



**Submission to the  
Senate Select Committee on the  
Murray-Darling Basin Plan**

5 October 2015

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## NFF Member Organisations



Goat Industry Council of Australia Inc

NEW SOUTH WALES IRRIGATORS' COUNCIL

Real benefits. Real results.



GrainCorp

RIDLEY



RICEGROWERS' ASSOCIATION OF AUSTRALIA INC

Animal Medicines Australia



Australian Chicken Growers' Council Ltd



The National Farmers' Federation (NFF) was established in 1979 and is the peak national body representing farmers, and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

Following a restructure of the organisation in 2009, a broader cross section of the agricultural sector has been enabled to become members of the NFF, including the breadth and the length of the supply chain.

While our members address state-based 'grass roots' or commodity specific issues, the NFF's focus is representing the interests of agriculture and progressing our national and international priorities.

The NFF has for 36 years consistently engaged in policy interaction with government regarding a range of issues of importance to the sector including trade, education, environment and innovation to name a few.

The NFF provides a unique viewpoint on water policy issues with a long history of involvement in water policy reform. On matters related to water and irrigation, NFF is the only national body that brings a 100% farmer-focused viewpoint. We represent the interests of farmers that are affected by water management decisions including irrigators, riparian and floodplain landholders.

The NFF is committed to advancing Australian agriculture by developing and advocating for policies that support the profitability and productivity of Australian farmers.

## **Statistics on Australian Agriculture**

Australian agriculture makes an important contribution to Australia's social, economic and environmental sustainability.

### **Social >**

There are approximately 115,000 farm businesses in Australia, 99 percent of which are family owned and operated.

Each Australian farmer produces enough food each year to feed 600 people, 150 at home and 450 overseas. Australian farms produce around 93 percent of the total volume of food consumed in Australia.

### **Economic >**

The agricultural sector, at farm-gate, contributes 2.4 percent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2013-14 was \$51 billion – a 6 percent increase from the previous financial year.

Yet this is only part of the picture. When the vital value-adding processes that food and fibre go through once they leave the farm are added in, along with the value of all economic activities supporting farm production through farm inputs, agriculture's contribution to GDP averages out at around 12 percent (over \$155 billion).

### **Environmental >**

Australian farmers are environmental stewards, owning, managing and caring for 52 percent of Australia's land mass.

Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 94 percent of Australian farmers actively undertaking natural resource management.

The NFF was a founding partner of the Landcare movement, which in 2014 celebrated its 25<sup>th</sup> anniversary.

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## 1. Executive Summary

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The NFF supports a Basin Plan that balances social, economic and environmental objectives. The Basin Plan to date, has not met this objective. It is the NFF's belief that environmental values have been prioritised over social and economic values in the Murray-Darling Basin Plan (MDBP) process.

An accurate picture of the real social and economic impacts on irrigation communities has been missed at the sub-regional level, where the impacts are most prevalent. Social and economic impacts at this sub-regional level may also take some time to become more obvious.

The NFF has made a number of recommendations in this submission that, if adopted, could considerably improve some social and economic outcomes for the Basin and those who live and work in it. The most important issues raised are the need for:

- the 450Gl up water threshold to be put on-hold until the Government can better demonstrate real environmental progress with the 2,750Gl;
- clarification of the roles and responsibilities of different agencies involved in the MDBP.
- current MDBP deadlines to be extended;
- independent research to be undertaken of high risk irrigation communities across the Basin to identify social and economic impacts at the sub-regional level; and
- the Northern Basin Review scope to be widened to ensure all northern catchments are included and that the full 650GL will be achieved.

It is the NFF's view that better outcomes for the MDBP will only be achieved with the application of subsidiarity, localism and adaptive management – a promise that has not yet been effectively delivered by the MDBP.

The NFF suggests that the Murray-Darling Basin Authority and other relevant authorities partner with Catchment Management Authorities or industry groups to facilitate catchment scale consultation processes that will help to resolve ongoing tensions between government and farmers.

The NFF proposes three specific ideas for collective action that could provide better adaptation pathways for MDB farmers:

- training and capacity building for MDB irrigators;
- individual property risk assessments for SDL adjustment projects; and
- partnering with local expertise to manage risks of SDL adjustment projects.

Finally, the NFF proposes a working group be established between industry groups and the MDBA, to discuss the issues and proposals outlined in this submission further.

