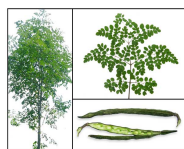


OVERVIEW



Moringa



Sandalwood



Table grapes



Citrus – Mandarins



Carrots

WILUNA HORTICULTURAL INDUSTRY DEVELOPMENT PROJECT

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1. Background

This project is an initiative of the Wiluna Regional Partnership Agreement (RPA) that was established under the auspices of the 2005 Memorandum of Understanding between the Australian Government and the Minerals Council of Australia. The WA Government became a signatory to the 2005 MOU in June 2006.

Its purpose was to formalise a partnership between the Commonwealth of Australia and the Minerals Council of Australia to work together with Indigenous people to build sustainable, prosperous communities in which individuals can create and take up social, employment and business opportunities in mining regions.

The MOU was refreshed and re-signed in May 2009 under the title Memorandum of Understanding on Indigenous Employment and Enterprise Development between the Australian Government and the Minerals Council of Australia. It has a focus on Aboriginal employment and enterprise development outcomes and the creation of supported pathways from education and training to achieve those outcomes.

Its purpose is stated as:

- To contribute to developing self-sustaining and prosperous Indigenous communities in mining regions, in which individuals can create and take up employment and business opportunities.

This will be achieved by a strong partnership between the minerals industry and government that works with Indigenous people on a local or regional basis to:

- Facilitate enhanced Indigenous participation in the minerals industry and related economic activities through supported pathways from education and training to employment and enterprise development; and
- Contribute to positive socio-economic outcomes in Indigenous communities in supporting:
 - The Government's commitment to addressing Indigenous disadvantage and strengthening Indigenous economic development;
 - The minerals industry's commitment to ensuring societal benefit through the development of natural resources; and
 - A shared minerals industry and Government commitment to work with local Indigenous communities and organizations to enhance community capacity and support a sustainable future.
- The present Wiluna RPA model was established in December 2008 with the appointment of a fulltime RPA Coordinator, funded by BHP Billiton Nickel West for a period of 2 years.
- The Wiluna RPA operates within the boundaries of the Shire of Wiluna, WA.
- The Wiluna RPA is not a document. It is a forum and a partnership that brings together the Aboriginal community of Wiluna (Martu) with all levels of government and the 8 mining companies that are already or are planning to operate in this region, to work in partnership and collaboration to achieve sustainable social and economic outcomes for the Aboriginal people within the Shire of Wiluna.

This overview covers Part 1 and Part 2 of the report of which:

Part 1. Is a scoping study that focuses on the development of Lots 17, 134 and 135. Its purpose is to derive ToR for a business plan to develop the area on behalf of Martu families.

Part 2. Is a report on the capacity of the Martu families to operate a business on these farm blocks.

Part 1.

2. A SCOPING STUDY THAT FOCUSES ON THE DEVELOPMENT OF LOTS 17, 134 AND 135.

The objective of this umbrella scoping report was to discern a pathway forward for the opportunities that could be afforded by the use of Lot 17 (formerly known as Desert Gold) and Lots 134 and 135 (Duuwa-Wati) for horticulture and the Martu families with historical ties to this land parcel.

The Department of Education, Employment and Workplace Relations (DEEWR) commissioned Centrefarm Aboriginal Horticulture Limited (CAHL) to conduct the research and report against the following assumptions:

1. Lot 17 should be able to produce high quality horticultural produce in ‘high value farm gate commodity price windows’
2. The 4 identified Martu families would derive significant social and economic benefits from operating either as a group or as individuals on Lot 17, to grow crops.
3. An economic hub based around horticulture could be established, providing employment and improved lifestyles for the local Martu people.

CAHL’s approach to Part 1 of this report was to assess the resources (land and water), examine various crop enterprise choices including agro-forestry and identify relevant corporate structures and government programs. This would then provide basic information on which the objectives of the Wiluna RPA and the projects that emerge to focus on:

- Creating pathways to employment
- Creating pathways to enterprise development, and increasing the capacity of Martu communities and organizations to effectively engage in local partnerships that is integral to the success of the MCA MOU (i.e. the RPA), including:
 - Strengthening community governance and organizations;
 - Enhancing the participation of Martu and other partners; and
 - Contributing to effective regional planning and its application.

2.1 History of Lot 17 and the Desert Gold Orange orchard and Emu farm

(Source: ACIL Tasman, Jan 2007, New Desert Gold: A hub for economic development in Shire of Wiluna)

Mr Jack Parr of Golden Mile Orchards in Queensland established the Desert Gold property in 1970. Then called “Desert Farm” the property was close to the old Agriculture Research Station site. Desert Farm flourished, producing melons, vegetables and citrus fruits.

The lease was purchased by the Commonwealth Government and leased by Ngangganawili Community and incorporated on behalf of the local community in 1974 with the objective of creating more employment for local Aboriginal people. A variety of non-Indigenous consultants and one local resident managed the venture over the period of its operation. Indigenous community labour was complemented with the introduction of CDEP in the late 1970's. This was one of the first CDEPs in Australia.

The enterprise generated significant income but remained reliant upon government support for operations and capital. The venture suffered due to the ongoing requirement for subsidies, freight costs and distance required to transport; employee/management conflict; and conflict between groups within the community.

In the mid 1990s, Ngangganawili Inc. was wound up. Kutkabubba Aboriginal Corporation took over the Desert Gold agricultural lease and the fruit-producing venture. In the early 1990s, Desert Gold closed.

Kutkabubba forfeited the lease and a new lease granted by the State to Western Desert Puntukurnaparna Aboriginal Corporation (WDPAC) in 2001 to re-establish the horticultural venture. The property and facilities are now in a state of disrepair. WDPAC has held responsibility for the lease since 2001 (refer 2.6, Lot 17, facilities and infrastructure).

In 1976, a Commonwealth Government sponsored company, Applied Ecology Pty Ltd, established an emu farming project on the Agriculture Research Station site to the south of Desert Farm. This too, had a principal objective of providing employment. The venture was not an initial success and in 1981, the Government withdrew funding. Emu Farm then received short term funding from the new Aboriginal Development Commission. The operation since ceased and the property and emu farming infrastructure is in a bad state.

2.2 Consultations

In June 2009 the WA government reverted Lot 17 back to Crown land and revoked the lease (in June 2009) to Western Desert Puntukurnaparna Aboriginal Corporation (WDPAC) based in Pt Headland and the organization to which the Kyanga, Alison, Ashwin and Farmer families have been responsible.

The WA government is keen to restore either smaller individual family leases or larger corporate type leases but will not unless sound business plans are developed and they can be convinced that the plans will be adhered to.

A meeting was held between CAHL and Mr. Steve Burgess, Manager State Lands, Midwest, WA Department of Regional Development and Lands on Friday 11 September 2009.

Meeting details in point form as follows:

- WA Government leased Lot 17 to an Aboriginal organization for 21 years that successfully grew oranges (apparently 50 acres) for local and export markets
- The manager had a disagreement with the local aboriginal families and left
- During this period, meaningful training was provided by TAFE WA
- When the manager left in the late 80's or early 90's it started to slide downhill and lose its Markets

