Greater Shepparton

Regional Rural Land Use Strategy

Issues Paper

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Greater Shepparton City Council

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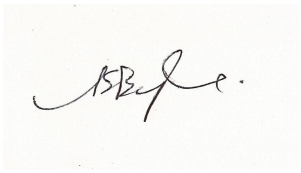

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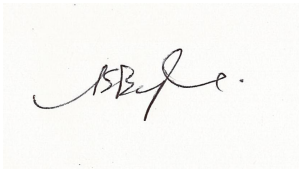

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Contents

List of tables

List of figures

Executive summary

In 2006, regional gross value of agricultural production totalled $1.35Million. Greater Shepparton contributed the most, $481 million or about 35% of regional production. The alignment of land use policy with the agricultural sector contributes to ongoing regional development opportunities and ensures the City of Greater Shepparton can encourage investment attraction.

Greater Shepparton has particular strength in the horticultural sector generating around 64% of regional fruit production and 57% of regional vegetable production. This represents 26% and 17% of state production respectively. The dairy sector of Greater Shepparton produces around 25% of the regions milk and contributes $126 Million to the local economy. Consistent with the trends in Campaspe and Moira, there was a slight shift away from dairy and expansion in the horticultural sector between 2001 and 2006.

Greater Shepparton City Council are in an enviable position in the region having prepared both the RRLUS and Housing Strategy. Adoption of both land use policy positions will enable Council to accommodate a range of rural land uses including rural residential and farming enterprises through a coordinated and sustainable approach.

Water trading has brought about changes in the way irrigators consider water, from a production input to a capital asset. At times Greater Shepparton has been both a water buyer and seller. The amount of trade has been largely driven by the dry conditions of the last 5 to 10 years resulting in increased competition for water.

The Northern Victoria Irrigation Renewal Project (NVIRP) is a program of works that will modernise and upgrade irrigation infrastructure in northern Victoria. The project will see $2.3 billion of works implemented over the next 5 – 10 years. Alignment of a planning framework that captures the full benefits of the NVIRP investment will assist in future proofing the primary economic driver of the region and ensure ongoing regional development.

The RRLUS identifies the fundamental importance of agriculture within Shepparton and the region and its specific needs for ongoing viability. This includes supporting opportunities for consolidation and growth of farming enterprises with appropriate lot sizes and planning controls that limit the introduction of sensitive non-agricultural developments. This land use policy position will strengthen regional development opportunities and encourage investment into Greater Shepparton.

The RRLUS regional partners have recognised the core intent of the RRLUS and it is recommended that the Greater Shepparton City Council seek to adopt the RRLUS to progress development of the planning scheme amendment and finalisation]of proposed planning controls.

1. Introduction

Parsons Brinkerhoff, along with RM Consulting Group has been engaged by the Shires of Campaspe and Moira and the Greater Shepparton City Council to prepare a Regional Rural Land Use Strategy (RRLUS) for the three municipalities. A fundamental aim of this project is to develop consistent strategies and regulatory controls for the management of land use and development across the region's rural areas.

Since finalisation of the RRLUS in October 2008, both the Shires of Campaspe and Moira have adopted the RRLUS. However, the Greater Shepparton City Council (GSCC) has not yet endorsed the finalised strategy as they are concerned that the strategy does not fully respond to some of the specific issues facing the Shepparton local government area

This report has been prepared to respond to concerns that:

- Agriculture is no longer an economic force in Shepparton;
- Water trading is compromising the future of agriculture in Shepparton;
- Further controls on land use and development in rural areas will limit agricultural operations and affect population growth and development;
- Rural living is not supported.
- Shepparton East is inappropriately zoned

The report further provides a discussion of the Greater City of Shepparton's (GCSC) unique and critical role within the region arising from the RRLUS.

In essence GSCC's role in managing land use in rural areas must recognise:

1. The success of the **primary economic driver** in the region is heavily reliant on ongoing agricultural development opportunities in Shepparton;
2. **Significant regional development** opportunities are created through adopting a clear policy position for rural areas that is aligned with the NVIRP
3. Facilitation of ongoing viability in rural areas relies on consideration of activities associated with **reconfiguration of agricultural areas** in concert with the development of **sustainable and active populations** concentrated to settlement areas and existing urban locations.

2. Key issues and background

The development of the RRLUS is a significant and bold initiative by the three member Councils. The regional approach seeks to provide a strategic framework for the promotion of agriculture on rural land within the region. The principles developed through this strategy are then applied at the local level using local knowledge and understanding.

This report provides further support for the intent of the RRLUS developed by the regional partners. Fundamentally, agriculture remains the foundation of the economy and alignment of land use policy with the modernisation of irrigation infrastructure investment to ensure the planning scheme acts as an enabler for regional development is a primary objective of the strategy.

The RRLUS recommends a range of minimum lot sizes selected to best protect agricultural land from inappropriate fragmentation and support the growth of agriculture. Concern has been raised that these controls both inhibit agricultural operations by placing greater restriction on farmers and unfairly limit rural housing development.

The RRLUS does not create a requirement for compliance with minimum lot sizes. An operation with land of less than the proposed minimum lot size will not be required to reconfigure their land to achieve the schedules minimum lot size to keep operating. The minimum lot size only becomes a consideration when subdivision and housing development is proposed for a rural property, and as explained above, these sizes seek to protect agricultural land from conversion to non agricultural use.

Through application of the suite of rural zones, including the three proposed schedules to the Farming Zone, opportunity exists to both consolidate and where required reconfigure both new and existing agricultural properties to enhance viability and productivity.

Unlike both Campaspe and Moira, Shepparton has also recently developed the Draft Greater Shepparton Housing Strategy. This places them in a strong position to manage rural land use, in particular rural living demand. The combination of both strategic documents ensures the strengthening of existing settlement nodes and urban areas including sustainable release of rural living areas. Research demonstrates that hobby farms do contribute to diversity of rural communities and can promote resilient communities. However, the unplanned development of hobby farms can significantly impact agricultural development as well as affect Council's rural infrastructure demand. Armed with two key strategic documents, the GSCC is able to provide co-ordinated response to management of both urban and rural communities.

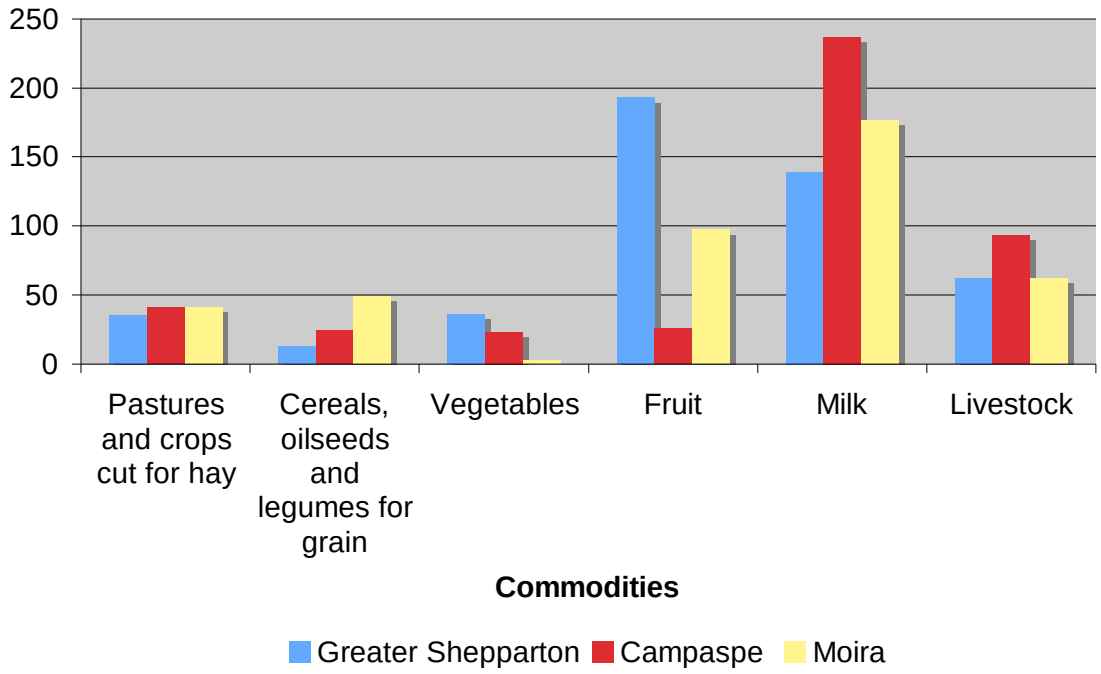
3. Agriculture in the region

3.1 Greater Shepparton agriculture – regional context

In 2006, regional gross value of agricultural production totalled $1,354million. Greater Shepparton contributed the most, $481 million or about 35% of regional production.

Figure 3-1 shows the comparative value of production of major commodities across the three shires. Greater Shepparton has particular strength in the horticultural sector generating around 64% of regional fruit production and 57% of regional vegetable production. This represents 26% and 17% of state production respectively. The dairy sector of Greater Shepparton produces around 25% of the regions milk.

Figure 3-1 Value of production of major commodities in the region. (ABS Agricultural Census 2006)`



Dairy and horticultural production are the two strongest industries in the region. Between 2001 and 2006, the gross value of dairy and horticultural production in Greater Shepparton as a proportion of regional production was maintained at around 25% and 70% respectively (Table 3-1).

Table 3-1 Gross value of milk and fruit production in Greater Shepparton as a proportion of regional production in 2001 and 2006 (ABS Agricultural Census 2008)

Commodity	2001	2006
Milk production in Greater Shepparton as a proportion of regional milk production	25%	25%
Fruit production in Greater Shepparton as a proportion of regional fruit production	71%	68%

Consistent with the trends in Campaspe and Moira, there was a slight shift away from dairy and expansion in the horticultural sector between 2001 and 2006 (Table 3-2), indicated by a reduction in the number of dairy cows and increased fruit tree numbers in Greater Shepparton. These may be short term shifts in longer term trends brought about by low water allocations and high water prices.

