

# REGIONAL IMPACT ASSESSMENT STATEMENT

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## Agency

Department of Primary Industries and Regions SA – Regions SA

### 1. Title of the initiative

Regional Development Fund grant of \$2.5 million to Beston Pure Dairies Pty Ltd towards the expansion of its Murray Bridge facility by creating a world class cheese processing plant.

### 2. Issue to be addressed

#### *Regional Development Fund*

The purpose of the Regional Development Fund (RDF) is to increase economic growth and productivity for regional South Australia.

The broad objectives of the RDF are to support regional economic development by:

- creating new jobs and improving career opportunities
- providing better infrastructure facilities and services
- strengthening the economic, social and environmental base of communities
- supporting the development and delivery of projects
- leveraging funding and investment.

The RDF Major Projects Program can provide grants of between \$200,000 and \$2 million with leveraged funding at a minimum ratio of \$3 for each \$1 grant. The Program is aimed at supporting major economic projects designed to strengthen regional industries, support local economies and provide opportunities through investment in strategic projects. Larger funding amounts may be considered where there are outstanding benefits for the region and the State.

#### *Independent economic analysis by Ernst and Young*

An independent economic analysis undertaken by Ernst and Young assessed the overall economic impact of projects awarded grant funding through the RDF. The economic analysis identified that with \$33 million in grants awarded in Rounds 1 and 2, the RDF has supported 61 projects that will generate economic activity worth \$5.6 billion to the South Australian economy from 2014-15 through to 2020-21. A total of 14,389 regional jobs are projected to be generated over the life of the projects, as well as supporting other jobs in metropolitan Adelaide.

The economic analysis highlights that the main benefit to the State is not the grants themselves but the projects and industries it supports, by:

- accelerating companies' own investment
- enabling additional investment for further value
- allowing projects to progress that otherwise would not have.

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## 3. Region(s) impacted by the proposal

This project is located in the Murray and Mallee region.

The economic analysis by Ernst and Young indicates the importance of the RDF in driving economic growth across the Murray and Mallee region.

The analysis estimates the RDF's contribution to the State's economy in 2015-16, as well as the ongoing economic impact over the next seven years to 2020-21.

The report shows that in 2015-16, RDF supported projects in the Murray and Mallee made an economic contribution of \$212 million to the region and created 554 jobs.

Five grants totalling \$4 million have been provided for Round 1 and 2 projects in the Murray and Mallee.

### *Unemployment in Murray and Mallee Region*

Data published by the Commonwealth Department of Employment shows that for the December quarter 2015, the rate of unemployment was 9.6 percent, representing 3,139 persons in the Murray and Mallee region who were unemployed.

Unemployment in the Murray and Mallee region is also noticeably higher than both the State average, which was 7.4 percent, and the average for all regional areas was 7.1 percent during the same quarter.

The project is considered strategically important to maintaining dairy processing capability in the lower Murray area, assuming access to enough milk supply, human capital and export grade certification.

Beston Pure Dairies Pty Ltd states that its commercial objective is to become a producer of diversified premium dairy products for the local and export market, utilising the benefits of its closed loop supply chain and restoring the milk supply from South Australian farmers to the Murray Bridge and Jervois facilities.

Beston Pure Dairies Pty Ltd aims to transition its two plants from producing bulk commodity based cheeses, such as 20 kg blocks of Cheddar and Gouda, to a fully diversified premium range of cheese, starting with Mozzarella, Gruyere and Parmesan, for domestic and export markets.

## 4. Stakeholders Affected by the proposed initiative

- Beston Pure Dairies Pty Ltd
- Dairy Farmers
- Rural City of Murray Bridge

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## 5. Stakeholders Consulted

The Rural City of Murray Bridge, Regional Development Australia Murraylands and Riverland, TAFE SA and the Artisan Cheese Making Academy submitted letters of support for the application from Beston Pure Dairies Pty Ltd.

## 6. Consultation

The Rural City of Murray Bridge notes the project's alignment with its recently adopted Economic Development Strategy which focusses on South Australia's regional economic growth over the next 20 years, to deliver opportunity, resilience and a lifestyle that attracts and retains skilled and innovative people and businesses.

Regional Development Australia Murraylands and Riverland notes that Premium Food/Values Added production which Beston Pure Dairies Pty Ltd's project offers, is one way of achieving the need for industry diversification as identified in its Regional Strategic Plan (2014-16).

The Department of Primary Industries and Regions (PIRSA) indicates that the project has the potential to have broad and considerable benefits in the lower Murray region through both indirect employment, retention of logistics resources, and trade skills in the community in addition to building on the skill base of the regional community to support high value food production.

## 7. Summary of Impacts and Analysis

### 7.1 Economic Factors

Beston Pure Dairies Pty Ltd sought a grant of \$2.5 million towards costs associated with the expansion of its Murray Bridge facility which will create a world class cheese processing plant to transition from a bulk commodity-based production company to a fully diversified premium cheese and dairy producer for domestic and export markets.

In addition to the creation of 61 ongoing new FTE jobs and 24 jobs during the construction phase, it claims the project will result in the establishment of a new world class processing facility for the production of premium cheese such as mozzarella, gruyere, parmesan and soft cream cheeses.

The total Project cost is \$25 million, with Beston providing the \$22.5 million balance.

The Project is expected to be completed at the end of June 2018.

### 7.2 Social Factors

There is a positive impact on the families, society and community in the region on Beston Pure Dairies Pty Ltd's expanded dairy. The employment of an additional 61 persons in the facility, as well as the temporary employment available during the construction period will have a positive economic and societal impact.

Beston Pure Dairies Pty Ltd has access to milk supply through farms it has recently purchased and will also seek local suppliers.

Beston Pure Dairies Pty Ltd has a demonstrated commitment to employing locally and developing local supply chains to support its operations.

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## 7.3 Environmental Factors

There is no assessable environmental impact associated with the granting of this fund.

## 7.4 Equity Factors

Local employment will be created in both the short term during construction and on-going in the dairy processing facility.

This project has the potential to have broad and considerable benefits in the lower Murray region through both indirect employment, retention of logistics resources and trade skills in the community in addition to building on the skill base of the regional community to support high value food production.

## 8. Mitigation

None required.

## 9. Coordination

Regions SA coordinates assessments of applications to RDF.

## 10. Local Government

The Rural City of Murray Bridge submitted a letter of support for the application from Beston Pure Dairies Pty Ltd.

## 11. Preferred Option

To provide RDF grant funding of \$2.5 million to Beston Pure Dairies Pty Ltd towards the expansion of its Murray Bridge facility by creating a world class cheese processing plant as part of supporting major economic projects designed to strengthen regional industries, support local economies and provide opportunities through investment in strategic projects.

## 12. Agency Contact Details

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