Riverina

Wine Grapes Marketing Board

Submission
to the

Senate Standing Committee on Rural Affairs and Transport

The Management of the Murray-Darling Basin

December 2010

Introduction

The Wine Grapes Marketing Board "Board" is a New South Wales Statutory Authority representing 425 wine grape producers based in the Riverina region and encompassing the City of Griffith and the Local Government Areas of Leeton, Carrathool and Murrumbidgee.

The Board is constituted in accordance with the *NSW Agricultural Industry Service Act 1998* and it provides industry services as prescribed in the *NSW Wine Grape Marketing Board (Reconstitution) Act 2003.*

Wine Grape production in the region is irrigated based through water delivered by Murrumbidgee Irrigation, Coleambally Irrigation, Ground Water aquifers, River pumping from the Murrumbidgee and the Lachlan Rivers at Hillston.

Regional production of wine grapes is based on an area of 22,000 hectares producing approximately 300,000 tonnes of wine grapes that are made into wine for exports markets and domestic consumption. The region produces close to 15% of Australia's wine grape production. 76% of the region productive area is currently utilising drip irrigation techniques.

Responses to Terms of Reference

(a) The implications for agriculture and food production and the environment.

As mentioned in the introduction the region is predominately based within areas serviced by irrigation corporations. Such systems can become inefficient if irrigation entitlement is reduced (at the levels as proposed in the Guide). The implications to agriculture of a reduction in water availability in the Riverina region will be the major reductions in efficiency of the delivery systems of the irrigation corporations that will lead to increased costs to those irrigators that remain. The fixed operating charges of the irrigation corporations are presently socialised across all water entitlement holders (based on their entitlement type), the less entitlement holders there are means that those that remain will be faced with increased costs.

Any increase in the costs of irrigation water will see a reduction in the regions productive and economic activity.

It should be noted that this region employs a tiered licence system for irrigation entitlements, High Security, General Security and Stock and Domestic. It is vital that the hierarchy (set by the State) remain as it provides stability in the region in terms of access for permanent plantings and investments in property and water.

This region also faces risks in reduced delivery reliability if reductions via the Sustainable Diversion Limits are used. Many of our regions most productive and water efficient producers have developed substantial green field sites on the outer reaches of the irrigation system. With a reduction in entitlement allowance in this region many of these farms may experience reduced flows that will lead to production losses under the proposal in the Guide.

(b) The social and economic impacts of changes proposed in the Basin

The region is already suffering due to a decline in returns for wine grapes that has existed for a number of years and is well publicised through the media. Wine grape producers presently cannot realise the value of their vineyards should they seek to exit from the industry due to the devastating impact of the release of the Guide. The real-estate market of any value has disappeared in light of the Guide being released. Industry confidence and community confidence has been eroded significantly.

Unless the government takes appropriate steps to ameliorate the effects of the current Guide confidence will remain low until well after this entire matter is formally resolved. The Guide should be taken of the immediate political agenda.

(c) The impact on sustainable productivity and on the viability of the Basin

Reduction in irrigated agriculture is going to occur on a major level if the SDL's as proposed are introduced. Productivity gains made in recent years will be eroded as adoption of non-sustainable technology continues to occur. Many wine grape producers have moved to high technology irrigation systems as a means to increase water use efficiency but these have come at a high cost and the majority are powered by electricity (non-sustainable). Investment in viable green technologies such as solar power or renewable energy sources such as bio fuels must play a linked role in any long term plan to reduce irrigation entitlement from consumptive use.

(d) The opportunities for a national reconfiguration of rural and regional Australia and its agricultural resources against the background of the Basin Plan and the science of the future.

The future sciences are only predictions that we will need to live with less water availability and more variability within the climate. Such predictions have become mainstream and now form government policy that more and more pundits within the scientific community and irrigation

community are saying is deeply flawed. Many of the scientists behind the Guide said that the Basin's dams would never again be full they are current being proven wrong.

In the Riverina region given a continuation of reliable irrigation entitlement production of wine grapes will continue, grape vines will adapt to a change in the climatic environment and continue to produce wine grapes. In other countries wine grapes are dry grown in desert climates using nightly moisture trapping techniques to grow the crop so systems such as those could be used in this region, this system technique however are extremely inefficient in terms of yielding capacity against the capital and labour investment required. It is presumed that some varieties will be more adaptable than others and these will likely be focused upon if climate change does occur.

Forced change is going to occur as a result of the Basin Plan. Engineering a reconfiguration of rural and regional Australia would not be practical or feasible unless billions are invested in systems that can utilise the existing human resource available in the region and provide employment in systems requiring minimal irrigation inputs. Many wine grape growers will simply leave areas that are not sustainable and they will move to the cities in search of employment. Such a transfer of population will cause increased problems in major capital cities.

