



ESSENTIAL ECONOMICS

Economic Impact of the Potential Withdrawal of SPC Ardmona from the Greater Shepparton Region

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by

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INTRODUCTION

Background

SPC Ardmona (SPCA) is one of the most established and important food manufacturers in Shepparton and the Goulburn Valley (GV) in terms of output, employment and business linkages, including many supply contracts to fruit farmers. In recent times, however, challenging economic conditions have led to a contraction in output at SPCA, resulting in the downgrading of the Mooroopna plant and a significant reduction in the amount of fruit sourced from regional growers. Concern exists within the industry and community that these operational decisions are the precursor to a much larger contraction of SPCA operations in the region, and which would be likely to have a significant impact on the regional economy in terms of labour markets, business closures and flow on impacts in the services sector.

In view of this situation, Greater Shepparton City Council has commissioned Essential Economics Pty Ltd to assess the economic implications of a scenario where SPC Ardmona ceases all operations in the region. For the purposes of this study the main affected area is considered to be the municipality of Greater Shepparton (where most of SPCA's production and distribution occurs), while the municipality of Moira is considered the main area impacted in the broader Goulburn Valley as this area accommodates many of the region's fruit growers.

Objective

The objectives of this report are:

- To describe challenges facing the region's food processing sector
- To analyse economic impacts on the local and regional economies should SPCA withdraw all operations from the Goulburn Valley
- To highlight flow-on impacts on existing and proposed major regional projects if SPCA were to cease all operations in the region.

This Report

This report contains the following chapters:

- Chapter 1: Background** – Provides a summary of SPCA's operational history in the region, current products, and supply chain linkages.
- Chapter 2: Existing SPCA Operations and Commercial Challenges** – Presents an overview of the current operational environment for food processors in the region with respect to macroeconomic and other challenges, and outlines specific impacts arising for SPCA.
- Chapter 3: Economic Impact Assessment** – Provides an assessment of likely regional economic impacts should SPCA withdraw completely from the GV region,

including impacts on employment, businesses, economic output etc, as well as strategic impacts on proposed major projects.

Chapter 4: Key Findings – Presents a summary of the main findings of this study.

1 BACKGROUND

1.1 SPCA History in Shepparton

The Goulburn Valley forms an integral part of the Goulburn Murray Irrigation District which is one of the most important agricultural areas in Australia, as highlighted by its reputation as Victoria's Food Bowl. With access to water from river systems, in addition to valuable groundwater resources, the region can support a large number of irrigation-based industries, including dairy, horticulture and viticulture, while also supporting large areas of dryland farming.

The importance of the region to the State's economy is evidenced by the significant infrastructure investment made in the sector over recent times, most notably the \$2.2 billion Northern Victorian Irrigation Renewal Project for large-scale modernisation works in the Goulburn-Murray Irrigation District. That project was jointly funded by the Victorian and Federal governments.

The Shepparton Preserving Company (SPC) and Ardmona brands were first established by growers in the early 1900s to process locally-grown fruit from Victoria's Goulburn Valley region. In 2002 the two companies merged their resources and expertise to present a stronger, united Australian presence against low cost and subsidised international competitors. This move created SPC Ardmona, the largest producer of packed fruit and vegetables in Australia. In 2004, SPC Ardmona acquired Henry Jones IXL.

In 2005 SPC Ardmona was acquired by Coca-Cola Amatil and this led to the development of two modern distribution centres in Shepparton and Kyabram. Investment in the Shepparton Distribution Centre, which opened in 2006, is estimated at \$15 million.

Today, SPC Ardmona (SPCA) is one of Shepparton's most established and significant operators in terms of manufacturing output and employment, and in terms of the supply contracts it provides to a wide variety of businesses in Greater Shepparton and the Goulburn Valley (GV) region.

