

## **Costa Exchange - Overview**

Costa Exchange is one of Australia's largest horticultural companies and a major grower, packer and distributor of fresh fruit and vegetables.

Employing more than 6,000 workers during peak harvest periods, Costa Exchange has an economic presence in more than 30 regional and rural communities across Australia.

The Costa Exchange business presently consists of seven fresh produce categories which include:

- Mushrooms
- Tomatoes
- Berries
- Bananas
- Oranges
- Grapes
- Avocados

## **Costa Exchange - Produce categories located within the Murray Darling Basin**

- **Tomatoes**

Costa Exchange is an industry leader in the growing, packing and marketing of Blush Premium Truss Tomatoes. The tomatoes are grown in a 20 hectare glasshouse facility at Guyra in the New England region of New South Wales. Production is currently more than 12 million kilograms of premium truss tomatoes per annum.

The Costa Exchange tomato business is a major economic presence in the New England region, having invested \$60 million in the construction of the glasshouse and associated infrastructure.

The business currently employs more than 250 workers making it one of the biggest employers in the New England region.

- **Citrus and Wine Grapes**

Costa Exchange produces in excess of 40,000 tonnes of citrus and 11,000 tonnes of wine grapes per annum in the Riverland region of South Australia.

This constitutes approximately 40% of the South Australian citrus crop and 10% of the total Australian production.

During the harvest season, Costa Exchange provides employment for more than 700 workers in the Riverland region.

Approximately 50% of production is marketed on the domestic market and 50% exported to 25 destinations of which Japan and the United States are the most important.

Costa Exchange also packs and markets fruit for a number of local growers in the Riverland region, representing 25% of our total production output.

CostaExchange has made a significant financial commitment to the future of the Riverland region and owns the Renmark (formerly Yandilla Park) and Solora farms (Loxton). Costa Exchange also presently operates four packinghouses, one each in Renmark, Murtho, Solora and Sunraysia (Victoria).

Citrus production is projected to increase significantly over the coming years due to a large number of young plantings coming into production.

- **Table Grapes**

Costa Exchange currently farms more than 800 hectares of grapes, and manages another 400 hectares. These farms are spread throughout Queensland (St George), New South Wales (Menindee) and Victoria (Kenley), and supply an average of two million boxes of high-quality grapes each year.

During the peak harvest periods, the total number of people engaged on these farms is between 300 and 350 workers.

In addition to supplying the Australian domestic market, in the most recent financial year Costa Exchange exported more than \$30 million worth of grapes to Malaysia, Indonesia, Hong Kong, New Zealand, Thailand, Vietnam, India and the Philippines.

## **Response to Terms of Reference**

### ***The direct and indirect impact of the Proposed Basin Plan on regional communities, including agricultural industries, local business activity and community wellbeing***

Costa Exchange employs more than 6,000 people (approximately 2,000 permanent and 4,000 seasonal workers) and operates in more than 30 regional and rural communities across Australia, many of which are located within the area of the Murray Darling Basin (Basin).

Costa Exchange is a significant economic presence within the Basin, both in respect to direct and indirect employment and as a purchaser of local goods and services.

This activity occurs along the length of the Basin, with Costa Exchange farms located in the states of Queensland, New South Wales, Victoria and South Australia.

Although the sustainability of the Basin communities in which Costa Exchange has a presence rely on our business to generate economic activity, it is equally true that without the existence of these communities, Costa Exchange's business opportunities would be greatly diminished including our ability to provide fresh fruit and vegetables to the domestic Australian market.

The proposed Basin wide cuts to water use of between 27% to 37% also raises the important question of whether Australia is prepared to risk becoming a net importer of food (and in particular a net importer of fruit and vegetables) because as a consequence the horticultural sector becomes economically unsustainable.

Rising food prices for domestically grown food and a high Australian dollar already makes cheap foreign imports a more attractive proposition for retailers.

As an Australian owned company, Costa Exchange and thousands of other local businesses in the horticultural sector (especially those located within the Basin) are at significant risk of being adversely affected, leading to reduced output and job losses.

The proposed cut to water use would have a clear impact on the irrigated horticulture community through a reduction in planted area, reduced yield and income.

This would most likely have the following consequences:

- A reduction in the need for labour, especially that which is required for harvesting, packing and processing. The subsequent flow on effect would result in a reduced demand for local recruitment services and labour hire;
- Reduced lending on the part of banks and other financial institutions leading to reduced support for development and the maintenance of business activity within the Basin;
- The need for fewer inputs (including seed, fertiliser, plant protection products, machinery, vehicles, irrigation supplies etc). This would have a negative impact on local industry, suppliers and retailers;
- Net migration from the Basin communities, with a resultant loss of skills, knowledge and economic activity;
- Increased dependence on a less skilled and less mobile community and
- A decline in the social and emotional well being of Basin communities, particularly as it relates to mental health risks and the rate of farm suicides.

***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***

Costa Exchange is acutely aware of the need to more efficiently use the Basin's precious water resources and achieve an appropriate and sustainable balance between economic/horticultural activity and the environmental protection/conservation.

Costa Exchange supports priority being given to targeted public investment in macro infrastructure of irrigation schemes and urban diversion, water delivery and storage systems.

