REPORT OF PROCEEDINGS BEFORE

STANDING COMMITTEE ON STATE DEVELOPMENT

INQUIRY INTO ASPECTS OF AGRICULTURE IN NEW SOUTH WALES

Uncorrected Proof

At Leeton on Wednesday 12 September 2007

The Committee met at 10.00 a.m.

PRESENT

The Hon. A. Catanzariti (Chair)

Reverend the Hon. F. J. Nile
The Hon. M. J. Pavey
The Hon. C. M. Robertson
The Hon. M. S. Veitch

CHAIR: I declare open this public hearing of the inquiry of the Standing Committee on State Development into aspects of agriculture in New South Wales. The inquiry will be examining the contribution of agriculture to the New South Wales economy, impediments to sustaining appropriate levels of production, capacity and growth in the agricultural industry and initiatives to address those impediments. I know that no members of the media are present but the Committee has previously resolved to authorise the media to broadcast sound and video excerpts of its public proceedings. Copies of the guidelines governing the broadcasting of proceedings are available at the table by the door. In accordance with the guidelines, a member of the committee and witnesses may be filmed or recorded. However, people in the public gallery should not be the primary focus of any filming or photographs.

In reporting the proceedings of this Committee members of the media must take responsibility for what they publish or what interpretation is placed on anything that is said before the Committee. Witnesses, members and their staff are advised that any messages should be delivered to the Committee clerks. I also advise that under the standing orders of the Legislative Council any documents presented to the Committee that have not yet been tabled in Parliament may not, except with the permission of the Committee, be disclosed or published by any member of such Committee or by any other person. Committee hearings are not intended to provide a forum for people to make adverse reflections about others. The protection afforded to Committee witnesses under parliamentary privilege should not be abused during these hearings. I therefore request that witnesses avoid the mention of other individuals unless it is absolutely essential to address the terms of reference. I welcome the first witness, Matthew Linnegar, representing Murrumbidgee Irrigation Ltd.

MATTHEW JAMES LINNEGAR, Corporate Affairs Manager, Murrumbidgee Irrigation Ltd, Dunn Avenue, Leeton, New South Wales, sworn and examined:

CHAIR: Mr Linnegar, in what capacity are you appearing before the Committee today?

Mr LINNEGAR: I represent the organisation.

CHAIR: Would you like to make a brief opening statement and then we can go on to questions?

Mr LINNEGAR: Sure. What I wanted to do today is to look at or address the terms of reference. I am sure that this Committee has heard and will continue to hear many things about agriculture in this State. Today I really wanted to focus on one thing, that is, a solution, if you like, or an initiative, as you have written here, to address what might otherwise be an impediment to the sustainability and growth of the agricultural sector. I am focusing on this because it is what our business knows best, that is, water. The example that I want to take you through is an initiative of Murrumbidgee Irrigation Ltd called RiverReach.

One of the major or key impediments to growth, certainly in our region when it comes to agriculture, is the lack of water. It is an irrigation area, so it is fairly straightforward that the two would follow. I guess you can have a lack of water either through a link to actual climate, be that drought or long-term climate change, or you can have a lack of water essentially due to policy initiatives. To give one example, if a government-sponsored buy-back of water entitlements in this area proceeds, as has been indicated in the national plan for water security and associated legislation, an example of that, if they simply pro rata the amounts of water that they are suggesting across the basin, this area could see over 200,000 megalitres leave, or not be available for production or consumptive use.

What we have tried to do with the RiverReach initiative is to find ways to provide more water for the environment whilst underpinning the security of access to water for irrigators. As I said, the concept has been developed by Murrumbidgee Irrigation Ltd and it works on the basis that there can be complementarities between water for the environment and water for irrigation. They have often been seen as mutually exclusive agendas, if you like. For many—and it appears to be a key platform of Federal Government policy, at least at this stage—the buy-back of water is viewed by some as a single solution to environmental outcomes. If we simply purchase more water entitlements off people and give them back to the environment that is our solution.

That brings into question a couple of things for us as a company. One relates not just to the irrigators but indeed to the social fabric of these sorts of regions and, heaven forbid, the aspirations of individuals within them. What RiverReach does and what it was founded on is the basis that water users can retain their entitlement whilst sharing allocation of that entitlement through market measures. I will just take you through that quickly. In other words, this gets water to the environment when it needs it most and in these sorts of environments, rivers particularly like the Murrumbidgee, that is in a wetter year. The basic concept is that if you have a wetter year and you have higher river flows in order to get water to your irrigators you are getting over-bank events into floodplains, et cetera.

Consequently, irrigators get water when they need it most, that is, in dry years. In effect, what you would be seeing is irrigators retaining their entitlement, on agreed terms and at agreed trigger points, and selling water to the environment in those wetter years. One example of how that might work, just to give you an idea, is a trigger point linked to general security allocations in this valley. An example might be that from 0 per cent to 60 per cent of allocation that particular irrigator gets to retain the entitlement. He or she gets to use that water. As it moves above 60 per cent, water progressively moves back to the environment, and that is done through market measures. So that would be a contract or agreement. Indeed, one of the things that we will be piloting is the development of an environmental options exchange.

Whatever the mechanism is, it is agreed upfront, the environment knows what it is getting over the long term and it is getting it in those wetter years. That is the basic concept. I just wanted to raise that with you. I know that it is just one initiative or one solution but we think it is an important one that will really pay dividends both for the environment and for irrigation. I will hand it back to you, Chair.

Reverend the Hon. FRED NILE: On that question of buy-backs, from the way in which you were talking do you regard buy-backs as permanent or temporary, and should they be done on an annual basis?

Mr LINNEGAR: It is not quite a temporary transfer either. That is available for the environment through government purchase now. They can go in and buy temporary water. In that instance though you would be subject to the vagaries of the market in those particular years and the supply that is available. We are actually talking about two separate pools of water. The first is savings generated by our company, and in dry years we would make them available to irrigators in terms of increased allocation. Then as you go past a certain trigger point that would then be made available to the environment. We have the ability to write a long-term contract with the Government, or any government. So based on modelling over the last 100 years, they would have a fairly reasonable idea of what they would be receiving from the environment over the long term. But it does not involve entitlement changing hands. In effect, if you want an example, it is almost like considering strata title on land. There is a contract upfront and at agreed trigger points water is going to the environment for this price and before that trigger point it is staying with the entitlement holder. So it is not quite like a temporary transfer; it would be an upfront contract. If you are an individual irrigator it is very difficult to imagine signing a 99-year lease or something equivalent. But our company, such as it is, would be in a position to do that firstly and to manage contracts with individuals so that we have a pool of resource and then be able to write back-to-back contracts with government entities. So we would be able to manage that risk, in other words.

Reverend the Hon. FRED NILE: Would that work under the national plan?

Mr LINNEGAR: Yes, it would.

Reverend the Hon. FRED NILE: It can be incorporated?

Mr LINNEGAR: It can be, yes.

Reverend the Hon. FRED NILE: It is not in conflict with it?

Mr LINNEGAR: Not at all.

The Hon. MELINDA PAVEY: How has it been received so far?

Mr LINNEGAR: It has been received very well. We have had strong support from the New South Wales Government and we have had strong support from the Federal Government. We have had some discussions with Ministers and others in other States and again it has been received well in those areas.

The Hon. MELINDA PAVEY: So the 200,000 megalitres you need to save from this catchment under the national water sharing plan, you see those savings being made but being a win-win situation for irrigators and the environment over an extended period of time? Maybe in the fifth year you might save one million megalitres whereas in years one, two and three there may be no savings for the environment?

Mr LINNEGAR: It would work that in some years there would be no water under this arrangement going to the environment and in other years there would be. But you would know, based on the modelling over 100 years, of the sort of water the environment could expect long term over that period. I use 200,000 megalitres as an example in that if under the National Plan for Water Security the Government simply pro ratas right across the basin what they wanted to achieve from the buy-back component of that, it would be around 200,000 megalitres.

The Hon. MELINDA PAVEY: For the Murrumbidgee Irrigation Area?

Mr LINNEGAR: For the Murrumbidgee. This would not work unless we are prepared to put water up or forward, in effect, to seed the concept or the market. What we are saying is we would have 40,000 megalitres available under this concept today. So if next year—it is very doubtful it is going to happen this year—you triggered whatever your agreed trigger point was, say, for example, 60 per cent, some of that water could start flowing to the environment straightaway. What we are saying is if we are able to demonstrate the benefits of doing this, then if other regions and other areas get involved there is nothing to say you will have substantial amounts of water available to the environment, still achieving environmental outcomes, but without having to strip entitlements from irrigators and irrigation areas and their communities.

The Hon. CHRISTINE ROBERTSON: I recognise this inquiry is about the future of agriculture and productive capacity and growth. What you are talking about is a very important issue in relation to long-term assurance for growth. The issue I would like you to explain, please, is the philosophy that in dry years not giving water to the environment and in wet years giving water to the environment. What is the long-term outcome for the environment? You must have worked through this in your arguments with the Greens. I would like to hear your arguments.

Mr LINNEGAR: Of course. I should note that the concept and the project that led from the concept that we put forward to the Federal Government had support from the Australian Conservation Foundation. The reason it did was because our view has always been that we need to find alternatives to simply the purchase of water. That is not to say that the environment or the environmental managers should not have a suite of products available to them. We recognise that permanent water will be one of those products. That is fine. But if it were only permanent entitlement or permanent purchase that the environment was utilising, then there is going to be long-term social and economic ramifications.

The Hon. CHRISTINE ROBERTSON: For the environment or the farmers?

Mr LINNEGAR: For the community and the farmers. We are not saying the environment should not get any water in dry years. An environmental manager should be able to manage a suite of products, which means that if they have some permanent water they can use it to keep key sites or icons, if they need water in the dry years, going in those dry years. But when they need a lot more water we believe that should be in wetter years and it should come from these sorts of areas. We are not saying the environment should not have any water in dry years, but the evidence to date, certainly in the Murrumbidgee, points to the fact their requirement for water is more in wet years than it is in dry.

The Hon. CHRISTINE ROBERTSON: So in flood times your company will use your capacity as much as you require and ensure the excess goes into the environmental areas?

Mr LINNEGAR: Yes.

The Hon. CHRISTINE ROBERTSON: I understand this is not your issue because you are not in the area of the catchment, but how does this solve problems like the Macquarie Marshes? One of the reasons for buying access permanently for Macquarie Marshes is its health, despite cattle, water and whatever. The decision has been to get buy-back water for that. Your proposal relates to across the State and the country. How does it affect areas like Macquarie Marshes where there is long-term drought?

Mr LINNEGAR: I am not intimately familiar with the Macquarie Marshes. If you follow that example through, if you understand the geomorphology and ecology of the Macquarie Marshes, you will get a reasonably good idea, I would imagine, of what the needs of the marshes are both in terms of base flow and peak flow. If you follow that through again, if you had some permanent water, that is whoever the environmental manager is in this instance, then that could be used to keep base flows going to the Macquarie Marshes. To suggest that the marshes would have been chock full of water in every year I think is not accurate.

The Hon. CHRISTINE ROBERTSON: That is not the inference.

Mr LINNEGAR: So this would work in that instance because the manager would have some permanent water available.

The Hon. CHRISTINE ROBERTSON: The manager has to buy that water.

