

Yenda Producers Co-operative Society Ltd

General Merchants. Fertilizer Spreading. Dried Prune Agents.

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LANDMARK
member

8 December 2010

**Committee Secretary
Senate Standing Committee on Rural Affairs and Transport
PO Box 6100,
Parliament House,
Canberra NSW 2600**

Dear Committee Members,

Submission to Guide to MDBA Plan

On behalf of our business "Yenda Producers Co-operative", our 45 Full-time employees and 10 casual employees, we submit this response to the "Guide to the MDBA Plan" announced and presented to our community at the Yoogali Club, Griffith NSW on Thursday 14th October 2010.

This response will address a number of concerns our business and our community has with the proposed MDBA draft plan, namely:

1. Flaws in the MDBA Plan's Base Goals.
2. Unfair Treatment of Community and Economic Impacts within the Plan, compared to the Environment.
3. Lack of Compensation for Local Businesses and the Community.
4. Effects of Proposed Water Cuts on our Business.
5. Effects of Proposed Water Cuts on the Community.
6. Possible Alternate Solutions to Improve the Environment, Maintain Food Production and Sustain Existing Communities.
7. Possible Effects of Water Trading and Foreign Ownership

Before addressing the first item above, I will provide you with a brief history of our business which began 85 years ago and has become a major contributor to our community.

A Brief History of our Business

Yenda Producers Co-operative Society Limited was incorporated under the NSW Co-operatives Act on 16th July 1925, with ten shareholders. The Co-op was set up at Yenda to deal with fresh produce and to supply farming requisites.

Today we employ 45 Full-time staff and have a farming customer base in the local area of over 1,700 shareholders.

Geographically we service customers from Hillston in the west, Galore to the east, Weethalle and Naradhan to the north and Coleambally to the south, an overall area of around 65,000 km². Our figures indicate that we service around 35% of the local farming sector and annually turnover between \$35 and \$45 million depending upon seasonal conditions.

As a business, we provide more than just farming inputs and agronomic advice. We are the area's sole distributor of Big N (Anhydrous Ammonia). We also distribute and spread other fertilizers and have a number of trucks used to transport local farming inputs and produce.

Yenda Producer's biggest strength locally is its ability to service its farming base with the best Agronomy team available in the area. Lead by Wayne Andreatta, who has over 25 years row-cropping experience in all types of crops from hybrid seed production, cotton, corn, potatoes, sorghum, beetroot, garlic, pumpkin, melons, processing tomato, sunflowers, cereals, canola, etc. Wayne is the leader of 10 additional agronomic and horticultural trained staff. Skilled staff, which are difficult to replace once lost.

Our agronomist's aim is to maximise our customer's returns and forge strong and loyal relationship with our shareholder. Yenda Prods has always prided itself on providing the "Best Possible Service", our reputation has been built on this principle. This is reflected in our business motto "Yenda Producers - your Partners in Farming".

This brief outline of our business highlights why these proposed cuts are not just a numbers game, but a real threat to our survival and that of our community.

1. Flaws in the MDBA Plan's Base Goals.

Our understanding, from the published literature and the various presentations is that the MDBA Plan was developed, based on the principal of reducing irrigation water and redirecting this into the river system for the environment. The target range suggested in the MDBA Plan is somewhere between 3,000GL and 7,600GL per year.

- Who set the environmental targets?
- How were they set?
- Who scrutinised the targets?

- What peer reviews have been carried out on the science and targets set, to justify the correctness of these numbers?

The Plan also states that about 1,500GL of additional water is to be used in the system before it gets to the sea, why then is the plan asking for 3,000-7,600GL, the balance of the water will go out to sea. What environmental good will this be doing? Surely a cost benefit analysis would show water being better off in regional communities to grow food and support local communities.

The Plan fails to address the current use of environmental water. That is:

- How is the Environmental water being used now?
- Is it being used efficiently?
- Is it being used for the best outcome?
- Should we be using the environmental water better to gain a bigger return for the environment?
- Who has done a Cost Benefit analysis on environmental Water?
- Who has looked at engineering solutions to use environmental water more efficiently?

