



Riverina
WINE GRAPES
MARKETING BOARD

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Submission
to the

House of Representatives Standing Committee on Regional
Australia

Inquiry into the Proposed Murray-Darling Basin Plan

December 2010

Introduction

The Wine Grapes Marketing Board "Board" is a New South Wales Statutory Authority representing 425 wine grape producers based in the Riverina region and encompassing the City of Griffith and the Local Government Areas of Leeton, Carrathool and Murrumbidgee.

The Board is constituted in accordance with the *NSW Agricultural Industry Service Act 1998* and it provides industry services as prescribed in the *NSW Wine Grape Marketing Board (Reconstitution) Act 2003*.

Wine grape production in the region is one hundred percent 100% irrigation based through water delivered by Murrumbidgee Irrigation, Coleambally Irrigation, Ground Water aquifers, River pumping from the Murrumbidgee and the Lachlan Rivers at Hillston.

Regional production of wine grapes is based on an area of 22,000 hectares producing approximately 300,000 tonnes of wine grapes that are made into wine for exports markets and domestic consumption. The region produces close to 15% of Australia's wine grape production. 76% of the region productive area is currently utilising drip irrigation techniques.

The Board rejects the proposed reduction in the level of consumptive use in the Murrumbidgee Valley as it will lead to far greater negative consequence than is being proposed within the Guide.

The Board welcomes the opportunity to provide a submission to this inquiry.

Terms of Reference

This submission will address the following 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.**

Wine grape producers are currently being impacted by ongoing supply issues that are eroding farm gate returns. Terms of trade have declined to levels that approximate those received in the late 1970's. In every sense of the word the average grower is broke, financially and physically.

An impact of the release of the Guide to the Basin Plan has turned once optimistic producers into concerned, disappointed and downtrodden farmers. They feel that no one is listening or cares about their plight. A once vibrant industry and region is on the brink of desolation through successive changes in government policy that have eroded their trading

power and have forced growers into a position from which many may never recover from financially.

As a proactive step to the issues confronting the industry through the over supply of wine grapes the Board undertook to train its frontline members of staff in Mental Health First Aid as a means of being able to identify growers at risk and enable staff to communicate positively and effectively during the course of our business transactions with them. Our organisation has been able to refer growers at risk to appropriate assistance.

Our growers are concerned about a future with a plan that anywhere near approximates the Guide that was released. The irrigation supply system in the Murrumbidgee Irrigation Area (MIA) simply cannot operate with the level of cuts being proposed, farming will become a financial burden and growers will depart the industry and the region.

The main concern is with a reduction in entitlement through the return of water via buyback or reduction of overall allocation the fixed charges of running the regional irrigation system will increase incrementally. Such increases will not be able to be absorbed by growers faced with low returns.

If for example the industry were to completely move to high technology irrigation systems the costs of irrigation would increase due to privatisation of electricity providers and the carbon footprint of irrigated farming would also rise and could lead to marketing problems for Australian wine. As our region currently stands great advancements have been made in water efficiency. Approximately 76% of the region's wine grape production is undertaken through drip irrigation, enabling the delivery of water direct to the root line of the vines. This region does not employ micro-spray technology at all for wine grapes (as is the case in other regions). Further analysis of our irrigation development reveals that the production (76% of all tonnes produced) and area in terms of irrigation type (76% drip irrigation) are perfectly matched, indicating that there is no noticeable difference in productive terms of having a high tech system on farm. Irrigation efficiency may be achieved but the potential for productive capacity has not.

- **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.**

The Board does not have any individual wine grape producer data that would enable it to respond adequately to this term of reference. However it should be stated that each wine grape producer has a varied amount of licence entitlement. The original settlements for

gazetted horticulture were licensed with a viable level of mega litres of hectare that would allow growers to produce and maintain a number of horticultural products per farm. Many of the wine grape producers in the region today come from a stone fruit production background. These growers have in many instances utilised excess entitlement to expand their wine grape holding onto other properties adjacent to their vineyards or in the outer reaches of the irrigation system (green field sites).

To simply state that each wine grape producer possesses "X" amount of water in excess is not appropriate. Each vineyard, each business entity holds a varied water product. There is no longer a way of saying that "one size fits all" in terms of policy development.

It should be noted that the regions producers have moved rapidly to higher technology irrigation systems in response to market forces, our region has doubled in production over the past 10 years and the adoption of high technology irrigation systems has been greater. Many wineries have encouraged growers to utilise such systems and others have done so as a means of saving on farm labour. However there are many obstacles that need to be overcome to obtain a full transition to high tech systems in the region, cost of development and cost of maintenance and operation for example.

Management of irrigation systems in vineyards can vary and it is fair to say that even with a high technology system such as drip irrigation the amount of water saving can vary. In a number of instances the water saving is negligible but is outweighed by the labour saving benefits of an advanced drip irrigation system.