Mr LINNEGAR: That is right, to keep base flows going, but when they need a far greater bulk of water it would generally be linked to wetter years anyhow. So this concept would work in that instance. Let us use indicative figures. I have no idea what the needs are but if the base flow need is 20,000 megalitres and the maximum need in a flood year is 100,000 megalitres, then if you went out and permanently purchased over 100,000 megalitres—

The Hon. CHRISTINE ROBERTSON: I see.

Mr LINNEGAR: —it is going to be at a much higher cost than the environment purchasing this product, which will do the same job at a cheaper price in the years when it needs it most. That is the higher rainfall years.

The Hon. CHRISTINE ROBERTSON: It has clicked. I have got it in my head.

The Hon. MICHAEL VEITCH: You have been talking about the water trading process. What do you think about the effects of water trading on irrigated agriculture?

Mr LINNEGAR: I think it is almost a bit of a moot point now. Water trading, despite what anyone may think, is now a part of people's access rights and their rights as a water user. I think that earlier on there was discussion about whether to trade or not to trade, what the effects may be and the transfer of wealth from one group to another. I think all those arguments have passed us now. It is like sawing sawdust to talk about that again. There is still, I guess, in approving trades when it comes to whether you are a government entity or whoever, you need to be cognisant of whatever the third party impacts may be of that trade. I think that relates to the environment and it relates to other users as well. Other than that, it is a part of people's rights and it is here to stay. It is a part of doing business and on it goes.

The Hon. MICHAEL VEITCH: On another matter, one of the terms of reference of the Committee is to look at innovation in agriculture. Are you aware or do you know of any innovative irrigated agricultural practice on the Murrumbidgee at the moment?

Mr LINNEGAR: I am sure there are many examples of that. The industry or the commodity groups will give you a better idea of what they may be. I think it is important to recognise that innovation happens in many forms. So when people think agriculture, I guess the first place you go is anything to do with saving water and then people think immediately of drip and other type technology. Indeed, there have been many advances in those areas. Do not forget too that you can have innovation on a broad-acre scale by changing layouts and practices. I am sure the rice and corn and other industries will be able to talk you through what they are doing. I just urge you to look at all examples. It can happen in broad and intensive situations.

The Hon. CHRISTINE ROBERTSON: I recognise you are not a government department but you are involved in the issue. What is the process of approval for the trade of water?

Mr LINNEGAR: In our example, because we are a private company, if someone wishes to trade water they lodge their intent to do that.

The Hon. CHRISTINE ROBERTSON: To whom?

Mr LINNEGAR: To us, in the first instance. Certainly our turnaround time on trades is very rapid. So that is not an issue. All we do is check that they have the water and the flow rate that goes with it to be able to carry out the trade. Then it goes on to the various government agencies to approve the trade.

The Hon. CHRISTINE ROBERTSON: Government agencies approve the trade itself?

Mr LINNEGAR: Yes. If the trade is happening between two parties inside Murrumbidgee Irrigation that is a completely different process and different turnaround time than if the same person wanted to trade that water into South Australia or vice versa. Then you have us, the New South Wales State agency and the South Australian agency involved.

The Hon. CHRISTINE ROBERTSON: Have you had much trade with South Australia?

Mr LINNEGAR: We have had from time to time.

The Hon. MELINDA PAVEY: Mr Linnegar, are you aware of any agricultural developments, flow-on developments that have been held up because of the uncertainty over water sharing and trade arrangements, which is relevant to our inquiry in terms of the future of agriculture? Could you highlight any such developments or investments that have been held up and what may happen once everything has settled down?

Mr LINNEGAR: I think to be fair in terms of the effect on development, it is probably more general than specific saying company X, Y, Z was going to invest here and has not because of what has happened. Obviously the uncertainty surrounding where the Federal process may be going may have been a contributor, but I think it is simply current climatic conditions. In the case of general security there was very little water last year and none this year. So in terms of development, that would be completely curbing any development at this stage. In my view it has got more to do with the current climate than it has to do with uncertainty over the process.

The administrative requirements on a company like ours are to bring in and/or alter and change rules quickly. The burdens at the moment are quite high. For example, we have had the Australian Competition and Consumer Commission [ACCC] ruling on things like termination fees for water leaving various areas. So, that comes in and then we have to move quickly to change the rules and get notices out to all customers so everyone is aware of what is happening. The irrigators themselves have seen a lot of change in a short period. That does not make it any easier. However, in terms of development, it is more to do with the current climate and people's levels of confidence and their approach to risks about where they think things will go.

CHAIR: Can you elaborate a little on high security water, general security water and also the process and consequences of the ACCC's ruling when one is trading outside the Murrumbidgee Valley to, say, South Australia? There will be impediments as a result of the ACCC ruling and it could have detrimental effects on a place such as the Murrumbidgee valley.

The Hon. CHRISTINE ROBERTSON: I do not understand a termination fee for water trading.

Mr LINNEGAR: That part of the water reform process is more general, and it stemmed from a Council on Australian Governments meeting in 1994. It was designed to open up and expand trade. Of course, all irrigation areas, companies and so on have said that if we completely open up trade we will see water matching out of our regions. As a consequence of that we will have stranded assets. So, companies, governments and others developed rules either to prevent water leaving areas, or not to encourage it. The ACCC said that that could be seen as anti-competitive and that it needed to do something about it. Murrumbidgee Irrigation Limited and other irrigation companies in this State and other States, including government agencies, developed what we originally called exit fees. An exit fee was an amount that had to be paid if someone permanently traded water out of one region into another. That recognised the increased costs imposed on all those left behind. If the water leaves, the cost of supply to everyone else would increase.

The Hon. MELINDA PAVEY: In terms of maintenance?

Mr LINNEGAR: The fixed costs would go up and the exit fee recognised that. The ACCC said that such a fee could not be imposed in that way; it must be attached to a delivery entitlement and that change was made. They simply worked out the fixed costs and the access charge or fee for each company or region associated with delivering water in that area. They agreed that 15 times the access fee would be the termination fee and that is what could be charged.

The Hon. CHRISTINE ROBERTSON: Does the seller charge the buyer?

Mr LINNEGAR: That is exactly right. In effect, if an irrigation company, area or whatever is inefficient, that inefficiency is perpetuated. For example, the Victorian access fee—that is, the fixed costs—are much higher than those in the Murrumbidgee irrigation area because of relative levels of efficiency. As a result, if you wanted to purchase water in some regions of Victoria the price could be more than $900 a megalitre in termination fee on top of the price of the water. The price for a very similar product in the Murrumbidgee valley would be more like $300. That illustrates the point about perpetuating the inefficiency. The termination fees were supposed to recognise that there is a cost on the way out, and we all understand that. However, in doing so it has perpetuated inefficiency.

The Hon. MELINDA PAVEY: Because the water is cheaper?

Mr LINNEGAR: Yes. We suggested that we should strike a flat fee for either gravity-fed systems or pump systems. That would encourage the less efficient to be more efficient and so on.

The Hon. CHRISTINE ROBERTSON: Is this water going to agriculture in South Australia?

Mr LINNEGAR: Which water?

The Hon. CHRISTINE ROBERTSON: The water being sold from New South Wales.

Mr LINNEGAR: I cannot say where it is going.

The Hon. CHRISTINE ROBERTSON: I recognise that. It was an interest question.

Reverend the Hon. FRED NILE: You said that there is no water this year. What is the level of prosperity—

Mr LINNEGAR: There is no general security water this year. There is a priority of access in terms of where water goes and who gets it first. The priority goes from critical human needs, stock and domestic water for towns and so on and then to industrial needs—for local industry—and then what we call high security horticulture water—that is, water used on permanent plantings such as vines, citrus crops and so on. The next level is general security water. Once all the high security requirements are met, general security water is allocated. Rice, wheat, corn and so on are all grown on general security water. That is the centre of the debate. People can grow rice, corn and wheat only when the water its available. Once the other needs are met then the water is allocated to the general security level. The last priority level is supplementary water. Inflow below the dams coming from creeks and streams are called supplementary events. They are the levels of priority of access.

CHAIR: Thank you. The Committee may have further questions, but we have run out of time. If we send you questions would it be possible for you to respond by 28 September?

Mr LINNEGAR: Certainly. That is not a problem.

CHAIR: Thank you and your company for the submission and for your time here this morning. I know it is always precious to you and the people around you. Thank you very much for being here. The Committee intends to report to Parliament by November, after which the report will be circulated.

Mr LINNEGAR: Thank you and the Committee for your time.

(The witness withdrew)

JOHN GREGORY LARKIN, Managing Director, Demand Farming, 37 Erskine Street, Dubbo, sworn and examined:

CHAIR: Thank you and welcome to this hearing. In what official capacity are you appearing today?

Mr LARKIN: I am representing a 127 farmers across New South Wales, six shires, the Department of State and Regional Development and the Department of Primary Industries.

CHAIR: Would you like to make a brief opening statement?

Mr LARKIN: Demand Farming Australia is a joint venture between Aurora Research and Elders Limited, which is supported by the New South Wales Department of Primary Industries, the Department of State and Regional Development and those local government authorities. We have 127 farmers and 12 shires with 460,000 hectares, which is about $1 billion in gross farm gate value. We have done a very detailed capability analysis with 70 crops, paddock by paddock. From that we have drawn down a number of crops. We are trying to find traceable food which is quality assured and which can meet both domestic and international demand.

We have done extensive assessments and trials of industrial hemp. One of our problems is that New South Wales is the only State in Australia in which hemp cannot be legally grown. Industrial hemp is not like cannabis. It can be made into many products. We believe that it could be grown in about seven different valleys in New South Wales. One such valley is here in the Riverina. We also believe that the production potential is between 20,000 and 30,000 hectares, which gives a farm gate value of $50 million and $100 million, depending on prevailing seasonal conditions.

We can grow hemp around the State. The South China varieties that have been grown in the Riverina grow best in New South Wales, but this is the only place we cannot grow it. We can get a licence at the moment because it is covered by the New South Wales Public Health Act. Demand Farming has made application to the Minister for Health, the Hon. Tony Kelly and the Hon. Ian Macdonald for changes to the legislation. We are seeking support from the New South Wales Government to create a new industry within the State. It has a lot of agronomic positives. It is a more efficient water user and has a better gross margin than cotton. Bugs also do not eat it, so there is no need to use herbicides and, in particular, pesticides. It will also grow in dry land and irrigated conditions. We believe there are many opportunities to create the industrial hemp industry in New South Wales. The problem is that we cannot even grow seed. We can grow seed in a control crop, but we have to destroy it. It is a complete waste of time. We have harvested 400 kilograms of seed and we would like to progress from trial plots this year to full commercialisation.

The Hon. MELINDA PAVEY: What you are doing with the seed now? Did you say that you have 400 kilograms? Is that legal or illegal?

Mr LARKIN: It is legal. We have applied for 14 licences this year and we have spoken to Minister Macdonald. I understand that they will be approved in the next two or three weeks.

The Hon. MELINDA PAVEY: You mentioned the cost-benefit ratio of growing hemp in your original submission. You made the point that it is more profitable than cotton. However, your calculations state that that is under partial irrigation and that under full irrigation it is a little less profitable, but still more profitable than growing maize, soybeans, sunflower and sorghum. Does it need irrigation?

Mr LARKIN: This crop is quite different from any other crop. It can be grown and harvested at different times. If you run out of water you still have a crop to harvest and process, whereas all other crops have to be taken to termination. That is one of the great up sides of the crop. We had a crop in Dalby in Queensland on a trial and we ran out of water. We grew it using dryland methods and still managed to get eight tonnes to the hectare. Those figures have now been revised. We now have a better gross margin because we have our first contract for supplying hemp seed to be made into flour to be exported to America for dog food.

