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Parliament of Australia

House Standing Committee on regional Australia

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

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Overview of Riverina Citrus:

Riverina Citrus is a Statutory Authority that takes its functions and powers from the NSW Agricultural Industries Services Act 1998. It collects a levy from 432 registered citrus growers in the Shires and Councils of Griffith, Leeton, Narrandera, Carrathool and Murrumbidgee in southern NSW. These growers hold approximately 550 farms and cover 8500 hectares of orchards.

Riverina citrus growers produce about 200,000 tonnes annually with a farm gate value of $75 million and a retail value of $500 million. The Riverina is Australia's largest citrus growing region and produces approximately two-thirds of the nation's orange juice. The registered growers are predominantly based in the Murrumbidgee Irrigation Area and are reliant on Murrumbidgee High Security entitlements. However the industry has expanded to the Hillston district which draws its water resource from groundwater and Lachlan River when available.

An important feature of this industry is the perennial nature of its crop. It is not uncommon for farms to have orchards greater than 40 years old. The Riverina region is one of the few areas in the country where the production area has stabilised. The soils and climate are agronomically and environmentally suited to citrus production. But most critically, the citrus industry has been able to rely on secure water supplies. Citrus orchards are vulnerable to moisture deficiencies in the peak of summer. Trees can be irretrievably damaged by short-term moisture stress necessitating tree pull and a delay of 8 years until a new tree is making a profitable return. The NSW 2004 Murrumbidgee Water Sharing Plan (WSP) has continued the state's strategy of ensuring High Security water allocation to the horticultural industries ensuring planning and investment certainty.

Response to Terms of Reference:

The direct and indirect impact of the Proposed Basin Plan on regional communities, including agricultural industries, local business activity and community wellbeing.

Riverina Citrus is only qualified to comment on the impact of the Plan on the citrus industry.

We have noted in our feedback to the Murray Darling Basin Authority (MDBA) Guide to the proposed Basin Plan and the Senate Inquiry, with the current Australian Government policy settings, the direct impact on the Riverina citrus

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industry will be relatively minor. Citrus growers in the Murrumbidgee Irrigation Area (MIA) hold high security licences and have not permanently traded significant volumes of entitlements. These are individual business decisions. They may have been influenced by the high level of security of their licence (Murrumbidgee Water Sharing Plan); attractive temporary trade of their allocation in the past; high exit fees imposed by the Private Water Corporations; the comparative advantages of the MIA; and their calculation of the future profitability of the industry.

If water purchases continue to be from willing sellors only, citrus growers are not expected to exit the industry at a different rate to the current consolidation trends. The Commonwealth Environment Water Holder (CEWH) seems to be attracted to lower value, less reliable entitlements rather than the High Security licences held by MIA citrus businesses. Furthermore the infrastructure programs offered by the Australian Government do not appear to be having a direct impact on succession plans by citrus farmers in the Riverina. No local citrus farms were successful in the first round of on-farm efficiency programs. Other factors, notably terms of trade of trade, are far more likely than the Basin Plan to directly impact on MIA citrus farmers.

However Hillston citrus growers will be directly hurt by the Basin Plan. The Guide is proposing cuts of at least 40% in the Lower Lachlan. The 10 year NSW Lower Lachlan Groundwater Sharing Plan was completed in 2008. Irrigators had an average 48% of their entitlement withdrawn and received minimal compensation from the state government. The reductions and Plan were arrived at after extensive study and community engagement. The Hillston citrus industry is unlikely to persist with these cumulative reductions in entitlement. Riverina Citrus would like to draw the Committee's attention to the variable and uncertain rate of recharge for groundwater system such as the Lower Lachlan. The 2008 cap was conservative and it seems logical to allow the current WSP to finish before recommending a new Sustainable Diversion Limit (SDL). The 10 year plan is an appropriate timeframe to monitor and study the effects of the cut. Riverina Citrus recommends rejecting the draft SDL for the Lower Lachlan.

Options for water-saving measures or water return on a region-by-region basis with consideration given to an analysis of actual usage versus licence entitlement over the preceding fifteen years.

As previously mentioned, the citrus growers usually hold Murrumbidgee High Security licences. To our knowledge, they have not been purchased by the CEWH to-date. Unless there is a change in strategy by the CEWH, it is difficult to see any significant loss of this category of water in the future from the MIA. The Lower Lachlan entitlements are discussed above.

Constituents advise us any variation between allocation and usage is explained by lower consumption as orchards are periodically replanted. Younger trees require less water until their tenth year. Retaining the short term surplus is an important business tool for citrus growers as it enables them to access temporary water trade income as the new orchards do not contribute income until their eighth year.