1.2 Brands

SPCA domestic brands include the following:

- Ardmona (tinned tomatoes, tomato products, deserts etc)
- Goulburn Valley (packaged fruit)
- IXL (jams)
- SPC (canned tomatoes, baked beans and spaghetti; nutritional snacks, fruit sauces)
- Taylors (sauces and condiments)
- Weight Watchers (fruits and spreads)

SPCA international brands include:

- Natures Finest
- Healthy Options

1.3 Regional Linkages

SPCA has significant supply chain linkages within the region, but principally with businesses located in the Greater Shepparton and Moira municipalities. Information provided by SPCA shows the company currently has supply contracts with 560 or so regional businesses, including approximately 230 fruit growers and pack houses, and with the value of supply contracts in excess of \$100 million on an annual basis.

1.4 Growers

The majority of permanent planting in the GV Region is devoted to apples, pears, peaches, nectarines, plums and apricots. The remainder of the GV Region's crops comprise cherries, citrus, grapes, kiwifruit and other fruits. In addition, the annual crop of processing tomatoes is in excess of 2,500 hectares.

The main growing areas from which SPCA sources fruit in the GV Region are Shepparton, Cobram, Invergordon, Bunbartha, Ardmona, Tatura and Kyabram, all of which are located within one hour of SPCA's main processing and distribution facilities.

1.5 Summary

SPCA is one of Greater Shepparton's largest and most established operators and has an important presence in Victoria's Food Bowl. The company plays a vital role in the Goulburn Valley economy through direct employment at its sites, significant production of major food brands, its many supply contracts to fruit growers and other businesses, and sunk investment in its facilities across the region.

2 EXISTING SPCA OPERATIONS AND COMMERCIAL CHALLENGES

2.1 Existing Operations

SPCA currently operates out of the following facilities:

- Andrew Fairly Avenue, Shepparton
- 765 Dougan Road, Coomboona
- 65 Young Street, Mooroopna
- 30 Young Street, Mooroopna
- Church Street, Kyabram

In 2012, SPCA produced approximately 135,000 tonnes of product and employed 360 Full Time Equivalent (FTE) staff in the GV Region, as well as more than 1,000 casual seasonal workers.

2.2 Recent Operational Changes and Outlook

Strong Australian Dollar

The Trade Weighted Index (TWI) is a weighted average of a basket of currencies that reflects the importance of the sum of Australia's exports and imports of goods by country. The TWI is often used as one indicator of Australia's international competitiveness and is a useful gauge of the value of the Australian dollar when bilateral exchange rates exhibit diverging trends. As Figure 2.1 highlights, the TWI has risen sharply since the initial impacts of the GFC, with the period from mid-2009 to 2013 putting the TWI at near record levels (although levels have fallen back recently).

Australia's high currency rate has impacted adversely on the competitiveness of many industry sectors, especially those exposed to overseas competition. In the Goulburn Valley, manufacturing, dairy and food processing have been negatively impacted by the high exchange rate, leading to cheaper goods and services being sourced overseas. In the past few years significant regional job losses have occurred in the food processing sector, including at SPC Ardmona, Heinz, Nestle and Campbells Soups.

The high dollar (leading to increased purchasing power for buyers, including major supermarket chains) is principally responsible for a sharp increase in imported cheap canned fruit from North America and Europe, impacting adversely on the competitiveness of the local fruit processing sector. Additionally, the high dollar has reduced processed food exports significantly.

Figure 2.1: Australian Trade Weighted Index (February 1984 to May 2013)



Source: Reserve Bank of Australia
<http://fxtrade.oanda.com/analysis/economic-indicators/australia/indices/trade-weighted-index>

Changing Import and Export Trends

A significant change in import and export patterns for processed fruit and vegetables over recent years is evident in data published by the Department of Foreign Affairs and Trade (DFAT, *Composition of Trade 2011-12*). Initially, import levels increased due to the implications of the drought (ie local producers could not supply sufficient product during these periods); however, more recently Australia's terms of trade have played an important role in determining the trade balance.

