

SUNRAYZIA CITRUS GROWERS INC.

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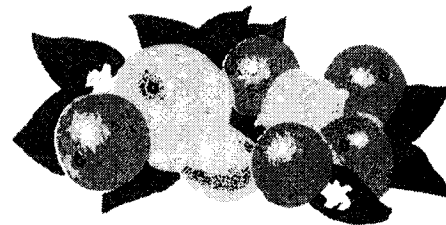
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SUBMISSION TO THE

House of Representatives Standing Committee on Regional Australia

Inquiry into the impact of the Murray-Darling Basin Plan in Regional Australia

**Submitted by:
Sunraysia Citrus Growers Inc.**

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About Sunraysia Citrus Growers Inc.

Sunraysia Citrus Growers Inc (SCG) is an Agri Political body, which represents citrus growers from the South Australian border to Boundary Bend in Victoria. Most of our 300 grower members are located within 100 km of the Mildura Post Office in both Victoria and New South Wales. Due to the perennial nature of citrus trees and the necessity for secure reliable water, our growers predominantly hold high reliability (Vic) and High Security (NSW) surface water licences along the Murray and Lower Darling rivers.

SCG is funded by voluntary, grower production-based subscription and has been representing the interests of citrus growers for over 60 years. Citrus is an important crop in the Sunraysia region with production valued at \$133 million (ABS 2006). Citrus is also Australia's largest fruit export industry and the Murray Valley region accounts for approximately 55% of national citrus exports.

Citrus growers in our region have responded with resilience to the worst drought in recorded history. The citrus industry has become highly water efficient through installation of best practice drip irrigation and have also redeveloped plantings to meet changing consumer demand. Along with significant money spent on temporary water, the response to the drought has resulted in high debt levels amongst our growers. To manage this debt, many growers have already sold down permanent water holdings to remain viable. Consequently any future reduction in water availability will have severe impacts on our industry.

Sunraysia Citrus growers have long valued the importance of a healthy natural, social and economic environment to the success of our industry and more importantly our river communities. In this context SCG would like to submit the following points for consideration by the Committee;

The Precautionary Principle

SCG believe a balance of social, economic and environmental outcomes will need to be worked into the Basin Plan. Unfortunately, the first draft is heavily skewed toward the environment and it will be difficult to rework the document to achieve balance. The Water Act refers to the Precautionary principle to act if the environment is endangered, however a Precautionary principle should also apply under the triple bottom line approach to protect social and economic interests. A cautious approach is needed to balance the three.

Socio-Economic Concerns

SCG are concerned that a contraction of our industry due to the new SDL's will reduce our ability to service export markets, threaten our processing sector and increase our production cost due to lost economies of scale.

SCG are also concerned that the social services such as health, education and transport will be severely impacted by a contraction of our local communities. Regional services are already below par and further cutbacks would lead to an eventual exodus of our population. This population would then become refugees on the doorstep of already crowded cities.

Food Production and Security

SCG are concerned that the proposed Basin Plan will severely impact (more than the quoted 13% to 17%) food production in Australia and threaten future food security. Australian food is some of the most environmentally sustainable in the world, whereas imported replacements may have less integrity. Does Australia have an international obligation to ensure imported food is environmentally sustainable?

Increased domestic food prices resulting from the Basin Plan will be met with an increased consumption of cheaper imported food.

SCG are concerned that in the Guide reference is made to the water market allowing water to shift to the highest value crops. This is a very simplistic economic argument that fails to consider the social importance of diversified food production. The argument also fails to recognise the volatile and cyclical nature of agricultural production and that slight changes in supply can lead to the collapse of profitable industries. Regional communities are based around stable industries that have been built over time. Movement of water to the latest and greatest crops can be extremely risky and lead to huge financial and employment losses. Shifts of water out of regions can lead to abandoned farms and reduced populations. In turn abandoned properties can create issues such as fire risks, noxious weeds, pests and disease problems that threaten remaining farmers.

A significant concern is the issue of economies of scale. Reduced scale of our industry will increase costs at a production level and threaten fruit packing, processing, transport and exporting sectors. At a production level, inputs such as fertiliser, fuel and chemicals will increase in cost if sales decrease. Labour will also be more difficult to source as seasonal fruit pickers will be less willing to travel to our region if the work becomes harder to find.

Reduced production may lead to a less viable citrus processing industry in our region. Our industry relies on a viable juicing sector to sell lower grade fruit. Any downsizing of this industry will result in lower profits to our growers as lower grade fruit is forced onto fresh markets thus creating a glut and lower prices. Further to this, lower production will lead to higher transport costs to move fruit to capital city markets and ports.

Infrastructure

Although the Productivity Commission advised Senator Wong that buybacks were more cost effective than infrastructure spending, this advice did not consider socio-economic issues. It is pleasing to see the Federal Government finally spending some of the much promised infrastructure money under the Water for the Future program. Efficiency gains are a win/win and the true benefits must be looked at – no public capital infrastructure would be built on basic cost benefit. SCG recommend to increase infrastructure spending and in particular review the following;

- Increased upper system storages eg. Jingellic Murray Gates Dam?
- Further pipelining of channel systems.
- Increased Tax incentives for Private water saving initiatives.
- Further Desalination projects to reduce and secure urban needs.
- Review of Engineering work to reduce Lower Lake evaporation losses.