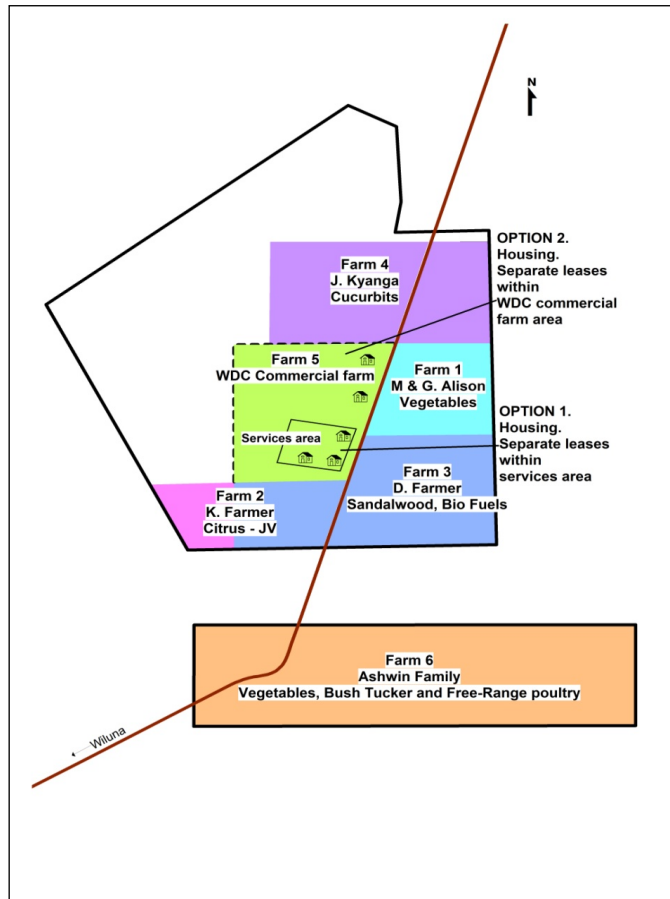
- Sorry business happened – fruit rotted on the trees
- Equipment disappeared
- Infrastructure was trashed
- WA government stepped in the early 90's, issued a new lease to WDPAC who at that point were based in Wiluna (now in Pt Headland), terms of lease were:
- Fix (with funding) the entire infrastructure
- Replant
- Restore it to being a successful operation
- WDPAC relocated to Pt Headland
- WDPAC had negotiated lease in early 90's on the strength of fixing all infrastructure problems, re-plant and generally return it to a successful operation
 - After 5 years of letters explaining that WDPAC were not delivering with no response until WDPAC were served with notice of forfeiture of the lease at which point WDPAC responded with, we will satisfy the terms of the lease. In good faith WA government deferred the forfeiture for another 2 years. Still no action so lease was revoked in June 2009
 - Over last 5 years the WA government had written many letters to WDPAC, wanting activity and progress reports – no response until;
 - A final forfeiture of lease notice was issued
 - WDPAC replied with “we will satisfy the terms of lease”
 - In good faith the WA government deferred the forfeiture notice for a couple of years to allow WDPAC more time to deliver
 - Still no action
 - Early 2009 a final, final forfeiture of lease notice was issued
 - THE LEASE WAS FORFEITED IN JUNE 2009
 - Mr. Burgess then met with Wiluna Shire and the families to gauge interest and identify if there were any serious family players
 - Lot 17 would normally have been advertised for expressions of interest. However the WA government didn't do this because it wanted the local indigenous families to have the opportunity to establish their own enterprises – the act does allow some discretion in this area.

2.3 Martu families

As there are complex inter-family relationships it was important to consult with each family group separately to allow them to voice their opinions and confirm areas that they are prepared to accept for their family. The interest that families have in the venture would be important to ascertain. Their capacities and interests would also be important, as this would influence training and other support that would need to be structured into the proposal. This aspect is discussed in detail in Part 2 of this report.

The areas/farm blocks agreed by the families are identified in [Map 1](#), below.

Map 1, Location of family farms on Lots 17, 134 and 135



2.4 Securing Land and Ground water supplies

2.4.1 Tenure

Tenure issues relating to Lots 17,134 and 135, are summarised in **Part 1, 12, Current Status of Lot 17 and the Duuwa-wati (lots 134/135)**. Areas outside of Lots 17,134,135 are summarised in Box 1,below, because leases may be required to extend bore fields outside of Lot 17 (discussed in P1. 15.1) or to develop potential ground water resources up to a 100 km radius of Wiluna for horticulture or silviculture (future development).

Box 1, Process required in securing a 21+21 'Head Lease' over Lot 17

Process required in securing a 21+21 'Head Lease' over Lot 17:

- After RPA appoints a Steering Committee (SC), it seeks final endorsement from DRDL (they have already indicated their agreement)
- Steering committee complete expression of interest (EOI) in a 2 or 3 year 'deed of option' against a meaningful operational plan
- SC uses this scoping report as part of EOI
- Full business plan is complete and lodged with DRDL
- DRDL receive intergovernmental approvals
- DRDL survey individual land parcels within Lot 17 and issue separate titles to WDC with 21+21year Head Lease
- WDC offer sub-leases to families subject to demonstrated capacity

2.4.2 Land

Refer to 2.2 Consultations, above, for current situation in relation to tenure of Lot 17.

2.4.3 Water supplies

Water supplies are subject to allocation by the Department of Water resources. The amount is dependent on the safe yield of suitable quality irrigation water from the bore field. The amount allocated is a critical factor in planning irrigation projects as it determines scale of operations and, therefore, economic viability of any development. Desert Gold had access to 1200 ML per annum (1000 acre feet; ACIL Tasman report¹⁹), from the WA government based on work done by Chapman (CSIRO, 1962.). Development based on 1200 ML per annum would irrigate about 120 ha depending on the crops grown resulting in annual farm gate sales of \$2.5m-\$3.5m.

Whether development on this scale in this remote location is viable will probably depend on the level of development and infrastructure available to an operator. Another key factor determining viability will be the market windows available in W.A. and interstate markets – to be assessed by the comprehensive business plan, which is to follow-on from this scoping study.

2.5 Resource assessment

2.5.1 Ground water basin

Refer to Part 1 for information on the ground water basin and its recharge characteristics. The research done on the potential of the paleo channels and the impact of over pumping have been reported in Geological Survey of Western Australia, and summarised in the ACIL Tasman report. The key point to emerge is that, unfortunately, records were not kept during the period when Desert Gold was operational that could give guidance on management of the bore field and no conclusion can therefore be drawn on the yield characteristics of the basin.

Given the issue of maximising annual extraction to maximise scale of operations against safe long term yield from the aquifers, the solution would appear to be to apply for an extraction licence of 1200 ML per annum (Desert gold's licence was for 1200 ML) with understanding that the amount could be reduced or increased depending on the results of monitoring from the bore field.

Long term planning of water extraction from the basin is essential if the long term interests of all stakeholders are to be respected. This will require monitoring of the aquifers in the area over an extended period to determine their sustainable yield. The monitoring should include all of the paleo channels supplying the Wiluna area.

2.5.2 Condition of existing bores on Lot 17 and Emu Farm

The only bores in operation are on Monty's block (see map 3, above), and even these are used at such low production levels that their serviceability under a full production regime is open to question. The condition of all existing production bores needs to be assessed as they are all at the end of their normal working life (about 30 years). This will require down-hole assessment using appropriate (camera) equipment, water quality and standing water level measurements, pump testing for yield and draw down. In-hole data loggers to monitor water levels should be installed as a priority so that the impact of major rainfall events can be monitored to give base line data.

This information will be required before a drilling program commences in the event that some of the bores can be rehabilitated at less cost than drilling a new bore.

2.5.3 Soils

The healthy and productive vegetable and citrus crops observed growing on Monty's farm together with anecdotal reports (2.5.6 below) of produce sold in the Perth market in the Desert Gold era give confidence that good quality, high yielding crops can be grown with good management practices. However the soils are poorly structured sandy loams that will require careful management with the irrigation water supplies that that are at the upper end of salinity tolerance levels. Observation indicates that soil depths vary across the farm with calcrete outcrops in some areas, with other areas having calcrete layers about one metre below surface and other areas, such as Monty's farm, having sandy loam to a depth of two metres with no evidence of calcrete. These observations indicate that soil surveys will be needed to identify suitable growing areas as well as to optimise irrigation design.

Evidence from recent tillage of a previously flood irrigated area where large clods were left on the surface indicates that minimum tillage techniques will be required to reduce soil compaction that can occur when poorly structured soils have been heavily tilled and flood irrigated. However, crops currently grown under drippers on Monty's block look to be healthy in spite of the soil having been worked by rotary hoe with high tillage levels.

Grab surface soil samples have been taken across the block to provide basic information on the salinity and pH of the various soils across the block both in previously developed and undeveloped areas.

The Department of Agriculture has advised that the farming practices of the past may have used chemicals resulting in residuals in the soil in certain areas of the property. DoA reportedly has some records of soil testing, but the files have yet to come to light (see ACIL report p. 31). This will need further investigation.