The MDBA are asking 'Irrigation Users' to look at the way they are using water. They must ask the same question of the environment or we are not undertaking a balanced approach.

Surely, it makes good sense to make savings from environmental water before targeting water used for food production and regional communities.

2. Unfair Treatment of Community and Economic Impacts within the Plan compared to the Environment.

The MDBA's Plan clearly prioritises the environment over communities and food production. The belated announcement of economic and social impact enquires following the release of the Plan's announcement to cut 43% of our water, emphasises the general feeling of the lack of importance that the MDBA and government have placed on the communities within the irrigation areas.

We call on the MDBA and Government to suspend any further action with the plan until the results of both the upper and lower house enquires are finalised and their recommendations tabled. To do anything else, treats regional communities as second rate citizens and flags their importance as second to the rest of Australia. It also sends the message that 'nothing' will change as a result of the enquiry, because the MDBA just keeps ploughing along with their official line.

3. Lack of Compensation for Local Business's and the Community

A proposed cut of 43% would devastate our local community and all the associated businesses. In simple terms a 43% cut to water allocation would result in 43% less production from irrigation farmers. These irrigation farms are predominately heavy soil based farms, not conducive to dry land farming in our climate. This productive farm land will be lost to food production forever, if the water disappears. The remaining farms carrying permanent planting will die, with no irrigation water and the hot dry summers we experience.

Thus, the real effect on local businesses will see major rationalisation, with around 1/3 of them disappearing. As a result we would require 43% less direct farming staff, the multiplier effect, based on a 1 in 7 ratio, would result in 7 people leaving the local community for every 1 lost farm worker. Our figures show that potentially 1,000 farm jobs would be lost with the announced cuts resulting in 7,000 community and support based job losses. That is 7,000 less wage/salary earners in these communities. Less doctors, teachers, chemist, butchers, nurses, community workers, agronomists, sales staff, etc; culminating in a diminishing community.

4. Effects of proposed water cuts on our business.

We have done some modelling on water cuts to our customer base and calculate that a 43% cut in water allocation could result in an initial lost turnover of up to \$14.9 Million to our business. This effectively means our business and service to our community will need to be down sized by around 15 staff, to ensure our business continues to be viable. These 15 staff aren't just numbers, they are real people in our community. People we socialise with, that provide voluntary support to the community and work for each other. If they are lost, then the whole social fabric of our community will be lost with it.

How do we go about growing a business which has just had its customer base significantly reduced by water cuts, with no possibility of the cuts being reinstated? Who and How is the MDBA going to compensate these families and our business for the loss of business, jobs and community work? This hasn't been addressed at all in the Plan.

5. Effects of proposed water cuts on the community.

Water cuts to our customer base will result in direct and indirect job losses in our community. These people will have to sell-up and move on to gain employment in other areas. What price would they get for their house? Currently we have around 40 houses for sale in Yenda, a small community with a population of 1,050 and about 300 houses. This represents close to 15% of residence for sale with little demand since the MDBA's announcement. Who, and How does the MDBA, plan to compensate these families for the discounting they are having to do in a very depressed market? House prices have dropped by between 25 – 35% in our area primarily due to the uncertainty with water and

future prospects within our community. Their house is their biggest and often their only investment. How would you like being told your \$300,000 investment is now only worth \$200,000? This drop is in no way due to any fault on their behalf, but because the MDBA, under the direction of Government, has made an announcement on water cuts, effectively costing every community member a significant amount of their retirement investment.

Over the last ten years these communities have suffered a 'natural drought'. They have done it tough and forgone a lot. Their standard of living has declined at a rapid rate and their state of mind as well. Are you aware of the mental health issues in our community? Are you aware of the suicide rate in our local community? Every person in our community knows someone who has taken their life because they couldn't see a way out. Now the MDBA want to impose a permanent 'man made drought' in our community, with no end in sight. The MDBA's announcement will only accelerate the rate of suicide in our community. Will any of the MDBA members, or someone from Government, be down here to comfort the family of the next member of our community who can not see any future?

6. Possible Alternate Solutions to Improve the Environment and Maintain Food Production and Sustain Existing Communities.

