

Blackall Tambo Regional Council

**Blackall Saleyards
Business Plan**

Revision 2010

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Executive Summary

The attached report reviews and updates cattle numbers and financial details of the original Blackall Saleyards Business Plan which was completed in November 2008.

The original report identified a significant increase in cattle numbers and profitability of the facility. These trends have continued, in the 2008/09 financial year over 110,000 head of cattle moved through the facility producing a surplus of \$342,000. The 2009/10 year has continued these trends with 72,000 head moving through the facility in the seven months to January 2010. Current surplus is \$184,000.

Projections from the Saleyards Manager is that due to the recent good, widespread rainfall, that cattle numbers in the remainder of this financial year may be lower, as stock are held onto due to the improved pastures. However, numbers could be expected to increase again in 2010/11. Lower cattle numbers will create a decline in revenue, but this maybe slightly off-set by heavier weighing beasts.

It is noted that there has been no increases in fees; hence the surpluses achieved have been as a result increased numbers cattle. As mentioned in the previous report 50,000 per annum remains that minimum target for stakeholders and any increases in fees will achieve the results documented in the original report.

1. Market

1.1 Cattle and Sheep Numbers in Western Queensland

The below two graphs from Meat and Livestock Australia data, have been updated in incorporate preliminary 2007-08 data. They demonstrate that:

- Cattle numbers have had a slight decline in recent years, and that
- Sheep numbers, have experienced a slight increase in numbers.