Table 3-2 Number of dairy cows and fruit trees in 2001 and 2006 across the three Shires (ABS Agricultural Census 2008)

Area	Number of dairy cows ('000s) 2001	Number of dairy cows('000s) 2006	Number of fruit trees ('000s) 2001	Number of fruit trees('000s) 2006
Greater Shepparton	99	77	3,513	4,153
Moira	154	106	77	106
Campaspe	111	98	1,385	1,840

Analysis of regional and municipal production statistics does not reflect the inter-connectedness of the three municipal economies and their agricultural industries. Much of the transport, processing, manufacturing and associated servicing needs for agriculture in the region are based in Shepparton. This in turn has seen Shepparton become the major service centre for northern Victoria providing health, education and public sector services to the wider region.

3.1.1 Dairy industry – February 2009

In December 2008, Murray Goulburn announced a 26% cut to milk prices, effective from February 2009. The cut equates to a 13% reduction in the average milk prices for the 2008/09 season. Other milk processors have announced similar cuts to milk prices. The last time a mid-season cut was made to milk prices was in the 1980s.

Milk prices are announced at the start of the season and it is on this basis that farmers make plans with regard to capital improvements, stock, feed and water purchases and management. A mid-season drop in the price will impact on farm plans and on the balance sheet, regardless of the size of the business.

Discussion with industry representatives confirms that there is a lot of nervousness amongst farmers and that they are exploring options to manage through the current circumstances. Whilst there has been a reduction in the number of farms, the total area in which dairy operations continue to operated remains the same. This process has occurred through

consolidation and expansion of existing operations. Acquisition of adjoining or neighbouring properties has been occurring regardless of access to permanent water. The acquisition of adjoining properties has enabled existing farms to diversify and control farm operations to ensure sustainable growth of the farm business. This includes the efficient use of available water, growing of annual pastures and cereals and the requirement of more land to manage lower stocking rates.

Industry and government are currently formulating a response to the announcements including support packages.

While the current circumstances are extremely challenging, and inevitably will result in some restructuring of the industry, there is still a strong commitment and strength in the industry. This commitment has been demonstrated through innovation and improved water efficiencies to ensure sustainable production levels despite low water allocations. Therefore, from a land use policy position, the RRLUS needs to ensure that existing businesses can continue to expand, consolidate and respond to changing conditions (eg. Global markets and water accessibility).

The fundamentals of the RRLUS remain unchanged. The region has excellent natural attributes and infrastructure that underpin a sustainable agricultural industry. To ensure that agriculture remains sustainable in the future will require a raft of measures – economic development, marketing, infrastructure upgrade – irrigation, processing, transport to be undertaken by a range of stakeholders. The alignment of land use policy with development of a world class modernised irrigation system is vitally important to regional development and investment. This policy alignment indicates there is a significant need to preserve opportunities for land consolidation for existing and new farming enterprises relatively free from constraints arising from development of sensitive uses (eg. Rural residential development on smaller lots).

Strong policy direction can also facilitate the marketing and attraction of new investment back to Greater Shepparton. This is through acknowledgement of the region's strengths that include proximity to markets, climate, infrastructure and modernised irrigation system through an adopted policy position.

Greater Shepparton is one of these stakeholders and can make a significant contribution to sustainable agriculture by ensuring the planning scheme provides a planning framework that underpins the key resource and economic driver throughout the regions including the Greater City of Shepparton. This framework needs to ensure that land remains largely un-fragmented and with limited non-agricultural uses.

3.2 Structural change

While the contribution of Greater Shepparton to regional production remained steady, there has been some change in the structure of the horticulture and dairy sectors. Consistent with long term structural change in agriculture, there was a decline in the number of 'small' (small with respect to income not physical size) dairy businesses and an increase in the number of 'large' dairy businesses (Figure 3-2) and a net reduction in dairy farms between 2001 and 2006. The scale of the changes are similar in each municipality.

Comparison of structural change in horticultural businesses (Figure 3-2) between the three Shires, highlights the significantly larger number of horticultural businesses in Greater Shepparton. The changes within the sector were relatively minor compared to dairy and

there was a general decline in the number of 'small' horticultural businesses and an increase in 'large' businesses.

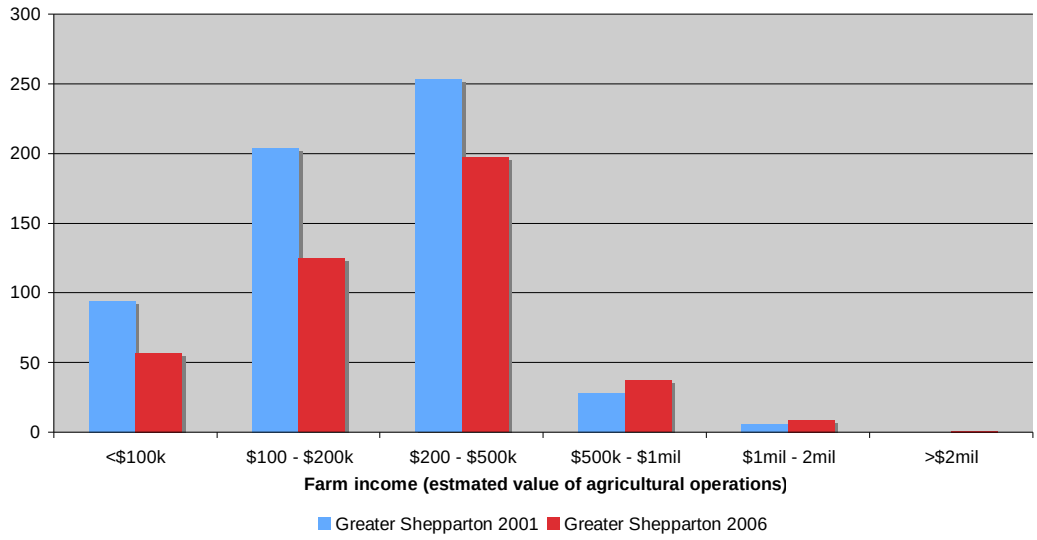
The decline in small horticultural businesses may indicate:

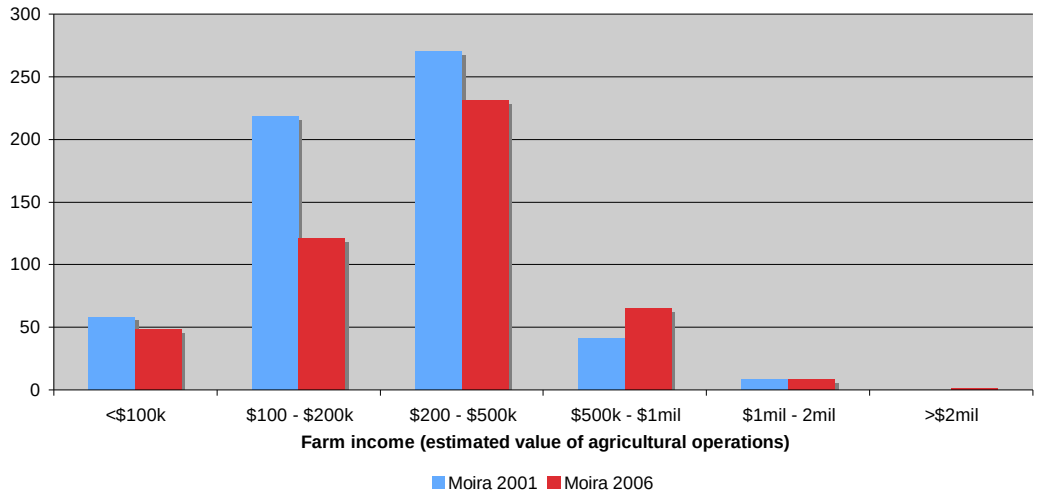
- an increase in production and farm income by introduction of more efficient practices and/or farm expansion;
- a change in commodity; or
- some businesses are no longer farming.

The increase in 'large' dairy farm businesses may have occurred through adoption of more efficient practices and / or farm expansion.

Farm businesses need flexibility to respond to market signals and keep pace with declining terms of trade by changing production systems, adopting new technology or expanding through land purchase. In some cases, the choice may be to leave farming. This understanding of structural change in the agricultural industry and the need for flexibility and confidence to make investment decisions is a fundamental principle underpinning the RRLUS and reflected in the recommended planning controls.

Figure 3-2 Change in distribution of farm incomes (estimated value of agricultural operations) of dairy business between 2001 and 2006 (ABS Agricultural Census 2008) in Greater Shepparton, Moira and Campaspe Shires).





