



House Standing Committee on Regional Australia Inquiry

into

The Impact of the Murray Darling Basin Plan in Regional Australia

AGFORCE QUEENSLAND SUBMISSION

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1. AgForce Queensland

AgForce Queensland (AgForce) was established in 1999 and is the peak body representing thousands of Queensland beef, sheep and wool, and grains primary producers who recognise the value in having a strong voice. These broad-acre industries manage 80% of the Queensland landmass for production and most rural and regional economies are dependent on these industries directly and indirectly for their livelihood. AgForce delivers key lobbying outcomes and services for members and presents the facts about modern farming to consumers through the *Every Family Needs A Farmer* campaign.

2. Introduction

AgForce welcomes the opportunity to make a submission to the House Standing Committee on Regional Australia Inquiry into the Impact of the Murray Darling Basin in Regional Australia. The development, implementation and subsequent management of the Murray Darling Basin is an important and complex task – one that will have far reaching impacts.

However for the farmers and Basin communities that are directly impacted, this process if not undertaken thoroughly, could have devastating consequences. Landholders in the Queensland Murray Darling Basin have recently undergone 10 years of water reform through the Water Resource Planning process - a process that is legislatively underpinned by requirements for an environmentally sustainable plan under the *Queensland Water Act 2000*. These plans include the requirements for Environmental Flow Objectives (EFOs) and Water Allocation Security Objectives (WASOs). As such, AgForce Queensland believes these water resource plans are sustainable and no further cuts to allocations are required. Additionally, landholders who spent ten years undergoing this planning process in Queensland, only to have it revisited in another form before the state plans have had time to fully take effect have justifiably raised significant questions as to the validity of the science underpinning the current process.

AgForce supports the National Farmers Federation submission to both the Murray Darling Basin Plan Guide (“Guide”) and its submission to this Inquiry. The AgForce submission to this Inquiry will seek to address the terms of reference from a Queensland perspective.

3. The direct and indirect impact of the Proposed Basin Plan on regional communities, including agricultural industries, local business activity and community well-being

Overview

Queensland farmers generate \$14 billion per annum in production and with one in eight jobs in the Queensland workforce either partially or entirely supported by the agricultural supply

chain, it is a critical area of employment and growth for Queensland, particularly in regional areas.

In the Queensland Murray Darling Basin (MDB) average annual water use for agriculture is 584 GL with Queensland agriculture accounting for approximately 5% of the total water usage in the Basin, and water use accounting for about 19% of Queensland's average annual runoff¹. While the Queensland rivers are an important part of the MDB system, they account for only a small part of the overall Basin flow. In contrast to the Southern MDB systems that rely on huge public storage dams, the Northern system is characterised by small public storage dams, with most of the water taken from the flood waters and stored on farm. The rivers are ephemeral; meaning they naturally run dry at times and flows can be years apart.

The importance of the MDB to Australia should not be underestimated, it represents 18% of total grazing land and the availability of water combined with often favourable growing conditions allows the MDB to account for 32% of Australia's dairy cattle and 45% of Australia's sheep and lambs. Around 3 million tonnes of feed are used for beef cattle, equivalent to approximately 26% of livestock feed production in Australia. Cereal grain grown under irrigation is reported to be 260,000 hectares, which represents 20% of irrigated land use in Australia, and the most significant irrigation areas for production are located in the MDB. In addition, the availability of feed-grain crops, water and close proximity to some major markets allows the MDB to account for 35% of Australia's livestock farming².

Production of grain from irrigated areas in the MDB contributes to feed grain stock supporting the Beef, Poultry and Pig industries as significant consumers. The Basin Plan's ("the Plan") potential to remove supply of feed crops from irrigated crops in the MDB will result in the tightening of supply under some seasonal conditions and potentially increase feed prices for feed lot cattle and other intensively produced livestock.

Further, the impact of the Plan is likely to result in the leakage of producers previously engaged in irrigation farming to alternative primary production activities including grazing. Potential impacts of this are not yet known, however it will most likely require advice on establishment and management of alternative agricultural enterprises in order to achieve best practice land management of those activities. However, what is known regarding the impacts of the Plan is that reduced water availability for productive use will either reduce profitability through increased costs and/or a reduction in income through loss of savings and invested capital through bankruptcy or sale of farm.

Even less is known about the potential impacts of the Plan on the environment. A significant proportion of the MDB is in the semi arid climatic zone with pastoralism a dominant land use. Thousands of kilometres of rivers and creeks, in flood events, spread water over vast areas

¹ Information sourced from SmartRivers <http://www.smartrivers.com/index.html>

² ABS, Experimental Estimates of the Gross Value of Irrigated Agricultural Production, 2000-01 to 2006-07
ABS, Water and the Murray-Darling Basin - A Statistical Profile, 2000-01 to 2005-06

which support grazing. Reduced extractions may mean increased flow events, increasing the prevalence of flood-out events. For example as seen over the past summer (2009-10), where widespread rains resulted in extensive flooding in the Balonne, Nebine, Paroo, Warrego and Barwon Darling systems.