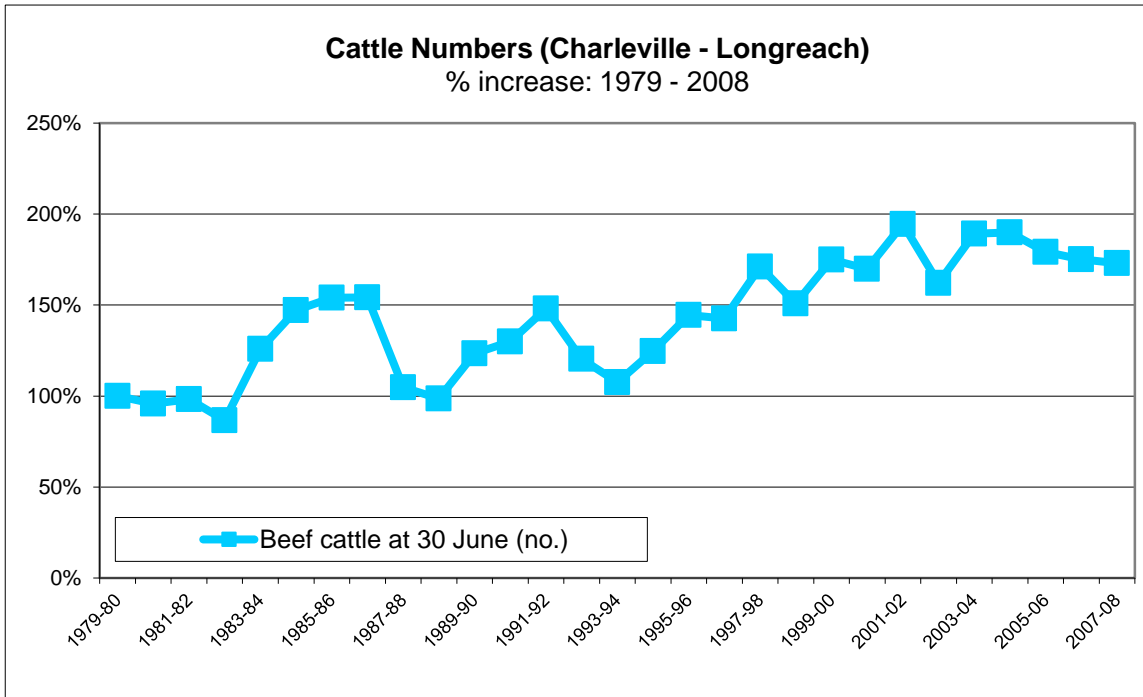


Figure 1.1

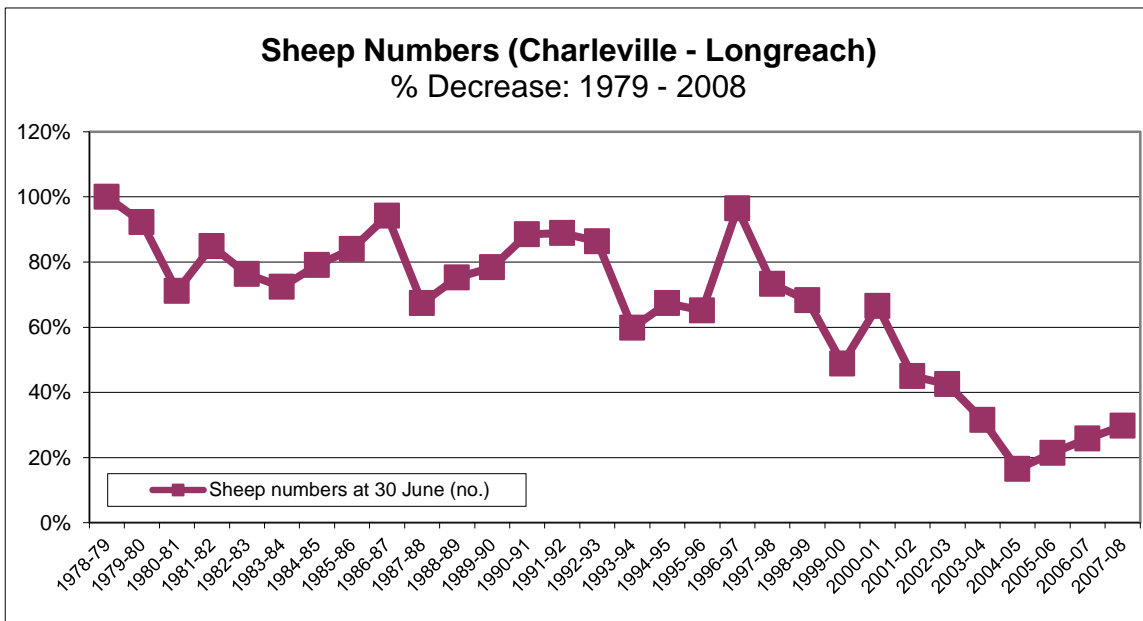


Figure 1.2

Note: source www.abareconomics.com/qme/mla/download.asp

2. Facilities

2.1 Cattle numbers

Figure 2.1 provides updated information on cattle numbers through the Blackall Saleyards as a comparison with Roma saleyards (on right axis), and Blackall (on left axis). Figure 2.2 was the previous chart provided. Figure 2.1 indicates that 2008-09 figures were higher than the initial projections.

While cattle numbers have been strong for the first six months of this year, the improved season outlook may reduce numbers for the remainder of this financial year. These reduced numbers maybe offset in terms of revenue through the cattle that are sold maybe heavier.

