

Emerald abattoir investment call

by James Nason, 07 April 2015



Plans to construct a new regional meatworks at Emerald in Central Queensland are gathering momentum according to the mayor of the Central Highlands Regional Council, Peter Maguire.

The council recently commissioned independent consultancy firm GHD to investigate the feasibility of a new abattoir at Emerald.

The resulting study supported the feasibility of a plant, concluding that it should be able to rely on throughput of around 100,000 slaughter cattle per annum from the Central Highlands, Barcaldine, Longreach, Barcoo, Blackall-Tambo, Winton, Diamantina and McKinlay Shires.

That catchment area produces an estimated throughput of 345,328 slaughter-weight cattle per annum, according to the report's authors, however, a new facility would not be expected to attract that entire volume.

"It would be unrealistic to suggest an Emerald based facility could capture this entire throughput, particularly given the supply chain savings are relatively small (<=\$10 per head)," the report states.

"It is also important to acknowledge that the modelling exercise does not account for potential differences in processing costs.

"While an Emerald facility could only expect to capture a proportion of the market share from municipalities where there is a supply chain saving, it is conversely true that the facility would receive some cattle from municipalities where there is a higher supply chain cost (e.g. Isaac, Quilpie, Cloncurry and Mount Isa) particularly if the facility catered for niche services including service kills not available elsewhere."

The provision of service killing capacity would be a key attraction of a local plant for CQ producers, Cr Maguire says.

At present the only option to access a service kill is at Casino, close to 1000km in road transport away.

"We have producers sending cattle from here down to Casino to get cattle killed to go to the Middle East which is ludicrous," Cr Maguire said.

The report identifies potential to tap into the growing export opportunities with South East Asia and into domestic market opportunities for premium and differentiated beef products.

"To me, that's the really exciting part of the study," Cr Maguire said.

"We've all seen the huge growth in popularity in wagyu, organic, certified grass-fed beef and the like, yet the closest abattoir offering that service is Brisbane and waiting lists there are long.

"There's clearly a big gap in the market and the Central Highlands could be in a position to fill it, then reap the rewards."

GHD suggested such a facility would cost between \$73 million and \$83m to build and close to \$33m annually to operate.

Regional economic benefits include job opportunities; improved transport infrastructure; transport savings and value-adding opportunities for the beef industry; and demand for supporting goods and services.

The study is based on an operating model that would employ 168 people per weekday shift in the following roles:

- Slaughter & Offal 50
- Boning 90
- Maintenance 6
- Rendering 2
- Administration 20

Land on Wilga Downs Road, west of Emerald, is identified as the optimal of four potential sites because of its adequate size and topography but road, power and water supply upgrades will be needed.

CHRC is now calling for expressions of interest from potential investors by May 7.

The Central Highlands Development Corporation worked in conjunction with GHD to ensure local producers and other key stakeholders were given the opportunity to be involved in the consultation process.

As part of that process local stakeholders which ownership structure they thought would be best for a meat processing plant in Emerald. 25 of 54 respondents favoured a cooperative as the preferred structure, while 10 each supported the options of development by an existing processor and an external investor.

“It’s clear that it’ll be a massive task to make this project a reality but the study has shown it’s definitely worth investigating further, so that’s what we want to do,” Cr Maguire says.

“It’s also compatible with other projects that are being conceptualised for the region, including the multimodal transport hub,” he says.

“The end result is a thorough and comprehensive report that’s going to enable potential investors to make informed decisions,” CHDC General Manager Sandra Hobbs. “It’s gratifying for CHDC to be part of such a promising project.”

Key points identified by local stakeholders in favour of a processing plant in Emerald included:

- Increased competitiveness within the meat processing industry;
- Opportunity for service kills and specialised niche marketing;
- Increase job opportunities, economic benefits and diversity within the community;
- Potential concerns were environmental, social and water supply impacts; and
- Good level of support from producers and cattle industry as a whole.

The report suggested that a meatworks at Emerald would most likely affect the supply of cattle currently flowing to Rockhampton meatworks.

“Considering the shires for which an Emerald processing facility potentially offers supply chain cost savings, the cattle supply would be most likely sourced from existing Rockhampton facility demand.

“That is an Emerald facility offers Meat Supply Chain cost savings to four of the five shires that Rockhampton was calculated as being the current least cost option

“One major factor why Emerald has Meat Supply cost efficiencies over Rockhampton is due to the more expensive (on a per head basis) live transit leg of the supply chain is shorter, and that these cost savings are greater (on a per head basis) than the longer post processing (chilled meat and distribution legs).

“Beyond the results presented in this section, it should also be noted that there are some factors that could erode the supply chain cost advantages of utilising an Emerald facility; such as higher processing costs. Furthermore, further studies should investigate the distribution of demand within contestable shires to assess the competitiveness of the facility on a per farm basis.”

The report said that in relation to current cattle supply, which is or will be constrained as herds gradually rebuild, there is a 12.5pc latent processing capacity within existing abattoirs in Queensland.

“If slaughter rates continue to rise on trend, this latent capacity will be exhausted around 2020.

“Despite this latent capacity, there appears to be a considerable shortage of abattoir capacity for the provision of service and processing kills, catering for a growing range of niche, branded or value added products, including Wagyu, organic, certificated grassfed and MSA.

“Consultation suggests that a large number of cattle are being transported south to Casino and as far as Victoria and South Australia for access to service killing and processing, with one supply flagging the possibility of processing 30,000 head per annum in a future Emerald abattoir.”

The full GHD report can be viewed at www.centralhighlands.qld.gov.au and www.chdc.com.au.