2.5.4 Irrigation

Modern irrigation techniques are considerably more efficient than flood irrigation that was used by Desert Gold. These techniques enable greater control of amounts and timing of irrigation to match crops requirements according to maturity, variety etc, as well as soil characteristics. Design and management of these systems is a key issue that will need to be taken into account when planning irrigation systems, particularly in arid regions. Irrigation companies have design departments that can do detailed layout drawings that take in to account soil types, crops etc.

2.5.6 Crops

The main limitation to crops that can be grown will be frost. Water quality could limit crops sensitive to salinity build up in soils but, as indicated above, the deep, sandy profiles will, with sound irrigation management, enable drainage through the profile to mitigate these problems. The main consideration will be growing to sell in to early and late season market windows in the Perth and, possibly, eastern markets.

A study of potential crop enterprises that will suit Lot 17 was undertaken. The summary is in

17.4 (1), page 41, part 1, with more detail in attachment 5, Crops enterprises report, page 125.

CAHL believe that Bio-fuels are worth close investigation (refer to Part 1, attachment 5, page 125).

Anecdotal evidence from a number of sources indicates that the Desert Gold project successfully grew a range of crops and that poor management compounded by conflict between the local family groups caused the reason for its failure.

The following communication from Mr Allan Diver, Canning Vale Markets, Perth, indicates that quality produce can be grown and marketed:

"Wiluna has the potential to produce a wide range of quality fruit and vegetables. I have marketed citrus and melons from Wiluna in the past. I visited Wiluna and inspected the orchard when it was in full production. As long as the quality of the produces is maintained then Wiluna has a bright future as a horticultural district. Focusing on quality will ensure demand and top prices for Wiluna produces. Wiluna has the potential to supply Navel Oranges of a high quality before the South West WA and South Australian harvesting has dropped off. The only competition at this time will be from Queensland, but their oranges are of lower quality as they retain some green. Prices for Wiluna fruit at this time should be \$30 per 20 kg crate (\$1.50 kg). Navel oranges from Wiluna are very sweet and juicy with good colour and will be well regarded in the market. There should also be a market for second fruit to Harvey Fresh for juicing."

Healthy 6-10 old citrus trees currently growing on Monty's block shows no sign of salinity symptoms and annual crops also look healthy, giving confidence that soil/water quality issues appear to be manageable.

2.6 Lot 17 Facilities and Infrastructure

All existing facilities and infrastructure are in poor state of repair and will need substantial work done to get them into working order.

2.6.1 Buildings

These consist of 5 houses, large packing shed and machinery sheds. It appears that the houses are structurally sound (steel frames) and the concrete slabs that found the sheds are in good condition. Estimates of re-development costs will require advice from an engineer as well as an experienced builder.

2.6.2 Power reticulation

Power needs to be connected to Lot 17 before operations commence. Parts of the power lines appear to be in need of repair.

2.6.3 Irrigation

The irrigation system will require complete redesign for modern drip irrigation technology.

2.7 Training

Currently Central West TAFE (now Durack Institute of Technology) has conducted the only training for horticulture in the Wiluna region in conjunction with CDEP and Gail and Monty Alison with an on-the-job curriculum.

This seems to be successful.

The RPA has been largely responsible for the new TAFE WA building currently under construction in Wiluna Township. This should allow a much needed, more strategic approach to training. The Building Healthy Communities program has been significantly boosted with an investment of \$575,000 from BHP Billiton Nickel West over five years and \$150,000 from the Australian Government Department of Health and Ageing for 2008-09.

As part of the Building Healthy Communities program lead by the Ngangganawili Aboriginal Health Service, Central West TAFE will be involved in delivering the training component of the six program areas over the next five years:

1. Sports and fitness program
2. Nutrition program
3. Music and creativity program
4. Skills, employment and training program
5. Community capacity building
6. Health promotion

The activities within each of these will be developed by a BHC Planning and Coordination Committee comprising the Ngangganawili Aboriginal Health Service, Wiluna Remote Area School, Wiluna Police, the Wiluna Shire Council, Central West TAFE, and BHP Billiton Nickel West.

Centrefarm Aboriginal Horticulture Ltd have created a 5-Step 40 week focussing on on-the-job training program that would be well suited to WA TAFE and the Wiluna Horticulture Industry Development Project. (Refer to attachment 9, page 160).

2.8 Planning A Development Pathway

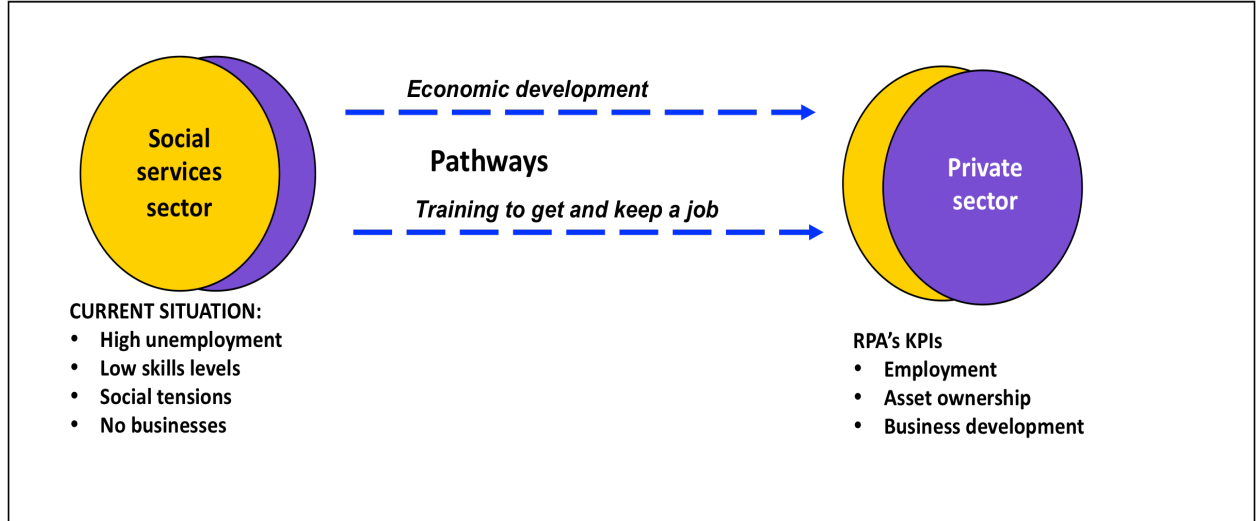
The Bilateral Agreement on Indigenous Affairs that agreed on a framework and three priority areas for intergovernmental cooperation on delivery of programs in Indigenous affairs were outlined above under 1. **Background**

The stated objectives of the Wiluna RPA and the projects that emerge will focus on:

- Creating pathways to employment
- Creating pathways to enterprise development, and
- Increasing the capacity of Martu communities and organizations to effectively engage in local partnerships that are integral to the success of the MCA MOU (i.e. the RPA), including:
 - Strengthening community governance and organizations;
 - Enhancing the participation of Martu and other partners; and
 - Contributing to effective regional planning and its application.

For the purposes of this report the objectives will be discussed under two strategic pathways as illustrated in Figure 1, below. This is based on practical experience rather than any management theory.

Figure 1, Development pathways



This project can meet these requirements in a number of ways:

- Development of the Desert Gold block to provide employment opportunities that could allow the local community to participate in mainstream economic activities.
- Training programs and practices that will result in community members participating in the economy that is developed in the region.
- Planning programs that allow individuals to participate in other areas of the economy such as mining, shire and government. While most will be employed some can progress to be independent contractors.