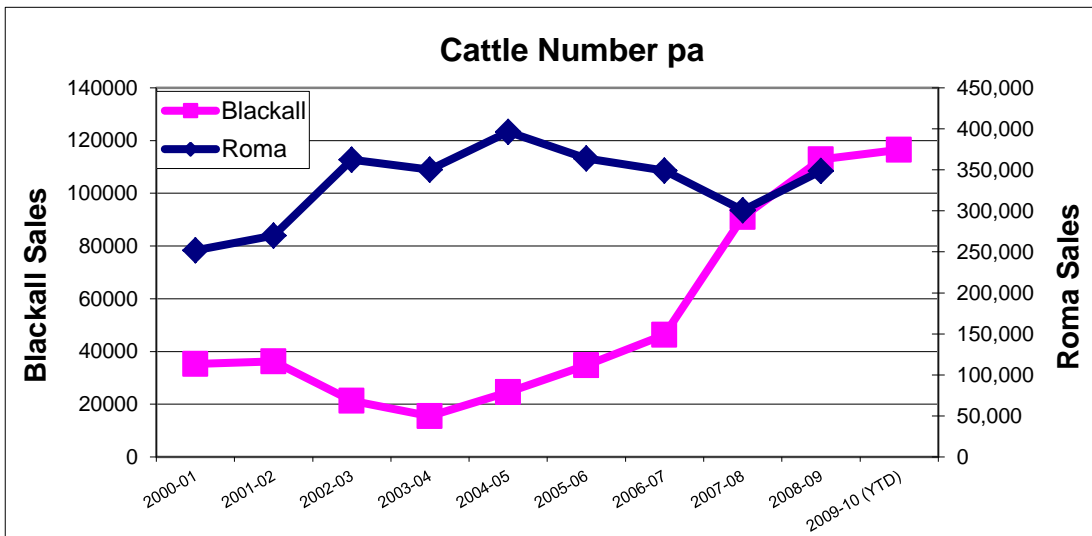


Figure 2.1

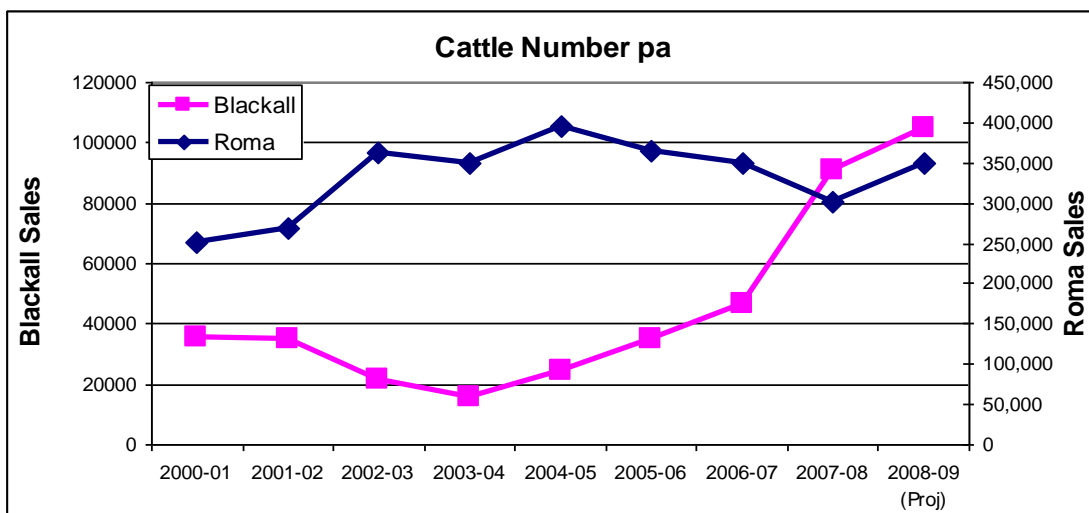


Figure 2.2

2.2 Historic Costs

The table below has the revenue and expenses each year compared with the number of cattle passing through the auction sales. The 2009 calendar year was exceptional for the Blackall Saleyards, producing a strong surplus for the Council.

Year	Revenue	Expenses	Surplus/ Deficient	Cattle Numbers	Rev/ Head
2000-01	\$135,803	\$123,344	\$12,459	35,244	\$3.85
2001-02	\$154,451	\$128,354	\$26,096	34,766	\$4.44
2002-03	\$73,181	\$115,226	-\$42,045	21,273	\$3.44
2003-04	\$70,214	\$106,949	-\$36,735	15,521	\$4.52
2004-05	\$114,884	\$146,895	-\$32,011	24,619	\$4.67
2005-06	\$162,628	\$161,328	\$1,300	34,755	\$4.68
2006-07	\$215,678	\$192,574	\$23,104	46,319	\$4.66
2007-08	\$397,940	\$226,218	\$171,722	90,943	\$4.38
2008-09	\$538,831	\$342,561	\$342,561	112,869	\$4.77
2009-10 <small>(ytd)</small>	\$314,904	\$184,090	\$184,090	72,778	\$4.33
Total	\$2,178,514	\$1,727,539	\$650,541	489,087	\$4.44

Figure 2.3: Table 1: Costs and cattle numbers:

The previous discussion on full cost pricing has not changed, as the works in progress mentioned in the original report is yet to be completed and taken up into the asset register.

3. Trends

3.1 Revenue and Expenses per head

It is noted that there has been no increase in fees at the saleyards; consequently surpluses per head have remained constant since 2007/08. The increase in cattle numbers through the saleyards has increased revenue, but these increases have been off-set by increases in expenses.

