DRAFT

DISCUSSION PAPER 2

COMMERCIAL SCALE AGRICULTURAL DIRECTIONS

A DISCUSSION PAPER TO GUIDE THE EUROBODALLA SHIRE COUNCIL RURAL LAND STRATEGY

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For: EUROBODALLA COUNCIL

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1 INTRODUCTION

1.1 PURPOSE OF THIS DISCUSSION PAPER

The Draft Eurobodalla Rural Strategy is presented in three volumes:

Volume One: The Strategy – this is a summary document of the recommended preferred options, strategies and action plans.

Volume Two: The Discussion Papers – there are 10 broad papers in this volume presenting a discussion on the more significant issues applicable to Council's role in the rural lands of Eurobodalla.

This is Discussion Paper 2 and it explores some of the issues and options affecting established commercial agriculture. Detail on small scale and emerging niche agriculture is discussed in Paper No. 7. It is a draft for discussion and will be the focus of a special Rural Producers Economic Workshop during the exhibition period of the Strategy. Feedback from this workshop will be used to strengthen this paper with local knowledge and input from producers and to refine the recommended strategies.

Volume three: A compendium of larger scale maps – given the size of the Shire and the detail sometimes required, the more important maps of general land use information and those from the Discussion Papers are presented at A3 page size. In addition, if accessing the PDF version, there is the capacity to "zoom in" to explore more detail.

The draft strategy package as presented in the three volumes, represents the work of the consultant team Garret Barry Planning Services (GBPS). It is stressed these documents are drafts prepared for community comment and input. Council has not concluded any view on the draft recommendations and will resolve a final strategy when it has considered community feedback.

We welcome suggestions from the community as to land uses people favour or feel should be further restricted in their areas.

1.2 EXECUTIVE SUMMARY

While agriculture is an important industry in Eurobodalla Shire, its scale is considerably smaller than in surrounding council areas. The land resources of Eurobodalla are characterised by many steep areas with poor soils and as such original agricultural settlement focused on the more fertile valleys, side ridges and flood plains of the numerous long valley systems. Today nearly 72% of the Shire is State Forests and National Parks and approximately one third of the Shire's private land is currently under native vegetation. To some degree this is a reflection of a considerable area of land of limited value for agriculture – left largely uncleared by early settlement, utilised for timber resources and recognised in more recent times for its biodiversity value.

Of the 67,000 ha of private lands in the current agricultural zones of the Shire (the RU1 Zone and the Deferred lands), only 22,000 ha is comprised of what might be classed as highly

productive agricultural land (Class 1 to 4 of the Department of Primary Industry 5 Class System) and only just over half of that higher class land is in holdings over 100 ha.

Of the 1,730 ownerships in the RU1 and Deferred areas, nearly 80% are 40 ha or less in size and in the majority of cases represent hobby scale farms. Even many larger holdings have a high proportion of land of lower agricultural quality.

Beef Cattle and Dairy by far dominate the current value of agricultural production with approximately 120 farms producing most of the output and only about 40 of these having more than 200 ha of land. There are also patterns of landowners sometimes having several separate holdings or leasing other property.

There are a range of commercial timbers on private lands in the Shire. Regulation of private forestry is currently administered at State level for private forestry activities.

But there are many small holding operations which on a per hectare basis often run similar stocking rates to the larger commercial farms, however their net returns from agriculture would likely be low or negative. Rural lifestyle activities, hobby-scale farming mixed with off farm work or non-agricultural on farm business often are a major part of the small holding land use and activity. There are over 500 registered businesses not related to agriculture in the rural areas and many more small unregistered home scale businesses helping support agricultural operations.

Hobby scale and part-time farming far outnumber large scale commercial farming operations and occupy more of the overall total agricultural land area.

Distance from markets and transport costs have always been a challenge for agriculture in this region.

Land prices have been increasing over the past four or more decades, driven more by growing settlement pressures not directly related to agriculture. This makes Eurobodalla an expensive location to attempt to establish or expand a commercial scale farm producing conventional beef or dairy product.

Eurobodalla Shire is typical of all coastal Shires in New South Wales in experiencing a rapid change in land and water use. Inland Australia is losing people as they move to the coast. Retirement destinations have changed as the cost of land in coastal shires is less than in the cities. These are not revelations to anyone living in Eurobodalla Shire. However, what is unknown is whether these trends will continue at the same rate as in the past or whether they will escalate and introduce new planning challenges over and above those that already exist.

The trends vary somewhat. While the real value of rural land has continued to appreciate over the past 50 years it is not a smooth increase. There are cyclic “booms and busts” in the pressures inflating rural land value. There are retirement surges and city exit periods. There are long droughts.

This Paper also explores the difficult area of predicting where broader agriculture is heading in the national and international scale. There are optimistic scenarios relating to likely growing world demand for food in general and for special, higher value, food products which Eurobodalla might tap into. But the graphs of the terms of trade for commercial agriculture both locally and nationally have been negative for several decades, and looking to the next 10 years there is not yet certainty that this downward pattern has finally been arrested.

There are exciting trends and movements into value adding and local food but the current scale is very small and while growth is strong, this sector in dollar terms will not make a significant dent in the percentage of overall gross agricultural value in Eurobodalla for the 20 year planning horizon of this Strategy.

But the way even commercial scale agriculture markets and develops its products is facing revolutionary change. The conventional high volume, low price production is not a market niche Eurobodalla can expand in. Its future lies in value adding and marketing differences in its products.

What is the role of Council in assisting and maintaining a productive agricultural sector and in strengthening it and allowing initiatives to flourish?

Council has a land use planning function and this Strategy is charged with developing new guidelines to assist in conserving the agricultural resource while minimising unnecessary regulation and allowing reasonable development options for landowners.

The traditional planning approach of the past 60 years has been to try to prevent fragmentation of farms by preventing or limiting subdivision. This is an effective tool for maintaining larger lot sizes, but it does not assure a strong agricultural future, especially in a Shire with the many competing land use pressures Eurobodalla faces. This Paper concludes there is an argument to continue to minimise fragmentation of larger properties where they contain productive agricultural land, but in other areas, an alternative approach needs to be considered.

This Paper identifies that, unlike major agricultural LGAs away from the coast, Eurobodalla is already very much characterised by part-time farming, with few landowners fully dependent on the income earned from the farm. Coupled with ongoing pressure for smaller lot, hobby-scale farming and there is an argument to minimise fragmentation at least to maintain most properties at a scale suitable for part-time farming. The appropriate size of properties to maintain for part-time farming will be dependent upon the quality of the soil and access to water, amongst other matters.

There is a related aspect in the justification of retaining better land in holdings at a size that ensures some potential for economic aggregation, and holding land resource should the terms of trade for agriculture eventually enter a long era of strength.

Having regard to the above, this Paper concludes that the appropriate minimum lot sizes for rural land in Eurobodalla needs to be determined having regard to the characteristics of each locality, rather than as a blanket approach.

There is a second major reason to control fragmentation and that relates to controlling servicing burdens like road extensions, maintenance and renewal, and for preserving options for the future (should the terms of trade for agriculture go more into an era of long term improvement and growth).

Council also has an economic development role and might assist with marketing and education relevant to agriculture – from supporting saleyards and administering controls on weeds to fostering farmers markets.

Note on the use of the term "hobby farm"

Throughout this Discussion Paper, the term "hobby farm" or "hobby scale agriculture" is used. To the extent this hobby scale use encroaches on commercial agricultural activity, the Paper concludes it should be controlled.

It is appreciated this is a term, often the subject of debate, as to when a landowner is using agricultural land for a private hobby and when there is commercial agriculture occurring. The answer is not straight forward, especially in a Shire with the diversity of land quality of Eurobodalla.

This Paper presents data that shows even larger holdings might be struggling to produce a net return able to support a family or where the net return from agriculture has some prospects of being better than bank interest on the capital value of the land.

But we argue a point is reached, probably around 50 hectares or less of "average" Eurobodalla farm land, where the activity starts to slip into being such a small part-time income generator, that the landowner is "farming" for reasons other than the net income he/she seeks to make from the property. The **net income** is stressed. For example, there might be people with substantial off land income pouring inputs of fertiliser and technology into a little 20 hectare beef operation that make that small holding produce 4 or 5 times the Shire average production per hectare. But when you deduct the input costs from the gross return from cattle sales the return is very much negative.

Hobby farming has an important place in the Eurobodalla lifestyle and economy. Many hobby farmers invest in machinery, farming materials and produce and are a cornerstone of the rural supply sector of the rural economy. But there are ample opportunities for supply of hobby scale farms throughout Eurobodalla without fragmenting those larger holdings remaining in the Shire that have potential to at least produce a part-time income.

Eurobodalla is already more of a part-time agriculture area than a full-time one. There are hundreds of small non-agricultural businesses in the rural areas supplementing part-time farm incomes, and there are increasing numbers of early retirees with a part-time operation and this trend seems set to continue and grow.

2 AGRICULTURE IN AUSTRALIA IN THE NEXT 20 YEARS

Prediction of agricultural direction has never been easy and seems to now be becoming even more complex.

There are four recent publications that shed some light on this complex task of prediction of agricultural trends for the coming 20 years.

2.1 THE FEDERAL GOVERNMENT'S WHITE PAPER ON AGRICULTURE

Agricultural Competitiveness White Paper. Commonwealth of Australia, 2015.

http://agwhitepaper.agriculture.gov.au/SiteCollectionDocuments/ag-competitiveness-white-paper.pdf

The Federal Government's White paper identifies major potential for Australian agriculture. It identifies the following nine principles to improve competitiveness:

The Federal Government will provide funding:

- To improve farmer access to overseas markets;
- To lessen red tape;
- To improve road and rail infrastructure; and
- To improve R&D – especially in pest and disease control.

Tax incentives are also being implemented to drought-proof farms through water storage and fodder management system concessions and tax averaging over 10 year periods.

The Paper identifies options for export to focus on, for example, higher value produce and a secure, clean, green product image.

2.2 Assessing the Competitiveness of Australian Agriculture

Assessing the Competitiveness of Australian Agriculture. June 2015. Keogh, Tomlinson and Henry. Rural Industries Research and Development Corporation, Australian Government. (RIRDC Pub. No. 15/054).

This Paper points to the complexities facing policy makers in agriculture in Australia and the relatively poor access to decent predictive tools to measure how Australia is progressing compared to its agricultural competitors.

Modelling on a case study between USA and Australia demonstrated some methods of predicting agricultural direction/production or competitiveness have not measured up well when applied to historical data.

The Paper suggests improved predictive model methodologies especially across three areas:

- Agricultural revealed comparative advantage – a measure of ability to produce and export compared to competitors or trading partners.
- Research and development investment intensity. There remains a strong correlation between R&D and improved productivity, and indices can be developed to monitor and project this.
- The Organisation for Economic Cooperation and Development (OECD) producer support estimate. Australian producers face competitors like OECD nations where producers are subsidised and an index of estimated support is needed to better evaluate Australian performance in an area without level playing fields.

The following extract from the Paper (p. 37) shows Australia's competitiveness has declined compared to our major competitors and the above factors are suggested to need better monitoring and policy attention if Australia is to claw back the drop in competitiveness.

TOTAL FACTOR PRODUCTIVITY OF SELECTED NATIONAL AGRICULTURE SECTORS

Subject to certain qualifications, the research indicates that New Zealand, Brazil and South Africa have all experienced relatively strong productivity growth over the past decade, which has likely contributed to enhanced competitiveness. On the other hand, the poor productivity performance of the Australian agricultural sector post 1997 is of major concern, as it is a very clear indication that the national agricultural sector is losing its competitiveness, relative to the other nations included in the analysis.

