Senate Standing Committee on Rural Affairs and Transport

Inquiry into the management of the Murray-Darling Basin

Submission by Citrus Australia Ltd

December 2010

Judith Damiani, CEO

Citrus Australia Ltd

PO Box 5091

MILDURA VIC 3502

T 03-5023 6333

Background

Citrus Australia is the national peak industry body for the Australian citrus growing industry. There are approximately 2,000 citrus growers based in every mainland state and territory, but concentrated in the Murray Darling Basin regions of SA, VIC, NSW and the Central Burnett region of QLD.

The Australian citrus industry is one of the largest fresh fruit industries in Australia, and certainly the largest fresh fruit exporter with an annual average export volume of 170,000 tonnes and a value of $190 million. Citrus is also one of the largest fresh import categories in Australia, with annual volume of around 23,000 tonnes valued at $33 million. The Australian citrus industry produces only around 1% of the global citrus production and competes directly in export markets with lower cost southern hemisphere citrus exporting countries such as South Africa, Chile and Peru.

Nearly all of Australian oranges are produced in the Basin (95%), and around 90% of all bearing trees are located in the region. Oranges are grown for both fresh (domestic and export) and processed markets and support a range of businesses along the value chain including packers, wholesalers, exporters, processors and retailers.

Whilst Citrus Australia welcomes the need for national water reform we reject the MDBA guide to the proposed Basin Plan due to its total failure to adopt a “triple bottom line” approach. There needs to be urgent and immediate attention to the economic and social impacts of any proposed water reforms to minimize the devastation to the citrus industry, its regional communities, and the wider Australian population.

Citrus Australia also strongly supports the amendment of the *Water Act 2007* in order to guarantee the delivery of a triple bottom line outcome and a more balanced Basin Plan. Whilst we welcome the Government’s intention to deliver a balanced plan focused on restoring the river to health, supporting strong regional communities and ensuring sustainable food production we remain concerned that the final Plan may be subject to a legal challenge on the basis of a different interpretation of the Act.

The implications for agriculture and food production and the environment

The proposed new SDL’s for the valleys relevant to citrus growing regions range from 26% to 43%. These proposed cuts to irrigation water would have enormous impacts on citrus communities such as Griffith, Mildura and Renmark. In turn production of the majority of Australian oranges may be severely impacted, affecting

fresh fruit and juice markets in Australia, and reducing export earnings for the economy.

The social and economic impacts of changes proposed in the Basin

The **economic impacts** can be illustrated using the following commercial example:

> Mildura Fruit Company (MFC) is Australia's largest orange packer and exporter sourcing citrus from over 100 growers in the Sunraysia, Riverland and Riverina areas. There are normally around 240 staff employed (40 permanent, 200 seasonal casuals).
>
> The 2010 citrus season in southern Australia was heavily impacted by the unusually early heatwave in November 2009, causing the small fruitlets to drop. The result was a very light crop in 2010, 30% down in volume to the previous year. Resulting in:
>
> 75 less casual staff employed over 5 months;
>
> 115 less pickers picking for MFC for packing over 5 months
>
> = 190 full time seasonal positions lost in picking and packing at MFC

Reduced economies of scale results in higher packing costs per packed unit, which together with less packed unites, squeezes margins and profitability and discourages investment in new capital or technology.

Reduced market share in established export markets such as the US allows competitors such as South Africa and Chile with lower cost of production to gain market share.

Australian retail prices for oranges increased from $2.52 per kg in the September quarter 2009 to $2.69 per kg in the September 2010 quarter (ABS Average Retail Prices of Selected Items, Eight Capital Cities) – an increase of almost 7%.

The **social impacts** can be demonstrated through the qualitative research study *"The social impacts of declining water availability and ongoing drought in the Murray-Darling Basin"* report by Alston, Whittenbury and Haynes, Monash University, October 2010.

The findings indicate significant social impacts including:

- Increased bankruptcies
- Increasing poverty particularly with farming families, farm workers and contractors
- A significant rise in levels of stress and other health impacts
- Difficulty accessing employment

- Involuntary separation; intergenerational and marital conflict
- Declining educational access amongst children
- Depopulation

The opportunities for a national reconfiguration of rural and regional Australia and its agricultural resources and the science of the future; and options for more efficient water use

Whilst there may be minor opportunities to reconfigure regional Australia and its agricultural resources, there are no suitable alternate climatic areas for the production of oranges other than those in the Murray Darling basin. Oranges do not grow well in semi-tropical or tropical areas of Australia, where there is normally more water available for crops.

Citrus growers already embrace efficient irrigation and water monitoring systems, however Citrus Australia strongly supports continued government funding for irrigation infrastructure upgrades (both on-farm and off-farm) to continually improve irrigation efficiency. At the same time it is essential that environmental works and measures are undertaken to ensure the most efficient use of water for the environment. We believe that investment in irrigation infrastructure and environmental water efficiencies should take precedence over government water purchases in the market.

Citrus Australia also strongly rejects the Productivity Commission recommendation to reduce the Commonwealth contribution to matching rural research and development. In fact it is essential that investment in rural R&D increases to assist individual industries and enterprises adopt new technology and practices to better adapt to a changing climate with less water.

National implications of foreign ownership – land and water; and water speculators

Foreign investment is common in corporate Australia and agribusiness. However foreign investment in agricultural land and water needs special consideration due to wide community concerns and forecast increase in world population/less land and water availability (food security).

Government policy of foreign investment is based on what is ‘contrary to the national interest’ by having regard to the widely held community concerns of Australians. Restrictions on foreign investment are currently in force in more sensitive sectors such as media and residential real estate.

Citrus Australia would urge that foreign investment in agricultural land and water is sensitive, and recommends that the Government increase its scrutiny of proposed

foreign purchases of Australian agricultural land and water, through its normal process and the Foreign Investment Review Board.

Other matters:

The Commonwealth Environmental Water Holder

There are mounting concerns on this role, now and in the future. The Government has become a significant player in the water market, purchasing water from willing sellers for the environment. What will happen if there are not enough willing sellers? What happens to excess environmental water? Will water be leased back to irrigators? It is important to provide more clarity and certainty over this important government function.

A recent report by Waterfind shows that based on the 3,000-4,000 GL range there is a $1.5 to $5 billion hole in the budget. It is critical that water purchases by the Commonwealth are strategic (to minimise the 'swiss-cheese' effect), targeted and financially sound. Perhaps it is time to slow down this activity in favour of significant irrigation infrastructure upgrades and environmental works and measures.

Citrus Australia continues to support the option of increasing storages and building new dams. Last year the federal Water Minister discounted this suggestion by saying "there is no point when there is no water". I wonder if she would give the same reason today?

Timeframe and Process

Citrus Australia recommends that consideration be given to adequate timeframes for the multiple concurrent processes to occur in order to provide the information to produce a balanced approach to water management in the Murray Darling basin.

There is also an inequity in implementation timeframes for state water plans to roll into the Murray Darling basin plan, and a 2019 date should be the mutual point of change.