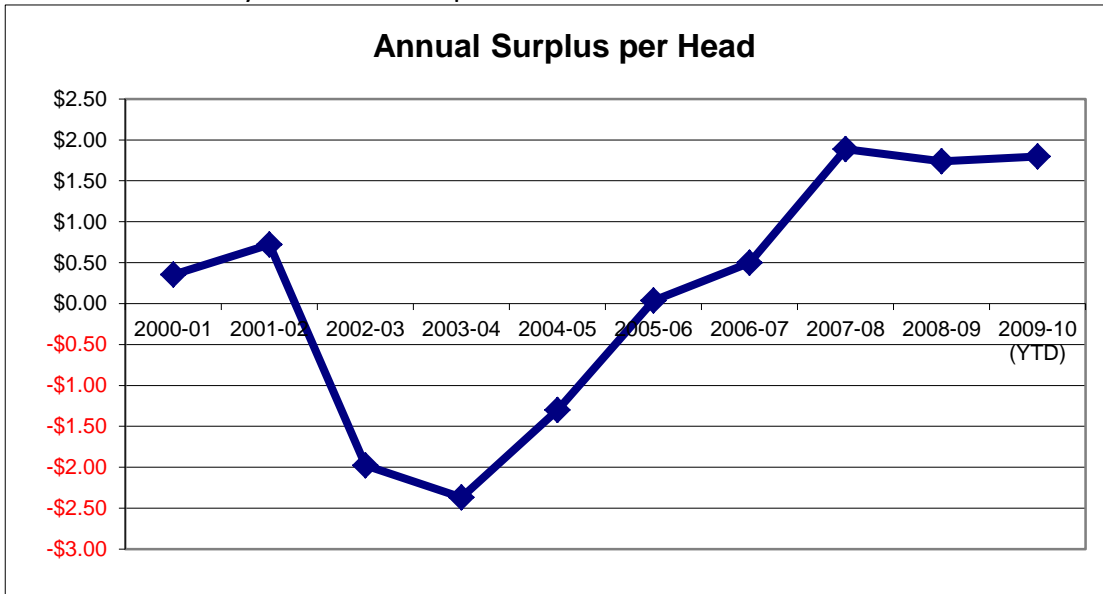


Figure 3.1

Figure 3.2 continues to indicate that above 50,000 head through the facility will provide surpluses for Council. If this figure were to rise to 70,000 head then, surpluses would significantly increase.

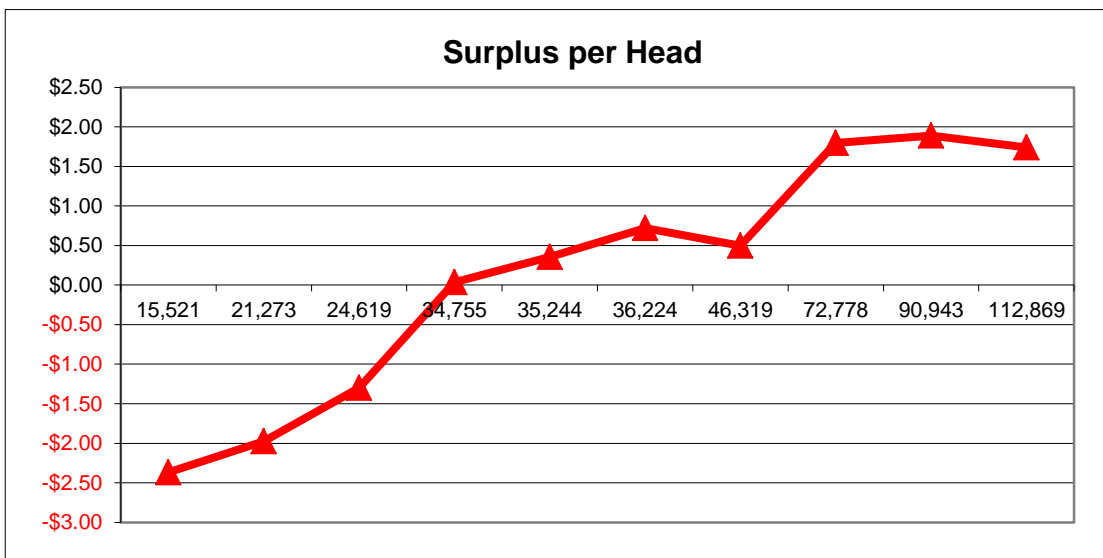


Figure 3.2

3.2 Expenses

Costs in the past 18 months have increased with the increasing cattle number passing through the facility. In the below figure, this increase is incorporated into the General Maintenance category. However, it is highlighted that many of the staff employed at the facility are paid through the council's creditors system and hence have fallen into this category, rather than the wages section.

With the increasing costs of the facility, it may be appropriate that the saleyards manager is provided with fortnightly reporting on costs that are falling to his job cost numbers.

