SUBMISSION TO SENATE INQUIRY

Management of the Murray Darling Basin

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mildura DEVELOPMENT CORPORATION

Creating our region's future

Senate Inquiry – Management of the Murray Darling Basin

Submission from Mildura Development Corporation

1. **Mildura Development Corporation acknowledges the importance of a healthy Murray Darling Basin which will underpin the health of cities and communities within the basin, however the focus of a Murray Darling Basin Plan must value and optimise economic, social and environmental objectives equally.**

2. **Sustainable Diversion Limits proposed of 27%-36% could have a severe impact on communities within the Mildura region which are heavily reliant on irrigated permanent plantings and associated food processing industry sectors. Further detailed work is required to assess existing regional capacity and the economic and social impacts of these proposals.**

3. **The Basin Plan should acknowledge irrigation efficiency such as found in the Mildura region to further understand and encourage capital investment and funding for on farm irrigation efficient technology which will lead to water savings.**

4. **The Basin Plan needs to recognise local conditions, efficient water management and investment in river health works (such as interception schemes) in determining Sustainable Diversion Limits (SDLs) and then develop appropriate SDLs for each area as opposed to a unilateral take.**

5. **Total project funding for all stages of the Sunraysia Modernisation Project should be made available to provide the necessary infrastructure to drive efficient irrigation management and new investment opportunities mitigating the socioeconomic impact of the proposed SDLs**

6. **The Basin Plan should value and incorporate capital funding for environmental irrigation works such as those deployed by the Mallee Catchment Management Authority which has delivered efficiently and effectively environmental water under the Living Murray initiative.**

7. **The Basin Plan's proposed SDLs must take into account water that has already been purchased for environmental flows from the Mildura region**

8. **The Basin Plan must develop and address transitional measures for communities such as the Mildura region to assist with socio-economic impacts and structural adjustment from any proposed SDL, including funding for regional infrastructure priorities and new industry development.**

9. **There must be a transparent and equitable water purchasing process**

Submission Context - Mildura Region Information

Mildura Development Corporation (MDC) is the peak economic development organisation for the Mildura region. We operate to develop the macro strategic industry level creating and developing positive, commercially viable climates for regional business and enterprise. Our vision is "Creating our region's future" and it is with this in mind that we

The Mildura region includes the local government areas of Mildura Rural City Council and Wentworth Shire Council and has a population base of 60,000 people and a land area of 48,355 square kilometres, and is in a significant part of the basin, where the junction of the Murray and Darling Rivers occurs.

The Gross Regional Product (GRP) of the region is $2.788 billion which is largely generated from irrigated horticulture, food processing industries, manufacturing, logistics, services and agriculture.

The region produces a significant amount of Australia's horticulture:

- 98% of dried fruit
- 75% of table grapes
- 65% of almonds
- 24% of citrus
- 41% of pistachios
- 20% of overall wine grape crush

Food and beverage processing is a very strong industry sector with the region boasting 30 wineries along with bottling and beverage plants. As part of this sector Treasury Wines (formerly Fosters) is one of the largest employers in Mildura and the region is also home to Australian Tartaric Acid, a unique processor which recycles grape marc and grape lees, producing Tartaric Acid which is used by the wineries along with Food Grade Spirit.

Employment in the region is heavily reliant on these sectors with 14.7% of the labour force engaged in Agriculture, Fishery and Forestry (3,778 people) and 10.7% engaged in Manufacturing which encompasses the food processing sector (2,750 people). The corresponding retail sector employs 16% of the labour force (4,133 people).

As a significant irrigation district, with large volumes of fresh and processed food production, the region is also a transport hub serviced by 230 road transport and storage companies along with rail freight and the busiest passenger airport in regional Victoria that has over 200,000 passenger movements per year

Tourism is also a strong industry sector with the Murray River one of the major attractions of the region.

The Mildura region is also diversifying into clean and green energy production with two major project proposals for large scale solar power plants which will bring new investment and employment outcomes.

The Mildura region is known as very resilient and progressive. Commencing as an irrigation district in 1886 under the guidance and planning of the Chaffey Brothers, the region has grown as a strong horticultural centre.