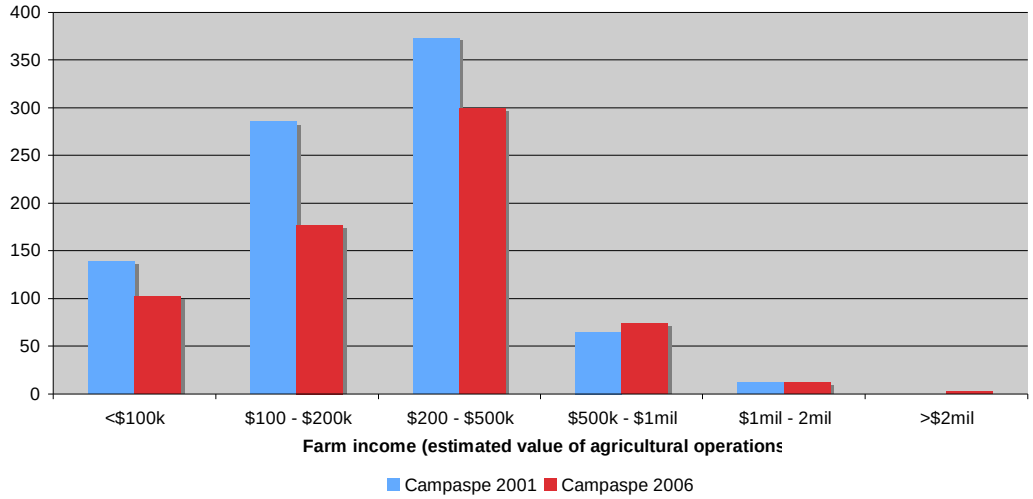
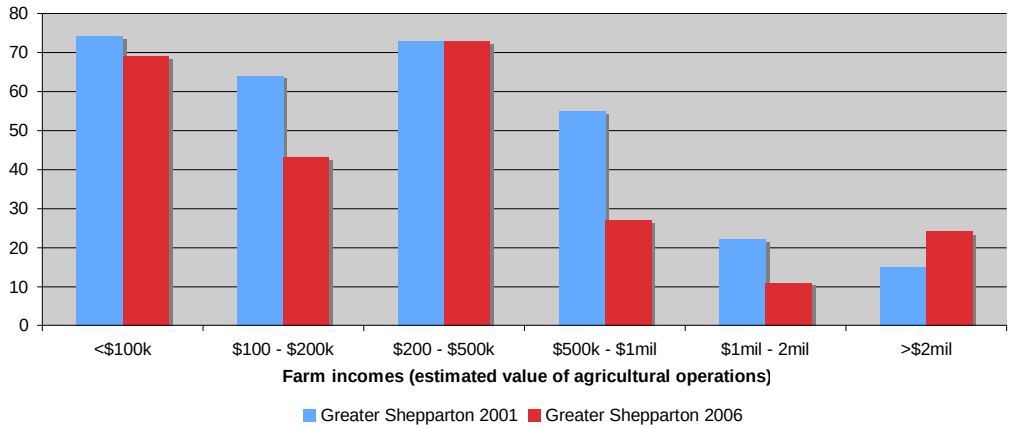
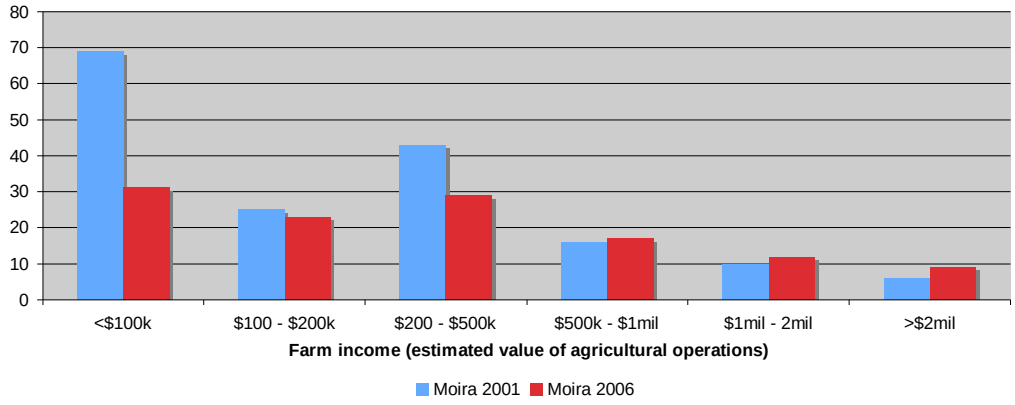
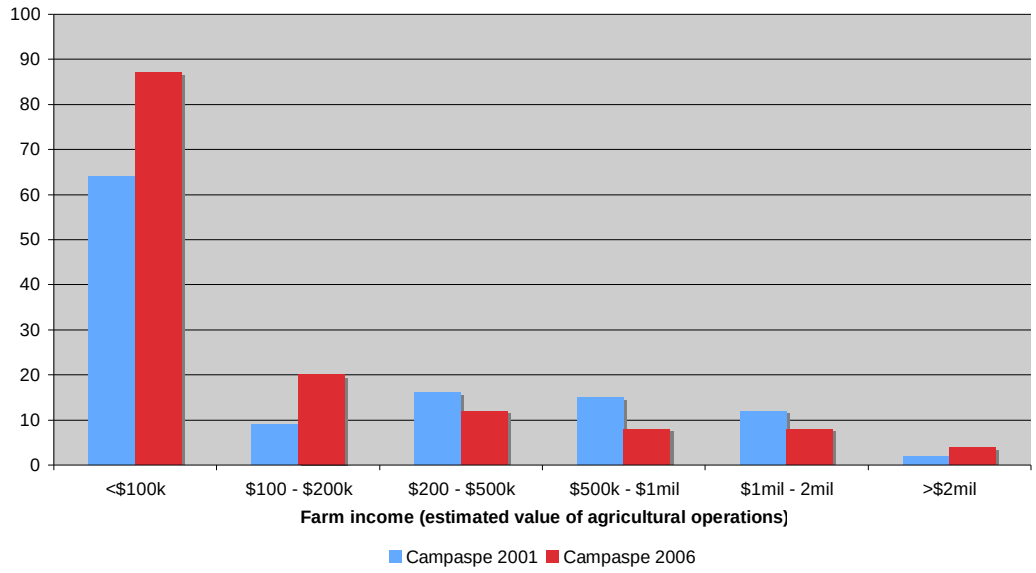


Figure 3-3 Change in distribution of farm incomes (estimated value of agricultural operations) of horticultural business between 2001 and 2006 (ABS Agricultural Census 2008) in Greater Shepparton, Moira and Campaspe Shires







4. Water trading

Water trading has developed in Australia to allow for the efficient use of a diminishing key natural resource. Market driven, the intention of water trading is to ensure productive uses can access water through a robust system of trading.

While many rural communities support the concept of temporary water trading, the perception of social and economic impacts associated with the permanent movement of water out of a region can result in community disharmony (Frontier Economics et. al. 2007).

Like land use planning, "*water trading is a catalyst for other drivers of change in rural economies, rather than being of itself the primary driver of change*" (pg xii, Frontier Economics et. al. 2007). Assessment of the social and economic impact of water trading in the Murray Valley, by the Frontier Economics, found that the years of drought have provided difficult times for farmers rather than being compounded by water trading, these difficult periods for production would have occurred with or without water trading.

The report suggests that the management of dairying regions through temporary water trading buffered some farms through provision of an additional asset to manage debt. Rather than being a detriment to the local community, this process of water trading assisted in prevention of fire sales and bank foreclosures.

In summary the Frontier Economics report found:

1. *without temporary trade the dairy industry would have fared much worse that it did during the past 10 years of drought*
2. *even with temporary trading many dairy enterprises collapsed as a result of the extraordinarily low seasonal allocations of 2002-03 and 2006-07. Permanent trading meant that those farmers left farming with more money than they otherwise would have had*
3. *without temporary trading many existing horticultural enterprises in the Goulburn system would not have survived the extraordinarily low seasonal allocations*
4. *because of the advantages of developing greenfield sites and the difficulty of achieving economies of scale as a result of the small block sizes in some irrigation districts, new developments mainly occur outside constituted irrigation districts*
5. *without permanent trading there would have been very little large-scale horticultural development in Victoria in the past 10 years.*

4.1 Unprecedented seasonal conditions

The introduction of water trading has coincided with an unprecedented period of low rainfall and low inflows to water storages. Average inflows between 1997/98 and 2007/08 have been well below the long term average, particularly the important winter/spring inflows which are responsible for most of storage fill (Figure 4-1). In 2008 for example, August rainfall was below average and the monthly system inflow of 275 GL was less than a fifth of the long term average of 1,550 GL. **The combined inflow for the three winter months (of 670 GL) was the equal 5th lowest in 117 years of records** (MDBC 2008).

As a consequence storages are low with active storage in the Murray system only 1,690 GL (or 20 % of capacity), which is well below the August long term average of 5,600 GL (or 62

% capacity). Storage levels in Lake Eildon have been well below capacity since 1997 (Figure 4-2). Prior to 2002/03, irrigators in the Goulburn system had experienced only one year when they did not receive 100% of their water allocations. Allocations for the past three season have been 29%, 57% and 33% respectively Figure 4-3). This represents unprecedented circumstances for farm businesses due to persistent low rainfall over the last 8 years and above average temperatures.

MDBC, in Spring of 2008, forecasted that even with above average rainfall in the coming months, inflows would likely remain well below average and recovery of the system is likely to take several years of above average rainfall.

The current circumstances are extreme and having a significant impact on farm businesses and communities with water availability for human needs and irrigation consistently low. However, a return to average conditions in the future is expected. It is critical that the planning framework reflects this expectation and provide a sound basis for farm businesses to confidently invest in the short term to ride out the current conditions and in the longer term to maximise opportunities when conditions improve in the future.

Figure 4-1 Murray system monthly inflows (excluding Darling inflows and Snowy releases) (MDBC 2008)

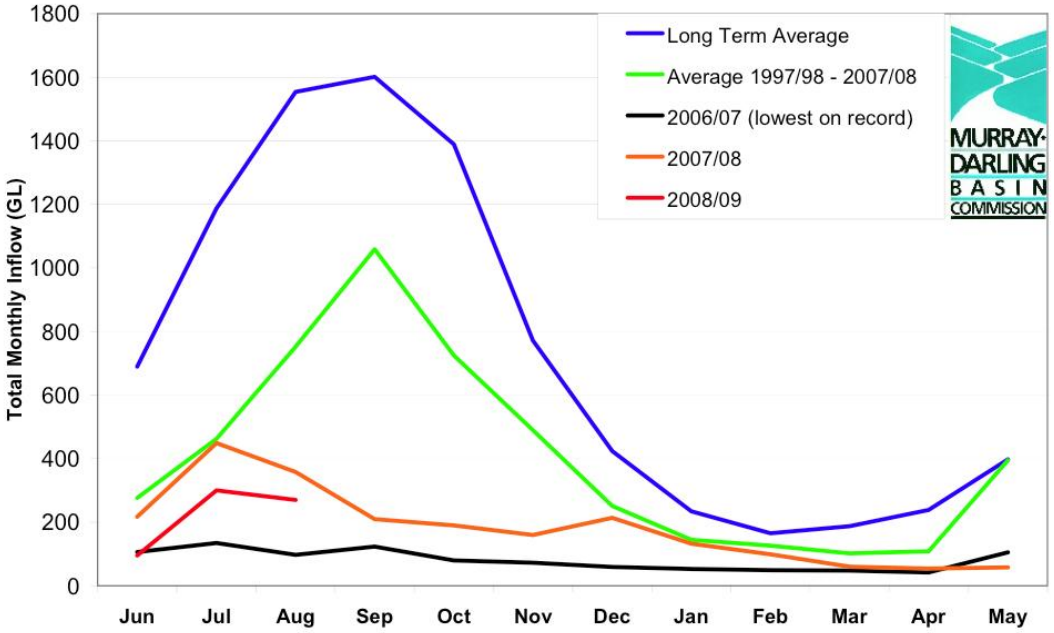


Figure 4-2 Lake Eildon water storage levels 1994 to 2009 (www.g-mw.com.au)