Year	Head	Depreciation	Wages	Gen Mtnce	R&M	Other
2000-01	35244	\$ 16,031.75	\$ 41,394.22	\$ 21,058.47	\$ 20,589.48	\$5,399.48
2001-02	34766	\$ 30,918.05	\$ 43,535.82	\$ 18,507.79	\$ 21,030.46	\$9,351.81
2002-03	21273	\$ 32,946.28	\$ 52,080.00	\$ 25,492.94	\$ 11,875.41	\$5,959.78
2003-04	15521	\$ 22,961.02	\$ 43,904.00	\$ 12,500.08	\$ 19,508.38	\$8,075.85
2004-05	24619	\$ 48,198.48	\$ 47,960.00	\$ 19,010.09	\$ 21,740.24	\$9,987.14
2005-06	34755	\$ 35,323.89	\$ 54,687.00	\$ 42,483.53	\$ 17,697.49	\$11,136.11
2006-07	46319	\$ 35,818.81	\$ 65,827.00	\$ 59,620.81	\$ 18,955.98	\$12,351.73
2007-08	90943	\$ 33,806.98	\$ 85,484.00	\$ 68,079.44	\$ 22,597.04	\$16,250.88
2008-09	112,869	\$ 29,024.00	\$ 47,081.00	\$ 204,149.00	\$ 46,985.00	\$15,322.00
2009-10	72,778	\$14,500.00	\$ 45,652.00	\$106,645.00	\$25,013.00	\$0.00
Total	489,087	\$299,529.26	\$527,605.04	\$577,547.15	\$225,992.48	\$93,834.78

Figure 3.3

3.3 Cattle Sales

The saleyards were established as a mechanism to sell local cattle. In recent years there have been additional activities such as special sales, private scanning, weighing or spelling, although the major function remains auctioning of cattle.

- **Prime/Store Cattle**

The normal weekly or fortnightly sales typically account for around 50% of cattle that have passed through the yards. The average sale has a yarding of 2,000 head.

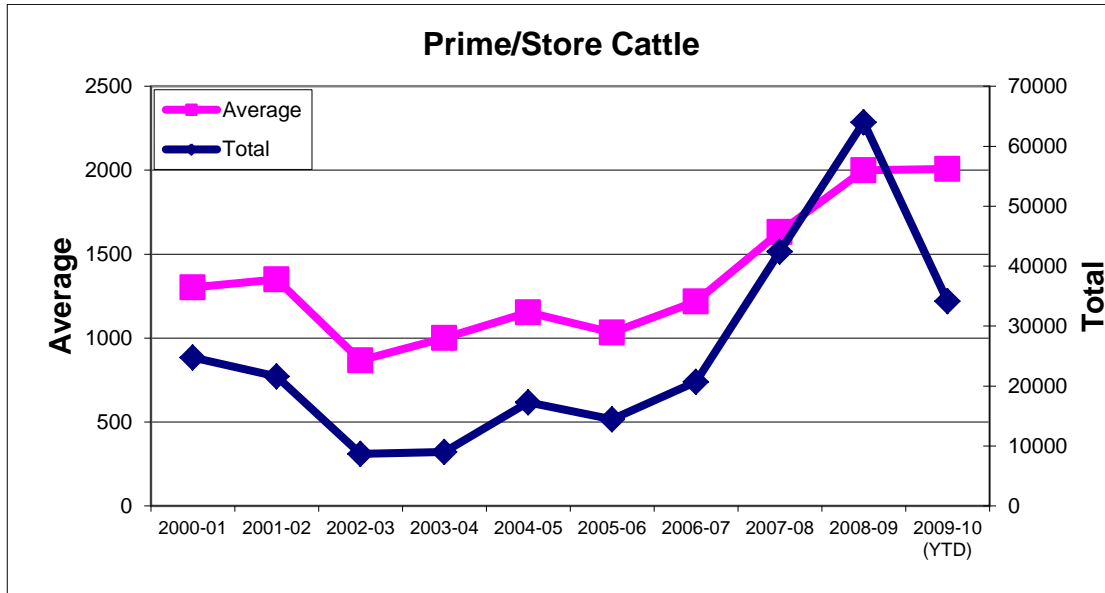


Figure 3.4:

Note: 2009-10 (Dec 09) figures have not been projected

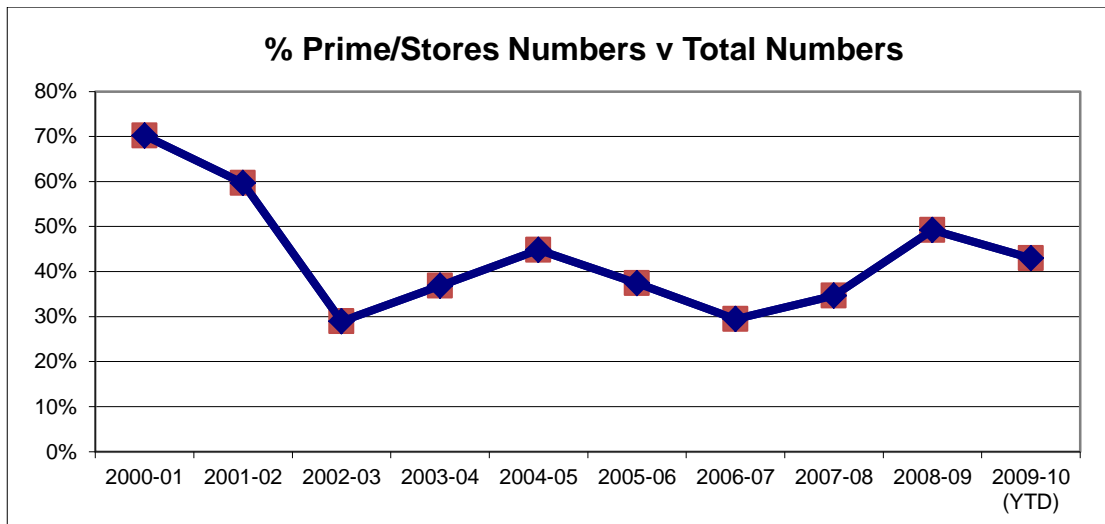


Figure 3.5

3.4 Special Sales Stores and bulls

These events are not included in the prime/store sales, but account for 20% of stock sold through the saleyards. There continued to be strong demand for this type of sale. The average head sold at this type of sale has increased from 2,500 in the last report to almost 3,000. There are on average, 4 sales of this type each year.



Figure 3.6

3.5 Private Weighings / scanning

Strong demand continues for this activity.

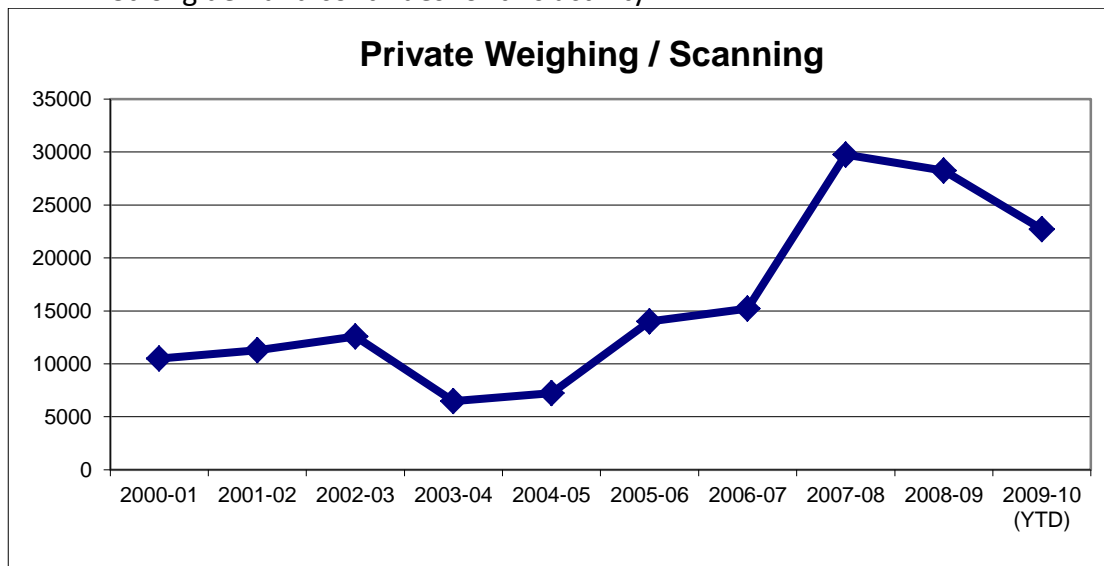


Figure 3.7

3.6 Spelling

Spelling peaked in 2007/08 and it is anticipated to remain flat in the current year. However, the continuing changes in the transportation of cattle and the market that cattle are sold in will continue to affect number that move through the facility depending on the season.