There is a strong reliance on permanent plantings as opposed to annual crops and therefore a reliance on high security/reliability water. With an overall combined annual demand from Western Murray Irrigation and Lower Murray Water irrigators within the Mildura region of 500GL/year, this water services over 34,000 ha of permanent plantings.

The importance of a healthy river system has been acknowledged by the Mildura region with a focus on responsible water management and introduction of policies and directives over the last thirty or more years that would assist river systems such as:

- **the establishment and financial commitment to salinity management and interception schemes**
- **efficient on farm irrigation systems which included conversion from flood irrigation to sub-surface and drip irrigation**
- **soil moisture monitoring**
- **the establishment and growth of the Murray Freshwater Research Laboratory**
- **grower involvement with both the Lower Murray Darling and the Mallee Catchment Management Authorities**

The Mildura region is widely regarded as one of the most efficient irrigation areas in the Murray Darling catchment with strong investment in the millions of dollars utilised for improvements in on-farm irrigation technology. These fertigation and drip irrigation systems have resulted in water savings on farm of up to 2-3ML/ha.

The Catchment Management Authorities have also invested significant dollars into environmental water program delivery, particularly from the Living Murray initiative, and this has assisted in environmental flows for the Ramsar listed Hattah Lakes as well as areas such as Lindsay and Mulcra Islands. For example, the Mulcra Island project is expected to cost $6.2 million and will construct five environmental regulators which will mimic natural flooding patterns for an area of over 800 hectares of wetlands. This will require 40 GLs of water however 35GLs of water will be returned to the river system and will be available for further re-allocation.

Mallee Catchment Management Authority and Lower Murray Darling Catchment Management Authority have both worked very hard in establishing good working relationships with the irrigation and farming communities which ensures the best outcomes for riverine environments, including management of environmental water. This has involved a consultation model which includes focus groups; customer consultative committee's for the various irrigation areas and urban use; on farm consultation processes; engaging with the local irrigation community in determining water savings and environmental outcomes; presentation of relevant and timely information on a regular basis through newsletters and media to the general community. This model is one that could be utilised or replicated in terms of stakeholder engagement as the Murray Darling Basin Plan continues to evolve.

The Mildura region is known for its clean and green produce. Over the last ten years there has been significant growth in new horticultural sectors, particularly almonds and olives because of the availability of greenfields sites outside of the pumped districts and through the trade-ability of water. This is evidenced in Lower Murray Water's 2009-10 Annual Report where the statistics for irrigation water use show very minimal change in the section "Murray below Nyah." Total water shares in this area amount to 274 GL and total water usage equals 272GL.

The Mildura region economy has managed to sustain itself throughout the severity of the drought although there have been changes to land use patterns and evidence of structural adjustment. Unemployment rates have risen across the region as evidenced by ABS data recently released from the National Regional Profile series:

Unemployment Rate(%)

Mildura(RC) – Pt A (Statistical Local Area)

2008	2009
7.7	8.6

Mildura(RC) – Pt B (Statistical Local Area)

2008	2009
3.3	4.7

Wentworth (A) (Statistical Local Area)

2008	2009
7.4	8.0

With the impact of drought over the last ten years, and in particular with reduced water allocations in the last four years, the Mildura region has seen continuing structural adjustment in horticulture.

The 2009-2010 Irrigation Status Report across Four Pumped Districts from the Mallee Catchment Management Authority states the following:

"In the 2009-10 irrigation seasons 32% (5,180 hectares) of the irrigable area was not irrigated" (p.11)

In a separate report which considers the Private Diverters the statistics show that 17% of irrigable area was not irrigated (p.6)

The local Victorian water authority, Lower Murray Water has an infrastructure proposal being considered by the Federal Government to modernise the existing delivery channel system for these areas – Sunraysia Modernisation Project. Stage One is currently under due diligence and would see $103 million to assist with modernised delivery options. Whilst water savings would only be around 15GL for both Stage One and Stage Two, this project would encourage the opportunity for water availability 365 days/year allowing crop diversification with the potential of millions of dollars in new or re-investment.

