Wattle Range
COUNCIL

Wattle Range - a great place to live and work

Cr Rick Paltridge resigned from Council on Tuesday, 3 August 2021
Cr Chris Brodie was sworn in on Tuesday, 9 November 2021

NOTICE AND AGENDA OF SPECIAL MEETING OF WATTLE RANGE COUNCIL

Notice is hereby given the next Special Meeting of Wattle Range Council
will be held in the Millicent RSL Hall
on Tuesday 30 November 2021 at 5:00 PM.

Ben Gower
CHIEF EXECUTIVE OFFICER

Disclaimer: Please note that the contents of the Council Agenda has yet to be considered by Council and recommendations contained herein may be altered or changed by the Council in the process of formally making decisions of Council.

GF/9.24.1 – 3.1 GDS:40

On 15 March 2020, the Chief Executive of the Department for Health and Wellbeing in the State of South Australia, pursuant to section 87 of the *South Australian Public Health Act 2011*, declared that an emergency which threatens to cause the death of, or injury or other damage to the health of any person is occurring or about to occur in relation to the transmission of COVID-19, and declared the emergency to be a public health emergency.

On 22 March 2020 the State Coordinator for the State of South Australia declared, pursuant to section 23 of the *Emergency Management Act 2004*, that a Major Emergency is occurring in respect of the outbreak of the Human Disease named COVID-19 within South Australia.

As a necessity due to COVID-19, Hon Stephan Knoll, Minister for Transport, Infrastructure and Local Government in accordance with section 302B of the *Local Government Act 1999* varied or suspended the operation of the specified provisions of the Act as set out in Schedule 1 to the "Electronic Participation in Council Meetings Notice (No 1) 2020" which was gazetted on Tuesday, 31 March 2020 (Page 619 – 627).

ORDER OF BUSINESS

Tuesday 30 November 2021

1 Opening Of The Meeting

Civic Prayer

Almighty God

We pray that in this meeting we speak honestly, listen attentively, think clearly and decide wisely, for the good of our District and the wellbeing of our people

Amen

Acknowledgement of Country

We acknowledge the traditional custodians of the land on which we meet and pay respect to Elders past and present.

Recording of Meetings

Council's Code of Practice 6 prohibits any person from photographing, filming, televising or recording by audio devices Council Meetings without written approval from the Mayor or Chief Executive Officer.

2 Present

3 Apologies

Cr Peter Dunnicliff is an apology for this meeting.

4 Disclosure Of Interests

Any Councillor with one of the following Conflicts of Interest is asked to declare it now and prior to the Item being discussed:

Material – where any of a defined list of persons would gain a benefit, or suffer a loss (whether directly or indirectly, personal or pecuniary) depending on the outcome of the consideration of the matter at the meeting.

Actual – where a Member has a Conflict of Interest (not being a material conflict of interest) between their own interests and the public interest that might lead to a decision that is contrary to the public interest.

Perceived – where from the perspective of an impartial, fair-minded person it could reasonably be perceived that a Member has a Conflict of Interest in a matter.

Where an actual or perceived Conflict of Interest exists, the Member must inform the meeting of the interest and how (if they propose to participate in the meeting) they intend to deal with the actual / perceived Conflict of Interest. This information will be documented by the Minute Taker.

5 Deputations

5.1 Millicent Saleyards - Lee Morgan & Fiona Telfer on behalf of Millicent Business Community Association (MBCA)

Report Type	Deputations
Organisation	Millicent Business Community Association
Representative	Lee Morgan and Fiona Telfer
File Reference	GF/9.24.1/2
Attachments	1. Deputations Procedure [**5.1.1** - 3 pages]

Lee Morgan and Fiona Telfer will make a presentation to Council regarding the Millicent Saleyards.

Wattle Range COUNCIL	PROCEDURE 106	Version:	3
	Deputations to Council	Date Adopted:	12 Nov 2019
		Next Review Due:	August 2023

This procedure relates to regulation 11 the Local Government (Procedures at Meeting) Regulations 2013 (the Regulations).

1. DEFINITIONS

Deputation means a person or group of persons who wish to appear personally before a council or council committee in order to address the council or committee (as the case may be) on a particular matter;

Presiding Member means the person who is the Presiding Member of Council (e.g. Mayor) or a Council Committee (that is subject to the operation of Part 2 of the Regulations) and includes any person who is Presiding at a particular meeting;

Clear Days means the time between the giving of the notice and the day of the meeting but excluding both the day on which the notice was given and the day of the meeting, e.g. notice is given on a Thursday for a following Monday meeting, the clear days are Friday, Saturday and Sunday.

2. PROCEDURE

2.1 Requesting Deputations

All requests for deputations must be submitted in writing to Council's Chief Executive Officer (CEO) by:

Email	council@wattlerange.sa.gov.au Note: A system generated return email is automatically sent acknowledging receipt of an email submission, if you do not receive this, Council may not have received your email.
Letter	Sent to PO Box 27 Millicent SA 5280; or Lodged at a Council's Principal office 'Civic Centre', George Street, Millicent.

Please note: Requests will need to be submitted a minimum 5 clear days before a meeting date. If an agenda has already been issued for a meeting date, your request will be considered for the following meeting.

2.2 Guidelines for Deputations

All PowerPoints, visual aids and documentation to be distributed as part of the deputation must be submitted to Council at least 5 clear days prior to the meeting.

Animation content in PowerPoints and presentations should be kept to a minimum.

Deputations will be as early as possible on the agenda.

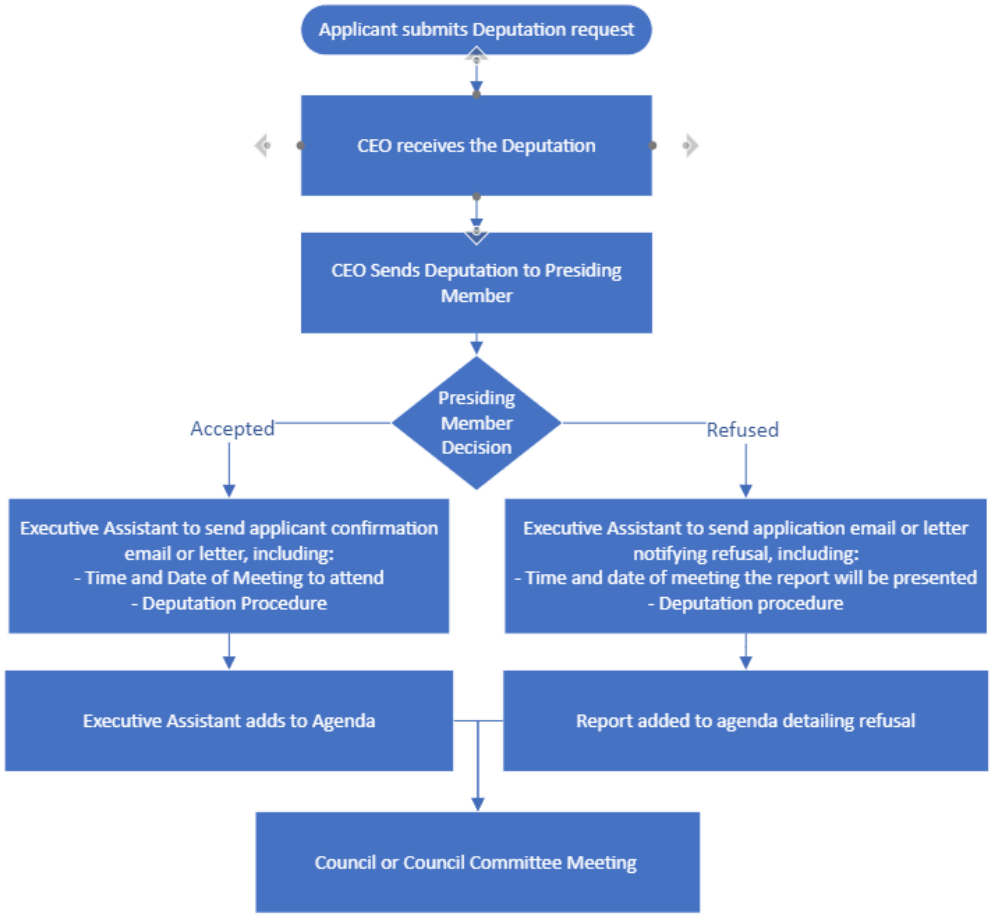
A maximum of 15-minutes is provided for presentations, including question time from Council Members.

A maximum of 2 persons attending may address Council.

The Presiding Member may seek questions of other deputation attendees if so desired by Council.

Wattle Range COUNCIL	PROCEDURE 106	Version:	3
	Deputations to Council	Date Adopted:	12 Nov 2019
		Next Review Due:	August 2023

2.3 Handling of Requests for Deputations (Acceptance or Refusal)



2.4 Receiving Deputations

Council may refer the hearing of a deputation to a Council Committee.

Council is not compelled to make any formal decision at the relevant meeting.

If any formal decision is made, it will be published in the minutes of the meeting. Minutes are available for inspection at:

- Council's Principal office: Civic Centre, George Street, Millicent SA 5280; or
- Council Website: www.wattlerange.sa.gov.au

Wattle Range COUNCIL	PROCEDURE 106	Version:	3
	Deputations to Council	Date Adopted:	12 Nov 2019
		Next Review Due:	August 2023

3. REVIEW

This procedure will be reviewed every four years after each general election.

Upon review Executive Leadership Team (ELT) must be consulted.

4. AVAILABILITY

This procedure is available for inspection without charge at the following location during ordinary business hours:

- Principal office, "Civic Centre', George Street, Millicent
- Council Website: www.wattlerange.sa.gov.au

A copy of the procedure may be purchased from the Principal Council Office upon payment of a prescribed fee in accordance with Council's Schedule of Fees and Charges.

5. REFERENCES & FURTHER READING

References	
Relevant Legislation:	• Local Government Act 1999 • Local Government (Procedures at Meetings) Regulation 11
Relevant Policies / Procedures / Guidelines	This procedure should be read in conjunction with • Code of Practice 6 - Public Access to Council and Committee Meetings and Associated Documents Code of Practice • Code of Practice 104 - Discretionary Procedures (Procedures at Meetings)

6. ADOPTION & AMENDMENT HISTORY

The table below sets out the adoption, review and amendment history of the procedure.

Version No:	Issue Date:	Authorised by:	Description of Change:	Minutes Reference:
1	8 June 2010	Council	Adopted	Folio 4387; Item 11.1.9
2	15 February 2011	Council	Reviewed	Folio 4519; Item 11.1.9
3	12 November 2019	Council	Changed to procedure	Folio 8695; Item 15.2.5

5.2 Millicent Saleyards - Sam Croser

Report Type	Deputations
Organisation	Farmer
Representative	Sam Croser
File Reference	GF/9.24.1/2
Attachments	Nil

Sam Croser will make a presentation to Council regarding the Millicent Saleyards.

5.3 Millicent Saleyards - Gavin and Sandy Bell

Report Type	Deputations
Organisation	Farmers
Representative	Gavin and Sandy Bell
File Reference	GF/9.24.1/2
Attachments	Nil

Gavin and Sandy Bell will make a presentation to Council regarding the Millicent Saleyards.

5.4 Millicent Saleyards - Garth & Shirley Huppatz

Report Type	Deputations
Organisation	Farmers
Representative	Garth and Shirley Huppatz
File Reference	GF/9.24.1/2
Attachments	Nil

Garth and Shirley Huppatz will make a presentation to Council regarding the Millicent Saleyards.

6 Questions Without Notice

Questions without Notice from Elected Members may be forthcoming at this point in the Meeting.

7 Reports From Council Officers

7.1 Chief Executive Officer

7.1.1 Millicent Saleyards Report

Report Type	Officer Report - Confidential
Department	Executive
Author	Ben Gower
Disclosure of Interest	No Council Officers or Contractors have declared a Conflict of Interest regarding the matter under consideration.
Current Risk Rating	High
Strategic Plan Reference	**Theme 1 - Community Vibrancy & Presentation** 1.3 Provide sustainable, vibrant community facilities. **Theme 2 - Economic Prosperity** 2.1 Support and advocate for improved infrastructure that enhances and creates economic and business opportunities. **Theme 4 - Infrastructure & Asset Sustainability** 4.1 Create a sustainable stock of assets, with appropriate long term asset planning and optimal use. 4.4 Plan for and optimise Council's stock of building assets whilst meeting the future and current needs of community. **Theme 5 - Organisational Excellence** 5.4 Optimise Council operation of businesses and assets, to ensure value for money is returned to the community.
File Reference	GF/7.81.4/150 & GF/4.64.1/4 & GF/4.37.1/3
Attachments	1. Millicent Saleyards Review [**7.1.1.1** - 59 pages] 2. Millicent Saleyards Risk Register [**7.1.1.2** - 11 pages]

Purpose of Report

To provide Council with an update on the operations of the Millicent Saleyards.

Report Details

The Millicent Saleyards were built in 1976 at a cost of over $7 million. Most of the funding to build the facility was provided through a government grant. Using a conservative inflation rate of 2%, that $7 million investment equates to over $17 million in current terms.

The site is constructed out of concrete and steel and, while these materials have a long life, sections of the infrastructure are damaged and/or corroded and are approaching end of life.

The site was constructed to 1970s safety standards and Australian Standards have evolved since then. Significant infrastructure components are no longer deemed fit for purpose and need to be replaced to conform with the Australian Standard for Livestock Loading/Unloading Ramps and Forcing Pens (AS 5340:2020).

Based on statistical analysis of workplace injury rates across the agricultural sector, Safe Work SA are conducting a series of safety audits of livestock saleyards across the State. A recent audit of the Millicent saleyards generated five safety Improvement Notices that were associated with aging infrastructure that does not comply with Australian Standards.

Historical Decision-Making Process

Based on long standing concerns about the underlying operational performance of the Millicent saleyards, Council commissioned an independent review of the facility in 2017 (attached) to determine the ongoing viability of the facility. The review considered the condition, age and suitability of the infrastructure, marketplace dynamics, cattle throughput trends, the operational management of the site and a range of other matters. The report recommended the site's closure.

The report and its recommendations were considered by Council in April 2018 where it was "*received and noted*" in confidence and then subsequently released to the public.

On the 12th of December 2018, Council formally resolved.

> *"That a report be presented to Council in January 2019 detailing the current financial and activity position of the Millicent Saleyards and public response to the "Millicent Saleyard Review Jan 2018" to assist in determining the future of the facility."*

On the 15th of January 2019, after considering the details of the report that was requested in the above resolution, Council resolved to.

1. *"Provide a facilitated public meeting for all interested saleyard stakeholders to participate in a conversation to offer ideas, options or solutions for the Millicent Saleyards.*

2. *Subject to no realistic solutions being uncovered to address the current deficits through Public Consultation the Saleyards cease operation on the 30 June 2020."*

On the 12th of November 2019 Council further resolved to.

> *"Extend the time allocation for the Millicent Saleyards operations to 30 June 2021 unless evidence to the contrary suggests it should remain open to facilitate the group formed to implement measures to stabilise and possibly improve cattle numbers."*

On the 9th of February 2021, after considerable debate over multiple Council meetings, Council resolved to.

1. *Continue the operations of the Millicent Saleyards, depending on throughput being maintained above 8,500 head per annum.*

2. *Develop a management plan for the Millicent Saleyards facility.*

3. *Provide an annual allocation of funds in its forward budgets that continue to maintain the Millicent Saleyards to an acceptable operational standard, providing there are no financial requirements by a regulatory authority.*

4. *Negotiate with Agents for industry comparable access fees to the Millicent Saleyards facility.*

On the 9th of March 2021, the following Question on Notice and its Answer were tabled in the agenda as follows.

Question

At the February 2021 Monthly Council meeting it was successfully moved, as part of a 4-part motion that the Millicent Saleyards will remain open on a year-by-year basis up until the annual throughput numbers fall below 8500 head. Is the number determined by:

- *A calendar year?*
- *A financial year?*
- *From the month that this motion was passed (i.e. February 1st to February 28th)?*

Answer

Unless advised otherwise by resolution of Council, annual throughput numbers will be measured as a rolling average which is the unweighted mean of the preceding 12 months.

The rolling average is a common performance measurement indicator that enables us to accurately determine saleyard performance from any point in time. The orange line in the attached chart is the 12-month trailing rolling average of cattle sold. If this line hits the 8,500 threshold set by Council, it will trigger another Saleyard Performance Review Report to Council.

Having considered the above answer, Council did not resolve to vary the proposed cattle throughput measurement methodology.

On the 12th of October 2021, Council considered a report detailing the five SafeWork SA Improvement Notices and an unsolicited expression of interest to purchase a portion or whole of the Millicent Saleyards and resolved to.

1. *Receive and note the report*

2. *Endorse a budget variation of up to $180,000 to address the work required by SafeWork SA (as per SafeWork SA Improvement Notices).*

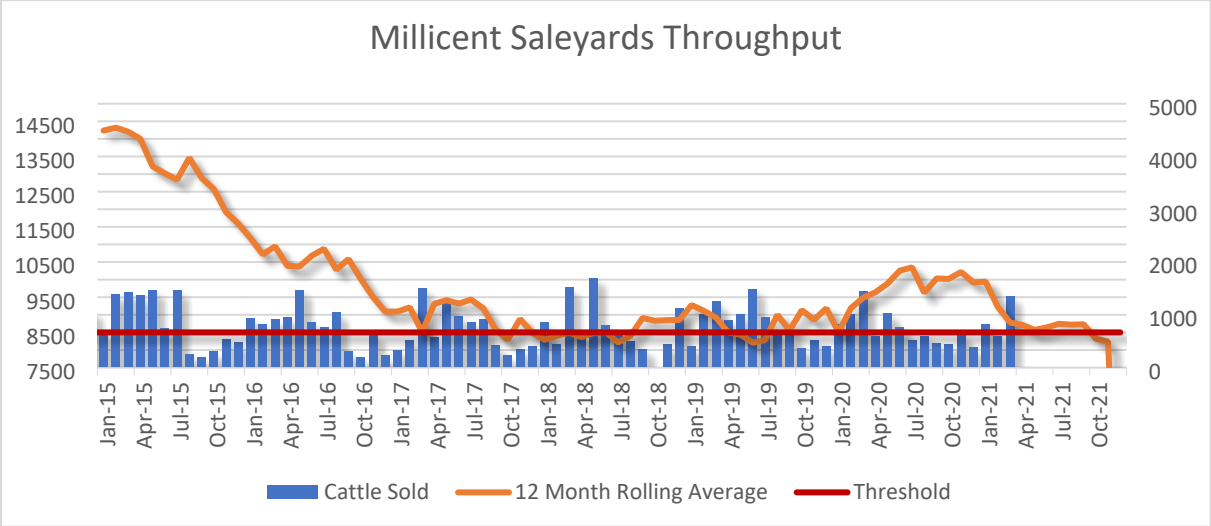
3. *Authorise the CEO to call for expressions of interest for the purchase of the Saleyards site, 61 Saleyards Road, Millicent CT5620/865 – F216404 in the area names Millicent, Hundred of Mt Muirhead. The Expressions of Interest should specifically call for the long-term intentions of the site including.*

    - *Operations of sales at the Saleyards*
    - *Rider Safe Program lease*

Cattle Throughput

Approximately fifteen years ago, Council resolved to discontinue the sale of sheep at the Millicent saleyards due to declining throughput. Cattle throughput has steadily declined over the past twenty years from 35,000 head per annum in 2000 to less than a quarter of that number in 2021.

In October 2021, the 12-month rolling average of cattle throughput dropped below the 8,500 threshold to 8,323 head. This number declined further in November to 8234 head of cattle. To achieve the 8,500 threshold by the end of the calendar year, 872 cattle will have to be sold in the month of December, which is 20% higher than the December average over the previous 5-years.



In comparison, current annual cattle sales at the neighbouring Mt Gambier and Naracoorte saleyards are 8-10 times the Millicent volume at 67,832 and 81,466, respectively.

Naracoorte throughput numbers averaged 79,694 head per annum over the past five years; numbers are steadily improving and the 2021/22 season is trending in line with historical averages. 51,000 sheep were also sold through the Naracoorte saleyards in the month of November.

All three saleyards are competing in the same geographic market, and they are similar in geographic size and scale. Both neighbouring Councils have invested millions of dollars in modernising infrastructure such as ramps, forcing pens, soft fall, covered pens and effluent management systems. Because these facilities have and are still being upgraded to modern safety standards, Council has received advice from SafeWork SA that similar improvements to the ramps and forcing pens at the Millicent's saleyards would be deemed to be a reasonably practicable outcome.

Millicent Saleyards – (Google Maps 50m scale)

Mt Gambier Saleyards (Google Maps 50m scale)

Naracoorte Saleyards (Google Maps 50m scale)

SafeWork SA Notices

On the 23rd of July 2021 SafeWork SA issued five Improvement Notices with a requirement to remedy all contraventions by the 13th of August 2021. The remedial due dates were subsequently extended to the 7th of December 2021. The five notices specifically relate to.

1. WHSIN 202759

    a. **Description.** The layout of the entry and exit area adjacent to the livestock ramp was concrete blocks without handrails or suitable steps. Such a structure is not without risk to the health and safety of workers and other persons.

    b. **Directions.** The Australian Standard 1657 Fixed platforms, walkways, stairways, and ladders is refenced as a technical standard in several approved codes of practice. The PCBU is to utilise this Australian Standard to implement reasonably practicable controls to improve the access to the area adjacent to the livestock ramp.

    c. **Recommendations.** The PCBU has demonstrated the implementation of reasonably practicable controls at nearby yards by installing suitable steps, platforms, and handrails.

2. WHSIN 202760

    a. **Description**. Inspector observed that the layout of the access to trucks at the truck wash area was concrete steps without suitable handrails or suitable steps. Such a structure is not without risk to the health and safety of workers and other persons.

    b. **Directions**. The Australian Standard 1657 Fixed platforms, walkways, stairways, and ladders is refenced as a technical standard in several approved codes of practice. The PCBU is to utilise this Australian Standard to implement reasonably practicable controls to improve the access to trucks at the truck wash area.

    c. **Recommendations**. Consider consultation with users and other PCBUs who are conducting similar work.

3. WHSIN 202764

    a. **Description.** Inspector observed that the work environment at the truck wash area was not without risk to the health and safety of workers and other persons. The area has large holes, trip points and waste materials.

    b. **Directions.** The PCBU must ensure that the work area is maintained to reduce the risks to health and safety. For example, fill in holes, remove trip points and waste materials.

4. WHSIN 202765

    a. **Description.** Investigator observed that the layout of elevated walkways in the saleyards area may not be without risk to the health and safety of workers and other persons. Not all elevated walkways had kick/toe boards, not all elevated walkways had handrails.

    b. **Directions.** The Australian Standard 1657 Fixed platforms, walkways, stairways, and ladders is refenced as a technical standard in several approved codes of practice. The PCBU is to utilise this Australian Standard to review and implement reasonably practicable controls to ensure that the elevated walkway have the risk to health and safety managed so far as reasonably practicable.

5. WHSIN 202766

    a. **Description.** Inspector's belief after conducting a workplace visit to the Millicent Saleyards and in discussion with the PCBU is that there was not suitable evidence that reasonably foreseeable hazards had been identified regarding the livestock ramps and yards.

    b. **Directions.** The PCBU is to conduct the process of identifying foreseeable hazards regarding the livestock ramps and yards. The Australian Standard 5340:2020 Livestock loading/unloading ramps and forcing pens would be seen as suitable guidance for the PCBU to utilise in the process of conducting hazard identification.

    c. Recommendations. Refer to Safe Work SA information regarding livestock. Refer to the Australian Livestock Rural Transporters Association's National Guidelines for Ramps and Forcing Yards.

Risk Assessment

In accordance with the requirements of the final Improvement Notice, three onsite risk assessments were conducted with key stakeholders and users of the saleyard facility during late October/early November. Several additional hazards were identified, and risk assessed in accordance with Council's formal Risk Management framework. The specific outcomes of those risk assessments are captured in the Saleyards Risk Register at Attachment 2.

A small number of extreme risks were identified that were immediately addressed by either locking out infrastructure or ceasing the activity in accordance with Councils Risk Management framework.

Several high risks were also identified which need to be rectified as follows.

1. Truck Wash. The truck wash area requires the fabrication and installation of new stairs, ramps, handrails and guarding that are manufactured to Australian Standards. Despite running a competitive tender process in August of this year, Council officers have not been able to secure the services of a suitably qualified

contractor to quote for this work. Council officers have estimated that the cost to fabricate and install the required infrastructure is around $30,000.

2. Fixed Loading Ramps. The four fixed loading ramps require the fabrication and installation of new stairs, platforms, gates, wings, and walkways adjacent to the forcing pens to ensure there are appropriate safety barriers in place when handling livestock. These improvements are only required on the left hand (drivers) side of the ramps, and the right-hand workers gate will be locked out. As stated above, Council has not been able to find a suitably qualified contractor to quote for this work, and Council officers have estimated that the cost to fabricate and install the required infrastructure is around $25,000 per ramp for a total of $100,000.

