

28 January 2011

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The Secretary  
House of Representatives  
Regional Australia Committee  
PO BOX 6021  
Parliament House  
Canberra ACT 2600



**RE: Copy of Submission relating to the Guide to the Proposed Basin Plan – Murray Darling Basin Authority (MDBA) 2010 provided to the Regional Australia Committee**

**This is the submission made by Murray Goulburn Co-Operative to the MDBA in December 2010.**

Dear Chair

Murray Goulburn Co-operative is one of the largest corporate stakeholders in the Murray Darling Basin and accordingly we write to support the very public concerns that have been expressed about the *Guide to the Basin Plan*.

In doing so I ask you to note Murray Goulburn's involvement in other key submissions from peak bodies e.g. the Australian Dairy Industry Council and a joint submission with fellow dairy companies.

#### **About Murray Goulburn Co-operative**

Formed in 1950, Murray Goulburn has grown to be one of Australia's largest food companies. In FY10 we had revenues of \$2.24 billion, including \$1.16 billion of dairy exports from the Port of Melbourne. We had a further \$1 billion in domestic sales including our flagship Devondale brand. Importantly Murray Goulburn directly supported more than 2,000 jobs in our processing sites in regional Australia and our 2,695 dairy businesses supported many more thousands of jobs.

As a co-operative we work on behalf of dairy farmer shareholders and our aim is to maximise the farmgate returns they receive.

In the southern-MDB Murray Goulburn operates three processing sites at Rochester, Cobram and Kiewa. These sites employ almost 1,000 people and process milk from approximately 930 dairy farmer suppliers across Northern Victoria, Southern Riverina and South Australia.

In FY 10 dairy products sold (post-factory) were valued at more than \$850million, the majority of which were exports. The majority of these revenues stay in the region in the form of milk payments to dairy farmers, wages and other related services.

Using the ABARE multiplier of 2.5 - Murray Goulburn's contribution to the region can be reasonably assessed at approximately \$2.1 billion per annum.

By any measure this makes Murray Goulburn Co-operative a key stakeholder in the Murray Darling Basin.

#### **Ministerial Advice**

Since the release of the Guide to the Basin Plan Murray Goulburn Co-operative notes the advice from Minister Burke regarding the interpretation of the Water Act 2007, and the capacity of the MDBA to consider the social and economic impacts of any changes to water diversions in the basin.

Correcting this flaw in process was Murray Goulburn Co-operative's primary concern.

As a parallel, imagine a plan for an Emissions Trading Scheme (ETS) in Australia with no consideration of the impact on electricity prices, no consideration of low income families and no consideration of costs to the economy or jobs. This approach would never be accepted.

We trust that the Minister's advice will mean that impacts on the economy and communities will now be given equal weighting in the Basin Plan and that this will lead to a much fairer outcome for all concerned.

We also trust that levels of cuts to irrigation entitlements described in the Guide will no longer be necessary.

As publicly stated Murray Goulburn Co-operative believes that the level of cuts proposed in the Guide to the Basin Plan (for example. up to 37% on the Goulburn System and up to 36% on the Murray system) went beyond any reasonable balance and will limit resources for food production in the basin. Cuts of this magnitude will limit the capacity of the Australian dairy industry to be maintained or grow, and support the many thousands of jobs it currently provides in rural communities such as those in northern Victoria, southern NSW and Riverland South Australia.

### **Other key factors to be included in future Plans**

Murray Goulburn Co-operative believes that the Guide was basically a hydrological guide to the basin and failed to explain or consider the major elements that are essential to the delivery of a comprehensive plan.

We believe that the future plan must be based on the following key elements:

- Comprehensive and independent science-based assessment of the key environmental assets of the basin and evidence of how they should be managed to achieve clearly defined outcomes. For many years industry has asked the Government to better define environmental outcomes. Yet the guide has very little evidence linking environmental flows to outcomes. Therefore the benefits of returning water to the environment cannot be empirically assessed and can only be assumed.
- Based partly on the studies above – the future basin plan must include pragmatic plans for environmental water management. The basin is now a managed system and the Government's approach to environmental management must be carefully planned. The basin, its communities and industries cannot afford an over-simplistic (big flood) approach as it does not optimise environmental, economic and social outcomes.
- A plan for economic growth in the basin including an in-depth plan for key industries and how industry and Government co-investment in productivity growth can create more wealth for the region and the overall economy. Murray Goulburn Co-operative cannot stress highly enough the "heavy lifting" that farmers in the basin have already undertaken to change farm systems and improve water use efficiency. It is now critical that Government's support dairy farmers and other irrigators through a recovery phase. With a better balance of planning - agriculture can grow in the basin.
- Once the major strategies of the guide are identified, the authority should carry out a comprehensive analysis of social and economic impacts. The report should consider the future of regional cities and towns and future impacts on employment and services.
- Murray Goulburn Co-operative also believes that the plan should include other environmental factors. Currently the plan ignores key factors such as salinity, pest and weed management, native vegetation and biodiversity. Many of these factors are managed by farmers and changing land use or reducing farm incomes could significantly impact on these elements.

### **Clarification on entitlement buy-back policy**

Industry support for the water entitlement buy-back mechanism has always been subject to a full assessment and implementation of all reasonable infrastructure investment and banking of subsequent water savings. Also that environmental water management was pragmatic and in line with a carefully managed resource.

Furthermore, the levels of water buy-back historically discussed were based on key plans such as the Living Murray - with infrastructure savings taking into account. These plans did not involve amounts of water that could threaten communities.

However under the cuts described in the Guide to the Basin plan, the amount of water that could have been acquired under buy-back was unacceptable.

If the cuts proposed in the Guide were implemented, then the water buy-back policy would come under strain for two key reasons.

Firstly the number of willing sellers would be limited. Secondly the amount of buy-back creates a deep economic and social impact where millions of dollars of economic capacity is lost and not replaced.

While some of the funds from water buy-back stay in the region, it is reasonable to assume that a significant amount of money permanently leaves the region in the form of debt reduction or relocation. The dryland that is left behind creates only a fraction of the gross revenue of the irrigated business that once was.

In summary, the willing seller policy has only conditional support from Murray Goulburn Co-operative and we believe that a comprehensive basin plan should aim to limit the need for extensive entitlement buyback.

## **Conclusion**

Murray Goulburn Co-operative supports the development of a fair and balanced plan for the use of water across all stakeholders in the basin. We trust that the advice of Minister Burke means that the limitations of the Guide to the Basin Plan can be addressed.

We understand that there are many other complex issues relating to specific river systems that we have not addressed in this submission. Other stakeholders are well placed to advise on the details of each catchment and the many concerns that dairy farmers and stakeholders have expressed.

Murray Goulburn's main message for the authority is to broaden the scope of the plan and ensure it is more equitable for stakeholders and more pragmatic in its management of environmental assets.

Dairy production in the basin is somewhat unique. International demand is strong, increased production is needed, processing is regional adding local jobs, farm systems have dramatically changed and become more sustainable.

After a long drought the industry can recover and grow. However this requires business confidence, certainty of entitlement and a clear message from the MDBA and Governments that they want to improve economic and social outcomes in the Basin.

As always Murray Goulburn Co-operative stands ready to support initiatives that can achieve the outcomes described.

Yours faithfully  
Murray Goulburn Co-operative Co. Limited

Grant Davies  
Chairman