

ATTACHMENT A

Business Case

Mullewa Community Farm





PROPOSAL – MULLEWA COMMUNITY FARM

On behalf of the community of Mullewa I would like to outline a proposal which would see the funds currently sitting in the Mullewa Community Trust account invested to enable a sustainable and lucrative return that would be used to fund an annual community grants program in the Mullewa Region.

Specifically the proposal is to use the funds currently sitting in trust to purchase 300-400ha of farm land located to the south or west of Mullewa (more reliable rainfall areas). The Mullewa Community Group would then oversee the management of this farm land which would be cropped annually through the support of farmers and suppliers in the community.

The community farm concept is one that is well embedded in wheatbelt communities throughout Western Australia and is a proven method of generating outstanding profits on the back of substantial in-kind support from a range of community members.

In summary the concept would be based around the following;

- Purchase a suitable farm in the 300-400ha range subject to price (\$380,000 - \$500,000).
- Crop the majority of the property annually.
- Crop operations (seeding, spraying, spreading & harvest) carried out by farmers in the community.
- Payment for crop operations would come out of the harvest proceeds but would be paid to a community organisation of the operator's choice (allowing a second community distribution on top of grants from the Trust).
- Sponsorship for crop inputs (i.e. seed, fertiliser, chemical) would be sought with a well discounted price the objective.
- The surpluses generated would go into the Mullewa Community Trust annually.
- Mullewa community groups would be able to apply for grants payable from the Trust on an annual basis.
- A cropping management committee would oversee the cropping program and management of the farm.
- A Community Trust Committee would oversee the distribution of the funds to community groups and projects.

What sort of return would be likely?

Based on the scenario of a 300ha crop program at 'average' crop yields a detailed cashflow budget has been prepared.

The key assumptions in this budget are;

- 300ha wheat
- Wheat yield of 1.6 t/ha (this is the long term as well as 10 year average for Kim and Robyn Keeffe's farm – Glenoral). Kim is one of the key community members behind this proposal, he farms to the south of Mullewa and has kindly provided his wheat yields as evidence as to what is possible).
- Wheat price of \$300/t FIS (this is the 6 year average).
- Crop operations carried out for \$70/ha total.

- Crop inputs based on what is typical in the area and the region.
- All crop inputs have been budgeted on a commercial basis with current unit prices allowed. In managing the community farm in-kind and discounted prices would be sought allowing for a larger surplus in reality.

The budget shows an 'average' surplus of \$61,000.

At a purchase price of \$500,000 an average surplus of \$61,000 represents a return on capital of 12%.

The cashflow budget shows that approximately \$40,000 is required, based on the timing of payments, to fund the crop program.

It has been assumed as part of the purchase proposal that \$40,000 of Trust funds obtained would be used to fund this initial working capital requirement.

Results would vary from year to year

It is important to understand that in farming results vary quite substantially from year to year driven primarily by rainfall variability. Thus the 'average' referred to above would come about after farming through good years and bad. The Community Trust Committee overseeing the funds would need to manage the distribution of funds to take into account this variability. Thus it is envisaged that excess funds generated in above average years would need to be preserved to counter below average returns encountered in poor production years.

Table 1: The below table highlights the sensitivity of annual results to wheat yields quite probable through time.

	Average (1.6t/ha)	Low (0.8t/ha)	High (2.4t/ha)
Income	\$138,000	\$66,000	\$210,000
Expenses	\$77,029	\$69,109	\$84,949
Surplus/deficit	\$60,971	\$(3,109)	\$125,051

Note: The results above work on consistent grain prices and inputs. The variables are wheat yields and costs associated with wheat tonnes delivered (i.e. freight, grain costs, etc).

Summary

I have been engaged by the Mullewa community to provide input into the cropping assumptions included in the analysis and also to verify that the assumptions, in my experience as a Farm Management Consultant, are reasonable and in line with what I see via other clients in this area.

I can conclude that this is absolutely the case!

