



Australian Dairy Industry Council Inc.

3 December 2015

Committee Secretariat
Senate Select Committee on the Murray-Darling Basin Plan
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Parliament House
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Dear Committee Secretariat,

RE: FURTHER INFORMATION REQUESTED AT HEARING

Thank you for the opportunity for the Australian Dairy Industry Council (ADIC) to appear before the Senate Select Committee in Shepparton on 6 November 2015. This letter provides additional information in response to questions taken on notice.

1. *State government role in implementing the plan*

We were asked to provide further comment on state governments' consultation with landowners in implementing the Basin Plan. We have sought further advice from the state dairy farmer organisations in the four Basin states. This has indicated that practices and performance varies significantly between state governments.

In Queensland, the State Government has confined its role to reviewing existing catchment water plans to implement the Basin Plan. Otherwise it is the Murray Darling Basin Authority (MDBA) that has taken the lead in the implementation of the Plan. The State Government has been involved in all meetings MDBA has held with farmer groups. The State Government also has officers attending the Northern Basin Advisory Committee meetings. It would be appropriate for the Queensland Government to take more of a role once the review is concluded and the MDBA confirms any changes to the Plan for the Northern catchments.

In New South Wales, the State Government responsibilities (as set out in the IGA) around offset projects, constraints management projects etc, all require community and stakeholder consultation if they are to be done well. However, the level of consultation from issue to issue is very variable. The level of State Government consultation appears to relate to how much funding the State has received. From the irrigators' perspective, overall it is poorly done and highly inconsistent. A very real issue is that it appears that the State has been trying to recoup some of its costs for consultation through water charges, which is totally unacceptable. The plan implementation costs were always to be borne by Government and effective implementation must include consultation.

In Victoria, the State Government is also focused on progressing offset projects and constraints management projects. We are also aware of inadequate funding and time to undertake consultation and feasibility testing of proposed projects in Victoria. While further feasibility testing, engagement and modelling is planned once their business cases have been endorsed, it seems illogical that business cases would be advanced to the stage where they now have a life, without engagement with irrigators and communities being part of the feasibility testing. We note that the current Victorian Government is making a more concerted effort to consult with farmers and stakeholders on

implementation issues and to inform policy issues. For example the state government hosted a Water Summit on 28 October and listened to a wide ranging discussion about the impacts of the Basin Plan.

In South Australia, the State Government operates in a similar way to Queensland with representatives attending meetings, but the leadership coming from MDBA. While there are meetings with farmers about what is happening or what the state government is doing next, there is not a belief from farmers that this is genuine consultation.

This snapshot indicates that there is scope for state governments to take a stronger, more consistent approach to consultation with irrigators (and related communities), and to use the feedback to inform and refine their approach to the Plan. This would include advocating on behalf of their communities for changes in the Plan, associated legislative documents, and water recovery programs to mitigate negative socio-economic consequences. However a more effective approach to consultation will depend on funding, clarity of roles, looming deadlines, and a willingness of MDBA to place a leadership role with state governments. While MDBA has a significant role in implementing the Basin Plan, and will continue to do so, it is our view that state governments must play a stronger role in connecting with irrigators and local communities on implementation issues, impacts and opportunities. This is particularly the case in assessing and executing proposed offset projects, constraints management projects, and effective oversight of local infrastructure programmes.

The suggestion by the Committee of stating a more formal role for state government consultation with landholders (akin to consultation with agencies) would assist in driving a stronger focus on consultation. However, this would also need to endorse genuine consultation and leadership by the states on behalf of their communities. We also strongly endorse a review of timelines to ensure realistic processes and adequate time to allow for an informed review of the SDL. The recommended actions 1-4 in our submission are to establish realistic timelines, transition and structural adjustment, with improved consultation being an integral part of that.

2. Proposed environmental works and measures supported by the dairy industry in 2012

In June 2012, the ADIC made a submission to the House of Representatives Standing Committee on Regional Australia Inquiry into the Proposed Murray Darling Basin Plan. This submission was referenced by Senator Day in the hearing with a question about how many of the projects listed in the submission have progressed. The 2012 submission lists a number of proposed environmental works and measures projects supported by the dairy industry.