3. Elevated Loading Ramps. The two elevated loading ramps have several high-risk safety hazards associated with them and the advice received to date recommends that it is better both financially and technically to replace them rather than trying to fix them. The ramps also require the fabrication and installation of new walkways adjacent to the forcing pens to ensure there are appropriate safety barriers in place when handling livestock. Council officers have been able to obtain indicative quotes for new ramps, and have estimated that the cost to supply, fabricate and install the required infrastructure is around $120,000 per ramp for a total of $240,000.

4. Electrical Power Boards. The electrical power boards that feed most of the saleyard's infrastructure do not provide adequate RCD protection and there is an extreme risk of electrocution through exposed wiring in the lighting towers, effluent pumps, fluorescent lights, and other electrical items. The power board cabinet has failed and is currently leaning against the inside of the storage shed it is housed in. Extreme risk areas have been locked out by Council's electrician. The cost to replace the power board has been estimated at $32,500.

5. Lighting. The saleyard lighting towers are an integral part of loading, unloading droving and handling livestock safely in the evening or early in the morning. The lighting towers have all been locked out by Council's electrician due to an extreme risk of electrocution. Mobile lighting towers have been rented while the main towers are being repaired, and two second-hand towers are being procured at a cost of $20,000 to mitigate the significant rental costs. Fluorescent lights under the covered walkways have also been identified as a high risk of electrocution due to their age and associated water damage. The cost to both to procure the mobile towers and repair the main infrastructure is estimated to be $106,500.

6. Weighbridge Office. The weighbridge office and adjoining infrastructure is at end of life and needs to be replaced. The elevated office is corroded and there are significant leaks causing water ingress into the building. There is exposed asbestos in the flooring and ceiling, and a range of issues with the stairs and elevated walkways that were identified in the SafeWork SA Improvement Notices. The elevated office needs to be demolished and replaced with a suitable ATCO hut at ground level. Council officers have not been able to obtain quotes, but it is estimated that the cost to demolish, replace and refit the weighbridge office would be in the vicinity of $200,000.

7. Administration Office. The top floor of the administration building has previously been used as a canteen, training room and office. The ground floor of the building contains public toilets and showers and several small offices that are used by the site manager and the Livestock Agents. The steel roof of the building is severely corroded giving rise to significant water ingress and damage to the top floor of the building. The ceiling, internal walls and floor of the top floor are all made of asbestos which has and will rapidly degrade and become friable if the roof is not replaced. To replace the roof, the asbestos needs to be removed to protect roofing contractors from exposure. The external timber doors and window frames are rotting from water damage and need to be replaced with longer lasting aluminium frames to make the structure watertight. The external timber cladding and framework is also rotting from water damage and needs to be replaced. The entire floor has been locked out to address the immediate risk to public safety. Since the previous report on this item Council Officers have managed to get a quote for the asbestos removal. The revised cost to just make the building safe is $269,000. To refit and make the top floor useable again would cost an additional $106,000 for a total cost of $375,000.

8. Workshop. The mezzanine floor in the workshop shed is unstable and does not have appropriate guarding to prevent a fall from height. The area is no longer being used but needs to be removed at an anticipated cost of $6,500.

Minimum Renewal to Acquit SafeWork SA Improvement Notices	**Cost**
Truck Wash	$30,000
Fixed Loading Ramps x 4	$100,000
Elevated Loading Ramps x 2	$240,000
Electrical Power Board	$32,500
Lighting	$106,500
Weighbridge Office	$200,000
Administration Office	$269,000
Workshop	$6,500
Total	**$984,500**

If funding is not provided to remedy the above high risk infrastructure renewal, it is highly unlikely that SafeWork SA would acquit all the Improvement Notices or defer their remedial due dates any further.

In that scenario, the CEO (as the PCBU) would have to close and lock out those assets to mitigate the risk to the health and safety of workers and other persons. Failure to do so could lead to prohibition orders and/or expiation notices being issued by SafeWork SA.

Safety Incident

On Wednesday the 10th of November 2021, Council was advised that a Livestock Agent's subcontractor was injured whilst unloading cattle at the Millicent Saleyards in preparation for the following day's sale.

The individual involved was attempting to brand a bull when he was struck on the head and received a crush injury to an eye socket and a cut to his forehead. He spent the night in Mt Gambier hospital and was released the following day.

The Millicent saleyards has a dedicated branding race that has been constructed for this activity, however larger bulls cannot fit through the race. While we are still awaiting the results of a formal safety investigation, it is understood that the individual involved used a non-standard workaround that involved handling the bull in a larger pen and crushing it between the pen's boundary fence and gate to enable it to be branded. The bull kicked the gate which struck the individual in the head.

Given the primary intention of both the Safe Work SA Improvement Notices and the Australian Standard for Livestock Loading/Unloading Ramps and Forcing Pens is to provide an appropriate safety barrier between livestock and humans, this incident is a timely reinforcement of the requirement to upgrade the Saleyard infrastructure.

Responsibilities of a PCBU

In accordance with Workplace Health and Safety legislation, a Person Conducting a Business Undertaking (PCBU) has a duty to ensure the health and safety of workers and other persons in the workplace. A PCBU must seek to eliminate risks to health and safety so far as is reasonably practicable.

Maximum penalties for failure to comply with a health and safety duty that exposes a person to risk of death, serious injury or illness are as follows.

1. Corporation/government body: up to $1.5 million

2. PCBU or an officer of the PCBU: up to $300,000

3. Individual (e.g. a worker): up to $150,000

In the case of the Millicent Saleyards, there are a number of PCBUs that need to consider these Workplace Health and Safety responsibilities.

It is important to note that Council does not actually "operate" the Millicent saleyards when it comes to the transport, loading, unloading, droving, handling, and sale of livestock. The Council is responsible for the provision and maintenance of infrastructure in accordance with several Australian Standards. In Council's case, the PCBU is the Chief Executive Officer.

The five Livestock Agents that are currently licenced to operate at the Millicent Saleyards are also PCBUs, and they are responsible for the safe transport, loading, unloading, droving, handling, and sale of their client's livestock. Under Workplace Health and Safety legislation, they are also responsible for the employees, contractors, and volunteers that they engage to assist them with these operations.

In the case of the safety incident outlined above, all PCBUs are jointly responsible. The lack of appropriate infrastructure to safely brand bulls was a contributing factor to this incident, as was the lack of any oversight or supervision to ensure that the subcontractor was complying with the Livestock Agents standard operating procedures.

Given that shared responsibility, there is both a perceived and real imbalance in the risk profile shared amongst the various PCBUs. At present, Council is wearing most of the safety, financial and reputational risk associated with the Millicent saleyards, and the five Livestock Agents that are undertaking their business activities there have very little investment.

Livestock Agency Fees

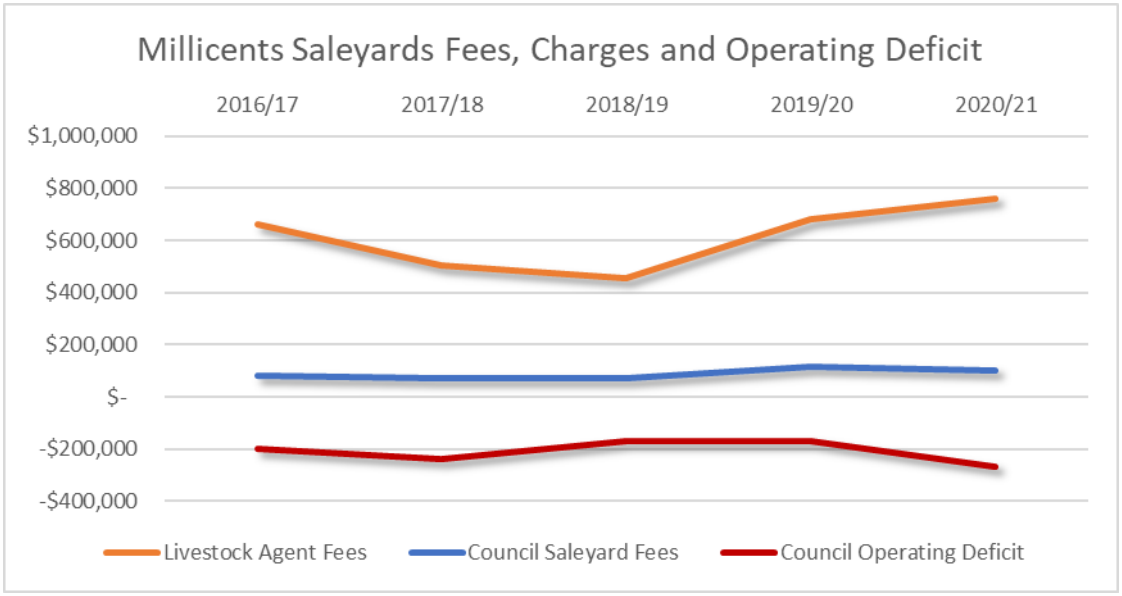
On the 9th of February 2021, Council resolved to *"Negotiate with Agents for industry comparable access fees to the Millicent Saleyards facility."*

Council's 2021/22 Fees and Charges Schedule lists the Livestock Agent Annual Licence fee at $624. Given the risk that Council (and therefore the community) is currently exposed to because of the Livestock Agent's business undertakings, the risk/reward balance is skewed heavily in favour of the five Livestock Agents.

Councils Yard Fees for Cattle are currently set at $12 per head. Industry standard Livestock Agency fees are 5% of sale price. Based on these rates, current projections suggest that Council will recover less than $100,000 in yard fees during the 2021 calendar year, whereas the Livestock Agents will recover over $770,000 – an average of $154,000 per agent.

Financial Year	2016/17	2017/18	2018/19	2019/20	2020/21
Head	9316	8509	8206	10256	8643
Council Saleyard Fees	$ 81,082.13	$ 73,557.12	$ 71,736.66	$ 116,906.36	$ 99,760.83
Council Operating Deficit	-$ 150,245.79	-$ 188,233.99	-$ 116,075.53	-$ 118,300.12	-$ 205,739.87
Council Depreciated Deficit	-$ 201,421.45	-$ 240,027.71	-$ 168,116.75	-$ 170,484.12	-$ 265,758.66
Cattle Sales	$ 13,229,612.00	$ 10,077,669.00	$ 9,096,888.00	$ 13,602,064.00	$ 15,157,879.00
Agents Commission	5%	5%	5%	5%	5%
Livestock Agent Fees	$ 661,481	$ 503,883	$ 454,844	$ 680,103	$ 757,894

As can be seen in the attached chart, the gap has widened as cattle throughput numbers have decreased and sale prices have increased.



Without taking depreciation or the sale of Council's own livestock into consideration, the Millicent saleyards underlying operating deficit (loss) for the 2020/21 financial year was $205,739.

Depreciation is the amortisation of an asset over time and in practical terms it is the allocation of funds towards the future renewal of infrastructure. When depreciation is added back, it brings the total operating deficit (loss) to $265,758. The Livestock Agents are

contributing $3,120 in licencing fees towards this financial outcome and earning over $770,000 in revenue through the use of this asset.

Council provides a range of community services that operate with a financial deficit (loss). These services are funded either through government grants or subsidies, fees and charges, and/or Council rates. Services like the Millicent Library, the Gladys Smith Early Learning Centre and the Millicent Swimming Lake service a broad range of community users and their numbers are not declining. While the Millicent saleyards benefit a broad range of farmers, it is one of the rare services provided by Council that offers a direct and significant financial benefit to a small number of commercial business operators. In short, the Millicent saleyards operating deficit of ~$250,000 is being funded by ratepayers to the financial benefit of five Livestock Agents.

Other Matters

A few other matters have influenced the debate about the future of the Millicent saleyards. One of them is the social, professional and mental health benefits of farmers attending sale days and interacting with other farmers. It should be noted that the Naracoorte and Mt Gambier saleyards are no more than an hour's drive away and their sales are 8-10 times larger than Millicent's.

Over the last five years, cattle prices have soared due to market demands. Total annual sales through the Millicent saleyards over the last two years have exceeded $15 million. Some of the Livestock Agents have suggested that this revenue will be lost to the district if the Millicent saleyards cease to operate. Given this revenue is paid directly to farmers and agents that live and work in the district regardless of where or how their cattle are sold, this is clearly not the case.

Another consideration that has been put forward is that local livestock sales contribute significantly towards the local business economy because farmers spend considerable amounts of money on sale day. While this may have been the case a few decades ago when local retail traders sold jewellery, whitegoods and other more significant retail items, the entire retail market has changed significantly due to market consolidation and the advent of online shopping. There is a definite benefit to retail businesses on sale days as farmers come into town for lunch and to buy sundry items, however these economic benefits should not be overstated.

Financial Considerations

Budget Allocation	$294,520 (safety related renewals)
Budget Spent to Date	$0
Budget Variation Requested	$689,980

Risk Considerations

Please refer to the attached risk register.

Policy Considerations

Wattle Range Council Risk Management Policy

Legislative Considerations

- SafeWork SA - Livestock loading and transport
- SafeWork SA - Livestock handling guidelines
- SafeWork SA - Guide to managing risks in cattle handling
- Australian Standard for Livestock Loading/Unloading Ramps and Forcing Pens (AS 5340:2020).
- Australian Standard 1657 Fixed platforms, walkways, stairways, and ladders
- Australian Livestock and Rural Transporters Association - National guidelines for Ramps and Forcing Yards

Environmental / Sustainability Considerations

Council is authorised to carry out operations at the Millicent saleyards subject to the conditions detailed in EPA Licence 2424. As part of this licence the management and disposal of waste is required to be approved by the EPA via an approved Wastewater Irrigation Management Plan (WIMP). Tonkin Consulting are contracted by Council until January 2023 to manage the environmental monitoring requirements for the Millicent Saleyards.

Communication & Consultation Considerations

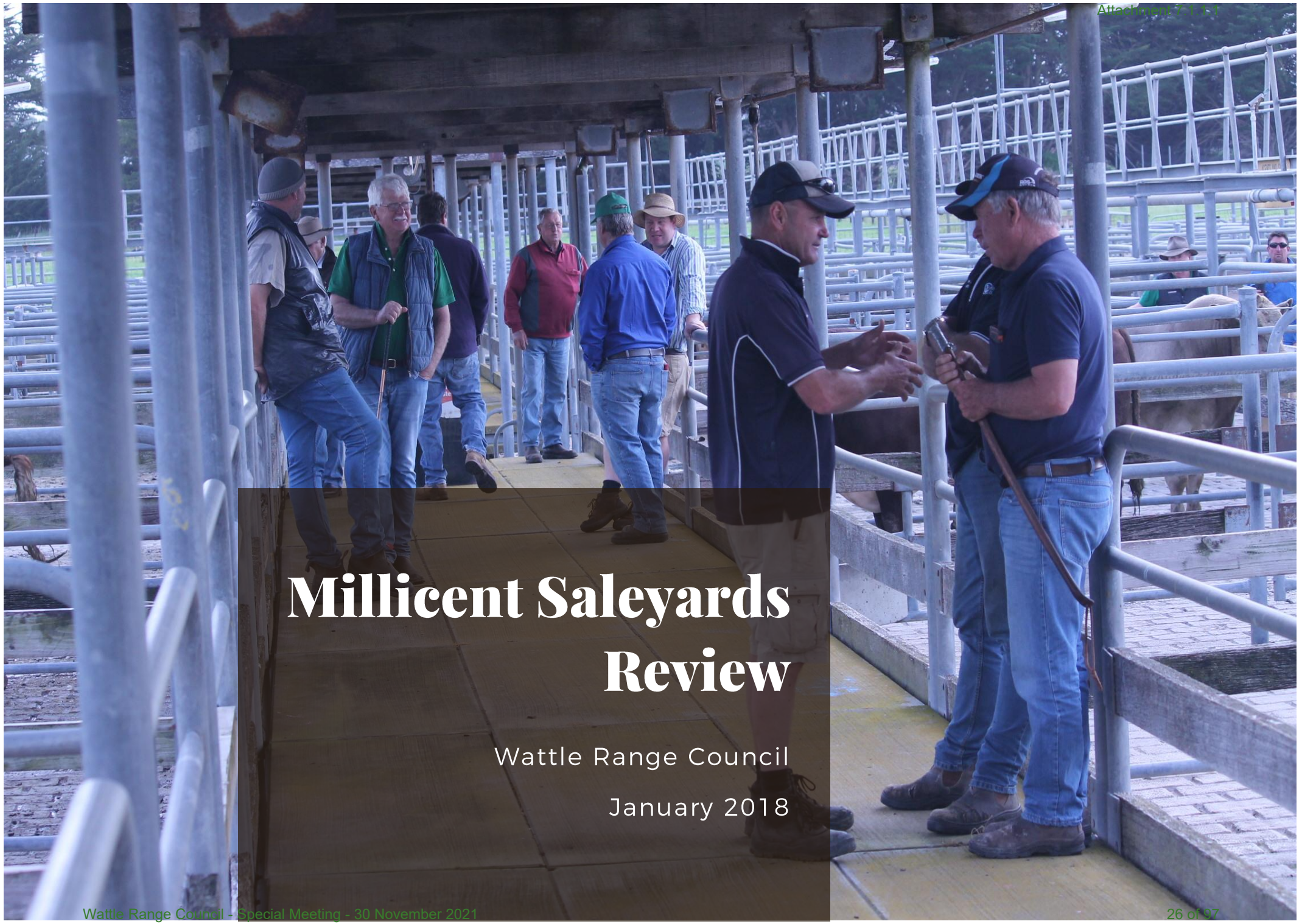
If any member of the community wishes to access factually based information about this or any other matter, they are encouraged to contact the Mayor and/or CEO who are the official spokespersons of Council.

RECOMMENDATION

That Council:

1. Receive and note the report.

2. Endorse a further budget variation of $689,980 to address the work required to close out the SafeWork SA Improvement Notices and associated high risk items identified in the site-based risk assessments that were conducted with key stakeholders and users of the Millicent saleyards.



Millicent Saleyards Review

Wattle Range Council

January 2018

Report statement

The Millicent Saleyards Review has been prepared specifically for Wattle Range Council as the client. The Millicent Saleyards Review and its contents are not to be referred to, quoted or used by any party in any statement or application, other than by Wattle Range Council without written approval from SED. This report contains material provided on a commercial -in-confidence basis and therefore requires SED's approval prior to public disclosure.

The information contained in this document has been gained from anecdotal evidence and research. It has been prepared in good faith and in conjunction with Wattle Range Council. Neither SED, nor its servants, consultants, agents or staff shall be responsible in any way whatsoever to any person in respect to the report, including errors or omission therein, however caused.

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Summary of key findings

- Throughput numbers held around 20,000 head annually or above until 2010/11. There has been a sharp and declining trend until, for the first time, numbers fell below 10,000 in 2016/17. While numbers have been trending down generally across the wider industry over this period, this is not sufficient to explain the magnitude of the decline through the Millicent Saleyards. The fact that it hasn't been necessary to hold weekly sales during the peak season in recent times is another indication of declining patronage.

- For a saleyard operation to be successful requires the support of all the principal parties involved; vendors, agents and buyers. While there has been adequate agent and buyer support over the journey, the same can't be said for local producers, particularly larger landholders who are increasingly selling direct or using Naracoorte and Mount Gambier yards

- Industry trends are impacting so that larger producers have more marketing options than smaller producers and they understand the financial imperative of receiving the best price they can for their product.

- In many cases larger producers have refined their production systems to meet the requirements of the supermarket feedlots or to processors OTH and, by doing so they, have effectively integrated their operations into the value chain. The Millicent Saleyard is therefore largely patronised by smaller operators with fewer marketing options and limited linkages to larger and global supply chains

- Average sale prices received at Millicent over the past 3 years are 4% below Naracoorte and 3% below Mt Gambier

- Millicent is around 10% the size of Naracoorte and Mt Gambier yards based on both cattle volumes and value of sale meaning scale benefits are not created for either buyers or sellers – the market provides some convenience benefits for users; principally servicing smaller producers and selling smaller animal lots. Millicent has a limited, or narrow audience, in that it;
  - only conducts a prime cattle sale, usually fortnightly
  - no longer holds sheep sales
  - does not hold any store cattle sales

- Competitive tensions between regional saleyards (Mt Gambier and Naracoorte) are becoming more evident. as there is an increasing trend for Naracoorte to run consecutive sales on the same day. While Millicent have, as the junior partner, accommodated in the past by starting the sale early, the signs are that this may prove an insufficient compromise and in future buyers and agents alike may be forced to make a choice about where they attend.

- Location, aggregation, alternate land use, changing market trends, and regionalisation of saleyards are all impacting the throughput of the Millicent saleyards. These trends are resulting in declining throughput and the ongoing diminishing financial performance of the saleyards.

- The buyers, particularly of young stock, have traditionally generally supported Millicent because, like Mount Gambier, 'they know what they will get' in the way of carcass yield that is not always the case in other yards. However, the continued decline in numbers make it difficult for them to justify a regular presence, particularly in periods

where numbers are low and/or variable, that has the potential to further impact the ongoing competitiveness of future markets.

- The indications from senior management of some of the processors indicate that Millicent doesn't register as a part of their supply chain, meaning future buyer interest may come from commission agents as opposed 'salaried buyers' that could further impact price competitiveness of the yards.

- Given these reasons, all of which are beyond Council's ability to effectively influence, it has been left to Council to cover the operating losses generated from the Saleyards continued operation which are currently running at around $125,000 - $150,000 per annum.

- The previous and ongoing lack of investment at Millicent leads us to form the view that its relative competitive position against other regional yards will continue to erode and operational expenses are likely to increase over time as a result.

- There has been minimal investment in the saleyards, in contrast other yards which have been upgraded in recent years. The investment required at Millicent to remain compliant and competitive is likely to be at least $200,000 to remain compliant and could be considerably higher than this to remain competitive

- Maintaining a business as usual approach will result in 5-year operating losses of $625,000 and $750,000, with likely infrastructure investment costs exceeding $200,000

- To achieve breakeven financial position before considering additional infrastructure investment needs requires an increase in throughput of 2.3 – 3 times existing levels to around 41,000 – 48,000 cattle per annum. Given industry trends and increasing competition between yards, it is highly unlikely Millicent can achieve these levels

- We believe the current operating loss situation is unlikely to significantly improve in future, particularly considering the highlighted and unlikely increase in throughput required to achieve a breakeven scenario and the likely need for future infrastructure investment required for compliance and / or competitiveness reasons

- Should it be determined that the yards are no longer viable, then there are alternate land use opportunities that may provide other, perhaps greater, economic benefit to the community.

- Many local producers currently access services at Naracoorte and Mt Gambier. The proximity of these yards to Wattle Range Council makes accessing these services largely cost neutral, considering transport costs and likely higher cattle prices sellers would receive.

- The annual economic contribution of the saleyards to the local economy is estimated to be $1.2m. This arises from:
  - The operations of the saleyards themselves
  - Indirect expenditures arising from the use of local suppliers
  - Induced retail expenditure from users of the yards
  - The value derived from stock agents locating in the Shire, because the yards are in the Shire

- In the long term, it is highly likely the yards will close whether because operational losses continue to increase and become unpalatable, or the costs associated with infrastructure investment also make the yards financially unviable.

Recommendations

- A range of future options have been considered, costed and assessed business as usual, sale, investment, altered operating models, immediate closure, and staged closure.

- The critical issue is that current users have alternative locations to source the buying and selling services provided at the yards. If this were not the case, it is likely our conclusions would be different.

- The operating losses at the yards over the next 5 years are forecast to be in the order of $625,000 - $750,000, there are potential investment risks facing Council and in the in the long term it is highly likely the yards will close due to operational losses arising from reduced throughput and / or costs associated with infrastructure investment. Unless there is a compelling argument to continue to fund the forecast losses and expose Council to the potential investment risks, we see no other option but to recommend closure of the yards.

- We would recommend the yards are closed in a managed fashion as this approach best utilises Council resources, while minimising the impact and disruption to any associated commercial activity that a closure would create.

- We would recommend that closure not be immediate, however continue under notification of closure until, say, June 30, 2019 in order to;
    - Allow sufficient time for vendors, agents and buyers to make alternative arrangements
    - June is when the seasonal sales cycle is at an ebb, that should further assist any transitional arrangements
    - Provide an end date for Council to withdrawal from various obligations and to negotiate, mitigate and ameliorate future compliance and financial risk associated with continued operations
    - Use the intervening period to develop a land use activation strategy and commence market testing for potential developers

- This option is likely to save Council in the order of $500,000 - $700,000 over 5 years compared to business as usual, it reduces Council's investment risk profile and in our view provides for an orderly and minimally disruptive strategy.

1. Report background and purpose

The saleyards review is part of a wider governance initiative of Wattle Range Council to undertake a review of all its business units to ensure the financial sustainability of its future operations in an environment of increasingly constricted budgetary circumstance.

Council has successfully managed the saleyards since it moved to the current site in 1976 for the economic benefit of the industry and the wider local community, however there has been an ongoing and increasing requirement for Council's financial support to continue to maintain operations.

