

# Socio-economic effects of the Murray-Darling Basin Plan

## Australian Dairy Industry Council

### 450 GL 'upwater'

The Murray-Darling Basin Plan aims to recover 2750 billion litres (GL) for the environment by 2019. The extra 450 GL 'upwater' was a last minute deal between the Commonwealth and South Australia in October 2012. Stakeholders had an opportunity to comment through two quick parliamentary inquiries on the enabling legislation the Basin Plan was signed on 22 November 2012.

### The socio-economic neutrality test

Under the Basin Plan, the 450GL is **conditional on causing no additional adverse socio-economic effects**.

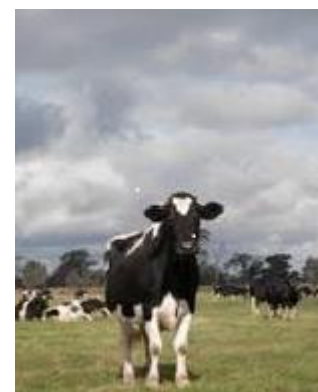
This 'neutrality' test is measured by individual farmer participation or State projects. The individual participation test does not consider how communities, service industries and the water market are affected. The more water that leaves agriculture, even with farm upgrades, the more water prices rise.

In short, many farmers already no longer own enough water to run upgraded irrigation systems, no matter how efficient the system, and they can't afford to buy more water on the open market, particularly in dry seasons

### Socio-economic effects of the Basin Plan water recovery to date

More than 1700 dairy farms are in the Murray Darling Basin, 98% family owned. They produce 28% of Australia's milk, worth \$1.3 billion at the farmgate, and employ more than 12,000 regional Australians.

The dairy industry has funded or co-funded three studies on socio-economic effects of water recovery so far.<sup>1</sup> All show substantial losses in water affordability and availability, milk production and investment confidence.



#### **Aither report:**

- Buybacks have shrunk total pool for irrigation by average 15% a year.
- Temporary water costs \$14 - \$36/ML more now in an average year like 2014-15.
- Temporary water costs \$24 - \$49/ML more now in a dry year like 2015-16.
- Farmers' net returns \$440m more if buybacks allocations used in agriculture 2008-09 and 2015-16.
- 450 GL upwater impact on water price could be as large or larger than buybacks.

#### **RMCG report on Goulburn Murray Irrigation District (GMID) and southern Basin:**

- Reduced water availability due to buybacks is costing \$550m a year in lost production in GMID.
- Dairy is worst hit, losing \$200m at the farm-gate, \$360 million in processing output
- Mixed farming is losing \$25 million a year in annual farm-gate value.
- Horticulture in southern Basin largely unaffected for now, but faces 15% contraction in the next drought.
- GMID irrigators paying \$20 million a year more for temp water than without the Plan.
- Impacts at least 50% worse if 450GL 'upwater' recovered from irrigators, regardless of the method.

#### **Land and Water Use Mapping in the GMID 2015/16 (final report pending)**

- GMID viability depends on the dairy industry as the largest water user and land footprint.
- Milk production is still closely linked to water use: 25% drop in water use since 2006 = 26% drop in milk.
- Dairy farmers now rely more on the water market, but volatile water prices are stifling business confidence.
- Farmers are uncertain about adequate water availability and this is a barrier to investing in improved irrigation practices.

<sup>1</sup> 'Water market drivers in the southern MDB: Implications for the dairy industry'. Aither report for Dairy Australia 29 July 2016. 'Basin Plan: GMID socio-economic impact assessment' RMCG September 2016, for GMID Water Leadership Group. 'Regional Irrigated Land and Water Use Mapping in the GMID 2015/16' (Final report pending). Report by HMC Valuers and Agriculture Victoria. Project funding partners: GBCMA, DELWP, DEDJTR, Dairy Australia, GMW, GMW Connections, NCCMA.

## Dairy outlook

The overarching picture is that dairy maintains a strong profile in the GMID. But resilience is wearing thin with falling production, less water being used and more exposure for farmers to a volatile water market with higher prices.