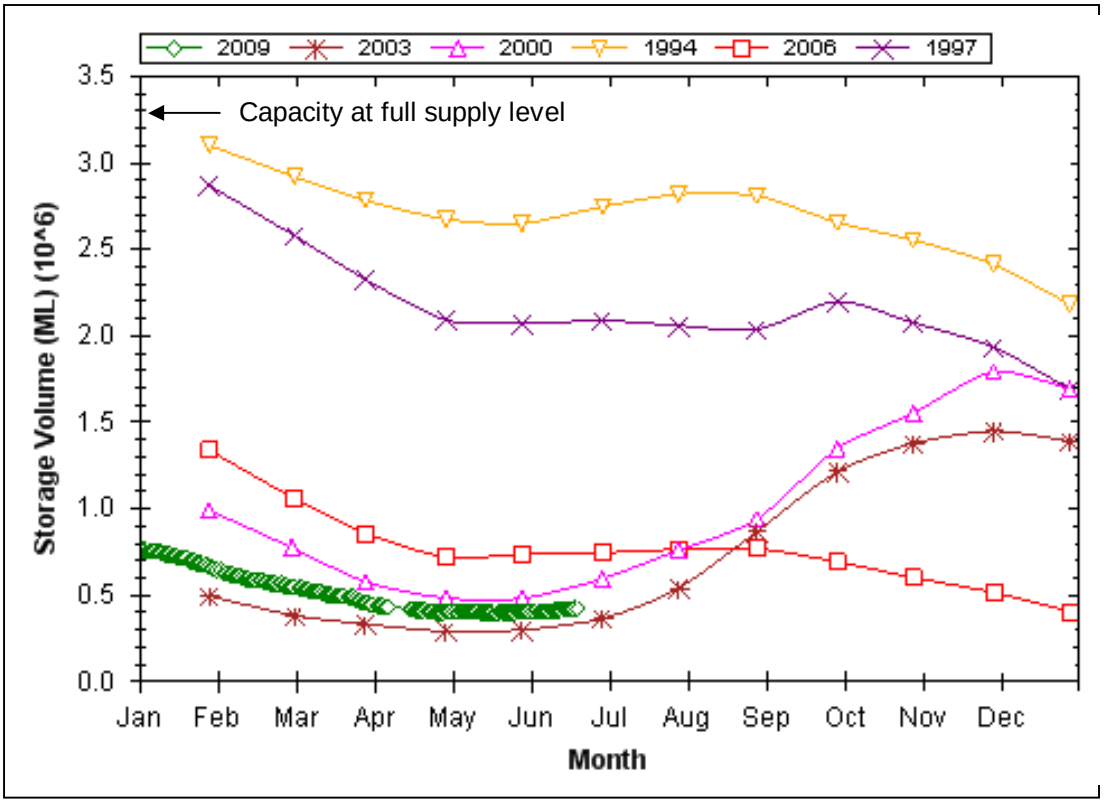
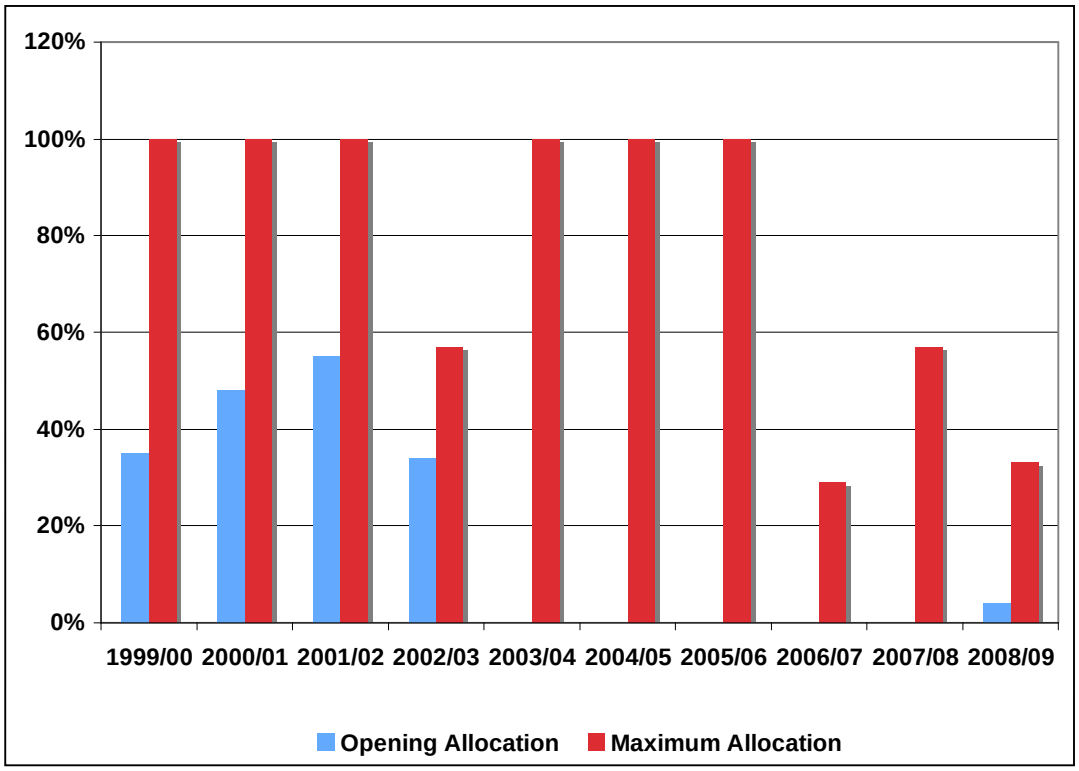


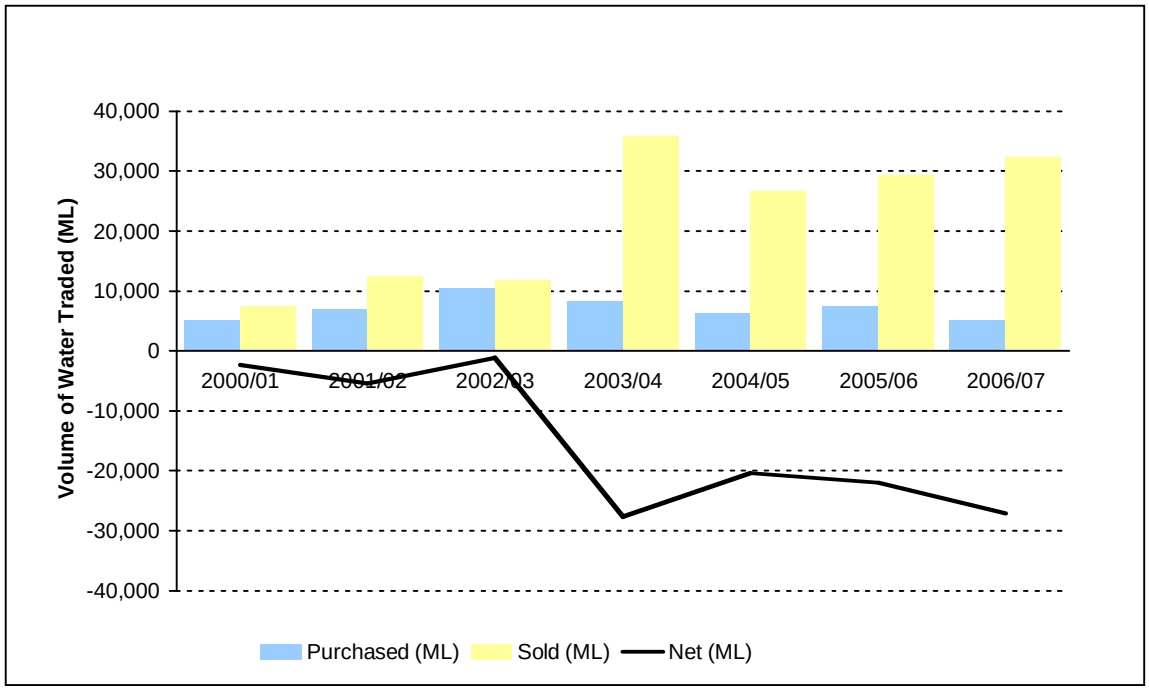
Figure 4-3 Opening and maximum allocations of high reliability water shares in the Goulburn system (www.g-mw.com.au)



4.2 Water trading in the Shepparton region

There has been significant water trading within the region as well as into and out of irrigation districts that has coincided with the low water allocations since 2003/04. In the Greater Goulburn Water Trade Area (which includes the Shepparton, Central Goulburn, Rochester and Pyramid-Boort irrigation areas, except the Boort Irrigation Area) there has been a net loss of water from since 2001 (Figure 4-4).

Figure 4-4 Permanent water trade for the Greater Goulburn Water Trade Area (Watermove http://watermove.com.au 2009) NB the Greater Goulburn Water Trade Area incudes the Shepparton, Central Goulburn, Rochester and Pyramid-Boort irrigation areas except the Boort irrigation area.



The amount of trade has been largely driven by the dry conditions of the last 5 to 10 years resulting in increased competition for water. The net trade out of the Greater Goulburn Trading Area partly reflects the higher water allocations in the Goulburn system (57% compared to 43% in the Murray system) and has seen water traded to:

- Horticultural developments in the Sunraysia district;
- South Australian irrigation areas, and
- Non-Water-Users (water shares not associated with land).

