# Joint response of the Murray Valley Horticultural Alliance to the Proposed Basin Plan

## 1 Introduction

**Who we are**

This response has been prepared by the Murray Valley Horticultural Alliance, which is made up of the: -

- Almond Board of Australia (peak body)
- Dried Fruits Australia Inc. (peak body)
- Summerfruit Australia Limited (peak body)
- Murray Valley Citrus Board
- Murray Valley Winegrowers Inc
- Murray Valley Table Grape Growers Council

We draw our membership from Victoria, NSW and SA stretching from Cobram in the East to the Riverland in the West. We have formed the alliance to address major issues of common concern and this includes the Proposed Basin Plan.

**This submission**

This submission is structured in 3 parts. 1) Introduction; 2) Concerns with the Proposed Basin Plan; and 3) What changes we would like to see to the Proposed Basin Plan.

**Overarching statement**

We recognise the importance of managing the river and its beneficial uses in an efficient and sustainable way and we acknowledge the importance of protecting and enhancing the environment. It is in the interest of our industries to have a healthy river and environment and this is essential to secure our future.

We would like to see provision made for greater incorporation of the local knowledge and expertise held by regional communities in strategies proposed for achieving the goals of the Plan.

We are unclear about the environmental outcomes being sought from the Proposed Basin Plan and consider that the current approach may come at the unnecessary cost of further properties being taken out of production and lost employment, with associated socio-

economic impacts. The issues raised in this submission are relevant to many regions and the combined industries wish to emphasise the need for: -

- water sharing arrangements that recognise the need for high security water to protect the capital intensive and long lead times to full production (3-10 years);
- planned structural adjustment and avoiding the adhoc drying off of properties with its associated costs arising from the 'Swiss cheese effect' and stranded irrigation assets;
- avoidance of continued community angst generated by lack of clarity around management arrangements and benefits to be achieved with environmental water.

**Importance of our industries**

Figures from the ABS[1] for 2009/10 show that **fruit and grape production alone** represented over 40% of the Gross Value of Irrigated Agricultural Production (GVIAP) in the Murray Darling Basin.

"*In the Murray Darling Basin (MDB) region, the total GVIAP was $4.4 billion, …. In 2009-10, the commodities with the highest GVIAP in the MDB were fruit at $1.1 billion, grapes valued at $719 million ….*"

Our industries are major employers and we draw our membership from Cobram in the East to the Riverland in the West. The following table provides an indication of the level of activity in each of the key sectors.

**Table 1: Estimated production – Murray (SA, NSW and Vic) includes Goulburn for Summerfruit.**

| | **2010 area (ha) estimate** | **Mature demand (ML/y) estimate** | **People (fte) estimate** | **Farm gate value ($M) Estimate long term expected values** |
|---|---|---|---|---|
| Almonds | 29,000 | 406,000 | 1,000 | 309 (current) – 558 (mature)[2] |
| Wine-grape | 41,000 | 310,000 | 4,000 | 182[3] |
| Table grape | 8,000 | 68,000 | 3,000 | 240[4] |
| Citrus | 13,000 | 140,000 | 1,500 | 182[5] |
| Dried fruit | 5,000 | 37,000 | 500 | 42[6] |
| Summerfruit | 6,000 | 46,000 | 2,000 | 180[7] |
| **Total** | **102,000** | **1,006,000** | **12,000** | **1,384** |

[1] **4610.0.55.008 - Gross Value of Irrigated Agricultural Production, 2000-01 to 2009-10**
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[2] Almond Board of Australia Statistics 2009 2010 National value $319 M, & $575 M long term, 97% of area & value in Murray Valley And http://australianalmonds.com.au/documents/Stats%20LR%20WEB.pdf
[3] http://www.murrayvalleywinegrapes.com.au/items/330/Wine%20Grape%20Crush%20Survey%20Murray%20Darling%20-%20Swan%20Hill%202011%20.pdf $77 M plus Riverland production $105M from http://www.rwga.com.au/xinha/plugins/ExtendedFileManager/images/Riverland_regional_report_2011.pdf
[4] $240 M Mildura Region Economic Profile 2009
[5] Estimated at $14,000/ha for citrus. 6,000 ha in Murray Valley (NSW and Vic) and 7,000 ha in Riverland http://www.citrus.org.au/SAIndustyOverview.aspx
[6] Estimated at $8,500/ha for dried fruit
[7] Renmark, Swan Hill, Shepparton & Cobram represent 50% of Australia's summerfruit production http://www.summerfruit.com.au/Domestic/Production-Statistics.aspx. $180 M GVAP, Area estimated at $30K/ha rounded and water use at 7.6 ML/ha. Employment c2,000 source pers comm. Summerfruit Australia.