For example, over the period 2006-2012 (where the value of the dollar has been at generally very high levels in historic – excepting a short period around the GFC), DFAT data shows the value of imported processed fruit and vegetables in Australia has increased by approximately \$402 million pa (from \$421 million in 2006 to \$823 million in 2012), while exports have declined by approximately \$37 million pa over the same period (from \$135 million in 2006 to \$98 million in 2012).

As Table 2.1 shows, in annual average growth terms imports have increased by 12% pa and exports declined by -5% pa over the period, with the balance of imports to exports increasing by 17% pa between 2006 and 2012.

Underpinning the growth in imports are major supermarket chains seeking cheaper product which is often sourced from countries such as South Africa, Argentina and China, where the Australian dollar's purchasing power is strong and labour costs are generally much lower compared to costs in Australia.

Table 2.1 Value of Australian Prepared or Preserved Fruit and Vegetable Imports and Exports, 2006-2012

Products	2006	2007	2008	2009	2010	2011	2012	Change 2006- 2012	AAGR 2006- 2012
Imports									
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000's	
Vegetables, prepared or preserved	247,790	317,090	382,420	495,460	415,900	428,890	495,200	247,410	+12%
Fruit, prepared or preserved	173,260	206,140	217,110	244,790	239,780	289,640	328,220	154,960	+11%
<i>Total Imports</i>	<i>421,050</i>	<i>523,230</i>	<i>599,530</i>	<i>740,250</i>	<i>655,680</i>	<i>718,530</i>	<i>823,420</i>	<i>402,370</i>	<i>+12%</i>
Exports									
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000's	
Vegetables, prepared or preserved	41,360	48,000	47,630	42,620	50,620	46,990	44,700	3,340	+1%
Fruit, prepared or preserved	93,990	95,250	80,990	74,400	81,540	54,310	53,040	-40,950	-9%
<i>Total Exports</i>	<i>135,350</i>	<i>143,250</i>	<i>128,620</i>	<i>117,020</i>	<i>132,160</i>	<i>101,300</i>	<i>97,740</i>	<i>-37,610</i>	<i>-5%</i>
Imports/Exports	285,700	379,980	470,910	623,230	523,520	617,230	725,680	439,980	+17%

Source: Department of Foreign Affairs and Trade – Composition of Trade 2011-12

Operational Impacts

Over the past five years the domestic market share of imported private label canned fruit has increased to 58%, while SPCA's canned fruit share has declined to 33%. Additionally, SPC Ardmona export market volumes have declined by 90% over this period.

Due to falling domestic and international demand for its products, SPCA has reported stock write-offs of \$108 million in 2011 and \$100million in 2012.

In response to these changing circumstances, SPCA production has been reduced significantly from an estimated 180,000 tonnes in 2009 to 135,000 tonnes in 2012.

These impacts have led to the downgrading of the Mooroopna fruit and vegetable cannery in 2011, with manufacturing operations consolidated at the Shepparton and Kyabram processing plants. This restructure resulted in the loss of approximately 150 jobs directly, and many more indirectly in the GV Region.

In April 2013, SPCA announced a significant reduction in supply contracts for regional fruit growers, with overall fruit intake reduced by approximately 50% in some fruit categories (peach and pear); this has directly impacted up to 170 growers, including 60 or so contracts cancelled completely.

2.3 Summary

While SPCA remains a strong manufacturing presence in the GV Region, the scale of its operations has been reduced significantly over recent years.

Key factors behind this contraction include drought, the strong and sustained appreciation of the Australian dollar, increased imports of cheaper product (especially by major supermarket chains), and a loss of export market share.

Due to these challenging commercial conditions, SPCA has incurred significant stock write-offs in recent years, and has responded to falling demand levels by downgrading one of its major processing plants (Mooroopna) and significantly reducing its fruit intake levels from regional fruit growers.

3 ECONOMIC IMPACT ASSESSMENT

This Chapter presents an economic impact assessment based on a scenario where SPCA operations cease in the GV Region.