The SDL Adjustment Stocktake Report, 2015, evaluates the potential effectiveness of environmental works and measures proposed by the States to achieve 650GL in environmental offsets.

The projects in our 2012 submission were on lists of potential projects requiring further evaluation. This has now occurred, and the stocktake report covers those that passed through the pre-feasibility phase and are now under consideration. The stocktake estimates these projects will plausibly deliver about 508GL if all are funded and completed.

Most of the projects we mentioned in our 2012 submission are included in the stocktake; collectively the estimated water savings would be about 336GL. No actual works have yet been approved, funded and started. It should also be noted that several NSW proposed projects could not be fully assessed in the stocktake, due to a paucity of information available from that State.

Attached is a list of the projects identified in our 2012 submission with a note on the current status.

3. Water market

The Committee asked for comment on what a perfect water market would look like.

It is the dairy industry's view that a clearer understanding of the water market is critical for governments to assess drivers for change in the Basin and whether regulatory adjustment is required.

In the absence of good information, it would be inappropriate to conclude that it is necessary for intervention in the operation of the market.

There is no clear overview of the water market available publicly, for example overall commodity water use, water ownership, the impact of 'corporate' or non-water users on the market, and the impact of water brokers. To achieve this overview a national trading platform is required. This will facilitate more of an even playing field between irrigation districts and states, and assist in identifying compatibility issues or impacts between state systems. It will also provide the transparency needed on where water is held (geographically) and what is actually being traded.

We note that water price may reflect the operation of an efficient market, but this does not necessarily account for the impacts on regional development and community outcomes resulting from market operation. Increased transparency is the first step in understanding the operation, drivers and impacts of the water market.

Surveys of dairy farmers in the GMID indicate that dairy farmers, on average, now own significantly less than half their annual requirement in high reliability water entitlement, and source the remainder of their needs from the temporary market. Dairy farmers are therefore very exposed in meeting production needs from the volatile temporary water market.

Understanding the water market is one aspect of responsible, proper monitoring and evaluation of environmental and socio-economic effects (both positive and negative). This monitoring and evaluation of aspects such as environmental outcomes of water recovery to date, the operation of the water market, impacts on profitability of different commodities, and subsequent impacts on local communities, is needed to inform genuine adaptive management, Basin Plan refinements and operational modifications.

The need for this monitoring and evaluation is critical before water is recovered beyond the 2750GL target. For this reason, the dairy industry's submission strongly endorses pausing the Basin Plan and reviewing the 450GL of upwater.

4. Map of change in dairy areas in northern Victoria (2006 – 2010)

The Committee referenced two maps of northern Victoria showing dairy farms in 2006 and 2010. These maps had been provided by a witness earlier in the day. We provide this further comment on those maps and their interpretation.

These maps originate from a 2010 report with the provocative title "Where have all the dairies gone?" The report was prepared by land valuers commissioned by the Victorian Department of Primary Industries and the Northern Victorian Irrigation Renewal Project (NVIRP).

The maps purportedly reveal a dramatic reduction in the number of dairy farms in the Goulburn Murray Irrigation District between 2006 and 2010. It has been claimed that the number of dairy farms halved during this period, due to a combination of low allocations during the millennium drought and the effects of Commonwealth buybacks for the environment under the Basin Plan. These maps are sometimes presented as proof dairy is in terminal decline in the region. This is not the case, notwithstanding reduced water availability and affordability are constraining growth.

It is important to understand that these maps represent a snapshot in time, and that the red spots do not represent dairy farm businesses as such. Rather, each red dot is a property identified by land title, which appeared to be in production when viewed by land valuers travelling around the countryside. They then compared their observations with observations in a similar exercise undertaken in 2006 at the behest, we believe, of local government.

This approach led to the conclusion there were 2721 active dairy properties in the GMID in 2006, and that the number had declined to 1170 in 2010. The authors did not contact Dairy Australia, the industry's research and development corporation, to cross-check their methodology, their assumptions, or their conclusions. Some readers then wrongly understood the report to be saying that each property represented a separate dairy farm business.