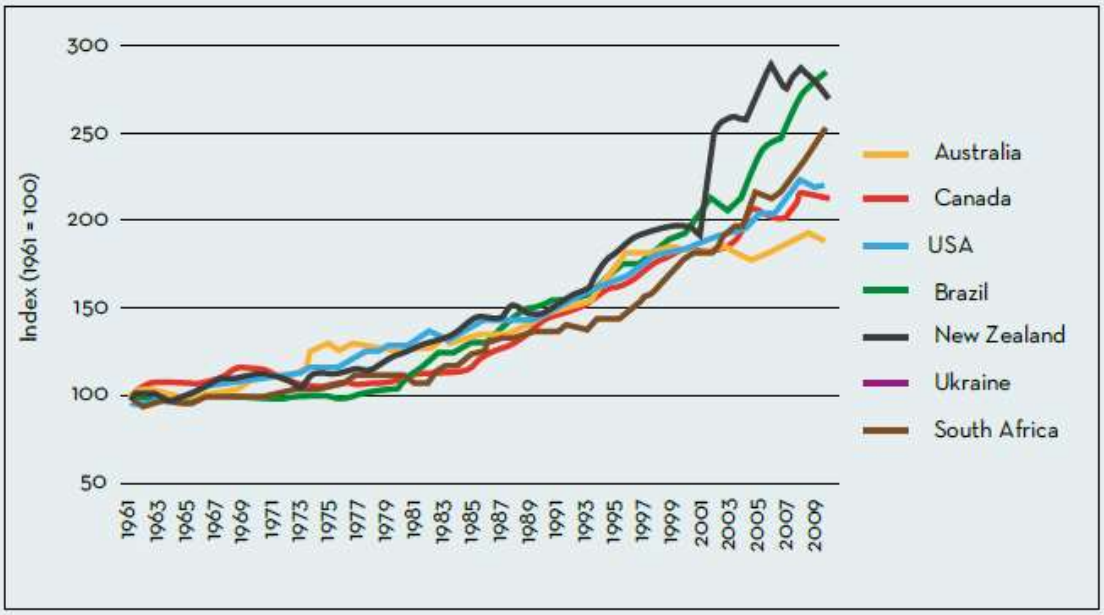
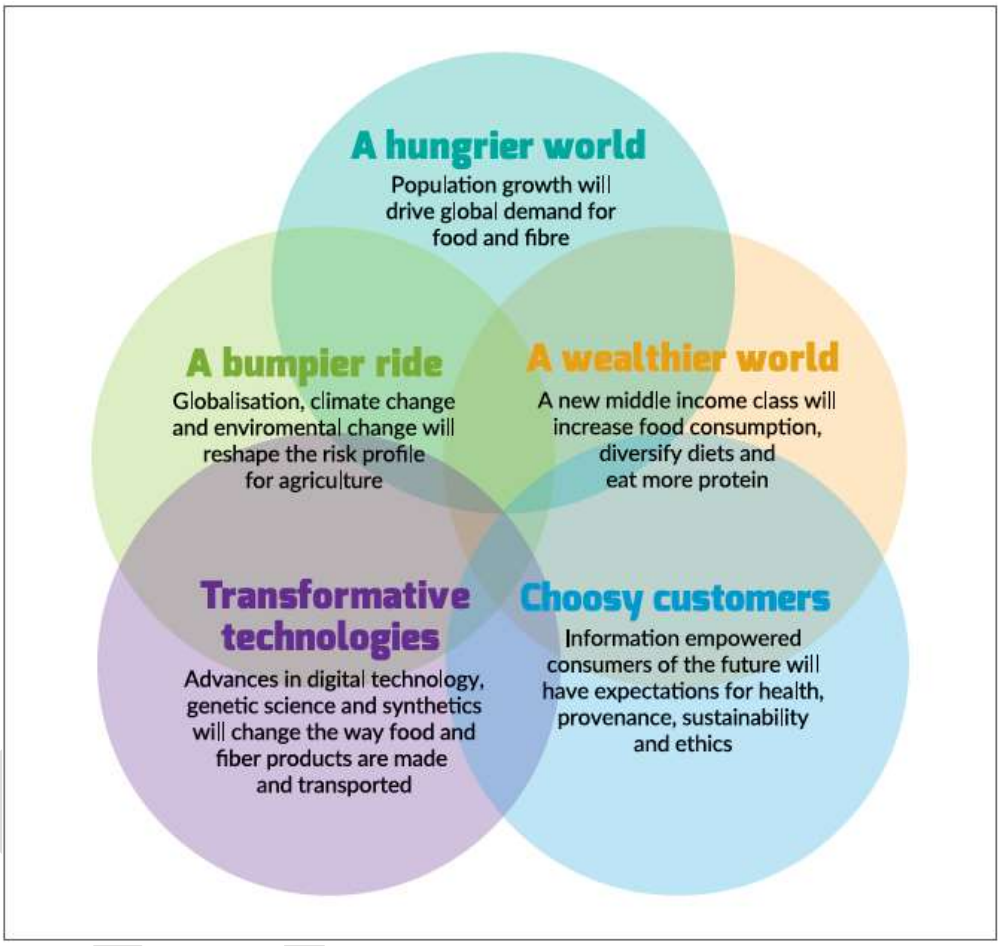


Figure 1 Total Factor Productivity of selected national agriculture sectors
(Source: Fuglie et al 2012)

2.3 Rural Industry Futures

Rural Industry Futures: Mega trends impacting Australian Agriculture over the coming 20 years. July 2015. S Hajkowicz and S Eady. Rural Industries Research and Development Corporation and CSIRO. (RIRDC Pub. No. 15/065).

This is a very thought provoking Paper that paints a more positive than negative future of Australian agriculture of the coming 20 years and beyond. It identifies five mega trends impacting on the future of Australian agriculture:



A hungrier world:

- About 2.4 billion more people by 2050.
- About 70% increase in food needed.
- Improved yields will need to deliver the growth of production.
- Australia well positioned to sell more to Asia which has expanding middle class.
- Some Australian land may be converted to use production energy like biofuels.
- Still many trade barriers and subsidised farmers overseas to compete against.

A wealthier world:

- Average estimated income of a world citizen now is $14,000 and expected to be $28,000 by 2040.
- More food to be consumed per head as the poor gain some economic improvement.
- Emerging economies will eat more diverse foods and increase protein intake (120% increase projected in beef consumption by 2050).
- China a major and growing importer of food and fibre.
- Wealthier markets seeking specialty foods – organic and provenance markets will see demand for value adding and specialty goods grow significantly. (Chinese estimates are that sales volume of organic certified food produce has risen from 135 million tonnes in 2003 to 1.96 billion tonnes in 2006.)
- So Australia has potentially more diverse and growing food and fibre markets.
- Safe, clean, green image of growing importance to the rising middle and upper classes of Asia.
- China free trade deal may open a very large market.

Choosy Customers:

- Healthier food being sought as obesity needs to be addressed.
- Fads and health perceptions can affect markets dramatically – witness swings in views regarding fatty meats, etc.
- Health giving special foods growing in demand.
- Trends are strong to ethical, humane production, quality control, certification and provenance of products.
- Australian farmers markets have seen rapid growth – now estimated to account for 7% of total fresh food sales.
- Social media means good and bad news about products travels very fast which in turn can see “overnight” changes.
- Producers can benefit by utilising social media to market new and quality products, provide provenance trace and product details.
- Healthier food products will enjoy more rapid growth.

Transformative technologies:

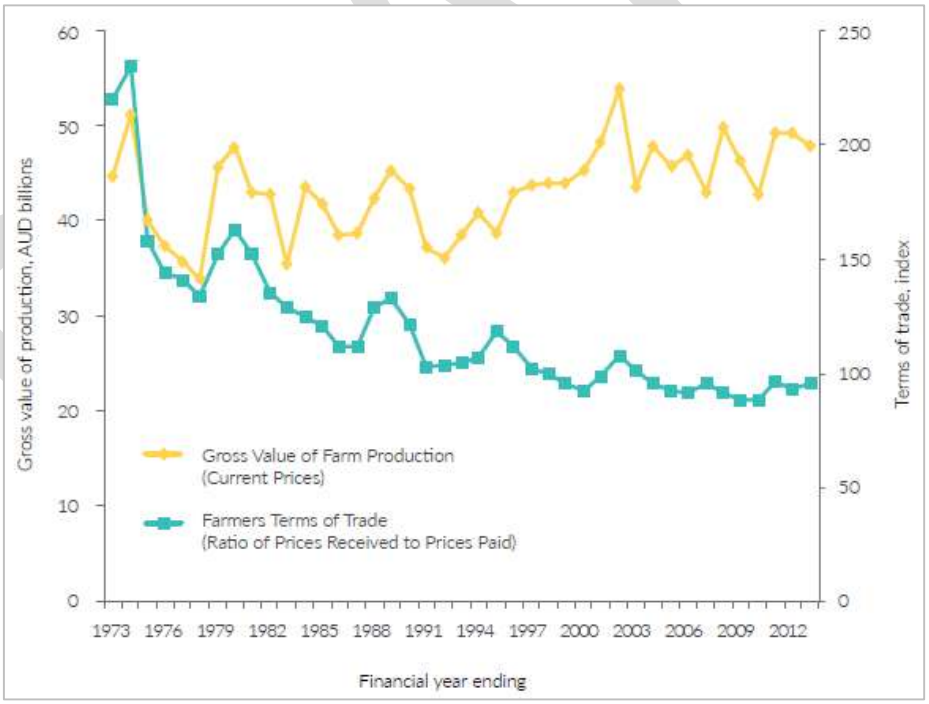
- Genetically modified crops now 150 million ha world-wide.
- Embedded technology is accelerating farm efficiency –from drones to crop monitoring technology.
- Robotics moving into agriculture and reducing labour.
- Still growth in synthetic textiles and that will check growth in natural fibres.
- Possibly more synthetic foods.

- More land set aside for biofuels/more competition for land for non-food use.
- Farmers need to adapt to being transparent as technology allows very detailed monitoring.

A bumpier ride:

- Climate change driving Australia to hotter, dryer and more extreme weather (but effect greater beyond the next 20 years).
- Biosecurity is vital to Australia but becoming more challenging with mobility of travel not just for rich but also poorer migrants.
- Australia very reliant on offshore inputs to agriculture such as fuel and fertiliser.
- Weed and pest resistance to control measures is growing and may affect production if alternatives cannot keep pace.
- Farmer risk profiles will change faster.
- While climate change impacts will vary, and in terms of plant growth not always be negative, overall in Australia production impacts will likely be negative. More "indoor" or controlled environment farming may be needed.

Lastly, this Paper has a sobering graph on the trends in gross farm production versus farmer terms of trade:



This graph shows Australian farmers have slightly improved gross value of production but their terms of trade have fallen substantially.

The report points out Australian agriculture currently meets 93% of the nation's food needs and in 2013/14 agricultural production was worth $48 billion. It points to continuing growth in farm sizes and a need for growth and diversification of exports to ensure a viable future for agriculture.

2.4 From Vicious to Virtuous Cycles

From Vicious to Virtuous Cycles: A sustainable future for Australian Agriculture. August, 2015. S Ogilvy, A Kulkarni and S Hurley. Centre for Policy Development.

http://cpd.org.au/wp-content/uploads/2015/08/Vicious-to-virtuous-cycles-2015.pdf

This research Paper argues the natural resource base underpinning agricultural production has been gripped in a cycle of mutually reinforcing environmental and economic decline. The commodity market of modern agriculture rewards firms that deliver high volume, low cost production to consumers but that such systems largely ignore soil, water and other ecological resources that underpin the long term basis of Agriculture.

They argue many farmers are trapped in a vicious cycle where, to make ends meet, they are forced to look to practices that maximise short term production but at longer term adverse impact to the natural resource base. Basically they are overtaxing not only the land but also human and social resources – resource protection is ignored and jobs and service it may support either do not start or decline.

They say a change of focus is needed to open and grow markets that expand investment in resource enhancement. Large firms can be persuaded that it is good business to market the sustainability of the products they sell and leading edge farmers can tap into that growing market by demonstrating sustainable soil and water practices, ecosystem enhancement and sustainable branding and tracing of product.

The report argues the Government needs to develop better accounting of the economic benefits of sustainable natural resource use.

2.5 NSW Agriculture Industry Action Plan

Agricultural Industry Action Plan - Issues Paper. June 2013. NSW Department of Primary Industries.

http://www.dpi.nsw.gov.au/__data/assets/pdf_file/0004/468292/agriculture-industry-action-plan-issues-paper.pdf

The NSW Government is developing Industry Action Plans (IAPs) to guide key industries towards productivity targets over the next 10 years. Agriculture is seen as one of those key industries that could benefit from such a plan. The above Action Plan Issues paper picks up on the international and national trends detailed in the sections 2.1 to 2.4 above such as growing Asian middle class and rising consumer demands for specialised product.

It explored the following groups of issues:

Issues

Productivity, profitability and innovation

- Industry is increasingly driving innovation on behalf of its stakeholders.
- There is a need for uptake of the latest research and development (R&D) by industry and stakeholders to drive productivity.
- The changing mix of public and private investment in research and development.
- Changing terms of trade in the context of increased costs of production, competition from overseas and volatility of international commodity markets.
- Improvements in management and adaptation to increased climate variability and its impacts of enterprise productivity, profitability and resource allocation.
- The need for improving business skills as agricultural enterprises intensifies, with greater exposure to production and marketing risks.
- Capitalising on export opportunities, such as the "food bowl to Asia" century.
- Access to telecommunications infrastructure and access to innovative technologies.
- Surety and security of adequate land, water and resources.

Workforce and skills

- Tailoring agricultural education and training to ensure appropriate skills for future industry development.
- Improved planning for labour force supply and demand to better manage the seasonality of labour.
- Attracting the next generation of farmers to redress the ageing profile of the farming sector; and the provision of the right skills needed.