The analysis is based on impacts on business and industry, economic output, labour markets, training, viability of major projects, strategic planning/land use, and Council and community revenues.

3.1 Business and Industry Impacts

SPCA currently has 331 non-fruit suppliers who are based in the GV Region, and SPCA spends approximately \$67.6m annually for their services.

Additionally, SPCA has a further 232 contracts with fruit growers and pack houses in the GV Region which generate an annual spend of approximately \$36.1 million. Many growers in the GV Region rely on SPCA for either all or a portion of their business and livelihood.

In total, SPCA spends approximately \$105 million (rounded) in the GV Region pa in relation to its regional suppliers, fruit pickers and pack houses. The importance of SPCA's GV operations is highlighted by the fact that, on an annual basis, the GV Region represents approximately 50% of the company's Victorian supply contracts, 34% of national contracts, and 30% of all supply total contracts including international markets, as shown in Table 3.1.

Table 3.1 SPC Ardmona, Number of Suppliers and Value of Contracts, by Region 2012/13

Region	Number of Suppliers	Value of Contracts	Share of Suppliers	Share of Contract Value
Goulburn Valley	563	\$103.7 million	28.9%	29.7%
Victoria	615	\$105.0 million	31.6%	30.1%
Australia (interstate)	432	\$98.8 million	22.2%	28.3%
International	336	\$41.1 million	17.3%	11.8%
Total	1,946	\$348.6 million	100.0%	100.0%

Source: SPC Ardmona

Note: Figures rounded

If SPCA were to withdraw from the GV Region, then approximately 560 businesses would be directly impacted on through lost contracts and this represents approximately 6% of the 9,430 business located in the Greater Shepparton and Moira municipalities (source: id National Economic Indicators). Many more business would be impacted indirectly through multiplier (or flow-on) effects associated with the supply chain.

Importantly, the vast majority of operators currently holding supply contracts with SPCA are small businesses, including many family-based fruit growing operations. For example, a survey undertaken by Fruit Growers Victoria indicates approximately 80% of SPCA's peach and pear

fruit growers have an annual turnover of less than \$1 million and approximately 50% of these growers have a turnover of less than \$250,000 per year.

3.2 Impact on Gross Regional Product

As noted, approximately \$105 million pa would be lost from the regional economy in direct spending by the company should it withdraw from the GV Region.

Economic modelling through REMPLAN shows that a further \$60 million pa would be lost from the regional economy through the industrial and consumption multiplier effects. That is, for every \$1 lost in supply contract values, a further \$0.60 would be lost through the supply chain and through the consumption impact of reduced wages in the economy.

In total, the regional economy would contract by approximately \$165 million pa if SPCA were to cease its existing operations in the GV Region.

In total, Gross Regional Product will be reduced by \$165 million pa through the withdrawal of SPCA from the GV Region. This represents a contraction of GSP of approximately 5% from the combined annual output of Greater Shepparton and Moira municipalities estimated at \$3.5 billion in 2011/12 (source: id National Economic Indicators).

3.3 Labour Markets Impacts

Direct Jobs Losses

SPC Ardmona currently employs 360 Full Time Equivalent (FTE) staff in the GV Region, with most staff located in Shepparton. Additionally, approximately 1,050 or so seasonal workers are employed on a temporary basis during the peak processing period.

In reality, more than the 360 jobs would be lost as some of these FTE positions are likely to involve some part-time staff. By comparison, recent direct job losses announced at the Geelong Ford site total approximately 510 positions, with the SPCA figure 70% of the Ford losses but within a much smaller labour market.

Multiplier Job Losses

At a regional level, economic modelling by REMPLAN shows a further loss of approximately 640 FTE jobs through the employment multiplier effect (ie, industrial and consumption effects).

