

ECONOMIC OUTLOOK REPORT 2



RIO | regional
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A PROJECT OF
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Murraylands Economic
Outlook Report:
RIO Sector Analysis (Summary)

A report prepared for



Prepared by



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EconSearch Pty Ltd
214 Kensington Road
Marryatville SA 5068
Tel: (08) 8431 5533
Fax: (08) 8431 7710
www.econsearch.com.au





The Economic Impact of Growth Scenarios in Food Processing in the Murraylands, 2005/06

Estimates of the current value of food manufacturing and processing in the Murraylands region were derived from the Food Scorecard for the region obtained from PIRSA (Carina Cartwright, pers. comm.). The value of food processing in the Murraylands region for 2005/06 is detailed in Table 1.

Table 1 Value of food processing in the Murraylands region, 2005/06

| Sector | Value of Local Food Processing (\$'m) | Gross Food Revenue (\$'m) |
|--------------|---------------------------------------|---------------------------|
| Wine | 0.0 | 11.8 |
| Field Crops | 3.4 | 101.0 |
| Livestock | 367.9 | 424.1 |
| Dairy | 142.5 | 167.1 |
| Horticulture | 73.0 | 214.5 |
| Seafood | 0.0 | 4.8 |
| Other | - | 26.0 |
| Total | 586.8 | 949.2 |

^a Includes Primary goods that are produced elsewhere and imported into the Murraylands for processing.

Source: SA Food Scorecard (Carina Cartwright pers. comm.).

The impacts of regional economic impact for current levels of food manufacturing and processing and for the growth scenarios have been generated using the *RISE* model for the Murraylands region.

The two growth scenarios were based on the assumption that annual growth of five, or ten per cent, would occur in response to an increase in imports of primary goods from outside the region. That is, the increase in food processing is not in response to an increase in local primary production.

Impact of Current Food Processing

Estimates of the regional economic impact of current levels of food manufacturing and processing in the Murraylands are provided in Table 2. The distribution of employment and GRP impacts are illustrated in Figure 1 and 2.

Table 2 Regional economic impact of food processing

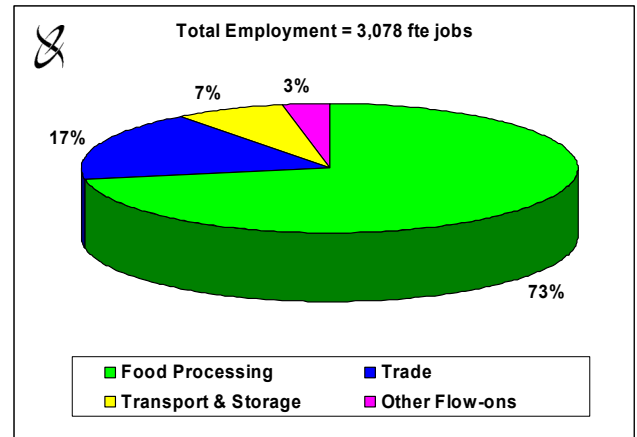
| Sector | Output | Employment | Contribution to GRP |
|---------------------------------|--------|--------------|---------------------|
| | \$m | fte | \$m |
| Food Manufacturing & Processing | 586.8 | 2,226 | 142.7 |
| Flow-on impacts | | | |
| Trade | | 536 | 19.1 |
| Transport & Storage | | 222 | 16.1 |
| Other Flow-ons | | 94 | 29.2 |
| Total flow-on impacts | | 852 | 64.4 |
| Total | | 3,078 | 207.1 |
| Proportion of regional total | | 19% | 21% |

Source: EconSearch analysis

Employment is a measure of the number of working proprietors, managers, directors and other employees, in terms of the number of full-time equivalent (fte) jobs.

In 2005/06, food manufacturing and processing was responsible for generating employment of almost 3,080 fte jobs in the Murraylands regional economy. Almost 2,230 of these jobs were generated directly in the food manufacturing and processing and over 850 flow-on jobs were generated in other sectors of the regional economy.

