SUBMISSION

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Agriculture and Food Policy Reference Group

Minister for Agriculture, Fisheries and Forestry
The Hon Peter McGauran MP

Aim: *To make recommendations that will enhance a sustainable and profitable agriculture and food sector.*

Murray Irrigation is Australia's largest private irrigation company supplying irrigation water to 1,600 family farm business covering 2,400 irrigation holdings in southern New South Wales. A diverse range of products are grown including rice, milk, canola, wheat, tomatoes, potatoes, onions, meat and wool. The annual farm gate production from the region is around $300 million. Irrigated agriculture is the foundation of the social and economic wellbeing of our towns and businesses.

Murray Irrigation is committed to a sustainable and profitable future for agriculture in this special part of the Murray Darling basin. We have taken on a role beyond water delivery, with a vision to underpin the economic, environmental and social sustainability of the mid Murray Valley. Since privatisation, the company has worked hard to improve efficiency of irrigation through automation and improved management processes to minimise delivery losses. The company has led the development of more accurate methods to determine rice soil suitability through our own research. Murray Irrigation has successfully implemented the Murray Land and Water Management Plans for ten years, over which time there has been significant turnarounds in salinity and water quality through land holder participation rates of up to 78%. The company has made significant investments in the rural industry, examples being the Murray Irrigations subsidiary ownership of MILCAST, a pre-cast concrete business and 50% ownership in AWMA, producing automated equipment and other infrastructure for irrigation, at large and small scales.

Water

How can the need to replace or refurbish major water infrastructure best be managed? Is there a role for Governments?

Irrigation corporations and authorities are best placed to prioritise the existing state of their infrastructure. There is a need for Government however, to be involved in R&D to innovate better means of supplying water through developments in infrastructure. The market is currently dominated by a number of large players, some of which have accessed public funds to develop intellectual property that they now are profiting from. Government research organisations need to be involved in developing better means of metering water, and managing water through supply systems.

Will existing water resources be sufficient to meet future water needs? Or will further water resources need to be identified?

The recent drought coupled with opening up of water trade and the push for more water for the environment, has made it clear that existing water resources are not sufficient to meet current water needs, let alone future demand. Freeing up water trade has meant that sleeper licences have become activated, which has in turn increased demand for water reducing yield. The push for water for the environment has further reduced water availability, and the future outlook is insecure. If global warming is real, the recent climate scenario is likely to occur more often in the future, making the need for further water resources even greater. These fundamental developments have meant that further water resources will definitely need to be identified.

Will the development of more efficient and effective market instruments for water allocation overcome most of the supply problems likely to emerge?

The development of a free and open market for water will create more supply problems, than it will solve. In the Murray system, we do not have the ability to significantly change the geographic spread of water allocations, as delivering water down a natural system has difficulties like the Barmah choke and vast system that can cause huge losses if the delivery distances are extensive. In addition, high value crops are usually quite similar in their water needs, which mean the demand is not spread throughout the year but concentrated, creating delivery difficulties. High value crops also are unable to cope with variations in security, they are perennial, and their water needs are reasonably static. If the system was to be dominated by these crops and drought struck, the consequence would be catastrophic as orchards can not survive without water. This means that some lower value, annual irrigation crop will always need to be part of the Murray system, as it provides a stop gap between low and high allocation years.

Using and managing natural resources

What are the relative merits of different policy approaches to managing natural resources?

Murray Irrigation has a great deal of experience implementing Natural Resource Management Plans through ten years of successful implementation of the Murray Land and Water Management Plans. Our experience is that farmers are definitely more likely to support an outcome in which they are actively involved, rather than one where they are forced to comply. An example of this in our area relates to land use restrictions imposed through legislation relating to Plains Wanderer habitat and the broad scale backlash that it has caused towards vegetation from farmers in our region. Lack of consultation has seen a significant proportion of the farming community revolt against, not only Plains Wanderer habitat issues, but also any vegetation conservation in the region. On the other hand, that same farming community has embraced the Murray Land and Water Management Plans with participation rates continuing to break annual records.