Consideration of Social and Economic Impacts

The Murray Darling Basin Authority's (MDBA) declared brief of ascertaining the environmental flows required for the long-term health of the MDB, has ignored analysis of the social and economic impacts other than at a very macroeconomic scale. Studies are currently being undertaken, however a number of works have already been completed on the social and economic impacts of the Plan and should be included in the MDBA's analysis. As such AgForce refers the Inquiry to the following works:

- a. Queensland Department of Employment, Economic Development and Innovation (DEEDI): *"Economic Impacts of Water Reductions in the Queensland Murray Darling Basin"*.
- b. Queensland Department of Communities (DOCS): *"Assessment of Social Impacts"*.
- c. Judith Stubbs & Associates: *"Social and Economic Impacts of Reduced Irrigation Water"*.
- d. Institute for Rural Futures, University of New England: *"Sensitivity to a Reduction in Water Availability"*.
- e. Australian Bureau of Agricultural and Resource Economics (ABARE), Bureau of Rural Science (BRS): *"Assessing the Regional Impact of the Murray Darling Basin Plan and the Australian Government's Water for the Future Program in the Murray Darling Basin"*.
- f. Price Waterhouse Coopers: *"Socio-Economic Impact Assessment Condamine-Balonne WAMP – A report prepared for the Balonne Community Advancement Committee"*.

Current social and economic impact assessments available generally agree that there will be impacts in all areas of the Queensland MDB, with severity ranging according to location. However, a deeper study is sorely needed to understand the impacts and ascertain the need for a broader adjustment program for affected communities and on a catchment by catchment basis.

Modelling undertaken by the Queensland Government's Department of Employment, Economic Development and Innovation (DEEDI) thus far has found that the Plan will have a major social impact in the Balonne-Waggamba area; as well as social impact in areas surrounding the basin communities relating to a rise in the rates of unemployment, crime, disability and disease. The study also found the following key trends within Queensland's basin communities as a result of the Plan:

- a. *Social dislocation* – probable flight of the high income, young and healthy to major regional centres and coastal cities and concentration of low socio-economic status among the remaining population;
- b. *Welfare* – rising levels of disadvantage (including higher levels of severity and complexity) in the remaining population will produce higher levels of long-term disability and chronic disease.

- c. *Justice* – crime rates and incidence of antisocial behaviour (e.g. child abuse, domestic violence) will rise;
- d. *Community safety* – reduced capacity in basin communities to support local emergency services and community recovery (heavily reliant on volunteering);

The DEEDI study found that, a combination of these effects can accelerate decline in regional South West Queensland contributing to the reduced ability of the community to respond to social infrastructure, community capacity and resilience. A rising demand for government services will be likely as social infrastructure within the community deteriorates and services will become less frequent, less accessible and/or more costly.

More broadly, losses arising from the Plan reflect a permanent removal of water from productive use in areas where agricultural production forms a large proportion of the total economy. These regions are characterised by their locational disadvantage, small size and lack of alternative economic opportunities, meaning there are limited opportunities to reverse these losses. The impacts of permanent reductions in irrigation water are likely to constrain post-drought recovery, including the ability to regain jobs and population lost during drought. A substantial reduction in water is likely to result in cumulative impacts, leading to further contraction of the local economy and flowing on to reduced services and facilities.

Any decline in on-farm activity will create a significant downturn in the regional economy. These impacts will include marginalisation of on and off-farm businesses, employment losses and a resulting reduction in the population. Likewise, labour force skills, access to community services, infrastructure and general standards of living will decline. Loss of on-farm employment, will lead to a large increase in welfare dependency, social problems and a loss of opportunity for those wishing to be self employed as contractors. Options for mitigation in the Northern Basin of the adverse impacts is limited due to these less connected and regulated systems gaining limited benefit from water trade.

A decline in population will result in an anticipated reduction in school enrolment numbers thereby reducing the number of state funded teachers available and a loss in diversity of teacher's skills. In addition, without a sufficient critical population mass to support their permanent presence, a loss of local services (e.g. dental, medical) and other community and social services will be experienced. A loss of local tradespeople will lead to the price of services necessarily including travel, and the impost of additional costs will eliminate access to these services for many people. Additionally, the remote nature of these affected communities has contributed to a high degree of physical attachment. Under these circumstances the willingness and ability of redundant employees to relocate their families in order to find new employment will be low and any relocation will be associated with high social costs.

Lower water harvesting entitlements will substantially reduce the level of irrigated agriculture in the region and result in significant declines in productive earning capacity of farms. In addition, a reduced growing area and subsequent loss of income has the potential to make

many farms unviable, resulting in affected on-farm businesses not being able to meet their cash flow responsibilities in the short-run and their ability to continue to operate.

The cash flow implications associated with reduced water availability and high fixed debt repayments will be a major concern for many irrigators, as this ultimately means an increased level of indebtedness, which will compound an already significant problem for the agricultural industry. Moreover, high debt servicing commitments will generally lead to a reduction in earnings capacity that has the potential to force a widespread sell-off of assets such as farming equipment (e.g. tractors, laser buckets).