Developing viable businesses will be the key to meeting these objectives. A particular challenge will be managing business failures – it is commonly recognized that about 3 out of 4 business start-ups in the mainstream economy are not in business after 5 years. While mainstream can adjust to failures, mainly by replacement, strict adherence to such a practice could be self-defeating for socio-economic projects. Ongoing support such as that provided by business incubators would be required (see 2.11.2.3, business incubator, below)

The need to unlearn work practices acquired through many years of the forgiving CDEP work culture before they can meet the demands of private enterprise will need to be a key issue addressed in all aspects of any program. The transformation from a welfare based CDEP work place to one based on employment in a competitive mainstream economy will require significant changes to mindsets of communities as well as the way government departments' programs are delivered. Contracts with funding departments will need to take these aims in to consideration. Programs achieving these changes will need to be the focus of both pathways in Figure 1, above. The key will be a suitably structured training and employment program in an environment where sound business practices are a requirement. It will be a case of training in-a-job rather than training for-a-job so that training will need to be integrated into farming.

Using an economic development project, such as the one proposed, to achieve the strategic outcomes identified in Figure 1, above, will require risk management practices not common to development projects in indigenous communities. To meet the socio-economic goals of the

project the manager will need to comply with the different government departments' funding guidelines as well as the demands of industry. Doing this in a business context will require special skills on the part of the manager – it will be very much more difficult than administering CDEP projects.

2.9 Risk analysis

Using an economic development project, such as the one proposed, to achieve the strategic outcomes identified in Figure 1, above, will require risk management practices not common to development projects in indigenous communities. To meet the socio-economic goals of the project the manager will need to comply with the different government departments' funding guidelines as well as the demands of industry. Doing this in a business context will require special skills on the part of the manager – it will be very much more difficult than administering CDEP projects.

2.9.1 Overarching corporate body

The risk analysis identified the need for a single entity that would be responsible for development and ongoing management of the area. The board would set the standards for governance etc and operational as well as strategic development.

The entity would hold the head lease to give confidence to issue long term leases. It would also hold the water licence from the WA Department of Water and be responsible for onsite training (done in cooperation with the Central West TAFE), and providing support services to Martu families who will independently develop farms under subleasing agreements.

Because the family farms would not have the scale to meet logistic standards required, particularly for this remote area, this organisation would have to operate a commercial scale watermelon enterprise. The issue will be competition for water supplies when family farms reach planned levels of production.

It is proposed that the **Wiluna Development Company** be established to fill this role. (See 2.11 below for an outline of corporate activities.)

2.9.2 Independent board

The analysis above concluded that an independent board with members that have business experience and knowledge of government programs and policies is needed to ensure good governance and support for the manager and staff. The current situation with the feuding between local families does not qualify them for membership in the project's establishment stages. (This has been discussed with members from the family groups who did not dissent from this conclusion.)

In time the board would be an important link to investors and the business community in general. It could have an important role in regional development where investors would want to have confidence in any organisation that they deal with.

To get board members with suitable qualifications the most appropriate corporate structure would be a company limited by guarantee see Box 2, below.

Box 2, Company Limited by Guarantee

The ACIL report's recommendation that a company limited by guarantee is supported as it provides the most appropriate structure for a company with the aims of this development. Its main features are that it limits liability of directors and has members in lieu of shareholders.

In the early stages and until the local Martu families can demonstrate that they have the capacity to strategically direct the company's interests and cease feuding, an Independent board must be appointed – these directors will double as the company members until the local indigenous people become effective members of the company. Local Martu directors will emerge from the members.

The board of directors, who double as the original members, could consist of:

- RPA representative(s)
- A high profile Western Australian Indigenous business person
- A high profile Western Australian Indigenous community development person
- Representative from WA Department of Lands and Planning (DOLA)
- Representative from WA Department of Water
- Representative from Commonwealth Department of FaHCSIA
- Representative from WA Royalties for Regions
- An experienced, high profile Agribusiness expert.
- Representative from IBA and/or ILC.

2.10 Development Concept

As outlined above the major issue will be meeting social and economic ends in a commercial context. Developing and managing an economic project in a remote area is generally considered to have higher than usual risk with out including social outcomes.

The question is: what are the economic risks and how can they be managed?

The following proposes a structure based on a Moshav model that has been used in Israel to develop discrete horticulture blocks in remote areas. Changes to the Moshav model include an over arching management company (WDC) and a level of training and support that will be required via customized training program based on experience in central Australia and other remote areas.

Moshav and Kibbutz concepts were developed in Israel to develop discrete areas of land. The main difference between the two is that all assets in a Kibbutz are communally owned whereas owner/operators own assets in a Moshav with farms on separate leases from housing and services such as packing shed and workshops. A classical Moshav is a village-level service cooperative that takes care of farm services (such as marketing, supply, and credit) for its members, while all production and consumption activities are handled at the level of families and households.

The way the leases are located on Lot 17 for the different functions is illustrated in Map 1, above. The key features are the centralised business area holding assets (packing shed, offices, workshops, workers accommodation) with facilities to provide support services, and include family farms' houses on separate leases (the advantage being that the individual farm blocks

are not over capitalised.)

In some cases the business incubator concept has been used (in Israel) to facilitate immigrants participation in mainstream economy.

An issue needing analysis in the business plans will be the extent to which a village structure should be developed on site or could Wiluna itself serve this purpose. The WDC management and board will decide this.

2.11 Corporate Activities

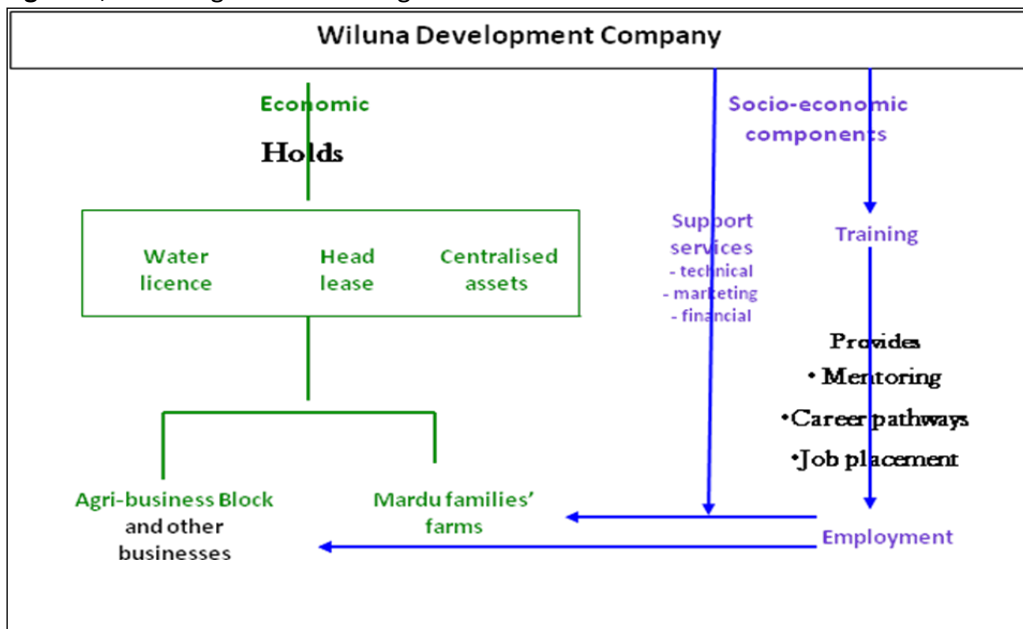
As outlined in 2.9.1, above, the Wiluna Development Company (WDC) would hold the head lease and water licence as well as provide support services to the Martu family farms. WDC would sub lease areas to the Martu families and contract to provide irrigation supplies to each farm.

The WDC would also be responsible for establishing a commercial farm leased to an agribusiness operator (which could be itself) and a training program with a training farm that would provide on-the-job training and work experience. As outlined in the Moshav model, above, these projects would be on separate lease(s) to the family farms.

Figure 2, below illustrates the two components of the WDC's activities that support the strategic pathways illustrated at Figure 1, above; Development Pathways:

- The economic component (green) that is responsible for development of Lot 17 as illustrated in map 1, above; and the
- Socio-economic component (blue) that provides support services such as accounting, marketing, technical services and training, via a business incubator type program.

Figure 2, WDC Organisational diagram



2.11.1 Economic component

2.11.1.1 Head lease

Following consultations with DRDL and the Martu families it was evident that development of Lot 17 could only progress if it were under control of an over arching organisation (WDC) that could manage the development and ongoing operations of the project.

