



OCTOBER 2018 CENTRAL HIGHLANDS ABATTOIR FEASIBILITY STATEMENT

SUMMARY

ACIL Allen Consulting (ACIL Allen) was commissioned by the Central Highlands Development Corporation (CHDC) to investigate the feasibility of constructing a beef abattoir in the Central Highlands region of Queensland.

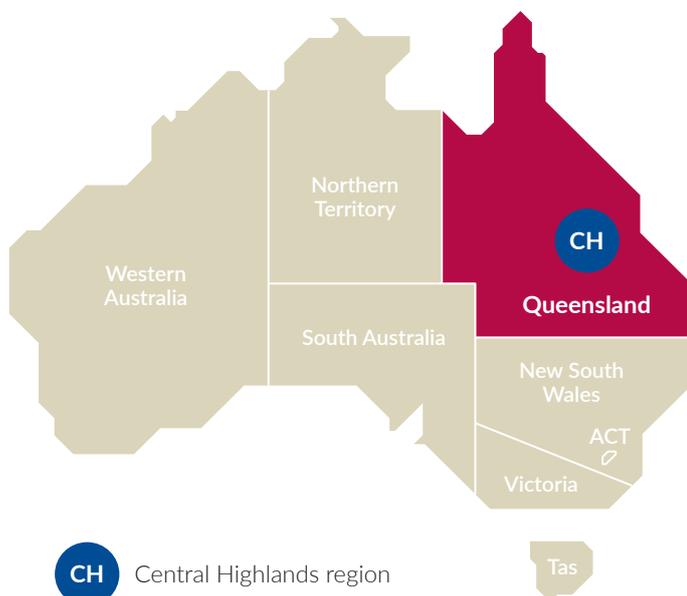
The aims of the report were to:

- + Understand the costs and revenues of constructing an abattoir in the region and the required throughput to ensure the feasibility of an abattoir.
- + Identify the comparative strengths and challenges of the location of an abattoir in Emerald compared to other regions, and
- + Detail market trends that will influence the construction of an abattoir in the region.

The 2018 feasibility study investigated the potential for the abattoir and found that growing and potential demand from the export market for beef products was strong and the Central Highlands region is well placed to service these markets.

\$540m

Beef grazing is the largest agricultural activity in the Central Highlands region. In 2015-16, the value of production of the industry was estimated to be \$540 million or roughly 70 per cent of the total agricultural output of the region. The total number of cattle in the region as of June 2016 is estimated to be 1.4 million, or 5.5 per cent of the national herd.



There are currently no beef processing facilities in the Central Highlands region. Beef produced in the region is generally processed in one of three major abattoirs in relatively close proximity to the Central Highlands as well as processing facilities in the Greater Brisbane Area.

There is an opportunity to construct a beef processing facility in the region to cater for slaughter cattle produced in the region. There is also potential to attract cattle from other parts of Queensland and the Northern Territory that travel through the region to processing facilities on the Queensland coast. The abattoir could also slaughter service or custom orders from beef producers wishing to slaughter and market their own cattle.

CATTLE SUPPLY

The supply of slaughter cattle from the Central Highlands region is estimated to be around 575,000 slaughter cattle each year of which 335,000 are sold through the saleyard system providing an abattoir with access to a sufficient supply of cattle.

There are also producers in the Central Highlands region that sell their cattle directly from their farm or feedlot to a processing facility. While these producers are likely to have forward contracts or established relationships with these processors, an abattoir in the Central Highlands could also seek to source cattle from these producers.

The average sale weight of cattle produced in the northern beef markets in Australia over the twelve years to 2015-16 as reported in the Australian Beef Report (Bush Agribusiness Pty Ltd, 2017) was 487 kg liveweight.

CAPITAL COST ESTIMATES

A report completed for the Central Highlands Development Corporation by GHD found that an abattoir with an annual throughput of 100,000 cattle per annum was in the order of \$73 to \$83 million. In addition, there will be costs associated with constructing a waste water treatment plant of \$8.0 million to \$9.0 million. Depending on the final site of the Central Highlands abattoir, there may also be costs associated with connecting to power and water infrastructure and providing appropriate road access to the site.

The total cost of just over \$100 million, including a contingency and the construction of a wastewater treatment plant is comparable to other recent feasibility studies that are publicly available.

OPERATIONS COST ESTIMATES

The per unit cost of key operation costs as well as the total cost based on a throughput of 100,000 cattle per annum and an average weight of 487 kg liveweight were used to calculate operating costs. It is estimated that the Central Highlands abattoir would cost in the order of \$23.5 million per annum to operate. These costs do not include financing costs or taxation payments.

REVENUE

Revenue from the proposed Central Highlands abattoir was calculated by using publicly available price data for beef meat, offal and by-products. It has been assumed that the Central Highlands abattoir would produce the full range of products including meat, edible offal, and by products. By products could be sold or used to produce and capture biogas to fuel the render plant if the option of the construction of a biogas plant is pursued.

With a total throughput of 100,000 per annum, the Central Highlands abattoir could expect to return an income of just over \$204 million per annum.

The report did not include the costs of financing an abattoir and these would need to be taken into account when considering the Central Highlands abattoir as an investment. All assumptions in this report are based on estimations and should be confirmed prior to any investment decision being made.

FEASIBILITY

A summary of the costs and revenues of an abattoir in the Central Highlands region are presented in the Statement. The costs and revenues described result in a per head operation cost before income tax payments and interest payments of \$306 per head (excluding financing costs and taxation payments) as well as a cattle purchase cost of \$1,266 per head.

This throughput will result in revenue of just over \$2,000 per head and a profit of around \$470 per head before income taxation payments and equity repayments.

SENSITIVITY

A sensitivity analysis of the weight of cattle slaughtered in the abattoir found that there was greater profit in slaughtering heavier cattle assuming it was possible to achieve a similar slaughter rate per worker as lighter weight cattle. This is because, there was a greater revenue received per head because of the weight differential.

A sensitivity analysis on the price of meat found that, prices would need to remain at or above \$6.00 per kg in order for the abattoir to remain viable assuming a throughput of 100,000 per annum.

If the cattle supply, costs and revenues detailed in this report are achieved, the construction and operation of an abattoir in the Central Highlands region is viable assuming a throughput of 100,000 cattle per annum, focussing on the on high volume processing of cattle in the 400 kg to 500 kg weight range. It is recommended that a custom kill service be offered to provide local cattle producers with the option of killing and marketing their own beef products, recognising that there is a reduced revenue stream from this activity.

CHDC advises that the preparation of this report uses published data and provides threshold figures on a conservative basis for potential investors. The full report is available on request from CHDC now.

For further information contact

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