Business and regulatory

- Maintaining a strong biosecurity track record given new and emerging biosecurity risks are inevitable as a result of increased climate variability and globalisation.
- International variations in regulations governing industry and workforce such as higher health and safety regulations, environmental regulations and duplicative regulatory regimes which will increase costs for Australian farmers.
- Anticipated increase in regulatory requirements over coming years, especially in relation to product identification, hygiene of production, packaging and storage of product for food safety reasons.
- Changes to the use of chemicals in agricultural production systems and the management of risks for the unintended or off-site impacts.
- Growing expectations from consumers for traceability and accountability of production systems.
- Support an open and competitive environment where funding and risk management tools are available.

Investment and ownership

- Finding the right balance of public and private investment for replacing ageing infrastructure; improve coordination of and investment in infrastructure.

- Striking the right balance regarding foreign investment and foreign ownership within the sector. This is a broad trend occurring across the international agricultural sector, and is driven largely by issues around acquiring adequate capital for business growth and for production and financial risk management.
- Driving greater economies of scale to maximise efficiency.
- Addressing barriers for investment and new entrants to the sector.
- Pressures associated with changing land use (eg. urban expansion, extractive industries) that threatens to reduce the land available for agriculture, and opportunities for co-existence.

Markets and export

- Management of the impact of global issues on local production, such as the fluctuations in the Australian dollar and trade agreements with our export markets.
- Supermarkets represent the largest domestic market segment for food products. Concerns that their reduced competition is increasingly allowing a small number of buyers to force lower prices; manipulating quality and supply from producers and processors.
- Improved coordination of efforts may be needed to capitalise on trade opportunity through greater insights and understanding of market needs, also the need to address inequitable market access.
- Globalisation can be seen as a positive as it provides opportunities for much needed investment in agriculture.

Connecting with community

- Generally there is a need to improve the levels of awareness and understanding of agriculture, its activity and value to the NSW economy including in relation to environmental stewardship, climate resilience and carbon mitigation.
- Industry has a need to be pro-active and improve its representation, connection and communication of key issues impacting on the industry to the non-rural community and Government.
- Gaps in capacity to address community concerns when there are instances of unfavourable reports about some agricultural practices – these have the potential to impact negatively on the agricultural industry by:
    - devaluing agriculture in the eyes of local consumers
    - discouraging potential new entrants to the sector
    - making access to capital more difficult
    - encouraging potential partners and buyers to look elsewhere
    - discouraging young people from entering the agricultural workforce
    - reducing the ability of NSW agricultural businesses to engage and compete internationally.
- Continual improvement of economic, environmental and social outcomes through the development of best practice guidelines and environmental management systems for the sector, industry or locality; to enhance industry sustainability to consumers.
- Changing consumer preferences and expectations – consumers are seeking more information on where and how agricultural products are produced (eg environmental sustainability, local, ethical, organic).

The Agriculture IAP Discussion Paper was the subject of industry feedback resulting in:

Agriculture Industry Action Plan- Draft taskforce recommendations to Government. March 2014. NSW DPI.

http://agwhitepaper.agriculture.gov.au/IP%20Submissions%20for%20publication/2014-05%20May/IP688%20NSW%20Government%20(3).pdf

The recommendations of this report centre around six broad action themes:

1. *"Build the appropriate frameworks to maintain the **Profitability, Productivity and Innovation** that has underpinned competitiveness of the Agriculture sector in the face of declining terms of trade.*
2. *Maximise the efficient use of human capital through a focus on **Workforce and Skills**.*
3. *Review the **Business and Regulatory** operating environment in NSW to ensure the focus is on business development in the sector.*
4. *Investigate new models for **Investment and Ownership** within the industry to facilitate the capital investment required to underpin growth.*
5. *Develop the partnerships, supply chains and operating environment to capitalise on the widely foreshadowed **Markets and Export** opportunities.*
6. *Improve long term market development by effectively **Connecting with Community** in building social licence for production systems and products."*

Some 42 recommendations are detailed in the report. Unfortunately many are at the very high principle level with relatively little "ground action" suggested. There is a strong theme of encouraging private partnerships, especially in research and development and of government investment only supplementing where the private sector is not delivering.

As with the Federal White Paper there are commitments to lessening regulation and improving infrastructure. But almost all the recommendations only have in principle application at the scale of an individual Shire like Eurobodalla.

3 SUMMARY OF STRATEGY PROJECTS PROGRESSED BEFORE THIS PAPER

3.1 DOCUMENTS DEVELOPED TO DATE

The first major stage of the project was the preparation and exhibition of a *Rural Lands Issues Paper* in June/July 2013.

The second major stage of the project was the development of a Rural Opportunities and Constraints Study, from which a *Rural Opportunities and Constraints (ROC) Report* was produced. This Study included mapping of rural land and high conservation value vegetation in the Shire. A process was also established with the Office of Environment and Heritage to facilitate additional validation of the vegetation mapping.

Two rounds of stakeholder workshops were then held as elements of the Policy Directions Phase. The output was to inform the Rural Lands Policy Directions Paper and Strategy, and the Council's planning guidelines, (including the five-year LEP review. *An Overview of Proceedings of the Policy Directions Workshops* paper was produced.

The final document prepared to inform the Rural Land Strategy was the Policy Directions Paper. The draft policy directions in the Paper was based on an understanding of the evidence developed during the previous stages listed above and consideration of community views.

3.2 THE RURAL LANDS ISSUES PAPER

The *Rural Lands Issues Paper* states that in planning for the future of rural lands the following economic challenges and opportunities need to be considered:

- The cost-price squeeze;
- Local food production, distribution and consumption;
- Diversifying the rural economy; and
- Infrastructure and services.

The Issues Paper describes the evolution of the rural lands into what they are today. Starting with mining followed by timber industry and then the fishing industry. The Paper also provides an overview of rural employment and agricultural production.

The Report noted that cattle for meat is the largest agricultural industry in terms of the size and the number of farms. Cattle for other purposes, notably dairy, is the second largest agricultural industry in terms of the number of stock, however, there are more horse farms in Eurobodalla than dairy farms. Sheep/lambs are under-represented in the Eurobodalla, when compared with the South East region.

Most aquaculture in Eurobodalla is estuarine and coastal lake based, with the production of Sydney rock oysters the largest industry. The aquaculture industry relies on clean and healthy water.

The Report identifies the following value adding activities as already being undertaken in Eurobodalla:

Processing

- Livestock processing
- Boutique cheese making
- Wine making
- Clothing manufacture.

Retailing

- Country markets
- Oyster shops
- Cheese shops
- Health food shops
- Rural supplies.

Experiencing

- Oyster festival
- Regional food festival
- Community gardens
- Country clubs
- Various homestead accommodations.

3.3 Rural Opportunities and Constraints Paper

The Rural Opportunities and Constraints Paper identified the following in regard to agriculture:

3.3.1 Opportunities

- Protection of limited agricultural land for primary production.
- Reduce conflict possibilities between commercial agriculture and urban/rural lifestyle uses.
- Leveraging traditional tourism strengths and further developing nature based tourism to value add to agriculture (noting that this requires new skill sets and business structures).

- Increasing production of premium products e.g. organic/biodynamic products and associated processing and manufacturing.
- Local/regional branding to promote local produce and focus on premium markets and align with tourism initiatives.
- Improved infrastructure, particularly transport infrastructure, would increase the competitiveness of the Eurobodalla agricultural industry.
- Identify land that is important productive agricultural land and land that could be considered for lifestyle farming.
- Assess and review in greater detail the attributes of small rural holdings and confirm if they have a strong future for commercial agriculture or if there are preferred alternative uses.
- Expansion of horticulture.
- Maintaining and promoting separation of land from other non-compatible uses to avoid land use conflict and speculative land pricing.

3.3.2 Constraints

- Decline in the critical mass of agricultural land and businesses important for industry sustainability.
- The area of high versatility agricultural land is limited and therefore growth of high value industries such as horticulture and dairy is constrained.
- There are few areas for further significant agricultural development and opportunities to grow businesses through property amalgamation are decreasing.
- High versatility land is in locations coincident with other significant competing land uses such as tourism and urban settlement along the coastal strip and in close proximity to townships including Moruya and Bodalla. Demand for this land has increased land values above agricultural value.
- Pressure on Council to rezone rural land as farmers retire, smaller farms become less viable or are squeezed out by land use conflict with neighbouring land uses.
- Changing demographics and conflict with lifestyle entrants e.g. approvals for intensification of agricultural production such as feedlots, commercial-scale horticulture (which may have off-site amenity, noise and odour impacts) may be increasingly difficult.
- An increasing proportion of farms are ‘lifestyle farms’.
- Secondary processing of local produce occurs mostly outside Eurobodalla.
- The local industries and markets are relatively small. To access a larger and more competitive market, produce is transported out of the Shire and sometimes interstate.
- Cost of infrastructure improvements required to expand the agricultural industry.

3.3.3 Principles for Policy Directions

The Report suggested the following principles for policy direction.

For commercial agriculture policy directions should support the long term commercial agricultural use of productive rural land in the Shire and be sufficiently flexible to facilitate diversification and changes in farm activities. In particular, land uses in rural areas should be managed to support commercial agricultural activities, avoid land use conflict and minimise speculative land pricing.

For sub-commercial agriculture (lifestyle farms) policy directions should encourage a wide range of small-scale low-impact agricultural activities in appropriate locations having regard to the potential impacts on the growth of commercial agricultural enterprises and the capacity of existing infrastructure and services.

In addition to policy directions, the Report identified a range of complementary initiatives that could be considered, including the following:

- Promoting alternative methods of increasing farm scale e.g. land leasing, share farming. These approaches can also play a role in succession planning. Land leasing enables a retired farmer to remain living on the property and share farming enables a farm manager or second generation farmer to gain entry into a new industry that has high capital start-up costs.
- Promote co-operatives or group marketing initiatives for small producers to achieve sufficient scale of production and critical mass to access new markets and investors.
- Establishing brand and product recognition for Eurobodalla produce with links to tourism initiatives such as food and wine trails.
- Promoting access to training and support programs for agricultural producers looking to value add to primary production e.g. food processing, tourism, including planning for business transition, compliance with industry standards and regulations, marketing, assessing the commercial viability of new business ideas.
- Continuing to advocate for investment in infrastructure improvements that will support long term growth in agriculture in Eurobodalla.

3.4 Overview of Proceedings Report on the Stakeholder Workshops (June-July 2014) by Danny Wiggins 2014

This report followed a number of consultation workshops with rural landowners and the suggestions for policy directions were considered in the development of the Policy Directions Paper (discussed in 3.5 below).

In addition to the suggestions for policy directions, a number of other matters of principle in regard to what might be summarised as “right to farm” were raised throughout the proceedings at both rounds of workshops:

- Private property rights and freedom from government intervention. There was a strong reaction from participants that landowner’s reduction of rights on the use of their land was the root cause of their concerns.

- Public-private rights. As a matter of principle, it was suggested that it was unfair for private lands to serve a public purpose (e.g. as 'scenic quality' or for biodiversity protection) without some compensation.
- Sustainability. There was concern at the interpretation of this principle and a suggestion that it needs to be carefully defined – economic, environmental?

3.5 POLICY DIRECTIONS PAPER

3.5.1 Policy Direction 1: Encourage Primary Production

The intent of this policy direction is to ensure existing and future primary production on rural lands is facilitated and encouraged through the planning framework.

The following are suggested in the Paper as ways Policy Direction 1 can be implemented:

- Apply the RU1 Primary Production and RU4 Primary Production Small Lots zones to rural land (including the deferred lands) that is or has the potential to be used for a variety of agricultural activities. Land use permissibility in the RU1 and RU4 zones should be reviewed to ensure maximum flexibility in rural land uses, as is appropriate having regard to the scale and impact of the activity on the primary purpose of the land for primary production.
- The Paper suggests split zoning where appropriate to recognise different land uses or landscapes:
- Establish appropriate minimum lot sizes for rural land that provide for a mix of farm types and sizes and support a range of rural activities without compromising the existing or potential use of productive agricultural lands.
- Provide opportunities for rural dwellings in appropriate locations, where a dwelling is required to support rural activities and will have minimal impacts on services, infrastructure and the existing or potential use of productive agricultural lands.
- Facilitate the diversification of rural activities and manage existing and potential land use conflicts.

The Policy Direction Paper describes the general purpose of the RU1 and RU4 zones as presented in the Department of Planning and Environment's Practice Note PN 11-002 (with which Council is required to comply).

RU1 Primary Production Zone

This zone covers land used for most kinds of commercial primary industry production, including extensive agriculture, intensive livestock and intensive plant agriculture, aquaculture, forestry, mining and extractive industries.

RU4 Primary Production Small Lots Zone

This zone (previously named Rural Small Holdings) is for land which is to be used for commercial primary industry production, including emerging primary industries and agricultural uses that operate on smaller rural holdings.

