



**House of Representatives Standing
Committee on Regional Australia**

**Inquiry into the Proposed
Murray Darling Basin Plan**

Submission by Citrus Australia Ltd

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Background

Citrus Australia is the national peak industry body for the Australian citrus growing industry. There are approximately 2,000 citrus growers based in every mainland state and the Northern Territory, but concentrated in the Murray Darling Basin regions of SA, VIC, NSW and the Central Burnett region of QLD.

The Australian citrus industry is one of the largest fresh fruit industries in Australia, and certainly the largest fresh fruit exporter with an annual average export volume of 170,000 tonnes and a value of \$190 million. Citrus is also one of the largest fresh import categories in Australia, with annual volume of around 23,000 tonnes valued at \$33 million. The Australian citrus industry produces only around 1% of the global citrus production and competes directly in export markets with lower cost southern hemisphere citrus exporting countries such as South Africa, Chile and Peru.

Nearly all of Australian oranges are produced in the Basin (95%), and around 90% of all bearing trees are located in the region. Oranges are grown for both fresh (domestic and export) and processed markets and support a range of businesses along the value chain including nurseries, packers, transport, exporters, processors, agribusiness suppliers and retailers.

The Murray Darling Basin citrus community is based around the regional cities and towns of:

- Griffith, Leeton, and Hillston in the Murrumbidgee region;
- Mildura, Barham, Renmark, Berri, Waikerie, and Mypolonga in the Murray region;
- Wentworth, Coomealla, Dareton, and Ellerslie in the Lower Darling region;
- Narromine in the Macquarie-Castlereagh region;

And newer developments in:

- Forbes in the Lachlan region;
- Gunnedah in the Namoi region; and
- Moree in the Gwydir region

Whilst Citrus Australia welcomes the need for national water reform to improve river system health we reject the MDBA guide to the proposed Basin Plan due to its total failure to adopt a "triple bottom line" approach. There needs to be urgent and immediate attention to the economic and social impacts of any proposed water reforms to minimize the devastation to the citrus industry, its regional communities, and the wider Australian population.

Citrus Australia also strongly supports the amendment of the *Water Act 2007* in order to guarantee the delivery of a triple bottom line outcome and a more balanced Basin Plan. Whilst we welcome the Government's intention to deliver a balanced plan focused on restoring the river to health, supporting strong regional communities and ensuring sustainable food production we remain concerned that the final Plan may be subject to a legal challenge on the basis of a different interpretation of the Act.

Another major concern of the Act and the MDBA guide to the proposed basin plan is the total reliance on increasing water flows to address environmental and river health. There needs to be a concerted effort to integrate the wealth of knowledge and works from catchment management authorities, and other landcare programs, as part of the solution to the Murray Darling basin.

The economic and social profile of the Mildura region – a typical citrus community

The Mildura region is used as an example of the typical regional city/town relying, in part, on citrus production. Much of the information is found in the Mildura Region Economic Profile 2009, Mildura Development Corporation.

The agricultural industry in the Mildura region generates the highest gross regional product of any industry sector, valued at \$388 million in 2007/08. One third of all businesses in the region are engaged in the agriculture sector and directly employs around 3,700 people, or 15% of total employment. The number of people employed indirectly increases significantly taking into account part of the manufacturing, transport and storage and wholesale trade sectors, which rely heavily on agricultural production.

Between the Census years of 2001 and 2006, there were many changes to the industry employment in the Mildura region. Most notably is the decline in workers in the agriculture sector, declining 5% during this period compared to the state averages of -0.7% and 0.6% in Victoria and New South Wales, respectively. The continuing drought and reduced water allocations to irrigators have no doubt affected employment levels in the agricultural sector.

The unemployment rate in the Mildura region has consistently been above the state averages for Victoria and New South Wales between 2001 and 2008. At the same time, changes in the unemployment over time appear to be more volatile in the Mildura region when compared to Victoria and New South Wales. This discrepancy could be caused by seasonal changes in the labour force related to the amount of agricultural and horticulture production.

It is safe to assume that the economic health of the Mildura region is heavily dependent on irrigated agriculture.

The implications are serious for citrus production

The proposed new SDL's (if taken from irrigators) for the valleys relevant to citrus growing regions range from 15% to 43%. These proposed cuts to irrigation water would have enormous impacts on the citrus communities such as Griffith, Mildura and Renmark. In turn production of the majority of Australian oranges may be severely impacted, affecting fresh fruit and juice markets in Australia, reducing export earnings for the economy and impacting on local communities.

The social and economic impacts of changes proposed are real

The **economic impacts** can be illustrated using the following commercial example:

Mildura Fruit Company (MFC) is Australia's largest orange packer and exporter sourcing citrus from over 100 growers in the Sunraysia, Riverland and Riverina areas. There are normally around 240 staff employed (40 permanent, 200 seasonal casuals).

The 2010 citrus season in southern Australia was heavily impacted by the unusually early heatwave in November 2009, causing the small fruitlets to drop. The result was a very light crop in 2010, 30% down in volume to the previous year. Resulting in:

75 less casual staff employed over 5 months;

115 less pickers picking for MFC for packing over 5 months

= 190 full time seasonal positions lost in picking and packing at MFC

Reduced economies of scale results in higher packing costs per packed unit, which together with less packed unites, squeezes margins and profitability and discourages investment in new capital or technology.

Reduced market share in established export markets such as the US allows competitors such as South Africa and Chile with lower cost of production to gain market share.