As such, Council wish to seek an independent review of the financial viability and sustainability of ongoing operations of the Millicent Saleyards. This review includes:

- An assessment of current infrastructure, with respect to future investment, its current suitability for purpose, age and ongoing upkeep.
- An assessment of the industry, including the current competitive environment from other regional saleyards and alternative sale methods and/or selling systems to understand current throughput and likely throughput scenarios.
- An assessment of any alternative management structures and/or uses, or funding sources; including classes of livestock sold and a review of fees & charges, that may potentially increase viability of operations at the site.
- Site specific information relating to current activities and possible alternative uses within planning guidelines.

Figure 1 - Aerial view of the Millicent Saleyards

Figure 2 - Truck loading / unloading apron

2. Current operations

2.1 Brief History

The original saleyard site was said to be located closer to the centre of town. There is mention of Council approval having been given in 1954 to;

"erect up-to-date saleyards to accommodate approximately 10,000 sheep and 700 cattle on portion of the land recently purchased and described as sections 504, 505, 506 and 510, hundred of Mount Muirhead"[1]

The above-mentioned proposal wasn't Council's initiative, rather the proponents; Bennet & Fisher, Dalgety & Co., Elder Smith & Co., Goldsborough Mort & Co. and S.A.F.U., were the parties seeking Council approval.

It would appear that Council assumed responsibility for saleyard operations at the time it was relocated to the present site in 1976 on Saleyards Road, 3.5 kilometres from the Millicent town centre.

2.2 Site Description

2.2.1 Land

An area of around 60 hectares comprising the saleyards and ancillary buildings as well as a number of fenced paddocks, two of which are currently able to be irrigated. The property is bisected by a bitumen access road that generally follows a South-East to North-West direction. It also accommodates the Council Waste Transfer Station, situated in the most Eastern corner of the property.

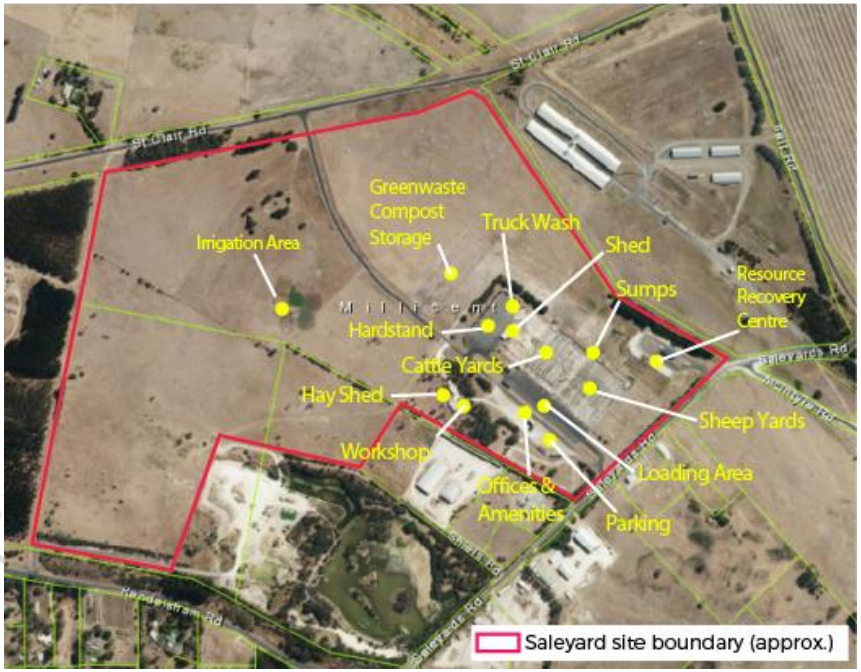

Figure 3 - Saleyard Site Plan

2.2.2 Fixed Infrastructure

Cattle Yards; Are comprised of 28 cattle holding pens, 116 cattle sale pens multiple receival points, service access lanes & pens, handling facilities, 2 x NLIS tag reading and weighing stations and office, two adjustable loading ramps and include raised walkways and covered public viewing platforms to facilitate the auction process.

[1] South Eastern Times (Friday May 7, 1954) *'Saleyards at Millicent North Approved'* [*https://trove.nla.gov.au/newspaper/page/22456424?downloadScope=page*]

Figure 4 – Cattle yards on a sale day

Sheep Yards - Are comprised of 298 pens of differing dimensions, access lanes and six adjustable loading ramps to load and unload stock. The yards are open (no cover) with semi-raised walkways for the use of auctioneers and agents during the sales process.

Sumps - Both the cattle and sheep yards have concrete sumps at the Northern end to collect run-off from rain events, cleaning activities and truck wash.

Roads - The site is well-serviced by sealed roads and extensive apron areas.

Buildings; Apart from the yard weighing office, there is;

- A two-storey brick building with an office for the saleyard manager and canteen upstairs with agents' offices and amenities below.
- A shed housing a workshop and equipment storage
- A hay shed
- A general storage shed.

Plant & Equipment Plant and equipment on site includes:

- Computers, associated software and electronic equipment to allow the identification of animals and recording of weights as required by industry and regulatory standards
- A three-bay Avdata truck wash
- A travelling irrigator, various pumps, filters meters and pipe system - used for wastewater management
- Sundry plant & equipment and workshop used for upkeep of the site and facilities

Amenities - There are adequate toilet and shower facilities situated in the main administration building.

2.3 Operations

Sales -Regular cattle sales are normally held from 9:00am every alternate Thursday, sometimes weekly between October and January, depending on numbers. All cattle are weighed post sale and sales data recorded in accordance with NLIS regulations.

There are four agents that are accredited to operate and maintain on-site offices; Elders. Landmark, John Chay & Co., and PPHS,

Apart from restockers and commission buyers in attendance, the main processors represented include; Teys Bros. (Naracoorte), Midfield (Warrnambool), Woodwards (Swan Hill), Westside Meats (Bacchus Marsh), TFI (Murray Bridge), and JBS (Brooklyn).

Transit - Facilities for transiting both sheep and cattle are available to local landholders and transport operators, however are usually arranged by local livestock agents.

Leases - The SA Dept. of Planning, Transport & Industry (DPTI) lease an area West of the cattle yards where they intermittingly conduct 'Rider-Safe' motorcycle training on non-sale days.

Trading - Limited cattle trading is undertaken at the Saleyard Manager's discretion to assist in meeting the running costs of the facility.

2017/18 Fees & Charges

Description	Amount
Yard Fees (per animal)	
Cattle	$ 8.80
Bulls	$ 8.80
Bobby Calves	$ 4.00
Out of Market Weighing: Cattle (per animal - minimum number 30)	$ 8.80
Sheep/Lambs	$ 0.80
Transit Fees (per animal)	
Cattle	$ 3.30
Sheep/lambs/pigs	$ 0.80
Disposal of Dead Stock (per animal)	
Cattle	$ 156.00
Sheep/lambs/pigs	$ 36.40
Truck Wash	
Use of truck wash facilities & wash down bays – flag fall	$ 3.00
Use of truck wash facility & wash down bays – per minute	$ 0.50
Truck wash facility & wash down bay – purchase of key	$ 25.00
Agent Fees	
Livestock Agent Annual License	$ 624.00
Livestock Agent Annual Office Rental	$ 312.00

Table 1 - 2017/18 Fees & Charges

These fees and charges are comparable to other yards and industry practice.

Staff - Wattle Range employ a full-time Saleyards Manager and a Sales Clerk to manage sale day administration and data entry, an average of around 7 hours each sale. The Saleyards Manager is currently being assisted for a 26-week period by a participant in a Government sponsored work program hired through Axis Employment.

There are also 9 contract staff employed prior to and during each sale. 7 of the staff work around 4 - 5 hours and 2 work around 10 hours per week or fortnight according to sale schedule. The cost of contract labour is borne by the agents.

Truck wash - There is a 3-bay Avdata (automatic billing provider) truck wash.

Canteen - A canteen service provided by a local business on sale days.

Figure 5 – Main office and amenities building

3. Operational Assessment

3.1 Infrastructure

Roads and access - The site has excellent ingress and egress via sealed roads in two directions that are near both the Princes and Southern Ports Highways. There is sufficient parking and generous sealed aprons adequate for all related stock and other transport movements. Grounds and verges are well-maintained.

Land - The site is well positioned amongst allied industry activities and maintains sufficient buffer zones consistent with current planning requirements.

Paddocks are well-fenced and of an appropriate size for grazing and wastewater reticulation activities.

There remains the possibility of future conflict with the management committee responsible for Lake McIntyre wildlife reserve, a reclaimed quarry adjacent to the Saleyards site, around possible nutrient flows from wastewater reticulation.

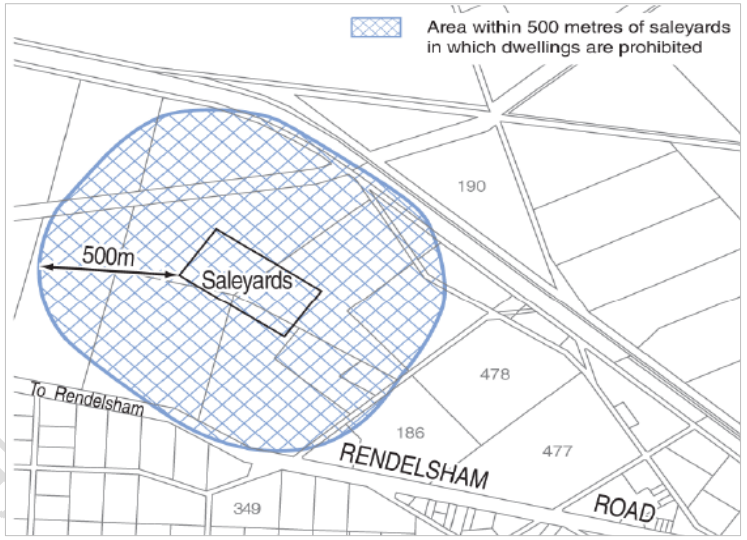

Figure 6 – Development Plan buffer provisions for the saleyards

Fixed Infrastructure - The cattle yards are generally fit-for-purpose and well maintained within budgetary constraints. Their presentation and cleanliness is excellent.

The general layout appears to allow cattle to move through the yards relatively effectively and safely. Auctioneer and covered public viewing platforms appear adequate. Rails are replaced on an as-needs basis (i.e. as they break).

Figure 7 – Rails replaced as required

While cattle holding pens have dirt floors, sale pens are concrete without any soft-fill and not regarded as industry best-practice. We understand this is largely due to the inability of the wastewater sump/pump and reticulation system to cope with the additional solid waste generated.

From historical data, regular sheep sales between the months of October and March ceased in 2006/'07 with only one November sale the following year. There appear to have been sporadic odd-lot sales in 2012/'13, however none have been recorded since.

As a result, the sheep yards are largely unused, except for the purposes of transiting of livestock. While they remain largely functional, apart from five of the six loading ramps being taken out of service, they are unlikely to be utilised to any major extent in the future.

In addition, the EPA have mandated run-off from the yards be segregated from the active wastewater system and the sheep sump is required to be reticulated separately to the cattle yards, in effect requiring an amendment to the EPA licence for them to be used for their original purpose.

As such, they are regarded as surplus to requirements and Council is actively considering proposals for the removal of steel panels and sections from site.

There is no truck weighbridge available on-site, a disadvantage compared to alternate saleyards, however there is a public weighbridge situated at a private business around a kilometre away.

Buildings are generally adequate for their required use. The hay shed is nearly-new having been replaced under the Council insurance policy after recent storm damage.

Plant & Equipment - Much of the equipment used for the maintenance and upkeep of the saleyards site is drawn from the Council pool of equipment held at a nearby depot that is generally well maintained and designed for the purpose at hand.

Other agricultural equipment, specific to paddock operations, is limited and often has to be accessed from various third parties by the Saleyards Manager.

3.2 Management

The Saleyards Manager is responsible for operations and the maintenance of the site. He is an experienced, capable and resourceful ex-farmer who largely operates the facility semi-autonomously on behalf of Council.

This contrasts with most other similar saleyard management structures that have appointed advisory committees to oversee both financial control and management operations with defined roles and responsibilities clearly articulated. By comparison. the Millicent Saleyards are relatively under-resourced with respect to both its management capacity and capability.

This is not a criticism of the current appointee who appears to have a good rapport with most stakeholders and manages the facility well with resources at hand. There may however be some inherent risk to Council

related to communications and compliance of a key member of staff, given his single worker status and the type of work he undertakes in the normal course of his duties as well as succession related risks to Council,

The advisory committee management structures adopted by other council saleyard operators have some key advantages;

- They provide guidance, planning and management support, particularly around financial, administrative and compliance matters that appear lacking in the current Millicent Saleyard structure.
- While the facility remains in the control of the relevant council, they in effect place the saleyards' operations at 'arm's length' and involve all stakeholders in day-to-day management issues.

While this may appear a superficial distinction, it does place responsibility on all parties, not just Council, to affect a sustainable business model. It also communicates the challenges of such facilities and the industry in general to the wider community, so it doesn't, by default, just become 'a Council problem'.

A material example of the benefit of such a structure can be found in the Naracoorte Regional Livestock Exchange (NRLE) Strategic Plan 2012-2022, where it states;

> *"The Naracoorte Regional Livestock Exchange will be managed as a business unit of the Naracoorte Lucindale Council. It is intended the NRLE operates as a sustainable entity; it is not intended to be able to draw on Naracoorte Lucindale Council general revenue."*

We understand Millicent did operate a similar structure and that the current structure was a decision by Council in response to a previous report and reflects the circumstances the saleyards found themselves in and 'the need to cut one's cloth accordingly'. This said, it is our view that the planning and investment that has been absent at the yards, due to no formal governance structure being in place, has contributed to a continuing deterioration in the competitive position of the Millicent yards compared to alternate local council operated facilities.

3.3 Accreditations and Compliance

Compliance: We have been unable to establish that either the current saleyard Work, Health and Safety (WHS) & Quality Accreditation (QA) systems / manuals are adequately maintained or sufficiently verifiable should they be audited. Although we are advised that the QA manual will be up-to-date in time for the February audit, we make no comment as to whether sufficient procedures, policies and records are in place in relation to the ongoing maintenance and content of these systems and manuals.

This, along with difficulty locating various other records and details around the saleyard's operations, leads us to form the view that timely verification and recording activities and procedures required by most mandated authorities are possibly lacking.

To a large extent, given the intermittent and occasional nature of their operation, smaller council saleyards have traditionally 'flown under the radar' with respect to various regulatory and compliance activity, however there is a growing external expectation around the transport industry, WHS, the environment and animal welfare that will surely continue to impact operations into the future.

An example is a recent amendment by the EPA to WRC's licence requiring the saleyards to implement a Wastewater Irrigation Management Plan (WIMP) with increased reporting and a capital works component. Current cost estimate is around $15,000 for consultancy fees (including water monitoring) and a further $8,000 for reticulation costs. Another example, although not relevant to Millicent, is Victoria's decision to mandate sheep and goat identification recording in saleyards, requiring saleyard to make significant further investments in relatively untested technology.

As further 'state-of-the-art' facilities are established by private operators, and incumbent regional saleyards continue to invest to maintain their attractiveness to vendors and buyers alike, it could be expected that current 'best practice' may in time become 'mandatory items' to remain competitive or are included in future codes of practice.

Future provisions (and indicative investment requirements) could relate to items, among others, such as;

- While the EPA currently require a WIMP, a storage lagoon for winter storage remains a future possibility should the WIMP prove ineffective in balancing wastewater nutrient loadings (Est. $30,000+).
- Responsibility entity ('load managers') for transport chain of responsibility (Training Expense, say $5,000)
- Mandatory 'soft flooring' (Mount Gambier recently received a quote of $1,360 per selling pen to remove current rubber matting and a further $1,170 excluding labour to replace it) (Est. $135,000 for Millicent).
- A requirement that people and livestock remain separated during saleyard operations. The recent deaths, sadly, of a regular Millicent buyer at a property South of Dunkeld and another experienced agent at Talangatta just before Christmas, bringing to a total of three deaths since last August in on-farm stockyard incidents, is likely to increase scrutiny of all yard practices and require additional investments of saleyard operators

As an example, these industry trends are demonstrated by the developers promoting the new Ballarat Saleyards, or Central Victorian Livestock Exchange (CVLX)[2];

The CVLX project will provide a new, modern facility to replace the Ballarat saleyards. It will accommodate annual throughput of 70,000 cattle and 1.6 million sheep and will improve the safe movement and handling of livestock on sale days. Features of CVLX will include:

- *An efficient layout which will improve the process of livestock penning, identification and classification to ensure sale days are conducted safely and efficiently.*
- *A safe working environment for stock agents, buyers and others working at the facility, including better separation of livestock from people.*
- *Modern infrastructure to reduce injury to animals and optimise animal comfort, including soft flooring, additional feeding facilities, low-bruise panelling, and undercover cattle and sheep yards.*
- *Quality environmental improvements including rainwater harvesting, waste water recycling and low energy lighting.*
- *High quality infrastructure for users and patrons including offices, hygiene services, on-site cafeteria, dedicated parking, vehicle wash facilities, and efficient loading bays.*

It is likely that the Saleyards will require investment to maintain compliance with industry standards. While we cannot determine, at this stage, what investment will be required, we are of the view that it will be at least $200,000, and based off the level of investment made at competing yards, and could be considerably higher.

Accreditations -The Millicent Saleyards are National Saleyard Quality Assurance (NSQA) Accredited. They are also Meat Standards Australia (MSA) licenced. However, unlike other competing regional saleyards, they are not EUCAS (European Union Cattle Accredited Scheme) accredited.

Information from NRLE[3] would indicate around 17% of total cattle sales were sold as EUCAS compliant. Mount Gambier are also EUCAS compliant. Even Casterton Saleyards, that have no regular sales and only hold 8 - 10 store sales annually, are EUCAS accredited.

EU accreditation was cited as a reason by at least one vendor for selling their stock at alternate saleyards.

[2] CVLX Website; *http://saleyardsrelocation.com.au/about/*

[3] NRLE 2017/'18 Fees & Charges indicate a EUCAS charge of $2.00/head.
NRLE 2016/'17 Fin. Statements indicate EUCAS revenue at $25,226 from a throughput of 75,543 head.

4. Industry environment

"The cattle and beef industry is diverse, complex, and fragmented. There are multiple activities and a variety of channels through which cattle may be grown-out, sold, processed and reach an end market. Production and sales decisions are influenced by a number of factors, including location, climate and size of operation."[4]

4.1 Seasonal factors

All agricultural produce, often referred to as 'soft commodities' similar to other commodities, must deal with the commodity 'cycle' as prices react to various supply and demand fluctuations. What makes soft commodities more volatile is 'seasonal variance' where climatic conditions alternate between 'a good', ideal growing conditions and 'a bad' season, where production may be impacted usually by drought, or, tempest, floods, extended cold, wet and frosty conditions etc. The wider impact of the event, the deeper the impact on production.

Often overlooked, is the importance of red meat production to the nation's productive capacity. Ruminants, principally sheep and cattle, are efficient grazers of 'rangeland pastures' and utilise roughly 54%[5] national land resource, 45% of which is of natural (unimproved) pastures that may not otherwise have any productive use.

As such, the severity and long-term nature of adverse weather events have on the industry are usually exaggerated. Cereal crops are sown annually, if one crop fails it may be re-sown the following year. Intensive meat production, mainly poultry and pigs, are housed and have their feed supplied to them, hence are largely shielded from the severity of climatic events.

[4] Bezzi, M.. (ACCC), (March 2017), *Cattle & Sheep Market Study - Final Report p.7.*

[5] Australian Collaborative Land Use & Management Program (ACLUMP), 2016 Land_use_in_Australia_at_a_glance_2016 [http://www.agriculture.gov.au/abares/aclump]

As a rangeland animal, ruminants are generally poor converters of protein by comparison to monogastric animals and have relatively low fecundity, in the case of cattle, producing only one offspring per cow in-calf each year. This may mean that it could take a period of years to replace numbers lost during a drought or other severe climatic event.

As a result, livestock markets are often said to be 'grass markets' where the amount of feed available is often reflected in price as producers have more options open to them;

"In extreme events, fluctuations in supply can have a significant effect on prices. A drought in Queensland, the Northern Territory and parts of New South Wales and Victoria resulted in a significant increase in cattle supply as producers rapidly destocked properties throughout 2013 and 2014. The drought also negatively affected the condition and weight of cattle offered for sale and reduced the number of restocker buyers participating in the market, reflecting a lack of feed to support purchases. The combination of these factors led to a significant decline in cattle prices. Despite the sharp decline in prices, producers in drought affected areas were unable to respond by withholding cattle from markets because pastures could not support existing stocking levels.' "[6]

Similarly, processors can also encounter prolonged commodity cycles where availability and cost can test long-term profitability and operational sustainability, however these usually run countercyclical to producers fortunes as was witnessed by record slaughter production during 2014 where stock were plentiful and available at relatively low prices.

"Australian cattle processors slaughtered just over 10 million cattle and calves in 2014–15, producing around 2.7 million tonnes of beef and veal. This was a record number of cattle slaughtered, and largely reflected increased turn off by drought affected producers and strong demand from export markets," [7]

[6] Bezzi, M.. (ACCC), (March 2017), *Cattle & Sheep Market Study - Final Report p.46.*

[7] Ibid. *p.35.*

Of relevance to this report is the need to interpret the degree to which seasonal factors have impacted saleyard throughputs, i.e.. while throughput at Millicent has declined over the past 2-3 years, it is a general trend across the whole industry.

4.2 Competition between different marketing systems

There are several different systems available to producers to market their livestock. These include:

- **Open (English) auction**; as commonly practiced at most saleyards. Stock on offer are usually sold to the highest bidder, bids may be cents per kilogram or dollars per head for either prime or store stock. Vendors normally arrange transport to the saleyards and the new owner, often a processor in the case of prime sales, organise ongoing transport to a nominated facility.
- **Direct or paddock sales**; where stock are inspected, and a price agreed per head in the paddock, although such arrangements usually call for a weight to be established prior to delivery. Change of ownership and transport arrangements are as agreed between buyer and seller at the time of sale.
- **Over-the-hooks (OTH)**; where livestock are sold and ownership is transferred according to a specification and the trimmed 'hot carcass weight' of the animal after slaughter. The price is often determined using a reference grid that includes measurement of a number of carcass characteristics.
- **Forward sales contracts** where there is a contractual agreement between a producer and buyer to supply a given amount of product (No. head) at a given time in the future for a given price. Contract terms determine pricing mechanisms (per head, or price grid) change of ownership and transport costs.
- **AuctionsPlus**; previously known as CALM (Computer Aided Livestock Marketing) an on-line auction system. The service provides livestreaming of saleyards, store or paddock sales.
- **Alliances**; whereby different participants in the value chain provide branded product to the market, for example, where producers service kill their animals and market directly to consumers.

4.3 Competition between systems / Market share

As there are number systems available, the sales method chosen by producers to market their livestock, while always price related, they can be complex and are often dependent on multiple factors.

4.3.1 Geography

"In general, cattle producers use the sales channel they believe will maximise the return on their livestock. However, their ability to do this is influenced by access to the selling method, the sale process, market specifications and buyer preferences."[8]

This can be illustrated by the comparative different preferences exhibited by Northern and Southern livestock producers. In the North 'tyranny of distance' or relative location between the producer's property and the nearest saleyard, abattoir or port and the associated freight cost, is usually the primary consideration defining a destination that then determines the associated market system. There no point sending cattle to a saleyard when there may be processing plant hundreds of kilometres closer.

Furthermore, as much of Northern production is cattle grazing natural pastures, producers have less flexibility in holding cattle in periods of drought. It is also normal that cattle are turned off at an earlier age for finishing elsewhere. In the respect the export trade for feeder cattle is far more evident in the North than in the South providing an alternate channel to market. In Southern Australia, where infrastructure has been

[8] Bezzi, M.. (ACCC), (March 2017), *Cattle & Sheep Market Study - Final Report p.33.*

traditionally more accessible, saleyards still account for almost two-thirds of beef cattle sales. The different characteristics are shown in Figure 8 and Figure 9[9].

