

**Senate Standing Committee on Rural Affairs and
Transport – The management of the Murray-Darling
Basin
December 2010**

Queensland Farmers' Federation (QFF) is the peak body representing and uniting 16 of Queensland's rural industry organisations who work on behalf of primary producers across the state. QFF's mission is to secure a sustainable future for Queensland primary producers within a favourable social, economic and political environment by representing the common interests of its member organisations'. QFF's core business centres on resource security; water resources; environment and natural resources; industry development; economics; quarantine and trade.

Our goal is to secure a sustainable and profitable future for our members, as a core growth sector of the economy. Our members include:

- Australian Prawn Farmers' Association,
- CANEGROWERS,
- Cotton Australia,
- Growcom,
- Nursery and Garden Industry Queensland,
- Queensland Chicken Growers Association,
- Queensland Dairyfarmer's Organisation,
- Queensland Chicken Meat Council,
- Flower Association of Queensland Inc.,
- Pork Queensland Inc.,
- Biological Farmers of Australia
- Fitzroy Food and Fibre Association,
- Pioneer Valley Water Co-operative Limited,
- Central Downs Irrigators Limited, and
- Burdekin River Irrigators Association

Introduction

This submission needs to be considered in the context of the QFF submission to the MDBA on the Guide to the Basin Plan. The key points raised in the submission on the Guide are as follows:

1. The Commonwealth Government through the drafting of the Water Act 2007 and the Murray Darling Basin Authority through the preparation of the Guide have stepped away from:
 - a. Concept of a 'healthy working river' which is defined as 'a managed river in which there is a sustainable compromise, agreed to by the community, between the condition of the natural ecosystem and the level of human use.' *WaterShed February 2002 - Cooperative Research Centre for Freshwater Ecology.*
 - b. National Water Initiative (NWI) which has been agreed to by Council of Australian Governments (COAG) and seeks an outcome that 'optimises social, economic and environmental outcomes' by 'balancing sets of economic, environmental and other interests' and 'settling the tradeoffs between competing outcomes.'
2. The Murray Darling Basin Authority has conducted a flawed planning process to date:
 - a. Relying upon scientific and other technical input from in-house and contracted sources and limiting input from experienced water planning staff

- from the jurisdictions and belatedly attempting to address social and economic issues
- b. Failing to provide key information to explain how the key components of the Guide were assessed
 - c. Failing to implement an effective program to engage regional communities prior to and following the release of the Guide.
3. The Australian Government water recovery programs are important as a means of achieving the Australian Government's commitment to reduce water take to sustainable diversion targets. The programs are also essential in helping irrigation enterprises to adjust to the permanent loss of a significant portion of entitlements. However, processes for implementation of these programs must be improved to encourage 'willing sellers' and to facilitate investment in water use efficiency measures on farm.
 4. While Parliamentary inquiries and further investigations into economic and social impacts are welcomed it is not expected that these initiatives will define solutions. There is a need for re-engagement of communities based upon implementing the concept of healthy working rivers and effective measures to help communities adjust.

QFF submits that the Authority cannot begin preparing a draft Basin Plan until it has received informed submissions from all impacted irrigation communities across the Basin. QFF and the Queensland catchment irrigation communities do not consider that we have been adequately informed about the Guide to the Basin Plan. We acknowledge the regional information sessions that the Authority undertook presenting the Guide; however, these sessions did not provide sufficient detail about how the Guide would be implemented in Queensland.

The Authority must implement an effective engagement process with irrigation communities within each catchment as a matter of urgency. A draft program for regional engagement needs to be prepared and distributed for comment. This draft program must allow for consultation on the Guide including technical data analysis and opportunities to improve the implementation of water recovery programs. QFF is opposed to the Authority developing and releasing a draft plan before we have had the opportunity to provide a more informed submission on the Guide.

Response to Terms of Reference for the Inquiry

(a) the implications for agriculture and food production and the environment;

Implementation of the Murray Darling Basin Plan will be a significant intervention by the Australian Government to reduce rural water entitlements to achieve environmentally sustainable diversion limits. The cuts to entitlements proposed in the Guide are substantial. As a result, it is vital that the Australian Government implement measures such as the water recovery programs or pay compensation under the risk provisions of the Water Act 2007 to help rural entitlement holders and their communities to adjust.

