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GREATER
SHEPPARTON

Submission to the Parliamentary Inquiry into
the Impact of the Murray Darling Basin Plan in
Regional Australia

Greater Shepparton City Council

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GREATER SHEPPARTON CITY COUNCIL MUNICIPAL AREA



1. Background

1.1 On Thursday 28 October 2010 the Minister for Regional Australia, Regional Development and Local Government and Minister for the Arts, The Hon Simon Crean MP asked the Standing Committee on Regional Australia to inquire into and report on the socio-economic impact of the Proposed Murray-Darling Basin Authority's 'Guide to the Proposed Basin Plan' on Regional communities, with particular reference to:

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

In examining each of these issues, the Committee will also consider community views on:

- measures to increase water efficiency and reduce consumption and their relative cost effectiveness
- opportunities for economic growth and diversification within regional communities; and
- previous relevant reform and structural adjustment programs and the impact on communities and regions.

The committee has invited interested parties to make a submission addressing the terms of reference, and this submission forms the Greater Shepparton City Council's municipal submission to the Standing Committee on Regional Australia's *Inquiry into the Impact of the Murray-Darling Basin Plan in Regional Australia*.

Greater Shepparton City Council welcomes this inquiry and congratulates The Hon Simon Crean MP on this initiative.

2. Overview and context

2.1 Greater Shepparton City Council made a submission to the Victorian State Government *Inquiry into the Extent and Nature of Disadvantage and Inequity in Rural and Regional Victoria* in March 2010. The submission outlined a profile for the municipality, noting a strong regional centre and economy, booming investment in infrastructure and a diverse community. The submission also noted the impact of the drought on the region's dairying and horticultural industries. One of the key recommendations related to water security – *securing water for the community, for industry and for the rural producers that create the food bowl of Australia is a critical priority for the region.*

2.2 As part of the Federal Government's *Strengthening Basin Communities* program (using funding from the *Water for the Future* fund), Greater Shepparton City Council has prepared a draft strategy *Integrated Planning for a Sustainable Shepparton Community*, designed to assist local communities in future planning with less water and the impacts of climate change. The draft strategy will be released in the near future for public comment. Key findings of the draft strategy include:

- Greater Shepparton is the heart of the most significant irrigation district in Australia, often referred to as the 'Food Bowl of Australia', with a working population of 25,000, employing municipal residents and residents from neighbouring municipalities.
- Employment in the municipality is dominated by manufacturing (13.5%) and agriculture (10%), with irrigated agriculture supporting a major food processing sector that includes major Australian and multi-national brands such as SPC Ardmona, Unilever, Campbell's Soups and Tatura Milk. These food processing industries jointly produce an annual gross value of \$3.3 billion, with a flow-on effect to other sectors of the regional economy having an annual value of approximately \$7.5 billion.
- Shepparton faces a range of economic risks as a result of climate change and water availability. A number of actions are proposed in relation to this issue, including advocating for the completion of the Northern Victoria Irrigation Renewal Project, promoting water use efficiency on farms and reviewing planning controls.

2.3 The *Hume Strategy 2010 – 2020 (The Hume Strategy for Sustainable Communities, including the Goulburn Valley Sub Regional Plan)* has objectives to:

- *Develop a regional perspective that will build on the strengths and capabilities of each sub region to respond sustainably to growth and changing environments.*
- *Support a network of unique, diverse and economically prosperous settlements which have resilient communities able to adapt and change.*
- *Acknowledge the importance of rural and natural features and their contribution to the region's liveability.*

Both the *Hume Strategy 2010 – 2020* and the *Goulburn Valley Sub Regional Plan* include the following themes and key directions:

- Environment theme (natural resources protected and enhanced for current and future generations), including key directions:
 - *Anticipating and adapting to the effects of climate change.*
 - *Managing our water resources sustainably.*
 - *Protecting native habitat and biodiversity.*
- Communities theme (Healthy, vibrant and resilient communities), including key directions:
 - *Providing appropriate and accessible social services and infrastructure.*
 - *Strengthening communities, increasing resilience and enhancing liveability.*
- Economic theme (A thriving and dynamic economy), including key directions:
 - *Strengthening a capable workforce.*
 - *Adapting and diversifying agriculture in an environment of change.*
- Land use theme (An efficient and sustainable pattern of urban and rural land use development), with key directions:
 - *Directing future population growth to settlements with the greatest capacity to accommodate it.*
 - *Maximising use of existing infrastructure and services and facilitating strategic investment in future infrastructure and services.*
 - *Retaining productive rural land for agriculture and other compatible rural uses.*
 - *Ensuring efficient use of land use planning resources in the region.*

- 2.4 The report *Changing land use in the GMID 2006 – 2010, Where have all the dairies gone?*, prepared for the Northern Irrigation Renewal Project and DPI, by HMC Property Group, July 2010 includes the following key observations and findings:
- There has been a considerable upheaval of agriculture across the GMID over the last decade due to a wide range of factors including the introduction of water trading, unbundling water from land, prolonged drought and fluctuation in commodity prices.
 - The noted movement of properties out of irrigated dairy production due to extended drought conditions and a low water allocation environment and the extent to which land is no longer farmed.
 - As part of the Foodbowl Modernisation Project, a large number of properties that had been retired from active agriculture were subsequently returned to active agriculture.
- 2.5 Water is a vital resource for the Greater Shepparton municipality, underpinning all of the area's activities and economic production. Water is used for a range of major purposes including agriculture, commerce and industry, domestic usage, recreation and environment. Water security is paramount to maintain and grow these various activities and land uses.
- 2.6 The Foodbowl Modernisation Project is now progressively upgrading water infrastructure in the Shepparton area. This rejuvenation of water distribution and storage infrastructure will not only make water use for agricultural purposes more efficient, but is also expected to have an impact on current water use patterns. Despite these efficiencies however, it is essential to maintain allocations and consistency of water supply to create certainty for agricultural producers, maximise the usage of extensive water infrastructure in the area and support established rural communities.
- 2.7 Provision of confidence is required to encourage investment in new farming practices and water saving technologies.
- 2.8 Full social, economic and environmental analysis is required prior to any conclusive determination of amended access or distribution of water. It is essential that local communities are fully consulted in this assessment.

3. Terms of Reference

The Standing Committee on Regional Australian will inquire into and report on the socio-economic impact of the proposed Murray-Darling Basin Authority's 'Guide to the Proposed Basin Plan' on regional communities with particular reference made to the following three issues:

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

It is imperative that the Standing Committee on Regional Australia ensure that the impact the Plan will have on communities, and the social and economic impacts on the community arising from the proposed Sustainable Diversion Limits (SDLs) are clearly identified and included in the proposed Murray Darling Basin Plan.

It is vital that the appropriate research into the social and economic impacts at a local level is undertaken and that long term planning to manage change and minimise negative impacts on families in our communities is instigated and given a high priority.

Greater Shepparton City Council has undertaken its own community consultation regarding MBDA initiatives due to a concern that there has been a lack of consideration for community social and economic impacts.

Main themes and responses emerging from Greater Shepparton City Council municipal community consultation were:

- The municipality has a vibrant and culturally diverse community with social and economic strengths that should be protected and enhanced.
- The municipality has social and economic strengths as a regional centre, transport hub, agricultural production and processing area, and commercial, industrial, recreation and tourism area.
- The area has significant environmental assets.
- It is vital to support and build the existing community and community interests and assets.
- Some social and economic disadvantage has been experienced due to drought, changed access to water, varying employment trends and evolving economic patterns. Altered

trends have led to increased community uncertainty and general disadvantage, stress levels and isolation, financial strain, resulting in a general decline in community participation and functioning.

Some individual stories in the municipality:

I think that most Farmers are conservationists and we need our water on farms for the environment. I have trees dying through lack of water.

Farmer, Tatura

13 years of drought has provided much learning. Some farmers have adapted, others will need help.

