Submission by Ecowall Cladding to the Inquiry into the industrial hemp industry in Victoria

Our submission is based on our experiences in starting up a new business aimed at the use of industrial hemp as a building product.

These are the main issues or barriers that are hindering the hemp industry in Victoria based on our experiences.

- Hemp and production of hemp based products are not defined in the land use definitions of the Victorian Planning Provisions (VPP)
- Hemp based building products have no standards or recognition in the National Construction Code and Energy Rating Systems
- Minimum lot sizes and out of date planning schemes
- Input costs and accessibility to seed supply due to licencing requirements
- Accessibility to land and startup costs for startup farming enterprises
- Hemps role in achieving Nett Zero Carbon Emissions

Land Use Definitions in VPP

In our experience the biggest hinderance to the progression of our business relates to the time and delays associated with the VPP and planning permit requirements.

Within the existing planning framework, the growing of Industrial Hemp as a crop can fall under "Crop Raising" as a child definition or "Agriculture" as the parent category in the nesting diagrams of the VPP.

The challenges of the VPP commence when defining what happens after the crop is harvested. Once harvested the processing of hemp can then fall under either Industry (as the parent group) or the narrow subset of Rural Industry. Many planning experts would view the narrower focus of Rural Industry as the most appropriate definition however in Little v Cardinia SC [2022] VCAT 477 the member went against extremely well-regarded planning expert reports and defined the processing of hemp as "Rural Industry" but when the product ceases to be primary produce, then any process after this point is "Industry".

Within this hearing the Rural Industry definition of "Manufacture Mud Bricks" was not interrogated and a subsequent planning permit interrogating this comparison is currently underway. Considering the planning panel report from 2013, when Manufacturing of mud bricks was added as rural industry to the VPP land uses; and considering the intensity of operation that manufacture of mud bricks allows, it is clear that the decision to define manufacturing of hemp based building products as industry is in conflict with the decision to define manufacture mud bricks as rural industry. (See attached flowcharts)

Prior to this application attempts were made to engage with DELWP and the Minister for Planning to consider this topic and make a determination, with both refusing the make a decision.

Having hemp processing and the production/manufacturing of hemp based products defined as rural industry in the VPP would create the basis to streamline approvals of planning permits.

As a part of an ongoing planning permit application, we had done some further research on similar facilities being developed in NSW near Mildura. In doing this research there is a clear misalignment of definitions with NSW planning definitions providing a substantial advantage to farming industries to develop and value add to crops based on the land use definitions of Rural Industry.

In NSW Rural Industry is

rural industry means the handling, treating, production, processing, storage or packing of animal or plant agricultural products for commercial purposes, and includes any of the following—

(a) agricultural produce industries,
(b) livestock processing industries,
(c) composting facilities and works (including the production of mushroom substrate),
(d) sawmill or log processing works,
(e) stock and sale yards,
(f) the regular servicing or repairing of plant or equipment used for the purposes of a rural enterprise.

Note—

Rural industries are not a type of ***industry***—see the definition of that term in this Dictionary.

Source https://legislation.nsw.gov.au/view/html/inforce/current/epi-2011-0684#dict

In Victoria we define Rural Industry as:

Land used to:

a) handle, treat, process, or pack agricultural produce;
b) b) service or repair plant, or equipment, used in agriculture; or
c) c) manufacture mud bricks

The key differences are the inclusion of the words “production” and “commercial purposes” in the definition.

Minimum Land Lot Sizes & Out of Date Planning Schemes

In our case, the planning scheme that our land is sitting within was created in the mid to late 1990’s with very minimal changes or revisions made. The land subdivision is post WWII and the consequences are that the modern planning schemes and practice notes are not compatible with an out of date planning scheme and redundant subdivisions which results in conflicted planning decisions.

Modern planning schemes need to respond to various input challenges to discourage land banking and attract new farming enterprises. With the continued urban growth occurring around the outer rings of Melbourne the entry level costs of farms have increased significantly. However out of date planning schemes and local planning policies are not responding to entry costs. Many planning policies and schemes aim to focus tesidences into hub structures surrounding rural and semi rural towns and discourage/limit dwellings on farm lots through minimum lots size requirements.