It needs to be recognised, that in comparison with the southern basin, progress has been limited with either buy-back or water infrastructure programs in the Queensland catchments. Entitlement purchases secured as at 30th November in Queensland is 6,832ML, in comparison with a total of over 937,000ML across the Basin. Rural entitlement holders are concerned about the roll out of the program and particularly whether unsupplemented entitlement holders will have sufficient opportunity and encouragement to sell. In addition, the Healthy Headwaters on farm program has only just been initiated in the Queensland catchments.

Accordingly, it is important that governments direct their effort to water purchasing and water infrastructure programs, which provide opportunities to mitigate the negative impacts of a permanent loss of entitlements on farmers and communities. Governments have a key role to play in ensuring that agricultural industry and the research sector play a role in delivering these programs. To date this has not been the case. As outlined in the QFF submission on the Guide, entitlement holders and dependent local communities should increasingly be encouraged to drive these investigations involving the Commonwealth and State agencies responsible for the implementation of these water recovery programs. These community groupings need some scope to examine alternatives such as using water purchases to encourage on-farm infrastructure investment and coordinated assessments of the feasibility of a range of other investment options. There also needs to be policy clarification in regard to application of the buy back and infrastructure programs for groundwater and interception activity.

Attention must focus on 're-engaging' communities to help them address 'the opportunities for economic growth and diversification' to help cope with the Basin Plan. Our submission references an article produced by Leith Bouilly and Karlene Maywald (Basin Bookends, The Community Perspective - yet to be published) which recommends a three step process to 're-engaging communities in designing their future in an environment where less water is available for consumptive use'. These steps involve:

- a. Recommitting to the concept of achieving Healthy Working Rivers in the Basin by the Authority supporting and resourcing State Governments to engage communities in water resource planning to achieve outcomes outlined in the Guide to the Basin Plan.
- b. Australian and State Governments jointly funding regional communities to develop adjustment prospectuses to explore development opportunities and guide investment in the regions.
- c. Australian Government significantly increasing investment in irrigation research and development to facilitate transformational change to practices and production.

It will not be feasible to implement such a process unless the Authority can implement an effective engagement process with irrigation communities within each catchment as a matter of urgency. A draft program for regional engagement needs to be prepared and distributed for comment. This draft program must allow for consultation on the Guide including analysis of technical reports and opportunities to improve the implementation of water recovery programs. QFF is opposed to the Authority developing and releasing a

draft plan before we have had the opportunity to provide a more informed submission on the Guide.

(b) the social and economic impacts of changes proposed in the Basin;

(c) the impact on sustainable productivity and on the viability of the Basin;

QFF and communities in the Northern Basin had input to the preparation of the report by Judith Stubbs & Associates 'Exploring the Relationship Between Community Resilience & Irrigated Agriculture in the MDB: Social and Economic Impacts of Reduced Irrigation Water'. We concur with the findings of this study and particularly highlight the following issues in the light of the cuts to entitlements proposed in the Guide:

Enterprise level

- a. Permanent reductions in water availability as proposed in the Guide are significant and will reduce profitability. Some farmers will lose savings and invested capital through bankruptcy or sale of their farm and investments at a loss. These impacts will vary from enterprise to enterprise depending upon a range of factors.
- b. There will be direct flow-on effects to associated value-added processing, warehousing and distribution, and other related industries.
- c. Farmers must be able to buy replacement water or invest in substantive improvements in efficiency to neutralise the impact of the permanent reductions to entitlements. Factors that will affect this outcome include:
 - There is no guarantee that farmers will be adequately reimbursed for the value of lost water through water recovery programs or compensation under the risk provisions of the Water Act 2007. This is particularly the case with the many enterprises that depend on water harvesting and have significant on farm investments to store water. These farmers are questioning how the buy-back program will encourage willing sellers and allow them the opportunity to retire debt so that they can participate in on farm water use efficiency programs.
 - Investment in irrigation infrastructure could be lost if the farmer is unable to purchase replacement water in a market where water supply is more limited and dominated by the Australian Government's buy-back program. There are also significant limits to the trading of water across irrigation districts in the Queensland Murray-Darling catchments. Water resource plans place significant limits on the trading of water out of the limited number of irrigation schemes in these catchments. Also, trading of unsupplemented water, which comprises over 70% of entitlements, is allowed within defined river lengths. Trading outside these areas may only occur with approval on a case by case basis.

