



49 Research Road
Pooraka SA 5095

PO Box 557
Ingle Farm SA 5098

Phone (08) 8162 5183
Fax (08) 8162 5186

Email
citrusboard@adelaide.on.net

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23RD December 2010

Mr Tony Windsor MP
Independent Federal Member for New England
Shop 5, 259 Peel Street
TAMWORTH NSW 2340

Dear Tony

Please find enclosed our response to the Parliamentary Committee Inquiry on the Murray Darling Basin Plan from the SA Citrus Industry Development Board.

The SA Citrus Board represents 450 citrus growers in South Australia, covering approximately 6,300 hectares or approximately 2.75 million citrus trees. In 2009/2010 162,794 tonnes of citrus were produced, valued at \$250 million in gross food revenue, with exports valued at \$58 million.

The SA citrus industry also supports 25 packing sheds, 7 processors and 17 wholesalers, providing direct employment to approximately 1,500 people within this State. Furthermore, as the second biggest horticultural industry in the Riverland behind the wine industry, the SA citrus industry plays an integral part in maintaining the local economy and supporting a population base of 33,000 people in the region.

We seek your support to ensure that this opportunity to comment on the proposed MDB Plan is not wasted.

If you would like to discuss our submission, please feel free to contact me.

Yours sincerely,

ANDREW GREEN
Chief Executive Officer

South Australian Citrus Industry Development Board (SACIDB)

Submission to the House of Representatives on the Management of the Murray Darling Basin Plan December 2010



SA Citrus Board
South Australian
Citrus Industry Development Board

Introduction:

The South Australian Citrus Industry Development Board (SA Citrus Board) is a Statutory Body established under the *Citrus Industry Act 2005*. The SA Citrus Board represents the entire SA citrus supply chain in SA, from grower to wholesaler. The *Citrus Industry Act 2005* requires individuals or organisations that grow, pack, process and/or wholesale citrus in SA as a business to notify the Board and pay an industry contribution to support development activities in this State. Overall, the SA Citrus Board's mission is to implement strategies that underpin the integrity of the State's citrus production, processing and marketing.

In total, the SA Citrus Board represents 450 citrus growers in South Australia, covering approximately 6,300 hectares or approximately 2.75 million citrus trees. In 2009/2010 162,794 tonnes of citrus were produced, valued at \$250 million in gross food revenue, with exports valued at \$58 million.

The SA citrus industry also supports 25 packing sheds, 7 processors and 17 wholesalers, providing direct employment to approximately 1,500 people within this State. Furthermore, as the second biggest horticultural industry in the Riverland behind the wine industry, the SA citrus industry plays an integral part in maintaining the local economy and supporting a population base of 33,000 people in the region.

With respect to the management of the Murray Darling Basin and the recently released Basin Plan the SA Citrus Board believes that overall the proposed sustainable diversion limits (SDL's) are extreme and if applied would have a catastrophic impact on industry and the regional community in the Riverland. While a healthy river is supported it should not be at the expense of industry and community viability.

The Riverland has suffered significantly from recent drought and cuts to water allocations over the last three years. Any additional cuts will be too great for industry and community to bear without collapse.

In 2007 the State Government commissioned a report titled "economic and social impacts of key industries on the Riverland", which covered the potential impact of prolonged drought on the region. To the best of our knowledge this document has not been considered by the MDBA and yet it provides detailed information on the projected impact of drought on the Riverland region. We would suggest the House of Representatives consider its content as a valuable guide to the possible socio economic impact likely under the proposed SDL's

In general the SA Citrus Board would like to make the following summary comments on the MDB Plan. These same issues have been raised in the SA Citrus Board formal response to the Murray Darling Basin Authority. We would also like to point out that the SA Citrus Board is also a member of the SA River Communities group which has also made a submission. Our main issues of concern are:

- Overall, it is important to implement a "balanced" plan that provides a healthy river, viable agricultural production and supports regional communities. The plan in its current form does not achieve this outcome. The social economic impact of proposed diversion limits must be adequately considered.