It is a disgraceful indictment on Governments that since the completion of Dartmouth Dam in 1979, no major water storages have been commissioned. Climate change will only extend the

drought/wet cycle, thus exacerbating the urgent need for significant storage to cover the variability. History and recent rains highlight how quickly dams can fill and spill. In a time when storage should be increasing, SCG are strongly opposed to any move to decommission two of the Menindee lakes. Arguments of evaporation losses are a political farce when similar losses are occurring in the Lower lakes.

Any infrastructure projects must be commissioned urgently to provide savings that will offset SDL cuts. A longer timeframe outlined above will allow every possible saving to be investigated thus mitigating the impact on river communities and industries.

Environmental Water Efficiency Must Be Included

For a long time irrigators have worked at becoming more efficient. Unfortunately, environmental water has not been used in the best possible ways. SCG recommend that a review needs to be undertaken to ensure that environmental water is achieving optimum returns. Infrastructure works for environmental watering may provide better environmental outcomes with less socio-economic impact. An example of this would be better use of pumping to target flooding of icon sites such as the Hattah lakes. We argue that Environmental works should be included in the Basin Plan and that the Environmental Water holder must be held accountable for efficient sustainable water use in the same way as all other water users.

SCG are concerned that environmental water requirements are being overstated as there may be scope to mutually deliver environmental and consumptive supplies. Potential double counting should be reviewed to ensure accuracy in setting the final SDL's.

Medium Confidence Science

Basing the most important reform of the Murray Darling Basin's history on "medium" level science is dangerous and irreversible. The science needs to be high level peer reviewed and absolute in its integrity. Anything less is a sell out of the Basin communities. The livelihoods of basin communities should not be put at risk by "medium" confidence science as defined in the Technical Guide as follows;

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medium — knowledge and data are available from a range of sources but may not have been subject to formal peer review, and/or the validity of the source may not be strong

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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.

Realistic timelines for the introduction of the Plan will allow strong evidence based science to be used and ensure that correct SDL's are applied.

Buybacks

SCG believe that any buybacks should be made over a long timeframe to allow communities to adjust. Proper consideration should be made of the true value of water to both individuals and communities and target how it is purchased. A portfolio approach of purchasing various licence classes will also ensure a geographic spread that will limit the socio-economic impacts of the buyback. SCG believe that the Environmental Water Holder should maintain a capital fund and utilise the income to purchase temporary water on market when value presents. Such a fund would need to ensure that inflated values are not paid during periods of low availability when other users are competing for water.

SCG believe that the current tender process is unfair to sellers and that a more transparent model should be applied. The reference to “willing sellers” by both political parties is a nonsense as many irrigators will face a tap on the shoulder from banks.

Reliability of Existing Water Entitlements

As a perennial horticultural crop, citrus requires reliable secure water for industry survival. Long production lead times (10 year break-even) increase the investment risk to citrus growers of crop failure due to unreliable water allocations. To mitigate this risk, citrus growers have invested in high security/reliability licences to underpin their operations. These higher value water licences are the predominant asset used by our growers as collateral to secure finance. SCG are concerned that any reduction in reliability will directly increase both business and financial risk to our growers. SCG recommend that the MDBA work with the States to ensure that current water reliability is not eroded in the accreditation of State Water Resource Plans.

Basin Plan Process

SCG are disappointed at the manner in which the Basin Plan documents have been released. We believe that all of the documents should have been released together to allow interested parties to make informed comment. SCG also believe that if river communities had been given more opportunity to comment earlier, the issues in relation to the socio-economic balance may have been averted.

Recommendations

1. Precautionary principle should also apply under the triple bottom line approach to protect social and economic interests.
2. Further review the socio-economic aspects of the Plan as the impact has been vastly understated in the Guide.
3. Water market is incorrectly based on pure economics, it must consider social importance of diversified food production.
4. A cautious approach that gets the balance right is more favourable than a rushed plan that meets unrealistic statutory timelines.
5. Increase infrastructure spending and commence works as matter of urgency.
6. SCG are strongly opposed to any move to decommission two of the Menindee lakes. Arguments of evaporation losses are a political farce when similar losses are occurring in the Lower lakes.
7. Explore all possible infrastructure projects before buybacks.
8. That a review needs to be undertaken to ensure that environmental water is achieving optimum returns. That Environmental works should be included in the Basin Plan and that the Environmental Water holder must be held accountable for efficient sustainable water use in the same way as all other water users.
9. Review potential double counting of environmental water as delivery is not mutually exclusive.
10. That the science needs to be high level peer reviewed and absolute in its integrity. Anything less is a sell out of the Basin communities.
11. Proper consideration should be made of the true value of water to both individuals and communities and target how it is purchased in any buyback.
12. SCG believe that the Environmental Water Holder should maintain a capital fund and utilise the income to purchase temporary water on market when value presents.

Conclusion

Sunraysia Citrus Growers Inc. welcomes a Basin Plan that will achieve a balance of a healthy natural, social and economic environment with a sustainable future for our industry and communities. We encourage the Government to take the necessary time and every precaution to ensure that this balanced outcome is a workable legacy for our future generation of Basin communities.

We hope that the Committee seriously consider our recommendations and would be pleased to provide further details or clarification if required.

Vince DeMaria
Chairman
Sunraysia Citrus Growers Inc.