Local area level

- a. Stubbs outlines the difficulties involved in assessing with any confidence how resilient local communities are likely to be to permanent changes to irrigation water. For example, assessments must address the impacts on value-added processing, warehousing and distribution over variable hinterland areas and the

implications of services thresholds where a loss of population means that communities may lose education, health and policing services. There may also be thresholds below which certain agricultural production activity is no longer viable. Many rural service industries such as cotton gins, agronomists, and chemical suppliers rely on a critical mass of production to achieve economies of scale in their business. A reduction in this critical mass poses a significant risk to the viability of these businesses. Smaller towns and hinterland areas may be seriously affected, particularly where these communities are smaller, more remote and more dependent on agriculture as the primary development opportunity.

- b. Stubbs also identifies a range of other factors that need to be considered in assessing the impacts of a permanent loss of water entitlements. These include:
- The 'next best' land use without irrigation water.
 - Potential benefits from open trade in water.
 - Opportunities to make further efficiency gains and have reductions in irrigation water absorbed within current operations
 - Other economic development opportunities available such as mining and extractive industries or access to major markets such as capital cities
 - Local leadership and capacity to deal with the permanent reduction in irrigation water.

Stubbs has provided a useful analysis for the selected case study areas Dalby/Wambo, Balonne and Moree Plains. Investigations conducted by Marsden Jacob support the Stubbs findings. Any amount of further analysis is unlikely to improve our understanding of the impacts that the proposed permanent cuts to entitlements are likely to have on farms and in local communities. There must be a focus on how the impact of any final cuts can be mitigated.

A priority must be the improvement in the implementation of the water recovery programs to encourage willing sellers and to facilitate investment in infrastructure to reduce water take to sustainable diversion targets. In particular, planning for the delivery of these programs in irrigation areas in conjunction with local communities should provide a better understanding of how effective these programs will be in neutralising the impact of the permanent reductions to entitlements. Without such an approach communities must assume a worst case reduction as a basis for their planning for the impact of the Basin Plan.

(d) the opportunities for a national reconfiguration of rural and regional Australia and its agricultural resources against the background of the Basin Plan and the science of the future;

It is very concerning that the Murray Darling Basin planning process has shifted the reform 'goal posts' significantly to achieve environmental outcomes at the expense of a balanced planning approach. This is introducing uncertainty both inside and outside the Basin, which is seriously undermining achievement of the objectives of the NWI.

The planning process being conducted by the Authority also does not meet NWI requirements for transparency. The Authority has been unable to provide sufficient information to allow irrigator communities to understand how environmental water requirements and the sustainable diversion limits for each of the Queensland catchments have been determined. This leaves stakeholders unable to prepare an informed response to the Authority on the Guide and opens a serious flaw in the consultation program for a Basin Plan that must be finalised in the next twelve months. The Authority cannot begin preparing a draft Basin Plan until they have received informed submissions from all impacted irrigation communities across the Basin.

- (e) the extent to which options for more efficient water use can be found and the implications of more efficient water use, mining and gas extraction on the aquifer and its contribution to run off and water flow;***
- (f) the opportunities for producing more food by using less water with smarter farming and plant technology;***

Efficient water use

The most recent research has been commissioned by the Queensland Department of Environment and Resource Management. This research has been conducted into water-saving measures on farm in preparation for the implementation of the Healthy Headwaters Program funded by the Australian Government as part of the water infrastructure water recovery programs. The first round of funding is expected to be announced in the near future. This up to date research has not yet been released but has been made available to the Department of Sustainability, Environment, Water, Population and Communities who is responsible for administering the program.

QFF believes that this research would be valuable to the Inquiry in addressing this item. It is understood that this research draws substantively from previous experience with water use efficiency programs in Queensland.

It is also understood that SunWater in consultation with Department of Sustainability, Environment, Water, Population and Communities has investigated opportunities to recover water from a range of potential investments in its irrigation schemes. It would appear that this program is not proceeding but there has been no formal advice on progress. QFF believes that it would be useful for the Inquiry to obtain advice on the future of this initiative.