If a grower converts their farm to high technology irrigation they need to be assured that in doing so they are able to leverage that investment with a long term priced agreement with a wine grape purchaser, these have not been available for many years. Growers also need to ensure that the labour saved is used profitably in other parts of their business or the cost of irrigation and therefore production is increased.

- **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 role that governments play is critical in this area. Investment and research into these technologies will not be adopted by the masses unless it can be shown to provide dividends. It is disappointing to note that the recent Productivity Commission report into Research Corporation cites that government should be reducing its funding into these bodies. Without further research into irrigation technologies adoption will be reduced.

In 2000 the region's horticultural bodies got together to propose a development plan in which investment by the NSW government would occur in on-farm irrigation systems that would return savings in water that would be transferred to the government for environmental purposes. It was a proactive approach by this region and was ambitiously entitled "Hort Vision 2010". Unfortunately the government would not buy into the program that envisaged to return water at an approximate value of \$1,666 per mega litre of high security water at a rate of 3 mega litres per hectare to fund the on-farm investments by horticultural producers.

As a result of inaction at this time when our commodity groups were being proactive many individuals undertook their own investments on farm, by either borrowing against their asset or permanent sale of the irrigation entitlement to other producers to fund their conversions. These self funded developments have led to many growers now holding variable entitlements per hectare.

Our Board has also developed an assistance program for wine grape producers converting their properties to high technology systems. A program titled "Irrigation Conversion the Riverina Way" was funded by the Grape and Wine Research and Development Corporation. It contains written advice and a DVD of interviewed growers that allows growers to understand the pitfalls and planning processes of a farm irrigation conversion. This has allowed regionally based experience to be shared that assists the producers in maintaining productivity and yields through the conversion process.

- **Measures to increase water efficiency and reduce consumption and their relative cost-effectiveness.**

In the MIA there are many open channel systems that are subject to the evaporation and seepage. These areas should be heavily targeted for investment to redevelop these systems as potentially closed systems. The MIA is unique in that the irrigation water is diverted into a system of channels that utilise gravity to bring the water to the farm gate. In that there is no major carbon footprint in the water delivery other than that expended by the irrigation supply company in monitoring and managing the system.

More work needs to be done to investigate the redevelopment of the gravity system as a closed pipe or channel system that still employs gravity to deliver water. As a community we should not simply say it is too expensive as it will provide a longer term benefit and potentially return many mega litres to the environment. Such development would provide a

backbone to our irrigation region, rather than the random process of buying out properties and limiting further development so the sake of stated environmental outcomes.

- **Opportunities for economic growth and diversification within regional communities.**

The nation of Australia exports too much of its wealth overseas in terms of unprocessed food and fibre. We should look to increase our own processing abilities in this country as a priority. The countries that Australia exports food and fibre to for processing return this to our nation for our consumptive use have lower costs of production due to their nations economic situation. Australia should investigate development incentives for locally based producers and manufacturers to encourage these valuable and vital secondary industries to set up business in Australia, creating local wealth and jobs for the nation in factories etc.

The opportunity for diversification in the Griffith region and surrounding villages is extremely limited as it relies so heavily on irrigation investment. The Guide as presented has even provided diversion limits on the amount of water available for domestic consumption which therefore will limit population growth in the Basin to an amount that roughly approximates the existing Basin population. Growth cannot occur if regions have limited industry and councils have limited water allocation to develop their cities and towns.

- **Previous relevant reform and structural adjustment programs and the impact on communities and regions.**

The Federal Small Farm Irrigators Exit Package had a strong level of interest in this region but growers were seeking less problems associated with taxation and many wanted to be able to remain an irrigator on the farm. The package did not appeal to growers that wanted to exit the industry but remain on their farms, the funding was insufficient and the unknown value of what the government were prepared to pay for water was a major limiting factor.

In regions where this program was widely adopted a “Swiss cheese” effect has occurred which will in time lead to increased asset charges costs to those growers left behind in those districts. In the MIA a similar effect is occurring through the buy back process that has been stimulated by the drought, low commodity prices and allocations. These are not willing sellers.

For the buyback process to work it needs thorough consultation with the regions to ensure that reductions in entitlement can be managed to leave those left behind in a better position and not subject to increased costs. This has not been occurring and it would be best if the

buyback and infrastructure investment programs were halted and reviewed prior to any further Guides or Plans being put into the public arena.

Conclusion

The development of the Guide has been poorly handled as it does not adequately reflect the needs of the social and economic environment in the basin.

The Wine Grape Marketing Board will need to be assured that the Guide in any format adequately incorporates the social and environmental needs via appropriate consultation with industry, communities and regional business and does not impact on the productive base as defined in the National Water Initiative prior to its endorsement of the Guide or the proposed Plan.

Written by

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