All levels of government are investing in strategies to address housing shortages, yet planning restrictions on minimum land size to construct dwellings on farms and policies aimed are centralising

population in rural and semi-rural towns, where supply is close to non-existent, continues the increase pressure on housing supply and prices. These increased the entry costs of establishing a farm when cost of living and cost of housing is already a significant challenge becomes a limitation when making the decision to start a new business in an emerging industry such as hemp.

Lowering the minimum land size for dwellings would change the supply dynamic as well as the entry level cost of startup farms. Defining a minimum criteria for a planning permit for farms and use of Vicsmart Planning processes can add balanced controls to prevent inappropriate developments.

Input Costs, Costs of Establishing Hemp Based Business & Access to Funding

While establishing a new business is always going to involve costs and investment from the business owner, the key challenge for farmers who want to invest in growing hemp and further value adding to the crop through product development remains access to funding for growth.

Tier one banking institution have become extremely risk adverse and sees emerging industries such as hemp production as high risk and refuse to lend. Second tier lending may lend but at a substantial premium to market viable rates which leaves only third tier/private lending and equipment finance at premium rates, essentially increasing the base cost which will then flow through to material costs.

Victorian and federal government grant programs have in the past 5 years not included hemp and hemp based industries. Other state governments (Tasmania and Western Australia) have supported investment in Hemp which has seen those markets progress substantially more than Victoria.

A key opportunity that would stimulate investment in hemp could be achieved through recognising it as a carbon farming offset and either allowing farmers to sell carbon credits from their crops or have government pay farmers for the carbon farming achieved. A commercial approach through trading on open markets would allow contractual agreements and investment to occur and would be a preferred model in our view.

Other areas that government could engage to stimulate growth would be through seed production. Currently seed pricing compared to other crops is excessive due to the levels of investment and infrastructure needed to bulk seed up and the desire to recover initial investment quickly by commercial entities. Increasing seed supply would create competition for seed supply that would result in a reduction in the cost of seed to farmers which will flow through to consumer pricing.

Hemp Building Product Standards

Supporting industry to develop and implement performance standards for Hempcrete (insitu) and block/panel forms of hemp wall cladding products will streamline building approvals and increase usage of products. Other products such as insulation, bracing boards have existing standards that can be used for compliance.

Government can support industry through funding research and testing of hempcrete products so that Australian Standards can be developed for suppliers to meet the deemed to satisfy provisions for building materials or offer grants/support for codemark certification of hemp based building products.

Development of industry standards will also drive compliance for installation which will flow through to building licencing and reduced defects and future claims on insurance providers.

Currently all hempcrete based building products go through the performance solution process which is time consuming and costly addition to the cost of every building project. More concerning is that

this essentially means there are no checks and balances to the system. It relies solely on the honour system to ensure compliance during construction as there is no qualification required to install the product.

Through the lack of data and product information the NATHERS and NATBERS systems has no method of accounting for Hemp based products in performance calculations of new buildings. Overseas data suggests that hempcrete and hemp based building products outperform many existing products in the market.

Summary

Industrial Hemp has an extremely large potential to influence and contribute to the Victorian economy and how Victoria moves towards nett zero emissions. Currently policy settings, be it regulatory from Agriculture Victoria, Statutory Planning, Environmental or financially supporting industry, all combined to create a significant hindrance to unlocking hemps potential to contribute to the Victorian economy.

Processed hemp can replace many forestry wood products 1 for 1 in the construction industry such as wall claddings, panel bracing, composite weatherboards. It can also be used for paper. Simple changes to regulatory settings through deregulating biomass crops (non-food crops) would encourage more farmers to grow hemp which can then be used to supplement the reduction in forestry products being harvested, particularly relevant considering the pending end to native logging in Victoria.

Combine this with streamline planning approvals and categorizing hemp and hemp product manufacturing as rural industry further unlocks this potential for investment to occur.

State and federal governments can stimulate the industry through discounted loans or grant programs to drive interest in increasing the use of hemp base products.

Addressing one policy setting without addressing other policy areas will only result in the continue stagnation of the hemp industry in Victoria.