Murray Darling Basin Plan: Implementation Review 2023

Fruit Growers Victoria Ltd Submission

Fruit Growers Victoria (FGV) is a member-based organisation representing apple, pear and stonefruit growers and packing sheds in Victoria. Our industry grows around 90% of Australian pears, 50% of Australian apples and 75% of Australian stone fruit. As our headquarters are in Shepparton, in the heart of orchard country, we have a close rapport with growers who we see daily.

This submission is made on behalf of fruit growers in Goulburn-Murray Irrigation District.

Irrigation requirements in the region

A substantial population of Victorian rural communities are established in major towns along the Murray River and Goulburn River i.e., Shepparton, Cobram, Swan Hill, Robinvale, and Mildura. Most of these communities are built on the successes within horticulture and agriculture where a considerable proportion is perennial plantings (i.e., orchards) which require access to reliable water.

The Australian Bureau of Statistics – *Value of Agricultural Commodities Produced, Australia, 2020-21* lists that the Grater Shepparton LGA had an annual total Apple, Pear, and Stone Fruit production worth around $332 million, the highest of any LGA in Australia.

An ongoing reliable and secure water supply is essential to keeping these agricultural communities producing secure and safe food to feed Australia and the world.

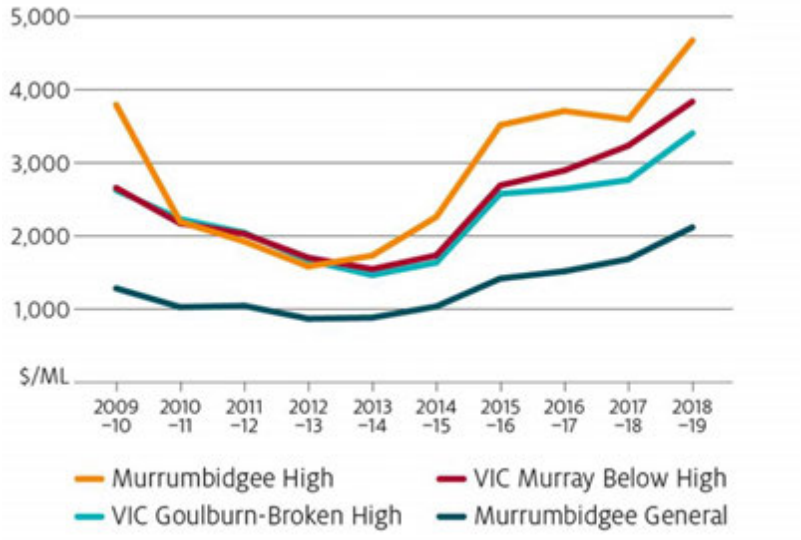
Water Recovery through Buybacks

The Basin Plan set out to deliver environmental outcomes equivalent to a reduction in consumptive use of 3,200 gigalitres (GL) of water through water entitlement purchases, investment in infrastructure to make water use more efficient, and the Sustainable Diversion Limit Adjustment Mechanism (SDLAM) (Department for Environment and Water, 2023). About two thirds of water recovery has been achieved through water buybacks (Whittle et al., 2020). 605GL still has to be recovered from projects in SDLAM; However, it is likely there will be a 190-315GL shortfall with some of these projects (MDBA, 2022). Moreover, recovery of 450 GL of water for the environment by 2024 through “efficiency measures” are unlikely to meet the target.

There are fears that potential shortfall from incomplete SDLAM projects (around 300 GL) plus the target from efficiency measures (450GL) – this could see around 750GL being required effectively from the consumptive pool. Negative socioeconomic impacts, including significant increases on the market price of water and economic impacts for other businesses as a result of changes in irrigated agriculture are an obvious consequence.

Socio-economic impacts

Water recovery reduces the volume of water available to irrigators each year, and therefore contributes to higher prices to some extent (Whittle et al., 2020). The price of water entitlements in southern MDB has increased significantly in recent years.



Source: ABARES Insights: Analysis of water recovery in the Murray-Darling Basin
Available from: https://www.agriculture.gov.au/abares/products/insights/economic-effects-of-water-recovery-in-murray-darling-basin#water-prices-have-risen-for-several-reasons

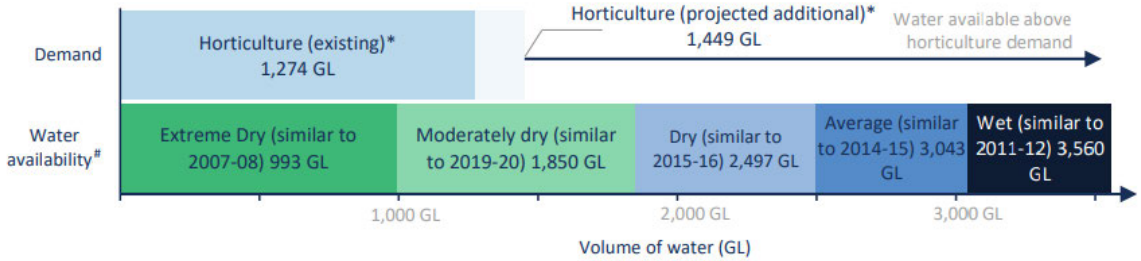
VIC Murray (above) High Reliability	$5000/ML
VIC Murray (above) Low Reliability	$600/ML
VIC Murray (below) High Reliability	$7200/ML
VIC Murray (below) Low Reliability	$1500/ML dry
VIC Goulburn High Reliability	$4150/ML
VIC Goulburn Low Reliability	$660/ML dry

Source: Last Trades, updated July 2022
Available from: https://www.keywater.com.au/last-trades/

Further reductions in the available consumptive pool is bound to impact adversely on the availability and price of annual allocation (temporary water).

