unquantifiable value of these enhanced intellectual and manual assets across the industries, the concentration of people in the shire for training contributes financially to the local economy.

- **Impacts of Toorale relative to the Bourke regional community:**

- Toorale's water licences represent approximately 14% of the total water licences in the Bourke Shire on the Barwon, Darling and Warrego rivers.
- Toorale's sheep represent over 7% of the total sheep population in the Bourke Rural Lands Protection District (equivalent to the Bourke Shire) in 2007 (the most recent available figures). It is predicted that this percentage would currently be much higher.
- Toorale's current adult cattle numbers represent over 8% of the total cattle population in the Bourke Rural Lands Protection District (equivalent to the Bourke Shire) in 2007 (the most recent available figures).
- Toorale contributes significantly to the employment through permanent, temporary casual and contract employment of up to 100 people, which therefore translates to approximately 100 families. ABS figures identify that there are only 720 families in the Bourke Shire. This provides a context for the significance of the employment impact within the shire.
- Toorale Council rates are 4% of the total Bourke Shire Council general rates levied each year. These rate payments will cease with a National Park.
- Currently 14 or 15 National Parks and Wildlife staff are employed in Bourke to service three locations involving a total area of 177,342 hectares of National Parks in the Bourke Shire and 37,000 hectares of National Parks outside the Bourke Shire. With the increase of 91,383 hectares in Toorale (42% increase in area to be serviced, all of which is highly concentrated in one area and therefore easier to manage), and with unlikely need to increase either management or administration positions in National Parks and Wildlife, it is logical to assume that an increase in the Bourke Shire of less than 5 or 6 permanent National Parks and Wildlife staff will occur. However, even if 10 to 15 extra full time National Parks

and Wildlife staff are employed, this falls far short of the employment generated by Clyde Agriculture on Toorale.

- The natural wetland environment of the Warrego floodplain on Toorale is a recognised major breeding ground for feral pigs within the Shire. Extensive resources are required on a continuing basis to maintain control of this pest to avoid spread throughout the shire. If this control is not effective it will place significant unwarranted additional cost and time burdens on other landholders.
- Clyde Agriculture has had a company principle of buying and spending locally. This has been exemplified by having located their head office in Bourke for many years. Consistent with this principle, a very large proportion of all input costs identified in this report could be expected to be verified as being spent locally.
- It is acknowledged that not all input costs identified in this report apply totally to cash flow in the Bourke community. The main exceptions are shearing and harvesting contractors, ram and bull suppliers and veterinary services. However, these contractors do spend an amount of the locally earned income in the Bourke community.
- Historically a significant number of amateur fisherman regularly use Toorale for fishing and yabbying. These people contribute to the economy in the shire. Unless this access is maintained, there will be a further loss from the district by loss of this “tourist” leisure activity.
- **The Business community has difficulty in quantifying the impacts the loss of Toorale as a commercial property will have on their individual businesses, but a recent gathering of Business owners has expressed a view that a net 10% negative impact is a realistic estimate.**

- **Importantly, there is grave concern that because all businesses in Bourke are currently operating at bottom line, skeleton staffing levels, any further reduction in their business may place them below a critical operating threshold.** This has already occurred in Bourke in the last twelve months with the closure of two of the three supermarkets and of one fuel outlet. Further, the RSL Club and a tyre business have gone into liquidation.
- This report has purposely been compiled by separation of the Pastoral Enterprises from the Irrigation Enterprises. This approach has been taken to highlight the relative effects of;
 - the water buyback, considered as being primarily the agenda of the Commonwealth Government, and
 - the initiative to convert the pastoral component of the property to a National Park or conservation area, considered as being primarily the agenda of the State Government.
- The information in this report has been put together in a very short period of time, and as such warrants scrutiny. It has been highlighted throughout this report that many considerations have not been included. The author has chosen not to approach any representative from Clyde Agriculture for actual data, to avoid any perceived conflicts of interest.

The primary sources of the majority of the data have been from:

 - The sales brochure for Toorale
 - Department of Primary Industries Gross Margins publications.

Other data has been obtained from:

 - Locally obtained contract rates for routine activities
 - Locally quoted production figures
 - Actual supply sources.

The author would encourage anyone who wishes to verify this report to request actual data from Clyde Agriculture.

The author will welcome discussion on any aspects of this data for clarification.