**Related economic activity**

There is an extensive processing and supply chain associated with our production. This includes major and minor wineries, packing sheds, processing plants, transport, marketing and exporting activities. This generates considerable additional value and further regional employment.

This is a very significant industry that underpins many towns and communities. These communities include the towns of the Riverland, Mildura, Robinvale, Swan Hill, Cobram and Shepparton.

As an example, it is estimated that irrigated production supports 33% of employment in the Mildura Region and smaller towns would be expected to have an even higher percentage.

# 2 Our main concerns with the Proposed Basin Plan

Our main concerns with the Proposed Basin Plan are related to the reduction in the consumptive pool of water as a result of the Sustainable Diversion Limit (SDL).

We note that to achieve the SDL proposed that the Southern MDB is required to have a total reduction of 2,360 GL (1,389 GL in valley and 971 GL shared reduction). It is unclear where the water will come from for the 971 GL shared reduction and what type of water entitlements will be required.

It is a mistake to believe that high value horticulture will not be affected by the reduction in the consumptive pool. We expect significant reductions in horticulture activity will occur when water allocations are low and there could be insufficient water to support perennial plantings. In these situations our industries will bear considerable costs associated with:-

- the need to purchase water from the smaller temporary market. For example if our industries were faced with a season that required the purchase of 50% of our usual irrigation requirement of 1,000,000 ML then at a conservative value of $500/ML for the purchase price then this would cost our industries $250 M for that one season;
- the loss of some plantings that are dried off, plus their replacement cost for redevelopment, and ongoing annual losses until these plantings reached maturity;
- loss of production from other plantings that are “moth balled” or under irrigated.

It is likely large parts of the perennial horticulture industry would be unable to absorb the high cost of purchasing temporary water and remain viable.

**We believe that the SDL proposed as it stands will: -**

- Reduce the consumptive pool of water during drought periods. During the millennium drought water allocations were so low that the market price for temporary water exceeded $1,000/ML initially and horticultural plantings were dried off. We believe that the cut in available water as a result of implementing the new SDL is likely to exacerbate this problem during the next drought. The long-term impact of this will be a lack of confidence in replanting and there will be a loss of high value horticultural production with a subsequent flow on causing an economic downturn in the dependent rural communities.

- Result in changed river and storage management. We are unsure of how this will impact on the following aspects that are critical for irrigated perennial crops: -
  - the security/yield of water entitlements,
  - the operation of carry over and “spill-able” water accounts,
  - rationing when river channel capacity is reached.
- Reduce economic activity as ongoing buy backs stifle confidence for: -
  - regional industry development,
  - industry planning,
  - investment in processing infrastructure, and
  - access to finance.
- Reduce the viability of community irrigation districts as their revenue base is threatened by the unplanned and unpredictable “Swiss cheese” effect from dried off properties and the increase in water charges for those remaining.
- Create ongoing community angst as long as it remains very unclear: -
  a) What specific environmental outcomes will be achieved with the additional 2,750 GL to be made available to the environment?
  b) How much additional environmental benefit is achieved from different levels of SDL. What is the marginal return per GL for the environment? How can we be sure that additional water for the environment will be used efficiently to achieve environmental outcomes when there are already significant constraints in operating the River, such as third party impacts from flooding?
  c) What type of water the Environmental Watering Plan requires, when it requires it and for what environmental assets?
  d) Who will be responsible and accountable for the use of the environmental water?
  e) Whether the 2015 review could decrease the proposed SDL and result in further reductions in the water available for irrigation use.
  f) How the shared downstream reduction (971 GL in the southern MDB) will be allocated against each region.
  g) How much of the reduction to the SDL will be met from high security entitlements that will impact on high value users.
  h) Whether the proposed water quality targets are realistic or not and whether they will be met by dilution flows from the environmental water.
  i) Whether there is an absolute guarantee that no compulsory acquisition of water will be required and that annual allocations will not be negatively affected. The water security of entitlements should be maintained.
  j) What adjustment packages will be available to assist communities to respond effectively in a planned way?