- Application of the plan across the MDB must be fair and equitable. The SA citrus industry and other horticultural industries reliant on the River Murray have operated within a restricted water allocation since the 1960's and have applied the most efficient water saving technologies and must be rewarded for this proactive approach. SA irrigators are the most efficient in the country and while there is considerable room for improvement interstate, there is little room left for improvement in SA. The suggested reductions if applied in South Australia would have a greater and unfair impact on our efficient irrigators.
- The MDB Plan should focus on obtaining water savings from a fast tracked infrastructure program first. Significant improvements in delivery systems and capital works to reduce evaporative loss and leakage are likely to achieve much of the targeted water savings.
- The same level of efficiency and scrutiny applied to irrigated water use, should be applied to application of the water to the environment. Innovative applications could see better targeting and delivery of water to key environmental sites.
- Any additional water required to meet targets beyond those saved from better infrastructure and environmental application, should only come from willing sellers.
- Any application of new, sustainable diversion limits should be rolled out gradually in a manner to allow sufficient time to adjust and provide maximum opportunity to implement alternative water saving approaches, which have the least impact on irrigators and regional communities.
- Assurances are provided that any new diversion limits applied will not be altered in the future, such that additional hardship is applied to irrigators and communities across the MDB.
- The MDB plan does not force irrigators in a particular region to carry the responsibility for Critical Human Needs for a population within their State. A basin plan without borders means that it is everyone's responsibility to provide water to the public.
- Entitlements purchased must only be from willing sellers. Much of the concern about the Guide is attributed to the perception that the Commonwealth Government is planning to reduce entitlements without compensation for the irrigators.

Overall, the SA Citrus Board believes that 3,000GL or more could be achieved by application of innovative infrastructure, better application of water to the environment, city and/or industry and targeted buy backs, without having to apply crippling irrigation cuts which would devastate communities reliant on irrigation and threaten food security.

- **Application of water for the environment.**

The SA Citrus Board believes that water for the environment is not simply a function of volume. Environmental water programs must be modelled, proven and applied under best management practices to ensure efficient application. Indeed the Commonwealth Water Act 2007 calls for the basin plan to include an environmental water plan and that plan is based on the best available science.

The guide, as it is currently presented, seems simplistic, with the main focus centred on the flow of water out the Murray Mouth rather than the application of good science to improve environmental water efficiencies along the whole MDB.

The SA Citrus Board believes environmental works could be applied, resulting in relatively small amounts of water used to produce significant environmental benefits. The SA Citrus Board is not clear why opportunities to explore environmental works and measures to offset environmental water requirements, are considered outside the scope of the basin plan. There are many effective examples of engineering works that improve the effective use of environmental water and reduce evaporation, including the Chowilla regulator, Barren Box Swamp, Menindee Lakes, Lindsay Point and South East drainage networks in South Australia. These prove possible models for the rest of the MDB, which combined could provide significant savings and therefore reduce the amount of water needed from other consumptive users.

The SA Citrus Board supports the call for environmental efficiency projects from state agencies, community groups and commercial companies.

The SA Citrus Board believes that it is imperative that the same level of rigour is applied to irrigator efficiency as well as environmental applications.

Recommendation:

That a high priority is placed on the identification of environmental water savings through efficient environmental watering and environmental infrastructure works. Irrigator input on projects or concepts likely to achieve significant savings needs to be sought.

Savings made to environmental applications are used to offset any diversion reductions.

- **Social and Economic Impact**

The SA Citrus Board feels that the plan does not adequately cover the true social and economic impact of the suggested diversion limit cuts on the MDB. In April 2007 a State and Commonwealth funded document was released titled "The economic and social impacts of key industries on the Riverland", which covered the potential impact of prolonged drought on the region.

The citrus, stone fruit, wine and wine grape industries were covered in detail in the document with the following key points made.

- 35% of Riverland employment is linked to irrigated horticulture. This means about 5,500 jobs are directly linked to horticulture in the Riverland. The Riverland employs 16,500 people.
- As South Australia has the smallest individual citrus holding in Australia, any additional water loss is likely to have a greater impact on this region compared to others. This impact would flow onto the entire Riverland community. Small operators have less scope to address reductions in water allocations.
- Up to late 2008 15% of SA citrus plantings had been removed (1,000 hectares) and 200 growers (20%) had left the industry, resulting in a production decline of 30-35%. The socio economic report projected that further loss of water past 2010 could result in 12,000 jobs lost in the Riverland and \$700 million dollars in lost revenue.
- The citrus industry has experienced recent difficult years with cheap imports, market loss, biosecurity outbreaks, high dollar, frost, light crops and drought. Changes in Commonwealth policy on sales tax and tariff protection have also had significant negative effects. With the recent drought, irrigators have sold significant investments to stay viable. University of SA surveys confirm many already use off farm income which requires long work hours. Many or most have significant bank debt and are trapped by poor land prices created by ongoing doubt over water availability.

Recommendation:

The SA Citrus Board believes that the plan does not contain sufficient information on the socio economic impact of the suggested reduced diversion limits on MDB communities and irrigators. The SA Citrus Board requests proper consideration of this issue and inclusion of critical data contained in the "Economic and social impacts of key industries on the Riverland" document.

- **Purchases from willing sellers only**

The SA Citrus Board supports the plan to buy the gap between the final SDL and the current diversion limit for surface water. While we have been told that there will not be any forced acquisitions, and any sellers will be adequately compensated, industry needs assurance / guarantees that this is indeed the case.