These job losses would be expected to lead to further employment losses in regional businesses associated with:

- Fruit growing
- Packaging
- Agricultural supplies (fertilizer, fencing etc)

- Transport and logistics
- Vehicle and machinery maintenance
- Services (retail, finance, cafes/restaurants etc)

Total Job Losses

In total, 1,000 direct and indirect FTE jobs would be lost in the region if SPCA were to cease existing operations. The actual number of jobs lost would likely be higher than this as not all employment will be full time (FTE), with some positions being part-time and casual.

Impact on the Unemployment Rate

The loss of 360 FTE jobs would represent a major adverse impact for the labour market in the GV Region where significantly high unemployment levels prevail. As Table 3.2 shows, in December 2012 Greater Shepparton had an unemployment rate of 8.6%, with 7.1% unemployment in the region. These rates are considerably higher than unemployment rates for Regional Victoria (5.7%), Metropolitan Melbourne (5.4%) and Victoria (5.5%).

Table 3.2 Unemployment Rates, Selected Locations, December Quarter 2012 (Persons)

	Labour Force	Unemployed	Percent Unemployed
Greater Shepparton	31,850	2,750	8.6%
Benalla	7,360	510	6.9%
Campaspe	19,640	1,100	5.6%
Moira	14,240	900	6.3%
Strathbogrie	4,990	270	5.4%
Region	78,080	5,530	7.1%
Regional Victoria	778,300	44,200	5.7%
Metropolitan Melbourne	2,266,900	122,600	5.4%
Victoria	3,045,200	166,800	5.5%

Source: Department of Employment, Education and Workplace Relations – Small Area Labour Markets, December Quarter 2012.

Assuming no jobs (direct and indirect) were replaced, the loss of SPCA operations in the GV Region would result in Greater Shepparton’s unemployment rate increasing from 8.6% to 11.0%, and with the region’s unemployment rate increasing from 7.1% to 7.4%. These calculations are based on existing labour market parameters and assume 75% of existing SPCA jobs (and indirect jobs) are taken by Greater Shepparton resident workers, and the remaining 25% of SPCA jobs (and indirect jobs) are taken by workers resident in the broader region.

3.4 Impacts on Industry Training

SPC Ardmona and the Australian Manufacturing Workers Union (AMWU) have collaborated to develop an induction-to-leadership training program for more than 2,000 workers in the Goulburn Valley, facilitated by the National Food Institute. The training program provides all

employees (including seasonal workers) the opportunity to undertake Certificate I through to Certificate III courses, which lead to nationally-recognised training in the areas of food processing and transport competencies.

The program's success has been acknowledged by receiving the Federal Government's Industry Collaboration Training Award.

The withdrawal of SPCA from the GV Region would therefore inevitably reduce training opportunities for labour force participants in food processing and related sectors.

3.5 Reduced SPCA Investment and Related Construction Investment

SPCA Investment

SPCA has invested significant capital in the development of its sites in the GV Region over many decades. This investment has supported many local construction-related businesses and created many construction jobs.

For example, most recently SPCA has invested \$25 million in the development of its National Distribution Centre in Shepparton and modernisation of its Mooroopna plant. These two projects alone are estimated to have generated 200 FTE construction-related jobs.

If SPCA were to withdraw from the GV Region, the business and employment benefits of ongoing and future investments would be lost from the regional economy.

Food Bowl Modernisation Project

As described earlier, the \$2.2 billion Northern Victorian Irrigation Renewal Project (or Food Bowl Modernisation Project) represents a significant commitment by State and Federal government for large-scale modernisation works in the Goulburn-Murray Irrigation District.

The modernisation of irrigation systems in northern Victoria's food bowl included the removal of stranded assets and inefficient system losses and, in doing so, has improved service levels required by modern on-farm irrigation technology. The Food Bowl Modernisation project has provided the capacity to deliver 214 GL of water savings, thus providing benefits to farmers in the region, including fruit growers.