The Hon. MELINDA PAVEY: Can you make it profitable by exporting it as flour for American dog food?

Mr LARKIN: Yes. At the moment there is a manufacturer in Australia who imports it from China, brings it into Australia, crushes it and then sends it to America.

The Hon. MELINDA PAVEY: What is China doing with industrial hemp?

Mr LARKIN: It does not have that sophisticated level of material. I will show you this briefcase as an example. If you look at BMWs and Mercedes, BMW has infill panels in its 7 series and Mercedes in its S-class, which are all made of industrial hemp, which is a combination of polypropylene. That is the briefcase of the managing director of the company that manufactures all that for BMW. He gave it to me last year to have a look at it.

CHAIR: For the benefit of *Hansard* I make mention of the fact that we are passing around some of these samples.

The Hon. CHRISTINE ROBERTSON: We are passing around flour, seeds and a briefcase.

CHAIR: Not for personal use.

The Hon. MELINDA PAVEY: We just heard the Chair's quip about it not being for personal use. However, that is a big concern within the community generally. What is your standard answer to the issue of people then smoking the hemp, or putting the ones that you can smoke in the middle of the crop?

Mr LARKIN: You cannot do both those things. The tetra hydrochloride level, or the THC level, in industrial hemp is 0.3 per cent. The THC in cannabis that you smoke is 10 per cent. So it is considerably different. You could smoke a truckload of this stuff and all you would get is a headache and a sore throat. When you have a voluntary plant, which is a female plant, if it sits in a crop of industrial hemp it nukes it and makes it infertile. So the THC does not produce it. In fact, it happened this year in Dalby in Queensland. When we were up there about six week ago the local police told us that all the local private hemp crops in town had all fallen over because the industrial hemp pollen goes for about 30 to 50 kilometres and it nukes all the real hemp. So the police congratulated us on getting rid of their hemp problem. Scientifically there is no reason. We can even change the colour of it, if we have to over time.

Reverend the Hon. FRED NILE: You are keen to get the law changed for New South Wales but we understand that in Tasmania and Victoria, where it has been licensed, it is now in decline?

Mr LARKIN: Yes.

Reverend the Hon. FRED NILE: It is not profitable. How do you explain that?

Mr LARKIN: It is very simple. They had no manufacturing process in Australia and we now have the technology to process it. A pilot plant is being built at Dalby in Queensland. Also the crops down there were basically for cottage industries. They did not have commercialised crops on a large scale. Because we are looking at large-scale agriculture we take a similar approach to cotton. We have gone out and found the products that can be made. Dinar Henning, who owns the company that made that briefcase, has been to Australia three times to try to start an industry. He needs 30,000 tonnes annually for a countercyclical supply chain to Europe. There are all these people in the other States but no-one has done any of the water research, or found these crops or the partners. The issue really is that they have not understood where the demand was or how to create one.

CHAIR: Could you tell us some of the things that you could make with this?

Mr LARKIN: You could make building products. Hemp-crete is one of the products that we want to make in Australia. It is a replacement for concrete products or plaster products. As I said, with this briefcase you can make what they call composite plastics. Instead of using 100 per cent petroleum-based products, or PBPs, you have 30 per cent to 40 per cent of hemp so that reduces the carbon load and obviously reduces reliance on petroleum products. You can turn it into a whole series of products. This product is hemp-crete. Some of the houses in the Olympic village in England for the next Olympics after Beijing will be made of industrial hemp, or hemp products. So it has very wide applications. It looks like Rocla, an Australian company, is developing new building materials using industrial hemp. You can get a massive amount of product out of an industrial hemp crop in volume, which you can then translate into about 12 different products. We are going to focus on three.

Reverend the Hon. FRED NILE: I notice that you had a sample of hemp and wool blended.

Mr LARKIN: Yes. At Nundle in New South Wales there is an organic wool production that also does industrial hemp. It combines the two products together. It is still a cottage industry. We made that a mainstream industry, hence the problem in Tasmania. They had cottage industries so they could not take it to the next level. He imports all his fibre and he will take fibre from this place. It is low volume so it will create demand on a much bigger scale, as in building products or in composites.

The Hon. MICHAEL VEITCH: My questions relate more to the process. I refer to the cultivation of the soil. What is the soil like? Is it no-till soil? Can you use no-till soil?

Mr LARKIN: Absolutely.

The Hon. MICHAEL VEITCH: And then through to the harvesting techniques, the mechanisation and also its transportation. How is it transported?

Mr LARKIN: I will deal with transportation last. Referring to the first two issues, the best part about this crop is that all the present technology exists, so you can use a sorghum front that we have modified that chops it in the paddock. We desiccate the crops standing up and then we harvest the crops standing and the first process is done in the paddock. That technology now exists. The second issue is in regard to farming systems. It does not like wet feet, like any crop, so you just make sure that any of the soil types, for example, soft soils, are not compacting soils. The last issue of transport has been our biggest challenge because it is so light. A cotton module only weighs eight tonnes. So we have come up with a regional localised model to build the plant within a 160-kilometre or 200-kilometre radius of where it is grown. That is how the business model works.

The Hon. CHRISTINE ROBERTSON: They cannot compact it?

Mr LARKIN: No, it is not like cotton. You cannot double dump it like hay; it is a fibre and it has a lot of air in it. But we have overcome that by doing the processing plant. We can build one for a couple of million dollars, whereas plants in Europe cost about $10 million euros. We have gone through a very extensive three-year process to try to solve every problem as we have gone along. The last one is: How do we grow it legally?

The Hon. CHRISTINE ROBERTSON: My question relates to licences being controlled by the Public Health Act. I am a public health professional and I am most interested in this. Is this because it has not been disentangled?

Mr LARKIN: Basically, because it comes under cannabis, they do not separate the difference between cannabis and industrial hemp. They are two different crops. It all comes under cannabis, which is under the Public Health Act.

The Hon. CHRISTINE ROBERTSON: So you would have invested quite extensive amounts to challenge this issue?

Mr LARKIN: We have.

The Hon. CHRISTINE ROBERTSON: Can you discuss with us the issue relating to the Department of Primary Industries and the Department of Health?

Mr LARKIN: We did a submission to the head of the legal division of the Department of Health. He was then happy to talk to the Department of Primary Industries. We then made a submission to the director-general of the Department of Primary Industries and ultimately to Ian Macdonald. We then attended a briefing session in Sydney and Ian Macdonald said that if public health was prepared to hand over legislative responsibility he was prepared to take on that responsibility.

The Hon. CHRISTINE ROBERTSON: What is the timeframe for this action? How long ago did you do this?

Mr LARKIN: Our meeting was three weeks ago.

The Hon. CHRISTINE ROBERTSON: So it was very recent.

Mr LARKIN: There is a meeting between Minister Macdonald and the police Minister, because that is the only stumbling block left. The police Minister wanted to be assured that there were no ramifications that would require officers to go out, check crops and things like that.

Reverend the Hon. FRED NILE: So the health people approved it?

Mr LARKIN: They have, yes.

CHAIR: Mr Larkin, what minimum trial area would be required this year for you to advance the commercialisation of industrial hemp in New South Wales?

Mr LARKIN: At the moment you can do only five-hectare plots. You really need to make a commercial size of 10 hectares so that you can put a header into it, manage the crop and get the seed off it. We asked the Minister for Agriculture to increase the initiative from five to 10 hectares so that we can build up the seed. When the legislation is changed next summer, next year, we will do our first commercial crop, which will be about 4,000 or 5,000 hectares to start with because we have a contract to supply industrial hemp products for next year.

Reverend the Hon. FRED NILE: A moment ago you mentioned that with industrial hemp you cannot get the same effect as you get from smoking marijuana, which I have not done; I have only really read about it.

Mr LARKIN: Nor have I.

Reverend the Hon. FRED NILE: What is to stop people promoting and blending their illegal product with hemp to increase the quantity, even though the consumer might get the same benefit?

Mr LARKIN: You cannot. You will not be able to smoke it.

The Hon. CHRISTINE ROBERTSON: Not 0.3 per cent.

Mr LARKIN: It would not work. All the research so far has not shown any issue in regard to that.

Reverend the Hon. FRED NILE: So there is no evidence of anyone overseas trying to blend it just to increase the quantity and fool the buyer?

Mr LARKIN: No. I can show you photographs of crops growing in Europe. You can drive down a highway in Austria or Germany and see an industrial hemp crop just growing. They have no issue with the drug problem at all just because they are growing industrial hemp.

The Hon. MICHAEL VEITCH: People get an emotive attachment to cannabis as opposed to industrial hemp. The problem is getting through that emotive issue.

Mr LARKIN: That is very true.

Reverend the Hon. FRED NILE: Once it was legalised the *Daily Telegraph* would run a big headline implying that marijuana would be grown all over the State legally.

Mr LARKIN: Minister Kelly raised that with me. Minister Kelly said, "Is there any chance of changing the name to something else?"

Reverend the Hon. FRED NILE: And the logo. That is the same logo that the marijuana people use.

Mr LARKIN: We are selling the stem, the hurd, the bast and the seed. So that has nothing to do with it.

CHAIR: How do you change the colour, which is something to which you referred?

Mr LARKIN: We have been doing scientific work in South Australia with DPI. One of the plant scientists reckons that over a couple of breeding seasons he will be able, genetically, to change the colour of it. He asked what colour I would like and I said that red would be nice.

The Hon. CHRISTINE ROBERTSON: Can they change the colour of the plant itself?

Mr LARKIN: Yes you can change colour, but it will take six generations to do it. It is possible to change it.

Reverend the Hon. FRED NILE: Six generations?

Mr LARKIN: It would take 12 years.

The Hon. MELINDA PAVEY: Mr Larkin, you put forward a very strong case for industrial hemp. I notice that you represent 127 farmers in 12 shires with $1 billion in gross value. Across the broader terms of reference of our inquiry I would like to hear from you about the future of agriculture and impediments or positives to its future.

Mr LARKIN: Last night we had a farmers meeting down here and 16 demand farmers in this region turned up. Basically, by and large the single biggest problem in agriculture in New South Wales is the lack of capital and climate variation is a huge issue. In the last three years we have spent a lot of time developing crops that will grow in greater variability with a much lower rainfall and we still get a crop In long-term agriculture in New South Wales the issue is not only water efficiency; it is also crop efficiency and how farmers will survive in the longer term. My candid view is that the top 50 per cent of farmers will survive and the bottom 50 per cent will struggle because they do not have the capital to make a change.

The only difference is that if world commodity markets are spiked to stay at the record levels they are now there will be some capital injection back into agriculture. However, they might return to their previous levels. I have been a farmer for 25 years. If I get $125 for wheat it goes back to what we got last year and the year before. There will be significant issues, for example, where the capital will come from to maintain agriculture. Even saying that, there are some incredibly innovative farmers in Australia. We are at the cutting edge. The manufacturing process that these fellows designed up in Queensland to manufacture industrial hemp is testament to our ingenuity. We have managed to make manufacturing industrial hemp accessible for local farmers so they can build their own plant, process their own hemp, value-add it, turn it into pellets and export them overseas.

The Hon. MELINDA PAVEY: One of the failings of agriculture has been the manufacturing side. We have some innovation in this region with the rice mills. We have some cotton gins up north but we have not been in a position to expand, go into manufacturing and increase that value. I think that the most exciting part of the industrial hemp site is that extra return. What are we to do about those farmers that you said would not survive?

