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HOUSE OF REPRESENTATIVES  
STANDING COMMITTEE ON  
AGRICULTURE, FISHERIES  
AND FORESTRY

**Submission to the House of Representative Standing Committee on Agriculture, Fisheries and Forestry's Inquiry into future water supplies for Australia's rural industries and communities**

**Summary**

This submission relates to the Committee's fourth term of reference, viz, *Commonwealth policies and programs that could address and balance the competing demands on water resources.*

It recommends for the Committee's consideration a policy of aiming to reduce over time the production for export of rice and cotton to virtually NIL. The purpose of such a policy would be to minimise the present heavy usage of Australia's limited water resources by the rice- and cotton- growing industries, and to encourage a partial switch of resources from those industries to other less-water-hungry primary industries.

To achieve this, it proposes:

- ◆ The imposition by the Commonwealth of a levy on all exports of rice and cotton each season;
- ◆ and the disbursement, in the succeeding season, of all such money to those primary producers who reduce their acreage of rice &/or cotton and incur expenditure in establishing alternative uses for that land.

**Introduction and rationale**

It is patently absurd that Australia, the driest continent and with a significant increasing salinity problem, continues to grow for export (in addition to the quantities required for home consumption) crops such as rice and cotton, the production of which is so heavily dependent on an abundance of water. In doing so, we not only unnecessarily use scarce water resources; we do so in competition with the less developed and heavily populated countries which have fewer alternative avenues for the employment of their labour forces.

The provision of irrigation water for rice and cotton is one of the real costs of their production - in a way, like other costs such as the provision of seed, fertilizers and labour. But there is a significant difference, in that the availability of the water being used has been largely provided in advance by the community, by way of investment of capital in dams and water channels, etc. *To the extent that these crops of rice and cotton are exported, it can be said that Australia is, in effect, exporting water, our most precious natural resource.*

There are also immediate opportunity costs in growing rice or cotton for export, because alternative uses of the land and water are in practice restricted by the demands of the rice- and cotton-growing industries for water. Moreover, there are long-term costs involved, resulting both from the degradation of the irrigated land (and even non-irrigated land) caused by salinity and from the diminution of water supplies elsewhere that may ultimately require heavy capital expenditure on additional dams, etc., particularly for South Australian domestic consumption.

As the Committee would know, attempts to date to restrict by quotas the supply of water for irrigation have met considerable opposition – not only from the industries affected, but also from (some) State governments which may have been concerned, inter alia, about the likely political fallout, and from local governments and businesses in the areas considered likely to be affected.

Both the rice-growing and the cotton-growing industries are, in the main, large-scale capital-intensive industries, in some areas substantially overseas-owned, and requiring a significant (if partly seasonal) labour force. It would therefore be not surprising if any suggestions by the Committee for curtailing by the imposition of stringent quotas the present quantities of water supplied to those industries were to produce considerable and highly vocal opposition from many quarters.

For these reasons a different way needs to be found to reduce the demands for water by these water-hungry primary industries, and especially by those segments drawing water from the already embattled Murray-Darling system. It needs to be an arrangement based on the “Carrot and Stick” principle, rather than one that will possibly be viewed as “unfairly hurting” the producers concerned.

### **Suggested scheme**

The main purpose of this submission is to outline a financial scheme, based on the “Carrot and Stick” principle, whereby:

- ◆ each season the costs to producers exporting rice and cotton would be increased by the imposition of a levy on such exports,
- ◆ all producers of rice and/or cotton who undertake to reduce their acreages planted to those crops in the following season would collectively receive from the Commonwealth an entitlement for a full refund of the amount raised by the levy in the previous period, to reimburse those producers for the costs associated with their switching some (or all) of their land to another use.

In detail the scheme proposed could run as follows:

1. The Commonwealth to legislate to impose an annual levy on all exports of rice and cotton from Australia, whether grown in the Murray-Darling areas or elsewhere. Such levy to be introduced with at least one season’s notice and initially set at a minimal level of, say, one or two per cent of the export value, to be held at that level for, say, 2-3 seasons. At the time of its introduction, a clear warning to be incorporated in the

legislation about the extent and timing of future increases in the levy (e.g. an increase to, say, 5% for 4-6 seasons, and thereafter increased to, say, 10%).

2. All growers of rice and cotton (whether exporters or not) to be encouraged by the Commonwealth to give an undertaking to reduce the acreage to be planted to rice and/or cotton in the following year, on the basis of an entitlement to seek reimbursement from the Commonwealth for expenditure in switching the acreage reduced from rice/cotton into another land use not requiring any (or as much) irrigation water.

3. For its part, the Commonwealth would undertake to apply the whole of each season's levy in settlement (pro rata, if necessary) of growers' claims in the following season for reimbursement.

4. The amount raised by each season's levy for rice and cotton exports to be held in separate specific Government trust funds (one fund for each season, for each commodity), pending disbursement of the whole amount, if practicable by the end of the following season. If in respect of any season the amount available for disbursement is in excess of claims lodged or foreshadowed, the excess to be held in reserve pro tem to meet any possibly delayed claims; but if not so required the remaining excess to be added to the amount available for disbursement in respect of the next season's claims.

5. Claims for compensation for reduced income resulting from switching land from rice or cotton to another land use could conceivably arise, but probably could be considered on an ad hoc basis.

Finally, this submission to the Inquiry is a personal one, as a senior citizen without any financial or family involvement in the rice, cotton or any other primary industry. It reflects my concern that Australia is squandering its water resources, in part because of interstate jealousies, and in respect of rice and cotton, particularly because of the strength and wealth of the well-established interests associated with their production. I commend my submission for the Inquiry's consideration.

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