2.11.1.2 Water licence: Management of irrigation water supplies

It was clear from discussions with government department that they did not have confidence in the capacity of the families to develop and manage the block and that they were looking for a mechanism that would provide certainty in development and management of bore fields and delivery of supplies.

Development of bore fields across the paleo channels and reticulation of supplies to each of the farms will require easements within the blocks and monitoring procedures to meet the reporting requirements of the department of DRDL and DoW.

Management of water supplies will be a major undertaking and can only be done by an organisation with management capacity to meet the requirements of a utility servicing a range of clients, including government.

2.11.1.3 Centralised assets

The layout outlined in Map 1, above, has assets such as packing shed, workshop, housing and some services located on separate leases in a central area owned by WDC (Green area in the map 1, above). Unlike a Moshav services such as the school, shops, clinic and workers' accommodation could be provided from Wiluna, some 10 km away. However housing for WDC's management and staff as well as for the Martu family farms should be on the central area. The advantage from the Martu family farms is that the blocks will not be over capitalised by having to finance accommodation, packing sheds etc.

2.11.1.4 Agri-business block

A conclusion reached under 2.9. Risk analysis, above, was that remoteness would require particularly good supply chain management and marketing. The conclusion drawn was that a commercial scale farm would need to be established to meet these requirements and put Wiluna "on the map". The Martu family farms would probably be too small and fragmented to get the attention of businesses that would be required to support development in this remote area. This was supported by the ACIL Tasman report (in part 1, Box 5 page 58) that stated:

"A key determinant of the commercial success of a farming enterprise is its ability to get products to market reliably, in quick time and cost-competitively. This means that farms on the Desert Gold property will need to perform at close to "best practice" in supply chain management if they are going to compete successfully with irrigation properties elsewhere. This encompasses picking, packing, transport and delivery to market."

Development of the agri-business block will require analysis in relation to viability for a remote region and the competition with the Martu family farms for a limited water

supply. The discussion under 2.4.3 Water Supplies, above, indicates that 1200 ML could be available for irrigation which would irrigate about 100 hectares depending on the crops grown.

For the purposes of this study it has been assumed that 50 hectares of water melons would be grown requiring about 350 ML (50 hectares * 7 ML/ha). However, the actual area to be developed will need to be recommended by the Business Plan.

2.11.1.5 Martu family blocks

The background to these blocks including their location and proposed family ownership is covered under 2.3.Consultations with Families, above, and in Part 2 of the report. It is proposed that these farms will be sub leased to the respective families with irrigation water supplies provided for a fee at the farm gate. The lease fees and ML costs will need to be recommended in individual family farm business plans. Part 2 of this report covers capabilities and capacities of families to operate farms.

2.11.2 Socio-economic component

The two parts of this component are services to the family farms and training and employment

2.11.2.1 Support services

The Martu families will require technical, marketing and financial support for at least the first two or three years from start-up. This could be structured in the form of a business incubator that provided technical, marketing, financial as well as mentoring and other support services. It would need to be structured to ensure that trainees had the option of training for a range of jobs, not just horticulture. The training and employment program would service the region. Refer 2.11.2.3, Business Incubator, below.

The suggestion, outlined above, is that a Business Incubator approach be used to provide cohesion to the services program. How this should be structured and operate would need to be a component of WDC's strategic plan and endorsed by their board.

2.11.2.2 Training and employment

The training and employment goals and strategies will need to be developed on site with Central West TAFE in Wiluna. Experience has proven that training should be done on the job e.g. the Cape York Indigenous Employment Strategy refers to "training in a job instead of training for a job".

The scale of the training farm will need to be worked out when the training program is designed. The aim would be for it to be able to provide on-the-job training on a scale appropriate to the goals of the training program and industry needs.

CAHL has developed and is implementing a 5-Step training program that places emphasis on On-The-Job training. This is discussed in Part 2 of this report.

2.11.2.3 Business incubator

The business incubator concept as the support services provider to the Martu families businesses will need further investigation under the DEEWR Indigenous Economic Development and Business Panel.

This is an approach that would support the idea broached by the ACIL Tasman report for the Desert gold area becoming an economic development hub for the region i.e. the hub would support a range of businesses, not just farming.

2.12 Staffing

The strategic goals of the project require a commercial focus on all of the company's (WDC) operations. Senior management will be expected to set high standards in their approach to work as well as working with staff to engender behaviour change attitudes in the work place. The standards required will need to be rigorously enforced and not allow lax work place attitudes to get a foothold.

The staff structure will need to reflect the varied operations of the company. While management of the farming operations will not vary from other regions, the Moshav and business Incubator concepts will add dimensions to the structure not found in remote area projects. Some of the functions, such as training program, will probably be outsourced but will require oversight to ensure the strategic outcomes are achieved.

2.13 Staged Development

Implicit in the development proposal is that the Lot 17 development would not be a one off project but a pathway to employment in mining, shire, government etc, as well as development of new businesses in Wiluna itself as well as the region.

The program could be developed in two overlapping stages:

Stage 1: Establishment of the farms, facilities and training and support programs, on Lot 17.

Stage 2: Commercialisation of family farms on Lot 17 and (subject to water availability) outlying areas, and establishment of other businesses in the region.

2.14 WDC Scoping Budget

The purpose of the scoping budget is to provide an estimate of the funding required to establish the WDC, develop the bore field and the centralised area, as well as develop and operate a commercial water melon farm, as discussed under 2.9.1, above Overarching corporate body. It assumes that the power reticulation system can still function to provide service required for the proposed development.

The budget does not include development costs of the family farms, as these will require individual business plans. Nor does it include training and employment as these are expected to be outsourced, although there will need to be facilities on site, such as an office/class room and accommodation and a training block.

The cash flows include costs of developing the centralised service area and a commercial melon farm. Watermelons were chosen because a consultant's report on a similar project in the Alice Springs region found that watermelons had the highest gross margin of four different crops investigated and the possibility that Wiluna will fill an early market window in the Perth market, and take advantage of back-loading to Perth. The business plan that will follow on from this report may decide on crops other than melons.

Although development over 5 years was chosen (2010-2014) for the cash flow budget it is possible that a business plan will decide on a longer period. Timing of development may change e.g. training may precede other development.

	<u>2014</u>
<u>Cash Inflows</u>	\$1,550,000
Services, Rental (Assumes that family farms are grant funded to meet these costs), water melon sales.	
<u>Variable operating expenses</u>	\$697,000
Watermelon costs [Full Time Equivalent jobs @ \$35000 annual income/work10-12 FTE jobs]	
<u>Overhead expenses</u>	\$739,000
-	
<u>Gross Operating Income</u>	\$740,000
This figure will vary according to income from the cash crop.	
-	
<u>Establishment expenses</u>	\$340,000
Steering committee that will and establish WDC	
Consultants fees to write business plans and funding applications approximately \$300,000	
	Total to 2014
<u>Capital Development expenses</u>	\$6,800,000
These expenses will represent the majority of funds required to establish WDC and allow economic and socio-economic development from Lot 17. Borefield redevelopment,	
	over 1 st 3 years
	\$2,000,000
Power for bores, over 1 st 4 years but predominantly in year 1	\$425,000
Farm machinery (to be hired to family operators), over 1 st 4 years	\$425,000
Irrigation systems, in year 1	\$300,000
Refrigeration – this will depend on crops grown, over 1 st 3 years	\$450,000
Renovations to packing shed, workshop, over 1 st 3 years	\$270,000
Housing for staff – new and renovated, over 1 st 3 years	\$1,200,000
Total grant funding required to 2014	\$7,354,000

2.15 Draft Implementation Schedule

This report outlines a development proposal for Lots 17, 134/135 that, in time, becomes a hub for the strategic development of the Wiluna region. The key outcome of this scoping study is the development of ToR for a business plan, see 2.17, below, Terms of reference for Comprehensive Business Plan, that would then form the action plan for development of these blocks and set the framework for economic development in the long term.