This includes:

- Reduction of wasteful evaporative losses from inadequate storage and transmission systems, including mandatory lining and covering or piping of all canal diversions from the river systems across the Basin;
- Elimination of all shallow or wasteful storage (e.g. the Menindee Lakes should be for flood management only);
- Metropolitan, urban and regional cities need to have appropriate water restrictions applied to the area at the point of water extraction, at least to reflect the stress on the system applied fairly and equitably and
- Programmes of wetting and drying cycles for all wetlands. It is simply not natural for wetlands to remain wet for years on end.

Investment in micro infrastructure on farms (and domestically) should also be considered along with appropriate financial and non-financial incentives for business to undertake research and development.

This includes:

- Measurement of water use within crops using available technology eg, Enviroscan, neutron probes etc.;
- The delivery of water through recommended (ie. by Department of Agriculture) water conservation irrigation system(s) that is both appropriate for the crop being grown, and the soil type it is grown in. This also needs to take into account the crop water use evapo-transpiration of that crop in those conditions at peak heat, dryness and wind speed;
- Use of composts and mulch to reduce water evaporation and improve the moisture retention capacity of soils;

- Technology to identify/map soils that are best suited to certain irrigation systems and also where not to grow crops and
- Use of crop covers/netting to reduce evaporation/water use (potential for up to 15% reduction) and improve micro climates for certain crops.

***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.***

The Australian Government needs to provide balanced scientific research that will determine what defines ‘full river health’ and the volume of water which this equates to.

The Murray Darling Basin Authority currently suggests that somewhere between 4,000 and 7,600GL needs to be shifted from farming to the environment. If this is to be the case a determined effort to achieve this through sound business principles, including a range of solutions from savings on evaporative losses, wasteful irrigation practice, non economic crops and willing seller- willing buyer mechanisms must be genuinely pursued by all relevant stakeholders.

In developing the business rules of water resource sharing, recognition must be afforded by the Australian Government to the States (in particular South Australia) and communities reliant on the Basin that have historically made sacrifices by capping irrigation diversions, rationalising water delivery systems and adopting water conservation technologies in their own irrigation practices.

A sustainable market mechanism for removal of water rights and irrigation technology upgrades needs to be devised. This will be more effective than ‘Exceptional Circumstances’ grants and ‘Honourable Exit’ grants that have been used previously as tools to remove unproductive or failed enterprises.

Government should be careful not to intervene with the wrong subsidy or some well intentioned relief that has unintended consequences.

The Australian Government must be careful to ensure that there is no conflict of interest between its role as the developer and implementer of policy and its role as the biggest player in the water market. A clear separation of these opposing responsibilities needs to be established and enforced.

The proposed reduction levels on allocations to existing growers should be similar to the rationing that applied during the recent severe drought years. When equity is reached and the return of water to the environment results in it achieving ‘full river health’ threshold, no further *ad hoc* reductions of allocation should occur without the environment taking an equivalent reduction in allocation.

The Australian Government must ensure there is no discrimination between, or within grower groups or irrigator communities. This means that there should be no discrimination between rice and cotton growers, tree and vine crop growers, corporate entities, cooperatives or family farms in terms of water use efficiency and converting water into profits.

Where government can engage in positive discrimination is to recognise and reward those who have actively tried to address water efficiency through investment in research and technology.

There must be sufficient signals, preferably through the tax system, which recognise and encourage greater efficiencies. Business cannot be expected, and nor do they have the capacity to incur such costs directly on to their bottom line.

The research community have a major immediate and ongoing role in determining priorities, establishing 'full river health benchmarks, and adapting these to a dynamic climacteric.

Further research is also required into improving irrigation practice, irrigation scheduling, irrigation agronomy, as well as water sustainable mining, industry and low water metropolitan and urban management.

Research into optimal wetland management and the conservation of wetlands is a key aspect of achieving and maintaining healthy rivers, however issues including the limiting of tree removal for urban residential waterfront, illegal road traffic and water traffic in sensitive ecotypes, invasive plants and exotic species removal must also be afforded serious research and investigation.

## **Summary**

As a major economic presence in the Basin, Costa Exchange recognises that to do nothing is not an environmental, agricultural or political option.

Despite the current debate, there is little doubt that the Murray Darling system is overstressed and cannot be viable without significant change to existing practice.

If a reduction in allocation of water for irrigation is inevitable, then the main questions to be addressed must go directly to the quantum to be reduced and how the changes are applied across the industries and regions and the resultant economic and social costs.

Government policy must at all times ensure that locally grown and produced fresh food can at least maintain price competitiveness against inferior quality imports, while most importantly keeping food prices affordable for Australian families.

Costa Exchange believes that irrigators should focus strongly on the efficiency of irrigation with the expectation that all users should achieve best practice within a nominated time frame. Those currently at best practice or close to it should be treated differently to profligate wasters of water.

Costa Exchange is committed to maintaining an ongoing and positive role in the sustainability and economic development of the Basin communities in which it operates. However, it can only do so where it has certainty in respect to affordable access to the key factors of production. This includes using water from the Basin, and ensuring access which is guaranteed, of a sufficient volume and a sustainable price in order that it continues to meet the requirements of our business so as to maintain the necessary rate of return on our investment.