

## SYNOPSIS

- All arable areas of my farm were cropped during the period 1963 and the early 1980s. In all approximately 1133 hectares were cropped in this period.
- The NSW Native Vegetation Conservation Act 1977 only permits land to be cropped if it has been "cleared" and cropped within the last ten years. A total of 633 hectares of my farm falls into this category. The remaining 500 hectares is required to be inspected and may, need a formal application to clear native vegetation. 128 hectares of the 500 is already confirmed to require formal application to clear.
- All my immediate neighbours are able to crop 100% of their arable land and I am only aware of one other property owner in my district that is in a similar position to me.
- Restricting my cropping enterprise to 633 hectares reduces a pasture phase in the rotation to three years only and I suspect this is insufficient time to allow some native species to regenerate and build up a seed bank. The diversity of species in the pasture phase will mainly be limited to introduced exotic species.
- An application to clear native vegetation maybe rejected to preserve the vegetation. In this instance the use of the land would be restricted to a grazing enterprise only. There seems to be few opportunities under the Act to maintain or improve productivity on areas of designated native vegetation.
- A gross margin comparison of enterprises conducted on my farm shows a higher gross margin for a joint cropping and grazing enterprise than for a grazing enterprise on its own. The difference is \$82.98 per hectare for the joint enterprise versus 559.81 per hectare for grazing only, or a reduction of nearly 28% if enterprises were altered from a joint grazing/cropping to grazing alone.
- Preserving native vegetation and restricting enterprise selection to grazing only, will reduce land sale values from the \$500 to \$750 per hectare currently being paid for cropping land in my district. This will have an impact on business accounting, capitol raising and Council rate generation.
- Any encumbrances placed on a land title as an offset to clearing applications under the Native Vegetation and Conservation Act reduce the flexibility of farming operations and are unattractive to land purchasers, causing further potential reduction in land values.
- I have no experience with the Threatened Species Act but expect a similar impact to productivity and land vales if my farm fell within a designated core habitat area of a threatened bird or animal.

## INTRODUCTION

- 1319 hectares owned. All dry land, no irrigation. Approximately 1133 hectares are arable and physically suited to cereal cropping
- Land is utilized for a grazing and cereal cropping enterprise.
- Up to 400 hectares per annum is used for cereal cropping and or fallow.
- 1000 breeding ewes and 40 breeding cows are run.

## BACKGROUND

- My Father purchased the land in 1949 and 1953.
- A grazing enterprise was operated until approximately 1963 when cereal cropping was added to the enterprise mix. All arable areas of the farm were sown to cereals in the following years and most areas were left sown down to sub clover and a Hunter River variety of Lucerne.
- The cropping enterprise was substantially reduced in the early 1980s and only occasional oat crops of up to 40 hectares were grown for stock feed.
- Cropping was again added to the enterprise mix in 1995 when my Father retired and I took over the farming operation. I had previously spent 20 years working in other industries and was not directly involved in the operation of the farm.
- 633 hectares fall within the 10-year rule in the NSW Native Vegetation and Conservation Act 1997 and are eligible to be sown to cereals. Approximately 500 hectares of arable land does not fall within the 10-year rule and requires inspection and, possibly, application before clearing and sowing to cereals.

## NATIVE VEGETATION NON-COMPLIANCE ISSUE

- In September 2001 I spray fallowed 108 hectares without realizing that permission was required.
- The 108 hectares had previously been sown to cereals in approximately 1975.
- A neighbour alerted me to the need for permission and I approached the Department of Land and Water Conservation 'm December and explained what had taken place, A site inspection was conducted at this time.
- A stop work order was issued 'm January 2002 prohibiting cultivation or the application of herbicides. No restriction was placed on grazing the area.
- An investigation and inspection was scheduled for February 2002. A report on the incident is reputed to have stated that the area was seen as a suitable habitat for the Plains Wanderer, a declared endangered species.
- The stop work order was lifted in February 2003 and a warning issued to the effect that the area was classified as Native Vegetation under the Act and that application must be made to clear it. Penalty for non-compliance could be up to \$ 1.1 million in fines, payment of court costs and regeneration costs as required.
- In May 2003 a written application was lodged to plant Saltbush on this and an adjoining area. The application has been complicated by the note in the

Previous compliance investigation report about the suitability of the site as a Plains Wanderer habitat.

- In June 2003 verbal approval was issued to plant the Saltbush over half the area and a indication given that part of the second half was likely to be approved.

