



Horticulture Australia

InnoVeg

Horticulture Australia Limited



BUSINESS CASE

Property Relocation. Part A



Horticulture Australia

"The Vegetable Industry Development Program is funded by HAL using the vegetable levy and matched funds from the Australian Government".





Content

What is a business case?	02
What do you have to consider?	03
What else is important?	07
How to calculate the costs?	07

Business Case

PROPERTY RELOCATION. PART A

What is a business case?

A business case is a formal process of planning to provide the decision-maker with useful information to help them make a decision. You will have greater confidence in your decision, if you use a formal process and making sure you count the right things the right way, whilst also considering the things that cannot be counted.

Thinking about expanding or relocating the farm?

In many parts of Australia, vegetable growers are faced with a difficult decision. Whether they should sell the property and buy another property as they may be crowded out by residential subdivision.

From time to time, vegetable growers contemplate expanding the farm or relocating the farm, or sometimes a combination of both with an additional farm at a different location. The reasons for this occurring are numerous and include: difficulties at the existing location, accessing different soil and water resources, or simply expanding production.

It is important to carefully consider the question of 'why?' you are expanding or relocating, and ensure that your decision helps achieve that purpose.

What is the decision?

The decision is to expand production to a new area or to relocate the existing farming activities to a new property.

This decision needs to be made in two stages and is outlined in the PART A and PART B components of this business case. This first component or PART A is a checklist of the issues involved in moving or expanding to a new location.

The PART B component of the business case provides an indication of how much land can be purchased for the sale value. For example, a grower said "I could buy ten hectares for one sold here". However, if new infrastructure is required, or the productivity of the new farm is not as good or needs to be improved, the decision needs to be carefully considered. A full business case may also be needed to obtain finance for the property.



What do you have to consider?

There are many considerations for vegetable growers when contemplating a move or expansion to a new area.

This business case is designed to help you think through the issues of moving or relocating. Most of the work described below needs to occur before a land sale contract is executed, or alternatively, the contract of sale is subject to these conditions occurring.

Historical and Contextual Information

Property natural attributes

When considering a new property take into consideration the natural attributes of the location including the climate, slope of the land, windbreaks, aspect and region. A good indication of the potential is to examine the production and enterprises being conducted on adjoining properties and talk to the owners.

Water quality and availability

Vegetable businesses require water. In all but the most reliable and high rainfall climates, supplementary irrigation water is required. This can be in the form of surface water licenses (rivers & channels), underground (bore) water, recycled water systems, mains water connections or catchment dams.

Consider the number of water sources available and what cost and risk is associated with each source.

Land use history

The prior use of a particular parcel of land is very useful information. Spend time with agents, owners, neighbours and anyone who has a historical association with the land. Particular issues that you may want to consider include:

- Previous herbicide use and any residual implications
- Sites of land fill or contamination from fuel/oil/pesticides
- Low lying areas subject to waterlogging or frost events
- Stock camping areas

- Fertiliser use history
- Soil pathogens, nematodes, difficult weeds
- Sites of erosion and remedial works
- Was the previous business profitable – if not, what was the reason(s)? Will these reasons impact on your production activities?

Financial resources

Financial resources require careful consideration. Is your business going well? What is the profitability of your enterprises? (refer to the case study “How is our business going?”) If you are buying and selling land, check any assumptions with your accountant, such as capital gains tax that may mean you have less cash available than anticipated. What level of debt are you comfortable with, what risks are associated with increased debt, what is the plan to pay back the debt?

Specific Site Information

Detailed soil resource assessment

Conduct a detailed investigation of both soil physical and chemical properties. This is very important if you are moving to a new location and are not familiar with how various soil types behave. You may need to use a soil scientist who will dig soil pits and provide management recommendations on the property. Soil is a highly variable resource and it changes dramatically within paddocks. Ensure you understand each section of each paddock and where soil changes occur.

continued | What do you have to consider?

Detailed water resource assessment

Talk to the local water authority about historical use and ask questions about any future changes that may occur to licensing and extraction volumes or seasonal allocations of water. Other assessments of water sources may also include:

- Bore yields and any test drilling/extraction required
- Hydrogeological assessments of aquifers
- Salinity and water quality assessments
- Management considerations such as iron bacteria
- License volumes and restrictions
- Seasonal access restrictions to water
- Cost of accessing various sources of water
- Infrastructure and water treatment/filtering requirements.