The significant investment undertaken in securing the long-term future of the food industry in the region would be undermined if major food processors such as SPCA ceased operations in the region and, in doing so, significantly reduced the viability of the region's horticulture land users.

Shepparton Bypass

The Shepparton Bypass will provide a 33km new road link from Karamomus Road (south of Shepparton) to Zeerust Road (north of Shepparton), and forms part of a broader upgrading of the Goulburn Valley Highway between Seymour (Victoria) and Strathmerton (NSW). The Shepparton Bypass is the next logical stage in the upgrade of this important Melbourne-

Brisbane road link, with the recently-opened Nagambie Bypass, to Shepparton's south. The Shepparton Bypass aims to greatly reduce the volume of commercial traffic travelling north-south through Shepparton along existing routes, namely the Goulburn Valley Freeway (which runs directly through Shepparton CBD), and the Shepparton Alternative Route (which is located to the east of the CBD). These existing routes are inefficient for commercial vehicles due to speed restrictions associated with urban congestion, traffic lights, roundabouts, etc. Additionally, traffic accident data highlights safety concerns associated with traffic conflict issues on both these routes, especially in relation to heavy commercial vehicles.

Shepparton City Council, in conjunction with VicRoads, is now seeking support for the project from the Federal Government through a funding submission to Infrastructure Australia.

The withdrawal of SPC Ardmoma from the GV Region would directly reduce truck movements by 12,500 pa (*Goulburn Valley Manufacturing Audit*, Essential Economics 2009) in relation to its sites, while further truck movement reductions would occur within the regional supply chain. Overall, this reduction in road freight might negatively affect the prioritisation of the planned Shepparton Bypass in terms of infrastructure funding, especially if government decision-makers perceive SPCA's withdrawal as foreshadowing a broader longer-term contraction of food processing and industrial activity in the region, more generally.

Goulburn Valley Freight and Logistic Centre (GV Link)

GV Link is planned for development on 331ha of land at 250 Toolamba Road, 2km south of the Midland Highway in Mooroopna. GV Link is strategically located at the junction of two major freight routes, Goulburn Valley Highway and Midland Highway, which service Victoria's Food Bowl and southern NSW. The new Nagambie Bypass (located on the Goulburn Valley Highway) and the proposed Shepparton Bypass (the alignment of which runs through the GV Link site) will further boost access to markets for freight transporters in the longer-term.

The rail terminal at Mooroopna, located just 1km north of the GV Link site, provides broad gauge rail access for business in the area, and will support the development of a dedicated rail terminal at GV Link by providing direct rail access to Melbourne and other major markets.

GV Link will consist of an intermodal rail-road terminal and general freight area that links producers/exporters to the Port of Melbourne by rail and road, and provides opportunities for distribution centres, warehouses, a container park and trucking depots. Once operational, the facility aims to improve efficiency of the freight logistics task for industry and growers, including improved access to external markets, including port locations. Key users are expected to be food processors and the dairy sector.

To date, approximately \$15 million of Council, State and Federal funding has been invested in planning for the facility, including land acquisitions and the preparation of a detailed master plan to guide the development.

For GV Link to be viable, sufficient freight movements in and out of the GV Region will need to be generated on a sustainable basis in order to secure investors and operators. The loss of the region's most important food processor would impact adversely on long-term freight volumes in the region, both directly and through the regional supply chain. Additionally, investor

confidence is likely to be reduced by the withdrawal of a major freight-reliant industrial operator, thus casting doubt on the long-term future of all food processing activities in the region and further jeopardising potential land sales and investment in the site.

3.6 Land Use Implications

SPC Ardmona is a large consumer of industrial land in both Shepparton and the broader GV Region as outlined below:

- Shepparton Manufacturing Plant: 9.6ha
- Shepparton National Distribution Centre: 13.6ha
- Mooroopna Processing Plant: 12.8ha
- Kyabram Processing Plant (Shire of Campaspe): 8.0ha
- **Total SPCA Land:** **44.0ha**

The withdrawal of SPCA from the GV Region, and the vacating of existing sites, would lead to a significant increase in vacant industrial, particularly in the Greater Shepparton municipality. This would not be an ideal outcome from a commercial property perspective as it would create an 'over supply' of vacant industrial land on the market.