The changed zone name, modified core zone objectives and additional mandated permissible uses ('intensive plant agriculture' and 'plant nursery') better reflect the intent of the zone – being an agricultural industry/food production focus and not a rural residential lifestyle zone.

The Policy Directions Paper also sets out the rural planning and subdivision principles as contained in the NSW State Environment Planning Policy (Rural Lands) 2008. In considering the application of subdivision and other controls, Council must be consistent with the planning and subdivision principles outlined in the above SEPP.

The rural planning principles are as follows:

a) The promotion and protection of opportunities for current and potential productive and sustainable economic activities in rural areas;

b) Recognition of the importance of rural lands and agriculture and the changing nature of agriculture and of trends, demands and issues in agriculture in the area, region or State;

c) Recognition of the significance of rural land uses to the State and rural communities, including the social and economic benefits of rural land use and development;

d) In planning for rural lands, to balance the social, economic and environmental interests of the community;

e) The identification and protection of natural resources, having regard to maintaining biodiversity, the protection of native vegetation, the importance of water resources and avoiding constrained land;

f) The provision of opportunities for rural lifestyle, settlement and housing that contribute to the social and economic welfare of rural communities;

g) The consideration of impacts on services and infrastructure and appropriate location when providing for rural housing; and

h) Ensuring consistency with any applicable regional strategy of the Department of Planning or any applicable local strategy endorsed by the Director-General.

The Rural Subdivision Principles are as follows:

a) The minimisation of rural land fragmentation;

b) The minimisation of rural land use conflicts, particularly between residential land uses and other rural land uses;

c) The consideration of the nature of existing agricultural holdings and the existing and planned future supply of rural residential land when considering lot sizes for rural lands;

d) The consideration of the natural and physical constraints and opportunities of land; and

e) Ensuring that planning for dwelling opportunities takes account of those constraints.

3.5.2 Policy Direction 3: Support Economic Development

The intent of this policy direction is to facilitate a productive and economically sustainable long term future for rural lands in Eurobodalla.

The following are suggested in the Paper as ways Policy Direction 3 can be implemented:

- Promote an “open for agri-business” culture in Eurobodalla to support local food and fibre production.
- Support innovative and diverse farming enterprises and activities. The Paper encourages rural-based tourism as a value-adding opportunity for primary producers and as an alternative land use opportunity where there will be minimal impacts on the existing or potential use of productive agricultural lands.
- Encourage and support improvements in local rural skills, practices and marketing methods. Council can support others in this area by continuing to hold workshops with rural land owners on business development and environmental management matters.
- Optimise the use of existing public infrastructure and efficiently plan for additional infrastructure to support rural activities. Council can lobby for improvements to the major highways that traverse the Eurobodalla Shire to enable B double access will have significant positive benefits for agriculture and the economy more broadly through reducing the currently high costs of freight.

The Policy Directions Paper provides the following examples of diversification opportunities:

- Aquaculture industry diversification – Council could work with the NSW Government and the aquaculture industry to investigate opportunities for land-based aquaculture in Eurobodalla.
- Equine industry diversification – Support development of an Industry Growth Strategy. Council can support this process in a number of ways, including providing information and advice where required to assist the working group and by reviewing zoning and land use provisions to ensure the range of equine related industries and activities are permissible with or without consent as appropriate.

  Council resolved at the Ordinary Meeting held on 22 July 2014 to develop a business case and concept plan for the development of a regional equine facility. This has now been provided to the State Government for consideration.

4 EUROBODALLA AGRICULTURE CURRENT AND RECENT PAST

4.1 A SUMMARY FROM THE RURAL ECONOMIC DIRECTIONS (DISCUSSION PAPER 1)

Discussion Paper 1 takes a broader and more detailed look at the past economic performance of the rural areas of Eurobodalla and makes some projections for the future.

Below is a short summary from Discussion Paper 1 of some of the issues and factors influencing agriculture.

4.1.1 A review of 10 years of stock returns from LLS

The South East Local Land Services collect annual data on livestock and generously supplied 10 years of data from which the following two tables are drawn.

Table 1: Eurobodalla stock details for Beef Cattle, Dairy and Horses 2004-2014

	Beef stock numbers	Areas	Farms	Dairy stock numbers	Areas	Farms	Horse stock numbers	Areas	Farms
				2004					
Total	12,776	33,665	327	5,851	6,755	55	1,083	13,360	229
mean	39	103		106	123			58	
median	18	39		34	51			18	
				2009					
Total	11,614	28,604	271	4,107	3,838	30	722	9,457	140
mean	43	105		137	128			68	
median	9	40		20	61			29	
				2014					
Total	10,675	28,910	258	2,416	2,379	26	748	13,096	187
mean	41	112		93	92			70	
median	15	40		4	34			17	

Source: LLS Annual Returns

The above table on face value shows a decline in total stock across all three of the main Stock types in Eurobodalla. But care needs to be taken in assuming straight line trends in agricultural stock annual data. Stock numbers vary within any property year to year due to a number of factors:

- Seasonal conditions,
- Market prices; and
- Time of year data is collected related to annual sale of stock.

However, the table does point to the following:

- The median beef property size is only 40 ha and perhaps stock total of around 15 head. So obviously a lot of hobby scale producers are being counted by the LLS.
- Bega Cheese are only listing about 19 commercial scale dairy farms supplying milk to all known processors but perhaps there are some dairy cattle breeders and dry stock

runs. The drop in dairy farms from 55 to 26 in 10 years indicates a significant decline but the dairy stock on hand of 2,416 in 2014 mismatched badly with the ABS total dairy head figure of 6,700 as at 2011. Discussions with ABS and with LLS have failed to account for the discrepancy.

- The herd size by LLS data seems around 11,000 and matches quite well with the ABS total of 10,000 to 12,000 over the past 20 years but the ABS recorded only 103 beef farms in 2011.

Table 2: Eurobodalla total stock return data 2004 to 2014

	2004							2009							2014						
				Number of farms							*Number of farms*							*Number of farms*			
	Farms	*Stock*	*Areas*	*< 40 Ha*	*40 - 100*	*>100*	*> 200*	*Farms*	*Stock*	*Areas*	*< 40 Ha*	*40 - 100*	*>100*	*> 200*	*Farms*	*Stock*	*Areas*	*< 40 Ha*	*40 - 100*	*>100*	*> 200*
Totals	706	21890	59893					556	19643	46941					644	19125	52794				
Mean			85							84							82				
Median			30							32							24				
Alpacas	10	149	191					14	220	544					33	211	1418				
Beef Cattle	323	12464	33340	167	86	75	34	272	11614	28604	136	70	66	28	259	10675	28910	124	72	63	28
Bison															1	8	45				
Buffalo															2	8	28				
Camels	1	13	13																		
Dairy Cattle	55	5851	6754	23	12	20	12	30	4107	3838	10	7	13	7	26	2416	2379	15	2	9	5
Deer	6	123	186					3	111	88					2	82	58				
Emu	1	20	283																		
Goats	39	278	1170					31	377	1057					36	394	1051				
Horses	229	1083	13360	150	50	29	13	140	722	9456	83	36	21	10	187	748	13096	123	39	25	13
Llamas															2	9	13				
Ostrich	2	7	50					1	3	30											
Other								9	156	125											
Pigs	8	20	274					10	102	317					6	40	54				
Poultry															5	686	88				
Sheep	32	1882	4270					46	2231	2881					85	3848	5656				

Source: LLS Annual Return Data

- Table 2 points to a diversity of livestock but likely a very high proportion of hobby scale or very small income part-time operations.
- There are only 63 beef properties over 100 ha in the Shire and only 28 over 200 ha, yet somewhere between 250 to 300 property owners consider they are primary producers to the extent of completing an annual LLS return.
- There are significant number of horses and sheep but other species are low in number.
- Most of the horses are scattered across nearly 200 properties with over half being properties under 40 ha. This tends to indicate a large equine hobby/recreational scale activity but which in turn supports a sizable equine industry, which Council has already recognised and developed policy for.
- These seems to be a growth trend in sheep (1,800 to 3,800 in 10 years) but these are small number statistics and should be interpreted with caution. There are properties to the west of Eurobodalla in Shires like Palerang or Cooma-Monaro with a thousand or more sheep in one holding. The Eurobodalla scale is quite small.

4.1.2 Australian Bureau of Statistics data

Discussion Paper 1 reports on an assembly of ABS data spanning back a decade or more and includes some of the following points:

- Agriculture, forestry and fishing jobs fell from 462 in 2001 to 340 in 2011.
- Age of people engaged in agriculture continues to climb as with much of Australia but a little more pronounced in Eurobodalla with 25% of farmers over 65.
- Most on the land were recorded as self-employed with only 30 people recording as farm labourers.
- Beef and dairy industries provided over 130 of the jobs as of 2011.
- Table 3 (next page) shows generally Eurobodalla is smaller in terms of overall agricultural size than neighbouring Councils. It has only 32% of the area of agricultural land of Shoalhaven and only 12% of the area of Palerang.
- Total value of agriculture production in Eurobodalla was consistent at about $12 million from 1996 to 2006 but jumped to $20 million on 2011. But this jump does not seem to match with the LLS stocking rates and is questioned.

Table 3: Table 10 from Discussion Paper 1

	South Eastern (excl. Shoalhaven)		Eurobodalla (A)		Bega Valley (A)		Palerang		Shoalhaven	
	Estimate	Number of agricultural businesses	Estimate	Number of agricultural businesses	Estimate	Number of agricultural businesses	Estimate	Number of agricultural businesses	Estimate	Number of agricultural businesses
Area of holding - Total area of holding (ha)	2,621,906	4,586	26,276	138	89,362	415	218,468	432	80,457	355
Hay and Silage - Hay - Total area (ha)	24,346	826	679	18	1190	53	1,050	47	2,637	77
All broadacre crops - Total area (ha)	170,619	772	20	2	459	14	2,110	31	1,278	10
Nurseries, cut flowers or cultivated turf - Total area (ha)	109	58	34	6	28	14	13	9	115	31
Vegetables for human consumption - Total area (ha)	157	63	20	7	24	9	5	8	7	5
Orchard fruit and nuts - Total trees (no.)	786,826	165	7,496	10	8,316	12	42,598	15	2,566	12
Livestock - Cattle - Total (no.)	465,695	2,963	18,126	113	54,490	352	56,716	327	40,313	290
Livestock - Dairy cattle - Total (no.)	38,210	145	6,738	17	27,797	87	301	7	24,052	62
Livestock - Meat cattle - Total (no.)	427,485	2,889	11,388	103	26,692	294	56,416	325	16,260	253
Livestock - Sheep - Total sheep (no.)	4,761,347	2,793	3,405	28	31,033	116	155,115	171	2,840	38

4.1.3 Data from the Australian Business Register

The Australian Business Register (ABR) only records the location and type of businesses that have an active Australian Business Number. So their tallies do not disclose many very small and part-time businesses but are still a guide to business activity in the rural area and the following extracts from Discussion Paper 1 have some bearing on rural land use policy.

- In 2015 the ABR lists 187 agricultural businesses in the Shire.
- 108 are in beef and 30 in dairy.
- Agriculture, forestry and fishing businesses declined fairly evenly from 394 to 288 in the last 20 years – a decline of 27% while this does not account for amalgamations or businesses not actively trading with an ABN, it does show a quite significant reduction in overall businesses.
- There are approximately 500 registered businesses in the rural areas of the Shire that have no direct relation to agriculture. They span activities from rural tourism to earthmoving contractors, generally are small scale and a large proportion are operating from rural properties were some agricultural activity is also practiced part-time.

4.2 Estimating Stock Carrying Capacities

Interviews with local stock and station agents and from reviewing LLS and other carrying capacity data have suggested average stocking rates for cow and calf of 2 ha but ranging from 1 ha on prime flats with pasture improvement and regular application of fertiliser to possibly 10 ha on steep, scrubby, unimproved lands.

Some purely weaner steer operations are stocking at about one weaner steer to 0.4 ha.

Agents point to the fact that terms of trade have prevented regular “supering” of pastures across many properties in the past decade or so but recent rises in cattle prices have seen some move back into pasture improvement.

4.3 Estimating Rural Land Values

It seems from surveying rural properties listed for sale that prices for rural lots below 80 ha vary significantly and with little reflection of agricultural value or carrying capacity. Rural living and amenity being greater determinants. A sample of properties on the market indicated price ranges of $4,000 to $8,000 per acre or $10,000 to $20,000 per ha for small holdings once a deduction is made of dwelling capital cost.

Given there are less than 130 properties over 100 ha in the whole Shire, sales records for commercial farms are limited. Discussion with real estate agents suggests larger properties, deducting dwelling and major improvement value might range between $5,000/acre ($12,000/ha) for good cultivation land to $2,000/acre ($5,000/ha) for rougher grazing.