The non-water user group accounts for a significant portion of permanent water trading as evidenced by water shares trading in the Shepparton and Central Goulburn Irrigation Areas in 2007/08 (Table 4-1). In both irrigation areas, water shares moving from the irrigation area to a non-water user was a significant proportion of the 4% trade-out limit.

Table 4-1 Water shares moving from irrigation area to the non-water user group 2007/08 (Goulburn Murray Water Annual Report 2007/08).

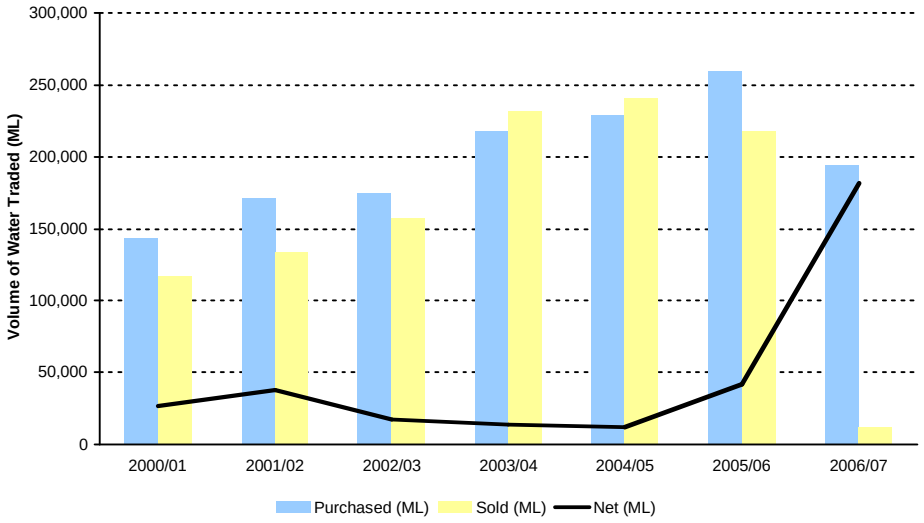
	Reliability Class	4% Trade Out Limit (ML)	Net Water Traded Out (ML)	4% Trade Out Limit Remaining (ML)	Net Water Traded Out to Non Water Users (ML)
Central Goulburn Irrigation Area	High	14,859	13,011	1,848	9,086
	Low	6,273	5,544	1,179	3,511
Shepparton Irrigation Area	High	6,982	6,979	3	7,039*
	Low	3,145	3,145	1	2,428

*Movement from the irrigation area to the NWU exceeded the 4% limit because previous import of water shares to the area from other delivery systems has made room in the 4%.

This movement can be the result of irrigators buying a water share and keeping its usage location flexible, or buying for investment or choosing to dissociate from land order to keep future options open. Sales to the non-water user group do not necessarily represent a movement out of an irrigation district. For example, an irrigator purchases a water share as a non-water user and the farm business leases the water share on a season-by-season basis. Water trading has brought about changes in the way irrigators consider water, from a production input to a capital asset, that can be traded to achieve the best commercial outcomes (as opposed to production outcomes) depending on the seasonal supply and demand for water.

Figure 4-5 Temporary water trade in the Greater Goulburn Water Trade Area

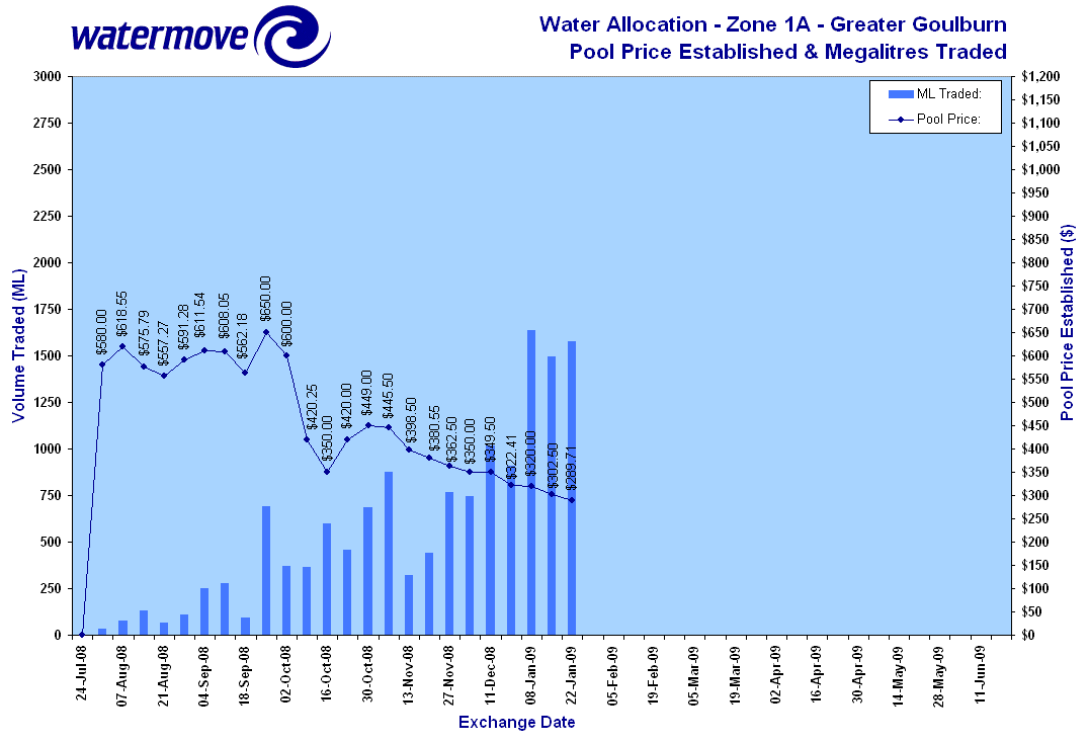
(Watermove http://www.watermove.com.au, 2009) **NB the Greater Goulburn Water Trade Area incudes the Shepparton, Central Goulburn, Rochester and Pyramid-Boort irrigation areas except the Boort irrigation area.**



As a result there has also been a net increase in temporary water trade with temporary purchases into the Greater Goulburn Trading Area outstripping temporary sales out. (Figure 4-5).

Strong competition for water has also impacted on water prices with the market price of allocations reaching record levels of greater than $1,000 in 2007/08 (Figure 4-6). The market price does fluctuate markedly through the season as system allocations and seasonal rainfall outlooks are revised.

Figure 4-6 Weekly price for allocation trades, Greater Goulburn Trading Area 2008/2009 (http://www.waterregister.vic.gov.au).



Some concern has been expressed at the level of water 'leaving' the Shepparton area. Further, it has been argued that the water will never come back and therefore the objective of the RRLUS, 'protect agriculture' is flawed for Greater Shepparton. While the current trading figures do indicate net trade out of the irrigation districts in Greater Shepparton, this must be seen within the current context of extended drought with irrigation storages currently well below capacity. Essentially there is not enough water to meet demand for all users.

Irrigators are making commercial decisions on the most appropriate response for the circumstances. In some cases irrigators are selling permanent water shares, capitalising on very strong prices and sourcing water for production from the temporary market. In other circumstances, a permanent share is traded for a Non-Water User share to enable water to be used as a capital asset or for production depending on water prices and seasonal conditions. Alternatively, irrigators may be choosing to change production or leave farming.

A return to average seasonal conditions (note - the average in the future will be less than the past as demonstrated by the predicted 18% drop in diversions for consumptive use from the Goulburn River by 2055 under the medium climate change scenario (Northern Region Sustainable Water Strategy 2008) and 100% water allocations would see further changes in

the distribution of water across the irrigation areas, including trade back into the Greater Goulburn Trading Area. Permanent water trade out of an irrigation area does not mean that water cannot be permanently traded back into an irrigation district.

Given that in some areas further to the west of Greater Shepparton there is likely to be a reduced irrigation footprint, it is likely that permanent water trade out of the area will slow to match modifications to markets and demand for water in those areas. Therefore, the RRLUS needs to ensure that Greater Shepparton is best placed to attract water back to the Shepparton Irrigation Area (SIA). The SIA will benefit from improved accessibility and infrastructure delivering irrigation water as a result of NVIRP.

The current circumstances highlight the importance of the RRLUS. By ensuring land is retained in un-fragmented productive parcels, it is more likely that water will return as opportunities for agriculture will remain and farmers have the confidence to invest in the long term.

4.3 Federal buy-back

The *Water for the Future* program is a $12.9 billion plan that aims to secure the long-term water supply for all Australians. As part of this plan, $3.1 billion will be invested in Restoring the Balance in the Murray-Darling Basin to purchase water entitlements from willing sellers.

The Australian Government conducted the first round of water purchases in 2007-08. Around 24 gigalitres of entitlements worth nearly $34 million have been purchased as a result of the first purchase round.

The Australian Government's third phase of water entitlement purchasing will close on 30 June 2009.

Through the southern Basin water entitlement purchase, the Australian Government aims to purchase regulated and unregulated entitlements from irrigators downstream of the Menindee Lakes and includes: Murray River; Lachlan; Murrumbidgee; Kiewa; Ovens; Goulburn; Campaspe; Loddon; Avoca; Wimmera-Mallee; and the Darling River south of Menindee Lakes. Other initiatives for returning water to the Basin include:

- Exit grant package for small block irrigators in the Murray-Darling Basin.
- Working with irrigation communities to buy out water entitlements from areas willing to move out of irrigation, facilitated by a price premium reflecting the value of water savings from closure of infrastructure such as supply channels. Note that the details of the targeted buy-back are still to be defined.
- Working with State Governments to co-fund the purchase of appropriately located irrigation properties and their water entitlements to enhance environmental outcomes in the northern Basin.

Whilst the Federal buy-back appears that it will mainly target areas to the west of Greater Shepparton through a staged strategic approach, there may be areas throughout Shepparton where this buy-back occurs. Decisions for buy-back that occur in a scattered approach will be dictated by relevant efficiencies and proximity to the backbone supply associated with modernised irrigation infrastructure.

