

17 September 2024

Nick Bouziotis
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By email: nick@morehuman.com

Dear Nick,

Re: NSW DPI Response to Draft Planning Proposal Barkers Lodge Road, Oakdale

Thank you for the opportunity to provide comment on the NSW Department of Primary Industries – Agriculture (NSW DPI) response to preliminary consultation – draft planning proposal – land at 1838 Barkers Lodge Road, 1455 and 1475 Barkers Lodge Road, Oakdale dated 28 June 2024.

Comment addresses:

- The non-commercial nature of returns from grazing on the site.
- The limitations of the site for controlled environment horticulture.
- The role of the site in providing future food security.
- The long-term shift of commercial agriculture out of the Sydney Basin.
- Other relevant issues.

The response was prepared by Michael Clarke, AgEconPlus. Michael has a degree in agricultural economics from the University of Sydney, 1987. He has 37 years' experience working as an agricultural economist, initially with the NSW Department of Lands and NSW DPI (1987-1990) and then as a consultant agricultural economist with Hassall & Associates (1990 to 2004) and his own company, AgEconPlus (2004 to current). Michael has worked across land use planning for individuals and government including land use planning for the NSW Department of Planning & Environment in the Metropolitan Rural Area (MRA), Sydney. Additional information on Michael can be found at <https://www.ageconplus.com.au/services/land-use-services-by-ageconplus>

Site description

The site consists of 3 lots, being Lot 1 (2.59 ha), Lot 2 (2.97 ha) and Lot 6 (18.34 ha) in DP 734561. Lots 1 and 2 are best described as large lot residential. Both lots contain dwellings and detached sheds. The balance of Lots 1 and 2 mostly comprises mown grass and scattered trees. The south east corner of Lot 1 contains a more intact stand of native vegetation. Lot 6 contains a dwelling, various outbuildings and two farm dams. Lot 6 is partially cleared but retains a significant area of native vegetation. Lot 6 is used for horse agistment. The three lots have a total area available for grazing of approximately 15 ha. Neighbouring properties are either residential or used for horse agistment or grazing (Gyde Consulting May 2024).

Non-commercial nature of grazing returns at the site

NSW DPI (28 June 2024) notes that the site is mapped as Class IV under the Land and Soil Capability Scheme and is capable of supporting grazing with pasture improvement. AgEconPlus notes that the site could be grazed by a range of livestock species including alpaca, goat, sheep, horse, dairy, or beef cattle. Typically, sites like this when retained in agriculture, are used for beef cattle grazing. Beef cattle grazing offers a low capital, labour, and risk agricultural enterprise. In particular, grow out of beef cattle weaners requires few capital inputs other than livestock, fodder, water and fencing. An enterprise based on weaner grow out does not involve livestock reproduction and bulls that might be dangerous to members of the public in what is effectively a residential area, are not required. Labour is less than alternative agricultural enterprises and saleyards at Camden and Moss Vale provide ready outlets for finished stock.

However, while the site is technically suitable for grow out of beef cattle weaners, it is not an economically rational use of the asset. Gross receipts from cattle production would be approximately \$28,400 per year (15 head of beef cattle at an average sale price of \$1,893) of which direct costs, including weaner purchase, pasture improvement and maintenance, account for almost 80% of gross receipts (NSW DPI April 2023). Annual return per hectare, before allowing for the cost of land, is a modest \$415 (gross margin of \$6,223 divided by 15 ha).

Land values work against the use of the site for commercial beef cattle grazing. Agricultural land with a similar carrying capacity, in say the Southern Tablelands of NSW, sold at an average price of \$7,349/ha in 2023. While agricultural land in the Sydney Basin, and similar peri-urban areas, sold at \$20,653/ha (Rural Bank 2024). A superior return on capital could be achieved from purchase of grazing land in other parts of NSW.

Limitations of the site for controlled environment horticulture

NSW DPI (2005) *Guidelines for the Development of Controlled Environment Horticulture* define the sector as the production of horticultural crops within, under or sheltered by artificial structures to provide modified growing conditions and/or protection from pests and adverse weather. Controlled environment horticulture is not reliant on the biophysical attributes of the land. Crops grown may include fruits, vegetables, mushrooms, nuts, cut flowers and foliage, and nursery production for commercial purposes. NSW DPI (undated) notes that, for planning purposes, intensive horticulture does not include retail sales or viticulture.

NSW DPI (2005) explains that the most common issue with controlled environment horticulture is loss of aesthetics – how a landscape is affected visually. “People, used to a particular visual outlook, may object when someone else wishes to make changes to a landscape, such as constructing greenhouses or installing an outdoor hydroponic system. Aesthetics is often the most common issue with controlled environment horticulture due to its subjectivity”. Other potential issues with controlled environment horticulture identified by NSW DPI (2005) include “the siting of structures, land clearing and tree removal, water management, use of pesticides, management of solid wastes, increased traffic and intrusions such as odour, noise, light, dust and pests”. AgEconPlus notes that each of these issues is potentially problematic at the Barkers Lodge Road site.

