

The Secretary
Senate Rural & Regional Affairs & Transport Committee,
Parliament House
CANBERRA ACT 2600
Email: rrat.sen@aph.gov.au

4th April 2006

Dear Secretary,

**Re: Inquiry into Additional Water Supplies for South East Queensland
Traveston Crossing Dam**

The Queensland Dairyfarmers' Organisation Ltd (QDO) welcomes the opportunity to present a submission to the Australian Senate inquiry into additional water supplies for South East Queensland Traveston Crossing Dam.

This submission is directly linked to the submission presented by the Queensland Farmers Federation.

The QDO is the peak industry organisation representing the interests of dairy farmers in Queensland. QDO is a member of the Australian Dairy Farmers and the Queensland Farmers Federation.

While the proposed Traveston Crossing Dam if constructed would have a significant impact on the dairy industry in the Mary Valley region, the QDO has sought a transparent comprehensive assessment of the full costs and benefits of building a dam at the Traveston Crossing site and the full costs and benefits of any alternatives for securing additional water for the South East Queensland region. For more details on this issue refer to the submission compiled by the Queensland Farmers Federation (QFF) which includes input from QDO.

To date the QDO has not been satisfied with the information presented by the Queensland Government about the proposed dam and the lack of response to a range of issues that have been raised about the proposed Traveston Dam.

The QDO is particularly concerned about the lack of a detailed impact assessment on the rural and reliant industries in the Mary Valley region and a detailed cost / benefit analysis of potential alternatives to securing additional water supplies and efficiencies for the South East Queensland region.

The QDO welcomes this Senate Inquiry, as it provides an opportunity to assess the provision of additional information on the proposed Traveston Dam and potential alternatives and to provide for further public debate on these very important issues.

As raised in the Queensland Farmer's Federation (QFF) submission rural industries have a range of concerns about new Queensland Government water management regimes when it comes to providing for the needs of rural industries in the South East region of Queensland. The QDO is concerned that the new water management regimes will not include adequate recognition of the water supply and security needs of dairy farms in the region. The QDO is particularly concerned that new water storage and distribution infrastructure which is directed toward securing urban water supplies will impact on the security of supply to the region's rural industries. Already many producers have experienced difficulties in planning for their operations with pending water restrictions without any real details, which is a major problem when farmers are trying to plan for fodder production and livestock water provisions.

The Queensland Government needs to provide the regions rural industries with meaningful information on their planned approach to managing the regions water so that the risks to and potential opportunities for rural industries can be properly assessed.

The proposed Traveston dam will have a major impact on many rural industries in and around the Mary Valley. In particular the impact on the dairy industry will be the most significant of any rural industry in the region. The QDO is extremely concerned for those dairying families and their operations that are impacted and also for the impact on the region's industry.

The dairy industry has already undergone significant restructuring in Queensland over the last decade, with the number of licensed dairying operations declining by approximately 50% and total production has declined by almost 30% over the last decade.

Even with this the dairy industry remains an important part of the region's economy, being a major industry, social and employment base for the region.

The first stage of the proposed Traveston dam will impact on a number of large dairying operations and with stage 2 some 20 dairy enterprises will be directly impacted.

The combined economic impact at the farm gate on these operations is estimated to be approximately \$10.6 million per annum, which includes some 24 million litres of milk worth approximately \$9.14 million and \$1.46 million in other farm produce and cattle sales.

This impact would account for approximately 42 percent of the dairy industry farm gate economic output and over 44% of the milk production for the Shire of Cooloola and some 30% of dairy farm gate returns within the Mary Valley.

This loss of milk production would reduce Queensland's total milk production by approximately a further 4.3 percent and Southern Queensland milk production by over 5 percent, at a time when the industry needs to increase production to meet market needs.

The Cooloola Shire and in particular the Mary Valley historically has had the highest concentration of dairying operations in Southern Queensland and is considered widely as one of the most reliable dairying regions in the State.

In terms of employment, with farms employing on average around 3 full time equivalent workers, it is estimated that around 60 permanent jobs would be lost.

In addition to this, dairy farmers above and below the proposed dam are also concerned about potential impacts including security of water entitlement, operational restrictions and imposed increased costs of operation.

In assessing the impacts on the region's dairy industry the broader impacts on the wider industry also need to be taken into account. The dairy industry commonly has a multiplier effect regionally of 4 to 1 when calculating the economic flow on effect to the broader economy. The following table provides an indicator of the multiplier effect of the value of dairy produce as it moves through the value chain to the consumer.