Furthermore, the SA Citrus Board recommends that sufficient funds are made available for water buy back, so when applied in combination with improvements in water delivery infrastructure programs and efficient application of water to the environment, any burden placed on irrigators via reduced SDL's will be significantly reduced.

Recommendation:

Sufficient funds are made available for purchase of water from willing sellers to assist in making a measurable difference in addressing proposed SDLs.

Irrigators' need to be reassured that purchases will only occur via willing sellers.

- **Reward for past irrigator and regional efficiencies**

The SA Citrus Board would like to register its disappointment that the plan does not adequately recognise that South Australia has been on restricted access to water for many years (see plan page 27 figure 3.2). This restricted water use has meant that SA irrigators are the most efficient in Australia, have forgone economic activity available to other States who have continued to use water unchecked and means that there is little ability to react to further water loss as maximum efficiencies have already been achieved.

Recommendation:

The SA Citrus Board believes that the plan does not acknowledge historic efficiencies and restraint demonstrated in South Australia.

SA Citrus Board feels that some allowance should be made for SA stakeholders, including lower diversion limits.

- **Sharing the savings from infrastructure renewals**

South Australia has had a cap on irrigation extraction since 1968. This has resulted in the development and use of the most efficient irrigation systems in Australia. While there is very little room to invest in future infrastructure to recover water savings in SA, there is an opportunity to apply the same strategies in other areas to achieve significant water savings.

Consequently, any water recovered will have a direct impact on production. With the same proposed reductions, the socio-economic impacts on South Australian communities will be much greater than for other regions.

Recommendation:

Urgently application of infrastructure is needed to improve delivery of water at a regional and on-farm basis to lift efficient water use, and savings from these programs should be used to offset the total amount of water that needs to be recovered, before new Diversion Limits are set for each state.

If the above was applied, SA would not be disadvantaged for having previously invested in infrastructure and other regions would benefit from upgrades.

- **All diversions to be captured in licensing**

The SA Citrus Board feels that the plan needs greater detail on the measuring and regulating of all stakeholders who take water from the MDB. Without this detail it is difficult to reassure irrigators that everyone who benefits from MDB water is adequately recorded.

A transparent system is needed to capture water trading and those involved in brokering sales, so that an accurate picture is available on how much water is being taken from the MDB at any one time.

Recommendation:

The SA Citrus Board recommends that a register is constructed for all water brokers and regular reporting requirements applied, so that accurate detail about water trade can be obtained by stakeholders.

- **Critical Human Needs shared by all**

The SA Citrus Board believes that all stakeholders across the MDB should equally share the responsibility of meeting critical human needs (CHN). As the Guide has been written from a national approach with a no borders philosophy, it is unclear why CHN is treated differently in each region, such that irrigators in SA are forced to carry ten times the amount of CHN compared to other States.

Based on the plan, SA irrigators will have to endure greater water cuts. Under scenario 1 of the plan Irrigators will see a reduction of 37.5% and in scenario 3 a reduction 50%.

There is also a feeling that CHN is very generous. If significant reductions in water allocations are made "all" stakeholders must share the burden.

Recommendation:

CHN should be treated as a whole and set aside prior to making SDL calculations for other stakeholders and/or regions.

- **Validity of the Current Diversion Limit Data**

There is also concern about the current diversion limit outlined in the plan, on the basis that South Australia has more water allocated in its Water Allocation Plan than the diversion caps.

There is confusion over whether the diversion limit has been trade adjusted for Entitlements that were purchased and transferred to SA irrigators as entitlement transfers, before tagged trade was introduced.

If the data for current diversions is based on an average of extractions, SA would be disadvantaged as there would be no reward for historically responsible water use.

Recommendation:

It is recommended that the current diversion, as outlined in the guide, be re-examined and adjusted appropriately to reflect cap diversions and that this data is adjusted for any permanent trade that has occurred prior to the introduction of tagged trading.

The current Diversion Limit for South Australia should be 764 not 665 as outlined in the guide and subsequently the revised caps or sustainable diversion limits should be 591 GL for scenario 1, 561 GL for scenario 2 or 532 GL for scenario 3.

- **Impact on SA Irrigators**

As pointed out in the SA River Communities' submission, if SDL's were applied without agreeing to recommendations under point 7 above, SA irrigators could be subjected to % reductions in WAP irrigation entitlements between 47.8% to 58.15%.

In 2008/2009 most SA Citrus Growers were forced to produce citrus on water allocations around 50% after the State Government agreed to a program of providing "guaranteed" survival water to permanent plantings. However, in the case of the SA citrus industry the water was barely enough to keep trees alive and those that produced a crop ended up with tiny fruit which exhibited serious post harvest breakdown problems associated with being drought stressed.