## THE COST OF COMPLYING WITH THE NSW NATIVE VEGETATION AND CONSERVATION ACT 1977.

### FINANCIAL COSTS

A summary of enterprise gross margins is presented to highlight the difference in return from enterprises that have been adopted on my farm. Calculation sheets are included later and show that at this time that new crop cereal prices have fallen since the 2002 harvest while wool prices are still significantly above the long-term average price. Any reduction in wool prices in the future will increase the difference between cereal and grazing enterprises as the sensitivity analyses indicate.

Enterprise	Gross Margin per hectare
<i>Cereal enterprises</i>	
Wheat (long fallow)	\$161.91
Wheat (short fallow)	\$100.39
Barley	\$99.44
Oats (Short fallow)	\$123.02
<i>Grazing enterprises</i>	
Merino ewes	\$55.34
1 <sup>st</sup> Cross Lambs	\$66.50

Gross margin figures are the basis for enterprise selection in a production period because the greater proportion of a high gross margin enterprise in a production mix the higher the income achieved. The proportion of a high gross margin enterprise devoted to a production mix is influenced by many factors and include attitude to risk, rotation restrictions, labor available, capitol constraints and legislative constraints such as the Native Vegetation Act.

From this table it is possible to calculate an average gross margin for a combined cereal and grazing enterprise over a complete rotation and also a gross margin that reflects a joint Merino ewe and first cross lamb production grazing enterprise. Both such calculations are relevant to my farm.

A joint Merino ewe and first cross lamb enterprise is a 60:40 weighted average of each individual gross margin i.e. 600 ewes producing merino replacements and 400 ewes producing first cross lambs. This average gross margin is calculated to be \$59.81 and is used in the pasture phase to calculate an average gross margin over he length of a rotation in a mixed cereal/grazing enterprise.

A join cereal/grazing enterprise would employ a rotation of four years cereal production, three years pasture for grazing and one year of fallow ( assumed to have a nil gross margin). This is totaled and divided by eight to produce an average gross

Margin per year. Utilising all four-cereal enterprise options and the figure of \$59.81 for each of the three pasture years, an average gross margin over the length of the rotation is calculated to be \$82.98.

Therefore, any restriction that promotes grazing over a cropping and grazing enterprise will cause a reduction of gross margin by \$23.17 per hectare. This represents nearly a 28% reduction.

I have 633 hectares that are eligible to be cropped under the Native Vegetation Act and another 500 that are subject to inspection and may need application to be formally lodged to clear and crop. The non-compliance issue in 2002-03 has identified that 128 hectares of this 500 will need formal lodgement of an application to clear. Such applications may require another area of the farm to be set aside and retained as an offset. Such details are marked on land titles and rules are imposed as to how and when these areas can be utilized.

Potentially, my farm, will be subject to a two-tier valuation system where 633 hectares would sell at \$500 to \$750 per hectare (the current market price for cropping land) and the remaining 500 hectares of native vegetation and 186 hectares of non-arable land would be valued at a lesser figure reflecting its grazing only potential. It could be argued that I suffer a 28% reduction in value on 500 hectares or 38% of my holding. In this argument a reduction of \$70,000 to \$105,000 would occur to my property value.

Such a reduction has implications beyond that of money realized through land sales as it impacts on business accounting, capitol raising and in the community sense on the basis for raising Shire rates.

## MANAGEMENT ISSUES

An aversion to risk prevents me from wanting to devote all arable areas on my farm to a continuous cropping program even though gross margin calculations indicate that this strategy is the key to maximum income generation. My strategy was to operate a dual grazing cropping enterprise (where a cropping/fallow phase in a rotation utilized up to 400 hectares per annum) over the total arable area on the farm to improve soil structure and fertility and control weed species. The pasture phase of the rotation would include introduced exotic species but would be allowed to continue for ten plus years to promote regeneration of native species and greater diversity.

The compression of such a strategy into a smaller area by the Act reduces the pasture phase and will limit the regeneration of native species. In time these native species will disappear from the area, while the areas of designated vegetation will not achieve the benefit of improvement to soil structure and fertility and their productive capability will decline further with time.

Market forces have an impact on gross margins and Native Vegetation restrictions limit the decisions that can be made to react to the impact of market forces. It used to be the physical size and capability of the property that put a limit on such decisions but with the introduction of Native Vegetation legislation, physical size and capability are further reduced.