Because controlled environment horticulture is not reliant on the biophysical attributes of the land, it can be located almost anywhere and preservation of the Barkers Lodge Road site for controlled

environment horticulture is not imperative. The Australian Protected Cropping Strategy 2021-2030 (Hort Innovation 2021) identifies the potential of controlled environment horticulture in industrial estates and AgEconPlus notes the presence of a large-scale and successful truss tomato grower in Guyra, northern NSW. Guyra is 520 km from Sydney and 416 km from Brisbane.

Role of the site in providing future food security

Most growth in Australian controlled environment horticulture is in high-tech glasshouses of the type developed by Gerry Harvey's Family Fresh Farms, Peats Ridge NSW. At this site two, 2.5 ha, seven-metre-tall glasshouses are used to produce snacking cucumbers. Peak production is 24 tonnes per week. Other food crops that could be grown in similar facilities include truss tomato, egg plant, capsicum, and lettuce.

Modern controlled environment glasshouses operate at scale to profitably service low margin, high volume, quality conscious markets. Perfection Fresh markets Family Fresh Farms' cucumbers under the brand name "Qukes" baby cucumbers on an exclusive basis. 'Qukes' are retailed through Coles, Woolworths, Aldi, Costco, and independent fruit and vegetable stores. Other glasshouse products, such as truss tomatoes grown in Guyra, are marketed on the same basis as 'Qukes'.

Critically, there is no shortage of fresh vegetable supply in Australia. A recent survey of vegetable growers by peak industry body AUSVEG showed that 34% of vegetable growers were considering industry exit due to a combination of workforce shortages, input cost increase, and low profit margin caused by oversupply (AUSVEG 2024).

Success with controlled environment horticulture is reliant on access to a stable market that can absorb a large regular supply of produce. Product differentiation and branding are also beneficial. Cucumber, truss tomato, eggplant, capsicum, and lettuce are available to the point of oversupply in Australia. Large corporations have the financial resources to invest in expensive marketing programs to promote differentiated commodity and displace small-scale suppliers.

Furthermore, Australia is not a regular exporter of controlled environment grown commodity. Australia exports fruit and vegetables that can be grown at scale in highly mechanised production systems that do not require expensive farm labour (e.g., field grown carrots, broccoli, and green beans). Exports of cucumbers, tomatoes, eggplant, and capsicum are confined to spot sales that are sourced from wholesale markets on an *ad hoc* basis. Spot sales fill short-term market gaps in non-protocol markets like Singapore (produce does not need to meet highly proscriptive sanitary and phytosanitary controls). Unreliable spot sales to export markets are not conducive to modern large-scale production.

Into the future, the limited role of the Barkers Lodge Road site in securing food security is unlikely to change. For example, to meet the needs of future Australian population growth, the most likely scenario is that existing controlled environment growers will add capacity to established facilities and channel additional production through existing supply chain partners. At best, the site could be fitted with low-cost infrastructure and supply small volumes of commodity to less tightly managed outlets such as 'farmers markets'. However, the profitability of this activity is likely to be marginal.

Long-term Shift out of the Sydney Basin of commercial agriculture

The history of agriculture in the Sydney Basin has been one of land use succession as farm enterprises have found more profitable locations to produce (AgEconPlus 2017).

Over time agricultural industries have matured, production conditions and land prices have shifted, and the industry has moved out of the MRA. These industries have included large-scale beef cattle production, wool and sheep meat, cereals, fruit, dairy, and pigs. The transition is currently underway for poultry (chicken meat, eggs), and vegetables. NSW vegetable production is shifting from the MRA to the Central West, Riverina, and Murray regions.

Importantly, Australia's food supply is part of a national system where commodities including vegetables are sourced from throughout the nation and supply is sourced on a seasonal basis. For example, produce consumed in Sydney may be sourced from Queensland during the cooler months and Victoria when the season favours temperate supply. Supply for the Greater Sydney market is secured from a national supply base and sometimes supplemented with imported produce from Australia's trade partners.

Land zoned rural in the Wollondilly LGA

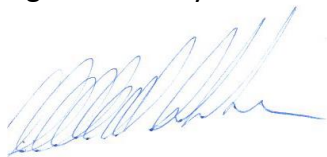
AgEconPlus notes that the project site represents just 0.14% of all land currently zoned RU1 Primary Production in the Wollondilly LGA (17,625 ha), and just 0.05% of all rural zoned land (52,829 ha) in the shire.

Conclusion on the site

The Barkers Lodge Road site has a limited role in agriculture and securing Sydney or the world's food supply.

Thank you for the opportunity to provide comment.

Kind regards
AgEconPlus Pty Ltd



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