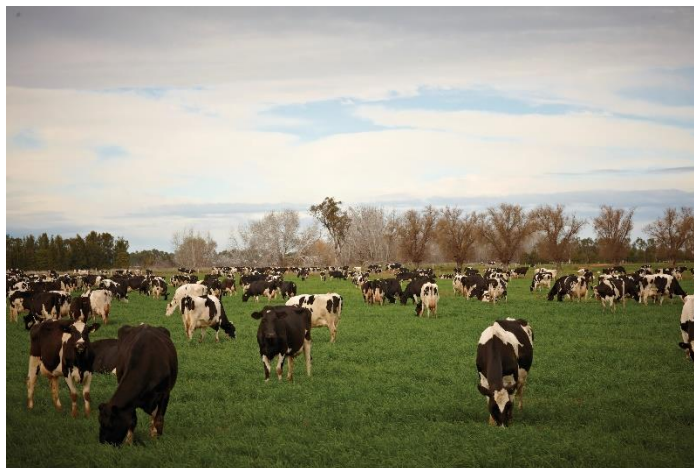
The ability of dairy farmers to withstand climate and commodity volatility is compromised by less water being available, higher water prices and increased competition from downstream industries such as nuts and cotton.

While dairy farmers are able to flex production systems to cope with seasonal and market volatility up to a point, they can't do so at a profit; milk production is still closely linked to water availability and affordability.

The GMID dairy industry, which produces a quarter of Australia's milk and is home to 16 processing factories, is especially vulnerable to any further reduction in water available for production in the southern Basin.

## Australian Dairy Industry Council position

- Meet the 2750GL target in full before considering the 450GL 'upwater'.
- Assess the potential socio-economic effects of the 450 GL 'upwater' before recovering it.
- Measure the socio-economic effects at a community, rather than individual, level.
- The Basin Ministerial Council to determine terms of reference for the socio-economic study.
- Ensure the full 650GL in environmental offsets are reflected in the water recovery models.
- Maximise environmental water efficiency before recovering more water from irrigation communities.



### For more information:

Daryl Hoey, Chair of Australian Dairy Farmers' Basin water taskforce, dairy farmer at Katunga in northern Victoria.  
M: 0407 582 982 E: [dmlhoey@bigpond.com](mailto:dmlhoey@bigpond.com)

Betty Helou, Australian Dairy Farmers policy officer. P: 03 8621 4200 E: [bhelou@australiandairyfarmers.com.au](mailto:bhelou@australiandairyfarmers.com.au)

Claire Miller, Dairy Australia Manager Policy Strategy. M: 0409 509 677 E: [cmiller@dairyaustralia.com.au](mailto:cmiller@dairyaustralia.com.au)

## Murray-Darling Basin Plan background

The Murray-Darling Basin Plan will recover 2750 GL for the environment. The 2750 GL target is split between the southern Basin (2289 GL), the northern Basin (390 GL) and disconnected catchments (71 GL). The target includes a proposed 650 GL in environmental works and measures ('downwater') to reduce water recovered from farmers.

The MDBA has proposed lowering the northern Basin target to 320 GL after its socio-economic review revealed substantial job losses and economic disadvantage linked to water recovery for the environment.

## Water recovery to date

As of 30/11/2016, 2004 GL has been recovered, including 1659 GL in the southern Basin. This includes 1127 GL in water entitlements bought from irrigators and contracted savings from infrastructure projects underway.

### Southern connected Basin progress on water recovery 30/11/2016 – 2750 GL Basin Plan

States	Target GL	States' share %	State targets (GL)	Recovery to date (GL)	Gap (GL)
SA	2289 GL	8%	183.8	143.9	39.9
Victoria		45.9%	1052.3	800.6	251.7
Southern NSW		45.7%	1048	709.7	338.3
ACT		0.02%	4.9	4.9	0
Totals		99.8%	2289	1659	629.9