Access to markets

What is the likely impact of the new site on crop timing and meeting the market demand? Is there a freight advantage or disadvantage associated with this particular site compared to the existing farm? Are freight contractors available to help meet seasonal peaks of supply or will the business need to be self sufficient for freight.

Pests and diseases

Conduct a thorough assessment on soil pests and diseases, using any soil testing services that you may require. Consider any large areas of broadleaf crops or native vegetation surrounding the property that may impact pest and disease pressures. Proximity to residential property may influence your ability to spray and control pests and diseases at critical times.

Are there any quarantine issues associated with the site such as fruit fly or nematodes that will restrict market access or production of the crop? Local departments of Primary Industry can be valuable resources for accessing specific information on the issues within regions.

Environmental considerations and restrictions

Talk to the Environment Protection Authority (EPA) about any potential restrictions on the activities you are proposing – it is much better to be proactive in managing the EPA than to find out later that you cannot conduct an activity in a particular location.

Native vegetation

Discuss with your local natural resources department or catchment management authority any modification that you are proposing to native vegetation, such as tree removal or replanting of particular areas. You may also want to consider locations for offset plantations or use of natives for windbreaks.

Climate on the site

Climate impacts can be devastating on agricultural production, either through drought, frost, fire or hot windy weather. Therefore, ensure that you understand the climatic parameters for the location you are considering. In some regions the difference between one side of the hill to the other side can be significant and result in a significant amount of dollars made or lost. Be as thorough in your research as possible. Examine any weather station data from the Bureau of Meteorology or any neighbours who may have their own weather station. Is there a frost problem? What specific evidence can you gather about the afternoon sun, shaded valleys or climate mitigating factors that will help you understand the risks and rewards associated with a particular location?

There are very few ‘perfect’ properties and those that are close to perfect tend to be very expensive. However, by carefully examining the climatic risks you will be in a stronger position to be able to mitigate and manage those risks.

Planning and council

The local council will be able to provide valuable advice regarding your proposed development or farming activities. Many councils are very helpful and have staff dedicated to this particular process as they like to see investment and expansion in their region. They can help you understand whether you need a ‘Development Approval’ for the particular activity you have proposed or any other consideration you might need to take into account when managing the site.

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Planning and Preparation

Once all the information is obtained and collated it is then time to construct a development plan, budget and timetable.

Property design and layout

Construct a final design of the property that includes decisions based on all the information you have: where irrigation lines will go, tree lines, packing sheds, internal roadways, drainage plans.

Consider contingency options in your planning, such as: where will access points be in case of wet weather? Are additional roadways and laneways required?

Where is the most appropriate location for infrastructure and shedding considering access, power and water requirements?

Timetable of events

Construct a timetable or graph of your specific activities and time you anticipate for each task. Some tasks will need to be completed before other tasks, for example, a planning permit will be required from council before you construct any shedding. Note the tasks that are linked to following tasks.

This timetable will help you understand and manage the work required in developing the new property into a working resource. This timetable should also include a financial cash flow budget.

Budget

Budgeting and cost control is also very important. Normally, the more preparation and research that is conducted before starting any development, the better the result will be.

The budget will be important as some expenditure will be necessary (e.g. irrigation) to produce a crop, where as other expenditure (e.g. shedding) might be able to wait until there are more funds available. Focus on building the income creating processes first.

Labour resources

A key aspect of commencing production on a new site will be the availability and reliability of both permanent and casual labour resources. Recruitment in a new location can be difficult. Good permanent labour will make a big difference to the result, especially where the new property is a long distance from the original property.

Managing a site a long way from where you live is difficult. There is nothing like 'being there' to assess situations and make decisions on important production activities. This is where good staff, good communication and good systems are required. Good systems will involve clear objectives and methods required to complete activities, the use of diagrams and pictures is also very useful.



What else is important?

Unmeasurable benefits and costs

Vegetable growers who have moved their properties have mentioned other benefits and costs that are important to consider.

Markets – growers were very reluctant to move to a larger property unless they were very clear that they had a market for the extra produce.

Cost of improvements – the cost of developing a new property can be significant. It is important to estimate all

of the costs carefully. Remember, that it is likely that those extra improvements on the existing property will become difficult to justify, if the land is not going to be used for vegetable production.

Moving away from community – sometimes when a grower sells and buys a new property, they move away from family and friends and will find adjusting to the new community difficult.

How to calculate the costs?

See Part B of this Business Case – ‘Property Relocation PART B’ with an example calculation for considering moving or expanding the business.



Disclaimer

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