Mr LARKIN: I think we probably need to train a lot more psychiatrists and psychologists. There will be a lot of grief in rural communities. We are doing demand farming right across New South Wales. If you go to Hermidale you will find that some local farmer has committed suicide recently. The social impact that will happen will be very difficult and some areas will struggle in the longer term. Governments will be faced with the challenge of: What do you do with people who live at Hermidale as their regional communities continually shrink.

The biggest problem at the moment, last night the farmers said they cannot not get labour because all the farm workers have gone to the mines. They cannot even use technology, they cannot even be more productive because they do not have the labour forces to do that in their particular environments because they are not getting the return, the gross margin. One of our farmers at Nyngan, our own Demand Farming farmers, who grows 10,000 acres a week now drives a truck at Girilambone for $120,000 a year. That is what I think will happen. There will be those who are able to move out of agriculture will do that within the mining sector. Then in areas that are struggling there will be a serious compression and I think there will be a lot of social issues that will come out of it.

The Hon. CHRISTINE ROBERTSON: Where will places like Nundle source their hemp?

Mr LARKIN: From China.

The Hon. CHRISTINE ROBERTSON: They bring it in from China already processed?

Mr LARKIN: Yes.

The Hon. MICHAEL VEITCH: Can industrial hemp be used in a rotational crop?

Mr LARKIN: Absolutely. That is the whole idea of it. There are two things we want to do. We want to break disease cycles, we want to get more efficient use of water and we want to be able to give farmers another crop where they have greater variability. For example, if you are a cotton producer you might have enough water to put 500 in and dryland 500 as a pump. One of the problems is if the season turns against you, you lose that 500. The great advantage of industrial hemp, and that is why the cotton farmers up north are particularly excited about this project, they still get a harvestable crop even if they run out of water. Your yield comes back with every bit of the plant you can process. That is very different to any other crop that you can grow. That is where it has a great advantage.

The Hon. MICHAEL VEITCH: In your submission you talk about the Queensland legislation. Is that the preferred legislation for Demand Farming?

Mr LARKIN: We have been looking at that model. It is 0.05 in Queensland. We have suggested that the plant material that has been bred here in the Riverina that we want to commercialise is 0.3. We believe that model works effectively in Queensland. One of the problems in Queensland is that there are only a couple of areas you can grow it in Queensland—the Darling Downs. You can grow it dryland in New South Wales, for instance, on the Liverpool Plains because of the summer-dominant rainfall. There is much more area in New South Wales. We have identified 30,000 hectares. There would not be anywhere near that in Queensland to be able to grow it in.

Reverend the Hon. FRED NILE: I thought it would be easier to grow it in Queensland in the tropical areas.

Mr LARKIN: The varieties they have got have not been yielding. They have been using northern Chinese varieties. The variety we have is a southern Chinese variety that has been bred over the last nine years to be a temperate cultivar.

The Hon. MELINDA PAVEY: Are you seeing young farmers, in terms of innovation, leasing and sharing land rather than buying land, given its high price? Do you have any Demand Farming managers in that category?

Mr LARKIN: It is really interesting, our Demand Farming average age is 38. We have quite a number of young farmers and all of them say that expansion is extremely difficult. One of the opportunities that has come up in the Demand Farming model is we can aggregate land for farmers. So we have farmers who are going to grow crops on each other's properties but share in the overall gross margin, as opposed to doing share farming. We will develop supply chains where older farmers in the groups have got the land but they need smart young farmers to share a gross margin so that they both make money. We had a discussion about that last night. One of our strategies to get young farmers into agriculture is to mentor and match them with people who have the size. We think there is an opportunity to do that.

The Hon. MELINDA PAVEY: How do you join your group? Do you get a tap on the shoulder to join?

Mr LARKIN: We have done a research project over three years and have identified the top 20 per cent of farmers in New South Wales. Valley by valley we did climatology and soil studies across New South Wales with the Department of Primary Industries to pick the best areas. Painstakingly with three agronomists—and one is here today—we sat down and identified every single farm in every town, every area and every valley and determined who were the top 20 per cent and invited them to a meeting.

Reverend the Hon. FRED NILE: Do you encourage them to transfer to hemp?

Mr LARKIN: Yes. It is one of 12 crops we are looking at.

The Hon. MICHAEL VEITCH: You are saying it is not expensive to transfer across to industrial hemp as a crop?

Mr LARKIN: No. There is no extra. All cotton modules in a boll buggy will transfer, so you do not have to have any sort of different machinery. That is one of the other great advantages of this crop.

CHAIR: Thank you, Mr Larkin, for giving up your time to attend this morning and your submission. We may want to ask you further questions. We will put them in writing to you and ask that you respond by 28 September.

Mr LARKIN: I am happy to do that.

(The witness retired)

PETER JOHN BARTTER, Chairman, Bartter Enterprises, sworn and examined:

CHAIR: Mr Bartter, in what capacity are you appearing before the Committee today?

Mr BARTTER: As Chairman of Bartter Enterprises.

CHAIR: Would you like to make a brief opening statement?

Mr BARTTER: Certainly, Mr Chairman. I have circulated some notes basically just to give you an idea of where Bartter is. I am talking here today about Bartter in the Riverina, not Bartter nationally. We are a national company, we own the Steggles brand of chicken and we distribute through seven sites across Australia. We are Australia's number two chicken producer behind Ingham. Nationally we employ 4,500 people and we rate in the 10 largest food-producing companies in Australia. In Griffith we employ 1,200 people. A lot of people commute daily from Leeton to work in our plant and also from Nerrandera. So we draw people from around the district to work because we cannot get enough workers in Griffith itself. We inject approximately $150 million into the local community every year and currently the capital assets, if we wanted to replace them, would cost us $380 million. Our industry has been built on the back of reliable grain, water, key infrastructures and the availability of a permanent work force. That is the crux of my talk here today—grain and water. Virtually all we are doing is value-adding grain. We are taking grain and feeding it to our chickens, value adding and making protein out of it for people to consume as protein rather than as carbohydrate.

As background, I started the business in 1955 as a junior farmer's project. I managed to attain Star Junior Farmer for poultry in New South Wales. I started off with 100 day-old chickens under an electric light bulb in my dad's shed. I was not much good at school, could not pass fourth year, so I left school and worked on my dad's farm. I wanted to achieve something, so I started off with a few chickens. I had different junior farmer projects before that, but to become a star I needed something a bit different. So I took on chickens and I was the only guy that took on chickens. That is a long story and I will not go into it. Bartter Enterprises expanded through the 1960s. As I started to grow the business and build more little chicken houses my brothers came home. One of my brothers had been away touring overseas. He was one of the first backpackers in the world, I think. He spent five years overseas working and travelling. My other brother was at home and we said we should build this business because it is a good little business and will make some money. We turned it into a family business, B. A. Bartter and Sons. We started in the 1960s and then through the 1960s and 1970s grew to be Australia's largest egg producer. We maintained to be Australia's largest egg producer right through until probably the mid-1980s when Frankie Pace took over growing his business.

In 1980 we went back into the meat business. We were in it originally, but then we went out of it and concentrated on eggs and had eggs only. In the 1980s there were hen quotas. You will remember back in the days of hen quotas when you were allowed to have only so many hens and the infamous Paul Galea out at Liverpool where police used to turn up and inspectors would go and count his chooks. Eventually, of course, the Government tossed quotas out in the 1990s, 1989. During the 1980s we were forbidden from owning any more chickens ourselves because we were the biggest in New South Wales. We had over the maximum number that any company could have. The Government moved laws to state that any person that was a director or owner of one company could not be a director or owner of another company for chickens. Originally we overcame how many chooks you could have for quota by starting up another company. Companies could have only 250,000 chooks. We started another company and got another 250,000. The Government said, "We have got to stop these guys from taking over the whole deal." So we turned our mind to meat production and we grew ourselves to be the third biggest producer of meat, behind Inghams and Steggles, up to 1999.

In 1999 we bought the Steggles company from Goodman Fielder, who were in the bread and flour business, as you know. They knew how to bake a cake but they could not pluck a chook. That is how it all happened. We bought the business. From then we have developed it. Since then the egg business has become only 5 per cent of our business once we bought the Steggles chicken business and grew the whole thing. We decided it was time to replace the egg business with modern, welfare-friendly cages and all that sort of thing, because that is all happening now, as you guys would know.

You have probably had representation from different chicken producers about making that happen for them. That is another story. I am not here to push their barrow, but I will push it and that is the end of it. Rather than reinvest maybe $25 million re-equipping all of our egg operations, we decided not to do that and we sold our egg business to Frankie Pace. So we are now just in chickens.

The main problem is that we have impediments of water, labour and grain. In the back of that submission you will see—you will be able to read it later on—is the great news, the good news story that they will build an ethanol plant. They have a need for 750,000 tonnes of grain. In Griffith—and Tony would know this—we use a third of the grain produced in the Griffith region and we purchase in 110,000 tonnes of grain a year to feed our chooks. This company wants to set up and absorb 750,000 tonnes. They would have to go to the back of Sydney, all the way past Tamworth and down into Melbourne. They would soak up that much grain that the animal industries would all be competing for it. It would be a competition and who pays the most gets it. Who he pays the most wins. It is the old story. With grain this year we are looking at $400 a tonne, in excess of $400 a tonne this year. On the Chicago board of trade last week wheat hit an all all-time record of US$8.75 per bushel, which relates to in excess of 400 Aussie dollars a tonne. We have never paid that before.

Reverend the Hon. FRED NILE: What does that equal in tonnes?

Mr BARTTER: In excess of $A400. We are doing our budgets for next year and we anticipate paying more than $400 a tonne for the grain if we can find it. Our guys said last week that we might need another 2,000 or 3,000 tonnes of grain to finish this season, because we buy ahead. In Griffith we buy in season and store it in bunkers on our properties. We buy 12 months' of stock right here and now. If we do not buy it and secure it in the country, it goes to the metropolitan areas to the other chicken guys, flourmills and exporters. Once it leaves the country it does not come back. Cargills is one of the biggest grain companies in the world but it could not source 2,000 tonnes for us before Christmas; it could not source that grain before the new harvest to feed our chooks. That is how desperate the wheat situation is at the moment.

The Hon. MELINDA PAVEY: Because of the drought?

Mr BARTTER: Yes. They are putting sheep in the wheat crops around here now—even the irrigators—because they do not have water to finish the crop. It is a crying shame. We have relied on the irrigation wheat in years of drought. During the last big drought we were bringing seven B-doubles from the Clare Valley, which had good rains. They would come every night; they would be sitting outside our feed mill every morning. We brought the grain from Adelaide to feed our chooks. It is critical. We talk about this being lovely country, but three years ago, in the second drought, we imported wheat from England. Would you believe that? We are supposedly a great agricultural country. Cargills would bring in a ship and we would share the load.

I have a farming friend—who uncannily has the same birthday; we are almost twins—who grows exactly the same number of chickens in each year. But he lives in Oxfordshire. He is also an arable farmer. He says that he loves us because when we had a big drought fortunately they had a big wheat crop and were looking for markets. He exported that wheat to Australia. I could not believe that I was buying my friend's wheat to feed my chickens.