Interrogation of Council transfer records for the past 10 years indicated only 5 rural properties over 80 ha with some reasonable area of agricultural land transferred with prices ranging from $7,000 to $12,000 per ha. (See Table 8).

Given considerable variability in land quality across most larger holdings in the Shire, it is of limited value to attempt an "average" value for commercial farmland. But rougher grazing sections of a property might range $5,000 to $10,000 depending on non-farming value influences such as lifestyle factors, through to as much as $15,000 to $20,000 per ha or more for prime river flat country.

4.4 Noxious Weeds

The two main problem species on agricultural land in Eurobodalla Shire are Lovegrass and Fire Weed. Council administers the *Noxious Weeds Act* 1993 and is responsible for both control of weeds on Council property (including roadsides) and enforcement of control measures on landholders. Council has weed control programs and strategies. However, a common theme across NSW is a limit to budgets of both public authorities and landholders to control problem weeds.

Current infestations in the Shire do not seem to be severe but can cause productivity losses, especially with species like Lovegrass that can outcompete favourable pasture species.

Weed control is obviously easier and more affordable on the Class 1 to 3 lands as they are more productive and can often respond to pasture improvement when economic conditions allow landholders to effect such improvement.

There are many value judgements and personal anecdotes that can impede the development of a comprehensive weed management strategy that achieves wide community acceptance. For example, there is no evidence to show that owners of small holdings are any less diligent and committed to weed control than owners of larger holdings. However, there is some anecdotal evidence that absentee owners can be less diligent in weed and pest control.

4.5 Pest Animals

Interviews with stock and station agents show that they believe that very large numbers of kangaroos are affecting carrying capacity. They point out control programs are very difficult given close settlement and higher conflict over culling in closely settled areas such as Eurobodalla with a wide variety of attitudes and values among its landowners.

There also seems to be significant fox populations in the Shire and some wild dogs but given more focus on cattle the impacts of these pest animals are not as great as in major sheep areas to the west.

4.6 Private Forestry

Eurobodalla has had a long history of hardwood forestry and a range of valuable timber resources are still to be found on private lands in the Shire.

Limited harvesting is permitted without approval – for example farm fence posts. More extensive private forestry is currently regulated at State level and approvals issued through the Local Lands Service. Most private forestry development is assessed under the Native Vegetation Act 2003. As such consent for private forestry operations is not a matter for Council.

4.7 The Land Resource and Ownership Patterns

4.7.1 Ownership Patterns of Agricultural Lands

While some very small scale agriculture occurs in the current rural residential areas of the Shire (zones E4, R5 and RU4) the vast bulk of commercial scale agriculture occurs in the "broadacre" region which is mostly defined by the private lands in the current RU1 zone and the deferred areas as mapped in Eurobodalla LEP 2012.

The following table presents a breakup of ownerships in the RU1 and deferred areas:

Table 4: Ownerships in the RU1 and Deferred Areas

Property Size (ha)	Number of properties	% of total
<10	788	46
10 to 40	587	34
40 to 80	184	11
80 to 100	42	2
100 to 200	76	4
200 to 400	37	2
400 +	16	1
Total	1730	100
Total properties over 40 ha	355	20
Total properties over 100 ha	129	7
Total properties over 200 ha	53	3

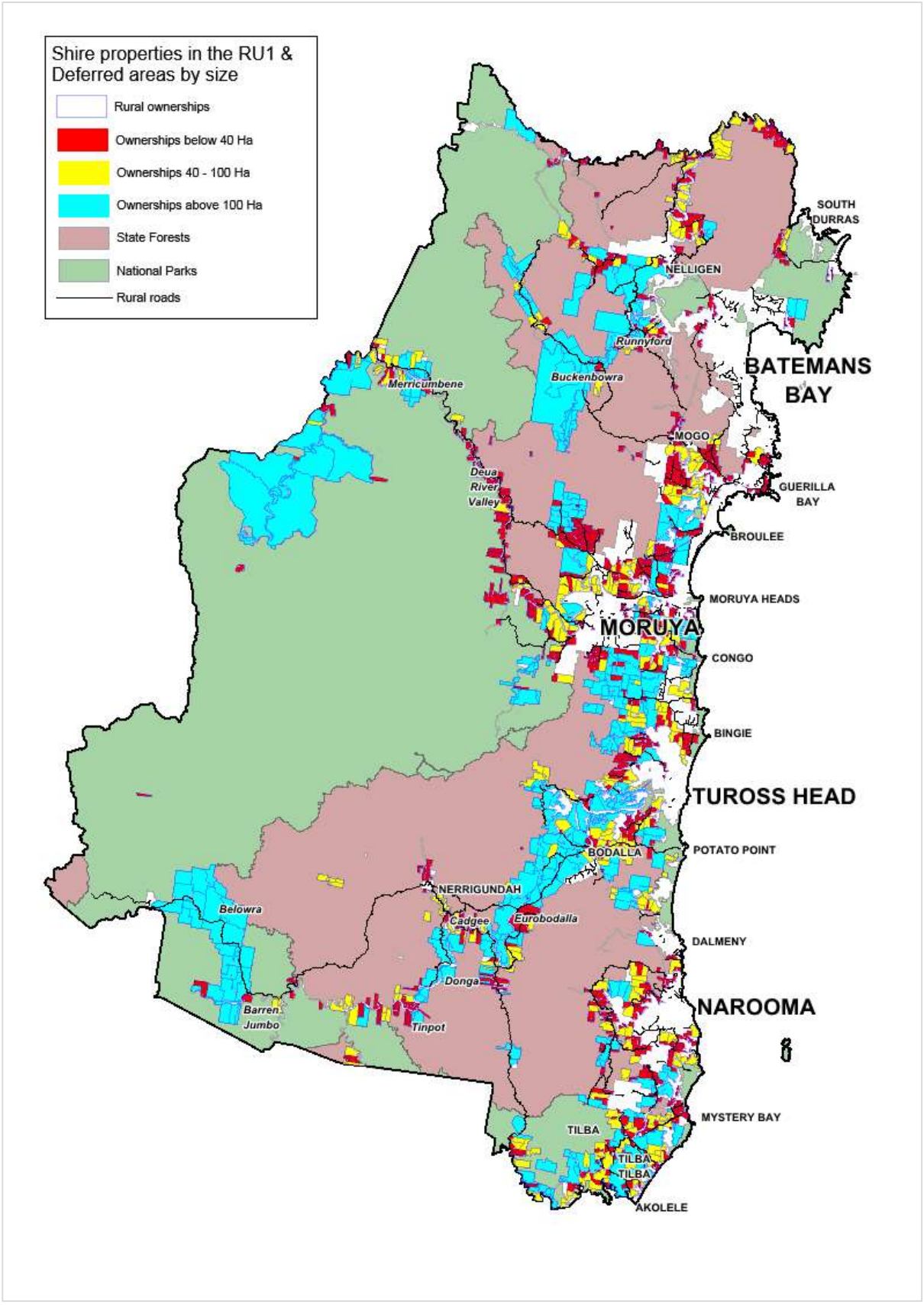
Source: Council property records and GIS mapping

The above table shows over 80% of ownerships in the farming areas of the Shire are under 40 ha. While some farmers hold one or more additional small blocks for "run-off" of dry stock or fodder production and similar, the majority of these approximately 1,400 ownerships would not qualify in our view as "commercial" farms. Indeed, many holdings in the 40 to 80 ha category comprise more marginal agricultural lands and would struggle to make net profits from conventional agricultural production such as beef cattle.

Map 1 on the following page depicts ownerships across the RU1 and Deferred areas of the Shire.

Also, the discussion in this and the following Section 5 point to most holdings in the range 80 to 200 ha being only part-time operations with dependence on off farm income and on that basis it is probably reasonable to conclude only around 130 properties or about 8% are serious part to full-time agricultural concerns.

Map 1: Rural ownerships in the RU1 and Deferred areas of Eurobodalla



Source Council GIS data

4.7.2 Land Quality and Ownership

Eurobodalla has quite a small area of quality agricultural land as the following data will demonstrate. Also, of the higher quality lands, a significant proportion is already fragmented into smaller holdings.

The Department of Primary Industries (DPI) has produced agricultural land capability mapping for most Local Government Areas of NSW including Eurobodalla. The program dates back to the 1980s but still has relevance as a comprehensive attempt to marry physical land capability characteristics with economic suitability of agriculture.

Their system divides most private agricultural land into 5 categories:

Class 1: Arable land suitable for intense cultivation. There are 1,631 ha mapped in this Class in Eurobodalla in the RU1 and Deferred areas. And that is about 2% of the total RU1 and Deferred areas.

Class 2: Arable land suitable for regular but not continuous cultivation. There are 840 ha mapped in this Class in Eurobodalla in the RU1 and Deferred areas. And that is about 1% of the total RU1 and Deferred areas.

Class 3: Grazing land well suited to pasture improvement and occasional cropping. There are 10,810 ha mapped in this Class in Eurobodalla in the RU1 and Deferred areas. And that is about 16% of the total RU1 and Deferred areas.

Class 4: Land suitable for grazing but not cultivation. There are 8,584 ha mapped in this Class in Eurobodalla in the RU1 and Deferred areas. And that is about 13% of the total RU1 and Deferred areas.

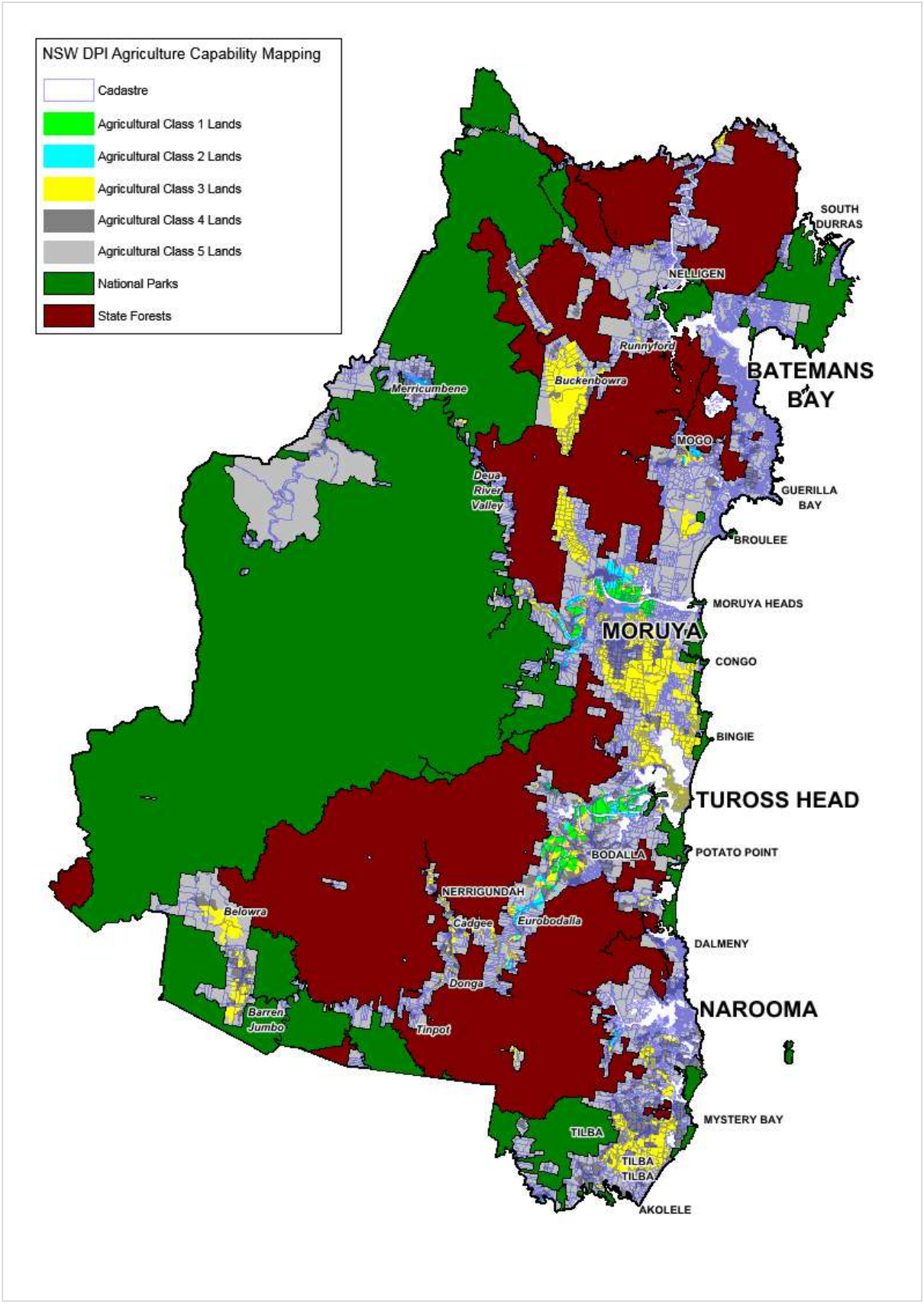
Class 5: Land unsuitable for agriculture or at best light grazing. There are 45,600 ha mapped in this Class in Eurobodalla in the RU1 and Deferred areas. And that is about 68% of the total RU1 and Deferred areas.