It is not correct that there were 2721 dairy farm businesses in 2006. Dairy farmers often own several properties with separate land titles, but it is all one business. All dairy farm businesses must be registered with Dairy food Safety Victoria, whose records indicate about 1800 dairy farm businesses in the GMID in 2006.

The shift in the number of red dots between 2006 and 2010 in large part simply indicates a change in how farmers were managing their properties due to the low allocations between 2006 and 2010. For example, farmers responded by drying off some areas, and replacing the pasture or fodder they grew previously with bought-in feed to keep their milking herds going. So, while many properties (ie, land titles) appeared to be no longer in production in early 2010, the dairy farm itself remained in business.

Nonetheless, many dairy farms *did* go out of business in the GMID during and just after the drought, with the number reducing to about 1345 by 2011 (a 25% reduction), according to a Dairy Food Safety Victoria five-yearly audit of registered farms.

However, the reduced number of farms has been offset by many remaining farms expanding and increasing their production. This has enabled GMID milk production to recover from its drought low of 1400ML in 2011, back up to about 1850ML in 2015. The 2015 production level is close to the 1904ML produced in 2006/07 by the 1800-odd dairy farms in the GMID at that time.

It is worth noting that before 2006/07, and the subsequent series of low allocation years, GMID milk production averaged around 2330ML a year. Reduced water affordability and availability is a major constraint holding the industry back from full recovery to its pre-drought milk production levels.

Thank you for the opportunity to provide this additional clarification. Please contact me if you require any further information or if the Committee would like to discuss any of these matters further with the dairy industry.

Yours sincerely,

Irene Clarke
Senior Policy Manager

Attachment: Notes on uptake of projects identified in the dairy industry's June 2012 submission to the House of Representatives Standing Committee on Regional Australia Inquiry into the Proposed Murray Darling Basin Plan

Proposed environmental works and measures

The dairy industry 2012 submission promoted investment in the following projects to achieve a significant offset to the SDL reductions:

1. **Lindsay-Walpolla Island** is a Living Murray Icon site where proposed works will enable ~5000 ha of floodplain to be watered using 90GL per event rather than 1200GL if the same event was achieved through overbank flooding (cost ~\$46 million).
Yes, this recommendation is in the stocktake report.
2. **Reconfiguring drainage in south-east South Australia** to increase average annual fresh inflows into the Coorong south lagoon from 10.9GL/yr to 26GL/yr.
Yes, this project is in the stocktake, and has already been funded through other programs.
3. **Rehabilitating Murray Swamps in SA**, to save an average 63GL/yr in evaporation, and control acidity and a rising saline water table affecting lower lakes (cost ~\$30 million).
A version of this proposal is in the stocktake report, listed as Riverine recovery.
4. **Red gum forests in Victoria**, works for greater water efficiency and improved flows, using 550GL less than otherwise required (cost ~\$105m)
Yes, nine projects covering this recommendation are in the stocktake report.
5. **Improved river operations**, including a comprehensive real-time monitoring network to guide the timing and volume of environmental releases.
Yes, this proposal is in the stocktake report, but is considered problematic with low certainty of water savings.
6. **Improved river operations, including operational rules changes such as:**
 - Changed timing in Hume to Lake Victoria transfers (earlier and higher releases over shorter time (~40GL) *Yes, this is in the stocktake, high certainty of estimated savings 70GL.*
 - Target flooding from changed Lake Victoria operation (releases ahead of refill) (~10GL) *This will be evaluated as part of the proposed reconfiguration of Menindee Lakes; Menindee and Lake Victoria operations are closely interrelated.*
 - Real-time lower lakes management (for example, upgrading and automating the barrages to improve flow through the Murray mouth, ~40GL). *No, this is not in the stocktake.*
 - Lindsay River allowance converted into held environmental water and supplied in a more timely way (~70GL). *Yes, this is in the stocktake report as part of a suite of projects for the Lindsay-Walpolla complex.*
7. **Narrung Narrows:** remove causeway and remains of bund restricting flows through Narrows, and dredge to improve freshwater exchange between Lakes Alexandrina and Albert. *No, this is not in the stocktake report.*