If wine grape growers are able to capitalise on the sale of existing property and water they may look to relocate to other wine production regions within Australia.

Existing projects such as EVO cities and the federal funding of Regional Development Australia are all opportunities that will not yield dividends without these regions having sufficient industry underpinning them. Without water these regions will suffer.

(e) The extent to which options for more efficient water use can be found and the implications of more efficient water use, mining and gas extraction on the aquifer and its plant technology

Irrigation efficiency in wine grapes has been well researched and implemented. In this region 76% of the region is utilising drip irrigation techniques. Many other producers would transfer but they are prevented to by the barrier which exists, these being a reduction in returns for their grapes and the desire to keep systems simple and have less capital invested on-farm. The government needs to focus on off-farm infrastructure that will realise water savings. In the first instance the open channel system needs to be overhauled to reduce evaporation and seepage. Many of these are approaching 100 years of age and are due for maintenance.

Any investment in infrastructure needs to occur alongside of the existing buyback plan or it could lead to inappropriate investments being made and gold plated stranded assets becoming the normal outcome of an ad-hoc system.

(f) The opportunities for producing more food by using less water with smarter farming and plant technology

Irrigation timing and use has been well researched the industry with co-investment from the federal government over many decades has seen great increases in the way water is managed on-farm. The simple practice of running water is no more, this is due to the cost of the product and the value on the open market for tradable savings that may eventuate should a producer make on-farm savings.

The only way to further reduce water requirements without adopting genetically modified options would be to address plant and soil suitability. Many soil types that are used in irrigation are not highly suitable. Soils with a greater water holding capacity should be exploited in the first instance. This area was once the domain of state agricultural departments but has been free up many years prior to allow individuals the opportunity that was not presented to the regions pioneers.

To introduce a soil based system does not readily accommodate the variability of the soils across Australia, the basin or within farms. In the Riverina MIA alone there are approximately 30 difference soil types with the predominate soils being a clay loam to a sandy loam. Soils that are generally sandy will utilise more water or if managed and monitored appropriated will require more frequent watering in smaller amounts to reduce irrigation waste.

Our history of use and land ownership based on set areas of country (generally rectangular) has limited the effectiveness of any change to smarter systems without requiring many to forego some productive land for the greater good.

(g) The national implications of foreign ownership, including

(i) Corporate and sovereign takeover or agricultural land and water, and

It is deeply disturbing the level of international financial interest in Australian agriculture. Unless the federal government looks to legislate to prevent this or to enable such transactions to be available to Australian investors seeking to invest in the countries that invest here it is dangerous.

(ii) Water speculators

Water speculation will always be a function of an open trade system.

(h) Means to achieve sustainable diversion limits in a way that recognises production efficiency.

This term of reference will put region against region. If the same proposal is used based on farm gate returns it may limit the production of many valuable food crops. Irrigated agriculture has too many variables attached to it to be limiting the systems based on such subjective measures. The SDL's do not recognise the quality of life that come from working and living within a rural community.

If production efficiency were to be taken into account how would measures such as proximity to market, resources and infrastructure be accounted for? Would the measures look at planting spacing. In viticulture yields her hectare can be a function of the distance between vines and row spacings. Other crop husbandry techniques such as using a single or double wire can manipulate yields per hectare.

If the wine industry were to be explored in detail the returns per bottle may become a measure of efficiency but as it is a luxury item the value is more a function of the market that it sell into rather than the value of the product in the bottle.

SDL's through the purchase from willing sellers would be most appropriate avenue but this must tie closely with the investment to infrastructure to ensure that stranded gold plated assets do not occur.

(i) Options for all water savings including use of alternative basins

Water can be saved if investment was to occur on a grander scale, irrigation water could be delivered to existing irrigation regions via a series of pumps and pipes from the storage systems, these could approximate the path of the river(s) system. Such water could be delivered from the bottom of the dams and being piped would not impact of ecosystems and important fish breeding events.

The dams could then be managed through existing spillways and outlets to approximate the normal ebb and flow of the river to enhance the environment. However if this was to be achieved as nature intended many areas would be subject to regular flooding.

The Murray Darling Basin is a function of successive generations of development of the technology and the means of harnessing water to serve the nation and ensure that communities thrive. As a nation we should not be looking to retreat from further development through SDL's as much as a nation we should not be retreating from enhancing the environment in which we live. To that end it is critical that the federal government to investigate other options for water storage within the Basin.

Australia as nation will never move forward unless alternative storage solutions are found and developed. To limit the productive base of the country by taking away this vital asset would be an insult to all those that strived to develop Australia's irrigation industry.

(j) Other related matters

No comment.

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