2.16 Steering committee

Writing business plans for each of the items in the economic (26.1, part 1, page 55) and socio economic (26.5, part 1, page 58) components outlined above will need coordination at a number of levels e.g. Government (land, water, funding, power supply), development of training and employment, and consulting with Martu families. This will require close

involvement of the RPA during the first year via a mechanism, such as a Steering Committee, that would implement the proposal and act as an interim board.

2.16.1 Interim manager

A concern is that there will a plethora of consultants' reports requiring project management skills to coordinate and implement the range of projects proposed. Managing the practical problems will require an onsite manager. This would have the positive result of actually making things happen from the start rather than waiting for a sheaf of reports that have to be approved, funded and implemented.

Bore field development, for example, will determine timing and development of projects and will quite possibly require decisions on location of bores in relation to paleo channels as well as individual projects, which in turn will require easements for water mains from bores to the farms. The development of the Martu family farms will also require negotiation with funding bodies and Department of Lands.

Table 1, 14 steps to establish WDC and family farms

Steps required to establish Wiluna Development Co. Limited and family farms		TIMELINES		
		2010	2011	2012
STEP 1	RPA appoints steering committee (SC) to action this report. Has budget for meetings, travel, accommodation and legal fees.	May '10		
STEP 2	SC Seeks endorsement of Head Lease conditions and head ground water extraction license from respective WA Government Departments. Submission to power company to re-instate power supplies to Lot 17	May'10		
STEP 3	SC applies for funding for business plans and uses this scoping study as part of expression of interest for the Head 'Deed of Option' over Lot 17.	May'10		
STEP 4	SC advertises and appoints consultants to write business plans for it and the associated families, and applications for project funding, head lease over lot 17 and head ground water extraction licence	May '10		
STEP 5	SC establishes WDC (limited by guarantee) with (members not shareholders). SC act as board members until full board is appointed.	Sept '10		
STEP 6	SC advertises for general manager and other staff	Oct '10		
STEP 7	WDC / SC secures funding	Dec '10		
STEP 8	WDC /SC appoint general manager who appoints other staff		Feb'11	
STEP 9	SC appoints independent board consisting of: <ul style="list-style-type: none"> • A high profile Western Australian Indigenous business person • A high profile Western Australian Indigenous community development person • Representative from WA Department of Lands and Planning (DRDL) • Representative from WA Department of Water • Representative from Commonwealth Department of FaHCSIA • Representative from WA Royalties for Regions • An experienced, high profile Agribusiness expert 		April '11	
STEP 10	WDC issues deeds of option to the five families, while DRDL receive approvals		May'11	
STEP 11	Survey of family land parcels		May'11	
STEP 12	21+21 year head lease granted and executed to WDC		July '11	
STEP 13	Sub leases to individual families, subject to demonstrated capacity			June '12
STEP 14	Board double as the members until viable members emerge from local Martu people			Dec '12

2. 17 Terms of reference for comprehensive business plan (Refer to attachment 6, page 152, for draft terms of reference for different consultations)

Background

The Terms of Reference for this report require that draft Terms of Reference be written for consultants to complete business plans that flow from this scoping study. The key points to be addressed in formulating the business plans are:

- The business plan must be developed in close consultation with the representatives of the Wiluna RPA and the Martu families. In the initial stages it will require close consultation with the hydro-geologist who will be designing the bore field and location of production bores.
- Particular attention will need to be paid to ensuring that development of Lot 17s components to ensure that the proposed development pathways outlined in this report can work effectively together.
- The business plan must be prepared in a format suitable for Indigenous Land Corporation and IBA funding applications as well as other potential funding sources.

Governance

The consultant must work with Wiluna RPA representatives to formulate draft constitution and formulate guiding principles In relation to:

- The Boards role
- Management structure of the WDC and its role in relation to the components of the development of Lot 17.
- The role of the proposed WDC commercial farm and its relations with the Martu family farm and management of the central area
- Sub-lease of areas for the Martu family farms, sale of water to agri-business farm and family farms
- Rental of central infrastructure and machinery to the Martu family farmers
[Guiding principles should done after business plans have been accepted]

Development

The ToR for the different consultancies, listed below, is at Attachment 6, page 152, Consultants ToR for Comprehensive Business Plan.

- Consultant to work with Wiluna RPA representatives to formulate draft constitution and formulate guiding operating principles (Attachment 6.1)
- Consultant hydro geologist to design and cost a bore field including mains and easements (Attachment 6.2)
- Consultant to formulate business plan for development of the Agribusiness farm and the central area that will have packing shed, workshops, accommodation and machinery that will service family farms (Attachment 6.3)
- Consultant to formulate business plans for development of each of the of Martu family farms (Attachment 6.4)
- Consultant to work with Central West TAFE to plan for development of a training farm within the agri-business farm area (This will be dealt with in Part 2 of this report)

PART 2

3. IDENTIFY THE LOCAL INDIGENOUS FAMILIES' CAPACITIES AND CAPABILITIES

Wiluna community

There is a potential labour force in Wiluna for an irrigation industry. There is a base level of skills in agriculture and horticulture due to many people having worked on and managed pastoral stations, and on the old Desert Gold orchard. However further support and training is needed. Some of the more experienced people have identified specific areas they would like to improve their skills. Young people leaving school need training programs developed, which will guide them through a career path in agriculture. However the impact of CDEP on work experience and attitudes of the younger generation in particular may reduce the capacity of people to work in a competitive work environment.

Durack Institute of Technology have built a training facility in Wiluna and will open it in the near future. This facility should be the primary centre for training for the irrigation operations, Durack are keen to develop programs that deliver both technical and practical experiences. The Centrefarm 5-Step training program (see attachment 9, page 159) needs to be trialled as a model for developing an integrated and effective training package for Wiluna. The first two Steps are generic and take in to consideration the "unlearn" CDEP work habits. This program places emphasis on the job work experience.

Discussions have been held with all the families to identify their current and future human resource requirements.

3.1 Training and mentoring plan

The long-term success of the WDC and family horticulture business will be dependent on developing the skills of the Martu people involved. An idea of skills level and training required has been obtained through a skills audit that was been conducted with the Ashwin family covering all family members (see part 2, section 33, page 68). From this, specific training has been identified for each individual, and to ensure that a combined set of skills of the whole family is adequate to run a successful business. The skills and training needs of the other families have been addressed, but not down to the level of every individual. The detailed skills audit should be conducted for all of the other families.

Once all families have completed detailed individual skills audits, the data can be combined to show the complete training needs for the WDC. This information should then be used to develop a package of specific training for Wiluna that would include non-family members. The delivery of the package would be developed in conjunction with the Wiluna campus of Durack Institute of Technology and modelled on the Centrefarm 5-Step training program (see attachment 9, page 160). Discussions have commenced with Durack IT and they are very keen to be involved. Durack IT will appoint a manager to the Wiluna campus very soon.

A holistic training and mentoring package should be based on the Centrefarm 5-Step training program. This would combine accredited training course delivered by Durack IT integrated with on the job training and mentoring. The WDC staff would play a key role in the onsite training and thus would be critical partners with TAFE lectures.

3.2 Mr. Monty and Mrs. Gail Alison

The Alison's are an older couple who are currently running a small-scale horticultural operation on part of the Desert Gold block.

Monty has extensive skills in agriculture having worked on farms and stations all his life. Gail has very good management skills having been involved in running a range of different Aboriginal organizations.

While Monty and Gail currently have the skills to run a horticultural business their main challenge is succession. They have a strong desire to help train the next generation of their own family and also of other young Aboriginal people in Wiluna. They are currently working in partnership with Durack Institute of Technology (previously called Geraldton TAFE) in training a group of young Wiluna people on their block. A trainer from Geraldton comes out 4 days a week (20 week) block to provide onsite training in a Certificate II in Agriculture. The Allison's are keen to provide training of people from other families so that the other families operations are successful.

This TAFE level training should be supported and expanded once the new Durack IT building opens in the next several weeks. The Centrefarm model (see attachment 9, page 160) of training could easily be integrated into the formal TAFE training and the practical work experience being gained with the Allison's. Durack lecturer in Wiluna has been a key to the success to date.