Map 2 below depicts these Classes.

For detail on the DPI system see their AGFACT:
http://www.dpi.nsw.gov.au/__data/assets/pdf_file/0004/189697/ag-land-classification.pdf .

Note: The land classification mapping is done at a regional scale and is not suitable or used for determining the boundaries of land use zones. It is only a guide to suitable land use and does not prevent land owners from undertaking any agricultural activity on their land.

Map 2: Agricultural land classifications in Eurobodalla



Source: NSW Department of Primary Industries

Only about 20% of the total RU1 and Deferred areas of the Shire is “high quality” agricultural land. A further 13% is considered by DPI to be good grazing but nearly three quarters of all privately owned land in the RU1 and Deferred region ranges from heavy forest and steep lands of very low grazing capacity through to light grazing.

Council GIS and property data were interrogated to produce the following summary table:

Table 5: Agricultural capability

Agriculture capability. Private lands in RU1 and Deferred areas										
	Ag. Class 1		Ag Class 2		Ag. Class 3		Ag Class 4		Ag Class 5	
	%	Area	%	Area	%	Area	%	Area	%	Area
All RU1 and Deferred Areas	2	1631	1	840	16	10810	13	8584	68	45600
Properties under 40 ha	14		24		24		19		24	
All properties 40 ha to 100 ha	33		50		24		17		22	
All Properties 100 ha and over	53		26		52		64		54	

Source Council GIS data.

The above table indicates a significant proportion, around half, of the better quality agricultural lands (Class 1-3) in Eurobodalla are in smaller ownerships under 100 ha. And close to 25% of Class 1-3 lands are in holdings under 40 ha. This indicates some substantial fragmentation of better agricultural lands has already occurred.

The table also shows over half the poorer quality lands are in the holdings over 100 ha. From individual sampling of larger properties, it is not unusual for many to contain around a third or more of light to poor grazing land.

Also of interest, of the areas currently deferred in the 2012 Eurobodalla LEP, approximately 96% of these lands are Class 5, under 3% Class 4 and under 2% Classes 1-3. In other words, the DPI rate the productive capacity of the deferred areas as quite low.

Table 6: Agricultural capability of deferred areas in the 2012 LEP

ESC Deferred Matters		
	Area in Ha.	%
Ag Class 1	11	0.03
Ag Class 2	13	0.03
Ag Class 3	520	1.37
Ag Class 4	1,028	2.72
Ag Class 5	36,290	95.85
Total	37,862	100.00

5 TRENDS IN AGRICULTURE IN EUROBODALLA

5.1 LAND COSTS AND IMPLICATIONS FOR INVESTMENT IN BROAD SCALE AGRICULTURE

An evaluation of cost of land as an input to primary production was undertaken by a web search of all rural holdings for sale in Eurobodalla Shire on realestate.com. All bush blocks and retreats were rejected and eight properties over 2.4 ha and up to the largest listed at 154 ha suitable for grazing were used in this analysis.

Table 7: Land values and production capacity

Size in ha	Total cost	Cost per ha	House	Land only	Estimate of total cows and calves allowing 1.66 ha per cow with calf sold as a weaner	Cost per cow calf area (1.66 ha)
4.16	$650,000	$156,250	Yes		2.5	$259,375
30	$980,000	$32,666	Yes		18	$54,225
33.7	$990,000	$29,376	Yes		20	$48,737
85.8	$1,500,000	$17,482	Yes		51	$29,020
90.41	$980,000	$10,839	Yes		54	$17,992
100	$1,000,000	$10,000		Yes	60	$16,600
154	$2,200,000	$14,285	Yes but old and in bad repair		96	$23,714
60.5	$850,000	$14,049	Yes		36	$23,611

The first three properties (in red) are indicative of the cost of acquiring a small property with little potential other than having some horses, cattle and/or sheep as a hobby. However, when the cost of the production unit (the cost per cow and calf area with the calf being sold as a weaner) then the average cost of a cow calf area for the remaining properties is about $20,000.

This comparison of property prices is not based on any valuation of buildings, infrastructure or location. It is not intended for any purpose other than to give a very approximate indication of the cost of a cow calf area in Eurobodalla Shire. The assumptions underlying the choice of the above properties are:

- They are all cleared land under grass and/or other pasture suited to grazing.
- No bush blocks are included.
- Beef cattle grazing capacity is the sole indicator to demonstrate economic capacity.

- Whether the land is suitable for cropping or more intensive agriculture was not taken into consideration as this would devalue the use of grazing as an indicator for analytical purposes.
- That the fair average carrying capacity for a cow and calf with the calf sold as a weaner and no replacement heifers or steer followers is 1.66 ha.
- An allocation of 15 Dry Stock Equivalents (DSE) is allowed for each cow and calf with the calf sold as a weaner and any calculations for heifer replacements or growing out weaner steers to yearlings sold at two-tooth should allow for 10 DSE.

As a cross check, actual sales transfer information was sourced from Council for recent years. It indicated very few properties of larger size have changed hands and only two or three were suitable as an indicator of average land value per ha for average grazing properties of some commercial size.

Table 8: Land sales data from Council sales transfer records

Price $	Date of Sale	Ha	Locality	$ per ha	Comment
$2,400,000.00	2013	240	Bodalla	$10,008	60% prime ag land 40% wetland and forest
570000	2009	81	Bodalla	$7,050	Rough grazing , part forest, no dwelling
$150,000.00	2005	81	Belowra	$1,853	Very steep bush block
300000	2011	81	Nelligen	$3,706	Steep hilly forest, no dwelling
$600,000.00	2007	84	Narooma	$7,133	40% reasonable grazing, 60% forest, no dwelling
$1,685,200.00	2013	87	Central Tilba	$19,475	Steep grazing, NPWS acquisition, special value
$742,500.00	2007	88	Benandarah	$8,426	50% reasonable grazing, 50% forest , no dwelling
$1,125,000.00	2005	90	Wamban	$12,528	40% prime ag land, 60% forest, no dwelling

Discounting the bush blocks above and making some allowance for dwellings, the range per ha for average farm land seems $8,000 to $12,000.

At $8,000, a cow and calf area based on 1.66 ha per unit would be approximately $13,000 and at $12,000 per ha a cow/calf unit would be about $20,000.

These two separate approximations show the diversity in land types and prices. More accurate data would require a detailed valuation inspection of a range of properties. However, it seems reasonable to conclude a cow/calf area in Eurobodalla would cost at least $16,000 for larger properties of 200 or more ha with good land and rises for “part-time” sized holdings of around 100 ha to perhaps $20,000 to $25,000.

Properties under 80 ha of average land seem to have cost prohibitive cow and calf costs if looked at from the land investment position but of course, there are lifestyle and land speculative values driving the small holdings decisions and while a large number of these run cattle, the return would at best defray some of the operational costs of these small holdings.

5.2 THE ECONOMICS OF GRAZING IN EUROBODALLA

There are very few properties in Eurobodalla Shire that have the capacity to carry over 80 cows and calves. Even 80 cows and calves is not anywhere near sufficient to be considered a stand-alone commercial enterprise. With the cost of a cow/calf area ranging from perhaps $15,000 to $20,000 it is clear that people engaged in beef cattle grazing are not doing so because of commercial farming reasons alone. For example, even in highly regarded agricultural regions such as the North West Slopes and Plains of NSW the cost of a cow and calf area ranges from $4,000 to $6,000 with the latter being for well improved properties with irrigation. It can be seen that even at the very lowest end of cost for a cow and calf area Eurobodalla Shire will not be the destination of major investment in broad scale agriculture. Even in the neighbouring Palerang Shire the cost of a cow and calf area is estimated at approximately $12,000.

Reference to the NSW Department of Primary Industries gross margins for beef production is a salutary exercise for assessing the rate of return on the high cost of a cow/calf area in Eurobodalla Shire. There is no area directly comparable with the climate and soils in Eurobodalla Shire among the many areas assessed for gross margins and prepared by the Department but the North Coast can be used and adjusted to the South Coast if necessary.

The gross margin (gross sale income less variable costs) for 100 cows producing weaners on unimproved North Coast country is only $15,579 or $156 per cow and it requires 254 ha to run the 100 breeders (GM of $61/ha). This gross margin can be referred to at:

http://www.dpi.nsw.gov.au/__data/assets/pdf_file/0005/175523/16-North-Coast-weaners-unimproved.pdf.

The gross margin for 100 cows producing weaners on improved pasture on the North Coast is $21,896 or $219 per cow and it still requires 173 ha to run the 100 breeders (GM of $127/ha). This gross margin can be referred to at:

http://www.dpi.nsw.gov.au/__data/assets/pdf_file/0004/175522/18-North-coast-weaners-improved.pdf.

Beef prices are currently about 30% higher than the 2012 figures used by DPI above but still indicates at best perhaps a gross margin of $300 per cow. At 1.66 ha per cow that might suggest at best a rate per ha in Eurobodalla of $180. (About 2% interest on property land value.)

With the high cost of land in Eurobodalla Shire it is likely that other areas of New South Wales, Queensland and northern Australia will attract commercial investment in grazing agriculture. Consequently, other factors will intervene in the size and configuration of agricultural land in Eurobodalla such as:

- The economic climate of nearby urban areas that allow disposable income;
- The development of telecommuting that reduces travel time and cost;
- Better roads, alternative fuel sources for vehicles and more economical travel may extend the density of smaller holdings further east;
- Whether the ‘pioneers’ of new and emerging industries develop commercial opportunities in new and/or expanded markets;

- The high attraction of owning a ‘few acres’ for both retired people and younger families who are employed in the region;
- The attraction of a coastal location for retired inland farmers who want to run a few head of livestock be they cattle, sheep or horses;

Whether holdings are large or small there is a substantial land speculation factor at work anywhere where rural land is under pressure from population growth and other economic activity. Eurobodalla has reasonable population growth and pressures for tourism and retirement or semi-retirement living. As such rural land has a speculative element driven by factors other than the earning power of the holding from conventional agricultural production.

5.3 Land and Water Costs in Relationship to Dairying

The following comments are based on discussions with Bega Cheese Limited.

1. There are currently six farmers in the Shire supplying Bega Cheese. These produce about 7 megalitres per year from a total herd size of approximately 1,300 cows excluding replacement stock.
2. Some of the milk in (1) above goes to Tilba Milk.
3. There are also seven dairy herds in the Shire that supply Murray Goulburn with a total of 2,500 cows.
4. So in total, there are currently 13 commercial scale dairies in the Shire with a total herd in the order of 3,800 production cows.
5. There is limited room to grow, generally needs to be areas with access to reliable irrigation water which is limited; there is some area left on the Tuross, maybe a bit on the upper reaches of Moruya River. There is a good amount of quality dry land country but that exposes the farmers to having to buy in a lot more feed to cover dry periods so makes cost base less predictable and adds to freight cost.
6. Speculative forces seem to be making it challenging for people to aggregate good farm land in Eurobodalla, i.e. the cost of a cow area in the Shire already seems to be higher than in other areas such as the Riverina or some other larger scale existing or potential dairy areas. This may be limiting new investors coming into ESC to set up a new commercial scale dairy.
7. All the growth has been from present farmers expanding, aggregating where possible but that can be limited. The larger dairy farms often have separate run off blocks for dry and young stock which are spread around the local area. They often own or lease large areas of land for this purpose.
8. If the land value keeps appreciating on the coast over the long run, this might be part of an investment attraction that also helps dairy farmer’s wealth creation outside of the core dairy operation.
9. If the lowest cost land per cow is the objective then the south east coast could not compete with inland areas. Some farmers from the coast have moved inland because

land is cheaper, less competition from peri-urban investors, easier to expand and is closer to the grain belt.

10. Lifestyle issues and family ties play a factor in those dairy farmers that remain.
11. The small number of dairy farms and commercial farms in general creates issues with service providers. We are seeing market failure due to the low numbers. This is not a region that is on the radar for new or young farmers wanting to enter the industry, the land is too expensive.
12. Haul distance of fodder and grain plus the haul distance of getting the milk to market, are all big factors, especially with restricted b-double access along the coast. That causes Bega Cheese an issue as well in getting product to market. It has to go south to get product to market, and has to go south to get extra milk, again due to better road access.
13. An optimistic forecast on the development of the dairy industry in the Shire is that farm numbers remain stable and farms organically grow at approximately 3% a year. A more pessimistic forecast is that farm numbers will slowly decline, but those that remain will grow, meaning volume from region will remain static.