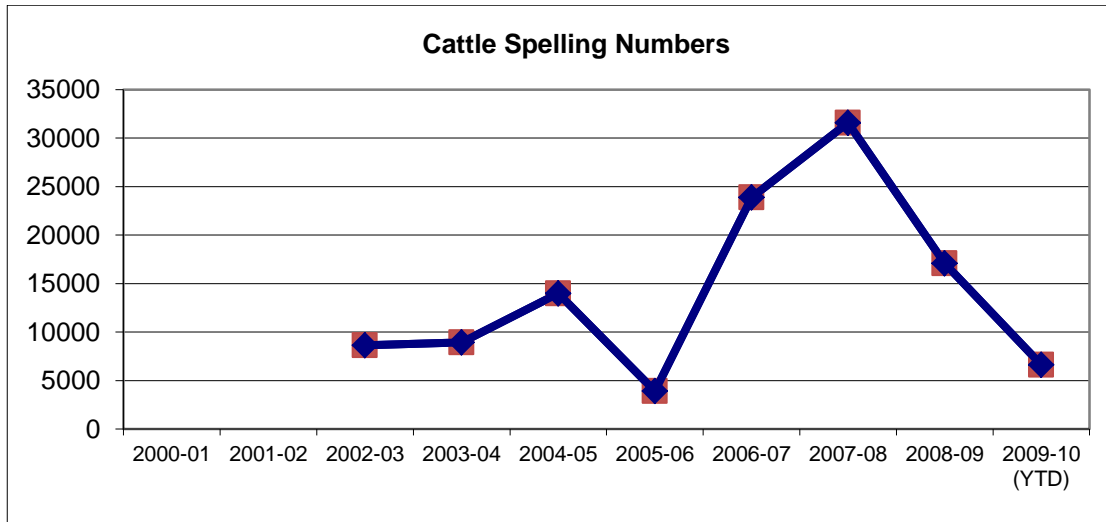


Figure 3.8

3.7 Break-down of all cattle through facility

Figure 4.1 displays the cattle through the facility in the different reporting areas. As mentioned above, the renewed strength of the facility has been through the increasing sales of fats and store cattle

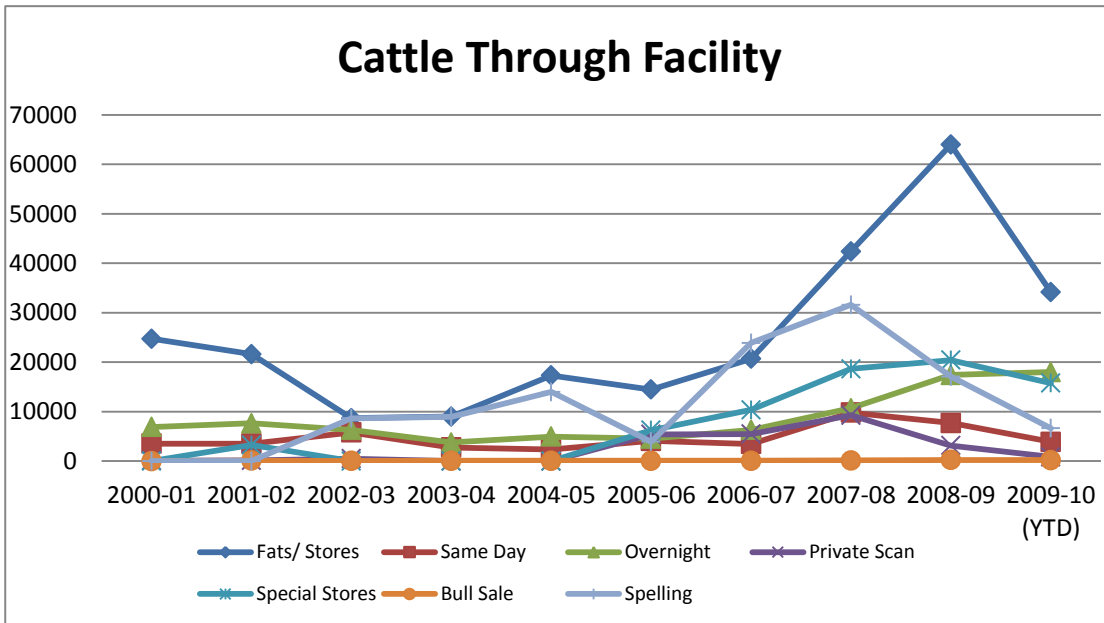


Figure 3.9

4. Financial details

4.1 10 Year Cashflow

A 10 year cashflow forecast has been prepared for the saleyards. See Figure 4.1. The analysis assumes that the facility has \$200,000 in cash at the commencement of the review period. This assumption is based on surpluses in recent years.

