



**SUNRAYSIA
RURAL COUNSELLING
SERVICE INC.**



MURRAY VALLEY WINEGROWERS

30th June 2006

What's Going On, again ?

The Options of Getting By or Getting Out

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LYN HEAYSMAN, Chair

We've been around for more than 22 years.

Why see a rural financial counsellor?

- Times are tough
- Not sure about your future
- Need more information
- Analysis of farm operations
- Cash flow for the bank
- Someone to talk to
- Assistance with income support and other gov't assistance

We acknowledge that irrigated horticulturists are facing extreme times.

You are now faced with get by or get out decisions.



GETTING BY

It is essential that the risks and the costs are fully understood by thorough attention to:

- knowing the costs of production, including ALL overheads, production expenses AND any debt servicing
- cash flow budgeting
- looking for alternate sources of income
- the option of hibernating / removing vineyards
- very carefully assessing whether moving to alternate crops is feasible.



Calculating Costs

Costs can be calculated by dividing the total tonnes TO BE SOLD, into historical costs as identified in various categories in the last tax return profit and loss statements.

Any principle debt repayments will appear in the balance sheets.

The process is a little more complex for mixed farm enterprises.

| COSTS | |
|-----------------------------|-----------------|
| Overhead Costs | \$55.00 |
| Production Costs | \$25.00 |
| Machine Contracting | \$40.00 |
| Freight | \$25.00 |
| Water Rates | \$40.00 |
| Bank Principal | \$65.00 |
| Bank Interest | \$60.00 |
| Lease Costs | \$45.00 |
| Owner Wages | |
| Depreciation | |
| Return on Investment | |
| Future Redevelopment | |
| Inflation @ 3% | \$5.00 |
| TOTAL | \$360.00 |



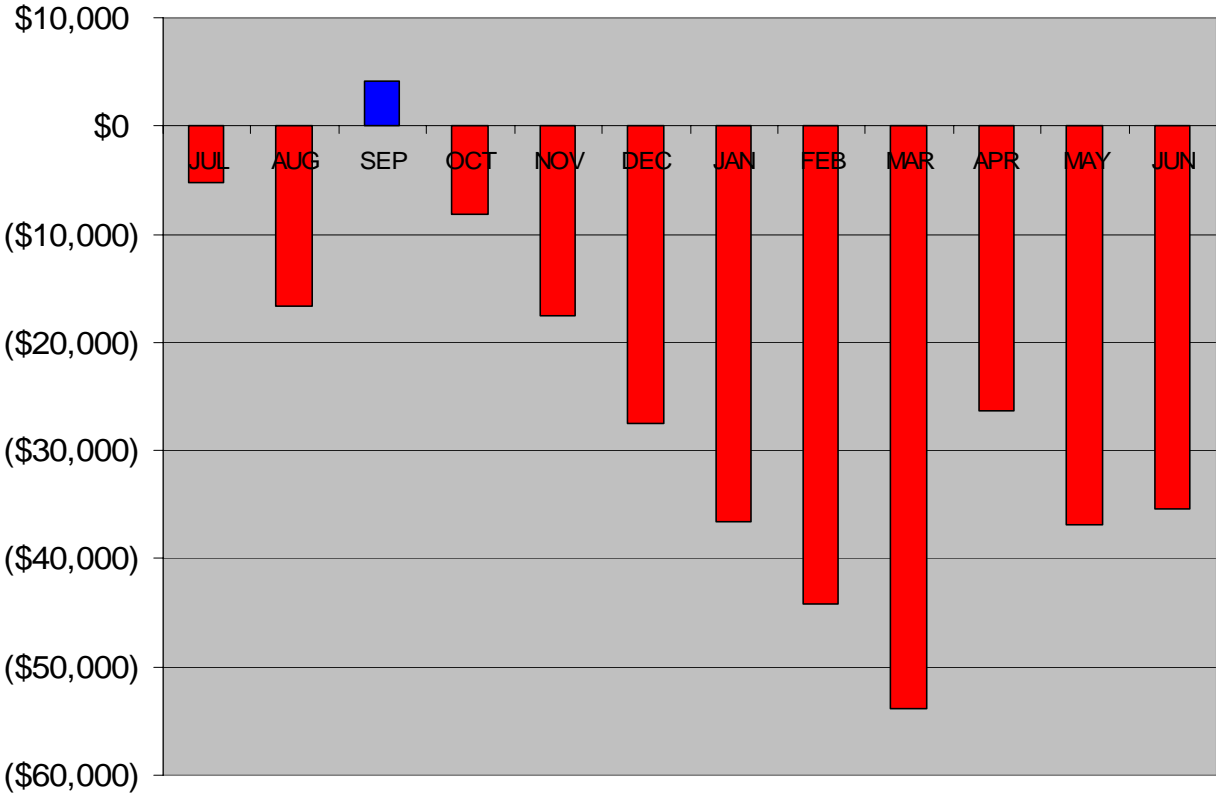
Selling grapes below cost means the difference is being replaced by either:

- increased debt
- erosion of savings / sale of assets
- or, subsidizing the farm business by off farm employment.



Cash Flow Budgeting will be critical to success:

- With a reasonable degree of accuracy this will determine whether the farm business can continue to operate within its current financial resources [at least to next vintage]
- What will be the projected cost if the decision is to 'get by' and the downturn lasts to 2010?

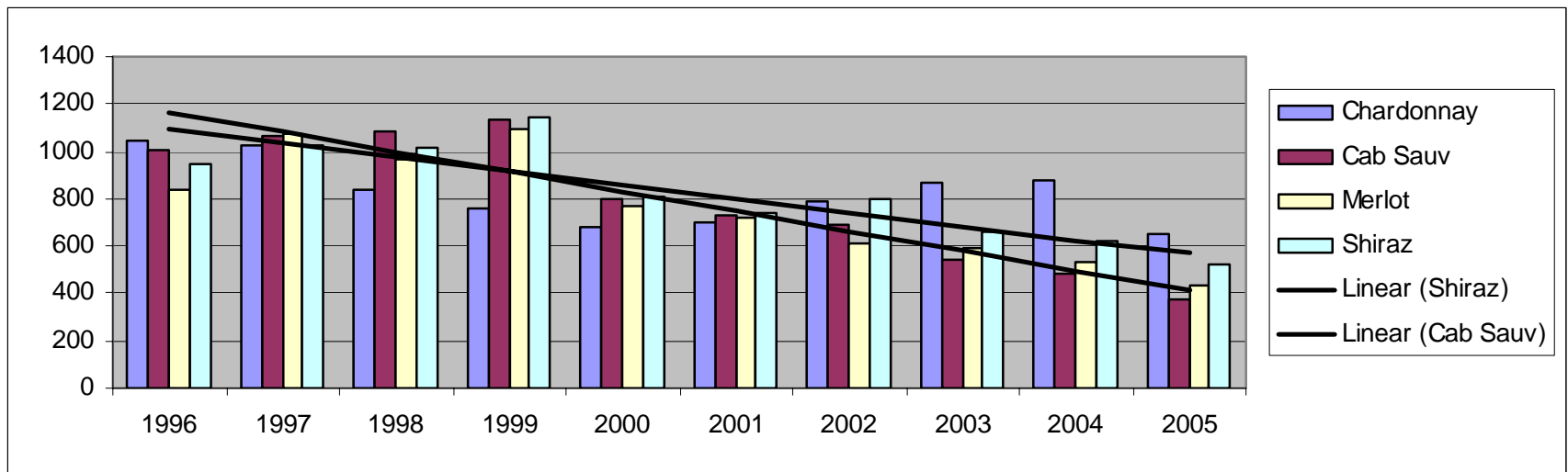




HOPING things will be better next year is no alternative for PLANNING to survive over the longer term, which could take some growers 5 to 10 years.

Obviously it will be quicker if and when oversupply is remedied and the industry continues to develop its export potential.

Weighted average prices Murray Valley (Vic/NSW)



Assuming 2006 and 2007 prices fall further what will they recover to ?

It is optimistic to believe prices will return to pre 2000 levels. The lower the rate of the recovery the longer the return to financial sustainability.