Greater Shepparton had a supply of 188ha of available industrial land in 2011, according to the Urban Development Program (DPCD – *Regional Industrial Report*, City of Greater Shepparton, September 2012). This quantum of available industrial supply relative to total industrial land equates to a total vacancy rate of 32%, and this is considered sufficient to promote a competitive land supply market. An increase of 36ha of vacant land (associated with the SPCA sites) would push Greater Shepparton's vacancy rate beyond 40%.

Importantly, a large area of land has also been identified by Council in Shepparton North for the purpose of providing a new industrial precinct, while approximately 170ha of developable industrial land is likely to become available at Shepparton's proposed intermodal freight terminal (GV Link), in Mooroopna.

In a strategic planning sense, the development of the Shepparton North and GV Link industrial areas are important to Council; however, the potential availability of significant industrial land stocks in well-located and established industrial nodes (especially in a market with a large volume of existing vacant land stocks) could minimise demand for land at these new developments and also impact adversely on industrial property values.

3.7 Impacts on Council and Revenue and Community Contributions

Rates Revenue

In 2011/12 SPCA contributed \$700,000 in rates revenue to Greater Shepparton City Council for its various sites. This represents approximately 15% of Greater Shepparton's industrial rates base for that year (\$5,111,167) or 1.3% of Council's overall rates base of \$54.1 million. Rates revenue payable to other municipalities (eg Shire of Campaspe in relation to the Kyabram site) by SPCA has not been included in this analysis.

It is recognised that new operators occupying vacated SPCA land would replace some of this shortfall in industrial rates over time.

Community Support

SPCA is the largest donor to the United Way Goulburn Valley Community Fund which raises funds locally, to distribute locally. In 2010/2011, SPC Ardmona's Workplace Giving Program included 275 employees who donated a total of \$20,770 and this was supported by SPC Ardmona with a \$15,000 community investment donation (approximately \$36,000 in total). United Way GV raises money and distributes the funds to local charities and health and care organisations. All money raised stays in the region, and since 2001 more than \$2.5 million has been distributed to over 100 local charities.

SPC Ardmona partnered with United Way Goulburn Valley to start a local breakfast program for thousands of regional school children. The local school community sought assistance in addressing the issue of students arriving on an empty stomach, and the community was struggling to keep up with the demand for food. SPC Ardmona, as a sponsor of the new annual breakfast program for schools in Shepparton and Mooroopna, provides ten primary and secondary schools with supplies of juice, jams, muesli bars, baked beans and spaghetti, to assist students start the day with a healthy, nutritious breakfast.

Kidstown Adventure Playground is an innovative and fun community project located in the bushland between Shepparton and Mooroopna. The project relies on the support, donations and voluntary work of many local businesses, service clubs and individuals. SPC Ardmona has supported the initiative over the past 12 years with approximately \$350,000 donated over this period (or an average of \$29,000pa).

SPC Ardmona's employees assist Meals on Wheels by volunteering their time (during business hours), on the every second Tuesday of the month, to deliver meals to Goulburn Valley residents.

In addition to these regional initiatives, SPCA also provides donations to statewide programs such as the Murdoch Children's Research Institute, Avner Nahmani Pancreatic Cancer Foundation, and Foodbank.