These guys who want to build an ethanol plant that will soak up 750,000 tonnes of wheat and supposedly use some of the by-product. It must be remembered that not all of the by-product can be used. Only about 10 per cent of the wet grain can be to feed dairy cattle. The other 90 per cent of the cattle feed must be made up with straw, hay and other ingredients. It is no good saying that the by-product can be used as cattle feed; it cannot be fed raw to cattle. It is a bit of a myth. Governments should not be allowed to subsidise people in that industry. If they want to subsidise those guys they should be subsidising chicken farmers as well. We need a lot of grain too.

They are being subsidised supposedly because they are providing renewable energy. It is not really renewable energy. Sugar uses about 80 units of energy to produce 100 units of energy. When you produce ethanol from corn, corn uses 110 units of energy to produce 100 units of fuel. It is negative. This renewable energy thing will blow up in everyone's face.

CHAIR: What will it do to a company like yours?

Mr BARTTER: We and the lot feeders—all the animal industries that use grain—

The Hon. CHRISTINE ROBERTSON: Have you been speaking to the other intensive farm groups?

Mr BARTTER: No doubt they are aware of it. I am speaking only for our company at the moment. The same would be said by every animal industry guy in New South Wales and it can be extrapolated to that extent. That is the real problem. The biggest problem with the water, of course, is people leaving their farms. I do not have to go into that because members know about it. When farmers were on 20 per cent I was talking to Sydney friends. I asked them how they would feel if someone tapped them on the shoulder and told them that they could work only one day a week—20 per cent of their time—and the rest of the time they could sit around home doing nothing because we do not need you to contribute any more than that. That is what we are saying to farmers. We are tapping them on the shoulder and telling them that they have only 20 per cent so they should take 80 per cent of their time off. They should play golf or whatever; they cannot farm their farms.

Most of them have spent a lot of money developing their properties with laser levelling to save water and to make their farms more efficient and now they cannot get water. That is because of the drought. But we must be cautious with environmental flows. The Good Lord said that there was a drought and all the fish in the river would miss out. Evolution would proceed because that is what happens in nature. There are droughts and floods and animals evolve. That is why we do not have dinosaurs anymore. It would be good if we did, because we would not need so many chickens. We could cut up 10 dinosaurs and feed half of New South Wales. We do not have them anymore and that is tough luck.

The Good Lord said that the river will be dry and there will be a bit of evolution this year, but the environmentalists take the farmers' water that has been stored in the dams and run it down the rivers to keep the green red-eyed frog alive. Mother Nature has said that he will have to adjust. I am an environmentalist, but I believe in nature. If nature says there is no water then there is no water to keep things alive and evolution will take place. Not to allow that to happen is an injustice. As the country dries out as a result of climate change these animals will be affected and we should let nature take its course. Climate change is real. We read in the newspapers that farmers must do something about water. We cannot get water from this side of the Blue Mountains to the other side. We must conserve the water that is here and let us hope that the drought breaks. It is critical and environmental flows may have to be adjusted.

The first white man who saw the Murray River was Charles Sturt. He wrote in his diary that the water was brackish. Before farmers got there and before anything else happened, the river was salty. All of a sudden people are saying that the farmers have made the river salty and that it is all their fault. It is not; it has been like that for centuries. People get a bit carried away about environmental flows and all that sort of thing.

The Hon. MELINDA PAVEY: Your company has 4,500 employees. How difficult is it to find skilled and unskilled workers for your operations?

Mr BARTTER: In Griffith it is particularly hard because many people have families in the city and they do not want to leave them. It is difficult. Our plant at Hanwood employs 850 people over three shifts a day—two processing shifts and one sanitising shift. There is a League of Nations. The migrants will do those jobs. The chairman's ancestors all came here as hard workers. They had a piece of bread and a cup of coffee in the morning, a bowl of spaghetti for lunch and much the same for dinner.

CHAIR: You have 50-odd nationalities there.

Mr BARTTER: It is a League of Nations. We have many Asians, Pacific Islanders, Tongans, Fijians, Vietnamese, Chinese, Indians and more. The Indians who came here as migrants are now buying properties and developing and themselves doing all that. It is a problem getting people to come to the bush.

Reverend the Hon. FRED NILE: Do you advertise in Sydney?

Mr BARTTER: Through the Riverina government employment office we would go to Sydney and Parramatta to one of the big plazas in a big drive to attract people. One person might come for a month or two in the bush and then say that they miss their friends, family, the beach, footy or whatever. They would then go back to the city.

The Hon. MICHAEL VEITCH: Your submission states that you use water more than once, to clean and later for your enterprise. Do you have a view about multiple use of your water source?

Mr BARTTER: Once we clean it up we use it in the processing plants. We are not allowed to discharge that water into the irrigation drainage channels. The water is bunded and it cannot escape. We also have recirculation systems. The water goes around and is pumped back up. We grow corn with that water once we have cleaned it; we reuse all the water. We have a big winter storage facility, so we store all the processing water during the winter. Our water treatment plant is bigger than the City of Griffith's treatment plant. We treat the effluent from the 500,000 chickens that we process each week in Griffith. We process 2.5 million chickens a week across Australia.

The other point is where we are now and where we want to be. The chicken business will grow in Australia. We should concentrate on one plant rather than expand them all. Some of our plants in, for example, Ipswich and Geelong are at capacity. For us to process more chickens at Ipswich and Geelong we would have build another plant. The Griffith plant goes flat out all day.

We need more chicken, so we have to make up out minds where we will build the next processing plant. At the moment we are thinking we will do it in Griffith. However, we must consider the impact of grain, water and so on in Griffith. That will also impact in other regions. We could go to Victoria, where there is more chance of rain and more workers. The workers tag on to the big cities, but that is not the place to be. The food industry should be in the country. We have been successful at it so far. However, if we want to double the size of our operation—we are talking about putting on an extra 400 people post 2008 and we need another 125 people over the next year because of modernisation and expansion—

Reverend the Hon. FRED NILE: What were those figures?

Mr BARTTER: We need 125 people over the next 12 months. As we surge forward to grow our plants to twice the size, we will have to build another processing plant. That is capital expenditure, including chicken houses worth $250 million in the Griffith region. People grow chickens under contract. We sold all our chicken houses to Rural Funds Management in 2002. We did not have to grow our own chickens anymore. We bought the Steggles business, which had contract growers. They had their own sheds and would be paid a growing fee. We explored that and sold our sheds. That company has been sold to Great Southern, which is a public company involved in forestry, almond orchards and so on. People looking for a tax dodge in June probably go to people like Great Southern and make an investment in olive trees.

The Hon. CHRISTINE ROBERTSON: None of us here.

Mr BARTTER: They will be building new chicken farms. At the moment they are building 12 new chicken farms in Griffith. That would be an investment of close to $10 million. They will be pouring the foundations probably in the next two weeks.

CHAIR: What is your opinion about attracting labour, skilled or unskilled? Where should we be going and what should we be looking for? Do you see that labour force coming from Australia or from elsewhere?

Mr BARTTER: The labour force is around. But when the woollen mill closed in Lithgow or the Berlei factory closed in Lithgow there were big dramas. We sent our human resources people and government people and people from the employment agency went to Lithgow to put the case. They said, "This is great. We can go to Griffith. There is work out there. It is not a problem." Then the question that comes up is, "Tell us about housing. How much does it cost to buy a house in Griffith?" I say, "A house in Griffith would cost $350,000 or $450,000." The guy says, "Hang on, that will not work too well. If I sell my house in Lithgow it is worth only $125,000. If I have to work for you I will have to borrow $200,000 so that I can come and work for you."

No-one would do that. The whole housing situation is out of whack. We need more housing for first homeowners. People want cheaper homes. In this day and age they want to move into a house that costs less than $200,000, that they can pay off, and then eventually move to a bigger home as their family grows and all that. But the number one issue for homeowners in Griffith is that everyone is building $400,000 and $500,000 homes. These people have jobs and both mum and dad work. It is the same thing in Sydney.

The Hon. CHRISTINE ROBERTSON: Just in relation to regulation in the poultry industry we are hearing about so-called red tape, which means regulation. Can you let us know how you are going in the poultry industry in relation to regulation and red tape?

Mr BARTTER: Yes. It is a national company. The biggest problem with red tape is that each State has its own set of rules and regulations for health and hygiene, and handling food. We really need a national deal. That is where the States should work with other States and say, "This is Australia. All Australian food should be processed to the standards of Food Safety Australia and New Zealand", or FSANZ. That is the mob we are working on at the moment. That is being done through the Australian Chicken Meat Federation, the national body for chicken people. They are working on that. They have been putting up their hands and shouting about that for ages.

The Hon. CHRISTINE ROBERTSON: That is very helpful.

MR BARTTER: That is an area that we think could be helpful.

Reverend the Hon. FRED NILE: You mentioned a moment ago that you grow some of your own corn and that you are worried about the supply of grain?

Mr BARTTER: We sell that corn to Kellogg's. That gets sold to Kellogg's because it is corn for human consumption.

Reverend the Hon. FRED NILE: Would there be any value in having your own grain farms?

Mr BARTTER: We grow 250 acres of corn and we might get 300 tonnes off it. We use 120,000 tonnes to 300,000 tonnes in Griffith alone, so we cannot grow our own because there is no water to grow our own. My brother grows a lot of wheat himself. He has some dry area acreage north of Griffith but he put sheep on his property now. He planted 25,000 acres of wheat this year and he put the sheep into it. It is just gone; it is finished.

CHAIR: What is the future for your company in rural New South Wales? Where do you see yourselves going?

Mr BARTTER: We need the water rights to be protected. No water transfers should be allowed outside the Murrumbidgee Irrigation Area. Someone in Goulburn Valley should not be able to come up here and grab thousands of megalitres to grow peanuts, a fruit crop, or whatever. He has to find his water from somewhere else. Water is being taken out of our region but Griffith wants to grow grapes. The wine industry will grow. All the fruit industries in Griffith want to grow.

CHAIR: Are there any other areas at which you think we should be looking?

Mr BARTTER: My main concern is water and labour. We need more people. So the Government should do anything it can do to help local shire councils build cheaper homes, or encourage councils to do something. Griffith did buy some land. Council bought some land in Griffith to do all that stuff, but that was three years ago. What has happened to that? The land is sitting there. They have no money to put in the kerbs and gutters. At least the Government could help to develop that land.

Reverend the Hon. FRED NILE: If it is public housing it will be low rental for immigrant workers.

Mr BARTTER: It would be low rental. A lot of our workers come to Griffith, live in Griffith and then leave Griffith as it is too expensive. They rent in Griffith, work for us for six months and then they want to leave. They cannot afford to live in this town because they have to pay a lot of rent. They say that they cannot afford to live in a country town. Griffith is a bit of a yin and a yang thing; it has good and it has bad. It is the most prosperous country town in Australia. You have only to go there and see that. It is a fabulous place but things will start to crunch in once they take the water away. Poor old Walter Burley Griffin would be turning in his grave.

CHAIR: Do you have anything else that you would like to add?

Mr BARTTER: No, not really, unless somebody wants to ask me another question.

Reverend the Hon. FRED NILE: Obviously you have big contracts with Woolworth's and Coles for chickens?

Mr BARTTER: There is no such thing as a contract for those guys. You do a deal, and you do a deal. It is all price; they are tough dealers. The food business is a tough game. I will not start on it, but they are tough. They are there for the consumer. They are competing with one another as retailers. They want the best deal for their shoppers. We go to sell to them and they want to belt us over the head. It is hard to get price rise, even with the drought. So it is tough. But, no, you do not have contracts as such. We have a 12-month deal with Kentucky Fried Chicken [KFC] where we do business and then, 12 months later, we can go shape the new price for the next year. With Coles and Woolworth's we negotiate once or twice a year on price. That price sort of stays, then they throw it up in the air and say, "We will go to tender again" and everyone has to sharpen their pencils and come back. With the drought and the feed we are certainly talking to the majors at the moment. They are going to have to be looking at price rises. They all know it. They all tell us, "We know that there is a drought and that we will have to pay more", but they will not go too far over the limit. So it is a tough game.

