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17th December 2010

The Secretary
Committee for the Murray Darling Basin Plan Inquiry
House of Representatives
Parliament House
CANBERRA ACT 2600

Mr Secretary

Re: Inquiry into the Impact of the Murray-Darling Basin Plan in Regional Australia

The Committee of Management for the Rural Financial Counselling Service Victoria – Murray Mallee provides the following submission in relation to the proposed Murray Darling Basin Plan.

We understand that there is an identified need to restore environmental flows through the Murray Darling Basin. It is our wish to stress the importance of factoring in the effects such a plan will have on families that rely on water for their livelihood. The Committee of Management wants to emphasise it is not our intention to question the scientific credibility of the document nor to criticise the Murray Darling Basin Authority. We have prepared this document to represent the best interests of our clients who we have assisted since 1984.

**RURAL FINANCIAL COUNSELLING SERVICE VICTORIA – MURRAY MALLEE
OVERVIEW – HORTICULTURE**

Our irrigated farmers in the Sunraysia and Swan Hill regions have experienced a disappointing year in 2009/2010. Most commodities were low in production and price.

Wine grape growers again received further reduced prices for their fruit and the exodus of growers has continued throughout the year. It is of concern that over 500 growers have left the industry in the last five years. Some have switched to alternative plantings such as dried vine fruits, citrus or emerging crops like pomegranates; however, many have elected to take the option of the Exceptional Circumstances Exit Grant (ECEG) or Small Block Irrigators Exit Grant (SBIEG). To date growers have not received any clear indication of a price increase for the next season which places them in an extremely difficult financial position. Production for last harvest fell to 328,000 tonnes, a fall of 13%.

Table grape growers did not experience the very good levels of production or prices of the previous season. General quality and quantity were down on average 30-40% with some major growers up to 60% down on production, due in some part to the impact of an early heatwave during flowering. The export program was reduced significantly by 70% on last season's good result. Efforts are being made to develop relationships within China that will be beneficial to the industry. The collapse of a major exporter resulted in millions of dollars not being paid to growers and there is evidence of others who have failed to pay growers.

It would appear that dried vine fruit growers had a reasonable year. Although production was down (13,757 tonnes) with most fruit graded dark due to rain, prices held firm giving them hope to stay in the industry. There was a shortage of lighter fruit, however, quality was good. Long term contracts are being offered by a major processor giving further confidence to growers. Stone fruit growers fared better this year with reasonable production and prices and the promise of re-gaining export markets in Taiwan.

Citrus growers experienced a larger crop but the fruit was smaller and marketing was difficult. Prices for US export were depressed and there was some late season breakdown. The smaller Japanese market was better and the domestic market held firm with most fruit taken up in the juice market. The Australian Dollar was high at the start of the season.

Growers again faced the uncertainty of low water allocations early in the growing season, however, conditions improved and 100% allocation was achieved by April. Further anxiety will be experienced this season until the much awaited Murray-Darling Basin Plan is made public.

OVERVIEW – DRYLAND FARMING

Grain and livestock industries had a better season than the last few but prospects of a recovery were dashed in September and again in November with unusually hot spells which caused damage to pastures and crops. This was followed up with unseasonal rains in November and December resulting in the downgrading of grain quality. Confidence also declined with poor commodity prices.

Many experienced cash flow issues with grain having to be sold despite poor prices and livestock, including breeding stock, having to be sold off.

Several farmers were assisted to exit farming by retiring or selling out.

The extension of Exceptional Circumstances was in recognition of the continuing difficult conditions faced by this group of farmers.

Good autumn rains with 25 ml falling on Anzac Day have been a good beginning to the season. However, this coincided with the arrival of locusts which damaged stock feed and early crops.

CLIENTS

Total number of clients decreased from 1,063 in 2008/2009 to 951 for 2009/2010, a decline of 10%. Of the overall total, 491 are located within the Mildura Rural City, 111 in Wentworth Shire, 125 in Swan Hill Rural City, 67 in Buloke Shire, 39 in Yarriambiack Shire, 19 in Gannawarra Shire with the balance in Balranald, Wakool, Hindmarsh and Loddon Shires.

