



Rabobank

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Mr Frans Jungerth
Regulatory Projects Manager
CitiPower, Powercor & United Energy
40 Market St
Melbourne Vic 3000

Date 17 April 2019

Subject **3 Phase Mainline Infrastructure Project**

Dear Mr Jungerth

It has been brought to our attention by Mr Bruce Knowles, a client of Rabobank in the Tyrendarra area that there is some consideration being given to support for an upgrade to electricity infrastructure in this area to facilitate 3 phase power connection.

Rabobank is an agriculture based organisation and we would like to express our support for this type of infrastructure upgrade. Notwithstanding the benefits to non agricultural industries, this letter relates to the potential benefits to agriculture in this region.

Dairy farming in South West Victoria is considered integral to the economic success of the region. It is considered an intensive style of farming with higher capital and operating costs per area than other forms of agriculture. As such it can be sensitive to disruptions.

A key area of benefit would be to increase the potential to attract investment to the dairy industry in this region. Among other considerations, investment is based on potential returns including operating profit and capital gains. We believe this project has the capacity to increase both of these key investment considerations.

In support of this statement, the below comments are provided:

- Improved operating performance
- Potential areas of improvement come from:
 - Reduction of incidents of lost production from power outages.
 - Increased milk production due to improved confidence, capacity and reliability.
 - Reduced capital cost of back up systems (eg generators).
 - Cost effective irrigation (electricity/diesel) delivery and potential expansion.
- Potential capital gains from improved operating performance



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- Mr Michael Harvey, Senior Dairy Analyst at Rabobank Food and Agribusiness Research is on record that he believes the dairy region of South West Victoria has some of best growth prospects for the Australian dairy industry. This is due to the regions production capacity.
- Mr Wes Lefroy, Agricultural Analyst at Rabobank Food and Agribusiness Research completed a report (attached) in August 2018 titled 'Australian Agricultural Land Price Outlook'. Some relevant key quotes from Wes in his report are:
 - 'Ag land prices have mainly been driven by a rise in operating profits' (p3 executive summary).
 - 'Corporate interest in ag land has increased adding competition for farmland purchases'(p5).

In addition to potential improvement of operating profits for dairy farmers, some collateral benefits of this project could be:

- To encourage conversion of low intensity farm land to (high intensity) dairying.
- Further development of milk processing capacity.
- Both farming and milk processing service providers expansion.

I hope that this letter somewhat assists you in your endeavours with this initiative.

Please feel free to contact us if you would like to discuss this matter further.

Yours sincerely

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