

INQUIRY INTO ASPECTS OF AGRICULTURE IN NSW

Organisation: Demand Farming Australia
Name: Mr John Larkin
Position: Managing Director
Telephone:
Date received: 12/09/2007

12th September, 2007

NSW Industrial Hemp Submission Summary

This Submission Summary is to request the NSW State Government for Legislation amendments to be made to allow the commercialisation of Industrial Hemp in New South Wales.

- Demand Farming Australia© (DFA) is a joint venture between Aurora Research and Elders Ltd, supported by the NSW Department of Primary Industry (DPI), NSW Department of State and Regional Development and Local Government Authorities.
- Currently the Demand Farming Australia© Aggregation consists of 127 farmers in 12 Shires with over 460,000 hectares worth in excess of \$1 billion of gross value. Detailed analysis of the production capabilities and interest of these top farming businesses outlines extensive data to model production capabilities and values of many crops including Industrial Hemp.
- Demand Farming Australia's emphasis is in quality assured, traceable food, fibre and energy crops that meet the specific high standards required for the specialty market, particularly in the ever growing Australian and growing Asian sector.
- The Demand Farming Industrial Hemp crop is estimated to have immediate potential of approximately 20 - 30,000 hectares of production worth some \$50-\$100 million farm gate revenue, seasonal dependant and additionally, \$300 million in regional revenue from value adding and manufacture for both domestic and international markets over the next 10 years.
- DFA has identified a number of areas where Hemp production would be suitable:
 - Casino and Northern Rivers regions
 - McIntyre Valley, Moree, Narrabri, Gunnedah and Quirindi Shires
 - Macquarie and Lachlan Valleys
 - Riverina and Murrumbidgee Irrigation areas are all suited to a number of known varieties under research that have yielded very economic outcomes.



NSW DEPARTMENT OF
PRIMARY INDUSTRIES



DEMAND FARMING AUSTRALIA PTY LIMITED
37 Erskine Street/PO Box 1000 Dubbo NSW 2830
Tel: +61 2 6882 7089 Fax: +61 2 6885 5556

- 2 -

- Breeding programs for Industrial Hemp varieties suited to New South Wales are being conducted by a number of private businesses with assistance and guidance from NSW DPI or other relevant Government authorities. Recent trials show that these research companies are delivering lines upon which a viable industry can be based in all the Eastern States of Australia.
- DFA is in detailed discussions, negotiations and planning with three engineering companies based around regional manufacturing models that would allow for processing for a number of products. These Plants have the ability to create value adding opportunities in regional areas close to the production areas with the ability to create jobs and regional wealth within the Local Government Areas (LGAs) where the crop is being grown.
- DFA has been in communication with a number of domestic customers who currently use Industrial Hemp fibre which they import from China for:
 - Wool blended garments
 - Building products
 - Blending Industrial Hemp with PEP (Polypropylene) for transporting and storage of small to medium sized packaged goods, eg. crates and pallets
 - Container bumper panelling
 - Seed crushing for cooking and medicinal oils
 - Protein supplement for domestic animals
- During a recent trip to Europe, DFA identified a number of markets, particularly the high end European car market.
 - Industrial Hemp fibre is pelleted and blended with PEP (Polypropylene) for blow moulding for such products as dash boards and car infill panels for BMW and Mercedes in Germany.
 - With expressions of interest from this particular customer of 20-30,000 tonnes per annum initially and an increasing market of some 10-20% per year, DFA sees this market offering opportunity to its farmers for supplying a traceable quality assured product onto the international stage.



NSW DEPARTMENT OF
PRIMARY INDUSTRIES



DEMAND FARMING AUSTRALIA PTY LIMITED
37 Erskine Street/PO Box 1000 Dubbo NSW 2830
Tel: +61 2 6882 7089 Fax: +61 2 6885 5556