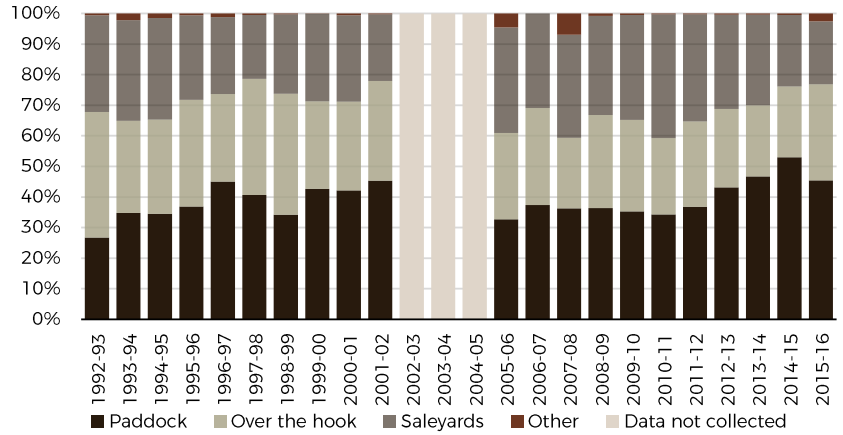

Figure 8 – Preferred method of selling cattle - Northern Australia[10]

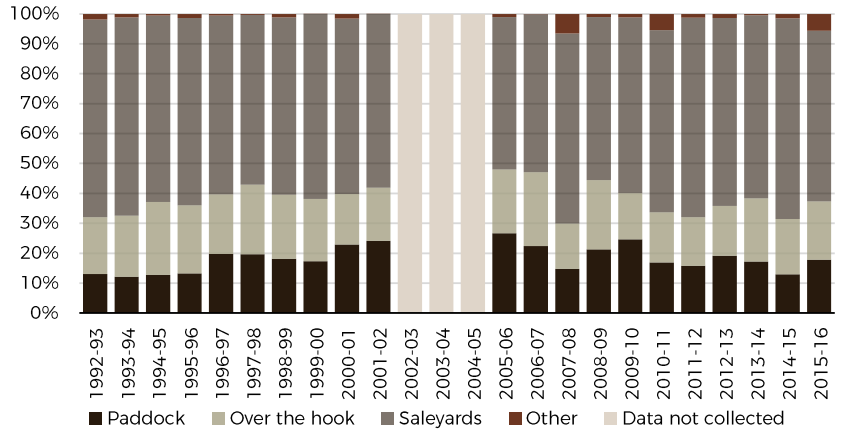

Figure 9 – Preferred method of selling cattle - Southern Australia[11]

In southern markets, such as Millicent saleyards play a more significant role than in northern markets, with around 55% of sales being effected through this channel. The need for producers and buyers to be able to *access yards* is critical. The issue of note is many users of the yards from Wattle Range Council can and do access yards in Mt Gambier and Naracoorte.

4.4 Herd size

Another significant geographic distinction between North and South, is herd size;

> *"In northern Australia average herd size is 1576 head per farm, with the majority of cattle held on a relatively small number of very large properties. For southern Australia, a large number of relatively small-scale farms results in average herd size of 412 head per farm."*[12]

[9] Graphs include both store and prime sales cattle, therefore it overstates the significance of saleyards for the sale of prime (slaughter ready) cattle

[10] Source: (ABARES), *Farm survey data for beef, slaughter lambs & sheep industries,*

[11] Source: (ABARES), *Farm survey data for beef, slaughter lambs & sheep industries*

[12] Bezzi, M.. (ACCC), (March 2017), *Cattle & Sheep Market Study - Final Report p.46.*

> *"..... in southern Australia..... more than 90 per cent of the region's farms had herds consisting of between 100 and 800 head, with these farms accounting for almost two thirds of the region's cattle population.*
>
> *In contrast, the majority of cattle in the northern region are held on a relatively small number of very large properties. In the three years ending 2014–15, around 40 per cent of northern beef farms had herds consisting of more than 800 head, accounting for around 85 per cent of the region's cattle population."*[13]

Relative herd size also impacts profitability and the choice of sale method available to the producer;

> *"Herd size is also linked to profitability, with larger herds generally associated with greater profit. Small-scale farms, with herds of between 100 and 200 head, had an average annual rate of return (excluding capital appreciation) of –0.5 per cent per annum in the 15 years to 2014–15, compared with an average return of 3.6 per cent per annum for farms with more than 5400 head. On average, farms with more than 400 head of cattle had a positive return on capital over the last 15 years."*[14]

Due to their relatively low herd sizes and inability to access scale related benefits such as transport inefficiencies small producers are less likely to be able to access OTH or forward sales contracts. As such, saleyards provide the opportunity to aggregate small lots and are likely the most efficient method of sale for small producers.

> *"Small farms are more likely to use auctions because they are generally located close to saleyards, (minimising freight costs) and these producers usually trade a relatively small number of multiple cattle types for store and prime markets."*[15]
>
> *"The saleyard system enables buyers to secure efficient numbers of slaughter livestock by purchasing multiple small lots and combining these into efficient consignments for transport and processing."*[16]

[13] Ibid. *p.30.*

[14] Ibid., *p.8*

[15] Martin P. (ABARES), 2015, *Financial performance of beef cattle producing farms, 2012–13 to 2014–15,*

With many producers operating in and around the Millicent area having small herds, the saleyard plays an important role in enabling the sale of animals by these local producers.

4.5 Buyer's preference

Buyers will have a preferred method of purchase according to what best suits their production systems;

- **Restockers** - may buy stock using multiple purchase methods including; paddock sales, AuctionPlus as well as on-farm or saleyard store sales. Freight is often a key criterion as it may impact their margins at the time of sale.
- **Exporters** - will generally buy direct from the paddock. They are usually purchased subject to the animal meeting the health protocols of the importing country and bought in sufficient numbers in advance meet quarantine requirement and shipment date.
- **Supermarkets** - involve themselves through the value chain by buying direct from producers into feedlots and then have them contract killed by various processors. By doing so they believe they can better control production inputs and provide a more consistent quality product to their customers, Forward contracts are the preferred method of sourcing cattle, so they can lock in future supply at a known price.
- **Processors** - on the other hand, who own the slaughter capacity, prefer to tie their purchases to carcass yield, hence OTH contracts are their preference as that is a key factor to their profitability. It is not so important to them when they provide a service-kill to third parties as they the service is usually provided on a price per head basis.

Another advantage exporters, supermarkets and processors have when using their preferred purchase method, is that as the transaction is directly with the source supplier, there is no cost associated with double-handling

[16] Bezzi, M., (ACCC), (March 2017), *Cattle & Sheep Market Study - Final Report p.33.*

through saleyards from a cost or quality (curfews and potential bruising) point of view.

Similarly, from a larger producers' perspective, direct sales may be affected without the use or cost of an agent.

4.6 Market mechanisms

As with all commodity trades, most participants with significant investments within the industry, from producers through to processors, will seek advantage to arbitrage between markets, whether it be to secure a better average price, or, hedge a sales or supply contract.

Processors and Supermarkets need to shore-up supply arrangements in often volatile markets to meet ongoing supply commitments. It makes perfect sense for them to do so, however the price paid at the time of contracting may be significantly different than the prevailing price at the time of delivery.

As a result, most will lock in a proportion to guarantee supply and then also operate in the 'spot market' to average out the price they pay for their stock, their major cost variable. The success or otherwise of these covering strategies are often a major determinant of individual success.

In the case of beef markets, the spot market usually equates to ongoing saleyard auctions or their indices. The Millicent saleyard has traditionally fulfilled a role in this top up market mechanism.

4.7 Saleyards

Saleyard auctions have been the traditional method of selling livestock throughout Southern Australia including the South-East and Western Victoria. While a number of alternate marketing systems have been developed over recent years, forecasts of the demise of the saleyard system appear premature, although may continue in an altered form.

4.7.1 Regionalisation, rationalisation and privatisation

Historically there were many saleyards at a number of towns and larger centres throughout regional SA and Victoria that reflected the nature of the local established livestock industries of the area. These were generally council owned infrastructure that were viewed as community assets often supported by regional abattoirs. Over time as processors (principal buyers of prime stock) have consolidated, transport links have improved, and animal numbers have decreased.

Due to the longevity of many saleyards, particularly in larger regional centres, urban growth and changing land-use has meant current sites are subject to increasing operational restrictions that lead to them becoming increasingly untenable for their original purpose. Similarly, the long tenure of some saleyard operations has meant the cost of the land they occupied had significantly increased in value that could be realised for alternate purposes.

Recent events at centres such as Geelong, Ballarat and Warrnambool would suggest that, as regional centres become cities, the economic relevance of their saleyards becomes more tenuous unless significant investments are made, and operating models are revitalised.

This has led to the rationalisation of many saleyards, one of the most significant being the closure of Newmarket in after 100 years of operation in 1985, from which Ballarat was one of the principal beneficiaries. Similarly, in SA;

> *'Sale of the Gepps Cross cattle saleyard and abattoir facilities, by the government in 1997, was a difficult time, which eventually resulted in new private saleyard facilities being established at Dublin.*
>
> *Gepps Cross has traditionally been the main cattle saleyard in SA, using the sale ring and later with open yard selling. However, the increase in cattle numbers in the South East plus regional abattoirs both in SA and the eastern States saw the*

development of significant regional saleyards at Naracoorte, Mt Gambier and Millicent." [17]

It has been estimated that up to half of all regional saleyards have closed in Australia over the past 20-years, mainly owned by small rural councils, sometimes referred to as 'legacy yards', This has been largely due to falling numbers, old and outdated facilities, on-going maintenance costs, increasing compliance and the traditionally risk-averse nature of their owners.

Recognising much of the legacy infrastructure was aging and the limited capacity of councils to reinvest, private operators have identified an opportunity for economies of scale and have designed, constructed and commissioned new larger purpose-built facilities that meet higher levels of accreditation than is the case with many traditional legacy facilities. This has led to a trend toward regionalisation of saleyards by both the establishment of larger private facilities and improvements made by some incumbent council saleyards as they look to shore-up market their share.

"A shift toward fewer and larger saleyards is already occurring. There were approximately 190 saleyards holding regular sales (of both cattle and sheep) around Australia in 2006[18]; a number which fell to approximately 160 saleyards by 2016.[19] Of these 160, a number are completely new, or significantly renovated and modernised. In addition to a more modern design, newer saleyards tend to have a larger capacity. These design features are more attractive to both buyers and sellers, as they offer both better animal welfare outcomes and may be safer and more comfortable for those working at or attending the sale."[20]

[17] SA Dept. Primary Industries and Regions (PIRSA) Website: (cited January 2018) *[http://www.pir.sa.gov.au/aghistory/industries/livestock/beef/markets_and_marketing/stock_agents_and_saleyards]*

[18] Hassal & Associates Pty Ltd, (Undated) A Review and Analysis of Saleyard Marketing in Australia, final report.

[19] The ACCC researched whether saleyards from 2006 were still operating and identified newly opened saleyards.

[20] Bezzi, M.. (ACCC), (March 2017), *Cattle & Sheep Market Study - Final Report p.104.*

4.7.2 Fee-for-service and competitive tension

There does however appear to remain a significant difference in the two (Council owned and privately owned) related business models. On one hand council operated facilities are still viewed as essentially community infrastructure, the operation of which provides a net economic benefit to the region and, when considering fee structures, cost recovery is usually sufficient while profit isn't necessarily the primary driver. Fees are generally around $10 - $14/ head. The capital invested in the yards is much more patient, with long term returns more acceptable.

On the other hand, the private operators use a full fee-for-service model that is required to provide a commercial return on investment to the equity holders. As a result private operators look for a return anywhere from around $15 - $22/head, although the increased fees may also reflect the size and age of their investment and the need to recover investments in a timeframe acceptable to investors, that is the investment capital is less patient for returns.

In some instances the higher fees also reflect a higher level of service through sale cattle being mouthed to confirm age and better process infrastructure affording an increased level of drafting of sale lots than would otherwise be the case.

The first of the private investors were Victorian Livestock Exchange (VLE) that opened their first "Livestock Exchange' at Pakenham in 1999. They also operate facilities at Sale and Leongatha. The largest operator is Regional Infrastructure Pty Ltd (RIPL) that manages saleyard facilities in the Central Tablelands (CTLX), Wodonga (NVLX), Gracemere (CQLX), Tamworth (TRLX) and Inverell (IRLX) on behalf of the owners, Palisade Investment Partners who provide institutional investors with access to Australian infrastructure projects. They are also currently constructing an exchange at Ballarat (CVLX). Finally, there is a third operator, recently in the news, that manages facilities at Yass (SELX) and the more recently completed Mortlake (WVLX).

Interestingly, there is an important distinction when it comes to private investment in saleyards; they only appear to invest in cattle saleyards as they can't make the same business model work for sheep, generally sold for a fee of less than a dollar per head.

Obviously for producers selling large numbers, these differences in yard fees can be significant. So why would they pay a higher tariff? As with the choice of selling method, choosing which saleyard to sell your cattle is also more complex.

In previous times, producers, many of who were, and still are, influenced by their agent, sold their livestock through their local yards for convenience, there was also a social aspect to the activity, the agent would have accredited access and it was where their transport costs will be cheapest, hence producers often accept the local fees levied without question.

Similarly, most buyers also factor in their transport costs when determining the price they pay, particularly processors operating in a margin environment who are acutely aware of cost.

Figure 10 – View of Mortlake Saleyard under construction

When the livestock is sold, the producer will normally receive an account for various costs such as transport, Government and industry levies and a number of fees and charges including yard fees, often around a third of the total, with the agent's commission is usually the largest item. However, cost alone will not necessarily determine whether a producer maximises his margin.

Private operators and managers of large throughput facilities would argue that their a fee-for-service model, due to the capital expenditure they have invested, will allow livestock to be processed more efficiently and with less stress and, because of the increased throughput required to make these facilities viable, they will attract increased buyer interest as opposed to lower capacity facilities that, depending on throughput, have been referred to as 'give away yards' as the price may be lower as they do not attract the same level of buyer interest.

Figure 11 – View of Mortlake Saleyard under construction

While it is difficult to determine the degree to which buyer tension increases prices, it is generally accepted that larger markets are more efficient and less open to price manipulation whether it be systemic or otherwise. As such, the importance of attracting as many buyers as possible as regularly as possible is paramount in this regard. It makes sense that buyers will prioritise sales where they can more readily fill their order book.

If throughput, economies of scale and levels of accreditation become the benchmarks for sustainability, it could be expected that the owners, both council and private, that have the catchments and are prepared to invest in their facilities will be the ones most likely remain viable.

4.8 Processors

Processors are generally key to supporting any prime livestock market or sale. Without the processors the ability to 'make a market' prices received by producers would be considerably diminished.

> *'Australian cattle processors slaughtered a record high 10 million cattle in 2014–15, producing around 2.7 million tonnes of beef and veal. Queensland is the largest processing state, contributing 43 per cent of total slaughter, followed by Victoria, New South Wales, South Australia, Western Australia and Tasmania.'*[21]

The fortunes of producers and processors tend to be countercyclical and, while 'the market power of the processors' is often quoted as an industry issue, they often 'do it tough' when 'the boot is on the other foot' as in present circumstances where seasonal conditions provide producers with more options and there are relatively less cattle are coming on to the market. Processors face a unique set of challenges compared to most other businesses, not the least being the capacity to 'ride the cycle' until things turn back in their favour.

The ACCC in their recent 'Cattle and Beef Study' recognised some of the challenges they face;

> *There are a number of barriers to entry in the processing sector:*
>
> - *the requirement for economies of scale*
> - *high capital and sunk costs*
> - *uncertain and fluctuating cattle supply, and*
> - *regulatory requirements and costs.*
>
> *..... Studies suggest that the minimum efficient scale of a new abattoir is the capacity to process a minimum of 400 head of cattle per day.*[22] *A new plant of this scale would cost between $33 million and $49 million.*[23]

[21] Bezzi, M.. (ACCC), (March 2017), *Cattle & Sheep Market Study - Final Report p.8.*

[22] Rural Industries Research and Development Corporation, 2010, *Feasibility of establishing a northern Western Australian beef abattoir*, November 2010, p. 47.

> ..... *High capital costs are not necessarily a barrier to entry. However, the proportion of the capital and other costs which are sunk costs, and uncertainty about cash flows (arising from fluctuations in market conditions) can increase the cost and risk of entry.*[24]

There is a reason that, in most cases, those that perform well in 'a tough' industry tend to be the most resilient. The ACCC report also notes;

> *"Close competition for the acquisition of prime cattle typically takes place within regional areas of approximately 400 km from a point of sale. The ACCC found approximately 80 per cent of cattle acquired for processing travelled less than 400 km to reach an abattoir after purchase. However, the ACCC acknowledges that some portion of cattle will be transported further than 400 km and considers this finding to be a starting point rather than a strict rule for future competition analysis. "*[25]

4.9 Implications for Millicent Saleyards

These industry trends help to understand why there is a lack of patronage by the larger producers in the Millicent area and the more subtle shift away from prime vealer production, a traditional strength of the Millicent Saleyards towards feeder cattle production suitable for the supermarket trade, while finished bullocks are often consigned to Mount Gambier, a yard with a similar reputation for carcass yield, however the higher sale numbers are thought to attract more 'buyer tension', or competition.

[23] Ibid. p. 48.

[24] Bezzi, M.. (ACCC), (March 2017), *Cattle & Sheep Market Study - Final Report p.59.*

[25] Ibid. p.10

5. Regional environment

5.1 Regional Saleyard Status

The three largest saleyards in the region are Naracoorte, Mount Gambier and Warrnambool, each with around 18 -19% of turnover.

Location	Status
Naracoorte	Has invested $5.5m on a new roof, weighbridge and effluent system in 2012 and a further $500,000 on new loading and unloading facilities. It is relatively modern and meets most 'best practice' criteria with a further $2.8m of capital expenditure earmarked for the upgrade of their cattle selling facilities in coming years
Mount Gambier	Has a relatively modern facility that is also being upgraded over time, however is has not had the same recent investment as Naracoorte. Around $800,000 was recently spent on elevated walkways and access roads. There is a capital works program of around $500,000 planned over the next few years
Warrnambool	Again, while the yards are serviceable, they are in need of significant upgrade if they are to remain competitive and, similar to Ballarat, are situated in a location that will increasingly come under pressure from competing residential and industrial development. The saleyards have been subject to ongoing speculation as Council has prevaricated around where they should be situated, in the end leaving them where they were
Mortlake (WVLX)	Since, or perhaps because of the decision not to relocate Warrnambool, the same private investors who constructed a greenfield facility at Yass (SELX), have constructed another purpose-built facility at Mortlake at a cost of around $15 -16m. While there has been negative press associated with the alleged activities of one of the principals, the facility has been completed and held its first sale on Monday the 22nd of January 2018. The proponents have predicted a turnover of 175,000 in the first year of operation and then 200,000 each year thereafter
Camperdown	Similar to Warrnambool, the yards, while serviceable, are in need of significant capital expenditure in order to remain competitive. Council were looking to join with Warrnambool in promoting a new development in recognition of the state both legacy facilities on condition the new facility was built within the shire, before Warrnambool reversed its decision to move
Hamilton	Has completed a $4.5m upgrade including roofing their sheep pens and increasing their yard capacity from 18,000 to 28,000 head. Hamilton is one of the top 3 sheep saleyards in Victoria and the South-East with a turnover of around 990,000 - 100,000 head per annum. The yards do support a weekly cattle market, however numbers are relatively low, although there are a number of store and weaner cattle sales held during the year
Colac	The saleyards have enjoyed strong Council support and have recently upgraded their facility with a 7,300 square metre roof at a cost of around $1.5m in 2014. They made a pitch to be the preferred destination to relocate Geelong's capacity, however many believe the location is unsuitable
Casterton	Do not hold prime sales, however hold 8 - 10 store and stud stock sales per year
Geelong	Held its final sale on the 31st of August 2017 after 146 years of operation. lack of investment in the facility, encroaching development and reduced throughput were the reasons given for closing the facility
Ballarat (CVLX);	Construction has begun on new 'state-of-the-art' facility at Miners' Rest outside away from the city. The old site will be redeveloped in line with the City Masterplan. Although situated outside of the regional area its redevelopment and likely catchment area is likely to affect the region, particularly areas to the East

Table 2 - Regional Saleyard Status

5.2 Regional Cattle Nos. and Saleyard Throughputs

According to MLA data cattle numbers in the region are as indicated in Table 3. Schematic representations of the data sets may be found in Appendix C. The data sets relevant to catchments within the region include the South-East, Wimmera, Glenelg Hopkins and Corrangamite.

Region	As at June 2015	As at June 2016	% Change
South-East SA	700,163	607,038	-13%
Wimmera Vic.	78,064	36,850	-53%
Glenelg Hopkins Vic.	896,104	800,448	-11%
Corrangamite Vic	444,785	414,894	-7%
Total:	**2,119,116**	**1,859,230**	**-12%**

Table 3 - Regional cattle numbers[26]

[***Note to the above table**: The ABS have changed their collection method for the 2015-16 Agricultural Census, excluding businesses with an Estimated Value of Agricultural Operations of less than $40,000.]*

5.2.1 Relative Turnovers between Regional Yards

Table 4 indicates the relative turnover of livestock as well as the market value of stock sold for each of the periods indicated.

Financial Year		2014/'15	2015/'16	2016/'17
Millicent - Cattle	Nos.	13,080	10,487	9,243
	Value	**$10,212,122**	**$12,887,018**	**$13,230,033**
Naracoorte - Cattle	Nos.	110,744	92,523	75,543
	Value	$87,389,410	$106,751,368	$105,693,834
Naracoorte - Sheep	Nos.	414,761	327,411	382,844
	Value	$40,195,023	$35,622,227	$52,166,182
Naracoote Total	**Value:**	**$127,584,433**	**$142,373,595**	**$157,860,016**
Mt. Gambier - Cattle	Nos.	104,985	92,297	78,787
	Value	N/A	$112,218,143	$112,822,531
Mt. Gambier - Sheep	Nos.	163,922	143,825	165,058
	Value	N/A	$16,504,780	$21,822,531
Mt. Gambier Total	**Value:**	N/A	**$128,722,923**	**$134,645,062**

Table 4 – Regional animal throughput by Saleyard

Compared to the other regional yards, Millicent has significantly lower cattle throughput (12%) and value (around 8% - 10%) of the other yards. The Millicent yards are considerably smaller and would not generate scale benefits of either Naracoorte or Mt Gambier.

Current saleyards throughput at regional yards is shown spatially in Figure 12.

Worth noting this the catchment areas of the various yards. Overlaps indicate areas where producers and buyers have an effective choice as to which yard they use to complete the buying and selling of livestock. Millicent is within both the immediate Naracoorte and Mt Gambier catchments.

[26] Source: MLA Data sets (cited January 2018): *[https://www.mla.com.au/globalassets/mla-corporate/prices--markets/documents/trends--analysis/fast-facts--maps/mla_cattle-numbers-map-2016-17_rev1.pdf] https://www.mla.com.au/globalassets/mla-corporate/prices--markets/documents/trends--analysis/fast-facts--maps/australian-cattle-numbers-map-2014-15.pdf*

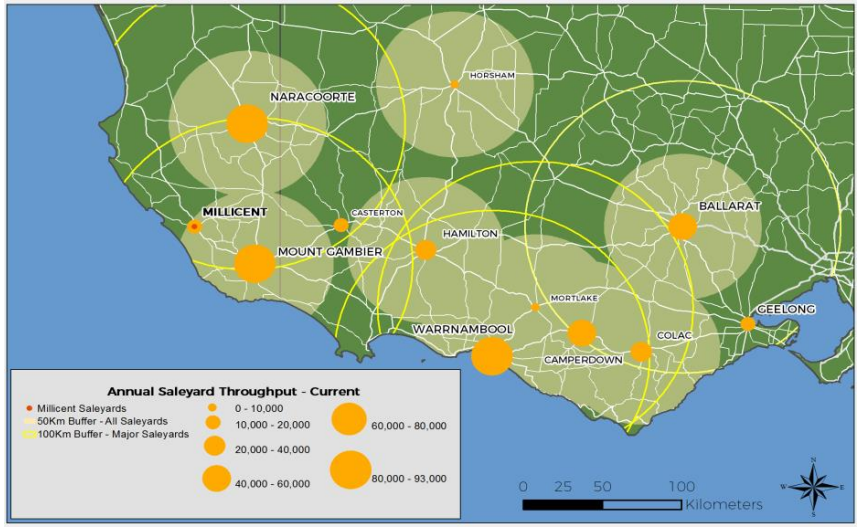

Figure 12 - Schematic representing current saleyard throughputs.

Understanding overall regional cattle numbers, it is interesting to see how these translate into past and predicted future turnover through the regions saleyards. This analysis is shown in Table 5 and Figure 13.

Notes to Table 5:

1. Estimated - Nos haven't been published since RIPL assumed management
2. Figures for 15/16 & 16/17 were provided by Saleyards Manager.
3. Geelong continued to operate in 16/17, however at a reduced capacity
4. Based on owners estimate of turnover (175,000 first year, 200,000 thereafter).
5. All other figures sourced from *Livestock Saleyards Association of Victoria (LSAV)*

Saleyard	14/15	15/16	16/17	Current Scenario		Future Scenario	
				3-yr Ave.	%	5 yrs +	%
CVLX (Ballarat)[1]	50,000	50,000	50,000	50,000	10%	50,000	11%
Colac	45,540	40,892	29,186	38,539	8%	38,539	8%
Horsham	1,510	952	80	847	0%	-	-
Warrnambool[2]	98,590	85,000	75,000	86,197	18%	-	-
Camperdown	52,912	49,564	35,579	46,018	10%	-	-
Casterton	10,251	11,570	9,504	10,442	2%	10,442	2%
Geelong[3]	11,372	8,839		10,106	2%	-	-
Naracoorte	110,744	92,523	75,543	92,937	19%	92,937	20%
Hamilton	47,396	38,982	29,986	38,788	8%	-	-
Mt Gambier	104,985	92,297	78,787	92,023	19%	92,023	19%
Millicent	13,080	10,486	9,243	10,936	2%	10,936	2%
WVLX (Mortlake)[4]						180,000	38%
Totals:	546,380	481,105	392,908	476,833	100%	474,877	100%

Table 5 - Scenario throughputs of regional saleyards

The decline in throughput from 2012/13 is largely attributed to the following:

- Destocking occurred due to drought in the Eastern States
- A previous drought in the US, that peaked in 2012, affected world supply driving up prices that local producers have taken advantage of
- Numbers for sale have declined as the national herd enters a rebuilding phase.
- The three major regions that account for most of the cattle in the sample, are strong dairy regions and recent dairy industry events may have also played a role

The numbers in Table 5 are consistent with the decline in the overall cattle population, however appear to show (in the Table 6) that saleyards retain their importance as a channel that producers use to market their livestock, albeit from a narrow sample (2 consecutive years).