Farmer, Mooroopna

I run a small irrigation farm at Ardmona. I am concerned about the price of water & charges. I am semi-retired but rely on my cattle & farm produce for my living. If the basin plan goes through prices will sky rocket and I won't be able to meet my commitments.

Farmer, Ardmona

I have both a farm and business in Shepparton, both will be affected by the MDBC Plan! My farm is at the end of the channel, if irrigation downstream sells, I will be left high and dry by G-M Water costs and possibly forced to sell, not a willing seller.

Business operator and farmer, Shepparton region

I am an irrigation consultant based in Shepparton and work all over the Murray-Goulbourn region. I am upset that the 20/25 years work done in our catchments is improving water quality and these savings are never taken into account.

Water consultant, Shepparton region

The following story is an extract from a statement from an accounting practice in Shepparton, outlining the impact of the proposed Murray Darling Basin Plan:

Up until 10 years ago, an estimated 30 per cent of the business was derived from direct farm income and an estimated 30 per cent from indirect farm income. Over the past 10 years, this has now reduced to about 25 per cent of the income derived from direct and indirect farm sector.

The business is witnessing first hand, the flow-on effects of reduced farm business numbers and is concerned about the flow-on effect of any further reduction in water availability for irrigation.

While the business has retained many of its former farming clients, the financial spend for these clients has reduced considerably as they move off farm. In most cases, clients' needs are much less and fees have reduced from in excess of \$8,000

per client to less than \$2,000 per client. Several clients' farms have been sold to Sydney business investors and are now vacant farms.

The accountant describes the impact of selling water off-farm as a huge loss for communities.

"Communities lose their social fabric as a result of this loss of water."

"There is a real interdependence between the farm business and the broader community but there seems to be no thought to the impact on farm employees and the range of agricultural service businesses including accountants such as ourselves."

"Any talk of compensation does not take into account the loss of future production off the farm or the flow-on effect to the region's economy and this needs to be considered."

The accounting practice has reduced staff from 30 in 2000 to 25 in 2010. As the owners approach retirement age, they are reviewing their business strategy and have real concerns about the impact that reduced water will have upon the value of their business.



Dairy Farm

3.2 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

- Innovative infrastructure and practices should be used to manage and deliver environmental flows, aimed at achieving the required outcomes for the environment with the least amount of water necessary;
- Water savings already achieved through improved infrastructure, innovation and sustainable farming practices should be recognised as contributing to improved environmental flows before calculation of any SDLs; and
- Water buyback schemes are strategically planned and conducted so as not to disadvantage remaining farmers by increasing the cost of delivery of their water.
- A strategic approach is required in the rationalisation and allocation of water. Given the extensive network and investment in water infrastructure in the Shepparton area, it is vital that irrigation assets are fully utilised and that water is not removed from productive irrigation areas with these infrastructure assets. The removal of water, and therefore irrigated agriculture, from established, productive areas will create physical and cost inefficiencies in water distribution, isolate water assets and undermine productive agricultural areas.
- With changing agriculture and water access, it is essential that Greater Shepparton City Council corporate documents and the Greater Shepparton Planning Scheme reflect current land use directions for rural and agricultural land and best practice land management. Review and implementation of these directions will assist in creating land use efficiencies, minimising rural / residential conflicts, implementing state government initiatives such as the suite of new rural zones and creating certainty for rural land use and agricultural production. Initiatives such as the recently adopted rural lands study (prepared in partnership between Greater Shepparton, Moira and Campaspe municipal councils) will assist in the revision of rural land use strategies and their implementation in municipal planning schemes and other corporate documents. Greater Shepparton City Council requires assistance in establishing and maintaining current and future strategic and policy directions for rural and agricultural land use and development.