Figure 1 Distribution of employment impacts for food processing

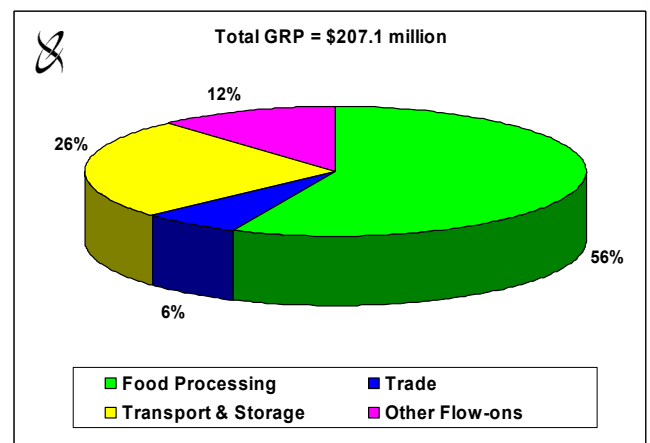


Source: EconSearch analysis

Contribution to gross regional product (GRP) is a measure of the net contribution of an activity to the regional economy. Contribution to GRP is measured as value of output less the cost of goods and services (including imports) used in producing the output. Using contribution to GRP as a measure of economic impact avoids the problem of double counting that may arise from using value of output for this purpose.

It was estimated that almost \$207m (in 2006 dollars) in GRP was generated in the Murraylands regional economy by food manufacturing and processing. Almost \$143m was generated directly in the food manufacturing and processing sector and approximately \$64m in flow-on GRP in other sectors of the regional economy.

Figure 2 Distribution of GRP impacts for food processing



Source: EconSearch analysis

5 per cent Annual Growth

Estimates of the regional economic impact of 5 per cent annual growth in food processing are provided in Table 3. The distribution of the employment and GRP impacts are illustrated in Figures 3 and 4.

Table 3 Regional economic impact of 5 per cent growth in food processing

| Sector | Output | Employment | Contribution to GRP |
|---------------------------------|--------|------------|---------------------|
| | \$m | fte | \$m |
| Food Manufacturing & Processing | 29.3 | 111 | 7.1 |
| Flow-on impacts | | 0 | 0.0 |
| Trade | | 27 | 1.0 |
| Transport & Storage | | 11 | 0.8 |
| Other Flow-ons | | 5 | 1.5 |
| Total flow-on impacts | | 43 | 3.2 |
| Total | | 154 | 10.4 |
| Proportion of regional total | | 0.9% | 1.1% |

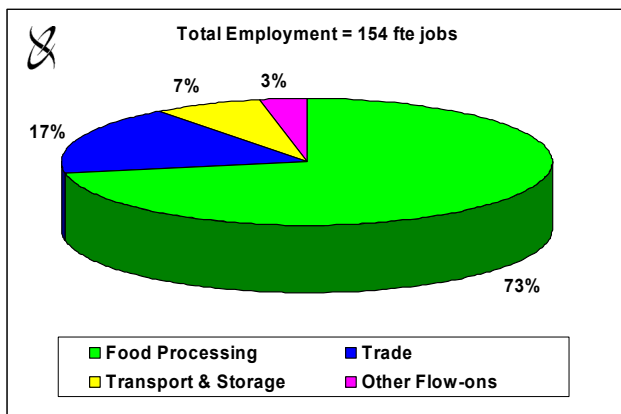
Source: EconSearch analysis

A 5 per cent increase in food processing would result in an increase in the value of output of almost \$30m (in 2006 dollars).

It was estimated that over 150 fte new jobs would be generated in the Murraylands region each year in response to 5 per cent annual growth in food manufacturing and processing. Approximately 110 of these jobs (73 per cent) would be generated directly in food manufacturing and processing and 43 flow-on jobs would be generated in other sectors of the regional economy (Table 3).

The total annual employment impact represents approximately 0.9 per cent of the regional total in 2005/06. Over a 5 year period, the cumulative impact of this growth would be a 4.6 per cent increase in regional employment above 2005/06 levels.