Please if you have any questions of myself with regards this proposal don't hesitate to get in touch with me.

Regards



Cameron Weeks

Planfarm Pty Ltd

Phone: 0427 006 944

Attachment: Cashflow budget prepared in Agrimaster including explanatory worksheets.

Community Farm

	Total	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15
CAPITAL PURCHASES													
Total CAPITAL PURCHASES	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANSFERS OUT													
Total TRANSFERS OUT	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL PAYMENTS	63480	-	-	-	-	-	-	-	-	-	-	-	-
GST OUT													
TOTAL GST OUT	-	-	-	-	-	48780	-	-	-	1500	-	-	-
AMB CREDITS													
TOTAL AMB CREDITS	-	-	-	-	-	-	-	-	-	-	-	-	-
AMB DEBITS													
TOTAL AMB DEBITS	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Flows IN	126000	-	-	-	-	-	-	-	-	-	-	-	-
Cash Flows OUT	63480	-	-	-	-	-	48780	-	-	1500	-	-	-
CREDIT Balances													
DEBIT Balances	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash SURPLUS	62520	-	-	-	-	-	48780	48780	48780	50280	50280	50280	62520
Cash DEFICIT	-	-	-	-	-	-	-	-	-	-	-	-	-
Cashflow Summary		Cash Flows In		Cash Flows Out									
Total	126,000			63,480				SURPLUS		62,520			



Principles developed at Mullewa Community Farm stakeholders meeting 4 March 2015

The farm would be managed via 2 sub committees, as part of the Mullewa Community Group Inc. A “farm operations committee” and a “Mullewa Community Trust management committee”

- How does this impact Mullewa Community Group Inc.?
- Modification of the existing Mullewa Community Group Inc. constitution is required (particularly ‘objects’, to sufficiently cover the community farm initiative).
- Nomination of sub-committee position holders would occur at the Mullewa Community Group Inc. Annual General Meeting
- Composition of sub committees to be further refined, but may include: (as a draft) Farm Committee – 4 or 5 nominated community members (farming experience), and the Trust Committee – 1 member from farm committee, 1 councillor, 1 member from Mullewa Community Group Inc. and 2 x community members (or 1 member and 1 rep from Mount Gibson Iron Ltd).

50% of generated profit (up to \$65,000) should be disbursed from the initiative (to the community), with the provision to disburse more funding for ‘extraordinary projects’

The farm will require a \$35,000 annual operating budget, and should maintain a \$50,000 reserve for unforeseen issues.

Community members on the two sub committees would be appointed for a 4 year term, and both committees would meet at least annually (more as required).

Trust rules / criteria would need to be reviewed – such as funding projects to a \$10,000 limit unless ‘extraordinary’.

Dissolution clause – should note that the asset (farm, and proceeds of sale of farm) would revert to the Mullewa Community Group, for disbursement via the Mullewa Community Trust. Further research is required to determine a suitable arrangement in the event that the Mullewa Community Group Inc. is disbanded.

Mim Barnetson agreed to contact the Dept of Commerce regarding the process of changing a constitution

Brendan Wilson to arrange meeting of Mullewa Community Group Inc., to present proposal of using MCG Inc. existing structure, rather than establishing a new, independent community group to facilitate the farm initiative.

Brendan Wilson to email stakeholders after MCG Inc. meeting, advising of decision, and to establish next steps to progress this.