## **2. Summary of Recommendations**

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**Recommendation 1:** The 450Gl up water threshold to be put on-hold until the Government can better demonstrate real environmental progress with the 2,750Gl.

**Recommendation 2:** An independent review to be undertaken to clarify the most effective delineation of roles and responsibilities of the many different agencies involved in environmental water management for the MDBP.

**Recommendation 3:** Current MDBP deadlines to be extended to more realistic timeframes that will allow more time for industry consultation and minimise unnecessary impacts on MDB farming communities.

**Recommendation 4:** An independent research project to be undertaken of high risk irrigation communities across the Basin to identify the extent to which sub regional areas are experiencing social and economic impacts from the MDBP.

**Recommendation 5:** Additional resources to be made available to undertake individual site assessments for landholders concerned about SDL adjustment projects.

**Recommendation 6:** Where flooding of private land cannot be avoided, the Basin Plan should compel the Authority, Environmental Water Managers and Governments to either pay compensation and/or seek to enter into a flood easement negotiation with the affected landholder(s).

**Recommendation 7:** Government to widen Northern Basin Review scope to ensure all northern catchments are included to maximise their contribution to the 650GL to be achieved.

**Recommendation 8:** SDL hydrologists/planners to be relocated closer to the communities affected by SDL projects.

**Recommendation 9:** Independent research project to be undertaken to increase our understanding of MDB industry responses to decreased water availability and increased water.

**Recommendation 10:** Resources for training and capacity building for irrigators be made available to MDB industry groups.

**Recommendation 11:** State governments to coordinate efforts and resources to reduce transaction times for water trades to be approved.

**Recommendation 12:** MDBA to partner with industry groups and / or Catchment Management Authorities to establish landholder consultation groups in each MDB catchment.

**Recommendation 13:** The MDBA to explain why costs for MDBA are increasing when the role of the MDBA is easing.

**Recommendation 14:** A Basin-wide dialogue on the Lower Lakes is facilitated as soon as possible, including options for reducing requirements for fresh water.

### 3. Introduction

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The National Farmers' Federation (NFF) welcomes the opportunity to provide a submission to the Select Senate Committee on the Murray-Darling Basin Plan (MDBP).

The NFF is supportive of the MDB Authority's (MDBA) efforts to manage the river systems of the MDB. There is much ongoing debate, however, about how environmental values should be reconciled with food and fibre production, and other industries in the MDB. A critical issue in this debate is how to achieve the right balance between environmental, economic and social needs. It is the NFF's belief that environmental values have been prioritised over social and economic values in the delivery of the MDBP.

It is within this context that the NFF has prepared this submission. We believe that common sense, due diligence and social justice for those who are impacted by the MDBP must be at the forethought of all actions to implement the Plan if we are to genuinely meet the MDBP goal of triple bottom line accountability.

This inquiry provides an opportunity to reflect on what has been learned and to develop a better way forward. This is an important point in time with many farming families emerging from a prolonged period of drought and adversity surrounding the implementation of the MDBP. The passing of the 1500GL cap on water buybacks and the release of the independent SDL stocktake report this year were well received by farmers. There is now an opportunity to build on this through the effective roll out of the SDL mechanism. This will best be achieved in close consultation with industry groups.

The NFF has gone to extensive effort to develop a thoughtful submission, presented in two parts:

- Part A responds to the terms of reference for the Inquiry
- Part B presents some ideas for projects that the farming community, Government and MDBA can collectively implement to better meet the stated political objectives of triple bottom line outcomes of the MDBP.

While the formal process of the MDBP inquiry will end shortly, the NFF seeks continued dialogue through a working group in partnership with the Authority and other Government agencies in the following weeks to discuss the issues and proposals outlined in this submission.

## **PART A**

The NFF believes that achieving the environmental goals of the Basin Plan does not need to be at the expense of our food and fibre producers and their communities. We can have both good environmental outcomes and viable farming enterprises in the MDB.

To achieve this however, water policy must be considered in the context of other complex challenges faced by farmers, such as declining terms of trade, market variability and prolonged drought conditions. Subsequent population loss, business closures, decline in agricultural employment, and an aging farming workforce in regional Australia compound this.