The MDBA has focused on the environment with its main 'solution' being taking water off food producing and income generating communities, to channel it into the environment. Surely, this can not be the only solution. I urge the MDBA and the Government to open their eyes and look at 'All' the possible alternative when making water available to the environment.

Why don't we create more storage to capture excess water in wet years, like this year, so that in the drier years the local communities and the environment can both benefit from the insurance of additional water storages?

These water storages would also act as a permanent wetlands, attracting an array of birdlife and native animals. These storages actually complement the environment, not destroy it, as many would have you believe. Come down to the MIA in the summer and see first hand the bird, frog and other reptile populations that thrive in the irrigation environment.

- Has the MDBA looked at engineering re-designs on environmental projects?
- Have the environmental projects been subject to the same scrutinization as irrigation practices?
- Why hasn't the MDBA plan factored in the significant saving that our community has already made and continues to make under the previous water initiatives such as 'Water for Rivers Program'?

There is significant savings still to be made across all sectors including the environment, before the 'buy back' process needs to be started, and local communities begin the decay process.

Have you looked at diverting water from other areas to transfer more water into the food bowl on the Murray Darling Basin. The MDBA Plan should be about increasing irrigation potential and food production, not crucifying it. If Tasmania is seen as a 'Green' state, why have they recently agreed to construct a new irrigation scheme using water from the Blythe River. They intend to irrigate and produce food from 4,000 hectares. In addition to the 'Dia Blythe Irrigation Scheme', Tasmania has two other schemes well under way. These being, the 'Sassafras Wesley Vale Irrigation Scheme' and the 'Forth Irrigation Scheme' (The Advocate – Friday 22 October 2010). Tasmania shows vision and alternatives to solving a problem. Surely there must be more than one solution to the problem being addressed. Why can't we have all sectors winners in this debate. We could have a 'Better Environment', 'More Food Production' from irrigation and 'Stronger Communities'.

7. Possible Effects of Water Trading and Foreign Ownership

The decision to split water rights from property rights within the irrigation industry was the start of the escalating problems we see today with regard to water trading, foreign ownership and food production.

There are those within the community who advocate the free market and selling to the highest bidder. In theory, this sounds good, but in reality, this never ends up working out for the best. The major problems are that there is 'never' a level playing field and the highest bidders are generally funded by individuals or organisations that value their returns differently. We only need to look at the large amounts of money Superannuation fund poured into managed investment schemes, due mainly to the immediate tax write-off incentives. How can a family farm compete with an endless supply of cash and a philosophy not driven by sustainable profit making?

This same scenario is playing out with water trading, in that we have buyers in the market who are purely speculating and preying on desperate sellers. They have no concerns with sustainability or food production longer term, they want to trade their water like shares. Water in our area is the 'life-blood', without water we do not have strong food production and strong communities. We need guaranteed water in our area to ensure we have secure food production and stable communities.

Foreign ownership results in losing complete control of our destination. What will happen when investment money from China buys our 'water rights'. They will then control what is done with that water, whether it is available for trade, who gets it, at what price. There may come a day when the owners of the water will dictate what someone will grow and to whom it will be sold, particularly if there are food shortages in the

country owning the 'water right'. What food security would we have then? How will we feed Australia then?

Water ownership and trading rules need to be addressed and tightened up so that we can guarantee water for our regional communities for food production for Australia.

Conclusion

Lastly, I would like to personally invite yourself and members of the committee to visit our business and my community so that you may gain a better understanding of the consequences of the MDBA's announcement and likely decision.

Come and live in our community and see how environmentally conscious we all are. We want a healthy environment too, just like all Australian's, however we want strong communities, viable business's and locally produced food for Australian's to eat. That is why we need a balanced approach to this plan, so that we can be successful in achieving a balanced triple bottom line.

The MDBA needs to broaden its approach to solving the issues presented. There can be winners on all three fronts; because not to look for an alternate solution will destroy our businesses and communities. If the MDBA won't do this, then we call on you to recommend to the Government to amend the Water Act 2007, so as to give equal weighting to Social, Economic and Environmental issues.

To do anything less is akin to murder.

Yours Faithfully,

Peter Calabria
Managing Director

For and on Behalf of the Board of Yenda Producers Co-operative