5.4 Commercial Viability

What size of property is required for a commercially viable rural enterprise is one of the most vexed issues of agricultural economics and a great body of theory has been developed around it. As noted in the Introduction, it is also the domain of anecdote and personal opinion that leads to misinformation and wishful thinking – “If I only had a property the size of Bill Jones next door then all my problems would be over” or “If only I could get hold of a property like that then I could get out of this job”.

The great problem is that we are very unlikely to know the personal circumstances of each of the landowners we may model our dreams upon. Put simply, the situation of every landholder is unique to them and stereotyping should be avoided. Unless they are close personal friends, and even then we may not know key factors such as the relationship with their bank, the number of debts piling up or the number of other family members who are living in another state or another country who are demanding their share of livestock sales. On the other hand, there may be people on small properties that seem to be doing very well. However, we do not know whether they inherited a portfolio of shares or have a dry cleaning business leased out on the Gold Coast.

So what do we know so far about agriculture in Eurobodalla?

- Cow/calf units or DSEs are very expensive compared to other parts of NSW and other states and the Northern Territory. Therefore, we are going to rule out Eurobodalla as a destination for investment by the big farming and grazing corporates.
- Some irrigation from unregulated streams may be possible but Eurobodalla is largely rainfall dependent and a long way from grain growing areas which places a limit on intense production systems such as feedlots and other intensive industries. Distance

will not prevent opportunistic enterprises but it will prevent large scale intensification such as the development of a major poultry industry hub at Tamworth.

- The declining terms of trade in agriculture will continue and extensive larger properties more capable of economies of scale and capacity to adapt to climate variability will become a greater feature of the livestock grazing industries.

Overlaying these broad principles are the many factors that influence the economic circumstances and therefore the decisions of landholders. Standard issues such as weather and prices are important but they affect everyone equally. It is the response or resilience to these standard issues of agriculture that is important. Response and resilience is what makes stereotype and planning impositions on property sizes fraught with problems. Some reasons why property size is not a measure of agricultural viability in Eurobodalla are:

1. The level of debt as a ratio of annual gross sales. The level of debt as a ratio to the size of the property is less important to the ratio of debt to its productive capacity.
2. Whether there is off-farm employment or off-farm investments to off-set debt repayments.
3. The expectations of the landowners regarding their income requirements. A host of issues influence this one criteria, such as whether there are school age children, medical and dental needs, whether financial stress causes difficulties in relationships, age of the landowners and so on.
4. Whether there are other outstanding debts. It is common for landowners to be supported during dry periods by stock and station agents allowing purchases on credit. Those debts can incur substantial interest rates and can be crippling when added to regular bank repayments.
5. Most importantly – do the owners of the property want a basic income or do they expect a reasonable rate of return on their investment over and above the ability to put food on the table and pay the bills?

This discussion provides a brief overview of the issue of commercial farm viability. Size of farm is not the main issue. Hopefully, it is apparent that stereotyping and applying one-size-fits-all solutions are inappropriate. We simply do not know the circumstances of each landowner.

5.5 FURTHER RESEARCH NEEDED?

The research for the Rural Strategy has identified some anomalies between the various State and Federal agencies collecting the data. This is partly due to the more regional scale of the collection and the lower reliability down at individual Local Government scale. Also, agricultural statistics themselves vary wildly season to season influenced by droughts, boom seasons and markets, etc.

Collecting detailed agricultural data at Council level to high levels of rigour is beyond resources of Council and frankly often not necessary to make shire wide planning and development decisions.

But Council might take the data assembled from this Rural Strategy program and continue ongoing monitoring, especially of the Australian Business Register movements as their data, while only being part of the industry numbers is fairly consistent and is mapped quite accurately to allow spatial interpretation e.g. movements in number and type of business across the rural area and allow supply/demand projections. It is worth Council acquiring the full data from each agricultural census for the Shire and surrounding region and maintaining a historical set.

Also, the Local Lands Service data on stock numbers is collected annually and can be collected from LLS if part of an annual program that matches their resource peaks and troughs.

5.6 Climate Change and Impacts on Agriculture

There is wide scientific agreement that climate change is accelerating. A major shift in current climate patterns is not likely in the 20 year horizon of this strategy but seems to have a high risk of impact within a 50 year time scale.

Strategies to slow climate change are beyond the scope of this study but planning of land use certainly needs an awareness of the likely impacts of climate change over the longer term, as land use decisions over the coming 20 years can have impacts for centuries.

There are potentially significant positive and negative consequences for agriculture due to climate change. The direct impacts of climate change, such as sea level rise, increases in average temperatures and changes to average rainfall, may have flow-on effects for rural lands in the Eurobodalla. For example:

- A warmer climate may extend growing seasons or change the crops that can be grown;
- Warmer sea temperatures may influence aquaculture yields;
- A reduction in average rainfall may limit pasture growth;
- Warmer temperatures may increase heat stress in livestock;
- The intensity and frequency of bushfires may increase;
- Risks due to heat waves and the spread of tropical diseases/pests may increase; and
- Increases in evaporation coupled with irregular run-off events may mean less water in dams.

The former Department of Environment, Climate Change and Water NSW (DECCW) compiled a ‘first pass’ integrated assessment of some of the likely impacts of climate change in NSW. It included:

Impacts on Land

- Salt water from increased sea levels is likely to affect sub-soils on the coastal plain;
- Sheet and rill erosion are likely to increase and gully erosion is likely to increase in summer but decrease in winter;

- Increased erosion is likely on stream banks near the coast and in the immediate hinterland;
- Acidification is likely to decrease across the region;
- Problems of acid sulfate soils are likely to increase in the short term but decrease in the longer term;
- Increased erosion of sodic soils is likely;
- Soil nutrient levels are likely to decrease in salinised coastal areas and tablelands;
- Mass movement of soil is likely to increase in localised areas; and
- Changes in dryland salinity are difficult to predict.

Impacts on ecosystems

- Increased bushfire frequency and intensity are very likely to cause major changes to ecosystems;
- Sea level rise is likely to threaten some estuarine communities;
- Inundation and saline intrusion are virtually certain to impact on low-lying coastal ecosystems;
- Climate change is likely to reduce shorebird habitat and reduce shorebird numbers;
- Lower primary productivity is likely to change many ecosystem processes;
- Climate change is likely to increase stress on fragmented and degraded ecosystems and on threatened species; and
- Changes in rainfall patterns are likely to intensify seasonality, increase grazing pressure from native herbivores, and alter plant communities.

In addition to the above, a number of other impacts are widely accepted as possible. They include:

- Increased number of extreme weather events;
- More pressure/competition on water resources;
- As the number of very hot days (above 35 degrees Celsius) increase, the number of illnesses and heat-related deaths could more than double, with the elderly particularly vulnerable;
- Change in flora and fauna location and type. A need to plan for species retreat corridors and similar as habitats face accelerated modification; and
- Changes in water availability, temperatures, bushfires and changes to the distribution of pest species will impact on natural environments.

Possible Responses

While Council and the Eurobodalla community can play a small part in reducing greenhouse gases, that aspect is really a response for national and international government and processes. As suggested in the Policy Directions Paper, Council can collaborate with relevant agencies to facilitate the provision of information to rural land owners to assist with adaptation to the potential impacts of future climate change.

Possible local responses relevant to agriculture are listed below:

Issue: Increased number of extreme weather events.

- Council and property owner disaster management plans need to factor in more extreme floods and fires and the scale of preparation and response that requires.
- Land use planning controls to consider appropriate buffers from areas of higher flood or fire risk.

Issue: More pressure/competition on water resources.

- Liaise with Office of Water regarding improved requirements for placement of additional dams and bores so existing water users maintain reasonable catchments or aquifers.

Issue: Increased chance of bushfires.

- A general more precautionary approach to fire protection measures.
- Prepare for more and more intense fires.
- More stringent enforcement of conditions of consent relating to fire protection works.
- Specify more fire planning detail in specific Development Control Plan maps for new settlement areas.

Issue: More frequent and more severe droughts.

- Take advantage of Federal Government tax incentives for water storage/ conservation on farms.
- Use provisions to allow income averaging over longer periods of up to 10 years to assist farmer's average out their income across good and bad seasons.

Issue: Change in flora and fauna location and type. A need to plan for species retreat corridors and similar as habitats face accelerated modification.

- Protection of vegetation corridors will be essential for long term prospects of survival for many species and even to ensure retention of farm shade for stock.
- Given State Government (currently) controls most rural clearing, Council to lobby for a clear corridor strategy across the LGA, including landowner incentives to progress it.

6 VIEWS OF LOCAL PEOPLE WORKING IN AGRICULTURE

This section and final recommendations to Council on agricultural direction will be developed after this Draft is exhibited and following the consultation through the proposed Producers Workshop and market forums.

7 Challenges and Opportunities for Agriculture in Eurobodalla

7.1 National and International Challenges and Opportunities

The research papers in Section 3 detail the challenges and opportunities at the national and international level. Unfortunately, many of the concepts and strategies at this national/regional level are very broad, often of "motherhood" level, and lacking in detailed application for a specific locality like Eurobodalla.

There are specifics, such as the recently announced tax incentives of the Federal Government for farmers to invest in drought proofing. Also, if actions succeed in lessening anti-competitive behaviour in areas like Europe, the USA and China, then there could be substantial gains for Australian producers.

Almost all the research points to a need for ongoing major investment in R&D related to agriculture but in some areas governments are cutting back (e.g. CSIRO cuts) and "hoping" for more partnership finance from industry without detailed plans of how to stimulate that partnership.

The bigger national and international challenges that impact on Eurobodalla include:

- Protected markets that Australian farmers have to compete against. This is a National issue and Council can only really support Federal Government initiatives to loosen agricultural market entries for Australia to markets like the European Economic Community, USA and China.
- To some extent there is evidence of lessening competitiveness between Australia and some of its major agricultural competitors. More research and development and training to capture new markets and improve productivity is needed. While this is a State and Federal issue, Council can play a part in supporting local food initiatives, information and training for hobby farmers to lessen weed pest and other impacts that can arise from untrained use of rural land.
- Input costs are partly outside Australian control as fuel and fertiliser in particular are mostly sourced overseas. When terms of trade allow, Eurobodalla farmers are aware significant increases in carrying capacity can be achieved from pasture improvement. There is a limited amount Council can do to facilitate supply of these inputs but the ramifications of more limited and more costly fuel and fertiliser are significant and need monitoring. Research and development into new materials and approaches is also important to reduce reliance on "Super and Diesel", but again, rest with State and Federal governments.
- If terms of trade remain poor for agriculture this lessens the ability of farmers to maintain a long term view on conserving the productive land resource. Fertiliser becomes too expensive to buy and a downward spiral of lost production is generated. There can be a shortage of income to maintain weed and pest control, soil erosion control measures, etc. Some plateauing in productivity increase has occurred but long term past trend has also seen significant decline in terms of trade.

- Consumer fussiness coupled with rapid personal communications can see swift changes in demand and accelerate short term fads and fashions in food and fibre. Conversely, Eurobodalla may have the potential to tap into many new niche market food lines.

The more significant national and international opportunities include:

- Proximity of Asia and with both a growing population and rising standard of living giving potential for more specialised, value added and healthy/clean marketed product, long term demand seems assured.
- Implementation of the White Paper is seeing a more concerted effort by the Federal Government in support for a more competitive agricultural sector with measures from drought proofing to improved R&D.

7.2 Local Challenges, Opportunities and Options

Thirteen issues relevant to the direction of agriculture are drawn from this draft Discussion Paper so far. The proposed workshop with producers presents an excellent opportunity for feedback form those directly practicing agriculture in Eurobodalla and to expand the issues and actions as appropriate in the light of that feedback.

This Paper concludes at the more general action level and limits detailed recommendations. Discussion Paper 9 on land use in the RU1 and Deferred areas and Discussion Paper 10 on land use in the rural residential areas, take this and the research across the other Papers into more specific strategies for protection of agricultural resources, subdivision planning, rural living strategies and general land supply.

7.2.1 Issue: Innovation, diversification and flexibility

Challenges:

- Reviewing the past 20 years, the bulk of agricultural production has been very traditional beef and dairy production into the bulk markets. These markets have continued to see shrinking terms of trade and a need to “get big to survive”. Land values, distance from markets, etc., make upscaling not practical for most producers in Eurobodalla.
- Farm succession where some family members have to be bought out is almost impossible given very high land values unless those taking over have considerable off farm assets/income.
- Can’t just keep using subdivision to “bail out” producers through “selling off the farm”.

Opportunities:

- Continue to encourage value adding – special local dairy and beef product initiatives organic, provenance – any new product ideas that increase value at farm gate and hence improved terms of trade.