Coal seam gas and aquifers

The scale of coal seam gas (CSG) projects over extensive areas of southern and central Queensland is unprecedented, involving the drilling of a massive grid of wells to tap coal seams to extract large quantities of water, thereby reducing the water pressure and releasing gas from the coal. Farmers are very concerned not only about the dislocation of farming by surface gas extraction facilities but also about the potential long term loss of groundwater quantity and quality, which is needed to sustain highly productive grazing and agricultural businesses. Local Governments share these concerns.

However, the Queensland Government is committed to see these massive projects proceed to reap the gains for the State economy in terms of exports, jobs and taxes. All three major projects linked to the Curtis Island Liquefied Natural Gas hub have been given conditional approval. To address community concerns, the Government is applying stringent environmental requirements on surface construction and operational activities. However, the Government and project companies do not yet have a full understanding of how significant water extraction will impact on groundwater, particularly the extensive resources of the Great Artesian Basin and the overlying subartesian aquifers.

The Water and Other Legislation Amendment Act 2010 passed through the Queensland Parliament in December 2010 provides for an adaptive management approach backed by requirements on project companies to 'make good' on any impacts on farm. Landowners are yet to be convinced that this adaptive management process will ensure that companies will make-good for bores being unable to supply water in the quantities and quality required. A negotiated agreement about making good these impacts will be of little value if there is no way to prove water extraction is the result of CSG extraction. The legislation provides for baseline assessments to be conducted on all bores to benchmark the condition and capacity of the bores prior to water extraction. It is good to see at last that there is detailed consultation underway about how this baseline assessment should be conducted. However, this is just one of a range of measures in the legislation that need to be better defined before landowners have confidence in the Government's ability to plan for and fix any impacts that might occur. For example, more details are required on how project companies will produce underground water impact reports regularly to predict impacts below defined trigger levels over the short and the long term. Also details should be provided on how a rigorous monitoring program will be conducted of water quality, quantity and water levels within company tenures to improve the understanding of groundwater and impacts of water extraction.

There is a danger that these measures will not address the cumulative impact that the three major CSG projects could have. The legislation provides for the Queensland Water Commission (QWC) to conduct monitoring and prepare impact reports over defined wider cumulative impact areas. Further details of how this important program will monitor adverse impacts on aquifers across all coal seam gas areas must be provided for landholders to review and provide comment. The State Government appears committed to take this adaptive approach given the limited knowledge of the groundwater resources and the impacts that the massive extraction of water could have over such a wide area. But it is these uncertainties and the scale of the projects that has communities opposed to these massive projects proceeding.

Rural water users have particular difficulty with the approach taken in the legislation when the Murray Darling Basin Authority has taken such a 'precautionary' approach by giving priority to achieving environmental outcomes at the expense of substantially reduced irrigation entitlements and consequent adverse impact on irrigation communities. There is the added twist for the Queensland Government that any drawdown of subartesian aquifers as a result of CSG water extraction will be in breach of the requirements of the proposed Basin Plan.

The State Government must increasingly engage communities in the detail of implementing the legislation if they are to build confidence in the adaptive process and needed community support for the projects. Failure to do this will increasingly undermine the medium to long term social viability of these projects and the benefits they can provide to Queensland in particularly regions affected by these large projects.

(g) the national implications of foreign ownership, including:

- (i) corporate and sovereign takeover of agriculture land and water, and***
- (ii) water speculators;***

QFF does not consider that the Basin Plan will induce any additional for foreign ownership implications. It is considered that longer term food security planning will be increasingly encouraging foreign interests to invest in food processing and possibly farming operations and associated water entitlements. It should also be recognised that there is evidence of farm consolidation through purchase of other farms to achieve economies of scale. These are market responses to the implications of reforms and the need for increased and more efficient food production.

(h) means to achieve sustainable diversion limits in a way that recognises production efficiency;

See response to Items (e) and (f) above

(i) options for all water savings including use of alternative basins;

It is not considered that there are feasible options to use alternative basins for additional water supply in the Northern Murray Darling

(j) any other related matters.

None