3.3 Mr. Allen Ashwin families

The Ashwin's have a large extended family. The family works closely together in running their cattle station at Windidda about 200km East of Wiluna. This experience should be easily applied to horticultural operations on the Duuwa-wati (formerly known as Emu Farm) block. The older family members are keen to see the children come back and participate in this new farming operation. While they have developed a wide range of skills in operating the stations they have identified the need for more training in some management aspects and in horticulture.

The Ashwin's have been operating Windidda for some time. They have completed a skills audit of the family members in relation to running a rangelands grazing enterprise. A separate skills audit has just been done with the family in relation to the irrigated agriculture on the Duuwa-wati block. The Ashwin family operation will include people with a range of ages, experience, interests, formal training and of both genders. The skills, experiences, qualifications and interests of each family member were documented, but this will not be presented, as there may be issues of confidentiality. The training needs and desires for family members were also identified. Developing detailed training plays for all family members should be part of the full business cases study.

3.4 Farmer families

Ken & Jorna Farmer family

Ken and Jorna Farmer run a successful wild harvest Sandalwood business (Anroj). This business has been operating over a period of 20 years. They have a good range of business management, people management and operational skills. Their success in the sandal wood business is widely acknowledged as a positive example for the broader Aboriginal community. Their business employs people from the family (pool of 10) and the Fijian community in Wiluna (pool of 10).

Ken Farmer is also a shire councilor with the Wiluna shire. Son Clinton is growing into a leadership role within the family and will play a key role in the future management of the family business. Ken and Jorna have support in their business from an experienced accountant (Edward Alaga) and a business administrator (James Hiukino) based in Perth. These people will assist the Farmers and the Business Planners in developing the business plan for their Desert Gold operations. This family will need some support in the technicalities of growing irrigated tree crops. Management training and mentoring would be desirable for some of the younger members of the family. Ken and Jorna have a strong desire to see the skills of their family members developed so as they can run a sustainable business well into the future.

Mr. Darren Farmer & family

Darren Farmer is an emerging leader within the Martu community. Darren has been involved in many community organisations and projects within the Martu and the broader aboriginal community. This includes Darren having been a director of ATSIC.

Darren has 20 years experience in the wild harvest sandalwood business with Ken and Jorna Farmers business (he is the nephew of Ken and Jorna). Darren has access to a pool of approximately 12 family members aged between 18-25, resident at Kutkabubba. Darren would work closely with Ken and Jorna Farmer in sharing the labour pool of the wider family. This approach will help to provide year round employment for people as the bush harvesting of Sandalwood is confined to the cooler 6 months of the year.

Darren has long-term vision and many innovative ideas about culturally based business opportunities. Darren is keen to see value adding of local products by Martu owned business. This is particularly so for products such as sandalwood that has cultural significance to the Martu people. This vertical integration will give the Martu more control over their economic and cultural future. Darren is keen to develop a 'Martu' brand so that local people gain the marketing benefits from indigenous products that are currently being derived from non-indigenous companies further along the business chain.

Darren has identified the need for specialist technical support for his enterprises. This can be supplied through technical support from the WDC as well targeted training to family members.

3.5 John Kyanga & family

John has an extensive experience in agriculture from working on station for much of his life. He also has extensive experience in management through his work in Aboriginal organisation and as a shire councilor and shire president. John's main challenge that many of his family are working in other districts and the family labour supply may be limited initially. John is currently seeking out potential joint venturers for his block. He is investigating partners from outside of the region as well as another local family who have shown interest in partnering John Kyanga.

3.6 DESKTOP FEASIBILITY STUDIES FOR THE 4 FAMILIES

3.6.1 Mr. Monty and Mrs. Gail Alison (refer to 3.4.1, page 73, for detailed analysis)

Executive Summary

As part of this scoping study a range of crops were assessed and discussed with the Alison's who then chose the crops identified below for their project (see part 1 of this report, 17.4: Crops from page 41 and attachment 5; Crops enterprises report, by Tim Wiley from page 125.) The economical analysis has been based on watermelons, pumpkins, rock melons and asparagus for Perth markets and the local miners.

A cash flow analysis suggests that the Alison's operation would have a negative Cumulative Income in the [REDACTED]. The Alison's would need grant funding or a loan for this amount in the first year to get the business started. By the third year the Alison's should start generating a positive cash flow.

The Gross Margin analysis suggests the Alison's proposal is economically feasible. The next stage must be the completion of a comprehensive business plan in conjunction with a comprehensive business plan for the over-arching entity, WDC.

Information for a desktop analysis of crop Gross Margins was sourced as follows:

Sandalwood – *Avongro, Forest Products Commission WA, WA Sandalwood Industry Development Plan*

Moringa – *Department of Agriculture and Food WA*

Navel Oranges – *Centrefarm and Scholefield Robinson*

Quandong – *PIRSA, Quandong production, WA, DAFWA, Cultivation of Bushfoods*

Watermelons – *Centrefarm and WHK Thompsons*

Butternut Pumpkins – *Centrefarm, MLCS and Rural Solutions SA*

Rock melons – *Centrefarm, MLCS and Rural Solutions SA*

Fodder – *NSW Department of Primary Industries*

3.6.2 Mr. Allen Ashwin and family (3.4.2, page 80, for detailed analysis)

Executive Summary

As part of this scoping study a range of crops were assessed and discussed with Mr. Allen Ashwin and family who then chose the crops identified below for his project (see part 1 of this report, 17.4: Crops from page 41 and attachment 5; Crops enterprises report, by Tim Wiley from page 125.)

The economical analysis has been based on 20 hectares of irrigated Sandalwood, 10 hectares of Moringa for biodiesel and stock fodder, 10 hectares of Navel Orange plantation, 10 hectares of watermelons, 4 hectares Quandong and 5 hectares of irrigated fodder. These plantations will be under irrigation.

The numbers used in the budgets for Sandalwood were based on information in the public domain (as listed below). Actual numbers could not be sourced due to reasons of commercial in confidence.

A cash flow analysis suggests that Ashwin operation would have a negative Cumulative Income in the first [REDACTED]. The Ashwin's would need grant funding or a loan for this amount in the first year to get the business started. By the sixth year the Ashwin's should start generating a positive cash flow.

This analysis suggests Ashwin's proposal is economically feasible. The next stage must be the completion of a comprehensive business plan in conjunction with a comprehensive business plan for the over-arching entity, WDC.

Information for a desktop analysis of crop Gross Margins was sourced as follows:

Sandalwood – *Avongro, Forest Products Commission WA, WA Sandalwood Industry Development Plan*

Moringa – *Department of Agriculture and Food WA*

Navel Oranges – *Centrefarm and Scholefield Robinson*

Quandong – *PIRSA, Quandong production, DAFWA, Cultivation of Bushfoods*

Watermelons – *Centrefarm and WHK Thompsons*

Butternut Pumpkins – *Centrefarm, MLCS and Rural Solutions SA*

Rock melons – *Centrefarm, MLCS and Rural Solutions SA*

Fodder – *NSW Department of Primary Industries*

Approach

Consultations between Centrefarm and Ashwin family enabled a logical process of crop and enterprise selection to be completed.

Gross Margin analysis [see attached cash flow budget] has been used in this report to test feasibility and to inform the next stage of the development of this enterprise, see recommendations 21, 22 and 23.

The information contained here, together with the cash flow budget, family capability statements (see section 33 on page 69), the Business Incubator and over-arching entity concept, show that enterprise choices made by the Ashwin family are feasible. These proposed enterprises warrant further business planning to allow him and the WHIDP to move closer to a long-term sustainable suite of businesses on Lots 17, 134 and 135.

3.6.3 Farmer families (see 34.3, page 100 (D. Farmer) and page 110 (K. Farmer) for detailed analysis)

Mr. Darren Farmer and family (Mr. D Farmer)

Executive Summary

As part of this scoping study a range of crops were assessed and discussed with Mr. D Farmer who then chose the crops identified below for his project (see part 1 of this report, 17.4: Crops from page 41 and attachment 5; Crops enterprises report, by Tim Wiley from page 125.)