CHAIR: Mr Bartter, thank you for appearing before the Committee and thank you for your submission. I know that your time is precious and that you are flat out all the time.

Mr BARTTER: I would like to thank you all for taking the trouble to come to the Riverina, to Griffith and Leeton, the sister cities, and to hear what we have to say. It is not very often that we get a chance to put our thoughts to people who are helping to run the country. I just hope that you take it on board and read my submission. I will be happy to answer any questions. Just email me at *peter.bartter@bartter.com.au*.

CHAIR: We will certainly find you. It is quite likely that we will do so.

Mr BARTTER: I am in Sydney often enough. I am happy to come by and talk to you in Sydney.

CHAIR: If we send you any questions on notice we would appreciate it if you send them back by 28 September. We are trying to wind up this inquiry and report back to Parliament by November. The report will then go out to all of you.

Mr BARTTER: Anything you send me you will have back in two days.

CHAIR: Thank you very much for your time.

(**The witness withdrew**)

DEBORAH GAIL KERR, Policy Manager, Ricegrowers Association of Australia, on former oath:

CHAIR: In what capacity are you appearing before the Committee?

Mrs KERR: As the policy manager for the association.

CHAIR: Would you like to start with an opening statement?

Mrs KERR: Yes, thank you, Chair. Welcome to Leeton. This is slightly different from your normal work residence in Sydney, so I hope you enjoy your local area.

The Hon. CHRISTINE ROBERTSON: Most of us do not come from Sydney.

Mrs KERR: I understand that. That is why I referred to your work environment. Welcome to the local rice growing area. I will not re-hash my submission; I will just bring up a couple of points. Obviously you have heard from other speakers today that the drought seems to have affected a lot of agricultural industries throughout New South Wales, and probably none more so than the rice industry because of its significant requirement for water as a major import. Without water we cannot grow rice. That has resulted in varying impacts over the Murray and Murrumbidgee valleys, a longer impact in the Murray, and more recently in the Murrumbidgee.

There has been a drop off in the production of rice. Last year we produced only about 160,000 tonnes of rice. Our normal production is 1.2 million tonnes. So that obviously has had a significant flow-on effect throughout communities in the Murray and the Murrumbidgee. At some point—I referred to this issue in Sydney—there is a need for some stability with regard to water reform. We have water-sharing plans in place but the irrigated agricultural industry has been undergoing reform for over 10 years now.

A number of additional reforms will occur under the national plan for water security but I hope that, during that post-reform period, we have some stability not just to recover from that water reform process but also to recover from the drought. Right now many farm businesses are at critical points of junctioning their financial situations and they have been under severe financial pressure for a number of years. We would like to see a period of stability where those businesses can recover from drought as well as water reform and become viable into the future.

One area that has been of immense interest to the associate is real-time allocation announcements. We feel that would be beneficial for our irrigators. We are used to a process that is quite lengthy; it happens a couple of times a month. But we think there is a real need to start putting in some metering and technology that will allow irrigators to have allocation announcements basically at the flick of a switch rather than waiting every two weeks to have that. That would have immense financial benefits to irrigated agriculture where they can know in a real-time sense what water they have available to them.

I have a raised in our submission a couple of areas around the skilled work force. I think you have quite an interest in that, from the testimony of the person before me. One thing I would like to concentrate on is our research programs. The Rural Industries Research and Development Corporation Rice [RIRDC] research and development program, which is funded by a statutory levy, has been quite severely affected by the drought. The annual rice levy of $3 per tonne, those funds are met by matching Federal Government funding of up to 0.5 per cent of the gross value of production. That Federal funding or commitment is averaged over a three-year period in an attempt to try to smooth fluctuations in the Government's contribution to our program.

The program was able to hold financial reserves to manage risks. Those have been obviously used as part of our drought contingency planning for research. But with another year of severe drought, the fifth in basically six years, this will result in research and development expenditure being slashed from an average of $2.4 million per annum to less than $1 million dollars per annum. The industry is extremely concerned that without external assistance sufficient revenue may not be available to adequately fund the rice-breeding program that is conducted by the New South Wales Department of Primary Industries here at Yanco. The key priority for the breeding program is to develop water-efficient rice varieties that will lead to significant environmental and productive gains to the industry and obviously the wider community and the New South Wales economy. Without sufficient research and development funding being available, particularly in 2008-09, the future long-term productivity environmental gains could be lost.

Also, we are quite concerned about our long-term investment in research capacity, particularly if we have a lack of funds and a slashing of a lot of our research programs to absolutely core levels. There is a real concern we will lose the human resources that are critical to the rice-breeding program. Obviously, the industry is trying its best to try to seek funding elsewhere commercially and through the Australian Government. For a very successful program—and I have submitted lots of reports with our submission about our research agenda—the industry needs some assistance to try to avoid a bit of a catastrophe happening.

The Hon. MELINDA PAVEY: What is the time frame on that decision requirement?

Mrs KERR: They are reviewing that expenditure all the time and they are trying to ascertain that now. This week we have been in Canberra again. The chair of our research committee and Victoria Taylor, our executive director, have been trying to seek additional sources of funding now for that program. It is pretty critical and will have a significant impact obviously on the New South Wales agency involved.

Reverend the Hon. FRED NILE: It is funded by the levy?

Mrs KERR: Yes, the levy and the matching Federal Government funds but, as you would appreciate, as production has gone down the levy has decreased and so has the Federal Government's commitment to funding because it is a matching contribution. It is one of the quirks, I suppose, of drought where you have assistance to the farmers but there has been no way or no mechanism to adjust for the research programs that are also drought-affected. The Federal Government's total commitment obviously has decreased. We have suggested perhaps the money being maintained at pre-drought levels to at least keep core programs in place. It will not just affect the rice industry, there will be other industries that will be affected, but because of our severe drought impact it has been quite stark.

The Hon. CHRISTINE ROBERTSON: We had a proposal in Narrabri last week that exceptional circumstances [EC] assistance should be removed. The person was proposing that the issue was that people hang on when the farm has finished.

Mrs KERR: I am very aware of the argument. I suppose the argument is that by having exceptional circumstances you are delaying structural adjustment of an industry. I suppose that is okay, it is a mild form of structural adjustment that would have happened in any case anyway. When you have a severe drought like we have experienced over the last six years, by not acting you will have wider repercussions. There would be many farmers who have already left the land rather than just one or two who may have been in a situation where they might not be viable anyway. The Federal Government has a program grant for business viability. They look at what the business would have been pre-drought to drought to post-drought and the likelihood of that business recovering. We have been advocating that our growers should take up that $5,000 grant and try to ascertain where they are with their business. Where the situation is that they were unviable pre-drought you could probably agree with that person's suggestion. But when the business was viable we think there is every cause to continue assistance to make sure that the businesses are there post-drought and recover.

The Hon. MICHAEL VEITCH: The assertion made in that submission last week was that exceptional circumstances assistance is in some way artificially sustaining land values, thus making it difficult for new people to get into farming. Is that an issue for the rice industry?

Mrs KERR: It is not something that has been raised as an issue with us or something that we have thought as an issue. The most likely similar experience I could put is in the United States where subsidies are capitalising to the land value. If you remove the subsidies, all of the input costs in the United States are up because everyone wants a piece of the action, if you like. In Australia you could suggest that the First Homeowners grant is similarly involved. I suppose it is an argument that exceptional circumstances assistance might be similar but I have not seen any research or hard data to back up those assumptions.

The Hon. CHRISTINE ROBERTSON: It is subsistence assistance.

The Hon. MELINDA PAVEY: How many of your rice growers would be receiving exceptional circumstances?

Mrs KERR: It is hard for us to get the data because it is basically commercial-in-confidence. We have got a rice-specific EC for the Murray Valley. It was actually in a situation where they were eligible a lot earlier than Murrumbidgee. Some of our growers there were ineligible. I think there were about 300 of about 1,000 growers that have received assistance down there. I have got no figures for up here. It is only guesswork.

The Hon. MELINDA PAVEY: Maybe a third, but it is guesswork?

Mrs KERR: You would need to probably contact the New South Wales Rural Assistance Authority and try to get some information out of them. I know that they do not just release that information.

Reverend the Hon. FRED NILE: Mrs Kerr, you said that the rice farmers would like more certainty about the amount of water that is available to them and to have that information almost continuously.

Mrs KERR: Real-time allocation announcements.

Reverend the Hon. FRED NILE: Who makes the decision as to how much water is available? Is it Murrumbidgee Irrigation?

Mrs KERR: There are probably a couple of levels. It gets a bit confusing if you are not used to the process. The allocation itself is only legally made available to licence holders when the Department of Water and Energy makes an allocation announcement. It is either the Minister or one of the agency's staff. Within the corporations, Murrumbidgee Irrigation, Coleambally Irrigation, Murray Irrigation are actually licence holders. When they get the water, from then on they make it available to their shareholders through their own processes. From a Government perspective, the Department of Water and Energy makes that water available under what they call an available water determination.

Reverend the Hon. FRED NILE: How do you achieve greater certainty? What should we recommend?

Mrs KERR: A move to real-time metering and analysis. The difficulty with making an available water determination now is that not all pumps are metered with real-time telemetry, so they have to physically go out and read every each meter every time they want to see how much water is being used and take that away basically from what is available. So we are suggesting real-time metering with telemetry so that it is all automated and there is a computer system. They can see what water is in that dam and make an announcement basically at any point in time, rather than waiting for the two-weekly announcement that we now have. In the Murray it is a little bit more complicated because you have the Murray-Darling Basin catchment [MDBC] process that sits on top of the State process. It also has to have a jurisdictional sign off, if you like, of what water is available at State level.

Reverend the Hon. FRED NILE: Who would pay for all this new automated measuring?

Mrs KERR: I would suggest that the Commonwealth National Plan for Water Security has some funding available.

Reverend the Hon. FRED NILE: The Federal Government has a big surplus.

Mrs KERR: We certainly have metering programs under that to move to this sort of situation. I think the Commonwealth is supportive of those sorts of representations. Obviously cost sharing and water sharing are involved if water savings are to be found. But it is a fantastic opportunity to move some very old systems in New South Wales to twenty-second century technology.

The Hon. MICHAEL VEITCH: In your opening statement you spoke about reform fatigue and industry adjustment pressures, as well as the drought or climate change. Do you think these issues are affecting in some way the take-up of innovative practice in the irrigation industry and preventing the acceptance or adoption of innovative practice?

Mrs KERR: Probably not. With regard to the adoption of more water efficient technology on farm one could probably categorise growers a couple of different lots. Those who have very viable farm businesses in profit will readily take up technology. No policy decision will stop that; they will do that because it is in their commercial best interest to do so and they can afford to. The people who do not adopt that sort of technology are probably cash-strapped young farmers trying to enter into the industry or trying to establish in the industry. There are probably some options with regard to assisting them to become water efficient in their farm structures and the way their layouts have been put in place. The other group is those about to retire. If you are within 10 years of retiring as a farmer and you are trying to provide for that retirement, you are not going to spend a significant amount upgrading infrastructure unless you have a farm succession plan in place. We are seeing those three categories. Obviously unviable businesses are the fourth category, and they cannot afford to do it.