Figure 3 Distribution of employment impacts for 5 per cent growth food processing

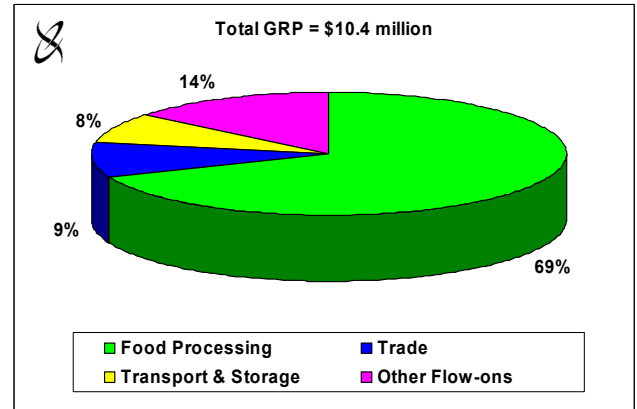


Source: EconSearch analysis

It was estimated that \$10.4m (in 2006 dollars) in additional GRP would be generated in the Murraylands regional economy each year in response to 5 per cent annual growth in food manufacturing and processing. Approximately \$7.1m in GRP would be generated directly in food manufacturing and processing and \$3.2m in flow-on GRP would be generated in other sectors of the regional economy.

The total GRP impact represents 1.1 per cent of the regional total in 2005/06. Over a 5 year period, the cumulative impact of this growth would be to increase the size of the local economy by 5.3 per cent.

Figure 4 Distribution of GRP impacts for 5 per cent growth in food processing



Source: EconSearch analysis

10 per cent Annual Growth

Estimates of the regional economic impact of 10 per cent annual growth in food processing are provided in Table 4, the distribution of the impacts for 10 per cent annual growth are similar to that for 5 per cent annual growth (Figures 3 and 4).

Table 4 Regional economic impacts of 10 per cent growth in food processing

| Sector | Output | Employment | Contribution to GRP |
|---------------------------------|--------|------------|---------------------|
| | \$m | fte | \$m |
| Food Manufacturing & Processing | 58.7 | 223 | 14.3 |
| Flow-on impacts | | 0 | 0.0 |
| Trade | | 54 | 1.9 |
| Transport & Storage | | 22 | 1.6 |
| Other Flow-ons | | 9 | 2.9 |
| Total flow-on impacts | | 85 | 6.4 |
| Total | | 308 | 20.7 |
| Proportion of regional total | | 1.9% | 2.1% |

Source: EconSearch analysis

A 10 per cent increase in food processing would result in an increase in the value of output of almost \$59m (in 2006 dollars).

It was estimated that almost 310 fte new jobs would be generated in the Murraylands region each year in response to 10 per cent annual growth in food manufacturing and processing. Approximately 220 of these jobs would be generated directly in the food manufacturing and processing sector and 85 flow-on jobs would be generated in other sectors of the regional economy.

The total annual employment impact represents approximately 1.9 per cent of the regional total in 2005/06. Over a 5 year period, the cumulative impact of this growth would be a 9.3 per cent increase in regional employment above 2005/06 levels.

It was estimated that almost \$21m (in 2006 dollars) in additional GRP would be generated in the Murraylands regional economy each year in response to 10 per cent annual growth in food manufacturing and processing. Approximately \$14m in GRP would be generated directly in food manufacturing and processing and \$6m in flow-on GRP would be generated in other sectors of the regional economy.

The total GRP impact represents 2.1 per cent of the regional total in 2005/06. Over a 5 year period, the cumulative impact of this growth would be to increase the size of the local economy by approximately 10.5 per cent.

References

- EconSearch 2005, Regional Development Board Economic Models, a series of RISE impact models prepared for the Office of Regional Affairs, Department of Trade and Economic Development.
- Jensen, R.C. and West, G.R. 1986, Input-Output for Practitioners, Vol.1, Theory and Applications, Office of Local Government, Department of Local Government and Administrative Services, AGPS, Canberra.

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