	14/15	15/16
Total Regional Cattle Turnover through Saleyards	546,380	481,105
Total Regional Cattle Population	2,119,116	1,859,230
Saleyard turnover as a % of Regional Cattle Population	26%	26%

Table 6 - Regional saleyard turnover

What is currently unknown is the effect that the new facility at Mortlake will have on regional saleyard use patterns and catchments. While the numbers predicted by the proponents are yet to be realised, their investment of $15m+ is significant.

What we have shown is that there is only a finite number of stock available within the region to process and sell through the regions saleyards. We have schematically represented the current throughput levels and what it may look like in the future as outlined in Figure 13 if Mortlake is successful in attaining its predicted turnover.

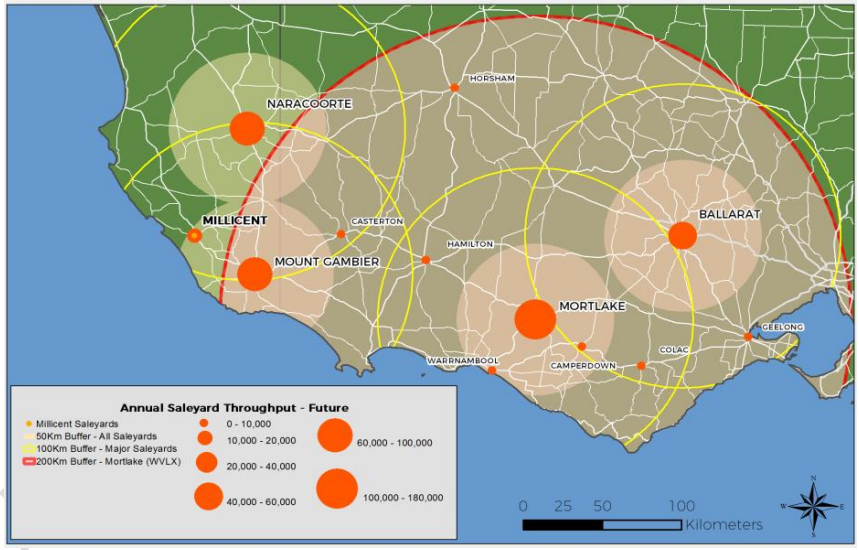

Figure 13 - Likely future saleyard throughputs.

The likely future scenario would see the Warrnambool and Camperdown yards close and regular cattle sales at Hamilton would likely cease, although store sales, like Casterton may continue.

Mortlake could also affect Mount Gambier's catchment leading to a reduced cattle throughput there. Mortlake and the new Ballarat facility could also affect Colac's long-term viability.

The regional yards with the most sustainable operating models would appear likely to be Mortlake, even if there is a change of ownership, Naracoorte, Ballarat, and Hamilton (sheep).

5.3 Regional Processor Interest

Using the ACCC report finding that processors procure 80% of their supply within 400 kilometres of their production plants as a basis and anecdotal advice of regional buyer interest, the following company, or 'salaried' as opposed to 'commission' buyers are the most likely to operate within the region.

Company	Facility Location	Cattle Process Capacity
Teys	Naracoorte	800 head / day
Midfield Meat	Warrnambool	1,200 head / day
Thomas Food Int'l (TFI)	Murray Bridge	1,000 head / day
JBS	Brooklyn	1,400 head / day
M.C. Herd	Geelong	600 head / day
Westside Meat	Bacchus Marsh	240 head / day
Woodwards	Swan Hill	220 head / day
Hardwicks	Kyenton	600 head / day

Table 7 - Likely active regional processors

6. Millicent Saleyards

Saleyard performance is basically a numbers game, where receipts are primarily determined by the fees that are received per head of stock sold.

As a result, due to the high correlation between throughput and financial performance, understanding recent trends associated to the Millicent Saleyard's throughput, will assist to understand the current financial circumstances of the Saleyards as a business proposition.

Figure 14 indicates that there has been an accelerating decline in the rate of cattle numbers processed through the saleyards over the last 20-years and, using rolling averages to reduce seasonal and other affects, indicate that it has nearly halved (-40%) over the last two periods.

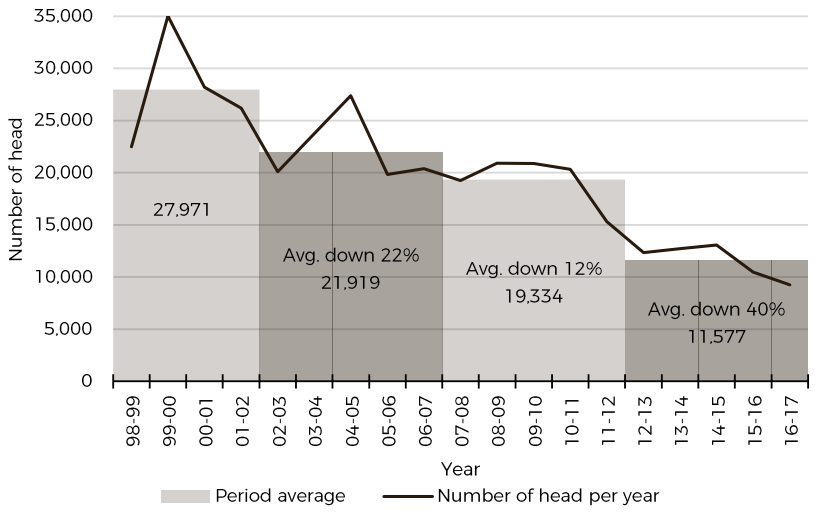

Figure 14 – Changes in throughput over time using rolling averages

6.1 The reasons behind the decline

There are several contributing factors that have assisted the decline.

6.1.1 Aggregation

Aggregation of production assets by corporates is a common theme across much of Australian agriculture, however there is anecdotal evidence that it may be happening at an increased pace within the South-East, As an example, while TFI paid $50m for Mount Schank (7,000 acres) a couple months ago, it is understood they already own around 6,000 around Millicent. Midfields also own a feedlot adjacent to the Grant boundary. Similarly, there are private landholders with significant holdings (15,000 acres) in the district who are also aggregating smaller holdings and few, if any, are predisposed to using the Millicent Saleyards.

When asked for their opinion, there was a consensus among the agents that

> '*Where there used to be 4 farms, there are now one. Over 50% of the larger landholders sell direct OTH or into feedlots*' . According to one; *'Less than 20% of cattle from the shire would be sold through the yards and 95% of lambs would be sold direct to processors.' When they do sell through the yards, then they either use Naracoorte or Mount Gambier.'*

6.1.2 Alternative agricultural land uses

Alternative agricultural land uses including, among others, sheep production, cropping and forestry;

> *'The beef industry is, on average, less profitable than Australian cropping and sheep industries. Available research suggests that this is at least partly due to the relatively low productivity of the beef industry as a whole.*
>
> *The research suggests that the beef industry's relatively low average productivity reflects the existence of a large number of unprofitable farms. These farms are commonly small-scale, located near population centres in the southern producing region, and the owners have a strong reliance on off farm*

employment for income. When these unprofitable farms are removed from the analysis, the overall productivity and profitability of the industry is estimated to be considerably higher,"[27]

The results of the Council survey of Saleyard users would suggest that the majority of Millicent Saleyard users would fall into this category.

6.1.3 Shifting market trends

The Millicent area has a strong reputation as one of the premier 'finishing' regions in the country, particularly for vealers and bullocks for processing. Unfortunately, It would appear there have been a some subtle changes in the beef value chain that have undermined this advantage.

The supermarkets dominance within the industry has meant that there are better returns breeding 'straight-bred' (not crossed, usually angus) steers for sale to feedlots. Supermarkets are increasingly becoming involved in the production process and use feedlotting as a means to provide consistency of their product and by one report may source 80% of their requirement by this method. Furthermore, as noted in the ACCC report;

'While veal is produced across many regional areas in Australia there are particular centres around Australia known for selling vealers or veal processing, ...The ACCC understands veal processing requires substantially different processing equipment to that used in the processing of larger prime cattle.

Export demand for Australian veal is low, as Australia produces predominantly pink veal, which is not valued by the export market, and domestic demand for veal is low compared to prime beef. This means that the market is small compared to beef."[28]

As for bullocks, they are used for premium products that are usually cold-processed and as such, are often contracted directly to reduce double-handling through saleyards and the attendant risk of carcass damage. If they are sold through Saleyards then there is always the prospect of a better price at Mount Gambier with a larger category offering.

Perversely, one reason for not using Millicent was that the vendor was worried that his stock wouldn't present as well by comparison if he sold his stock there. Another related issue is that while there is a fattening opportunity, it is only for a few months and the effect doesn't carry through or translate to increased numbers through the rest of the year.

6.1.4 Agent support

The way the agency industry operates can and does impact saleyard operations. Agent business models are largely built around charging commissions on the buying and selling of livestock and, similar to other industries, the cost and level of service provided is a major consideration for their client base. They are still the principal source of market advice to most farmers and, as such, have significant influence on the flows of livestock through the value chain.

While saleyards may be owned and operated under different structures, it is generally the agents that are responsible for conducting any/all sales activity. Licenced agents are responsible for accepting livestock, organising them into sale lots and conducting and recording their sale for which they receive commissions on stock they sell through their respective yards.

One issue arising from the increased industry presence of private operators is the higher fees levied on licenced agents for the use of their facilities.

If an outside agent wishes to sell though the yards, then they must share the sales commission they charge their vendor with one of the licenced agents to sell the livestock through that yard. As such, agents are generally reluctant to sell through yards where they aren't licenced. This can be a major factor in determining saleyard patronage and throughput.

[27] Bezzi, M.. (ACCC), (March 2017), *Cattle & Sheep Market Study - Final Report p.9.*

[28] Ibid. p. 58

There are four agents that are licenced to operate sales and lease office space at the Millicent Saleyards;

- John Chay & Co
- PPHS (Pinkerton Palm Hamlyn & Steen)
- Elders
- Landmark

The first two are regional operators while the Elders and Landmark offices are part of larger national networks. To understand the competitive environment, it is necessary to understand the agents that are active in the Millicent area and their respective allegiances;

The licenced agents at Mount Gambier are;

- Elders
- Landmark
- MWJ (Miller Whan & John)
- Ray White Keatley
- O'Connor & Graney
- SAL (Southern Australian Livestock)
- Green Triangle Livestock

The licenced agents at Naracoorte are;

- Elders
- Landmark
- SAL
- PPHS
- TDC (Thomas De Garis & Clarkson)

The corporates, Elders and Landmark, are listed as licenced agents at all three venues in keeping with their national marketing strategies and, while not necessarily articulated during the consultation process, apart from individual agent loyalties, are likely agnostic as to which saleyard their livestock are sold, given their blanket representation.

The same cannot be said for the regional agents, While it is difficult to know the detailed operations of each, it would appear most of those mentioned above are active in the Millicent catchment area, with perhaps Ray White Keatley and Green Triangle to a lesser degree than the rest.

O'Connor & Graney will sell through Millicent if they see a price advantage for their clients. The two regional licenced agents John Chay and PPHS, are also competing for market share with MJW, TDC and SAL.

SAL and have representatives based in Kingston. MWJ has a representative that generates large numbers of cattle through the Mount Gambier Saleyards, effectively bypassing Millicent, to the extent that it significantly distorts their catchment pattern (see Figure 16). TDC are based in Penola, also within Wattle Range, are aligned with Naracoorte and are active throughout the Millicent catchment area. PPHS, while represented locally, also have an office in Penola and provides the alternative of selling through Naracoorte as well.

6.1.5 Local saleyard competitors

Both Naracoorte and Mount Gambier have cattle throughput of around 8 - 9 times Millicent, as well as having significant sheep receipts in addition to their cattle revenue. One reason for this is that both yards sponsor several store cattle sales throughout the year, Millicent no longer holds sheep sales, nor does it have store cattle sales.

Both yards have also been investing in infrastructure improvements for many years, whereas Millicent has been focussed on maintaining what they have.

Another contributing factor to Millicent Saleyards throughput levels is that the Millicent Saleyards are only roughly 20 kilometres from the coast flies, severely constricting any potential catchment area to the South and West.

The Council boundaries are also well within both Naracoorte and Mount Gambier catchment areas. Naracoorte and Millicent Saleyards are equidistant from Penola, the second main town in Wattle Range and it is only marginally further to the Mount Gambier yards (4 kms.).

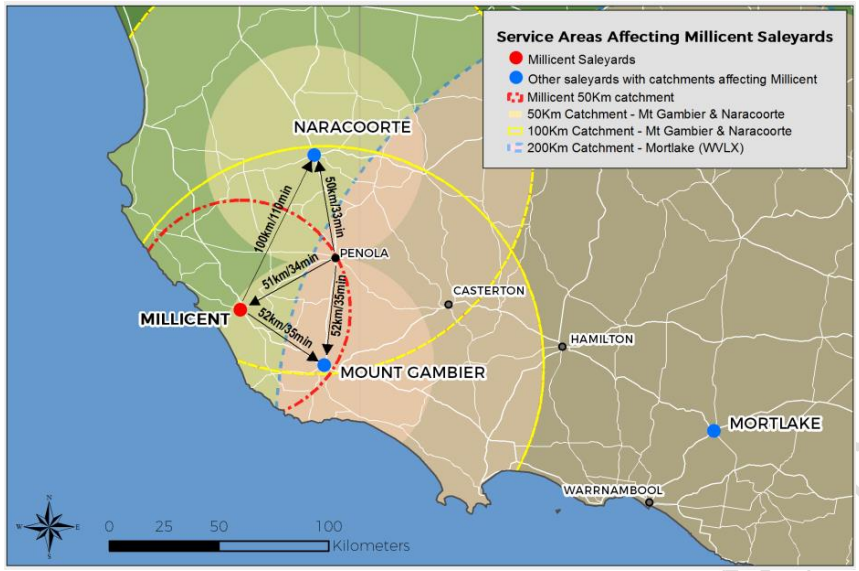

Figure 15 - Relative distances between selling centres

A catchment map taken from Mount Gambier Saleyards 2016 - 2026 Master plan[29] is rather telling in this respect and reinforces the effect that agent support may have on throughput. It indicates that Mount Gambier believe their prime catchment area is where Millicent's 'sweet spot' should be.

[29] District Council of Grant Mount Gambier and district Saleyards Advisory Committee (7 November 2016) *[https://www.dcgrant.sa.gov.au/webdata/resources/minutesAgendas/20161107%20-%20Agenda%20Saleyards%207%20November%202016-1.pdf]*

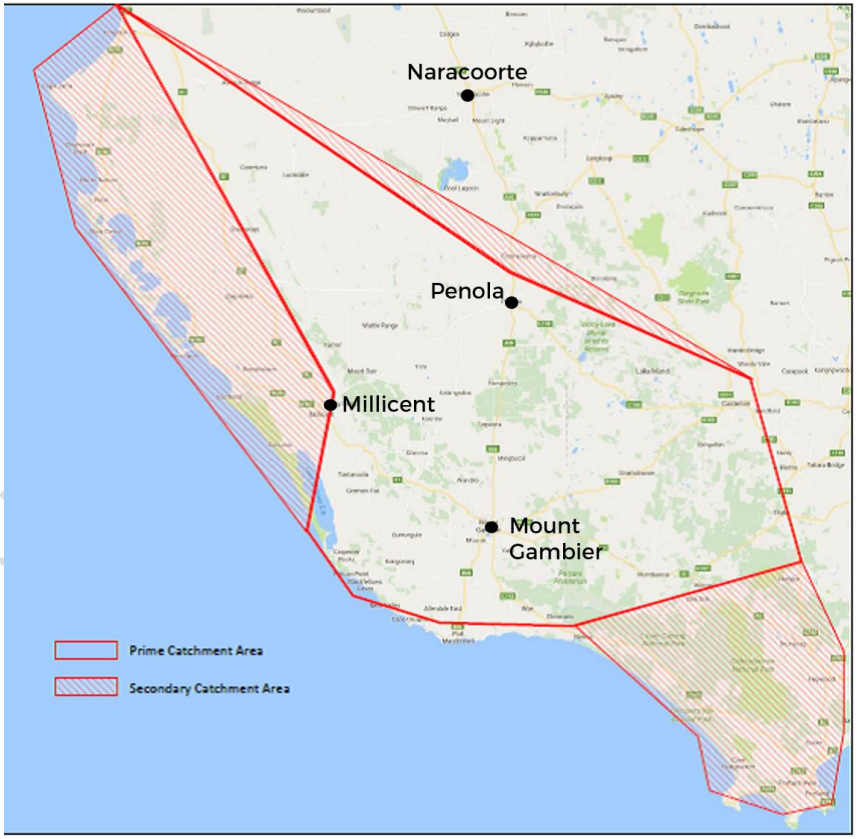

Figure 16 - Mount Gambier's primary and secondary catchments.

6.1.6 Vendor support

In August 2016 Council undertook a survey of various saleyard user groups to receive feedback as to their opinions around the saleyards, its relevance and operations.

For the purposes of this report, we have focussed on those that have identified as 'farmers' and/or 'graziers', which comprise 19 of the 32

responses sighted, as these are the user groups most likely to generate any meaningful turnover.

Their frequency of use, the three main reasons why and how often they used other saleyards and selling methods were of interest.

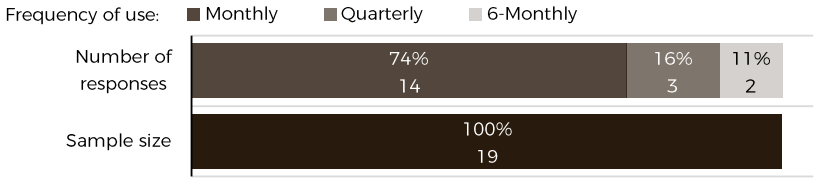

Figure 17 - Survey response – frequency of use

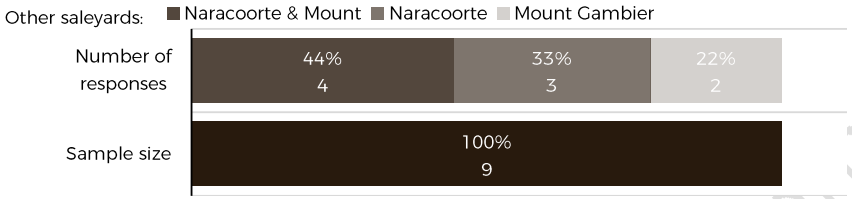

Figure 18 - Survey response – other saleyards

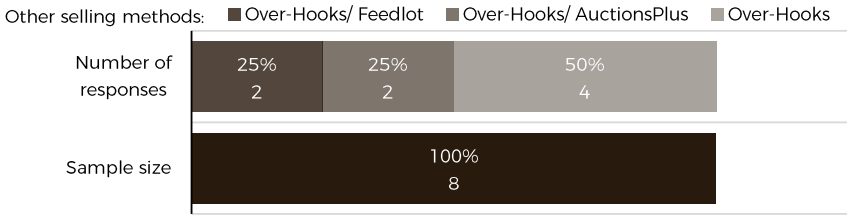

Figure 19 - Survey response – other selling methods

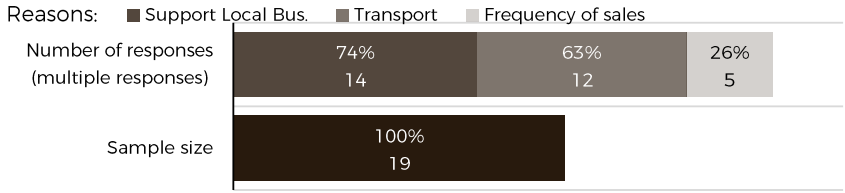

Figure 20 - Survey response - other selling methods

Of the 19 respondents, nearly three-quarters identified as attending monthly, however frequency of sales were only identified by 26% as the reason for using Millicent. While ease of transport was a major reason, interestingly, support for local business was the major response. This strong loyalty to the town was further confirmed in subsequent telephone polling.

As for competitive channels to market, nearly half identified as using Naracoorte and/or Mount Gambier as alternative saleyards and 42% identified as using over-the-hooks contracts, direct sales to feedlots and/or AuctionPlus as alternate marketing methods.

While the survey maybe indicative of the support from local farmers and graziers, caution should be exercised when interpreting the results given the relatively small sample, and the skewed methodology employed, i.e.. the surveys were handed out on sale days at the Saleyards, so by default the sample was likely to be supportive.

6.1.7 Price

When looking at the sustainability of operating the Saleyards, one of the key factors that generate vendor support is understanding how the prices received at Millicent compared with the alternate options of Mount Gambier and Naracoorte. A detailed analysis is included in Appendix A – Price comparison information. The follows graphs show the average price differential across livestock categories between the three yards.

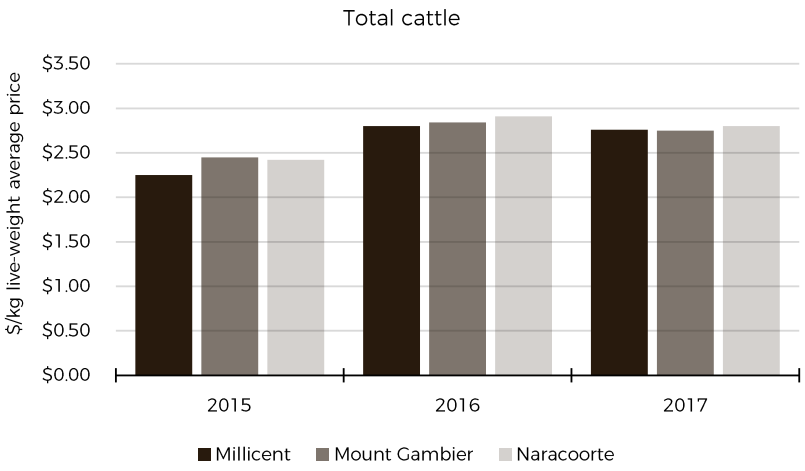

Figure 21 – Comparison in average live weight price – total cattle

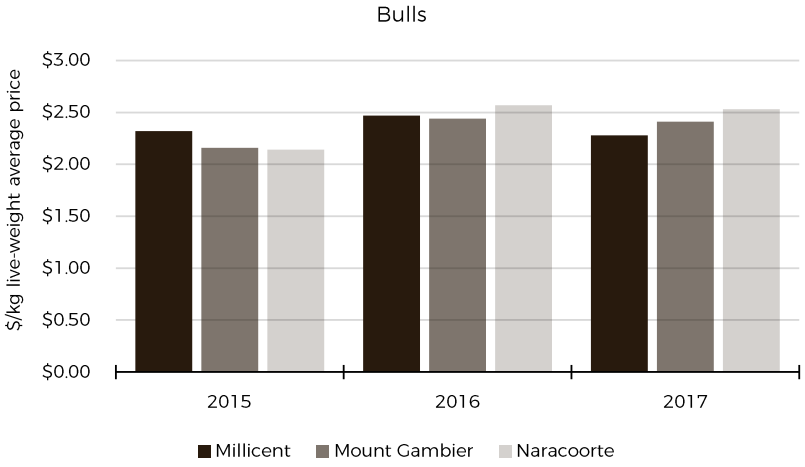

Figure 22 – Comparison in average live weight price – bulls

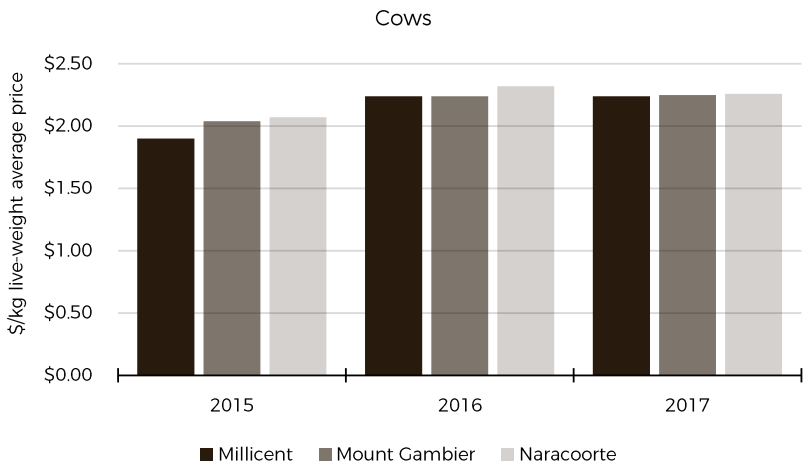

Figure 23 – Comparison in average live weight price – cows

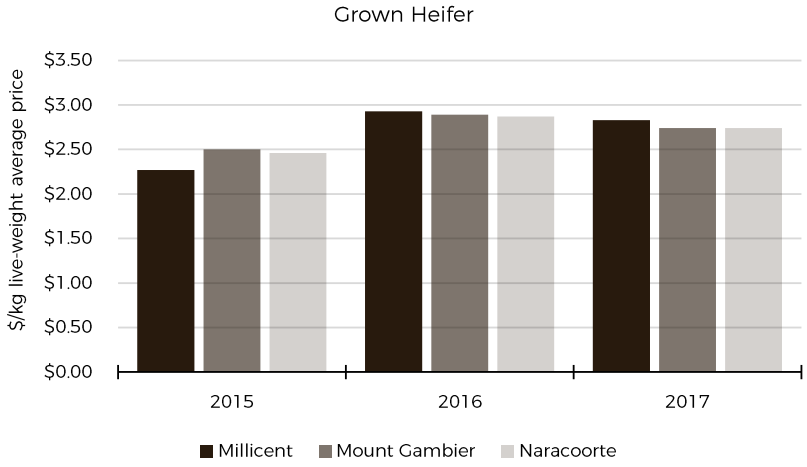

Figure 24 – Comparison in average live weight price – grown heifer

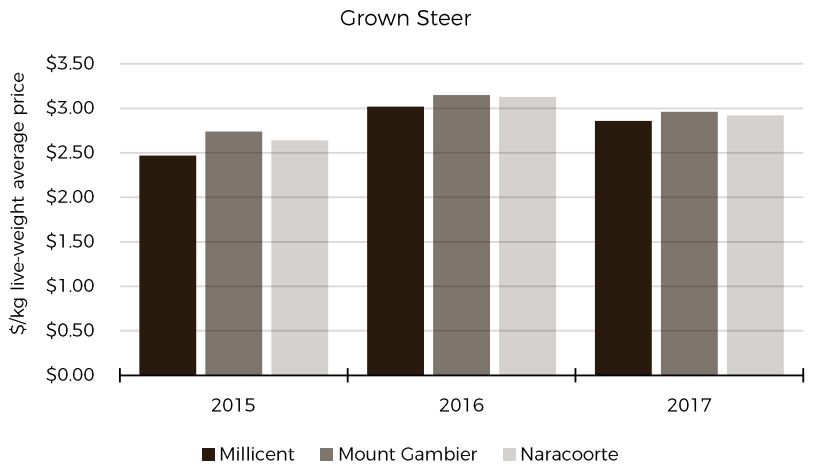

Figure 25 – Comparison in average live weight price – grown steer

There has been a perception in the past that the quality of stock at Millicent is recognised in the price received for stock sold there;

'That prices are quoted as 'often better' than other centres.'[30]

Comparing price data between the three South-East saleyards doesn't conclude that any one yard consistently has a price advantage over another, however it does indicate that Naracoorte may have had an edge over the last couple of years and that certain categories of stock may be cheaper in some yards than other at certain times and that Millicent has generally underperformed according to the total average. Ober the period 2015 – 2017, average cattle prices at Millicent have been 4% lower than Naracoorte and 3% lower than Mt Gambier.