Over the past decade, citrus growers have undertaken their own efficiency upgrades without assistance from government. Two-thirds of our irrigators converted from furrow to pressure systems (mainly drip and overhead). We are getting feedback that modernisation is slowing because of concerns over rising energy costs. Whereas there was once a strong incentive to minimise labour costs by installing systems such as drip, electricity cost is emerging as one of the highest inputs with pressurised infrastructure. This field is evolving rapidly and is perhaps a timely reminder of the risk of too much government 'guidance'. As with most irrigation stakeholders, Riverina Citrus is anxious the MDBA make good on its forecast of saving 2000 GLs through infrastructure measures, but the business case must be sound. Upgrades must not be built because taxpayer's money is available. At a farm and system level, the infrastructure has to pass due diligence and must not prove to be a burden for future generations of farmers and their communities.

The role of governments, the agricultural industry and the research sector in developing and delivering infrastructure and technologies aimed at supporting water efficiency within the Murray-Darling Basin.

The MDBA has identified infrastructure upgrades as contributing 2000 GLs towards the SDL reduction of between 3000 and 4000 GLs. Buybacks have yielded approximately 900 GLs. There seems to be only a limited role for government to support further water efficiency if the SDL is at the lower end of the range.

Riverina Citrus is conscious that the price per megalitre of these upgrades is often far higher than the market price of water. State and federal governments justify the inefficient use of taxpayer funds by alluding to the uniqueness of the opportunity to save large volumes of water. The corollary of this is a poor use of infrastructure funds restricts the opportunity to utilise funds for efficient, market priced on-farm efficiency programs and additional buyback if necessary. However there is a view in our industry, a relatively minor premium for infrastructure is acceptable given the on-going dividend to agriculture, community and environment.

The citrus industry, in partnership with irrigation equipment supply companies, have successfully modernised two-thirds of its orchards. These have been calculated efficiency programs by farmers and managers. There was minimal interest and a lot of confusion about the Australian Government's Water for the Future $300 million On-Farm Efficiency Program. Seventeen citrus growers applied and none were successful. The start of the program was characterised by incomplete procedures, conflicting advice, uncertain tax implications and complexity. These programs also raise the equity issue of irrigators who have invested in modernisation, now being disadvantaged by grants to operators who did not adopt technology earlier.

Riverina Citrus forwarded a submission into the recent Productivity Commission inquiry into Rural Research and Development Corporations. The Commission proposed cutting R&D by about half in its draft report. One of the points in our submission was the public good in assisting research into water savings measures in irrigation industries. There was a social, economic and environmental imperative in improving efficiencies and R&D Corporations needed to maintain their current level of funding as the Murray Darling Basin worked through these historic reforms.

Opportunities for economic growth and diversification within regional communities.

Riverina Citrus has forwarded preliminary proposals to the Minister for Regional Australia, Regional Development and Local Government, the Hon. Simon Crean for growth and diversification in the citrus industry in NSW. The basis of the proposals was to examine the potential for grower owned juice processing enterprises. We have requested assistance in funding a scoping study.

Riverina Citrus believes there is an opportunity to develop an enterprise that is solely focussed on the juice industry. The two current major processors are part of diversified, multinational businesses that may not always maximise investment and interest in these enterprises.

Previous relevant reform and structural adjustment programs and the impact on communities and regions.

Citrus growers in the MIA have been most directly affected by their annual 5% environmental contribution in the 2004 Murrumbidgee Water Sharing Plan. This uncompensated allocation represents approximately 18,000 MLs from High Security irrigators returned to the environment every year. Irrigators continue to pay charges on this foregone entitlement. There is some concern about the utilisation of this water and some doubt that it ultimately reaches its intended end use. The uncertainty of this 5% 'environmental water' leads to concerns about the effectiveness and transparency of future Basin environmental water diversions.

We have outlined the cumulative reforms of the Lower Lachlan groundwater system. An SDL reduction of 40% coming two years after a 48% state government entitlement withdrawal will leave about 20% of the original diversion. This will leave 64GLs in the Lower Lachlan. There will obviously be a profound decline in economic activity in the Hillston region. There are estimates of the loss of around 16 to 19 direct jobs for every GL used in horticulture and therefore the removal of 43 GLs would cost at least 650 positions. The Carrathool Shire would revert to predominantly broadacre, dryland agriculture and only support basic services and community.

Conclusion

Riverina Citrus would welcome the opportunity to appear before the Committee. It stands ready to make a positive contribution to the policy debates of water reform. Citrus growers have made significant efficiency gains on their farms based on merit on their own initiative. Citrus production remains one of the most efficient irrigation industries in Australia. It will continue to make a strong economic input into the nation, but this will be reliant on sound water reform and the Australian government stepping up with fair food labelling laws; effective quarantine (see Greening Disease statement to Parliament by Michael McCormack MP); equitable market access and support for productivity in agriculture.

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Executive Officer

On behalf of the Committee of Riverina Citrus