Murray Irrigation supports the move to market based instruments to achieve desired environmental outcomes. Traditionally, vegetation enhancement incentives especially, have been born out of Landcare arrangements and only encourage those land holders with a high conservation ethic. Although there has been some improvement over time, these incentives do not cover the cost of the work let alone offset any reductions in earnings from traditional agricultural enterprises that result from change management practices. This does need to be achieved to bring most landholders on board as they are business people making economic decisions. However it is quite a challenge to achieve a fair and reasonable rate using market based instruments for managing natural resources. The auction system trialled in recent years is flawed because at one end of the scale you have landholders that were going to do the work anyway, putting in a low unit price, on the other hand, there is strategic behaviour, inflating unit prices. In order to achieve fair outcomes for landholders to manage their natural resources and receive a reasonable return, based on public versus private benefit, market based instruments need to be approached carefully. An assessment needs to be made, as to the social value of the environmental work, and new benchmarks set that pay public funds for environmental work based on public benefits of those works and the cost to landholders of managing those natural resources in perpetuity.

The key principle that needs to be upheld in any system that pays farmers for environmental services is that society should pay the social value of improved natural resource management. Community standards for natural resource management are increasing while farmers' terms of trade are declining. Therefore, public policy intervention is necessary to provide funds from the community to the landholders for improved natural resource management.

Resource access and property rights

Where do landholder and others (including the water community) responsibilities lie in achieving environmental and resource management outcome?

As the current system stands, landholders responsibilities relating to natural resource management are that they comply with legislation and moves beyond compliance to best management practice are often supported by incentive schemes. The problem is however, that legislation is generally put in place without real consultation, and administration of the legislation is so complicated that landholders don't understand their obligations. Future legislation should not attenuate the existing rights of farmers without providing compensation. The national water initiative is an example of the direction required by government. For legislation relating to natural resource management to be more effective in the future, its administration needs to be simplified, where one organisation (Catchment Management Authority) is the implementer. Catchment Management Authorities link with the community will mean improved consultation processes and a one stop shop for landholders to get information.

In the past, where landholder works on natural resource management projects have occurred, the financial burden has been strongly weighted to the landholder. An example of fencing a ten hectare area of remnant vegetation with four kilometres of fence would cost $20,000 to fence, it would take 10 hectares out of production, and would have annual costs of approximately $1,500 for weed and pest control (this would vary depending on existing condition). If this work was done in 2002, $6,400 worth of incentive would be available. Given this cost share, it is amazing that any vegetation works have been undertaken, testimony to the fact that most farmers hold sound environmental management as a high priority.

Achieving Natural Resource Management Benefits

- *How should Government investment in Natural Resource Management be best targeted?*
- *What is the most effective and efficient way to establish spending priorities across and within regions?*

Best Natural Resource Management investment should be based on best science. Many Natural Resource Management Plans in the past have been short term and based on sketchy science. To achieve effective Government investment, a frame work should be developed for catchment planning with science as a focus. The framework needs to be flexible enough to account for a variety of natural resource and agricultural systems. Adequate time and financial resourcing needs to be devoted to catchment planning. It is suggested that a quality plan with adequate consultation needs 3 to 5 years to be developed effectively. An element of independence is also necessary in developing and assessing these plans. One approach may be that the

Federal Government employ Catchment Plan co-ordinators who are farmed out to Catchment Management Authorities with the role of co-ordinating the development of a plan and reporting back to Federal Governments with the final report. It is important to try and remove bidding and lobbying from the funding process and allow each Catchment Plan to be assessed on the natural resource management issues occurring in the catchment and the likely success of addressing those issues. The importance of an engaged and active community, ready to implement the plan, is also a key issue. The catchment with the greatest environmental need may not necessarily have the most engaged community.

Murray Irrigation suggests further consultation in regard to the review of the profitable and sustainable Agriculture and Food sector in Australia. We would be pleased to present our views on the above listed items and discuss our suggested needs of improving the current system.

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