Such differences may be significant, for example 10¢/kg. on a 350-kilogram feeder steer would equate to $35 / head.

[30] Livestock Exchange Consultancy (LEC), 2004, *'Millicent Stock Saleyards Operational Review" p.7.*.

6.1.8 Agent support

All four licenced agents as well as Garry Graney of O'Connor & Graney have expressed their support for operations while they continue at Millicent. Many have had a long association with the yards over many years and been keen observers of the local industry.

There however appears to be an air of inevitability among the agents that Council will shut the yards at some point. Most are of the opinion that they *'would hate to see the to see the yards close'* although this sentiment was tempered by one who put it slightly differently; *'I wouldn't want to be the first to go!'*

6.1.9 Buyer support

The prices shown in Appendix A – Price comparison information would indicate that there is reasonable levels of buyer support and, while stock are presented at sale it is likely that buyers will continue to attend sale days, or as one buyer put it; *'If buyers need cattle, they will come'*.

There appears to be general support among buyers for continuing to operate at Millicent, particularly those with the closest processing facilities, however this needs to be tempered by their usually long association with the yards and respect for those who operate and us it.

Having spoken to senior management within two of the major processors, one said it had no relevance to his operation and was, if anything, an inconvenience, while the other said it would be lucky to account for 0.001% of their business.

One commission buyer believed Millicent would do better if it held its sale on a Monday instead of a Thursday. This was principally because stock bought on Thursday were almost impossible to kill before the following week creating extra holding costs and, more importantly, a loss in carcass yield that he needed to adjust for in the price he paid for stock.

There appears to be a difference of opinion between some buyers and a general resistance from agents over the timing of the sale. Some believe it wouldn't make any difference and worry about losing 'their spot' on Thursday. A Monday sale would also require delivery of stock to the yards on Sunday and some agents believe that would only serve to drive farmers to deliver elsewhere.

6.2 Financial performance

6.2.1 Current Situation

The income statement (Table 8) has been received from Council and shows a continual deterioration in the financial performance of the saleyards over a six-year period. Revenues at no stage have exceeded expenses and would indicate a cumulative loss of $681,465 over the period

Financial Year:		11/12	12/13	13/14	14/15	15/16	16/17
Revenue	Saleyard Fees	78,355	64,773	91,399	99,628	83,625	81,082
	Other Revenues	13,913	16,995	20,336	23,715	28,546	62,705
	Best Practice Award	-	-	-	-	10,000	-
	Reimbursements	-	-	-	-	-	13,188
	Total Revenue	**92,267**	**81,769**	**111,735**	**123,343**	**122,172**	**156,975**
Expenses	Employee Costs	73,258	119,002	99,553	102,094	102,937	129,164
	Training	-	-	185	-	-	-
	Sundry	15,116	18,550	21,717	13,893	18,165	18,997
	Contractual Services	15,234	36,361	22,810	26,147	53,381	33,354
	Cleaning	-	917	1,425	1,822	2,802	3,485
	Maintenance	-	796	5,585	3,356	7,433	5,729
	Materials & Minor Equipment	9,057	22,682	16,363	14,449	44,677	53,848
	Telephone	735	1,015	1,322	1,462	1,976	2,722
	Water	33	1,569	161	127	36	0
	Energy	15,313	14,314	16,118	10,069	10,804	8,803
	Insurance	3,514	3,656	3,343	3,058	3,444	2,691
	Fuel	1,996	3,637	2,694	2,711	1,646	690
	Registration & Licence Fees	1,971	2,103	8,332	5,382	11,639	12,623
	Depreciation	20,375	9,875	7,873	4,227	145	51,176
	Total Expenses	**156,601**	**234,477**	**207,482**	**188,796**	**259,086**	**323,284**
Net Income (Loss)		**(64,334)**	**(152,709)**	**(95,747)**	**(65,453)**	**(136,914)**	**(166,309)**
Cumulative Income (Loss)		**(64,334)**	**(217,043)**	**(312,789)**	**(378,242)**	**(515,156)**	**(681,465)**

Table 8 - Saleyard income statement.

Item Description	Mount Gambier				Naracoorte				Millicent			
	15/16	16/17	2-Year Ave.		15/16	16/17	2-Year Ave.		15/16	16/17	2-Year Ave.	
INCOME												
Commission / Fee Income :	826,787	830,913	828,850	78%	1,184,445	1,159,121	1,171,783	85%	83,625	81,082	82,354	59%
Other income	230,062	241,623	235,843	22%	182,047	233,784	207,916	15%	38,546	75,893	57,220	41%
Total Income	**1,056,849**	**1,072,536**	**1,064,693**	**100%**	**1,366,492**	**1,392,905**	**1,379,699**	**100%**	**122,172**	**156,975**	**139,573**	**100%**
EXPENSES												
Operational Expenditure	690,489	705,044	697,767	62%	984,454	918,627	951,541	65%	258,941	272,108	265,524	91%
Interest	115,124	108,296	111,710	10%	112,117	104,253	108,185	7%	-	-	-	0%
Depreciation	308,612	324,557	316,585	28%	395,734	399,315	397,525	27%	145	51,176	25,660	9%
Total Expenses	**1,114,225**	**1,137,897**	**1,126,061**	**100%**	**1,492,305**	**1,422,195**	**1,457,250**	**100%**	**259,086**	**323,284**	**291,185**	**100%**
Operating Profit / (Loss)	(57,376)	(65,361)	(61,369)	-6%	(125,813)	(29,290)	(77,552)	-6%	(136,914)	(166,309)	(151,611)	-109%
Adjusted for Depreciation	251,236	259,196	255,216	24%	269,921	370,025	319,973	23%	(136,769)	(115,133)	(125,951)	-90%
EBITDA	**366,360**	**367,492**	**366,926**	**34%**	**382,038**	**474,278**	**428,158**	**31%**	**(136,769)**	**(115,133)**	**(125,951)**	**-90%**

Table 9 – Reformatted saleyard income statement comparison

Table 9 above categorises income and expenditure item line and compares Millicent to both Naracoorte and Mount Gambier Saleyards.

Only two-years results have been averaged as Mount Gambier are revising their earlier figures after a recent financial audit that are not due to go before Council for approval until next month.

Revenue

The revenues lines are split into two-line items; fees received from livestock sales and all other receipts. As saleyards are primarily designed to facilitate livestock sales we view fee revenue as a percentage of total receipts as proxy for operational efficiency. Ideally, we would prefer to look at revenues and expenditures on a per head basis, however the reporting formats prevent us from doing so and the fact that the other saleyards also have significant income and expenditures related to sheep sales make such a comparison difficult.

Based on this analysis Millicent performs relatively poorly compared to nearby yards.

We would note that one of the reasons for a higher relative 'Other income' at Millicent is likely the cattle trading activities undertaken by the Saleyard Manager to supplement saleyard receipts. When reviewing the accounts, it was difficult to isolate the overall financial effect of these trading activities. While not opposed to the practice, given the potential speculative nature

of the activity and normal council governance, we would have expected closer financial monitoring to have been apparent.

Expenditures

Expenditures have been reduced to three lines, operational expenditure, interest and depreciation. This again highlights differences between the financial models and fortunes of Millicent compared to both the other yards.

As both the other yards operate 'at arms' length' from their respective Councils, they a have a cash balance or reserve that they are expected to maintain. All the saleyards made an operating loss in the last couple of years, albeit the other two are relatively substantially less than Millicent.

We have included EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) for comparative purposes as it is generally regarded as a measure of a business to create cash. Again, the comparisons are stark. Unlike Millicent when the other two add back their depreciation they remain cash positive, maintaining positive cash reserves and building reserves for further investment in the saleyards infrastructures. The Millicent saleyards operations are being funded by Council (around $125,000 per annum), and if infrastructure investment is to be made on the site, it too will need to be financed by Council.

The expense lines also highlight the difference in business strategies as both Naracoorte and Mount Gambier have significant interest and depreciation expenses (over 30% of total expenses) that indicate their continued and ongoing investment in infrastructure and other assets.

This is not a criticism of Council policy, rather an indication of relative position of the different saleyards in their respective business cycles, two are looking to attract extra numbers, while Millicent, on the other hand are in effect looking to manage the decline.

On depreciation, there has been a significant increase in the latest year's results. We are advised that this is because of a change in accounting policy and, as such, it would appear that its treatment isn't consistent over the period reviewed.

6.2.2 Breakeven analysis

It is relevant to note an extract from Council's response[31] of the last report conducted into the Saleyards in 2004[32] recognised;

> *"As the selling agents have concluded that the market will not bear an increase in the unit selling fees, increased stock throughput is the only revenue driver which can bring about [a] further improved financial position for the saleyards."*

At the time the LEC report was published, the 5-year average for cattle was 26,493 and sheep, 149,823. Volumes continued to decrease, and losses have continued to accumulate since. A critical issue to understanding viability is to determine the breakeven point of the Saleyard business.

Using the information provided to us during this review, we have estimated that the fixed costs that would be incurred by the yards total $118,000. Determining a gross margin at Millicent is not possible under the current configuration of the accounting system, therefore we have calculated the weighted average gross margin generated by Naracoorte and Mt Gambier over the past 2 years to apply to the breakeven calculation. The weighted average gross margin across these yards is 32.5%. This includes both commission and other income. Using these figures as a basis, the revenue figure needed to breakeven at Millicent is calculated as follows:

Item	Total operations
Fixed costs	118,000
Gross margin	32.5%
Breakeven	$362,900

[31] General Manager, Business & Corporate Services, April 2004, Report No. 1202

[32] Livestock Exchange Consultancy (LEC), 2004, *'Millicent Stock Saleyards Operational Review"*

Table 10 - Breakeven estimate ($)

The total revenue (commission and other) needed to breakeven, under the current cost structure is $362,900, around 2.3 times the current income levels. Both Mt Gambier and Naracoorte operate at levels 3 and 4 times this scale ($1.1m and $1.4m respectively), and therefore would generate economies of scale that would not be created at Millicent, so the breakeven is likely to higher than this.

For forecasting purposes, we would estimate the breakeven revenues need to breakeven to be between 2.3 – 3 times current levels or $363,000 - $430,000. Breakeven would further increase if investments are made in the facility as these would need to be recovered. Under the current fee structure of $8.80 per head this would equate to an increase in throughput to between 41,000 and 48,000 head annually.

On the current cost structure and operating model, these revenues are not achievable, and losses of the magnitude currently being experienced (around $125,000 per annum) should be expected to continue into the foreseeable future.

7. Economic contribution

7.1 Project scope and approach

This section provides estimates of the economic contribution of the Millicent Saleyards to the Gross Regional Product (GRP) of the Wattle Range LGA Limestone Coast region.

These contributions are generated by the Saleyards ongoing operations, the expenditure of people and businesses that attend the yards.

Economic contribution studies quantify measures such as value added, gross output and employment associated with a given industry or firm, in a historical reference year.

The economic contribution is a measure of the value of production by a firm or industry. The saleyards economic contributions have been quantified using Id economic profile, an integrated regional input-output model.

The data used to estimate the economic contribution of saleyards falls into the following broad categories:

- Expenditures undertaken by the saleyards to support ongoing operations
- Expenditure by users of the saleyard, so called induced expenditures
- Indirect expenditures - this is a process of isolating the economic impacts that the saleyards public introduce into the economy, and tracing how these impacts culminate in economic activity in buyer and supplier industries through successive rounds of economic transactions

The model outputs the total economic contribution of the saleyards, including all direct expenditure by the saleyards, induced expenditures as well as the flow on to other sectors and regions of the economy.

The primary measure is 'value added'. Value added measures the value added to intermediate inputs by the application of capital and labour, by summing wages paid for labour by the saleyards and its gross operating surplus. The sum of value added across all entities in the economy equals gross domestic product (GDP). **Appendix** A – Price comparison information

$/kg live-weight Average Price		2015	2016	2017
Total Cattle	**Mount Gambier**	**$2.45**	**$2.84**	**$2.75**
	Naracoorte	**$2.42**	**$2.91**	**$2.80**
	Millicent	**$2.25**	**$2.80**	**$2.76**
Bulls	Mount Gambier	$2.16	$2.44	$2.41
	Naracoorte	$2.14	$2.57	$2.53
	Millicent	$2.32	$2.47	$2.28
Cows	Mount Gambier	$2.04	$2.24	$2.25
	Naracoorte	$2.07	$2.32	$2.26
	Millicent	$1.90	$2.24	$2.24
Grown Heifer	Mount Gambier	$2.50	$2.89	$2.74
	Naracoorte	$2.46	$2.87	$2.74
	Millicent	$2.27	$2.93	$2.83
Grown Steer	Mount Gambier	$2.74	$3.15	$2.96
	Naracoorte	$2.64	$3.13	$2.92
	Millicent	$2.47	$3.02	$2.86
Heifer < 1 year old	Mount Gambier	$2.55	$3.07	$2.99

$/kg live-weight Average Price		2015	2016	2017
	Naracoorte	$2.54	$3.17	$3.04
	Millicent	$2.22	$3.00	$3.10
Steer < 1 year old	Mount Gambier	$2.73	$3.27	$3.17
	Naracoorte	$2.67	$3.39	$3.28
	Millicent	$2.34	$3.17	$3.25

Note to the table above: The data sets related to categories of livestock less than one year appeared relatively underrepresented in comparison to other categories and, as a result, may not be as accurate.

Appendix B – Economic Contribution studies includes a detailed description of the key terms and methodological approaches used to complete this analysis. It is recommended readers familiarise themselves with this section

7.2 Results

This section details the economic contribution of the Saleyards to the Wattle Range economy. Direct economic contribution of the Saleyards is measured as the sum of income earned by labour and capital by the Saleyards.

This is calculated by adding wages paid to staff, which represents labour income, and the Saleyards gross operating surplus (GOS), which is capital-derived income. GOS is a measure of profit or margin, while wages include employee related expenses and superannuation.

The indirect contributions of the Saleyard's ongoing operations refers to the flow on economic activity created by the Saleyards' expenditure on intermediate inputs in other sectors of the economy. This is measured by the contributions made by the Saleyards purchasing other goods and services from its suppliers.

7.2.1 Saleyard expenditures

Expenditures relate to the economic contribution of the Saleyards core operations. To calculate them, adjustments are made to figures provided in the annual reports to determine the Salary and Wage figure and the Gross Operating Surplus (GOS), which added together totals the value added (economic impact) arising from the Saleyard's operations.

Construction expenditures undertaken by an entity are not typically considered an economic contribution. They are capital in nature and provide the basis from which returns to labour and returns to capital are generated (which form the economic contribution).

Table 11 – Economic flow- Saleyards

Economic flow	
(1) Salary and wages (ave 11/12 – 16/17)	124,000
Gross operating surplus	
Operating income (ave 11/12-16/17)	(113,000)
Add back depreciation	16,000
(2) Gross operating surplus	(97,000)
(1) + (2) Total	**27,000**

To determine indirect economic activity, it is necessary to determine the amounts paid to the Saleyard suppliers. Using the average over the past six years shows how the level of indirect economic impact arising from the Saleyard's operations is calculated:

Table 12 – Economic flow - suppliers

Economic flow	
Total expenditures	228,000
Add back depreciation	(16,000)
Add back salary and wages	(124,00)
Indirect suppliers	**88,000**

7.2.2 Induced expenditures - retail

The third major economic flow arises from induced expenditures from users of the yards. While outside the scope of this study, it is well understood that saleyards, in addition to places where animals are bought and sold, attract producers to the region where they undertake retail related expenditures.

There are minimal sellers attending the yards on any given day. Our analysis suggests an average of 10 purchasers would be reasonable. If each

purchaser spent an additional $100 per sales day, then the annual value of induced expenditures would total $48,000.

7.2.3 Induced expenditures - Stock agents

The final economic flow arises from saleyards not captured in the saleyards indirect supplier expenditures is the value that is derived from stock agents. Stock agents are located within Wattle Range and these act on behalf of producers and sellers to organise and transact the sale of cattle. As agents locate with yards as they are the primary asset through which sales commissions are earned, economic value arising from the stock agent presence in the region needs to be captured also.

Stockyard commissions are based on the value of animals sold. The average annual value of cattle sold through Millicent for the three years 2014/15 – 2016/17 is $12.1m (Table 4). Using the average commission paid of 5% of sales value (output) of Stock agents arising from the presence of the Saleyards in Millicent is $605,000.

To determine the value added, the revenue (output), needs converting to value added (surplus plus salary and wages). To determine this specifically would require an analysis of the Stock agents profit and loss accounts. In the absence of these, an alternative method is to apply the industry wide level of value added created from output for the relevant sector, in this case Agriculture, Forestry and Fishing Support Services. The conversion of output to value added in this sector is 0.17 (i.e,. for every $100 of output, $17 of value added is created).

Applying this metric to saleyard revenues, the direct value-added arising from stock agent commissions is $106,000.

7.2.4 Summary of direct economic flows

Based on the four economic flows analysed, the combined economic flow arising from the Millicent saleyards is calculated as follows:

Table 13 – Economic flows

Economic flow	$
Saleyards value added	27,000
Indirect supplier purchases	88,000
Induced expenditures	48,000
Stock agents	106,000
Total	**$269,000**

7.2.5 Indirect flow on contribution

Having determined that the direct economic contribution from the yards total $269,000, id economy economic model was used to determine the indirect, flow on or contribution to the broader economy. The industry sector used was Agriculture, Forestry and Fishing Support Services which has a value-added multiplier of 4.58. Using this multiplier, total indirect vale added created totals $963,000.

7.2.6 Total economic contribution

The overall annual economic contribution from the Saleyards is therefore:

Table 14 –Annual Economic Contribution

Contribution Type	$
Direct	269,000
Indirect	963,000
Total	**$1,232,000**

Total annual economic contribution arising from the saleyards is $1,232,000.

8. Land use

8.1.1 Site description and current planning status

The saleyards site is currently zoned 'Industry' under the Wattle Range Council development plan.

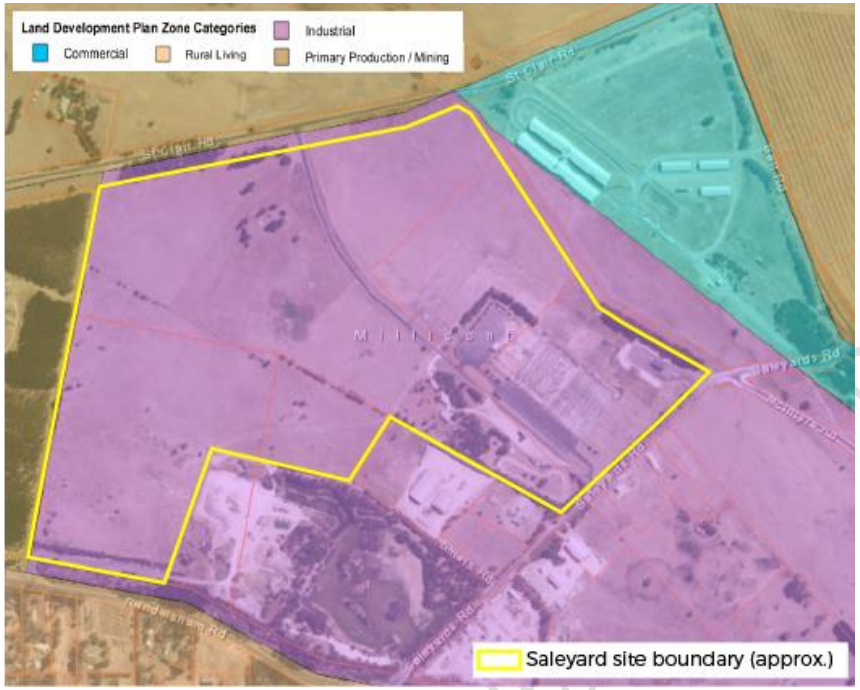

Figure 26: Zoning map

The site is bounded by the following land zones: Bulk Handling (BH) and Industry (In) to the east, Primary Production (PrPro) to the north and west, and Rural Living (RuL) and Industrial (In) to the south. The current Industry Zone provisions generally limit subdivision to 2,000 square metres. The zone provisions prohibited a number of uses, including horticulture. The site is not affected by any overlays. The site is excluded from bushfire protection planning provisions.

The current 'Industry' zoning

The site has good access from St Clair Rd to the north, with Saleyards Rd and Rendelsham Rd providing access to the south. A sealed road dissects the site between Saleyards Rd and St Clair Rd, providing good internal site access.

Existing uses on the site include the saleyards and associated infrastructure, a waste recovery centre, a truck wash, a hardstand area also used for driver training, a green waste compost storage area, and numerous paddocks used for grazing and waste water management.

Surrounding land uses include:

- A grain storage facility to the east
- Lake McIntyre Park, industrial development and rural living to the south
- Farming to the west and north.

The site has generally been cleared of mature trees, except along some fence lines and isolated patches including a large cluster south of the saleyards.

The site Concept Plan Map WatR/1 identifies an area of 500 metres around the saleyards in which dwellings are prohibited (refer Figure 27 below).

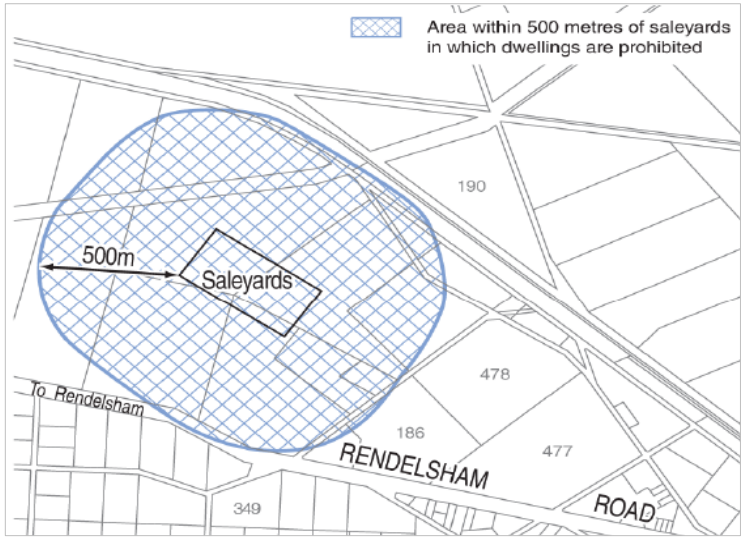

Figure 27 - Development Plan buffer provisions for the saleyards

This effectively creates a 500-metre amenity buffer to sensitive uses measured from the saleyards activity boundary (noting however that the saleyards boundary is incorrectly shown in the Development Plan and the buffer area located approx. 300 metres to the east).