Australian retail prices for oranges increased from \$2.52 per kg in the September quarter 2009 to \$2.69 per kg in the September 2010 quarter (ABS Average Retail Prices of Selected Items, Eight Capital Cities) – an increase of almost 7%.

The **social impacts** can be demonstrated through the qualitative research study *"The social impacts of declining water availability and ongoing drought in the Murray-Darling Basin"* report by Alston, Whittenbury and Haynes, Monash University, October 2010.

The findings indicate significant social impacts including:

- Increased bankruptcies
- Increasing poverty particularly with farming families, farm workers and contractors
- A significant rise in levels of stress and other health impacts
- A need to source off-farm income
- Difficulty accessing employment
- Significant loss of jobs in small communities
- Involuntary separation; intergenerational and marital conflict
- Declining educational access amongst children
- Depopulation and a particular loss of young people

The process of reform is flawed

The MDBA was formed under the *Water Act 2007* (Cwlth) in December 2008, two years ago, and began work on the Basin plan.

The Australian Government has been developing and implementing water management policies in that time without the guidance of a Basin plan. This includes environmental water purchases and irrigation infrastructure upgrades.

The Commonwealth Environmental Water Holder has been actively purchasing water in the market, creating concerns relating to:

- the apparent ad-hoc nature of purchases, leading to the "swiss-cheese" effect
- the influence of prices determined by such a significant player in the market
- the lack of clarity of the roles and responsibilities
- the lack of an Environmental Watering Plan
- the lack of engineering solutions to provide more efficient environmental watering
- the lack of an integrated approach with other natural resource management activities to environmental health (water is not the only solution to improving environmental health)

The release of the MDBA Guide was delayed three times, subsequent volumes were released much later, public consultation meetings evoked strong and emotional reactions from the basin communities, multiple social and economic studies were commissioned (parliamentary and senate inquiries), and the resignation of the MDBA Chair has only added to the confusion.

The MDBA requires a balance of the best available science and practical/local community knowledge. The Guide states that “overall most of the evidence base falls into the medium confidence category, primarily through being government datasets or publications that have not undergone any significant peer-review scrutiny.” Pg 87 Volume 2 Guide to the proposed Basin Plan. The technical consultative sessions held in Canberra only highlighted the gaps in the technical information, and did not inspire much confidence.

A triple bottom line outcome is non-negotiable – government intervention is required

One of the strategic objectives for the proposed Basin Plan is to maintain and improve the ecological health of the basin, and in doing so optimise the social, cultural and economic wellbeing of Basin communities.

The guide fails in this area.

Mr Taylor (immediate MDBA Chair) noted that the Authority is neither empowered nor equipped to undertake the entire complex task, and urged an immediate focus on environmental, economic and social issues to minimise community concerns and investment uncertainty.

The assurances from the Australian Government regarding the need to “restore the river to health, support strong regional communities and ensure the importance of food production” to deliver a balanced plan require more definite and immediate action such as amending the Water Act 2007 to guarantee this outcome.

Implementation is critical but looking shaky

Successful implementation of reform at this magnitude requires full agreement and strong partnerships between the MDBA, Commonwealth and State governments and the Basin community.

There is also an inequity in implementation timeframes for state water plans to roll into the Murray Darling basin plan, and a 2019 date should be the mutual point of change.

Water trading rules require strengthening

More needs to be done to strengthen water market rules and charges and access to information, to improve the transparency and efficiency of water markets within the Basin.

Timeframes require immediate re-consideration

The draft Basin Plan cannot be released until all social and economic studies and inquiries are complete, particularly the House of Representatives Committee inquiry chaired by Tony Windsor, MP.

The draft basin Plan cannot be released until engineering works and measures are undertaken to identify environmental watering efficiencies, and irrigation efficiency infrastructure projects are more fully developed.

More time is required to consider all current and new information. The drought has broken in the Murray Darling basin and we can now afford to invest as much time as possible to come up with a reform plan that is achievable.

It was only last year that we were told by people in authority that...

"There is no water so why even ask about increasing storages or dams?"

"It will take 10 years of average rainfall to fill up the storages in the Murray Darling basin"

The SDL proposal for surface water needs to account for ALL diversions; and fully account for previous water savings/historical good performance

Water needs to be accounted for from all diversions ie watercourse diversions, floodplain harvesting and interceptions such as farm dams and forestry. Interception of water from plantation forestry and farm dams has increased considerably in recent decades and has had an impact on available water in the system.

It is inequitable to require irrigators to bear the full burden of restoring river health.

Accounting for past contributions to the environment under the various state water sharing plans is not clear; neither is acknowledging previous irrigation infrastructure upgrades, or levels of efficiency by state or valley, particularly in South Australia.

Irrigation infrastructure and environmental engineering efficiencies should take precedence over water purchases in most cases

Even the outlook for rural Research and Development is under threat

The Productivity Commission's current inquiry into Rural Research and Development Corporations (RDC's) has developed a set of recommendations and findings in its draft report released in September 2010.

Citrus Australia strongly rejects the Productivity Commission recommendation in its current draft report to reduce the Commonwealth contribution to matching rural research and development, and set up another RDC "Rural Research Australia".

In fact it is essential that investment in rural R&D increases to assist individual industries and enterprises adopt new technology and practices to better adapt to a changing climate with less water. This is only done effectively with close collaboration of government and industry through industry specific RDC's.