Irrigation areas and farms with efficient delivery and application systems will therefore be better placed to adapt to future changes and opportunities for regional economic development.

4.4 Irrigation modernisation – NVIRP

The Northern Victoria Irrigation Renewal Project (NVIRP) is a program of works that will modernise and upgrade irrigation infrastructure in northern Victoria. The project will see $2.3 billion of works implemented over the next 5 – 10 years. The key elements of the project include:

- Backbone – automation of core backbone infrastructure with associated works and remediation.
- Connections – modernisation of the local distribution supply from the backbone to the individual farm.
- Metering – automating customer supply points on the backbone and any supply points installed as part of the Connection program.
- On farm works to improve water efficiencies

While the project will deliver water savings and improved irrigation efficiency for growers, implementation of the NVIRP will see some rationalisation of redundant or under-utilised irrigation infrastructure and a reduced public irrigation footprint. Rationalisation of irrigation infrastructure is likely to occur in areas with less suitable soil types and fewer agricultural options associated with a combination of high levels of permanent water trade and significantly reduced water distribution efficiency. ***This is not likely to include areas within the Greater Goulburn Trading area where conversion from irrigation to dryland is likely to be insignificant.***

Conversely, the Project will see some previously dryland areas newly developed for irrigation, particularly areas identified as Prime Development Zones with attributes highly suitable for irrigated agriculture. Some of the Prime Development Zones are within Greater Shepparton.

In either scenario, the land use planning principles are the same:

- Conversion to dryland –these areas will have other agricultural opportunities as there will still be a stock and domestic supply and in these circumstances, the larger the lots the better for dryland farming, such as cropping or grazing that may be managed in conjunction with other more intensive uses such as dairy;
- New irrigation areas will benefit from larger lots due to the efficiencies from water delivery and drainage infrastructure as well as other capital works such as re-use dams.

The alignment of land use policy with infrastructure is fundamental to sustainable development. This principle of strategic alignment with policy and infrastructure provision is true of a range of infrastructure including reticulated services for provision of residential development and transport infrastructure associated with growth of commercial and residential areas.

As the most significant infrastructure investment within the rural land of the study area, ensuring land use policy enables sustainable development and promotes regional

development is fundamental to the RRLUS. This is clearly acknowledged in the RRLUS which highlights five key elements in which the strategy is predicated.

4.5 Land use planning for new dryland areas

The Shire of Gannawarra has received funding from the Rural Land-Use Planning Program to undertake a project looking at the Planning Impacts of Irrigation Water being sold out of the Shire. This project is yet to commence and will complement work being undertaken by the North Central CMA looking at the impacts to the environment and biodiversity of conversion of irrigated land to dryland.

The intent of the RRLUS is to support flexibility for farming enterprises on both dryland and irrigated areas. The RRLUS recognises that water can move on and off properties and land use planning policy needs to support flexible management of rural land. One component of this flexibility will include ensuring regional development opportunities is available for land that is converted from a reduced irrigation network to dryland.

4.6 Future Farming opportunities

4.6.1 Equine

Reporting completed by Essential Economics highlights the economic value and contribution of the horse racing industry within the Goulburn Valley (GV). Renowned for its breeding and training facilities and associated industry, the GV region produces approximately 60% of all Victorian foals from many of the nation's key breeders and trainers[1]. The regional also includes a large number of race tracks. In 2007, the Victorian harness racing industry had an estimated valley of $700 million per annum that included a significant employment component with over 11,000 people employed across the State. It is estimated that approximately $72 million of industry value is derived out of the GV including:

- $36 million pa in industry turnover associated with racing, breeding and training activities
- $24 million pa in on-course and off-course wagering associated with the GV Region's harness racing meetings
- $12 million pa generated in State and Federal taxes levied on the GV Region's harness racing activities (Essential Economics 2007).

The thoroughbred racing industry within the Goulburn Valley particularly:

- Generates some $97 million annually in real gross value added, and equivalent to 6% of real gross value added in the industry in Victoria.
- Comprises 251 breeders, 210 trainers and 1,931 owners.
- Generates $23.9 million annually in expenditures by breeders and trainers.
- Supports 1.130 fulltime jobs.
- Generates $8.5 million in tax revenue to State Government and $10.5 million in tax revenue to Commonwealth Government.

[1] Essential Economics (2007) Goulburn Valley Harness Racing Industry – Economic Valley Assessment.

- Generates total wagering of $239 million annually of which 95% is TAB off course.

The Tatura / Shepparton racing club generates an estimated $7.6 million in direct economic activity and supports an estimated direct and indirect workforce of 170 FTE. The club has excellent training facilities that are presently used by 22 trainers 6 days per week. The current estimated value of thoroughbred racing assets associated with the Tatura Racing Club is $1.5 million in racing club facilities, $20.4 million in training and racing and $28.4 million in breeding. This equates to a substantial investment in horse racing in the Tatura area that requires farming land to be protected to ensure ongoing viability.

While the economic contributions of horse racing are very important the social contribution made to regional location cannot be underestimated. Horse racing has a positive social outcome for regional communities as it is important in providing community identity, social cohesion and facilities for community use and enjoyment.

The protection of this industry is strongly aligned with the policy position established in the RRLUS. The hours of operations of commercial studs require necessary attenuation from other sensitive uses. There are at least 10 full-time commercial studs operating in the GV and their requirement for large un-fragmented rural land holdings replicates the requirements of many farming operations.

4.6.2 Horticulture - Vegetables

The modernised irrigation system will provides significant opportunities for the attraction of vegetable and other specialised crops to Greater Shepparton. Proximity to markets and other supporting infrastructure including concentration of food manufacturing industries and transport linkage ensures the attractiveness of Greater Shepparton for these new enterprises.

From a land use policy perspective vegetable growers will be attracted to the region by un-fragmented land, limited points of land use conflict, available infrastructure and land holdings greater than a 40 Ha.

4.7 Recommendation

The current water availability circumstances are unprecedented and further complicated by the global financial crisis and the impact on agricultural commodity prices and input costs. It is impossible to predict what the future may bring, but the history of agriculture shows that there have always been periods of downturn resulting in major adjustment and change within the industries. Periods of re-investment and relative prosperity in the agricultural sector have followed these periods of downturn.

The modernisation of the irrigation system through NVIRP will provide an environment in which farm businesses can remain cost competitive and competitive in the water market.

As previously stated, it is critical that the planning framework reflects the expectation of a return to favourable conditions, provide a planning framework that will capture the full benefits of the NVIRP and provide a sound basis for farm businesses to confidently invest in the short term to ride out the current conditions and in the longer term to maximise opportunities when conditions improve in the future. Therefore it is imperative that the strategy supports opportunities for consolidation and growth of farming enterprises with appropriate lot sizes and planning controls that limit the introduction of sensitive non-agricultural developments.

5. Rural living and niche farming

Throughout the development of the RRLUS a number of submissions and responses by elected representatives demonstrate support for rural living development. Council is concerned that the RRLUS does not adequately recognise the value of lifestyle farms and discourages their development in rural areas. There is also concern about the different roles of the Rural Living Zone and areas identified in the RRLUS as 'Niche' Farming or Farming 3 Zone.

5.1 Rural living

Throughout the development of the RRLUS a number of submissions and responses by elected representatives highlighted the benefit of rural living opportunities. Table 5-1 outlines both positive and negative impacts of small rural holdings identified by Hollier & Reid (2007).

As outlined in Table 5-1, positive impacts from lifestyle farms can include diversity, greater rural population, increased land values and a focus on conservation outcomes. Conversely, negative impacts can include land use conflicts, rapid turnover of properties, less land used for production and loss of amenity through sprawl. In particular, unplanned rural living poses a threat to agricultural viability and growth through land use competition and lack of certainty, as well as a threat to social viability through development of isolated communities and dispersed infrastructure.

Rural living can and should be provided for in Shepparton. Rural living can provide for hobby and lifestyle farms. The Draft Shepparton Housing Strategy provides for sequenced planned rural living opportunities over the next 15 years. Greenfield sites in these locations will provide the required 410 new dwellings to meet demand for Rural Living and will be located around existing nodes, that include:

- North Central Shepparton
- Kialla;
- Tatura – north and northeast;
- Murchison East ;
- Toolamba;
- Merrigum;
- Undera;
- Tallygaroopna;
- Katandra West; and,
- Dookie
- Congupna

Small, part time farms can not form the basis of an agricultural industry. This has been observed in the wine grape industry. Small part time growers are increasingly being ignored by wine producers as they are not able to provide the quantity of product necessary to meet production requirements. Since the wine grape price slump of 2006 many small growers have ceased production, removed or abandoned vines and sold their water share. The

future land use of these small farms is uncertain with the capital value tied in the dwelling and therefore of little interest to another grower.

Table 5-1 The social, economic and environmental value of small lifestyle farms. (Source: Hollier & Reid, 2007).

Indicator	Positive Impact	Negative Impact
Social	▪ Breakdown in divide between urban and country dwellers ▪ More people in some rural areas maintaining communities ▪ Greater cultural diversity ▪ New people, new skills, ideas and financial capital ▪ Improved lifestyle for individuals within the community (in response to diversity, new business ventures) ▪ Improved infrastructure to cater for population increase ▪ Provide scenic attributes	▪ Loss of cultural heritage associated with traditional farming and farm life ▪ Diminished cultural integrity (continuation of local culture and traditions) ▪ Conflicts between values, attitudes, aspirations and practices of small and large farmers ▪ Rapid turnover of properties eroding social capital in rural communities ▪ Increased social tension ▪ Increased pressure on services
Economic	▪ More diversified and resilient rural economies ▪ Increased land values in certain areas ▪ Flow-on wealth to landowners, real estate	▪ Fewer farmers leading to loss of agricultural production and agricultural income. ▪ Rising land value of agricultural land limiting expansion of fully commercial enterprises ▪ Inefficiency (It is generally recognised that economies of size accrue in farming)
Environment	▪ More people to undertake conservation work ▪ Land planning ▪ Attraction to nature and land stewardship ethic ▪ Increased biodiversity due to more diverse land management practices ▪ Act as buffers against urban encroachment ▪ Lower intensity of land use ▪ Greater reliance on conservation practices	▪ Smaller property sizes and higher population densities leading to increased environmental impacts (eg. Farm dams). ▪ Difficulties in coordination of land management activities ▪ Loss of amenity, urban sprawl ▪ Lack of experience, knowledge, interest leading to poor land management of weeds, less awareness of pest and disease risk, less work on environmental problems like soil health

Fundamentally, despite recognised positive impacts from structural changes to rural areas through development of hobby farms, there is no evidence to promote an uncoordinated land use response. The RRLUS and the Draft Housing Strategy enables Council to accommodate a range of rural land uses and agricultural pursuits. The Draft Housing Strategy expressly provides for planned rural residential development around existing townships.

