



## **National Farmers' Federation**

**Submission to**

**Senate Environment and Communications Legislation Committee**

**Inquiry into Water Amendment (Purchase Limit Repeal) Bill 2019**

27 February 2019

## NFF Member Organisations

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The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

## Statistics on Australian Agriculture

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Australian agriculture makes an important contribution to Australia's social, economic and environmental fabric.

### **Social >**

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There are approximately 88,000 farm businesses in Australia, 99 per cent of which are wholly Australian owned and operated.

### **Economic >**

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In 2017-18, the agricultural sector, at farm-gate, contributed 2.4 per cent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2017-18 is estimated to have reached \$60.1 billion.

### **Workplace >**

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The agriculture, forestry and fishing sector employs approximately 323,000 people, including full time (236,700) and part time employees (84,300).

Seasonal conditions affect the sector's capacity to employ. Permanent employment is the main form of employment in the sector, but more than 26 per cent of the employed workforce is casual.

### **Environmental >**

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Australian farmers are environmental stewards, owning, managing and caring for 51 per cent of Australia's land mass. Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 7.4 million hectares of agricultural land set aside by Australian farmers purely for conservation/protection purposes.

In 1989, the National Farmers' Federation together with the Australian Conservation Foundation was pivotal in ensuring that the emerging Landcare movement became a national programme with bipartisan support.

## Introduction

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The National Farmers' Federation (NFF) welcomes the opportunity to make a submission to the Senate Environment and Communications Legislation Committee inquiry into the *Water Amendment (Purchase Limit Repeal) Bill 2019* (Bill).

The NFF does not support the proposed amendments to the *Water Act 2007*, to repeal Division 5 of part 2, which establishes the 1500 gigalitre (GL) cap limit on surface water purchases in the Murray-Darling Basin.

In 2015, the Federal Government introduced a legislative cap of 1500 GL which was strongly supported by the farming community and the Parliament to limit the socio-economic impacts of buybacks and to ensure that acquiring water from the irrigation sector was balanced with other water recovery measures in the Murray-Darling Basin Plan (Plan) such as infrastructure and other efficiency measures. The NFF made a submission in 2015 arguing the case for the cap. This position still stands today.

In light of recent events, particularly the Menindee fish deaths, the NFF considers this Bill symptomatic of the public discourse that threatens to jeopardise much needed bipartisanship in the Plan through its attempt to rush water recovery when the Plan is just half way through implementation. The NFF is of the view that this should not become a partisan debate about whether politicians support infrastructure programs, or buybacks, and in effect, whether they support regional communities. The NFF seeks to emphasise the social and economic impacts buybacks have had on basin communities and reinforce the need for a balanced approach to water recovery that was originally agreed to in a bipartisan fashion, and by basin states, and the need to focus on the considered implementation of the Plan as recommended in the Productivity Commission's five-yearly review into the implementation of the Murray-Darling Basin Plan.

## Social and Economic impacts of the Plan

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### Original position (2011)

The NFF's support of the original legislative cap to buybacks was informed through a number of independent studies.

In 2011, the Arche consulting was commissioned by the Department of the Environment and the Murray-Darling Basin Authority (MDBA) to develop local case studies that modelled the impacts of different scenario on irrigation communities, which included those with and without infrastructure investment. The study concluded that:

*'Investment in infrastructure projects results in water savings being retained on farm, and contributing to direct employment in agriculture. There are also flow-on impacts in the local economy from the retained agricultural production'.*

These offsetting benefits were long term, and additional to the short-term stimulus associated with increased investment in jobs during the construction phase of projects.

In 2012 Dairy Australia commissioned RMCg to conduct a cost-benefit analysis of farm irrigation infrastructure upgrades on 10 dairy farms in northern Victoria and the NSW southern Riverina. Key findings from this independent study included that:

- Buybacks of irrigator entitlements cost the Australian Government around \$2000/ML, but are associated with reduced regional farm productivity. This in turn reduces regional economic activity by around \$4300 for every megalitre purchased by the Australian Government.
- Upgrades cost the Australian Government about \$3700/ ML for the environment's share of water savings. However, upgrades delivered \$9800/ML worth of increased farm productivity (annualised capital value). Using this water to increase production generates additional regional economic activity worth \$6200/ML.