Not only will the reduced level of cash flow and income result in on-farm impacts, it will also result in reduced company tax payments to the Commonwealth, as well as a decline in the direct regional income injected by on-farm enterprises. A large reduction in direct income inflow into the region stemming from reduced farming activity will also be transmitted to the regional economy through off-farm business linkages (i.e. business dependency on irrigated agriculture); and flow on contributions relating to business inputs sourced locally, full-time equivalent employees and employed positions dependent on irrigated agriculture.

While there have been a number of macroeconomic studies undertaken to date on the social and economic impacts of the Plan, what is missing is a deeper understanding of the *quantum* and *scope* of these impacts on a regional and catchment by catchment basis. AgForce understands some of this work is currently being undertaken, and stresses the critical importance of including this work in the MDBA's proposed Basin Plan.

4. Options for water saving measures or water return on a region-by-region basis with consideration given to an analysis of actual usage versus licence entitlement over the preceding fifteen years

Measures for water return on a region by region basis are difficult and somewhat premature to determine given the Murray Darling Basin Authority's current failure to provide a detailed framework as to what assets are to be protected.

A key feature that is missing in the current basin planning process is the Environmental Watering Plan. Without this information water saving measures is restricted to a speculative nature until the Authority releases this critical piece of the Plan. Indeed, the Commonwealth's water acquisition program has also been undertaken without a plan and until such time as these basic issues are determined, AgForce can only advocate that infrastructure investment and management of environmental assets beyond a "flow based objective" approach are the key elements to water saving measures in the Basin.

In Queensland, current water saving projects in the Murray Darling Basin are managed through the Healthy HeadWaters program which is run by the Queensland Government and funded

through the Commonwealth's Water for the Future Initiative. The Healthy HeadWaters program is aimed at assisting communities deal with climate change and reduced consumptive water availability and ensuring the long-term viability of ecological assets by making more water available for the environment. The primary element of this program is a water use efficiency program whereby irrigators may receive reimbursement of up to 80 percent of the cost of water-saving infrastructure works, if they choose to permanently transfer part of the water savings to the Australian Government in the form of entitlements. AgForce refers this Inquiry to the Queensland Department of Environment and Resource Management (DERM) for further information on the details of this program³. AgForce notes that there has been limited uptake of this program in Queensland to date. This is primarily related to the Commonwealth's requirements and structuring of the program, the difficulties surrounding how to calculate the amounts of water saved and the initial costs to the irrigator.

5. The role of governments, the agricultural industry and the research sector in developing and delivering infrastructure and technologies aimed at supporting water efficiency within the Murray-Darling Basin

A consideration of all solutions to support water efficiency such as land management, engineering and policy is sorely needed. These solutions can be delivered in partnership by both the agricultural industry, and state and Federal governments. The inclusion of such alternative options that are not solely focused on flow based solutions will greatly reduce the social and economic impacts of the Plan as it currently stands.

Currently the buyback program is running as a standalone water recovery program with little relationship to the water planning and management reform activity happening across the basin. A more coordinated approach between the implementation of the buyback and water use efficiency programs with the Plan will serve to minimise impacts by linking the requirements to fill the gap between the SDLs and the current cap with the water recovery programs. However, AgForce notes that there have been impediments to the buyback program in Queensland, particularly related to how the tender process is conducted, and as a result many offers to sell water have been rejected by the Commonwealth.

Other alternatives include accounting for all environmental water products within the system to be used as offsets to close the gap between the current Cap and the Sustainable Diversion Limits; and funding for non-flow environmental water requirements and the need for the identification of a range of engineering and land management solutions.

³ Information sourced from Queensland Department of Environment and Resource Management: http://www.derm.qld.gov.au/water/health/healthy-headwaters/index.html#healthy_headwaters_program_goals

6. Conclusion

AgForce maintains that a balance between food production, community and environmental needs is achievable. This is not about the environment versus production but about optimising both. Indeed, the success of a Basin plan that solves the environmental problems at the expense of creating social and economic problems must be questioned.

The failure to look at alternative options to meet environmental watering needs, such as engineering solutions that reduce evaporation and inefficiencies in delivery of water to environmental sites is a significant gap in the process to date. To be comprehensive in solving the Basin's ecological issues, the Plan must include all water quantity and non-water options in setting environmental water requirements. To focus on water quantity only to solve these problems when there is significant potential to maximise environmental water use efficiency through other methods, is misguided.

With such glaring gaps in the current consideration of the management of the Murray Darling Basin, it is no wonder that Australia's farmers and regional communities are genuinely concerned and have justifiably rejected the process and outcomes to date. A genuine consultation process, utilising the significant assets and knowledge of the people in the regions is sorely needed. The process needs to be one that listens, and more importantly *acts* to address the needs and issues raised by these important regional communities.

Contacts

Brent Finlay

President
AgForce Queensland

Robert Walker

CEO
AgForce Queensland

Genevieve Johnston

Policy Officer
AgForce Queensland

Kim Bremner

South East Water Spokesperson
AgForce Queensland