The Hon. MICHAEL VEITCH: The issue of reform fatigue is important. The reform process is not finished. Do you have any suggestion about how the State and Federal governments could continue with constructive implementation of the reform process?

Mrs KERR: Farmers or irrigators need certainty. We have talked about the end of water sharing plans in 2014. A guaranteed risk assignment process is in place. New South Wales is the only State that has legislated for that. Farmers have a guarantee of what will happen. However, the national plan for water security has overlaid a little uncertainty and that risk assignment gap of uncertainty needs to be dealt with for somewhere between the end of our water sharing plans in 2014 and the start of 2015. I believe that the Commonwealth is negotiating with the States about that gap.

Aside from that, the National Water Initiative that has been rolled into the plan raises issues regarding defining climate change and the environment and how that risk is borne out, particularly climate change. It was an unfinished issue with the National Water Initiative and we need to work with governments to define what it is. Is it a result of new knowledge or climate change itself? Is it new knowledge leading to a better understanding of climate change? It is a grey area and it needs to be fleshed out in a lot more detail to provide the certainty that farmers know they can invest in their farm business and grow their businesses.

CHAIR: Can you give an overview of the initiative that the rice growers have implemented, particularly with the overseas operations, and why that came about?

Mrs KERR: That would be SunRice's overseas operations. The industry is vertically integrated. The growers, from paddock to price, are the shareholders of SunRice. The industry, particularly through drought, has innovated and traded rice overseas to supply its markets. That is one of the measures that it was implemented to try to retain markets. SunRice's business financials indicate very little drop in net income. That is a result of those trading practices. However, over a long period the industry has also invested in overseas infrastructure. We have a rice milling and packing plant in Papua New Guinea. We bring rice in there and mill it and on sell it to our markets. We also have a port facility and milling plant at al'Aqabah in Jordan to service the Middle East. We obviously also we have a number of facilities around the world with our trading partners in places such as Japan, Hong Kong, London and the United States, where some of our people operate and sell our rice. We also co-own some facilities, like a rice cake plant in Brussels in the European Union. That is an attempt to build on our image of being the world's favourite food company.

Reverend the Hon. FRED NILE: So to keep the contracts you know you can guarantee the supply of rice.

Mrs KERR: We have dropped off markets because of the drought—mainly the lower value or smaller markets. We have tried to maintain our important markets such as Japan, Taiwan, Korea and the Middle East. The Middle East is an extremely important area for us. SunRice is the most readily recognised Australian brand there because people go into the supermarket and buy the Australian SunRice branded product, whereas not all Middle Eastern people would fly with Qantas or drink Fosters beer. The Middle East is extremely important to us and about 25 per cent of our exports go there in a normal year, about 25 per cent to the Asia-Pacific region and about 25 per cent to Papua New Guinea. Papua New Guinea is a low-quality but high-volume market. In trying to trade through this drought we sourced rice from China, the United States and a number of other countries that provide medium-grain for critical markets.

Reverend the Hon. FRED NILE: As a policy officer you would be aware that there are people in Sydney who have negative attitudes about the rice and cotton industries and who say that given our climate we cannot cope with industries that use such large amounts of water. They are not worried if go they go to the wall. How do you cope with that?

Mrs KERR: We are certainly very well aware of those attitudes. I think we have been successful in demonstrating the value of the industry in a drought, because when there is no water we simply do not grow rice. Obviously not everyone is aware of that. Many third-party commentators such as Peter Cullen and Mike Young have got to the public and said that the rice industry is worthwhile in a drought environment because it uses a general security irrigation entitlement; that is, if there is no water they do not get any. Everyone else has a priority above that, whether it is town water supplies, stock and domestic supplies or high security for industry or irrigation. Everyone else sits above general security licence entitlement holders. They grow rice only when water is available. The big issue for our growers last year, particularly in the Murray, was that a number of them took a stance to deal with drought by carrying over water and buying water. Unfortunately, the Government had to take that water from some of them for a period, but they now have it back.

CHAIR: The association has statistics about the value-added component of rice and the per megalitre charge for water. Do you have a comparison with what you would get from a value-added kilogram of rice to a megalitre of water?

Mrs KERR: Absolutely. The industry has worked out that if you take what we call a pillow pack of rice—the old-style rice in a 500 gram or kilogram pack—the conversion is about $1,000 a megalitre. That is what it is worth. In Australia we have developed a lot of innovative packaging and have moved to quick dishes such as heat-and-eat meals, which are put in a microwave for 90 seconds. We also have rice side dishes and rice with protein, which can act as a main course. The latter varieties with protein are valued at more than $20,000 a megalitre. That is what the industry has done to improve the value of its use of water, but not many people are aware of that.

The Hon. MICHAEL VEITCH: I refer again to reform fatigue and industry adjustment. I do not know that anyone else has articulated those two issues as an impediment to the growth of agriculture in New South Wales. Are you aware of any research about the cost of reform fatigue and industry adjustment?

Mrs KERR: No, I am not. We are aware of it because other people get tired of facing more and more reform. It comes perhaps at the cost of confidence in governments because people think they have the next 10 or 20 years of business plan and this is what they have to do—these are the short, medium and long-term goals for the business—and then another reform package is imposed on them, particularly with regard to water, and that disrupts their business plans. However, I am not aware of any study that supports or detracts from that comment. It is just a comment from people we are exposed to on the ground. They throw their hands in the air and say that they have had enough and ask when they will get a period of stability when they can earn a living and restore their business.

CHAIR: If the Committee has further questions, would you be good enough to supply answers in writing before 28 September? On behalf of the Committee I thank you for your presentation today and your submission. I also congratulate your industry for taking some brave initiatives, particularly overseas.

Mrs KERR: Thank you.

(The witness withdrew)

PAUL MAYTOM, Mayor of Leeton, 10 Lillypilly Road, Leeton, and

ROGER WILLIAM BAILEY, General Manager, Leeton Shire Council, Leeton, sworn and examined:

CHAIR: Thank you for being here today and for the use of the premises.

Mr MAYTOM: Mr Chairman, I welcome you and members of the Committee to Leeton and the region. It is a pleasure to have you in our town. I hope that given the severe crisis we are facing—and it is that—the Committee will have the opportunity to develop a better understanding and feel for the issues facing us, especially irrigated agriculture in this region.

The areas I would like to focus on have been dealt with by previous presenters. The drought is the big issue, and it has been for five of the past six years, as is the impact it has had on irrigated agriculture in the community and region. The other issue is associated industries that are also being impacted upon. I know that the Committee will not have any magical solutions to bring us rain, because this was a dry area until it was opened up to irrigation in about 1912. As a result, it became a very thriving region comprising small communities.

Without that system in place we would be barren land reliant on the little rainfall that this area gets. Unfortunately, over the last few years, only minimal water has been available for irrigation. I know that a lot of reforms have been put in place, I know that there are a lot of inquiries, and I know that a lot of effort has been made to try to help the farmers or the farming community in this area that is so reliant on irrigation. So I suppose, as per our submission, we have quite clearly identified the value of those industries not only to the region but also to the New South Wales economy.

We would like the Committee to be fully understanding of our position and the crisis that we are in. People say that, to some degree, this could be alarmist. Well, it is. As mayor of this shire people have contacted me and asked me where we are going in the future with the position that we have before us and with no certainty of a supply of water. As you heard previously, there is no general security, and we have 60 per cent high security. We are very appreciative of the high security allocation that was given because without that losing our permanent plantings would be an absolute disaster.

It has taken many years to get to that stage of development, so we are fortunate that we have that 60 per cent high security allocation for the permanent plantings. We have many people in our region who are reliant on general security on occasions. I know the position of the water supply. I know that it is hard to get water when you do not have a lot of water. But I am hoping that we also address the issues of those farmers, or the farming sector, who are reliant on irrigated agriculture for their produce. I heard the previous submission in relation to rice. Rice, quite clearly, fluctuates on the amount of water that is available from year to year.

I use as an example the infrastructure that is in place, the value of that industry to this region, the employment opportunities that it gives, and a whole range of associated industries that are supporting that industry and the impact that it will have if no general security water is given. I suppose that that is just a general overview. I could outline many other cases. We have the citrus industry as an example. Of course, we grow the produce and we also have the juicing factory, the Berri National Foods factory, which employs a substantial number of employees. We also have the other industries associated with those industries that also employ many employees and give great value to our local economy.

That is a broad overview. The submission quite clearly identifies the value of all industries. The other issue I would like to point out—some people would probably disagree with what I have to say—is that this council initially was opposed to water trading right from the outset when it was proposed. Referring to the national water initiative, we knew that water could be traded on a temporary basis anyhow but we had grave fears about what could happen if we got to the position that we are in now and have been in for the last few years. Water pricing per megalitre would be so high, you effectively could not compete to grow a crop in our region on the value per tonne that you would receive and the value per megalitre that you could trade.

I know that that is the right of the farmer. He has an allocation and he has the ability to trade a proportion of his allocation. We always felt that that trade within the valley was a good thing. However, to some degree we question that trade. Ultimately, after some discussion with many authorities, we agreed as a council that we would support that principle of water trading, even though we had those reservations. To some degree, while we did support it, we understood that the ability to trade water in and out was something that a lot of the irrigated groups and farmers would like. So effectively we had to listen to what they were saying.

But because we have gone down this path—and I have my fears about where we are heading with this climate change and how we will control it going forward—will we just continue to suffer a decline and see our economy fall apart? Will we have any other opportunities out here? I do not know. I am hoping that somehow we can address these issues at least to give us the ability to be sustainable communities which is what was set out to happen when irrigation was opened to up to these regions in 1912.

The Hon. MICHAEL VEITCH: That is an interesting submission, councillor. Do you think that rice, as a crop, will be grown here in 50 years time?

Mr MAYTOM: It is not for me to answer that. I worked for the rice industry for 40 years so I have a fairly long association with the industry. I know, and you would have heard in the previous submission, the initiatives that have been taken to achieve a better and more efficient use of water giving a greater return value for each megalitre of water. Effectively, I see industry progressing down that path and I believe that it will still be here in 50 years time. Referring to where we would be placed and what volume of crop we would be producing, we have produced up to 1.7 million tonnes, as you would have heard, down to as low as 160,000 tonnes. Again, that is subject to supply and demand.

I would like to think that, over the years, an industry like SunRice has really looked at its position on how it was going to be sustainable. Effectively, it has consolidated. It has closed down mills over the years. We have three mills operational in New South Wales. Effectively, I would like to think that it is continuing to implement farming practices to ensure that it gets a better use of water per tonne of rice produced to the value adding side of it. I hope that the rice industry, not from my position as such but from the position of the community, has secured its position. There is no doubt that it has secured its position but it obviously has to have some certainty of supply of water to do that. The rice industry takes what is available; it does not grab and rape the rest of the industries. It does it that way. So to me I think it is a good industry that has shown its responsibilities in trying to ensure the best use of water.

The Hon. MICHAEL VEITCH: In your submission and in your opening statement today you spoke about the value of industries to the regional economy. Your submission clearly refers to the value of industries to the regional economy. Where were those figures sourced and what was the rationale for or methodology used to determine the value of agriculture?

Mr MAYTOM: I will pass over to the general manager.

The Hon. MICHAEL VEITCH: There is a reason for the question.