Counsellors' workloads increased gradually to 331 clients in September 2009 and peaked again in March 2010 at 293, this is in line with the Interest Subsidy Application deadlines. Caseloads reduced to 206 clients in June 2010, however, this is not expected to last long as farmers' tax returns and financials for 2009/2010 are completed and reveal little or no profits. There is a tendency for Counsellors to spend more time with clients as their situation becomes more complex.

CLIENT ASSISTANCE

Exceptional Circumstances Relief Payments

With the extension of Exceptional Circumstances to March 31, 2011 Counsellors have been able to assist clients with this important income support program. A significant number of clients have re-entered the program after suffering further losses in the year.

By far the most frequent assistance given to our clients would be the Interest Rate Subsidy program. In Victoria the claim period was extended to March 31, 2010, thus making it necessary to lodge two applications, one to September 30, 2009 and another to March 31, 2010.

Claims for the next period will take them up to the end of the EC period - March 31, 2011. A recent report stated that the average subsidy paid was \$29,906.

For New South Wales clients it was necessary to lodge to March 31, 2010 for a full twelve months and their next round will take them to March 31, 2011.

Professional Advice & Planning Grant

This popular grant continues to be accessed by clients on a regular basis. The grant (up to \$5,500 GST inclusive) enables clients to access professional business and financial advice and planning assistance to develop written business plans that include drought and risk management strategies. It has also been used by many farmers who have reached the \$300K level in Interest Subsidies and require a viability assessment.

Clients are now able to access a further \$2,200 to re-evaluate their existing plans after a minimum of six months.

A recent ABARE report titled 'Financial Performance of Irrigation Farms' highlighted the struggle our irrigated farmers face. For example:

- They noted there had been a decline in annual income;
- Water accounts for 30% of their capital investment
- Debt had increased by an average of 4%
- 50% of income earned 'off farm' was derived from Government subsidies; and
- The average loss per farm equalled \$52,631.

The data above was taken from the 2007 – 2008 financial reports. Our observation is that for many irrigation farmers these statistics will have worsened in subsequent years.

CLIENT ADJUSTMENT

Small Block Irrigators Exit Grant

Applications for this grant closed on June 30, 2009. Significant attention and interest was received for the grant. A condition of the grant was that the grower's water was offered for sale to the Department of Environment, Water, Heritage & Arts (DEWHA), through the "Restoring the Balance in the Murray Darling Basin" program, plus a pre-assessment application lodged with Centrelink. This resulted in Counsellors assisting with the preparation of quite complex documents and dealings with DEWHA, Lower Murray Water and Centrelink. Significant time and effort was concentrated on this program to achieve a highly satisfactory outcome for the client.

In Mildura almost 120 expressed their interest in applying for the SBIEG package when it was first announced. Over eighty clients were assisted with this program with thirteen applications being declined. There were many critical aspects to the process which included concern with termination fees, taxation and capital gains, removal of vines and trees, water prices, retention of stock and domestic water, liaison with third parties such as accountants, water providers, water brokers and solicitors.

Anecdotally our Service is hearing that many farmers would now apply for the SBIEG if it were offered again. There may be an opportunity to offer a further SBIEG for a limited time.

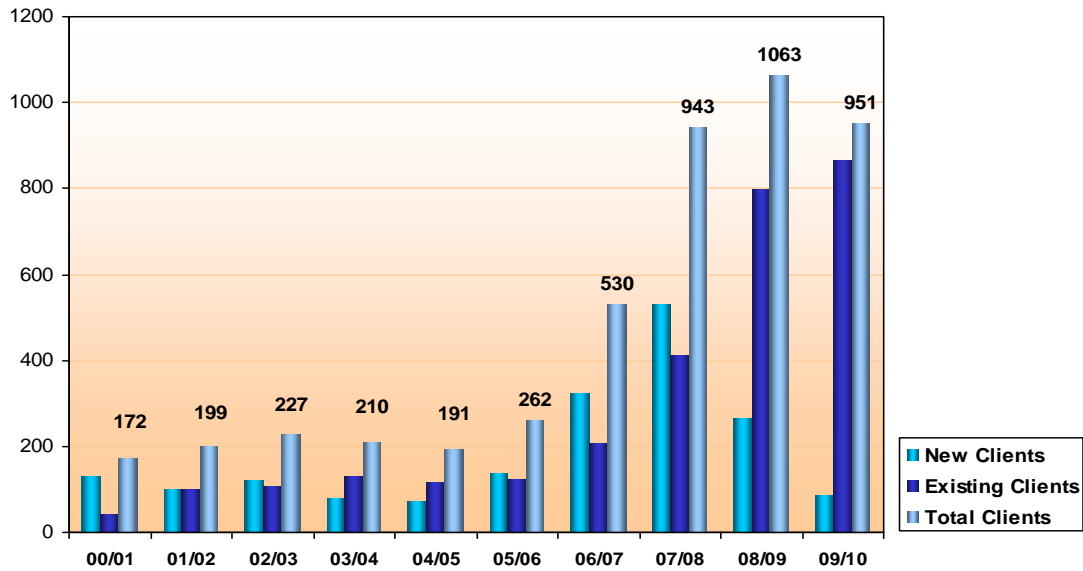
One of the conditions of SBIEG was the five year exclusion from irrigation farming placed on the land. It is our view that the embargo should be placed on the seller of the land as this would allow a farmer who was able to expand their business to purchase the land and keep it in production.