Mullewa Community Group Inc.
PO Box 214
Mullewa
WA, 6630

23 July 2015

Dear Mayor Carpenter,

ESTABLISHMENT OF MULLEWA COMMUNITY FARM

1. The intent of this correspondence is to provide an agreement with the City of Greater Geraldton, for management arrangements of the Mullewa Community Farm, should Council agree to the subject matter proposal.
2. The Mullewa Community Group Inc. is well-positioned to receipt the remaining funds of the Mullewa Community Trust, for the purpose of purchasing and operating a community farm. The group presently consists of community members from Mullewa and surrounding areas, whom are dedicated and enthusiastic about the prospect of operating this venture. Furthermore, many Mullewa Community Group Inc. members participate in community events, functions and sporting activities which are typically supported through funding by the Mullewa Community Trust.
3. As a result of the Mullewa Community Group's Annual General Meeting on 22 July 2015, and preceding meetings, the group has agreed to the establishment of two sub-committees, which will serve to operate this venture with judiciousness, financial prudence, and farming expertise. The two sub-committees are defined as the 'Community Farm Operations' sub-committee, and the 'Mullewa Community Trust' sub-committee.
4. The Mullewa Community Trust committee is proposed to consist of one member of the Community Farm Operations committee, one ordinary member of the Mullewa Community Group Inc., one Mullewa Ward Councillor, one representative from Mount Gibson Iron Ltd; or an independent community member should Mount Gibson Iron Ltd elect not to participate. The intent of the Mullewa Community Trust committee is to fulfil the role which the current Mullewa Community Trust Committee undertakes as a Committee of Council. This committee (under the Mullewa Community Group Inc.) will advertise, receive, assess and disburse funds to eligible local groups, clubs and associations, as is the present case.
5. The Community Farm Operations committee will elect three nominated group members augmented by support from an agricultural consultant. These members will require local farming experience, and an ability to contribute to the efficient and productive operation of the farm, with professionalism. All members of sub-committees will be appointed for a four year term unless the member agrees to an extension, and meet in accordance with the requirements of the Mullewa Community Group Inc. Rules of Association, and operate in adherence to the Associations Incorporation Act 1987.
6. The Group further proposes to disburse profits generated from the farming venture of 50% (up to \$65,000), and reserve the right to disburse additional funds for extraordinary projects. This and the above points, reflect the guiding principles determined by stakeholders at the Community Farm exploratory meeting on 4 March 2015, hosted by the City of Greater Geraldton. Further in accordance with the principles developed at that meeting, the Group will maintain a \$50,000 reserve

for unforeseen issues, and a review of the Trust's funding criteria will be undertaken, such to cap funding of projects to a maximum of \$10,000, unless a project is determined to be extraordinary.

7. Should the Community Farm venture fail for any reason, the proceeds of the sale of the farm will be returned to the City of Greater Geraldton, for disbursement to the Mullewa community, via a Mullewa Community Trust committee, per the original agreement between Mount Gibson Mining Ltd, and the (then) Mullewa Shire Council in 2004. Presently, the Mullewa Community Group Inc. Rules of Association determine that surplus property must be transferred to another association incorporated under the Act, with similar objects. Noting that this precludes the City of Greater Geraldton, should this proposal be approved by Council, the Mullewa Community Group Inc. will determine (via special resolution) an amendment to this clause, such to apply to all property, excepting the Community Farm, which in the event of dissolution - will revert to the City of Greater Geraldton. This amendment will be made, and advised to the City of Greater Geraldton, prior to the transfer of monies from the Mullewa Community Trust.

8. Although a specific location for the farm has not been identified, upon the recognition of a suitable property, the Group will assess the market value, and obtain an independent valuation of any potential site, such to ensure that a fair and reasonable transaction occurs. At all times, funds will be held in registered bank accounts, and accounted for in accordance with relevant standards. Furthermore, the Group will ensure that sufficient insurance coverage is afforded to the farm, and liability protection of community members contributing to the operation of the farm.

9. Should the Mullewa Community Farm proposal be approved by Council, the Mullewa Community Group Inc. wishes to promptly formalise the arrangements contained herein, through return correspondence from the City, and does so - such to provide Council with assurance of the benevolent and community-minded spirit in which this venture will be undertaken.

10. I wish to convey the excitement and keen enthusiasm which this proposal has been met with, by the Group. This proposal is a fantastic opportunity to provide an enduring legacy to the community, for the betterment of community members into the foreseeable future.

Yours sincerely,



Anita Grima
President,
Mullewa Community Group Inc.