Multiplier Affect of reduced milk production

Source	\$/lt Milk	Value of Impacted Mary Valley Milk Production
Farm Gate	0.38	\$ 9 120 000
Ex Factory	1.00	\$ 24 000 000
Ex Retail	1.55	\$ 37 200 000

Dairying operations rely on a wide range of goods and service businesses within the region to enable them to successfully operate their businesses, examples include parts supplies, feed supplies, transport, fuel, advisory services, AI supplies, machinery supplies, contractor services, chemicals, fertiliser, veterinary services, insurance, banking, accounting services etc. All of these regional goods and service businesses will also be impacted.

Dairy farms in this region are considered to be amongst the most productive and reliable supply farms in South East Queensland and are a reliable supply base for dairy processors whom require year round production to meet market requirements.

The loss of some 30% of milk production in the Mary Valley could have a significant impact on the viability of the local milk processor, Cooloola Milk, in Gympie. It could also have a flow on impact on the 23 other milk processors across South East Queensland, which are currently seeking additional supplies of milk in the region to meet their requirements and a growing market base due to the increasing population across the region. The reduction in milk production in the Mary Valley could have broader consequences for industry in terms of maintaining economies of scale for the current number of dairy processors in southern Queensland.

The following table provides an overview of the location of licensed dairy processing operations across South East Queensland.

	Milk			Milk Powder			Cheese			Ice Cream
	Small	Med	Large	Small	Med	Large	Small	Med	Large	All
Beaudesert							1			
Brisbane City	1	1	1	3	1					
Caboolture								1		1
Caloundra	1						1			
Cooloola		1								
Gold Coast			1	1	1			1		1
Ipswich			1			1				
Logan			1	1						
Maroochy								1		
Toowoomba										1
Sub-Totals	2	2	4	5	2	1	2	3	0	3
Regional Total	24									

If all dairying operations impacted by the proposed dam are lost to the industry, when the economic flow-on, or multiplier, effect (estimated at around 4 to 1) is taken into account, relative to economic and employment generation, this equates to a regional economic impact of approximately \$42.4 million of economic activity per annum. The flow on employment impact could equate to the loss of around 240 jobs across the region.

With the forecast population growth for South East Queensland of over 1.2 million people over the next 20 years, the increase in regional demand for dairy products will translate to the need for the region's industry to supply another 180 million litres of milk per annum.

Given the critical importance of the region's dairy farming and manufacturing industry in meeting the growing needs of the population of SEQ the QDO believes it is critically important that every effort is made to assist affected dairy farmers in the Mary Valley to find suitable alternative properties to continue their dairying operations.

For farm families impacted by this Queensland Government decision the QDO has argued for a policy of 'no loss' and the ability sell and lease back their farms until the dam is built and to be able to buy back their farms if the dam does not go ahead.

Since the announcement of the proposed Traveston dam the QDO has raised a range of issues with the Queensland Government including that a number of land holders affected by the proposal have raised serious concerns about the valuation process being utilised by the Queensland Government. The QDO has been advised by a number of landholders, significant variations exist between valuations of the Queensland Government and professional private sector valuations. In particular the problem seems to be related to the difference in trying to compare highly productive agricultural land with irrigation supplies in the Mary valley with other land in other regions which are not as productive or have comparable water provision and security. The QDO has requested that the Queensland Government ensure that these issues be addressed as a matter of urgency.

A number of factors are critical to the relocation of dairying operations including access to suitable, affordable land; access to reliable water, access to markets and infrastructure and minimising transition risks.

The Mary Valley, with its deep alluvial soils, reliable water supplies and proximity to Brisbane, has been an important rural production centre. As far as possible, producers should be assisted to move in the local area.

The Queensland Government needs to play a key role in assisting operations to relocate including providing access to suitable irrigation water entitlements, minimising red tape, providing advice and support services.

The Queensland Government must also ensure that water entitlements owned by current property holders impacted by the proposed dam are not lost to the agricultural sector and that water entitlements should be allowed to be transferred up or downstream.

The QDO has requested that the Queensland Government allocate resources to assist dairy farmers to identify other potential suitable property options to enable producers to remain within the dairy industry and to provide them with all reasonable opportunities to relocate their enterprises.

In addition the QDO has requested that the Queensland Government also provide resources to assist the QDO to assist affected farmers and to undertake further work to identify initiatives to assist the industry to achieve the objectives identified within the Northern Dairy Industry Strategic Plan.

We would welcome the opportunity to discuss any of these issues with the members of the Senate Inquiry.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'A Peake', written in a cursive style.

Adrian Peake
Chief Executive Officer
Queensland Dairyfarmers' Organisation Ltd