The numbers used in the budgets for Sandalwood were based on information in the public domain (as listed below). Actual numbers could not be sourced due to reasons of commercial in confidence.

Mr Ken Farmer and son Clinton, who are licencees to wild harvest 60t of Sandalwood, indicated at a meeting in Perth on 19th May 2010 that they would be prepared to supply their actual data to the business planners in the next phase of the WHIDP. They also indicated in principle that they want Mr D Farmer to process their wild harvested Sandalwood. See Box 9, part 2, page 91.

The economical analysis has been based on planting 2 hectares of Sandalwood under irrigation each year, processing wild harvested Sandalwood for essential oil, and growing Moringa for biodiesel and seed meal for stock fodder.

Some income is derived from the plantation Sandalwood from nut harvesting and thinning up until year 20 when the first wood is harvested. Additional cash flow is generated over the first 20 years by processing wild harvested Sandalwood from licence holders to produce Sandalwood oil. Mr D Farmer is negotiating with Mr K Farmer on the supply of wild-harvested Sandalwood for processing by Mr D farmer. Payment to Mr K farmer from Mr D farmer could be via a contract where 70% of the retail value of the essential Sandalwood oil would go to Mr K Farmer.

Plantation Sandalwood grown by Mr D Farmer will be processed for oil and marketed under a 'MARTU' brand. Thirty hectares of Moringa will be planted in the early years to generate income from seed oil for bio-diesel production and seed meal for livestock feed.

A cash flow analysis suggests that D farmers operation would have a negative Cumulative Income for the first 4 years [REDACTED]. Mr D Farmer would need grant funding [REDACTED] in the first year to get the business started. After year 5 the business should generate a positive cash flow.

This analysis suggests Mr D Farmer's proposal is economically feasible.

Information for a desktop analysis of crop Gross Margins was sourced as follows:

Sandalwood – *Avongro, Forest Products Commission WA, WA Sandalwood Industry Development Plan*

Moringa – *Department of Agriculture and Food WA*

Navel Oranges – *Centrefarm and Scholefield Robinson*

Quandong – *PIRSA, Quandong production*

Watermelons – *Centrefarm and WHK Thompsons*

Butternut Pumpkins – *Centrefarm, MLCS and Rural Solutions SA*

Rock melons – *Centrefarm, MLCS and Rural Solutions SA*

Fodder – *NSW Department of Primary Industries*

Mr. Ken Farmer and family (Mr. K Farmer)

Executive Summary

As part of this scoping study a range of crops were assessed and discussed with Mr. K Farmer who then chose the crops identified below for his project (see part 1 of this report, 17.4: Crops from page 41 and attachment 5; Crops enterprises report, by Tim Wiley from page 125.)

The economical analysis has been based on a share (70%) of the retail value of Sandalwood oil produced from Mr K farmer's wild harvested Sandalwood, planting irrigated Sandalwood, Moringa for biodiesel and stock fodder, Navel Orange plantation and irrigated Quandong plantation.

Income is generated over the first 20 years by Mr D Farmer processing Mr K Farmer's wild harvested Sandalwood to produce Sandalwood oil. Income from this will be shared with Mr D Farmer receiving 30% and Mr K Farmer receiving 70%.

The numbers used in the budgets for Sandalwood were based on information in the public domain (as listed below). Actual numbers from Mr K Farmer could not be sourced due to reasons of commercial in confidence.

Mr Ken Farmer and son Clinton, who are licencees to wild harvest 60 t of sandalwood, indicated at a meeting in Perth on 19th May 2010 that they would be prepared to supply their actual data to the business planners in the next phase of the WHIDP. They also indicated in principle that they want Mr D Farmer to process their wild harvested Sandalwood. See Box 11, page 101, Memorandum of understanding.

Mr K Farmer will plant Moringa for bio-diesel and stock fodder, Navel oranges for Perth fresh markets and Quandongs for human consumption. These plantations will be under irrigation.

A cash flow analysis suggests that K Farmers operation would have a negative Cumulative Income in the [REDACTED]. Mr K Farmer would need grant funding or a loan for this amount in the first year to get the business started. By the second year Mr K Farmer should start generating a positive cash flow.

This analysis suggests Mr K Farmer's proposal is economically feasible.

Information for a desktop analysis of crop Gross Margins was sourced as follows:
Sandalwood – *Avongro, Forest Products Commission WA, WA Sandalwood Industry Development Plan*
Moringa – *Department of Agriculture and Food WA*
Navel Oranges – *Centrefarm and Scholefield Robinson*
Quandong – *PIRSA, Quandong production*
Watermelons – *Centrefarm and WHK Thompsons*
Butternut Pumpkins – *Centrefarm, MLCS and Rural Solutions SA*
Rock melons – *Centrefarm, MLCS and Rural Solutions SA*
Fodder – *NSW Department of Primary Industries*

3.6.4 John Kyanga and family (refer to 3.4, page 110, for detailed analysis)

John has an extensive experience in agriculture from working on station for much of his life. He also has extensive experience in management through his work in Aboriginal organisation and as a shire councillor and shire president. John's main challenge that many of his family are working in other districts and the family labour supply may be limited initially. John is currently seeking out potential joint venturers for his block. He is investigating partners from

outside of the region as well as another local family who have shown interest in partnering John Kyanga.

A desktop feasibility was unable to be completed, as Mr. Kyanga is still negotiation with prospective Joint Venture partners.

4. RECOMMENDATIONS:

1. RPA seeks final endorsement from DRDL for 'Head Tenure' over Lot 17 for an over-arching entity on behalf of the Martu families (discussed in 26, Corporate activities, below). See page 30
2. Take a cautious approach and immediately apply for the historical ground water allocation of 1200ML per annum. See page 34
3. That funding be sought to provide supporting documentation of hydrological and hydro geological assessments based on existing known data and data from new sampling. See page 34
4. Apply to DoW to conduct ground water investigations as required to obtain the maximum sustainable yield. See page 35
5. Assessment of all existing production bores within Lot 17 to ascertain their longevity and their serviceability under a full production regime. See page 38
6. Conduct an extensive soil-testing regime across Lot 17 and access the soil test archives to ensure a thorough investigation of the Lot 17 soils. See page 39
7. Tim Wiley's 'KEY FINDINGS' and 'RECOMENDED ENTERPRISES' inform the crop/enterprise selections used in the business plan. See page 44
8. That bio-fuel is included in the enterprises selected for the business plan. See page 44
9. Attain estimates from engineers and builders to establish the cost of renovating existing buildings. See page 45
10. Make submissions to the relevant authority to repair power reticulation lines and provide access to power. See Page 45
11. Access estimates from irrigation experts to establish the cost of modern drip irrigation. See page 45
12. That a company limited by guarantee be established with an independent board to be responsible for development and operations of the project. *For the purposes of this report the company will be referred to as the Wiluna Development Company Limited (WDC).* See page 52
13. That WDC hold the head lease over Lot 17. See page 56
14. That WDC hold the water licence and own the bore-field(s) and reticulation system. See page 57
15. That a central area with separate leases be established for accommodation and services. See page 57
16. That the farms identified in Map 9, be sub leased to the family indicated for each area. See page 57

17. Investigate funding for the 'Business Incubator Concept'. See page 59
18. That the process of establishing WDC is regularly revisited with the company directors and the other stakeholders to ensure that the reasons for its creation are always clear and that any outcomes can be clearly matched with the original objectives, goals and key performance indicators. See page 61
19. That the RPA establish a Steering Committee to act as an interim board and coordinate development of Lots 17, 134 and 135. See page 64
20. That an interim manager be appointed to coordinate and manage the consultation and reporting process. See page 64
21. Steering Committee to source funding for full business planning. See page 67
22. Steering Committee uses Terms of reference attached to this report to obtain expressions of interest from qualified business planning consultants. See page 67
23. Steering Committee appoints consultants to formulate full business plans. See page 67
24. WDC develops a combined training and mentoring in conjunction with Durack Institute of Technology that is based on skills audits across all families, using the Centrefarm 5-Step Training model. See page 72