The EPA guidelines[33] provides the following evaluation distances for effective air quality management from use that require amenity buffers relevant to the site:

- Saleyards: 200 metres or individual assessment, dependent on throughput
- Waste or recycling depots: 300 metres
- Abattoirs: 500 to 1,000 metres, dependent on rate of production
- Composting: 100 to 1,000 metres, dependent on rate of production

[33]Source: Evaluation distances for effective air quality and noise management, Environment Protection Authority

Bulk storage facilities: 300 metres. Figure below identifies the section of the site located 500 metres or more from existing sensitive uses (dwellings). This identifies approx. 47 Hectares on the site suitable for the location of uses requiring a 500-metre amenity buffer. This area could theoretically accommodate uses such as an abattoir, composting facility or bulk storage facility that require larger buffers. The remainder of the site could be used for uses requiring smaller amenity buffers, specifically along the western and northern boundaries.

Figure 28 - Potential site development

The site does not seem suitable for the location of sensitive uses in the short term to medium term without significant zoning changes. This is informed by buffer requirements of existing uses, existing zoning and potential site contamination that may require remediation to accommodate sensitive uses.

8.1.2 Future development - Concept plan

Future development opportunities include:

- Continued use as waste resource recovery centre
- Continued use of the saleyards on a smaller footprint
- Abattoir or food processing facility
- Agribusiness
- Industry
- Intensive agriculture including horticulture
- Community use.

A concept plan for the site outlines potential development areas and how the site can potentially be activated in future (refer Figure 29 below).

Precinct A – Industry & Food Processing

A precinct of approx. 5.5 hectares. The precinct could accommodate industry and food processing uses that require a minimum buffer of 500 metres. The current zoning can be retained. The saleyards could continue on the site in the interim or be scaled down in future to allow new uses such as an abattoir to occupy the site; a lot between 3-4.5 hectares could be reserved for this use. General industrial uses could also be accommodated though subdivision of approx. 2 hectares into smaller lots ranging from 2,000 – 4,000 square metres in size.

Precinct B – Waste Resource Recovery

A precinct of approx. 4.5 hectares that encompass the current resource recovery centre and provides land for future expansion. The precinct also provides for storage of green waste compost on the site if required. The current zoning can be retained.

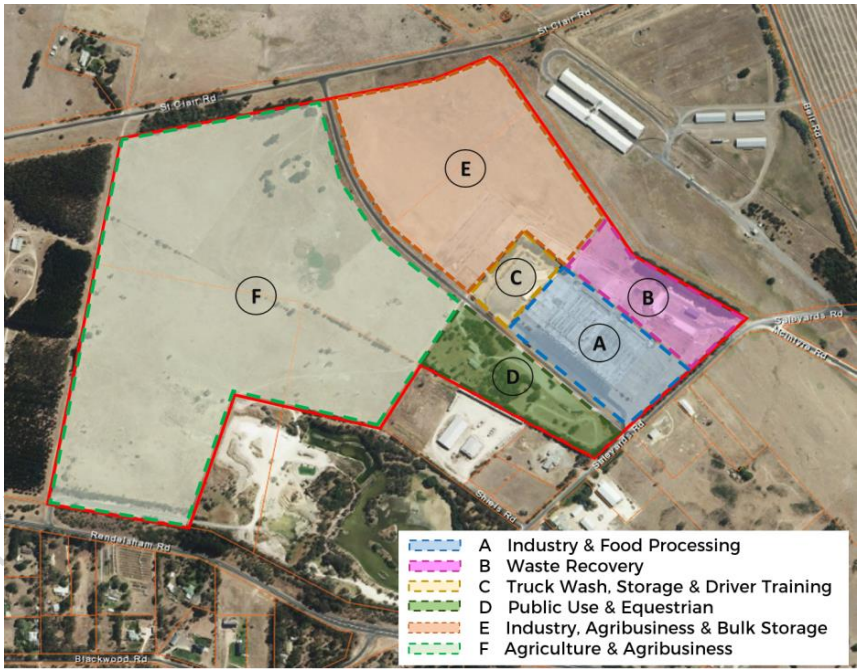

Figure 29 - Land Use Concept Plan

Precinct C – Truck Wash, Storage & Driver Training

The precinct contains the existing hardstand area, truck wash, storage shed and driver training facilities. The precinct can retain these uses under the current zoning.

Precinct D - Public Use & Equestrian

The precinct contains the current saleyard administration building, hay shed, workshop and parking areas. The precinct has existing vegetation and facilities (including amenities) that can be incorporated into future community use of the area. Potential community includes local clubs requiring land such as equestrian clubs.

Precinct E – Industry, Agribusiness & Bulk Storage

The precinct is approx. 16 hectares is size and could accommodate industrial development, agribusiness and bulk storage uses. The entire precinct is capable of accommodating uses requiring buffers to sensitive uses. The current zoning can be retained. Subdivision of the land could be done to accommodate specific land use proposals as these are identified.

Precinct F – Agriculture and Agribusiness

The precinct is approx. 44 hectares in extent and could accommodate more intensive agriculture and agribusiness uses. Intensive animal keeping (e.g. feedlots or broiler farms) are not envisaged; rather grazing, industry associated with packaging and processing, horticulture (e.g. hydroponics) or agribusiness activities are promoted.

The current zoning does not allow horticulture as permissible use and rezoning this precinct to a more appropriate zone could be considered to enable intensive horticulture uses that can support the precinct and local economy. Adequate separation between horticulture and the rural living zone interface should be considered in future planning stages.

There is also a possibility that any prospective owner of the block adjacent to Precinct D, currently for sale where there is already developed infrastructure in the form of two substantial sheds, could benefit from access to a potential subdivision of the precinct.

9. Conclusions and recommendations

9.1 Conclusions

The report has reviewed current Saleyard operations and assessed related infrastructure, land use and ongoing financial and economic impact. We have looked at current industry and regional trends more broadly and how they specifically affect Millicent Saleyard operations. It is our view that several conclusions can be drawn;

- For a saleyard operation to be successful requires the support of all the principal parties involved; vendors, agents and buyers. While there has been adequate agent and buyer support over the journey, the same can't be said for local producers, particularly larger landholders,
- This is an observation, not a criticism. As indicated in the report, industry trends mean they have more marketing options than smaller producers and they understand the financial imperative of receiving the best price they can for their product. In many cases they have refined their production systems to meet the requirements of the supermarket feedlots or to processors OTH and, by doing so they, have effectively integrated their operations into the value chain. It should therefore be little surprise that the Millicent Saleyard is largely patronised by smaller operators with fewer marketing options.
- Millicent also only has a limited, or, narrow audience, in that it only conducts a prime cattle sale, usually fortnightly. It no longer holds sheep sales, nor does it hold any store cattle sales. The fact that it hasn't been necessary to hold weekly sales during the peak season in recent times is another indication of declining patronage.
- Similarly, competitive tensions appear to be on the rise. as there is an increasing trend for Naracoorte to run consecutive sales on the same day, or as one local agent put it; *"They'd run a sale every day of the week if they could"*. While Millicent have, as the junior partner, accommodated in the past by starting the sale early, the signs are that this may prove an insufficient compromise and in future buyers and agents alike may be forced to make a choice about where they attend.
- Location, aggregation, alternate land use, changing market trends, etc. are all a part of the mix, and they all lead to the same headline issue that there is no hiding from, the fact that declining numbers are the critical reason behind the ongoing diminishing financial performance of the saleyards.
- Numbers held around 20,000 head annually or above until 2010/11, where there has been a sharp and declining trend until, for the first time, numbers fell below 10,000 in 2016/17. While numbers have been trending down generally across the wider industry over this period, this is not sufficient to explain the magnitude of the decline through the Millicent Saleyards.
- The buyers, particularly of young stock, have traditionally generally supported Millicent because, similar to Mount Gambier, *'they know what they will get'* in the way of carcass yield that is not always the case in other yards. However, the continued decline in numbers make it difficult for them to justify a regular presence, particularly in periods where numbers are low and/or variable, that has the potential to further impact the ongoing competitiveness of future markets.
- The indications from senior management of some of the processors indicate that Millicent doesn't register as a part of their supply chain, meaning future buyer interest may come from commission agents as opposed 'salaried buyers' that could further impact price competitiveness of the yards.
- We have also observed that industry trends are supporting the regionalisation of saleyard assets and that, while of limited comfort, may see regional yards with significantly higher historical throughputs placed in the same position in a matter of a few years.

- Given these reasons, all of which are beyond Council's ability to effectively influence, it has been left to Council to cover the operating losses generated from the Saleyards continued operation.
- We believe the current operating loss situation is unlikely to significantly improve in future, particularly in light of the highlighted and unlikely increase in throughput required to achieve a breakeven scenario and the likely need for future infrastructure investment required for compliance and / or competitiveness reasons
- Furthermore, while understanding the reasons behind reducing expenditures, this has meant that maintenance has been reactive, not preventative, and that there has been minimal upgrading of infrastructure, over many years, a situation that may have become more acute, if it weren't for the resourcefulness of the Saleyards Manager. All the same, the previous and ongoing lack of investment at Millicent leads us to form the view that its relative competitive position against other regional yards will continue to erode and operational expenses are likely to increase over time as a result, particularly compliance related expenditures, that could impact future financial sustainability.
- Should it be determined that the yards are no longer viable, then there are alternate land use opportunities that may provide other, perhaps greater, economic benefit to the community.
- Many local producers currently access services at Naracoorte and Mt Gambier. The proximity of these yards to Wattle Range Council makes assessing these services largely cost neutral, taking into account transport costs and likely higher cattle prices sellers would receive.

9.2 Options and recommendations

During consultations with vendors, agents, staff and some of the buyers, contactors etc. there remains considerable support for maintaining operations at the Saleyards, mainly based around a fear of the commercial affect its closure may have on Millicent township.

Significantly, as indicated in the report, the facility remains essentially 'fit-for-purpose' and, as such many users and stakeholders find it difficult to accept why anyone would want to shut it. This isn't necessarily a universal opinion and many those who hold that view also understand there is a cost, however, believe its overall economic contribution makes it worth continuing to operate the site.

The report indicates, there is an associated economic contribution provided from the Saleyard's activities and, while the direct investment is relatively modest, the multiplier effect means the broader benefit needs to be considered.

While we hold the view that ongoing operation of the saleyards is financially unsustainable, we recognise that it is Council's function to decide as to whether it is in the community's interest to maintain operations as a service to ratepayers, given its associated economic impact, or, whether there are potentially greater returns to the community through the adoption of possible alternative land use options.

Considering the research and analysis contained in the report, we have provided the following options for Council to consider and detail indicative cost and investment considerations.

Option	Explanation	Operational savings (5 years)	Likely investment
Continue operations	Based on the economic benefit to Millicent, while continuing to contain costs. It is our view that cost containment is not a long-term solution unless revenue can be also be increased by a multiple of around at least 2.3 times, i.e. a throughput more than 40,000 head annually. While throughput may increase marginally in line with a recovery of the national herd, continuing operations under the current model would likely result in an ongoing annual loss to Council of at least $125,000 to $150,000 or greater, depending on the treatment of depreciation in the accounts and the level of future investment made in the Saleyards.	Losses to continue to be funded. 5 year cost $625,000 - $750,000 assuming no investment requirements	Potential investment requirements expected $200,000
Increase fees and charges	While possible, given that the Millicent Saleyards are struggling to attract numbers, this may only hasten the decline as stock are sent elsewhere. We would normally support any measure to increase revenue, however we view the relative level of service and state of the facility and buyer presence compared to other competing yards makes it hard to make the case for such a move	Losses to continue to be funded. 5 year cost $625,000 - $750,000 assuming no investment requirements	Potential investment requirements expected $200,000
Change of operational responsibilities	Council retaining ownership; It is difficult to see how the management structure currently employed, i.e. agents effectively organise and run the sale, while Council essentially maintain the site, could be made any more efficient or effective than it is, hence we do not see a material impact arising from any potential change in operational responsibilities. Should Council step back from the maintenance role, we don't see any commercial incentive for anyone else to assume the responsibility	Losses to continue to be funded. 5 year cost $625,000 - $750,000 assuming no investment requirements	Potential investment requirements expected $200,000
Grow market	Needs 2.3 – 3 times to breakeven and considerable infrastructure investment to compete with already established markets High risk strategy that would need Council to fund existing losses and finance infrastructure investment	Losses will continue until scale developed	Potential investment matching competitors likely to be in the order of $1m - $2m
Sell or lease the Saleyards to be operated by a third party	Given the financial performance of current operations and market and industry conditions outlined in the report, we do not view this as a likely option. In the case of a sale, given the associated poor returns, it is likely that any prospective purchaser would have an alternate use in mind.	Annual savings $125,000 - $150,000 per annum	Expect some investment needed to make business case
Maintain Saleyard operations while partially developing the site	While this is an option for Council to consider, it doesn't address the core issue of the financial sustainability of the Saleyards and its effect on Council finances. Furthermore, for the saleyards to remain operational requires that the effluent treatment system remains functional that may significantly impact development options	Losses to continue to be funded. 5 year cost $625,000 - $750,000 assuming no investment requirements	Potential investment requirements expected $200,000
Close the saleyards and either sell and/or redevelop the site	It is our view that the saleyards will become increasingly unsustainable over time and without further, potentially significant investment, at some point, will inevitably close because of compliance and/or market forces. We have concluded that closure has the potential to provide the greatest long term economic benefit to the Council as the site could be developed for alternative uses, the current losses being funded could be used for alternative purposes. While closure stems the losses borne by Council, importantly it provides an opportunity to accommodate new infrastructure development and substantially increase employment opportunities beyond those generated by the current Saleyard operations, where there is only one full-time position and casuals limited to a fortnightly activity.	Savings under immediate closure over 5 years approx. $625,000	No investment required
Staged closure	A staged closure over say a 3 year period would provide sufficient time for producers to make alternative arrangements (Naracoorte, Mt Gambier, Other) while also providing a window to develop alternative land use and development options for the site.	Savings under immediate closure over 5 years approx. $500,000	Allow $50,000 for recalibration for staged closure

Table 15 – Options analysis

In deciding as to which course of action to recommend the following are relevant:

- A growth strategy is unlikely to succeed, requiring throughput to grow to a level not seen in the previous 20 years in the face of increasing competition.
- The yard is currently well-run, with little scope for operational improvement or to increase revenues.
- A third-party provider is not likely to be interested in operating the site given the nearby competition and expected changes to the industry over the medium term.
- Current users have alternative locations to source the buying and selling services provided at the yards. If this were not the case, it is likely our conclusions would be different.

Having canvasses the options, in summary, we see there are only three realistic alternatives, either;

1. To continue to operate the yards as a ratepayer funded service to maintain the associated economic benefit
2. Close the yards immediately to provide relief to Council finances and reduce Council's exposure to the risk associated with the yards, or,
3. Close the yards for the reasons outlined above (point 2), however delay the closure date to ameliorate the effect on stakeholders to enable them to make alternate arrangements and allow for a managed withdrawal.

The operating losses at the yards over the next 5 years are forecast to be in the order of $625,000 - $750,000, there are potential investment risks facing Council and, in the in the long term, it is highly likely the yards will close due to operational losses arising from reduced throughput and / or costs associated with infrastructure investment. Unless there is a compelling argument to continue to fund the forecast losses and expose Council to the potential investment risks, we see no other option but to recommend closure of the yards.

We would recommend the yards are closed in a managed fashion as the most effective and efficient use of Council resources, while minimising the impact and disruption to any associated commercial activity that a closure would create.

We are of the view that providing a middle-ground solution, such as creating holding pens and transport services adds complexity to the situation and still exposes Council to some investment and operational risks, principally those associated with EPA and the need to appropriately staff, maintain and resource the yards during the intervening period. Therefore, it is our conclusion of this report that the saleyards should be closed in a managed, but not staged manner.

9.3 Strategy

Sale days at Millicent are still regarded by many as an 'institution' and a part of the social fabric of the town. While empathising with the sentiment, the declining attendances would suggest that this feature is not as strong as it once was, however from our consultations, it remains the strong opinion of many saleyard users.

As, for the agents and buyers that continue operate and support the Saleyards, there appears to be an air of inevitability around the fact that the yards will close 'at some point'.

What has also become apparent during the consultations is the lack of dialogue between Council and the Saleyard stakeholders, not necessarily around daily operational issues, more about the cost and ongoing sustainability of its operations.

Change often creates conflict, particularly when communities believe that something is being taken from them. Should Council determine that

closure is their preferred option, we would suggest the following strategy for community engagement on the issue;

- Hold a Saleyards stakeholders' meeting, with an agenda attached, to control discussion around future options at the site.
- Prepare and provide a presentation of current Saleyard performance, industry trends, regional proclivities etc. and detail the ongoing cost to Council. On this point, the figure provided for depreciation should be 'defensible' as there is a widely held community view that the saleyard assets were paid for 'a long time ago'.
- Announce Council's decision.

The intention is to take some of the emotion out of the discussion and base arguments on fact. Doing so will, hopefully, assist those present to better understand the reasoning behind Council's decision and make it more difficult for those against to 'have a free hit' at Council's expense.

Appendix A – Price comparison information

$/kg live-weight Average Price[34]		2015	2016	2017
Total Cattle	**Mount Gambier**	**$2.45**	**$2.84**	**$2.75**
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	Millicent	**$2.25**	**$2.80**	**$2.76**
Bulls	Mount Gambier	$2.16	$2.44	$2.41
	Naracoorte	$2.14	$2.57	$2.53
	Millicent	$2.32	$2.47	$2.28
Cows	Mount Gambier	$2.04	$2.24	$2.25
	Naracoorte	$2.07	$2.32	$2.26
	Millicent	$1.90	$2.24	$2.24
Grown Heifer	Mount Gambier	$2.50	$2.89	$2.74
	Naracoorte	$2.46	$2.87	$2.74
	Millicent	$2.27	$2.93	$2.83
Grown Steer	Mount Gambier	$2.74	$3.15	$2.96
	Naracoorte	$2.64	$3.13	$2.92
	Millicent	$2.47	$3.02	$2.86
Heifer < 1 year old	Mount Gambier	$2.55	$3.07	$2.99
	Naracoorte	$2.54	$3.17	$3.04
	Millicent	$2.22	$3.00	$3.10
Steer < 1 year old	Mount Gambier	$2.73	$3.27	$3.17
	Naracoorte	$2.67	$3.39	$3.28
	Millicent	$2.34	$3.17	$3.25

Note to the table above: The data sets related to categories of livestock less than one year appeared relatively underrepresented in comparison to other categories and, as a result, may not be as accurate.

[34] Source: Comparative time data sets from MLA (Naracoorte & Mount Gambier) and WRC (Millicent)

Appendix B – Economic Contribution studies

Contribution – the general approach

Economic contribution studies are intended to quantify measures such as value added, exports, imports and employment associated with a given industry or firm, in a historical reference year. The economic contribution is a measure of the value of production by a firm or industry.

Value added

Value added is the most appropriate measure of an industry's/company's economic contribution to gross domestic product (GDP) at the national level, or gross state product (GSP) at the state level or gross regional product (GRP) at the regional level.

The value added of each industry in the value chain can be added without the risk of double counting across industries caused by including the value added by other industries earlier in the production chain.

Other measures, such as total revenue or total exports, may be easier to estimate than value added but they 'double count'. That is, they overstate the contribution of a company to economic activity because they include, for example, the value added by external firms supplying inputs or the value added by other industries.

Measuring the economic contribution

There are several commonly used measures of economic activity, each of which describes a different aspect of an industry's economic contribution:

- ***Value added*** measures the value of output (i.e. goods and services) generated by the entity's factors of production (i.e. labour and capital) as measured in the income to those factors of production. The sum of value added across all entities in the economy equals gross domestic product. Given the relationship to GDP, the value-added measure can be thought of as the increased contribution to welfare.

Value added is the sum of:

- ***Gross operating surplus (GOS).*** GOS represents the value of income generated by the entity's direct capital inputs, generally measured as the earnings before interest, tax, depreciation and amortisation (EBITDA).
- ***Tax on production less subsidy provided for production***. This generally includes company taxes and taxes on employment.
- ***Labour income*** *is a subcomponent of value added.* It represents the value of output generated by the entity's direct labour inputs, as measured by the income to labour.
- ***Gross output*** measures the total value of the goods and services supplied by the entity. This is a broader measure than value added because it is an addition to the value added generated by the entity. It also includes the value of intermediate inputs used by the entity that flow from value added generated by other entities.
- ***Employment*** is a fundamentally different measure of activity to those above. It measures the number of workers who are employed by the entity, rather than the value of the workers' output.

Figure 30 – Accounting Framework shows the accounting framework used to evaluate economic activity, along with the components that make up gross output. Gross output is the sum of value added and the value of intermediate inputs. Value added can be calculated directly by summing the payments to the primary factors of production, labour (i.e. salaries) and capital (i.e. gross operating surplus or profit), as well as production taxes less subsidies. The value of intermediate inputs can also be calculated directly by summing up expenses related to non-primary factors inputs.

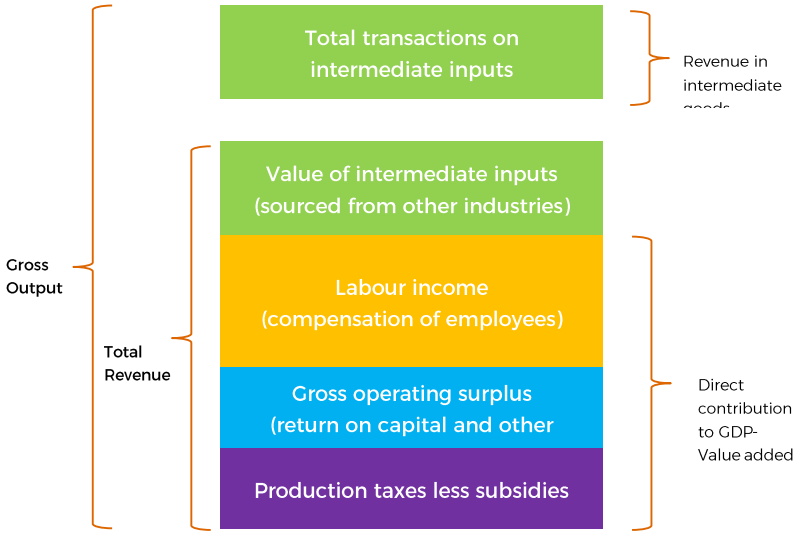


Figure 30 – Accounting Framework

Direct and indirect contributions

The direct economic contribution is a representation of the flow from labour and capital in the company.

The indirect contribution is a measure of the demand for goods and services produced in other sectors because of demand generated by the Saleyards. Estimation of the indirect economic contribution is undertaken in an input-output (IO) framework using Australian Bureau of Statistics input-output tables that report the inputs and outputs of specific sectors of the economy (ABS 2010).

The total economic contribution to the economy is the sum of the direct and indirect economic contributions.

Limitations of economic contribution studies

While describing the geographic origin of production inputs may be a guide to a firm's linkages with the local economy, it should be recognised that these are the type of normal industry linkages that characterise all economic activities.