CHARTS

The chart included on the following page demonstrates just how client numbers have escalated since the drought declaration in 2005. This is on the back of poor commodity prices and low water allocations. The 2008/09 period saw the inclusion of the Mallee in the service area. Client numbers in 2009/10 are a significant indication of the continuing need for rural financial counselling services in the region.

In this current period drought has been replaced by the threat of 'Downy Mildew' ironically due to the heavy rain and high temperatures being experienced across North and North Western Victoria. Our clients are at breaking point with many questioning whether or not to continue farming.

10 Year Comparison of Client Numbers:



DEBT

We are concerned that the draft plan fails to take into consideration the financial impact of the Sustainable Diversion Limits will have on this region. For many years we have witnessed client debt rise to alarming levels. The figures below relate to the 2009/10 financial year.

AMOUNT	NO. OF CLIENTS
>\$2m	180 clients (up from 104)
\$1m to \$2m	46 clients (down from 65)
\$900,000 to \$1m	9
\$700,000 to \$900,000	13

Source of Data: Department of Agriculture Fisheries & Forestry, Rural Financial Counselling Service Program
ARC Statistical Database

CONCLUSION

The Murray Darling Basin Plan fails to address the economic and social cost of the loss of major primary production industries in rural towns where most of the economic wealth is generated by irrigated agricultural production. The loss of productive infrastructure and families from communities in rural Australia due to excessive reduction of water allocations will be significant, particularly as there is a long term trend towards urbanization in Australia. The Sustainable Diversion Limits are likely to speed up this long term trend and result in the demise of smaller regional towns as farmers are forced to seek alternative employment and lifestyle opportunities. Public services and government agencies will be stripped from these towns if the proposed SDL's are implemented. The loss of population in rural Australia should have been a major consideration in the deliberations of the Murray Darling Basin Authority, particularly the loss of young innovative farmers. These farmers are critical to the long term survival and growth of agricultural industries and the maintenance of the districts in which they live. There has been no attempt to assess the economic cost to urban centres in rural Australia if farmers leave the district, or the social cost of declining populations in rural areas.

Finally, water has and will continue to be the life blood of this region. Substantial loss of water entitlements will result in the loss of jobs directly related to farming and indirectly through the flow on effect to the business sector. As people leave to search for alternative employment our schools and other services will diminish as the population shrinks.

RECOMMENDATIONS

After considering the information contained in this document the Committee of Management urges the Committee to ensure that:

1. The full social and economic impacts associated with the proposed Sustainable Diversion Limits (SDL's) are clearly identified and articulated in the proposed Murray Darling Basin Plan;
2. The delivery of environmental flows is achieved by using the most appropriate infrastructure available with the aim of using as little water as possible;
3. The water already saved through on farm adjustment and the Small Block Irrigator Exit Grants are factored into calculations prior to the final SDL's;
4. The introduction of a further buy back scheme similar to the previous Small Block Irrigator Exit Grant is considered;
5. The region is provided with adequate support services/programs needed to ensure those most affected by the SDL's receive support.

Yours sincerely

Andrew (Jack) Forbes
Chairperson
On behalf of Sunraysia Rural Counselling Service
Committee of Management