5.2 Niche farming

Distinctly separate to rural living, the RRLUS strategy provides for smaller scale forms of agriculture through the proposed FZ3 or Niche areas. These areas seek to accommodate small intensive farming operations that are unlikely to need to expand beyond the existing property. These areas are different from rural living areas in that within the FZ3 (or Niche) areas agriculture remains the primary land use. Within the rural living areas, the residential

land use of the property is the primary land use and agriculture may or may not occur ancillary to the residential function.

This distinction is important, and it is important that small, part time farms do not compromise primary agricultural areas. It is equally important that within areas where there is an expressed demand for part time and hobby farming it is catered for so as it does not displace agriculture.

The terms Niche and Boutique are often compared or used in concert. Fundamentally, both refer to land use that is focussed on production and agricultural enterprise. The recent Future Farms: Providing for Victoria's Rural Land Use Discussion Paper 2009 developed by the Department of Planning & Community Development provide clear definitions of the two terms. They area as follows:

- *Boutique - A business producing new and emerging products often with ill-defined markets or markets still in development. Generally, there is no supporting industry structure and individual businesses take on multiple roles of production, manufacture, sales and marketing. These businesses usually produce small quantities of a highly specialised product.*
- *Niche - Production to meet demand for a specific product. The industry may/may not be significant in size and is generally part of a larger established industry e.g. production of durum wheat for manufacturing pasta, organic vegetables, green tea.*

It is important to note that while the recommended rural zoning described in the RRLUS provides a framework for future development, **zoning in it's own right does not change land use.** However, the application of zoning and a planning framework to encourage opportunity and creation of markets can assist as an enabler for sustainable regional development.

The RRLUS has recommended that the future of land between Shepparton and Kialla and areas adjacent Tatura and Kyabram is in Niche farming. The strategy recommends application of the FZ3 zone to these areas. Table 5-2 demonstrates the number of lots within each zone in Shepparton.

Table 5-2 Existing lots within proposed RRLUS zones, City of Greater Shepparton.

Proposed Zone	Number of Lots	Gross Area (ha)
F1Z – 'Growth'	6374	185277
F2Z – 'Consolidation'	2849	28539
F3Z – 'Niche'	437	3391
Rural Activity Zone	N/A	N/A
Rural Conservation Zone	213	7479

The land use requirements for niche farming are no different to those of other farming systems, that is, land in productive parcels and a settlement pattern that will not introduce conflict between land uses. The recommendations of the RRLUS do not present a barrier to niche farming but do ensure that investors looking to establish a niche industry have the opportunity to do so in a range of locations.

5.3 Settlement pattern and lot distribution

The proposed application of new Farming Zone schedules, Growth, Consolidation and Niche was developed through analysis at a regional level, to provide for consistency in application. The initial stage provided for some strategic level mapping, with the intention that the principles used for this mapping be applied to refine the boundaries at the local level to provide for development of a zoning map. Table 5-3 provides and indication of the key values assessed when undertaking the development of the indicative zoning map. This strategy mapping provides a strong indication of the intent of the RRLUS. However, planning controls including mapping will be subject to further scrutiny through the Planning Scheme Amendment process which enables further detailed consultation with affected landowners and opportunities for modification to the final zone maps.

Table 5-3 Values and constraints associated with Proposed Farming Zone Schedules

	Growth	Consolidation	Niche
Land attributes	***Expanding Enterprise***	***Room to Move***	***Compact and amenable***
Proximity of Neighbours	Limited and well buffered from activities	Some, excision may assist in management	Often adjacent and within 1 kilometre
Settlement Pattern	Large contiguous farm properties that may include multiple titles to comprise tenement	Moderate size properties where reconfiguration will result in larger farm holding	Often small properties closely located to a number similar sized neighbouring properties.
Likely Agricultural Activities	Large scale dryland cropping and grazing business including - dairy, horticulture & broilers	Moderate – viticulture, beef or lamb, horticulture, diversified	Limited or niche – specialist crops, viticulture and equine farms.
Indicative Farm Sizes	Intensive > 200 ha Dryland > 500 ha	> 100 ha	> 2 -3 ha
Road Frontage (for each lot)	Not critical	Not critical – useful for reconfiguration of lots	Yes – more conventional subdivision arrangements
Conservation Values	Intensive – Likely to be low Dryland – May be moderate to high to manage	Low	Moderate
Infrastructure	Irrigation or Access to Irrigation preferable	Potential. Opportunity to access water and power.	Likely. Access to road and power. Some Access to water for stock and cropping.
Soils	Preferably good soils and LC	Preferably good soils and LC	Moderate Soils & LC
Hours of operation	Can be 24/7	Can be 24/7	Conventional working hours
Attenuation from noise, spray, dust	Required – large areas and buffering necessary for OHS requirements	Required – large areas and buffering necessary for OHS requirements	Intensity of use such that impact is likely to be low

Proposed zone mapping results included in the RRLUS do reflect the historic settlement patterns throughout the three shires. Specifically, this includes broad application of the Growth Zone throughout the region with concentrated pockets of the Consolidation zone that generally apply to the soldier settler irrigation areas. These areas have particularly good soil types, lots in the vicinity of 20ha, have good irrigation infrastructure and the potential for individual farms to amalgamate to respond to growth demand as the blocks are still of good

size and not all support dwellings. These are typically between Shepparton and Kyabram; Katamatite and Numurkah.

In the case of Shepparton East, the decision to propose Farming 2 Zone (Consolidation) is fundamentally driven by the current and significant investment of Goulburn Murray Water (GMW). GMW investment in the augmentation and update of the irrigation system within Shepparton East will provide opportunities for extensive regional development. It was considered that given this investment, the potential for smaller farms to amalgamate and grow should be promoted. This level of investment suggests that the Niche Farming Zone is not best applied in this region. However, the importance of this region, given its access to improved irrigation infrastructure suggests that limiting non-agricultural uses and providing preconditions for further enterprise growth is a sound strategy. However, Niche and Boutique farming enterprises can still occur in Shepparton East, Consolidation (F2Z) and Growth (F1Z) areas given the existing range of lot sizes and statutory provisions of the Farming Zone. Opportunities for Niche outcomes have been clearly identified in the southern corridor between Shepparton and Kialla and areas adjacent Tatura and Kyabram. Although these areas are still considered to be valuable in terms of productive agricultural use, it will be based on the existing lot and ownership pattern which offer limited opportunity for amalgamation due to size and infrastructure development.

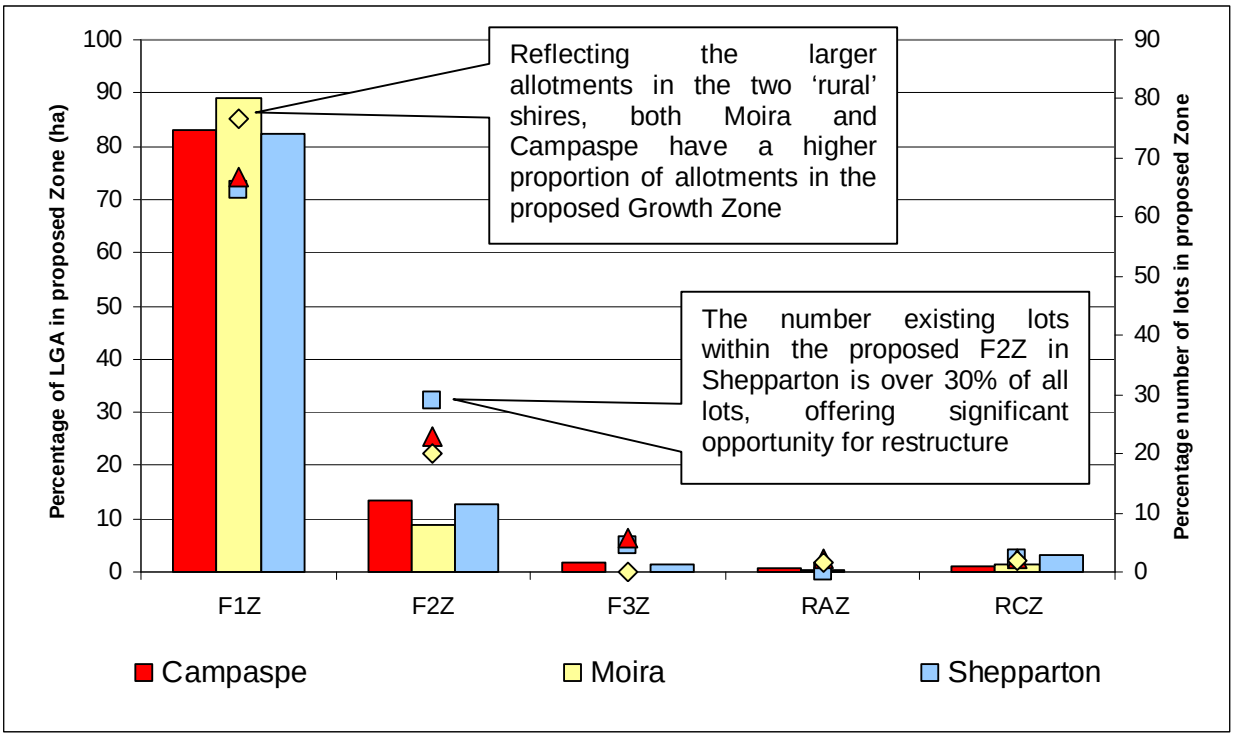


Figure 5-1 Proportion of proposed zones and number of lots within Campaspe, Moira and Shepparton Rural Areas

Figure 5-1 demonstrates both the percentage of rural land within each local government area that has been proposed for each of the new farming zones; and, the percentage of existing lots within these proposed zones. Essentially this analysis provides a comparative assessment of the proposed applications of zones based across the region. As demonstrated there is a relatively equal spread of the zones throughout the region.