3.3 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

Governments

- Maintain a strategic approach in the rationalisation and allocation of water to efficiently distribute water, maximise the use of existing water infrastructure, maintain productive agricultural areas and consolidate established communities.
- Assist the Greater Shepparton City Council in establishing and maintaining current and future strategic and policy directions for rural and agricultural land use and development in the Greater Shepparton Planning Scheme and other corporate documents.
- Protect and capitalise on the municipality's strong community and social infrastructure.
- Water restructure - recognise, protect and capitalise on existing local communities.
- Fully engage local communities in the assessment of social, economic and environmental issues and implications prior to any conclusive determination of amended access or distribution of water in the area.
- Conduit of information between research institutions and those implementing farming practices and technologies.
- Protect and maximise the Greater Shepparton municipality's economic activities and strengths.
- Grow and value-add existing rural industries and economic activities.
- Establish new economic land use and developments that capitalise on the Greater Shepparton municipality's geographic and economic strengths.
- Maximise the usage of existing water infrastructure, not removing water from areas with these assets.
- Protect and upgrade existing water infrastructure in irrigated agricultural areas and communities.
- Protect the natural environment of the area, recognising the need for water supply to maintain the natural environment and biodiversity of the area.

- In rationalising water supply and distribution, balance environmental considerations with economic and social considerations, ensuring full social, economic and environmental analysis prior to any conclusive determination of amended water access.

Agricultural Industry

- Testing of demonstration sites for the collection of data to inform future farming efficiencies
- Leaders in the field of adaptation to a future with less water
- The development of case studies to encourage other users to adapt and change to a future with less water

Research sector

- Department of Primary and Industry research facility at Tatura – ongoing support to continue to research and develop new farming practices and other innovations such as sub-surface irrigation and the investigation of new plant species less dependent on water.
- William Orr Campus, based in Shepparton, is the base for the National Centre for Dairy Education Australia (NCDEA) Northern Farming Campus. The NCDEA conducts courses in agriculture, specialising in dairy. It is vital that the NCDEA is supported to continue the efforts of the provision of education in the agricultural sector, specifically in light of current and future challenges. The NCDEA can play a key role in educating farmers on how to adapt their practices to use less water.
- The Water Technology Cluster is a partnership between a range of regionally focussed organisations. These organisations are collaborating to help improve the effective and efficient use of water within the irrigation industry. Cluster members are represented from private business, local government, education, government agencies, government authorities, research and development, industry organisations and irrigators. The cluster needs ongoing support so that it can continue to provide an excellent forum for members to engage, facilitate, educate and lead, where knowledge and expertise is shared so that water technology opportunities can be developed for the sustainability of future generations.

- University of Melbourne – Dookie Campus – has undertaken a project to increase water use efficiency through the application of sub-surface tape technology. Potential production, environmental, economic and lifestyle benefits of adopting and incorporating new irrigation technology into dairy farm production systems are explored. Projects such as these need to be supported and expanded to ensure best practice water efficiency is achieved.

4. Conclusion

- Greater Shepparton City Council has strong, resilient communities with fully established community and social infrastructure. Existing communities may experience social disadvantage with the removal or rationalisation of water distribution and allocation and subsequent effect on agriculture and lifestyle.
- Local communities form an important choice for living in proximity to the regional centre of Shepparton, support the agricultural and agricultural processing sectors and provide housing for workers and residents in locations that do not conflict with rural production and land use in rural areas. It is essential that water restructure recognise, protect and capitalise on existing local communities.
- Full social, economic and environmental analysis is required prior to any conclusive determination of amended access or distribution of water. A major component of these considerations is an understanding of the impact on local communities and economies, for which community input is considered to be an essential component.