# 3 What changes we would like to the Basin Plan

**To improve the Proposed Basin Plan we would like to see the following changes: -**

- A shift away from the buyback to a much greater emphasis on the following 3 methods to meet the gap to the SDL: -

  1) irrigation supply infrastructure to create water savings;

  2) on-farm irrigation efficiency upgrades to create water savings;

  3) engineering infrastructure to efficiently achieve the specified environmental watering objectives. This is most important.

  We believe that these approaches will help maintain and enhance regional communities, while buy backs create decline.

- Assurance that the environmental outcomes will be achieved using the most efficient ways of delivering flows to the environmental assets. This includes the incorporation of engineering infrastructure mentioned above. It is essential that these engineering works inform the SDL needed, and not find out later that the objectives could have been achieved with much less water.

- The delay of buy back until it is clear that a) environmental water needs are better defined, including the use of engineering infrastructure to achieve the environmental objectives; and b) that all significant cost effective irrigation supply and on farm infrastructure savings have been found.

- If buy backs do proceed then they should be strategic and targeted to groups of irrigators who agree to be part of a managed shut down of a supply system. This also needs to be coordinated with modernisation initiatives so that modernised irrigation assets do not become stranded/unused.

- Greater clarity on how the environmental water manager will use the water and operate in the water market. We would like to see environmental water be made available to the market in extreme drought years. This would greatly benefit efforts to protect perennial plantings.

- Clarity on what environmental outcomes will be achieved. We do not understand the benefits or the evidence that is driving the water requirements for the Murray Mouth to be open 9 years in 10 or the need to shift 2 million tonnes of salt per year.

- A full consideration of improved river management to achieve environmental outcomes. It needs to be demonstrated that all the efficiency gains in how the river is run have been made. For example, can improved coordination or real time management of flows help achieve the environmental goals?

- More emphasis on the broader opportunities to get better environmental outcomes from the water that is already outside of the consumptive pool.

- Clarity and transparency on possible future water reforms that may be introduced, as the environment becomes the driver of river operations and how this may affect irrigators. e.g. impacts on delivery shares, extraction shares, “spill-able” water accounts, possible river capacity constraints/rationing impacts when environmental flows and irrigation flows are scheduled etc.

- Clarity on how the Basin Plan will impact on each industry and region and in particular how much high security water the environment is likely to require and how the shared reduction will be sourced.

- Structural adjustment packages that reflect the impacts and can practically assist communities and irrigation districts adjust. We think it is crucial that these packages are developed and delivered in partnership with the affected irrigation industries.
- There should be an emphasis on new programs that improve irrigation efficiency, developed in partnership with industry. We have a lot of experience to offer the MDBA that is not being utilised.
- A new emphasis on cooperation with industry and all levels of government to achieve the most efficient outcome for all stakeholders. We are concerned that there appears to be duplication and possibly competing interests with regard to the roles of: -
    - The MDBA,
    - The Commonwealth Environment Water Holder,
    - State owned environmental water and its managers,
    - State water agencies, and their water managers
    - Department of Sustainability, Environment, Water, Population and Communities.
- Better engagement with communities such as working with regional groups and industries to identify and implement: -
    - environmental assets, objectives and efficient watering regimes,
    - water savings from infrastructure investment in the water supply system,
    - water savings with on-farm efficiency measures.
- Clarity of how the water quality targets will be met and if they are realistic. We need to know if these targets will be met by the use of environmental water or other water. We need to know if the adoption of these targets could influence the security of entitlements/ annual allocations.