Lower Murray Water has a bulk water entitlement of 440GL which equates to just over half the amount of annual losses that the Goulburn Murray system was experiencing prior to NVIRP Stage One. LMW irrigation district extends across 26,450 hectares of which there is an irrigable area of 17,480 hectares.

Reduced water allocations owing to drought combined with a decline in global commodity prices, has resulted in water sold or traded to other participants in the water market, including the Government as part of its buyback objectives for the environment. This can be evidenced by data contained in the Lower Murray Water 2009-10 Annual Report.

District/Area/Waterway	Total Water Shares(ML)	Total Usage(ML)
Red Cliffs	41,190	25,082
Robinvale	22,966	16,384
Merbein	28,116	15,142
FMD	72,983	30,425
Murray below Nyah	274,351	272,113
TOTAL	439,606	359,146

Western Murray Irrigation is responsible for irrigation water management in NSW and holds an entitlement of 61GL of high security water of which 30GL is delivered annually to irrigators. The irrigation system for delivery was completely upgraded from channels to pipes some years ago and this has resulted in further water savings in the Mildura region.

Irrigators across the Mildura region have adapted water efficient technology with statistics indicating that over 70% of irrigators in the pumped districts of LMW utilising drippers or low level sprinklers. Similarly over 84% of private diverters from Nyah to the South Australian border utilise drippers or low level sprinklers.

The current status of the Murray Darling Basin Plan has created uncertainty for those currently involved with irrigated horticulture in the Mildura region creating further uncertainty for financial institutions, complementary small businesses and for new investors.

Adrian Rizza documents this scenario quite clearly in his report to the MDBA contained in "The potential effects of changes to water allocation policy on financing the agricultural sector and business in the Murray Darling Basin".

According to Rizza, the Mildura region is one that will suffer financially and economically if there is no clarity provided around the mechanism of water buybacks and SDLs within the transition phase, as well as clearly enunciating the long term impacts.

The major banks have also expressed concerns about the potential of reduced productive capacity of irrigated horticulture and associated processing sectors with the introduction of SDLs and the reduction in loan funding that will then be available to these sectors, or higher margins associated with funding to cover higher risks.

Banks are currently assessing their exposure to irrigation across all regions within the Murray Valley and have expressed serious reservations in terms of loaning any further funding for restructuring.

Current statistics from Sunraysia Rural Counselling Service suggests that there are 800 farmers within the Mildura region carrying over $1 million in debt each, borrowing throughout the drought to maintain their irrigated properties.

With this background information it is clear that the Mildura region is very dependent on water security and water availability and that our economy is largely driven by irrigated horticulture and associated food processing. It is also clear that this region has been very conservative with water usage and has adapted water saving and efficient practices which have benefited river and environmental health. With predicted world food shortages, this region has a range of opportunities to continue to grow its food production sector however this would be significantly constrained by the proposed policy of Sustainable Diversions Limits (SDLs) of 27-36%.

The proposed plan needs to take into consideration and optimise social and economic conditions to facilitate innovative and sustainable food producing communities across the Murray Darling Basin as well as healthy river systems. If assessing these principles requires a review of the Water Act 2007, then this must also be addressed.

Background Data and References.

A range of data and research work was evaluated and utilised as part of this submission

- ABS National Regional Profiles – Mildura Region
- Mildura Region Economic Profile 2009 – Mildura Development Corporation
- Lower Murray Water Annual Report 2009-2010/ Lower Murray Water website (www.lmw.vic.gov.au)

- Western Murray Irrigation www.westernmurray.com.au
- Mallee Catchment Management Authority
- Lower Murray Darling Catchment Management Authority
- Mildura Rural City Council
- Local commodity groups
- Judith Stubbs & Associates: Exploring the relationship between community resilience and irrigated agriculture in the Murray Darling Basin: Social and Economic impacts of reduced irrigation water. July 2010.
- AEC Group, Mildura Social and Economic Impact of Drought – Mildura Rural City Council. September 2009.
- Adrian Rizza: The potential effects of changes to water allocation policy on financing the agricultural sector and businesses in the Murray Darling Basin. Report to the Murray Darling Basin Authority. October 2010.