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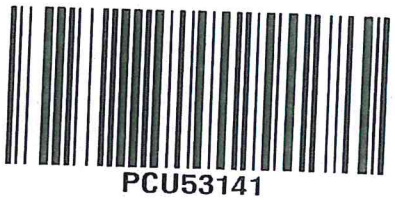


Attention: Director Industry Key Sites and Social Projects

Objection to the Pindimar Abalone Farm Project, MP 10_0006, from Vee Grinnell, 24 Brooks Street, Linley Point, NSW 2066

Dear Sirs:

The proponents of this project make no mention of costing or profitability in their plan which is now on exhibition. However, in 2001 the Australian Bureau of Agricultural and Resource Economics, (ABARE) studied the expected profitability of land based abalone farms. The study concluded that at the then price of abalone which was $45 per kilo, a farm producing 100 tonnes a year would reap a benefit cost ratio of 1.48. The study was based on models of 100 and 200 tonne production as it is generally felt in the industry that farms smaller than that are less likely to be profitable. However, they warned that if the price of abalone fell 1% a year, the benefit cost ratio would fall to 1.04.

In fact, the price of abalone has fallen 44% since then.

This is due to the vast increase in abalone production, mostly from China. It seems that this is unlikely to change.

Extrapolating from the table in the study (enclosed) this would reduce the BCR to less than one.

In view of these figures, and the fact that the farm will be even smaller, 60 tonnes, than the smallest in the study I think it is unlikely that the farm will make money.

There are risks associated with this project, including the incubation of mollusc diseases, port pollution, noise pollution, seagrass destruction and threats to the very profitable tourist and oyster industries in the port. If the farm fails, these risks will increase. The plan calls for expensive and labor intensive biosecurity procedures to prevent/contain disease that could easily be circumvented if the farm is squeezed financially.

Abalone is not a food eaten by most Australians but an exotic delicacy that will be mostly exported to Japan. It will provide 15 jobs and make money for a few investors - if it succeeds - but will threaten a tourist industry providing 1500 jobs and bringing $400 million dollars to the Port Stephens area annually.

It does not seem that this is a risk worth taking, much less a "state significant" project.

Vee Grinnell

Profitability of selected aquaculture species

ABARE report for the
Fisheries Resources Research Fund

Leeann Weston, Susan Hardcastle
and Luke Davies

January 2001

ABARE
Innovation in Economic Research

7 Payback period for the abalone farm models

Farm model (annual capacity)	Payback period	90% confidence interval
	yrs	yrs
100 tonne farm	6	4–10
200 tonne farm	4	3–6

To examine the impact of changes in the stochastic parameters anticipated to have the largest impact on farm viability, sensitivity tests were undertaken by altering the values of key parameters. In the case of abalone the importance of product unit prices, juvenile, feed and labor prices to farm viability were examined. The results of these tests are presented in tables 8 and 9.

If volumes of farmed abalone increase significantly in future it is likely that per kilogram prices for abalone would fall. Prices may also be expected to fall from the average price per unit if product demand or quality fall. Analysis was conducted to examine the effect of prices falling by 1 per cent a year in relation to farm costs (table 8). The results show that the expected profitability of abalone farming is sensitive to price. With relative prices falling consistently by 1 per cent a year the mean estimated benefit–cost ratios for the 100 and 200 tonne farms, respectively, fall to 1.04 from 1.48, and to 1.08 from 1.53.

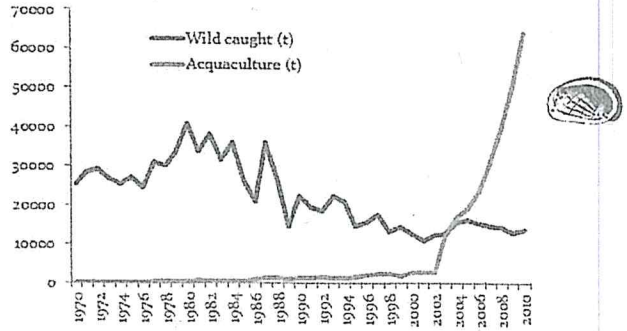
Abalone farming is a relatively young industry in Australia so it may be reasonably assumed that abalone growers may attain productivity increases in future. These increases may be reflected in improved survival rates of juvenile stock and reduced labor required per production cycle. These improvements would have the effect of reducing farm operating costs. Additionally, expansion in the number and productivity of abalone hatcheries in Australia may be

8 Impact of output price trends on the abalone farm models

	Expected BCR	90% confidence interval	Probability of BCR less than 1
			%
Standard settings			
100 tonne farm	1.48	1.21–1.86	3
200 tonne farm	1.53	1.28–1.92	2
Abalone prices reduced by 1 per cent each year			
100 tonne farm	1.04	0.78–1.61	12
200 tonne farm	1.08	0.83–1.78	10
Abalone prices increased by 1 per cent each year			
100 tonne farm	1.60	1.43–2.00	1.5
200 tonne farm	1.69	1.55–2.31	0.5

Motivation

- Abalone has undergone substantial production changes....



- Average beach (farm-gate) price of AU abalone fell by 44% in real term during 2000/01-2009/10 (ABARES 2011).
- Strong AU$ to blame? – potential impacts of increased production on wild-abalone prices not studied adequately.