

J. Moriarty
for Clerk of Parliaments
6 / 6 / 2024

OFFICIAL

RICE MARKETING AMENDMENT BILL 2024

STATEMENT OF PUBLIC INTEREST

Need: Why is the policy needed based on factual evidence and stakeholder input?

The proposed Rice Marketing Amendment Bill 2024 (the Bill) implements the primary recommendations from the ABARES Independent Report into NSW Rice Vesting Arrangements (the Independent Report) and is aimed at supporting the future viability and development of the rice industry across all regions of NSW. The Independent Report took into consideration the findings of the 2021 NSW Government Review of Vesting (the 2021 Review).

The *Rice Marketing Act 1983* (the Act) vests all rice grown in NSW in the Rice Marketing Board (RMB). A single company appointed by the RMB may export of NSW grown rice outside Australia (the exclusive export license holder).

The NSW rice industry is located predominantly within the Riverina/Murray region ('Southern rice region') of NSW with 97% to 99% of NSW rice production occurring within this region, depending on water availability. A smaller quantity of rice is also grown in the Northern Rivers region of NSW, mainly within the Richmond and Tweed Valleys.

The exclusive export license holder – Ricegrowers Limited (trading as SunRice) – is in the Southern rice region.

Producers in the Northern Rivers currently experience practical difficulties in accessing the export supply chains of the exclusive export license holder because of logistical constraints and different marketing characteristics of rice grown in the Northern Rivers region. This effectively precludes these growers from accessing export markets. Producers in the Northern Rivers want greater immediate industry autonomy, particularly in terms of the ability to set up a separate export supply chain.

Within the Southern rice region, there has historically been strong stakeholder support for the current vesting arrangements and the exclusive export arrangements. However, after the release of the Independent Report, this support faded and key stakeholders, including SunRice and the Ricegrowers Association (RGA), now support an end to vesting. Meanwhile, alternate rice supply chains have recently emerged in southern NSW, which also oppose vesting due to the regulatory restrictions on their businesses.

The Bill responds to the changing needs of stakeholders across the two rice growing regions of the state and is mindful of the need to ensure that rice vesting policy is informed by solid evidence and meets regional stakeholder needs.

The Bill is needed to:

- Ensure rice cultivated and harvested in the Northern Rivers region after 1 September 2024 is not subject to the existing vesting arrangements and can be sold overseas by any person as soon as possible,
- End the vesting arrangements and export restrictions for the rest of NSW on 1 July 2025,
- Allow for the timely and efficient winding up of the RMB, and subsequent repeal of the Act.

OFFICIAL

OFFICIAL

These outcomes are consistent with the recommendations of the Independent Report and findings in the 2021 Review, indicating strong economic benefits and reduction in regulatory burden which would follow an end to vesting. Economic modelling conducted as part of the 2021 Review estimated that removing rice vesting would increase the value of NSW rice production by \$80 to \$133 million over six years.

These changes will support industry growth and innovation and facilitate the pursuit of new export market opportunities for supply chains in the region.

A commitment to stakeholder consultation has been a key element in shaping vesting policy. Extensive stakeholder engagement also occurred both as part of the 2021 Review and the Independent Report, and by advice provided to the Minister for Agriculture by key stakeholders representing supply chains and rice growers within the southern rice growing region. By engaging with key stakeholders, including individual rice growers, organisational stakeholders, and industry representative groups, the policy is reflective of the needs of the two rice growing regions and the position of the whole industry.

Objectives: What is the policy's objective couched in terms of the public interest?

The objectives of the Bill are to:

- *Allow the Northern Rivers rice growing region to market and export rice independently of the vesting arrangements* - The Bill's first objective is to exclude the Northern Rivers rice growing region from the control of the Board and rice grown in that region from vesting arrangements and the export restrictions from 1 September 2024. This will allow producers from that region to export Northern Rivers grown rice overseas and will promote the development of the separate Northern Rivers supply chains.
- *End rice vesting for rice grown in the rest of NSW* - The Bill's second objective, is to end rice vesting on 1 July 2025, and therefore remove rice from the provisions of the Act including the vesting arrangements and the general prohibition to export rice. This is in response to the recent and significant changes to key stakeholders' positions on the continuation of the rice vesting arrangements.
- *Wind up the affairs of and dissolve the Rice Marketing Board*: The Bill will grant the Minister powers in relation to winding up and dissolution of the RMB, including the power to appoint and remunerate a liquidator, and to make provision for savings and transitional arrangements. The Minister will also be allowed to reduce RMB membership to 3 members to wind up the RMB on or from the 1 July 2025 and, by order, to transfer the assets, rights and liabilities of the RMB to a public authority of NSW.