- Should there be more focus on part-time farming and off-farm or non-agricultural on farm business income? There are only a small number of full-time farmers left in Eurobodalla now who have no or minimal off farm income.
- Product diversity is the key to reversing declining terms of trade.
- Focus on the good of the land as a productive unit not so much on the current owner short term actions such as subdivision as an income generator. The land value is there for sale to recoup a reasonable return on investment for prudent producers.
- Accept this area has long ago priced out establishing farmers and purchasers of existing commercial farms in future will be investor based (i.e. looking to land price growth over time as well as agricultural return).

Options:

- Conserve the remaining larger more viable commercial farms.
- Encourage leasing and better utilisation of the many small holdings.
- Foster more local food processors and value adding businesses.
- Try to tap into the growing export and capital city demand for “difference “in product to standard “supermarket” beef and milk bulk products.

7.2.2 Issue: Support and encourage local food production

Challenges:

- Small scale and often low value for effort.
- Breaking into the metropolitan and export markets is a challenge with distance a major constraint. Need high value to be competitive.

Opportunities:

- Grow the percentage of local population buying “local food”. Research is showing strong growth in interest in buying local and clearly identified provenance food.
- Facilitate small scale speciality exports suited to Eurobodalla’s products.
- Exponential growth in “special” food and fibre is occurring in places like China. Eurobodalla has advantages to market clean, green organic and clearly provenance food and fibre products.
- The next 20 years will see a continued rise in the proportion of senior citizens throughout the Shire and including the rural areas. Part-time work in local food and fibre production can be both financially beneficial to this large senior population and add worth to lifestyle.
- The Shire has a very active and enthusiastic local food movement that is looking to expand its production. Both State and Local economic development programs need to continue to foster the local food and fibre initiatives as there seems significant potential to grow this sector of the rural economy.

Options:

- Markets are only one sale opportunity – move into the more core retail and improve regularity of supply.
- Council might facilitate contact for local producer groups with organisations like NSW Department of Industry for help with exporting goods and identifying target niches.
- Further assist markets and training of people in those new products with potential to succeed. See more detailed recommendations relating to local production in Discussion Paper 7 Local Food.

7.2.3 Issue: Mix of farm types, size and subdivision policy

Challenges:

- Fragmentation occurring of larger holdings, especially by sale of existing titles.
- How to stem hobby scale encroachment into larger holding areas and retain/foster part-time and full-time commercial activity.

Opportunities:

- Better definition of small farm areas.
- Improve opportunities to lease and share farm.
- Grow options for more diverse and local value added food and fibre products.
- Retain properties over 100 ha.

Options:

- Subdivision options and preferred recommendations are presented in Discussion Paper 9 Land Use in the RU1 and Deferred Areas.

7.2.4 Issue: Public infrastructure

Challenges:

- Current road network already a significant cost burden for community both in maintenance and in transport for farm produce.
- Power extensions very costly.
- Long likely lead times for National Broadband Network (NBN) coverage for many rural districts. More isolated areas of Eurobodalla will likely wait longer for significant broadband speed gains. Also, there are many areas of Eurobodalla difficult to service given the terrain.

Opportunities:

- Plan any further housing growth so services and infrastructure, if required, can be economic to provide.
- NBN will arrive to most rural properties in the life of the strategy and bring with it many increased options for supplementary income for farmers.

- Supply of improved broadband to much of the rural area of Eurobodalla is likely within 10 years. There is already a significant amount of non-farm business activity occurring in the rural areas and mostly it seems to not adversely impact agriculture – in fact support and make viable part-time farms.
- High speed data to rural dwellings will enable a greater number of small business opportunities in the rural areas, expand access to education, latest information and health services – all from home.

Options:

- Limit further fragmentation in poorer serviced areas and where holdings over 100 ha dominate.
- Discussion Paper 1 suggests strategies to capture the benefits NBN may bring to rural areas – especially the potential for more supplementary income options for landholders.
- Council can continue to press for acceleration of roll-out to most rural areas of Eurobodalla.
- The high desire for many successful small businesses to relocate to the attractive rural living areas such as Eurobodalla can be successfully marketed and is a source of supply for well-resourced part-time farmers to support the agricultural production. It may also mean Council needs to continue to closely monitor demand/supply relating to rural living and farming opportunities and be poised to revise upwards its demand uptake for rural and rural residential living opportunities as soon as new trends emerge.

7.2.5 Issue: Dwelling entitlements

Challenges:

- There are opportunities under the current LEP for dwellings on land zoned RU1 or in the deferred area:
  - Currently, 373 vacant ownerships under 100 ha. Of these, 326 are 40 ha and under. (A dwelling is not permissible on some of these ownerships but a proportion do have the right to apply for consent to have a dwelling – the proportion is being investigated as part of Discussion Paper 9.);

Opportunities:

- Develop a program to map outstanding “entitlements”. This is detailed in Discussion Paper 9.
- Refocus areas for further small lot farms away from prime lands and areas costly to access and service.

Options:

- A range of options for dwelling entitlements and lot sizes are modelled in Discussion Papers 9 and 10.

7.2.6 Issue: Education and skills

Challenges:

- New residents are sometimes unskilled in rural knowledge of weeds, pests, fire, etc.
- Training for and implementation of new initiatives for value adding.
- Much of the Shire is remote from training centres.

Opportunities:

- NBN will add a range of home based businesses to supplement farm incomes.
- NBN will allow greater training opportunities and courses locally.

Options:

- Welcome brochures and training courses for new rural residents.
- More online training and expansion of college annexes to regional centres like Moruya.

7.2.7 Issue: Agricultural land classification

Challenge:

- There is some concern as to the accuracy of data for defining the quality of agricultural lands in the Shire. Current data relies on the 1980s DPI mapping.

Opportunity:

- New technology employing detailed image mapping could be used to improve data on land qualities and perhaps be backed up by field sampling of soils.

Options:

- Council might lobby for State or Federal funding to improve the knowledge base on the location of economic agricultural lands. However, in the interim, the old DPI mapping is considered a reasonable tool for the purpose of regional strategy and Shire land use policy.

7.2.8 Issue: Management of public land

Challenges:

- Private landowners have expressed concerns about fire, weeds and pest issues associated with the large areas of public lands in the Shire.
- There seem to be limits to State budgets for control.
- Not all problems come from the public lands. There are extensive private lands with scrub or forest and a proportion of these problems generate from these lands as well.
- Council roadsides and reserves have land management problems too (weeds) and there is limited budget at Council level to address.

Options:

- Council role is limited to lobbying for additional funds for State land management agencies for problem control. Additional roadside control actions may be possible through grant funding from other government levels.

7.2.9 Issue: Private property rights and reducing the regulatory burden

Challenges:

- Some landowners have raised concerns in the past consultations at the extent of imposition of land use and other controls on private rural properties.
- There is a case for ensuring controls only apply where they have proven public benefits. But there have been varying levels of land use control since earliest settlement and some controls are needed for the overall community good.
- There also needs to be realism as to the physical limits already imposed on many areas of private land in Eurobodalla by topography, poor soil quality, bushfire risk, etc., regardless of written or mapped controls.
- But with issues like conservation of native vegetation or landscape qualities there is the issue of no assistance to farmers for "conserving" for the community.

Options:

- All three levels of government are working on reviews of rural land regulation.
- The State Government has a major review of biodiversity legislation under action and possible direction is addressed in Discussion Papers 4 and 9.
- The State Government has promised to increase its biodiversity fund to provide some compensation to landowners asked to constrain otherwise profitable land activity to allow biodiversity goals. But there needs to be some realism as to how much the biodiversity mapping and other measures really constrain rural land. The inherent qualities/limitations of much forested private land in Eurobodalla will see little change to it even if controls did not exist. It is better that available knowledge is made public and accessible so informed decisions can be made and development encouraged to the more suitable and capable land.
- In relation to private native forestry, the State Government Biodiversity review is addressing this issue. Some "right to harvest" provisions are expected to be brought forward.
- At Council level, this strategy is reviewing land use controls and zoning and permissible activities. (See Discussion Papers 3 and 9). Council's role in land use controls in the rural areas is relatively small and relates mostly to activities that require development consent (new dwellings, some business activity and subdivision). If and until clearing controls return to Local Government, the controversial issue of land clearing of native vegetation remains regulated at State level.

7.2.10 Land prices and speculation

Challenges:

- The demand for rural land in Eurobodalla is driven by forces well beyond what the land can produce in terms of net agricultural production. The rural areas of the Shire are desirable places to live, semi retire or even invest in land for speculative gain. In real terms, and over the longer period, most rural coastal land is increasing in value at a higher rate than what can be achieved in a typical bank deposit.
- The work earlier in this Paper demonstrates Eurobodalla land prices make it not an attractive place for farm aggregation and big corporate agriculture. Strategies like controlling subdivision have far less effect on controlling land speculation when growth in local land prices has already taken land value to a level where what the land can net in annual return from agriculture is much less than what an investor might achieve with the same sum prudently invested in even conservative investments.

Opportunities:

- Control of fragmentation of larger ownerships, say over 100 ha is still a worthwhile community target for the economic benefit and employment commercial scale agriculture can bring to the area and in the way large holdings can be better stewards of ongoing land management. Such control, if maintained, may provide some limited break on land speculation.
- In addition, there are signs of potential for the terms of trade for agriculture to improve well within the 20 year vision of this strategy in a world where demand for food and diversity of food product is growing significantly. In other words there is a strong case to conserve larger holdings ready to tap into that improvement in terms of trade which seems inevitable – but possible a decade in developing.

Options:

- Discussion Paper 9 offers strategies to limit fragmentation.

7.2.11 Part-time farming is a reality but minimise hobby scale fragmentation

Challenges:

- There has been significant fragmentation of the Shire rural areas but viable larger holdings remain.
- Limiting further fragmentation of these lands where it might create holdings not large enough to provide a genuine part-time income.

Opportunities:

- Serious part-time farming seems the way forward. Holdings of a size that can maintain a net part-time income need to be encouraged and conserved. The ABR data clearly shows many non-agricultural business initiatives across the RU1 and Deferred areas. Many people are getting a part-time farm income but supplementing that with other business activity on or off the farm.

- Professionally run part-time farms can yield the same economic benefits for the area as full-time farms and sometimes have better access to off farm income/capital for land management and improvement.
- The NBN will further increase the range of farm home based business.

Option:

- Council needs to "hold the line" on retaining properties, say, 100 ha and over but accept that full-time farming is highly challenged in Eurobodalla, and encourage a vibrant part-time trend while avoiding fragmentation of these larger properties into hobby scale farms. The contribution of hobby scale agriculture to the Shire economy is more debatable. Discussion Paper 9 explores subdivision and other techniques to secure a strong part-time agricultural future.

7.2.12 Land quality in the larger holdings

Challenges:

- Many holdings of all sizes contain a proportion of the poorer Class 5 agricultural land and some larger holdings have a significant proportion.
- While such land can represent supplementary grazing areas, especially in drought, etc., it also means a number of larger area properties have only marginally better carrying capacity than smaller holdings of mostly better land.
- Larger lot sizes are a blunt instrument to maintain agriculture.

Option:

- While the limitations of lot sizing are acknowledged, the promotion and acceptance of part-time farming still supports a strategy of retaining larger properties. There are also servicing issues in fragmenting more isolated bush sections of properties.

7.2.13 Transport

Challenges:

- The far south coast of NSW which covers Bega Valley and Eurobodalla has been a relatively isolated area since early settlement. It is road transport dependant, distant from customers and exposed to high transport costs to get products to major markets.
- The Princes Highway is slowly being upgraded but is B-Double limited.
- Local roads into and through the rural areas are of varying standards and the topography with long linear valleys and low density of farms makes upgrading expensive.
- Stock often need to be transported in smaller trucks at higher expense. Many farms in the central west of NSW, for example, can rely on B-Double transports from farm gate to sale point at transport costs 60% or better per head than what Eurobodalla farmers often have to pay.

- While there is Bega Cheese within 2 hours haulage of most Eurobodalla dairy farms, around half of the milk is going many hundreds of kilometres more to processing at the Murray Goulburn Plant.
- Conversely, most goods and services coming into the region face extra transport costs, be it fertiliser or education services.

Opportunities:

- There is some market advantage in being distant from perceived sources of pollution, allowing “clean green” marketing that has benefited places like New Zealand with similar distance problems.
- Local food initiatives like Tilba and Bodalla dairy products seem to have some sound basis and might expand if the impetus for local food can be accelerated.

Options:

- Council can continue to lobby for improvements to the road network.
- There is a well based argument not to allow new rural living development where roads are already taxed.
- The rural products and activities that succeed in Eurobodalla will be ones that can value add or capture a “special” market. That allows a profitable return even though transport costs are high.
- Some worldwide pressure for additional quality food is predicted to occur over coming decades and Council and the rural community need to monitor and target these opportunities.