Mr BAILEY: Most of the information we have was sourced directly from the industries themselves. We went to the rice industry and to the grape industry. The information was sourced early this year in preparation for another submission that we had done. We did that in conjunction with Griffith City Council, hence the format that we went with this time.

The Hon. MICHAEL VEITCH: The reason for my question is that in one of the written submissions we received it is asserted that accurate data to determine the exact value of agriculture and specific sections of agricultural industries is difficult to obtain. So, therefore, we are not able to reflect accurately the value of agriculture to the New South Wales economy. What is your view on that? Do you think that is a fair statement?

Mr BAILEY: Certainly it will be difficult. In relation to some of the other data, the Australian Bureau of Agricultural and Resource Economics [ABARE] put out some information earlier and we sourced some of our information from there as well. Just taking that a bit further, the importance of agriculture to the wider community is also part of our submission.

The Hon. MICHAEL VEITCH: I have that here.

Mr BAILEY: Often the studies looked at the direct agricultural dollar. They did not look at what else was going on within the community that relied on agriculture for their business. Many industries in Leeton have been established based upon agriculture but they have diversified into other areas. SunRice and rice growers have taken agriculture that next step. National Foods with Berri, for example, has taken it to the next step. We are not sure whether that is always taken into account when we look at the total agricultural industry.

Reverend the Hon. FRED NILE: You made a good point about this area being barren and that irrigation started in 1912. Do you believe that this area is getting a fair allocation of water? There is only so much water. Do you believe that its importance is not being realised?

Mr MAYTOM: It is a bit difficult for me to answer that. From the heart I would say no. Effectively, in the issue that is before us at present, farmers have only a minimal allocation. Farmers are seeing their financial position and their viability, and they are trading that water. To me, they are trading that water. I heard one of the previous presenters saying that he was not sure where it was going. My understanding just in the last couple of weeks is that a substantial amount of water was being traded to South Australia. I do not have those figures. I have discussed it with the general manager.

With the worsening situation and forecasts that have now worsened, farmers had some optimism. They thought they were going to get some good crops this year and that things were happening, but that does not appear to be happening now. People are now looking at taking what is on offer for the megalitre of water that they have. That is traded to wherever they choose to trade it. Are we getting our fair share? We may be getting reasonable part of it, but when we have it and it is traded out how do we control that? We cannot control that.

Reverend the Hon. FRED NILE: Should the State Government impose temporary restrictions?

Mr MAYTOM: I cannot really say that because the national water initiative allowed for that to happen, and that went through a number of different authorities, including the council and the Murray-Darling Association that I am on. They were opposed to it but, effectively, after some time they tended to agree to it. But I suppose that the majority of people still had some concerns about it. I do not know how we can control that. I am hoping that this inquiry can look at what is happening now. I know it has been said to me that it is a drought and we will come out of the drought, but we have to prepare for maybe not quite getting out of the drought because we have had droughts over many years. There is no doubt that they have come and they have gone, but to me the pattern appears to be changing.

Somewhere along the line we have to look at the industries we have within our shire or our region. We must look at the minimal amount of water that is required to sustain those industries and the value of those industries. What happens if we lose one or some of the bigger industries that we have throughout our region? At the end of the day I am not asking for anyone to prop up anything; I am looking to see what we have available to ensure that we have a fair and reasonable opportunity to maintain the existing industry and infrastructure that is in place today.

The Hon. CHRISTINE ROBERTSON: This is an extension of your discussion on water trading. This discussion came up when we were conducting a site visit on cotton farms in Narrabri. Can you give me your impression on whether or not the implementation of competition policy into water will ultimately remove some of the political imperative? Is that too distorted? Will it stop politics from interfering with water allocations in the future, or will it in some way change it?

Mr MAYTOM: As in not reviewing all the allocations that are there, but looking at buying some of the allocations? Are you talking about that aspect?

The Hon. CHRISTINE ROBERTSON: I am talking generally about water, where it goes, who gets it and why. In the past very heavy politics have been involved in this.

Mr MAYTOM: In all the water trading seminars that I attended some years back, quite clearly all the presentations were about water being traded to the higher value crops. It did not matter where that water was being traded. The idea was to then say to all farmers, "Lift your game. Get up here and develop the higher value crops." To me, that is way ahead of this world. Effectively, we have to have a fair spread. We cannot just put it all to grapes, citrus, rice, or whatever it may be; we have to look at trying to sustain the different farming practices and industries that we have. Some will be at a lower value than others but we still need that produce. It is quite difficult to determine how we get a fair share.

The Hon. CHRISTINE ROBERTSON: That is an argument to maintain political interest.

The Hon. MICHAEL VEITCH: That is more an interventionist approach.

Reverend the Hon. FRED NILE: Rather than a market approach.

Mr MAYTOM: The market is just wrong.

The Hon. CHRISTINE ROBERTSON: In your mind, are we heading towards or is it almost now a total market?

Mr MAYTOM: If we keep on going with the water we have got, as I said temporary trade is trading up to $1,000 a megalitre and permanent is, I think, $2,600, something like that.

Mr BAILEY: About $2,600 a megalitre for high security water.

The Hon. CHRISTINE ROBERTSON: Only the rich can buy it anyway.

Mr BAILEY: If I can answer your question in part in relation to the value of water. Is it a true market at the moment as far as the value of water is concerned? The water is getting traded to higher value areas. Are there tax incentives for that use or is it going to an area where the production is not as high as it is here? Is it going to more affluent areas where they have the ability to pay and not going into actual production itself?

CHAIR: In your opinion, is the water that is going to South Australia going to family farms or to corporations, which have an abundance of money that can override any particular price?

Mr BAILEY: I do not know the answer to that, but that is the question that I am asking.

The Hon. CHRISTINE ROBERTSON: My question is: Is it going to agriculture or some other industry in South Australia?

Mr MAYTOM: We are asking the same and we would like to get that information back.

The Hon. MELINDA PAVEY: On the issue of housing affordability, Mr Maytom, is it as big an issue in Leeton and as it seems to be in Griffith in that workers move here to work in the many wonderful enterprises that are located within this region and are not able to afford homes or to rent?

Mr MAYTOM: Most areas have probably gone up over and above what we were sitting at a few years back. For the average worker to be renting a place for $200 a week, that is about normal in any of the country areas now. I do not see that as being a big issue. This council is an example. We opened up huge parcels of land for residential development. Quite clearly, the market should be sitting at a level that is affordable because we have so much land that is available. I do not see that as being a big issue. But if we are talking about attracting people to this region and having skilled labour in our region, I am saying the indicators are it is not about attracting, it is about trying to keep those that we do have. Effectively they will be moving out as jobs decline and factories and industries drop off.

The Hon. MICHAEL VEITCH: As regards the land you opened up, was that a rezoning within your local environmental plan [LEP] and was it as per the definition of prime agricultural land prior to being rezoned?

Mr MAYTOM: We had what was called the Don Fox study. That was before Roger's time. They identified this land. We went through an extensive process to look at the areas of land and the impacts on existing agriculture if we opened up those particular areas for residential development. Effectively, when we did the Don Fox peripheral study—it was some time back, I think in 1991—there was no impact as far as the agricultural sector was concerned, and there has not been any impact where we have developed in those areas.

Reverend the Hon. FRED NILE: Did it bring the price down of land or residences?

Mr MAYTOM: In comparison, if you want to look at Griffith for example, I would say we are reasonable. A normal residential block, around 1,200 square metres, is about $65,000 dollars to $75,000 maximum. That is not too bad.

CHAIR: Mr Maytom, during our travels red tape has been one of the issues most people have brought up. How has that affected this area and your council? Has there been any problem?

Mr MAYTOM: I have not had any major concerns with it. I do understand, in consultation with the general manager, that we as a council must have that consultation process in place to ensure that we have a voice, I suppose, to be able to present our position on the impacts it could have on us. Roger may have some particular cases.

Mr BAILEY: I have not got any specific examples of any problems at this point in time. It is my understanding that property vegetation plans are required before development applications are accepted by council. I think that is something that people have become accustomed to as far as farming practices are concerned. I also understand that we are using the Murrumbidgee Irritation farm plan as a pre-approval process for development applications. From what I am told that it is working satisfactorily at this point in time. So we are not having any difficulties as far as that is concerned.

The Hon. CHRISTINE ROBERTSON: I would like the Hon. Michael Veitch to ask a question about the catchment management authorities and local environment plans, as he understands the language.

The Hon. MICHAEL VEITCH: In another life I am a councillor with Young Shire Council and have been for 12 years. One of the issues that have been raised by a couple of witnesses is about government departments delaying the approval time for applications because they are doing a lot of checks or contradicting each other in the process. Have you encountered that at all?

Mr BAILEY: I have heard of some instances but I do not have any examples for you at the moment. I am not sure if you are aware but I am only new here to Leeton shire. I have only been here a matter of a couple of months.

The Hon. MICHAEL VEITCH: They have not worn you down yet.

Mr MAYTOM: I have been on council for 20 years. We went through a lengthy process with Rockdale feedlot. The council supported the process because we needed to fully understand if there were any impacts on the environment and we had to ensure that we put conditions in place that were going to give us the best outcome. Quite clearly, I would say to anyone to go and have a look at it and see what we have done. Of course, there has been red tape that has come in since then. I do not know how much that would hold us back for a similar type development at this stage.

The Hon. MICHAEL VEITCH: In your view, the rigour that process puts in place is positive?

Mr MAYTOM: Without a doubt.

The Hon. MICHAEL VEITCH: What is your interaction with the catchment management authority with regard to your council activities? Is it positive or negative?

Mr BAILEY: To the best of my knowledge it is positive. I have not been given any examples to date where our interaction with the Murrumbidgee Catchment Management Authority [CMA] has been negative. I have had a couple of discussions with the executive officer there since I have started. I am yet to meet him face to face. I have had reason to phone him on at least one instance about a particular concern and he got back to me quite promptly. I can only talk highly of them to this point in time, as I could in my previous position with the Lachlan CMA. Going back to the red tape issue—

The Hon. CHRISTINE ROBERTSON: Regulations.

Reverend the Hon. FRED NILE: Overregulation.

Mr BAILEY: Red tape, green tape, whatever colour tape, councils have encountered difficulties with having their LEPs amended. I have not had experience here at this council with that, but I am aware that councils have been incurring difficulties. There was an inquiry in the Central West in relation to the allotment sizes. From what I have seen so far, that came down with some good recommendations and I hope the Government takes that on board.

The Hon. MICHAEL VEITCH: I have another question that relates to evidence provided by the previous witness about reform fatigue. In your role on council, have you encountered reform fatigue amongst farmers and irrigators in the shire? Is there evidence of that?

Mr BAILEY: Frustration probably.

Mr MAYTOM: Nothing of any significance from my point of view.

Mr BAILEY: Nothing that comes immediately to mind. I do appreciate there is a general frustration amongst people with constant changes. I would have to admit from my own point of view, from time to time I feel a frustration with regular changes to various Acts and requirements and so forth.

CHAIR: The Committee may wish to ask you further questions, which we will put in writing and we would ask that you reply by 28 September.

Mr BAILEY: Yes.

CHAIR: Thank you for having us in your shire today. We will be conducting a tour of a large area farm and a horticultural farm this afternoon and then will hold a public forum at Leeton Soldiers Club between 5.00 p.m. and 7.00 p.m. We look forward to submissions from people about the problems they are facing. Once again, thank you and the people of Leeton.

(The witnesses withdrew)

(The Committed adjourned at 12.41 p.m.)