- 3 -

- Since the advent of climate change due to an increase in carbon dioxide in the atmosphere, carbon sequestration had been recognised as a natural process that can be used to reduce the amount of carbon dioxide existing in the atmosphere.
- The Greenhouse Gas Reduction Scheme (GGAS) Carbon Sequestration Rule provides the opportunity for primary production to potentially create abatement certificates for sequestering carbon.
- ***DFA has the ability, within the Aggregation, to manage and control the full supply chain of the Industrial Hemp crop and its proceeds.***
- Agronomy and crop monitoring will be managed and supervised by certified consultants following the strict guidelines stated in the production contracts and under the Legislation set down per State.
- Seed supply and suppliers are part of the Aggregation with a vested interest in keeping the control of the germ plasm in-house to allow for continued market access and limit inferior and poor quality seed from entering the market place. This management of the seed suppliers allows for greater control over any THC content variability to be set at no greater than 0.3%. (THC is the psychoactive component in hemp/cannabis).
- Significant job creation within regional New South Wales is a high priority with the majority of manufacture occurring within Shires for ease of logistics and control of the end product into the market place.
- With the DFA model, ease of policing the production would be obtained as all growers are carefully assessed for their production and financial characteristics, whereupon DFA audits all participating businesses to grow specific areas under contracted management systems to quality assurance and traceability models, resulting in the quality and quantity matching the demand of the end user.



DEMAND FARMING AUSTRALIA PTY LIMITED
37 Erskine Street/PO Box 1000 Dubbo NSW 2830
Tel: +61 2 6882 7089 Fax: +61 2 6885 5556

- 4 -

- **DFA wishes to apply for an increase in area for the 2007-08 Trial Licenses from 5 hectares to 10 hectares to assess more accurately the agronomic and production potential of the Industrial Hemp crop in New South Wales.**
- **DFA is seeking amendments to the Legislation to allow for the commercialisation of Industrial Hemp and the Minister for Primary Industries to engage the Police Minister for their support to have the Legislation amended so that the control of the crop rests with the NSW Department of Primary Industries.**

Yours sincerely,



John G. Larkin
Managing Director



DEMAND FARMING AUSTRALIA PTY LIMITED
37 Erskine Street/PO Box 1000 Dubbo NSW 2830
Tel: +61 2 6882 7089 Fax: +61 2 6885 5556



Demand Farming Australia© is a national project that will change the face of agriculture in Australia. A joint venture between Aurora and Elders Ltd, supported by the NSW Department of Primary Industry, NSW Department of State and Regional Development and Local Government.

This project is about changing the balance of agriculture back towards farmers. Participants will have access to commercial opportunities only possible through the collective strength of the Demand Farming Australia© model. The efficient supply chains, information and improved market linkages will give farmers more power in negotiating contract supply arrangements.

Demand Farming Australia© is putting together a collaboration of initially 1000 of the top 30% of farmers in Australia. The participating farmers will be spread across approximately 40 strategic locations in Australia, of which approximately 400 farmers are in New South Wales. This aggregation of farms will be equivalent to a land bank greater than \$2 billion, which gives great negotiating power and market leverage.

Demand Farming Australia© will engage farming businesses in a systematic roll-out across Australia, and the best farmers will select themselves as they will be innovative, forward thinking and willing to invest in new opportunities.

Our emphasis is in quality assured, traceable food, fibre and energy crops that meet the specific high standards required for the specialty market, particularly in the ever growing Asian food sector. With the growing need for renewable energy crops for fueling our energy needs, an increasing demand is emerging for renewable crops that are, not only carbon neutral, but also environmentally tolerant in the ever changing agricultural landscape.

Workshops are conducted with interested farming businesses, followed by Farm Audits of the participating farms recording farming practices, production capabilities, soil types, water availability, climate, etc. This data will provide aggregated estimates of potential for a large range of produce, with large volumes, that are of interest to customers who prefer to buy from one quality and traceable source rather than many small suppliers or 'anonymous' pooled product.

A large group of sales staff based overseas will sell to large customers, aggregated volumes of high-quality produce that will command higher prices than mixed quality offerings. There will also be sales to Australian customers but the main opportunities will be in exports.

Significant ongoing investments in market intelligence, consumer research and market opportunity evaluations will provide participating farmers with significantly more opportunities and less risk than trying to undertake research themselves.

Participating farmers will be offered contracts with farm gate prices based on quality parameters, an input/output model, cropcheck systems and anticipated gross margins and internal rate of return. This will enable farmers to compare current returns per ha and per meg of water against the Demand Farming Australia© offers.

Participating farmers have the choice to decide whether they wish to participate in the offers or not. Increased medium to long term returns, diversification, sustainability and reduction of risk with less market fluctuations are all objectives set down by Demand Farming Australia©.

DEMAND FARMING AUSTRALIA PTY LIMITED

37 Erskine Street/PO Box 1000 Dubbo NSW 2830

Tel: +61 2 6882 7089 Fax: +61 2 6885 5556

Email: admin@demandfarming.com.au Website: www.demandfarming.com.au

ABN: 16 120 544 836