Options: What alternative policies and mechanisms were considered in advance of the bill?

Alternative policy scenarios that were considered included the following;

1. Base case: Retain the status-quo and re-assess vesting prior to 30 June 2027.
2. Remove the Northern Rivers from vesting as soon as possible and retain and extend vesting for the Southern NSW rice region to 30 June 2029.
3. Full deregulation: Accept the ABARES Independent Report's main recommendation to cease vesting.

Analysis: What were the pros/cons and benefits/costs of each option considered?

1. The base case: Retain the status-quo and re-assess vesting prior to 30 June 2027.

OFFICIAL

- Retaining vesting and the exclusive export arrangements was not considered to be appropriate given the findings of the 2021 Review, the recommendations of the Independent Report, and stakeholder feedback.
 - Both the 2021 Review and the Independent report found that growth in the Northern Rivers rice growing region and the development of alternative supply chains was restricted by the current rice vesting arrangements.
 - Stakeholders within the Northern Rivers region have long opposed the vesting arrangements with the overwhelming view that the current regulatory arrangements place their industry at a disadvantage.
 - Retaining the status quo was estimated to have an economic cost relative to the other options considered.
2. Remove the Northern Rivers from vesting as soon as possible and retain and extend vesting for the Southern NSW rice region to 30 June 2029.
- The economic benefits of excluding the Northern Rivers region were estimated during the 2021 Review to be between \$33 and \$47 million in Net Present Value terms over six years and is expected to support a small uplift in employment in the Northern Rivers region.
 - This option acknowledges that the Northern Rivers rice industry faces different challenges to the Southern rice industry, which justifies the need for the separate response.
 - Given the recent and significant changes to key southern region stakeholders' positions on the continuation of the rice vesting arrangements since, and in response to, the publication of the Government Response to the ABARES Independent Report on Rice Vesting, retaining and extending vesting would not be in the industry's best interest.
3. Full deregulation: Accept the ABARES Independent Report's recommendation to cease vesting.
- Economic modelling submitted to the 2021 Review concluded that ceasing vesting would facilitate the greatest net economic benefits, estimated between \$80 million to \$133 million in the value of NSW rice sales over six years in net present value terms.
 - Whilst this option aligns with recent stakeholder views within the Southern rice region, key stakeholder feedback since the release of the Independent Report indicates these views have since faded and that these stakeholders no longer support the continuation of vesting.
 - The key stakeholder groupings within the NSW rice industry are now aligned in the view that rice vesting should be ceased.
 - Deregulating rice grown in the rest of NSW on 1 July 2025 will allow for an orderly transition.

Pathway: What are the timetable and steps for the policy's rollout and who will administer it?

The Bill will deregulate the rice industry on three key dates:

1. From Assent: The exclusion of the Northern Rivers region from the application of the Act will occur immediately upon assent. The Board will no longer control rice grown in the Northern Rivers region.
2. 1 September 2024: Rice harvested before 1 September 2024 in the Northern Rivers region will remain vested to provide a clear separation between rice that is vested and that which is not, prior to the start of the 2024/25 rice season.

OFFICIAL

OFFICIAL

3. 1 July 2025 – The RMB will no longer control the production of rice in NSW, and the RMB will take reasonable steps to wind up its affairs prior to 1 July 2026.
4. 1 July 2026: The Minister will by order dissolve the RMB once its affairs are wound up, and subsequently the Governor will by proclamation repeal the Act.

The NSW Government is committed to providing support to industry as they navigate and manage these changes. NSW DPI will lead a Rice Transition Group, the primary role of which will be to provide advice to the Minister for Agriculture on the winding up of the affairs of the RMB. The Rice Transition group will comprise representatives from DPI and the RMB. The Rice Transition group will also set up and chair a Stakeholder Consultation Group to seek the views of stakeholders to support the advice provided to the Minister on:

- R&D opportunities to support new markets and address emerging crop disease issues,
- ensuring seed supply is maintained for all rice growers,
- investigating regional development opportunities to support the industry during the transition.

Consultation: Were the views of affected stakeholders sought and considered in making the policy?

The actions outlined in the Bill were informed by rigorous consultation conducted during the 2021 Review, and by ABARES in developing the Independent Report. Both the 2021 Review and the Independent Report called for public submissions, involved regional stakeholder consultation and further targeted stakeholder consultation.

The Minister for Agriculture met separately with key industry stakeholders including representatives from the RMB, SunRice, the Rice Growers Association of Australia. The Northern Rivers Rice Growers Association and the Natural Rice Company throughout 2023 and 2024.