However, both Moira and Campaspe contain proportionally higher amounts of Growth Zone, largely associated with their different agricultural history.

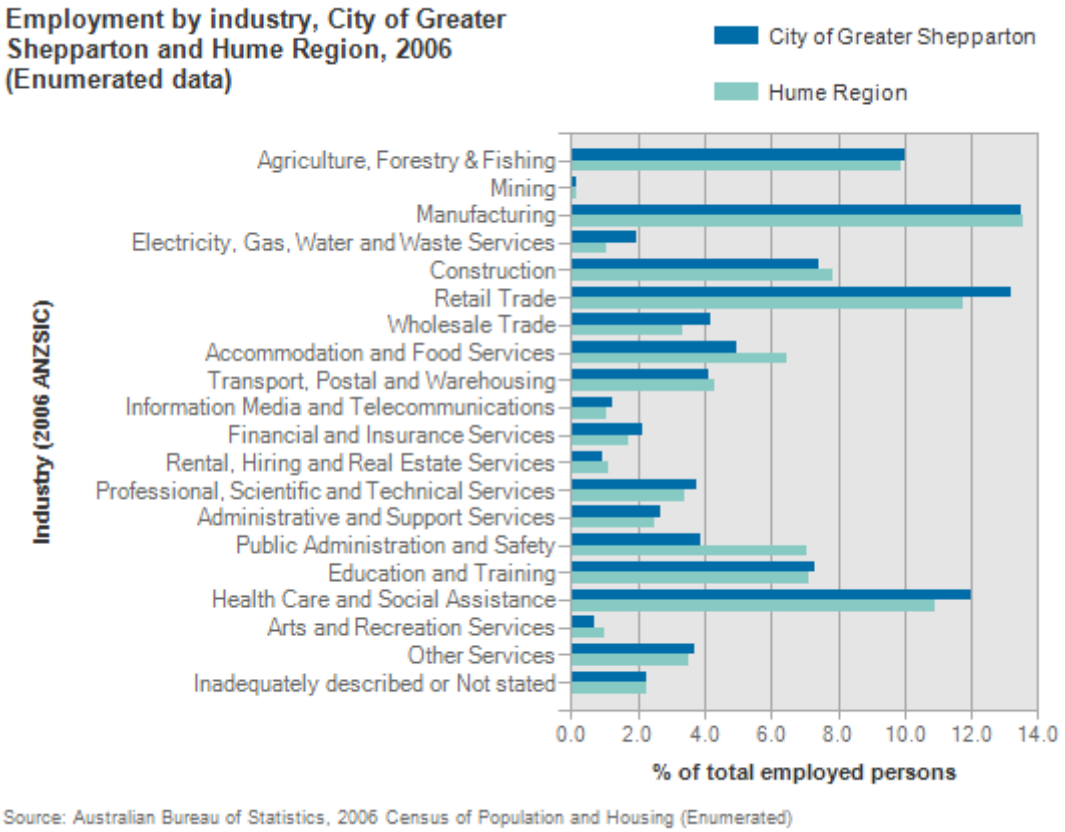
While not containing the largest physical area of land, Shepparton clearly has the highest proportion of lots of the region proposed for Farming Zone 2 (Consolidation). Consolidation is the term adopted to describe land within the region that still has the capacity to be reconfigured through a number of mechanisms. Unlike Growth areas, Consolidation areas demonstrate a higher rate of ownership across more owners. In short owners in the Consolidation areas have smaller tenements than owners in Growth Areas. This provides opportunity for churn of properties, growth of enterprise and succession of farming within the region as generally properties are smaller and in single ownership. The process of incremental growth through purchase of adjoining properties is a realistic prospect for a younger farming enterprise within the Consolidation Zone.

As outlined above, the importance of agriculture to Shepparton is equal if not greater than the neighbouring regions. This distribution of lots highlights the critical role that the CGSC will play in realising the vision of the RRLUS, as well as promoting the objectives of the Housing Strategy. The Housing Strategy will provide an outlet for the demand for lifestyle farming that has the potential to undermine the agricultural sector. It provides for a sequenced release of rural living areas contracted to existing settlement nodes.

The RRLUS will provide the opportunity for farms within valuable irrigation areas that are currently under threat from unplanned rural living development, to grow and develop. The Consolidation (Farming 2 Zone) areas will result in reconfiguration to enable the development, expansion and consolidation of both existing and new agricultural enterprises. In order to grow and strengthen the important agricultural base within the City of Greater Shepparton, strong leadership will be required, particularly given the distribution and number of lots within the proposed Consolidation (Farming 2 Zone).

The RRLUS will ensure the opportunity for GSCC to protect agriculture which acts as the fundamental component of municipal and regional economy underpinning the other key industry sectors of manufacturing and logistics (Figure 5-2).

Figure 5-2 Employment by industry – Source profile.id



Source: Australian Bureau of Statistics, 2006 Census of Population and Housing (Enumerated)

5.4 Non – conforming uses

The replacement of the former Rural Zone with the Farming Zone has reduced the potential range of uses that can be supported. In most cases this is appropriate as the diversity of uses allowed in the Rural Zone blurred its agricultural focus. There are some uses that are not permitted in the Farming Zone that are considered by Council to have a role in a rural area.

The transport industry is a significant industry in Greater Shepparton. 25% of all truck registrations in Victoria are in Shepparton. This industry has developed from the extensive transport needs of the agricultural sector. Transport terminal is a prohibited use within the Farming Zone. As this land use is dependant on the rural sector, operators (in some cases with very few trucks) generally seek to locate in rural areas, as many residential zones also prohibit the parking of trucks. The current planning regime does not enable new transport businesses to develop or existing ones expand in the rural area.

Issues or concerns have also arisen in relation to the use of existing smaller rural lots for warehousing and storage, or the expansion of existing industrial-type land uses in rural areas that cannot be defined as a rural industry.

Fundamentally, the impediment to a range of uses in the Farming Zone remains the Victorian Planning Provisions not the strategic direction of the RRLUS.

5.5 Recommendation

The protection of Shepparton East as a Farming area is predicated on the current and significant investment of Goulburn Murray Water (GMW) to the areas. Niche and Boutique farming enterprises can still occur in Shepparton East, Consolidation (F2Z) and Growth (F1Z) areas given the existing range of lot sizes and statutory provisions of the Farming Zone and the adoption of the RRLUS will further reinforce the management of rural land for a range of agricultural enterprises.

The identification of non-conforming uses in the Farming Zone has been articulated through a submission to the Department of Planning and Community Development in response to the Future Farms Discussion Paper. The RRLUS identifies other shortcomings in the current rural zones and Council should continue dialogue with DPCD over concerns with specific planning provisions as they relate to the rural areas of Greater Shepparton.

6. Transition arrangements

Throughout the development of the RRLUS consideration has been given to the implications of statutory implementation including the requirement of any transitional planning provisions. A review of submissions to the RRLUS and analysis of recent applications for both planning and building permits in rural areas has identified a very low number of affected properties. Additionally, the current Farming Zone provisions allow for discretion to be exercised by Council in relation to dwellings where it can be demonstrated the development is appropriate. In reviewing the current approach by all three member councils of the RRLUS it appears that this is occurring and that applications are given due consideration on their merits and in some instances may receive approval.

For the purposes of the RRLUS it is considered that the following circumstances will be given consideration until 30th June 2010:

- Applications for the extension of time for the commencement of an existing permit where it is the first extension request;
- Applications for planning permit where there is an existing permit issued due to a previous overlay trigger and development has not commenced and due t o the RRLUS Interim Controls the site now requires a permit for use; and
- Applications for planning permit that were previously as of right but now require a permit and the applicants had received documented advice from the City of Greater Shepparton.

7. Conclusion

Concerns have been raised about whether the RRLUS appropriately recognises and responds to some issues specifically prominent in Greater Shepparton. As this report has indicated, agriculture remains the foundation of the local economy and despite drought, deregulation, reconfiguration and water trading shows strength and potential for growth.

Agriculture is the key driver of other elements of the regional economy including manufacturing and logistics.

The RRLUS identifies the fundamental importance of agriculture and its specific needs for ongoing viability. It recognises the different opportunities based on inherent characteristics for agriculture and provides a structure to support new large industries that seek greenfields sites; existing farms that seek to expand; reconfiguration and restructure of valuable areas with suboptimal lot sizes and new and existing intensive and boutique enterprises. Within Shepparton there are opportunities offered for large and small farming operations through the proposed planning strategy and associated controls of the RRLUS.

This land use policy position will strengthen regional development opportunities and encourage investment into Greater Shepparton. In addition it will enable Council to seek funding aligned with their adopted policy position.

Shepparton is in an enviable position within the region to implement a coordinated response to housing through the development of a Housing Strategy and management of rural areas through the RRLUS. The RRLUS regional partners have recognised the core intent of the RRLUS and it is recommended that the GSCC seek to adopt the RRLUS to progress development of the planning scheme amendment and finalisation of proposed planning controls and ensure the protection of the key economic driver within the region.

8. References

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3. Frontier Economics et. al. (2007) The Economic and Social Impacts of Water Trading Case studies in the Victorian Murray Valley. Report for the Rural Industries Research and Development Corporation, National Water Commission and Murray–Darling Basin Commission.

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