"Under extreme dry conditions there will not be enough water available in the connected MDB to support all existing permanent horticulture, even if no water is used for other irrigation purposes. Further future increases in permanent horticulture demand may also put increased pressure on water availability in moderately dry conditions" (Aither, 2023).

Water availability vs horticulture demand in the CONNECTED MURRAY (exc. NSW Murrumbidgee & lower Darling^)



Source: Aither: Water supply and horticulture demand in the southern Basin - 2022 Update Available from: https://www.waterregister.vic.gov.au/about/news/411-water-supply-and-horticulture-demandin-the-southern-basin-2022-update

Further buybacks would mean even less water is available on the allocation market - the impact on permanent horticulture, which has fixed water demands, and is highly reliant on the allocation market, especially in seasons when allocations are reduced, is potentially disastrous.

In years of drought, with less water allocations/ availability and higher water market prices, the horticulture businesses in regional communities are particularly vulnerable because permanent plantings require water to keep trees alive.

For example, at drought in 2006-2007 growing season, temporary allocation water peaked at around $1000.00 per megalitre.

Further buybacks would have a material and long-lasting socio-economic effect in the Southern Basin, including the reduction in agricultural output and employment.

According to an analysis from Frontier Economics (2022), if buybacks are used to recover 605 GL offset shortfall and 450 GL, this would require: up to 325 GL of Victorian high-reliability water shares, reducing the annual gross value irrigated agricultural production (GVIAP) in Southern MDB by $666–855 million. This will result in $350–450 million/yr reduction in gross value agricultural production (GVAP) and, 1168–1500 fewer agricultural jobs in Northern Victoria. Frontier Economics estimate that 13,500-17,400 hectares of perennial horticulture maybe dried off in a repeat of the Millennium Drought (Frontier Economics, 2022).

Improvements

The plan should focus on completing current or alternative SDLAM projects to offset the full 605GL in a timely manner (rather than by the current 30 June 2024 deadline). This would avoid

or reduce the negative socio-economic impacts of buybacks and allow time for better efficiency measures to be identified and implemented.

All projects for water recovery must be measured against the socio-economic neutrality test which provides strong protection for rural communities. The Commonwealth Government needs to ensure the socio-economic neutrality test is upheld before recovering water.

Governance and institutional arrangements for the Plan

In Victoria, there is "reasonable metering" legislation, which is much more effective than requirements in NSW.

FGV emphasise that tight operational and trade rules are required to provide certainty in the regulatory framework for all irrigators in the Goulburn and Murray systems.

Every water outlet should be metered. Where necessary the existing meters across the basin should be upgraded to international standards of accuracy.

Community Consultation and Engagement

The views and lived experiences of regional communities are critical to understanding the impacts of the Basin Plan implementation. Although the Victorian water agencies have implemented various community engagement processes since 2018, the outcomes are always devised by MDB bureaucrats, the government, and the commission. The community participation in such attempts is very low, as their views and recommendations on how the Basin Plan can be better implemented seem to fall on deaf ears.

The Community Consultation and Engagement initiatives should be more targeted (not broad) and should be specific to different industries. Water requirements and issues related to water vary by industry i.e.; horticulture, livestock, dairy etc.

Conclusion

FGV is very disappointed that the Commonwealth appears intent on pursuing water buybacks while viable alternatives exist. It is clear that more emphasis on the potential impacts is required and the alternatives more vigorously pursued.

Thank you for the opportunity to put forward our thoughts on behalf of the fruit growers in Goulburn-Murray Irrigation District

Yours sincerely,

Fruit Growers Victoria

Mitchell McNab
Chairperson
Fruit Growers Victoria

References

Aither 2023, Water supply and horticulture demand in the southern Basin - 2022 Update. Available from: https://www.waterregister.vic.gov.au/about/news/411-water-supply-and-horticulture-demandin-the-southern-basin-2022-update

Aither 2022, Australian Water Markets Report: 2021-22 Review and 2022-23 Outlook, Melbourne, Aither Pty Ltd.

Department for Environment and Water, 2023, Advisory Statement: The Basin Plan's final 450 GL – why recovering and delivering this water is important for all of us. Available at: https://www.environment.sa.gov.au/topics/river-murray/basin-plan/sustainable-limits-on-water-use/efficiency-measure-projects/advisory-statement-basin-plan-final-450

Frontier Economics and Tim Cummins & Associates 2022, Social and economic impacts of Basin Plan water recovery in Victoria: 5-year update, report for Department of Environment, Land, Water and Planning. Available at: https://www.water.vic.gov.au/__data/assets/pdf_file/0021/600717/Socialand-Economic-impacts-of-Basin-Plan-water-recovery-in-Victoria.pdf

Whittle, L, Galeano, D, Hughes, N, Gupta, M, Legg, P, Westwood, T, Jackson, T & Hatfield-Dodds, S 2020, Analysis of Economic effects of water recovery in the Murray–Darling Basin, Australian Bureau of Agricultural and Resource Economics and Sciences, Canberra. CC BY 4.0. https://doi.org/10.25814/5f43047c3ba0b.