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SC



12th November 2012
Mr Tony Windsor
Chair
Standing Committee on Regional Australia
Via email: ra.reps@aph.gov.au

Dear Mr Windsor,

RE: Water Amendment (Water for the Environment Special Account) Bill 2012

The United Dairy Farmers of Victoria Broken Catchment Dairy Branch welcomes the opportunity to make a submission to the above enquiry. As a dairy industry body, we support investment in on-farm works as a means to recover water for the environment under the Murray Darling Basin Plan, as facilitated by this Bill.

Our UDV Branch however, has some concerns about certain aspects of the Bill, in particular the provision of funding for buybacks to recover some and/or all of the proposed additional 450 gigalitres, and the impacts that further buybacks will have on already stressed regional communities and primary production systems that are heavily reliant on irrigation water. Our concerns are detailed below:

Background:

The UDV Broken Catchment Dairy Branch covers the following areas; Benalla, Cobram, Katandra, Invergordon, Katunga, Nathalia and Strathmerton. We are all dairy farmers who volunteer much of our time to advance the issues of our local dairy farming community.

It is important to context our branch within the larger Goulburn Murray Irrigation District, North East Victoria and the Riverina of Southern New South Wales. The region as a whole accounts for around 80% of milk production in the Murray Darling Basin.

In 2011/12 the region produced 2.176 billion litres of milk which was 23% of the national milk production with a farm gate value of \$883 million. The Murray Dairy regional dairy industry directly employed 10,060 people with 6,509 working on farm and 3,551 employed in processing. The dairy industry is a high service industry pre- and post-farm gate, and these employment figures do not include service and support roles such as transport, veterinarians and rural retail services.

Water Amendment (Water for the Environment Special Account) Bill 2012

The Bill sets aside \$1.77 billion dollars over 10 years from 2014 to 2024, for expenditure on recovering up to an additional 450 GL of water for the environment and to relax system constraints such as flooding minimisation rules.

Section 86 AD (2) (a) details what money can be spent on (including on farm works and water-efficient infrastructure) whilst Section 86 AD (2) (b) goes on to separately provide for buybacks to achieve the Bill's objectives. Whilst the government has provided assurance that the intent is to allow flexibility, including a purchase component in some on-farm works programs, this needs to be stated clearly in the Bill.

Government buybacks, whilst acquiring water for the environment, do not mitigate the long-term effects of reduced water availability or the community benefits of on-farm water projects.

On-farm water projects within the region have created positive outcomes for both the agricultural industry and local communities. On-farm efficiency projects generate employment and expenditure in regional and rural communities, whilst encouraging farmers to gain efficiencies in water utilisation and production on-farm.

On-farm works do not reduce the overall number of water users, which occurs with buyback. Fewer water users results in increased costs to service the irrigation system for the remaining users. Higher water charges to farmers not only impacts primary production, but will also impact secondary industries servicing the dairy industry and then in turn impacts the entire rural community.

By contrast, on-farm works projects help reduce impact of water acquisition and create long-term efficiencies for farmers/end users and encourage income generation and expenditure in regional communities as primary producers remain viable.

The dairy industry has been a major beneficiary of the Government's On-Farm Irrigation Efficiency Program and related programs. Dairy is the major commodity group and has received the most funding in the Goulburn Broken CMA and Murray Irrigation Limited catchments (Attachment 1).

Furthermore, the Government must demonstrate through clear monitoring and measurement how current environmental water will be managed.

The UDV Broken Catchment Dairy Branch recommends that Section 86 AD (2)(b), enabling further buybacks, be removed from the Bill.

Detrimental social or economic impact on the well being of basin plan communities

Paragraph 86AD(2)(c)(ii) provides that the \$1.77billion fund may include payments to address any detrimental social or economic impacts on the wellbeing of any community in the Murray Darling Basin, associated with projects to recover water savings, purchase entitlements or relax constraints.

The bill is unclear as to what resources and projects will be undertaken to offset the impacts of the additional acquisition of water. Different resources are required depending on the context. Third - party impacts from relaxed constraints will be very different to the profound impact of reduced water availability and increased social and economic impact to regional and rural communities, particularly those 35 towns and 200,000 people¹ that directly rely on income generated directly and indirectly from milk production in the Murray Dairy region.

Post-farmgate processing is worth an estimated \$2.2 billion to the regional economy alone. With pressure currently on under-utilised processing facilities, any further drops in production due to reduced water availability will largely impact on those towns and communities reliant upon employment in the processing and associated industries supported by milk production.

Dairy farming is the major user of water across northern Victoria and southern New South Wales. Reduced water availability in the collective pool as a consequence of buying the additional 450 gegalitres will exacerbate the socio-economic issues described above. A significant reduction in water availability means a high risk of this highly valuable production system being undermined.²

¹ 2010, Murray Statistical Division plus North Goulburn Statistical Subdivision, ABS National Regional Profile

² RMCG Draft Basin Plan – Water Availability and the implications for the dairy industry in the Murray Dairy region.

The UDV Broken Catchment Dairy Branch recommends that the Water Amendment (Water for the Environment Special Account) Bill 2012 be amended to include a provision requiring that all programs be subject to a socio-economic impact assessment as part of the approvals process.

Covering the gap to 2750GL first.

At present there is still a gap of 890GL required to reach the initial 2750GL benchmark, prior to recovering any additional water towards the 3200GL target. The UDV Broken Catchment Dairy Branch is concerned as to how the social and economic impacts can be minimised or offset in covering this 890GL gap.

Improving river operations and environmental efficiencies need to be considered as the primary source of water savings and this needs to be reflected in the Bill, to ensure that governments are able to follow the letter of the law, rather than relying on future governments continuing with the existing government's good intentions.

Our branch supports the Government securing environmental offsets that will deliver similar or better environmental outcomes to 2750GL, with less water.

Conclusion

The UDV Broken Catchment Dairy Branch urges the committee to recommend deferment of the Bill until the Basin Plan that will be brought to Parliament has been evaluated by Senate, stakeholders and communities who will bear the greatest impact. These details include the SDL adjustment mechanism.

The UDV Broken Catchment Dairy Branch urges the committee to give serious consideration to this submission and the recommended changes in the ADIC response to the Bill.

We also welcome the opportunity to present at public hearings on these issues. Should you have any queries, please do not hesitate to contact the undersigned.

Yours sincerely,

Natalie Akers
Secretary
United Dairy Farmers of Victoria, Broken Catchment Dairy Branch

Attachment 1. On-farm works projects in the Goulburn Broken CMA catchments

	Round 1				Round 2				TOTAL Round 1& 2	
	Dairy OFIEP	Total OFIEP	Dairy NVIRP	Total NVIRP	Dairy OFIEP	Total OFIEP	Dairy VOSP	Total VOSP	Dairy	Total
No. projects	40	76	48	72	59	88	87	146	234	382
Water savings (ML)	5343	9751	6065	9509	8496	11878	12562	21368	32466	52506
Water transferred to govt (ML)	2668	4867	3027	4522	4248	5939	6281	10684	16224	26012
Total \$	\$ 10,749,714	\$ 19,503,845	\$ 11,211,880	\$ 16,044,195	\$ 15,594,400	\$ 21,692,200	\$ 23,239,880	\$ 39,530,710	\$ 60,795,874	\$ 96,770,950

Murray Irrigation Limited Projects

(note there are only dairy farmers in this region with over 25% participating in on farm efficiency projects)

	Total Number of Projects	Total Value of Projects	Total Number of Dairy Projects	Total Value of Dairy Projects
Round 1	134	\$26M	9	\$1,338,500
Round 2	187	\$30M	14	\$2.56M