Feasibility studies

The dairy industry 2012 submission urged funding for feasibility studies to advance the following projects:

Victoria – *Yes, all these below are included in the stocktake report, with a high chance of occurring.*

- a) **Watering the Lindsay Island floodplain sub-project** (\$1.1 million) to revise concept designs for weirs and regulators to better inundate over 5000 ha, including River Red Gum floodplain.
- b) **Watering the Wallpolla Island floodplain sub-project** (\$0.1 million) to review concept designs for a channel and regulating structures to better inundate around 1,000 hectares of floodplain.
- c) **Watering River Red Gum sites along the Murray sub-project** (\$0.2 million) to scope structural works to deliver water to various river red gum reserves from Echuca to SA border.
- d) **Watering black box wetlands in Gunbower forest sub-project** (\$0.45 million) for concept design to deliver water and remove man-made barriers to inundate 8000 ha.
- e) **Watering the Hattah Lakes - Chalka Creek North sub-project** (\$0.15 million) for feasibility studies and designs to better deliver water.

New South Wales

- a) **Euston Lake restoration and improved water efficiency sub-project** (\$0.4 million), to save water with more natural wetting and drying regime.
No, this is not in the stocktake.
- b) **Upper Murrumbidgee environmental flow enhancement sub-project** (\$0.5 million) to raise the operational flow limit at Gundagai to save water and improve mid-catchment wetlands. *Yes, this proposal is in the stocktake report.*
- c) **Nimmie-Caira System Enhanced Environmental Water Delivery Sub-project** (\$0.2 million) to save water and improve environmental water delivery lower Murrumbidgee floodplain
Yes, this is in the stocktake report with high certainty it can deliver.
- d) **Piping Irrigation Demands sub-project** (\$0.15 million).
Unclear if this is in the stocktake – may be incorporated into (g) below.
- e) **Burrendong Dam sub-project** (\$0.2 million) to increase Burrendong dam outlet for higher pulse flows for fish spawning and more efficient water delivery, including Macquarie Marshes.
This is not in the stocktake report, but may be under consideration separately as part of the review of the northern SDL.
- f) **Southern Macquarie Marshes sub-project** (\$0.2 million) for more efficient inundation of the South Macquarie Marsh.
This is not in the stocktake report, but may be under consideration separately as part of the review of the northern SDL.
- g) **Investigation into efficient delivery of high priority stock and domestic supplies sub-project** (\$0.15 million) in the Macquarie, Murray, Murrumbidgee river systems.
Yes, this is in the stocktake report.
- h) **Modify Weirs enhance floodplain inundation sub-project** (\$0.2 million) to assess optimal weir pool height for more efficient delivery of environmental water onto floodplains.
Yes, this is in the stocktake report.

Queensland

- a) **Queensland Murray Darling Basin Environmental Works and Measures project** (\$1.0 million)

This is not in the stocktake report, but may be under consideration separately as part of the review of the northern SDL

South Australia

- a) **Katfish Reach and Pike Implementation (Stage 3) sub-project** (\$0.65 million) to assess new environmental regulators to enable broad floodplain inundation with less environmental water.

Not in the stocktake report, at least by this name.

- b) **Eastern Mount Lofty Ranges Low Flow Bypasses sub-project** (\$0.18 million) to assess feasibility of fitting devices to improve stream flows below farm dams.

Not in the stocktake report.

Other water-saving projects

The 2012 submission also sought funding for the following water-saving infrastructure projects as a Commonwealth priority:

- **Menindee Lakes reconfiguration**, NSW Government proposal to save up to 100GL.
Yes, this is in the stocktake, but high degree of uncertainty what it might deliver in savings pending more substantive work by NSW.
- **Torrumbarry to Wakool bypass**, to save ~40GL
Not in the stocktake report, at least by this name.
- **Lowbidgee Irrigation District** strategic buyout and infrastructure reconfiguration to free up at least an annual average of 100GL for the environment (cost ~\$200 million)
The buyout has been achieved, the configuration is among the stocktake projects (see Nimmie Caira above).