3.8 Conclusions

The main economic impacts arising should SPCA to cease operations in the GV Region are as follows:

- Job losses would involve 1,000 Full Time Equivalent (FTE) positions (direct and flow-on) and 1,050 casual seasonal positions, with over 550 business directly affected.
- Significant increase in the unemployment rates for Greater Shepparton and the GV region from their already very high levels compared with the State and metropolitan averages.
- Reduction in industry training opportunities.
- Reduction in regional economic output of \$165 million pa (or 5% of regional GSP).
- Reduced viability for proposed major infrastructure projects (such as Shepparton Bypass and GV Link Freight Node) due to a reduced regional freight task.
- Reduction in ongoing building investment in the GV Region, noting SPCA has invested significantly in many sites over the years, providing construction-related opportunities to local businesses and workers.
- Reduced Council rates revenue of \$700,000 pa and SPCA community donations of \$65,000 pa.
- Significant increase in vacant industrial land supplies in Greater Shepparton, creating a considerable surplus of land which could impact adversely on Council's long-term strategic planning for new industrial nodes (where supply would likely be significantly greater than demand) and adversely affecting industrial land prices.

4 KEY FINDINGS

Background

- 1 SPCA is one of Greater Shepparton's largest and most established operators and an important presence in Victoria's Food Bowl. The company continues to play a vital role in the Goulburn Valley economy through direct employment at its sites, significant production of major food brands, its many supply contracts to fruit growers and other businesses, and sunk investment in its facilities across the region.

Existing Operations and Challenges

- 2 While SPCA remains a strong manufacturing presence in the GV Region, the scale of operations has been reduced significantly over recent years.
- 3 Key factors behind this contraction include drought, the strong and sustained appreciation of the Australian dollar, increased imports of cheaper product (especially by major supermarket chains), and a loss of export market share.
- 4 Due to these challenging commercial conditions, SPCA has incurred significant stock write-offs in recent years and has responded to falling demand levels by downgrading one of its major processing plants (Mooroopna) and significantly reducing its fruit intake levels from regional fruit growers.

Economic Impacts

- 5 If SPCA was to withdraw from Greater Shepparton (and the surrounding region), the following economic impacts are estimated:
 - Job losses of 1,000 Full Time Equivalent (FTE) positions, including 360 FTE jobs at SPCA facilities and 640 FTE jobs in supporting sectors (agriculture, transport and logistics, retail etc) through the employment multiplier effect (industrial and consumption). Additionally, the 1,050 casual seasonal positions will be lost.
 - Increase in the unemployment rates for Greater Shepparton from its current level of 8.6% to 11.0% and the GV region from its current level of 7.1% to 7.4% (assuming these jobs are not immediately replaced). In a state-wide context, the existing unemployment rates for Greater Shepparton (8.6%) and Moira (6.3%) are well above the unemployment rates for Regional Victoria (5.7%), Metropolitan Melbourne (5.4%) and Victoria (5.5%).
 - Reduction in industry training opportunities – such as SPCA's induction-to-leadership training program.

Reduction in regional economic output of \$165 million pa, including \$105 million associated with SPCA suppliers (560 businesses, including 230 fruit growers and pack houses) and \$50 million in other spending in the economy through the multiplier effect. This level of contraction represents 5% of the annual Gross Regional Product for the affected parts of the GV region (mainly the municipalities

of Greater Shepparton and Moira), with up to 6% of all businesses likely to be adversely impacted directly, and many more impacted indirectly.

- Reduced viability for proposed major infrastructure projects such as the Shepparton Bypass and GV Link Freight Node which are premised on sustaining and growing regional industrial output and freight volumes.
- Reduction in construction Investment, noting that SPCA has invested significantly in the region over the years, including \$25 million in its National Distribution Centre and its Mooroopna plant. These two projects alone are estimated to have generated 200 FTE construction-related jobs.
- Reduced Council rates revenue of \$700,000 pa, which represents approximately 15% of all annual industrial rates revenue to Greater Shepparton Council.
- Reduced community donations of \$65,000 pa, as well as loss of direct food donations to local schools and community organisations.
- Increase in vacant industrial land supplies by 36ha which will raise Greater Shepparton's already high vacancy rate to approximately 40%, creating a significant surplus of industrial land which may negatively impact on property and land values, and compromise Council's long-term strategic planning for new industrial nodes.