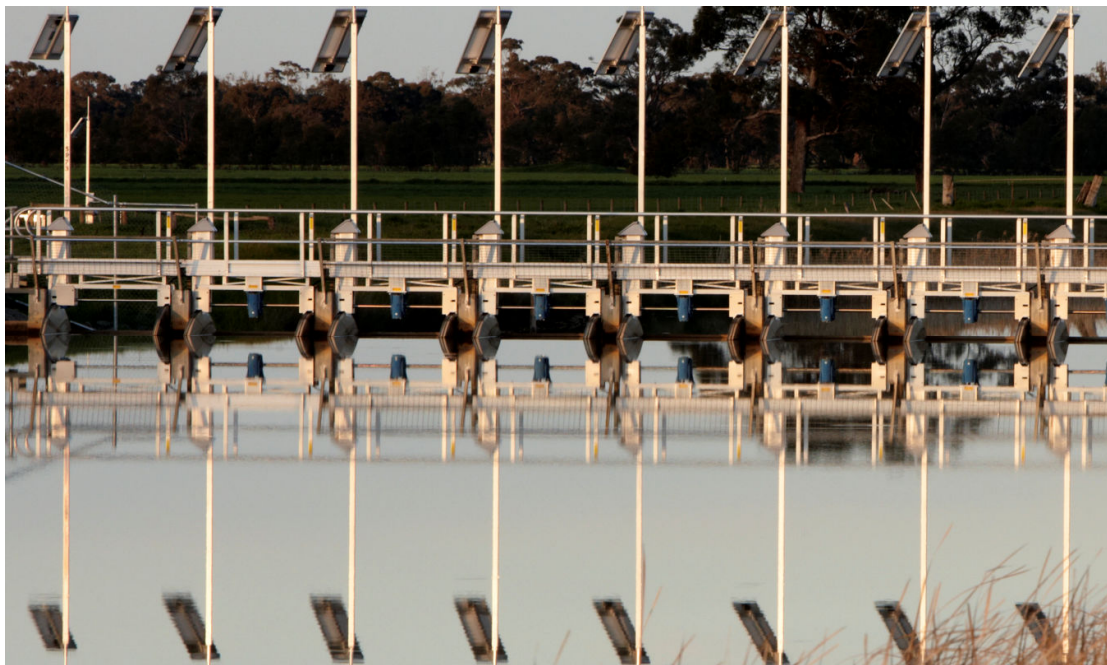
Economy

- Water is fundamental to the economic health of the municipality's rural sector, food processing, other support industries, general commerce and industry, and the general community. As an irrigated 'food bowl', water is literally the 'life blood' of the economy and community.
- The Greater Shepparton municipality's irrigated agricultural industry generates produce worth approximately \$480 million gross value per annum (2005 – 06 figures), while the municipality's rural food processing industries jointly produce an annual gross value of approximately \$3.3 billion.
- Shepparton has geographic and economic strengths as a regional centre, agricultural production area, food processing industries centre and transport hub. It is essential that the Greater Shepparton municipality's economic activities and strengths be protected and capitalised on. There is also considerable potential for the establishment of new economic land use and developments to be established that capitalise on the municipality's geographic and economic strengths.

- All of the region's and Greater Shepparton municipality's strategic, land use and corporate documents recognise the importance of both the agricultural sector and general commerce and industry to the economy, outlining how the sectors will be protected, grown and value added.

Infrastructure

- The Greater Shepparton municipality has an extensive network of water storage and distribution infrastructure, these assets being major economic, geographic and competitive advantages for the region. Despite further efficiency gains that will accrue from the Foodbowl Modernisation Project, it essential that extensive existing water infrastructure assets are utilised and maximised and that water is not removed from areas with these existing infrastructure assets.
- The protection of existing water and irrigation infrastructure in the area is essential. The progressive upgrading of this infrastructure is supported to maintain existing water usage in irrigated agricultural areas.



Arcadia South – Channel Gates

Environment

- Adequate water supply is essential to maintain and protect the natural environment and biodiversity of the area. A sustainable natural environment is essential to the natural, economic and community health and functioning of the area.
- While access to environmental flows through the Murray Darling Basin is important, environmental factors must be balanced with economic and social considerations. Full social, economic and environmental analysis is required prior to any conclusive determination of altered access or distribution of water.
- A major component of the full consideration of social, economic and environmental factors is an understanding of the impact on local communities and economies. Appropriate community input is considered to be an essential component of this assessment.



Orchard at Shepparton East