Reductions in the 47-58% level would destroy horticultural industries in the Riverland and cripple the regional community.

Recommendation:

MDBA consider more realistic SDL's for SA.

- **Accuracy of the environmental modelling and data**

Much of the data for the ecosystem functions and environmental assets has been modelled or relies on data collected by CSIRO and government agencies.

One of the main documents used at the community consultation was the CSIRO Sustainable Rivers Audit. Given that the current drought situation is a recent event, concerns are raised that the data might not reflect the true average. This year proves how fast the situation can change, with significant rainfall allowing the environment to recover rapidly.

Indeed, eminent scientists have repeatedly claimed that it would take 20 years for the health of the MDB to return, yet in just 4 months we have experienced floods equivalent to 1995 and still climbing. Wetlands are being inundated with significant, rapid, positive impact on trees. Similarly, as at the 15th December, the MDB storage is 82% full and rising. Many scientists claimed it would take many years of above average rainfall to fill the storages. Do the models used adequately represent what has happened in 2010?

Predictive models can also be misleading. It is understood that many of the models carry significant standard deviations, indicating that the accuracy of their predictive power is compromised. Furthermore, when the results of one flawed model is used to support another, the level of standard deviation and inaccuracy increases dramatically, raising concerns about the accuracy of the whole Guide. Consequently extreme caution needs to be applied to the Guide and possible application.

Furthermore, the SA Citrus Board is concerned that while irrigators have been asked to challenge the science, the industry does not have access to sufficient resources or time to apply the due diligence needed. Good science is based on rigorous peer review, however in the case of the plan, concern is expressed that this might not occur.

Recommendation:

The SA Citrus Board requests that a proper independent peer review is completed on the environmental science contained in the plan and the models used to arrive at the suggested SDL's.

The application of new SDL's are applied gradually over an extended period of time to allow more testing and seasonal data, so that stakeholders, including irrigators have a 100% assurance that the science is correct.

• **Implementation Issues**

Questions are also raised about the need for new Sustainable Diversion Limits. If the Government is recovering the gap and retaining the ownership of the water with the current characteristics, then reducing the current cap for extraction to new Sustainable Diversion Limits is not practical as the Commonwealth Environmental Water Holder's consumption will still be accounted for under the diversion limits.

The Federal Government's decree is that the water they purchase will retain the same characteristics as applied before it was purchased. This means that it cannot be transferred to another class of water and remains in the consumptive pool. It also means that the Water Entitlements held by the Irrigator and those held on behalf of the environment will be treated the same and no one receives preferential treatment. So the new diversion limits as they appear in the guide will not work, as they remove the environmental water from the diversion limits.

It is also difficult to implement such significant change over such a limited time frame. It is the view of the SA Citrus Board and SA Rivers Communities Group that any change should be gradual and introduced over a 20 year time frame, which will allow our communities to slowly adjust to a new future with less water. A longer time frame will also be less arduous on the Federal Government who has to buy the required Water Entitlements.

Recommendation:

The sustainable diversion limits to remain the same as the current diversion caps, with the Federal Government Water Programs changing ownership of Water Entitlements from private hands to the Commonwealth Environmental Water Holder used to adjust the diversions.

The transitional period is increased to 20 years so that our communities can slowly adjust to a new future rather than the current 5 year shock we will experience.

CONCLUSION

While the SA Citrus Board supports a healthy, sustainable, viable river and acknowledges that changes must be made to the management of the entire MDB, it does not support a Basin plan which does not adequately acknowledge socio economic impacts created by heavy handed measures to address environmental issues.

The SA Citrus Board believes that all elements can be improved (e.g. environment, public, irrigator) in a shared, cooperative manner without unfairly burdening the irrigator sector. In South Australia our Industry has proven over many years that significant improvement in water efficiencies can be achieved if appropriate investment is made in infrastructure programs and on-farm application methods.

The SA Citrus Board believes that much of the environmental water sought by the Commonwealth Government could be achieved by replicating these efficiencies in other States and the application of environmental water utilising improved efficiencies.

If the plan proceeds without the above consideration in mind, SA irrigators will be significantly more disadvantaged and most will be unable to address reduction in irrigation allocations, as they are already operating at the highest levels of efficiency.

While we note that the 2007 Water Act appears to favour environmental interests, we would call upon a plan that accommodates our concerns so that any changes to diversion limits are implemented with least possible impact on all stakeholders, while maintaining the productivity of Australia largest food bowl and important regional production areas, like the Riverland.

ANDREW GREEN

Chief Executive Officer

SA Citrus Industry Development Board
PO Box 557, Ingle Farm SA 5098

23rd December 2010



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