### **Current position**

Since the commencement of the Plan in 2012, there has been a plethora of work identifying the significant impacts of water reform and reduced water availability (in the consumptive pool) as a result of its Plan, including the consequences of buybacks.

In 2016, the [Northern Basin Review](#) analysed the potential social and economic effects of water recovery in the Northern Basin and found that the expected effects of water recovery, for some communities, ranged from being modest to large. Communities including Warren, Collarenebri, St George and Dirranbandi had been impacted by previous water recovery efforts and further water recovery would result in greater impacts to these communities, and add to other drivers of change.

In 2017, the Victorian government commissioned Frontier Economics to undertake an independent social and economic analysis to understand how irrigators and communities in the Southern Basin had been impacted by the implementation of the Plan. The [report](#) found that:

- Socio-economic impacts had been exacerbated by Commonwealth buybacks between 2007/08 to 2011/12;
- Increasing pressure on allocation prices in dry years; and
- Farmers who participated in buybacks increased their reliance on the temporary allocation market which exposed them to more risk, meaning they were likely to be less resilient during dry spells.

In May 2018, the MDBA released further analysis on the socio-economic impacts of the Plan as part of its 2017 Basin Plan Evaluation. The MDBA developed profiles for 40 irrigation-dependent communities to understand these changes and found that irrigated agriculture, in many communities across the basin, had experienced large changes. This varied with communities, but in some communities, the Plan had been a major factor. Some communities with no irrigated production had been impacted by the flow-on effects of water recovery in surrounding areas.

In November/December 2018, the Department of Agriculture and Water Resources commissioned Seftons to prepare an independent report for the Murray-Darling Basin Water Infrastructure Program's public consultation initiative, collating community sentiments in regards to the 450 GL efficiency measures as part of the Plan. In regards to buybacks, the report found that the implementation of the Plan, particularly through buybacks, had both positive and negative impacts and had affected participants' willingness to engage in the program. One pronounced impact was the 'swiss cheese' effect, where fixed costs (from stranded assets) had been left in irrigation districts and had to be amortised across the remaining irrigators, which added to the existing socio-economic hardship.

Given the lived experience of farmers impacted by buybacks, the NFF remains opposed the removal of the legislative cap that could see further water recovery through buybacks beyond a reasonable level.

## **Focus on the implementation of the Plan**

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The NFF maintains that buybacks must be balanced with infrastructure and efficiency measures. To date, 1230 GL of water has been acquired through buybacks and over 700 GL through infrastructure projects, outcomes achieved through the implementation of the Plan. There is still 270 GL cap left to be recovered before the cap is reached, and the Plan is half way through implementation.

There are already mechanisms within the Plan for further water recovery, including the 605 GL 'supply measures' and the 450 'efficiency measures'. Without concerted effort to realise the recovery of water through these measures, further water recovery through buybacks should not be considered in light of the socio-economic impacts already demonstrated through buybacks.

The Plan was born from a historic compromise in recognition of the need to recover water for the Murray-Darling Basin. It is not perfect and has negatively impacted on many communities and industries that rely on water for irrigation to underpin production. Nevertheless, the Plan has the bipartisan consensus of each jurisdiction and the Commonwealth Parliament. This consensus is essential to providing water users and communities with certainty for the future.

The Plan is currently in its critical implementation phase, meaning that bipartisanship in the Plan is ever more important for smooth implementation. The Productivity Commission's five-yearly review of the implementation of the Plan provides a number of practical recommendations to drive implementation to ensure that water recovery can be achieved within the legislated timelines.

Therefore, the NFF strongly recommends the Federal Government to focus on the implementation of the Productivity Commission recommendations in its report born from extensive consultation of a range of basin stakeholders and communities - those that would ultimately be impacted by the Plan.