The income over the 10 year period has assumed some increases and decreases in revenue due to changes in cattle numbers. Some operational costs have been varied due to the change in cattle numbers. Note: No allowance has been made for CPI increases.

A capital works expenditure program has been continued for the duration of the 10 year forecast. The main features are a:

- \$570,000 expenditure in the current financial year (2009/10)
- \$1,000,000 expenditure over a 2 year period in 2010/11 and 2011/2012.
- \$60,000 pa expenditure from 2012/13 – 2019/20.

The cashflow indicates funding for this expenditure through:

- \$200,000 grants and \$370,000 through general revenue
- All future Capital funding is obtained through 10 year loans.

Through the duration of the cashflow study, the initial cash of \$200,000 is anticipated to increase to \$319,717 at the end of the analysis period, an increase of \$119,717 over the 10 years.

BLACKALL - TAMBO REGIONAL COUNCIL - Blackall Saleyards

Cashflow Statement

Year	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Opening Balance	\$200,000	\$16,463	\$135,292	\$182,313	\$209,880	\$217,267	\$229,939	\$248,086	\$272,297	\$293,124	\$310,657
Operating Revenue											
Saleyards Revenue	\$500,000	\$505,000	\$510,050	\$484,548	\$460,320	\$474,130	\$488,354	\$503,004	\$508,034	\$513,115	\$513,115
Interest Revenue	\$0	\$3,247	\$2,276	\$4,764	\$5,883	\$6,407	\$6,708	\$7,170	\$7,806	\$8,481	\$9,057
Non-Capital Grants and Subsidies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Revenue	\$500,000	\$508,247	\$512,326	\$489,312	\$466,203	\$480,537	\$495,062	\$510,175	\$515,840	\$521,596	\$522,171
Operating Expenses:											
Wages	\$47,081	\$47,552	\$48,027	\$45,626	\$43,345	\$43,345	\$43,345	\$43,345	\$43,345	\$43,345	\$43,345
General Mtnc (Includes some wages)	\$204,149	\$204,149	\$204,149	\$193,942	\$184,244	\$184,244	\$184,244	\$184,244	\$184,244	\$184,244	\$184,244
R&M	\$46,985	\$46,985	\$46,985	\$46,985	\$46,985	\$46,985	\$46,985	\$46,985	\$46,985	\$46,985	\$46,985
Interest Expense (Loans)	\$0	\$45,000	\$87,263	\$86,943	\$85,779	\$83,697	\$80,612	\$76,436	\$71,069	\$64,404	\$56,326
Other operating expense	\$15,322	\$15,322	\$15,322	\$15,322	\$15,322	\$15,322	\$15,322	\$15,322	\$15,322	\$15,322	\$15,322
Total Operating Cost	\$313,537	\$359,008	\$401,746	\$388,817	\$375,675	\$373,593	\$370,508	\$366,332	\$360,965	\$354,301	\$346,222
Operating Cash Surplus/Deficiency	\$186,463	\$149,239	\$110,580	\$100,494	\$90,528	\$106,944	\$124,553	\$143,843	\$154,875	\$167,295	\$175,949
Capital Revenue:											
Developer Contributions (Infrastructure Charges)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Funds from Disposal of Non Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Loans for Capital Expenditure	\$0	\$500,000	\$500,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Capital Subsidies/Grants	\$200,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Capital Revenue	\$200,000	\$500,000	\$500,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Capital Expenses											
New Capital Works Expenditure	\$170,000	\$300,000	\$300,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Replacement Capital Works Expenditure	\$400,000	\$200,000	\$200,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Redemption on Loans	\$0	\$30,411	\$63,558	\$72,928	\$83,140	\$94,272	\$106,406	\$119,632	\$134,048	\$149,762	\$166,890
Total Capital Expense	\$570,000	\$530,411	\$563,558	\$132,928	\$143,140	\$154,272	\$166,406	\$179,632	\$194,048	\$209,762	\$226,890
Cash Movement in year	-\$183,537	\$118,829	\$47,022	\$27,567	\$7,387	\$12,672	\$18,147	\$24,211	\$20,827	\$17,534	\$9,060
Closing Balance	\$16,463	\$135,292	\$182,313	\$209,880	\$217,267	\$229,939	\$248,086	\$272,297	\$293,124	\$310,657	\$319,717

Figure 4.1