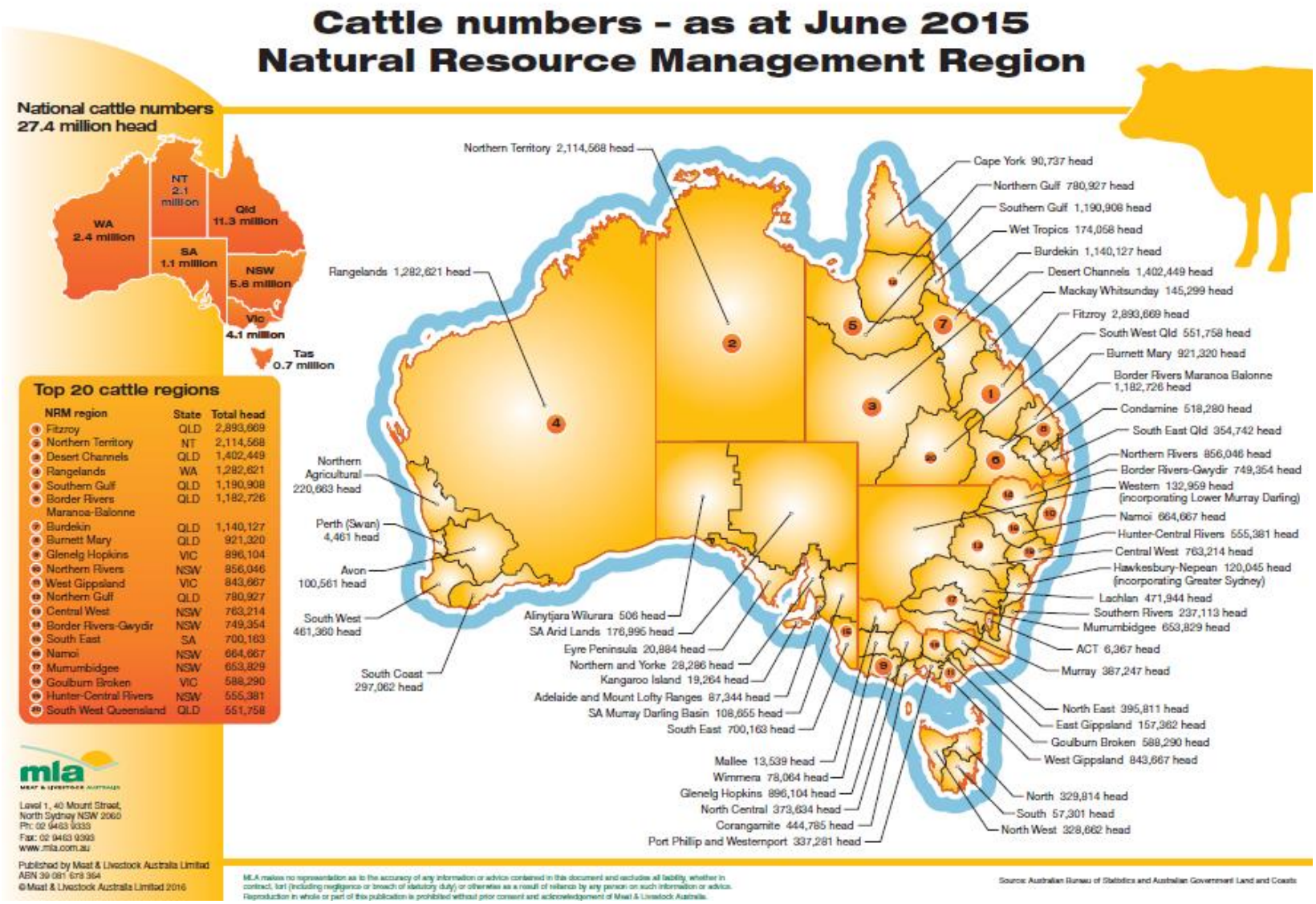
In a fundamental sense, economic contribution studies are simply historical accounting exercises. No 'what-if', or counterfactual inferences – such as 'what would happen to living standards if the firm disappeared?' – should be drawn from them.

The analysis relies on a national input-output table modelling framework and there are some limitations to this modelling framework. The analysis assumes that goods and services provided to the sector are produced by factors of production that are located completely within the state or region defined and that income flows do not leak to other states.

The IO framework and the derivation of the multipliers also assume that the relevant economic activity takes place within an unconstrained environment. That is, an increase in economic activity in one area of the economy does not increase prices and subsequently crowd out economic activity in another area of the economy. As a result, the modelled total and indirect contribution can be regarded as an upper-bound estimate of the contribution made by the supply of intermediate inputs.

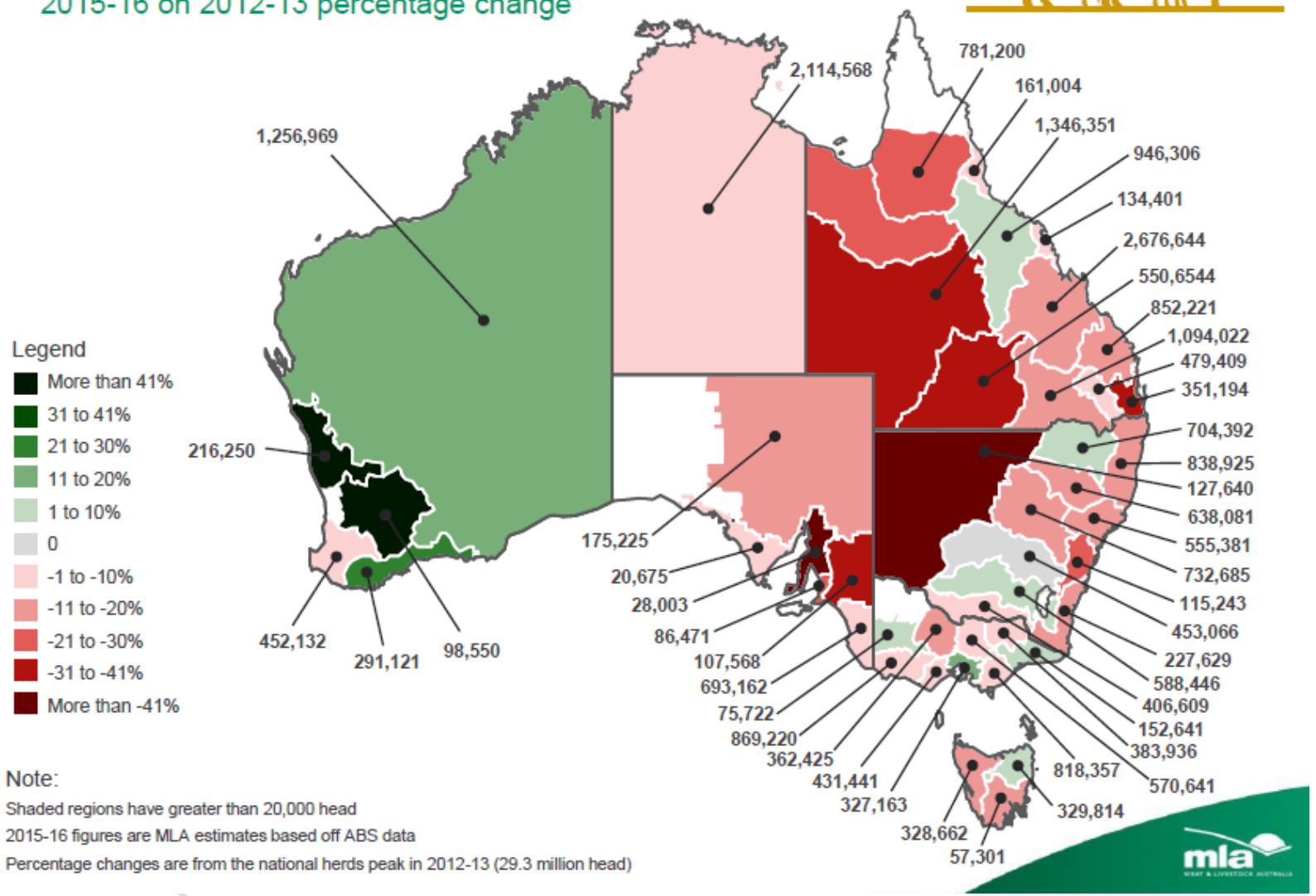
Similarly, the IO framework does not account for further flow-on benefits as captured in a more dynamic modelling environment.

Appendix C – National Cattle Numbers



Cattle herd - population changes

2015-16 on 2012-13 percentage change



Note:

Shaded regions have greater than 20,000 head

2015-16 figures are MLA estimates based off ABS data

Percentage changes are from the national herds peak in 2012-13 (29.3 million head)

Millicent Saleyards - Risk Register/ Hazard ID

Item	Hazards Identified and existing controls	Hazard	Current Consequence	Current Likelihood	Current Risk	Additional or new controls required (if any)	Residual risk rating after controls
Vehicle Access	•There is not a clearly defined 'No-go zone' between loading ramp and vehicles reversing to ramp. Pedestrian could be hit by vehicle while crossing from carpark into Saleyard Entrance - currently controlled by 25km sign. • Line Marked on bitumen to assist with approach is faded •It is not immediately visible where the public entrance to the yards are (no signage). Public could enter into an unauthorised area, risking contact with cattle (Strike, crush).	**Hazard**	**Moderate**	**Unlikely**	**Medium**	•Repaint Line Marking. •"Enter Here" sign required at entrance - to be included in a signage plan •pedestrian crossing or line marking directing pedestrians from carpark to Saleyard's entrance.	**Low**
Ramp Surfaces and Angle	•Maximum incline angle of the adjustable ramps are unknown (angle - incline of adjustable ramps should not exceed 25 degrees) This could mean unreasonable slip or fall risk for operator when shutting truck gate. •No level area at top of ramp for large livestock and operator to access rear of truck - slip or fall hazard. Risks are slipping, fall, crush or struck by animal.	**Hazard**	**Major**	**Possible**	**High**	•To be measured accurately. Ensure incline adjustable does not exceed 25 degrees. •Ramp to be modified to include a level area at the top for large livestock. •Prior and during operation, ensure all persons are clear of ramps. The only person to be in area is operator at button controls. A Physical separation should be maintained between the person(s) loading/unloading and the livestock.	**Medium**
Ramps, height of sidewalls, internal width and side infills	• Adjustable Ramp side wall height is 1340mm (minimum ramp wall height should be 1700mm) risk of animal escape over top rail. •Sidewalls commence 160mm from floor surface (this should be 50mm). Shadows could spook cattle, operators could insert limbs and be crushed.	**Hazard**	**Moderate**	**Unlikely**	**Medium**	•Clad ramp sidewalls up to the top to maintain minimum wall height of 1700mm. •Clad ramp to 50mm above floor surface.	**Low**

Millicent Saleyards - Risk Register/ Hazard ID

Item	Hazards Identified and existing controls	Hazard	Current Consequence	Current Likelihood	Current Risk	Additional or new controls required (if any)	Residual risk rating after controls
Adjustable Ramps	• Walkway on the main unloading ramp is on the passengers side of ramp - there's risk that operator will walk under ramp to access the walkway after using the controls to adjust ramp height (hazard being crushing or physical injury) •The control for the ramp is hanging loose and operators may/can operate the ramp whilst standing on it. •It's unknown when electrical cords and components of ramp were last checked - risking electrical failure, entrapment, electrocution. •The safety mechanism which prevents ramp free-fall is not regularly checked or maintained. •It is unknown if operators of the ramp read or understand the SOP that is displayed. Potential for inexperienced operator or operator with limited literacy skills not being able to read SOP.	**Hazard**	**Major**	**Possible**	**High**	• Replace current 2x adjustable ramps with fixed, multi-storey ramps • Walkway should be moved to truck driver's side to provide clear access to ramp controls and forcing yards to improve safety of truck driver • Guards to be installed below all adjustable ramps to prevent walking under and insertion of limbs •Fix the ramp control to the post, install signage that says the ramp should not be adjusted whilst people or animals are on it (Short term). •Regular maintenance schedule to be developed for all ramp components. •Online Sky trust induction video outlining SOP to be made and QR code to induction added to the SOP sign and communicated to transport operators. Induction to be complete by all new transport operators before being authorised to operate adjustable ramps. Signage to be installed - a) Ramp height shall not be adjusted while livestock are on the ramp. b) Maximum working load of the ramp. c)Ramp not to be used if maximum working load is exceeded. d) no entry sign at the area bounded by guarding below the ramp.	**Low**
Cattle Crushes	• Possible Pinch and crush injuries or impalement, generally anyone can enter the cattle crush area • Protruding steel at head height, currently identified with a plastic hi-vis cone shoved over the end of a pole.	**Hazard**	**Moderate**	**Unlikely**	**Medium**	• Install signage that restricts access to inducted and authorised personnel only • Install a permanent hi-vis feature to the protruding steel to prevent head strike.	**Low**

Millicent Saleyards - Risk Register/ Hazard ID

Item	Hazards Identified and existing controls	Hazard	Current Consequence	Current Likelihood	Current Risk	Additional or new controls required (if any)	Residual risk rating after controls
Forcing Pens	•Operator must enter pens to follow cattle along forcing pens (no walkways or walkways on wrong side). There was no guarantee from site users that cattle would not be in those pens.	**Hazard**	**Major**	**Possible**	**High**	•Walkway required on the drivers side of all forcing pens. Fixed ramps and forcing pens require wall sheeting from 50mm above ground to 1000m above where the operator stands. •Fill needs to be regularly removed and not more fill added on top - implement a scheduled maintenance program.	**Medium**
Gates, Latches, Hinges and chains	•Throw gates on fixed ramps are not hinged on operators side, operator will need to enter pen to close gate •Most of the latches within the ramp and forcing pen areas are the bolt type - this increases the time and risk to the operator when opening/closing gates. Also increases risk of bruising to cattle.	**Hazard**	**Moderate**	**Possible**	**Medium**	•Gates to be installed on the correct side •All ramps and forcing pens require slam shut latches.	**Low**
Guards	No guards around the base of fixed and adjustable ramps - risk of unauthorised access, insertion of limbs into area where cattle are walking, resulting in injury.	**Hazard**	**Moderate**	**Possible**	**Medium**	• Guards required beneath all fixed and adjustable ramps.	**Low**
Headroom	Insufficient head room identified on main unloading ramp - risk of injury.	**Hazard**	**Minor**	**Possible**	**Medium**	• Grind off - raise height	**Low**

Millicent Saleyards - Risk Register/ Hazard ID

Item	Hazards Identified and existing controls	Hazard	Current Consequence	Current Likelihood	Current Risk	Additional or new controls required (if any)	Residual risk rating after controls
Walkways,ladders,steps and platforms	•The walkway on the main adjustable unloading ramp has a section of steel flooring which is a different surface to the remainder of the ramp and looks like it could be slippery when ramp is at full height - Slip, Trip, Fall hazard. • Walkway near the Weighbridge Office does not have a kickboard, risk of slip and fall/injury from height, risk of dropped objects on the ramp falling from height and injuring those below (WHSIN202765) • All concrete steps adjacent to livestock ramps are not to standard and are missing handrails - risk of trips and falls (WHSIN202759).	**Hazard**	**Moderate**	**Possible**	**Medium**	•Access ramp to be installed on drivers side •Adjustable ramp walkway surface to be assessed and made non-slip • Walkway near Weighbridge Office to have Kickboard installed • All concrete stairs to be built over with prefabricated, complainant stairs. Access on passengers side to be closed off.	**Low**
End of Ramp buffers	•Ramp buffers made of hardwood - not compressible.	**Hazard**	**Insignificant**	**Possible**	**Low**	•All ramp buffers require replacing.	**Low**
End of Ramp extensions	•Currently when adjustable ramp is at full height, a side gap exists at the end of the ramp.	**Hazard**	**Major**	**Unlikely**	**Medium**	•Rubber infill required.	**Low**

Millicent Saleyards - Risk Register/ Hazard ID

Item	Hazards Identified and existing controls	Hazard	Current Consequence	Current Likelihood	Current Risk	Additional or new controls required (if any)	Residual risk rating after controls
End of ramp Safety gates	•None of the fixed ramps have a safety gate to protect the operator from livestock while closing the door of the crate or retrieving the bridging flap from inside the ramp - risk of crush and strike & falling from heights.	**Hazard**	**Major**	**Possible**	**High**	•Safety gates on fixed ramps to be installed.	**Medium**
Winches and load bearing fixed points	Working Load Limit (WLL) not displayed - Risk of overloading. Unknown load limit.	**Hazard**	**Moderate**	**Possible**	**Medium**	Engineering inspection to determine will the Working load limit display.	**Low**
Supports and Structural Integrity	•Over head yard supports corroded. Welds on overhead walkways corroded. Steel members could fall from height and strike site users or animals.	**Hazard**	**Major**	**Unlikely**	**Medium**	Check integrity of overhead walkways and supports. Re-weld and rust-treat corroded areas.	**Low**
Lighting	•Saleyards not adequately lit. Operators will be required to draft cattle in early hours of the morning soon. Lack of lighting will result in risks of operator injury. Will require temporary lighting ASAP. •Existing fluorescent light fittings thought the walkways and over the concrete yards are water damaged, falling down and present a risk of falling items.	**Hazard**	**Catastrophic**	**Possible**	**Extreme**	•Temporary lighting organised ASAP •Stage 1 of the yard lighting upgrade has been completed and is currently being trailed. A budget of $80,000 has been allocated for stage 2 of the yard lighting upgrade in 2021/22 but will not commence until the success of stage 1 trial has been determined. • Old, redundant lighting to be removed • See separate line item below regarding electrical switchboards.	**High**

Millicent Saleyards - Risk Register/ Hazard ID

Item	Hazards Identified and existing controls	Hazard	Current Consequence	Current Likelihood	Current Risk	Additional or new controls required (if any)	Residual risk rating after controls
Materials - Holding Yards - Drafting and Selling Pens	•Generally, materials are fit for purpose, however some corrosion to welds throughout. •Some rails in poor condition. Timbers are replaced with treated on an 'as needed' basis •Pens heavily filled to reduce moisture, reducing fence height causing risk of cattle escape. •Lack of pedestrian signage, risks general public entering pens or races with cattle •Timber rail failure presents as a strike and crush hazard to both people and cattle.	**Hazard**	**Moderate**	**Possible**	**Medium**	•Welding required •Timber rails to be identified and replaced before decay •A post-sale procedure to incorporate rail inspections to be developed •Hardwood to be introduced. •Additional pedestrian signage.	**Low**
Elevated Platforms	•Top stair tread on the stairs leading to the weighbridge office is a trip hazard •Fluro markings and tread edge grip is worn from some stairs, missing from others. •Corrosion to welds •Narrow - difficult for two people to pass each other •Handrails?? Question compliance? •Slip,Trip,Fall, Fall from heights, fatality possible.	**Hazard**	**Catastrophic**	**Unlikely**	**High**	•Fix stair tread and Fluro markings •Welding work required •Explore option of Auctions being grounded at ground level. Lock out when not in use.	**Medium**
Weighbridge Clerk's Office	•Trip hazard - vinyl flooring coming away. Old, damaged tiles underneath - question if asbestos? If so, question if sealed? •The external door is a flyscreen door - this does not protect staff from the weather. Needs to be changed out to a solid door •Structural assessment required • It is unlikely this office is able to meet Covid social distancing requirements. Water leaks.	**Hazard**	**Catastrophic**	**Unlikely**	**High**	•Structural assessment required •Asbestos removal required •Flyscreen door to be replaced with solid door •Replace at ground level with cameras •Limit number of people.	**Medium**

Millicent Saleyards - Risk Register/ Hazard ID

Item	Hazards Identified and existing controls	Hazard	Current Consequence	Current Likelihood	Current Risk	Additional or new controls required (if any)	Residual risk rating after controls
Weighbridge	No infill from top of rails to 50mm from floor level -Possible hazard of spooking cattle Potential hazard: Person being knocked over by stock or slip trips and falls.	**Hazard**	**Minor**	**Possible**	**Medium**	•Extend side infill rubber from top of rails to 50mm from floor level - this will prevent shadows from people passing by spooking the cattle. •Weighbridge to be inspected before operating to ensure the bridge structure is in good condition with no loose bolts, no broken, missing or rusty components and that the reading is 0. •Ensure the platform is clean, ensure all individuals stand clear of platform. Operator to have clear view of the platform and the measurement displayed on the indicator, without moving from their normal operating position.	**Low**
Truck Washdown Bay	•Trip hazards of existing pipework and infrastructure •Trip hazards of uneven ground and uneven concrete down both sides of the wash area (WHSIN202764) •Lack of signage and operational instructions for both truck wash and lighting •Potential hazards: Slip, Trips, Falls - Noise - Chemical Exposure - High Pressure •Possible Hazard if truck driver climbs on truck. Climbing above two meters will risk possible injury or death - falling from heights. • Stairs that operators use to access rear of truck are non-compliant and without handrail, risking slips, trips and fall from height (WHSIN202760).	**Hazard**	**Moderate**	**Possible**	**Medium**	•Existing pipework and infrastructure to be reviewed and walkways constructed to safely crossover exposed pipework • Uneven ground to be levelled and any holes filled • New fabricated, compliant stairs to replace existing • Update Site Induction and signage to include the following: o Vehicle being washed in wash bay must has engine turned off o Pedestrians in vicinity of the truck wash bay to: - Wear high vis at all times - Not walk behind machines at any time. - Do not walk backwards while washing, ensure hose does not cause a trip hazard - Prepare for intermittent drop or increase in pressure and maintain strong grip of hose at all times. - Minimise climbing on vehicle - Upon completion, hose truck wash ramp and ensure no debris is lying around.	**Low**

Millicent Saleyards - Risk Register/ Hazard ID

Item	Hazards Identified and existing controls	Hazard	Current Consequence	Current Likelihood	Current Risk	Additional or new controls required (if any)	Residual risk rating after controls
Waste Water Management System	•Effluent pond not fenced and no signage •Risk of falling into pond & drowning •Risk of working alone for contractors and staff •Risk of inhaling effluent aerosols causing Q fever – Staff immunised against Q fever •Risk of effluent contacting the skin.	**Hazard**	**Catastrophic**	**Rare**	**High**	•Check pond has life Buoy and escape ladder •Signage required - may need Danger/hazardous waste authorised personnel only sign •PPE for staff who come in contact with animal effluent - Gloves, Aprons, Rubber boots, googles. •Lone workers should have mobile phone and access to Council's technology to report in after tasks complete.	**Low**
Canteen Building	•Building in very poor condition - currently not fit for purpose as the roof and gutters leak, asbestos is located throughout and is deteriorating due to water damage. •Windows, door frames and timber cladding are also water damaged. •Foundations of building are currently lower than the surrounding pathways in some locations, raising concerns that the path may be lifting or the building sinking. •Cracking in brickwork due to expansion of steel door/window lintels. Corroded structural framing to balcony and stairs area. Visible cracking of balcony slab - slab is now compromised. •Top storey of the building is not in use due to concerns around water ingress into asbestos ceiling and impact on structural integrity. •Risks include fall from heights, strike by ceiling collapse, exposure to asbestos.	**Hazard**	**Catastrophic**	**Rare**	**High**	• Top storey of the building has ceased being used • Structural assessment to be undertaken.	**Low**

Millicent Saleyards - Risk Register/ Hazard ID

Item	Hazards Identified and existing controls	Hazard	Current Consequence	Current Likelihood	Current Risk	Additional or new controls required (if any)	Residual risk rating after controls
Workshop	•Roof iron on workshop will need replacing in the short term. •Mezzanine floor considered unsafe. •Uneven external concrete paving to front of workshop. •Loose electrical cabling dangling down from roof area. •General machinery area considered unsafe with inadequate signage. No line marking on floor area to isolate machinery areas. •Slip Trip Fall, Fall from heights, electrocution risk.	**Hazard**	**Major**	**Unlikely**	**Medium**	•Loose electrical cabling dangling down from roof area - requires adequate fastening •Roof to be replaced in short term •Mezzanine floor to be removed •Check external concrete paving in front of workshop •Signage and line marking to be installed to isolate machinery areas.	**Medium**
Electrical Switchboards	•Across the site 6 switchboards require upgrading to meet current standards, in addition to proposed upgrades to office/canteen building. This includes installing RCD's to protect workers from electric shock. •Three switchboards are considered hazardous and require immediate attention: The main switchboard is rusted and unstable, the switchboard that controls the effluent pumps and the pump shed (bore and pressure pumps for wash down). •The redundant PA system is not considered to be hazard but removal is recommended as the excess wiring is old and unsightly.	**Hazard**	**Catastrophic**	**Likely**	**Extreme**	•Lighting locked out and tagged out by Council electrician •Lighting system is still isolated whilst ongoing solution determined. •Replace 3 x Switchboards in intermediate term. •Remaining to be upgraded.	**Low**

Millicent Saleyards - Risk Register/ Hazard ID

Item	Hazards Identified and existing controls	Hazard	Current Consequence	Current Likelihood	Current Risk	Additional or new controls required (if any)	Residual risk rating after controls
Sheep Yards	•Ramps do not meet any of the minimum requirements outlined in AS5340, particularly the side wall height, which operators are able to step over • Risk of slips, trips and falling from height to both operators and livestock. EPA WIMP does not include sheep	**Hazard**	**Catastrophic**	**Likely**	**Extreme**	Ramps to be locked out and prevented from further use. "Sheep yards closed. Do no enter" signage at all access points. Full and unconditional closure of the sheep yards.	**Low**
Site Fire Safety	Building Fire Safety to be assessed by the Building Fire Safety Committee. - Emergency Management - Firefighting equipment - Hydrants - Chemical storage etc - Risk of fire and potential injuries.	**Hazard**	**Major**	**Unlikely**	**Medium**	Building Fire Safety Committee to make recommendations.	**Medium**
In-Pen Practices	Paint branding cattle within Pen. Risk of being charged by the animals and knocked over, trampled, kicked or crushed between the animal and a gate or fence.	**Hazard**	**Major**	**Possible**	**High**	Paint branding within the Pen is a prohibited practice. All paint branding must be completed at a distance using a paint marking stick.	**Medium**
Handling Bulls	Risk of being hit, kicked by bull or injured by gate when branding large bulls too big for crush.	**Hazard**	**Major**	**Possible**	**High**	Agents and contractors are to never handle bulls alone. Large bulls to be branded in the small secure Pen at the end of the branding race with the slam shut gate.	**Medium**

	Catastrophic	Major	Moderate	Minor	Insignificant
Almost Certain	Extreme	Extreme	High	High	Medium
Likely	Extreme	Extreme	High	Medium	Medium
Possible	Extreme	High	Medium	Medium	Low
Unlikely	High	Medium	Medium	Low	Low
Rare	High	Medium	Low	Low	Low

8 Urgent Motions Without Notice

Urgent Motions without Notice may be raised at this point of the Meeting.

9 Meeting Closure

Meeting Closure.