FARM HELP

- Income Support for 12 months = \$19,266 partnered
- Available for partners / adult children in the business
- Professional Advice & Training Grants to \$5,500
- Re-establishment Grant of \$50,000 to exit farming
- There are 'mutual obligation' requirements
- Recent changes further define 'farmer' eligibility and it is a once only program, but it is available to 2008



Exceptional Circumstances [EC]

- Irrigators in NSW are eligible to apply for EC as the current declaration is now extended to 30th November 2006
- Income Support - through Centrelink at similar rates to the Farm Help program

Environmental Management Systems incentives

- To help with costs for farm environmental benefits
- 50% of costs to a \$3,000 maximum
- Means tested: < \$45K net farm income

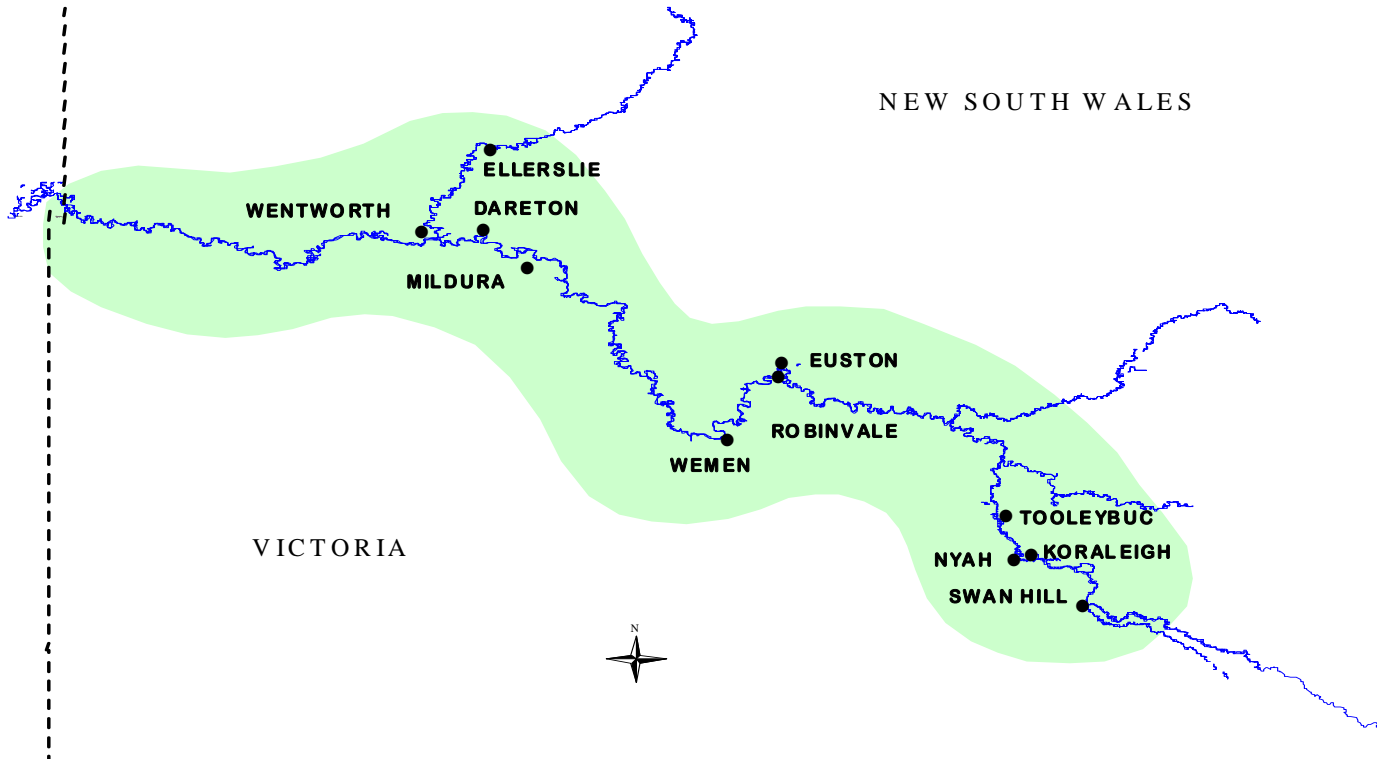


OTHER ASSISTANCE

- Maximizing Family Tax Benefit payments
- Other social security payments = health care card, parenting payment for low income families, aged pension changes
- Newstart and accessing the job network
- Contact Centrelink 5051 6412.



WE VISIT YOU





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