For farmers, the workplace is also often the family home, so there is a different relationship to place, work and to one's employment in comparison with other economic sectors. It is not a simple matter to relocate or change jobs as you might in some industries, such as car manufacturing. Any adaptive response to the MDBP, therefore, needs to be seen and understood in this wider context with cumulative factors also flowing onto the local MDB communities that are intrinsically linked to the wellbeing of farmers.

With this wider context in mind, the following issues and recommendations are matters specifically related to the MDBP that our members are most concerned about and want the Inquiry to take action on, in order of priority.

### **4. Demonstrate environmental outcomes**

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NFF are of the strong view that there is a need to better demonstrate the environmental impacts of water that has already been recovered from the MDB before further water recovery measures are taken.

NFF questions the robustness to the current approach for monitoring and evaluating the achievement of environmental outcomes from the MDBP. While there is some monitoring activity for environmental water events, NFF does not yet have confidence that a system is in place that will enable the measurement of the overall effectiveness of the collective environmental watering efforts.

No reliable science or data is available to calculate the specific amount of water - be it 2,000 GL, or 3,000 GL or 2,750 GL - that actually needs to be removed from irrigation and diverted to environmental flows in the MDB in order to ensure the river system remains 'sustainable'. Despite this, there are 'experts' ready to criticise any Basin Plan that identifies a lower amount of water reallocation, and that use imperfect 'science' as a basis to support their argument.

To reinforce the fragility of the science, and in particular the ability to identify and measure the environmental benefits associated with the extra environmental water, the National Water Commission made the following comments in its review of the National Water Initiative:

*‘There has been some progress across jurisdictions in the development of environmental management institutions and their capacity to deliver environmental water. However, accountability for environmental outcomes remains weak. In particular, monitoring capacity is often inadequate, the necessary science to link environmental watering with ecological outcomes is generally weak, and there is a lack of transparent reporting of results.*

If monitoring and reporting were to be undertaken, the NFF would expect to see the results of that activity clearly demonstrated. This would provide more accountability associated with environmental outcomes being achieved from water being removed from productive food and fibre industries. This is must be demonstrated before more water is recovered.

The NFF also believes that the Basin Plan has not adequately considered alternatives to removing water from industries and communities for achieving environmental outcomes. It is reasonable to expect that if social and economic impacts were to be optimised, non-volume considerations (such as environmental works and measures, infrastructure investment, river operations) to achieve desired environment outcomes would have been considerably more prominent in the Basin Plan, and not just the focus of the additional 450GL facilitated by the SDL adjustment mechanism.

**Recommendation 1: The 450GL up water threshold to be put on-hold until the Government can better demonstrate real environmental progress with the 2750GL.**

## **5. State and Commonwealth coordination**

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The *Water Act 2007* has in effect created a concentration of power and decision making on MDB matters in Canberra. With the implementation of the MDBP moving to a regional focus, this concentration of decision making in Canberra is no longer appropriate.

In NFF’s view, responsibility for water planning management should be devolved to the lowest possible scale to enable the inclusion of local knowledge and expertise in regional water management decisions. This would require the MDBA to take a ‘step back’ to enable State governments to more effectively do their job.

A review is needed to clarify the most effective delineation of roles and responsibilities of the many different forums and agencies involved in environmental water management for the MDBP. Clarifying roles of MDBA and the States should ensure the principle of subsidiarity is better integrated into the MDBP framework. An institutional restructure is necessary to gain sufficient and effective participatory approach to river / water management at the regional level. We also need to introduce a more coordinated approach across a larger physical scale, integrating and aligning efforts at the subregional level and involving greater community participation.

The NFF is of the view that there is a need to review the structures and processes associated with catchment scale environmental water planning and management to ensure collaboration happens as a matter of course, not just as a matter of practice. For example, a critical part of the watering plans will be coordinating watering events with the states, which also hold significant parcels of environmental water and a large number of the environmental assets to be sustained. In addition, and probably most importantly, the states also control most of the methods by which the water will be delivered.

**Recommendation 2: An independent review to be undertaken to clarify the most effective delineation of roles and responsibilities of the many different agencies involved in environmental water management for the MDBP.**

## **6. Unrealistic timeframes**

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The Australian Government keeps reiterating that it is ‘fundamentally and absolutely’ committed to implementing the Basin Plan on time, in full and on budget. The dialogue is plagued with numbers and absolute statements that, in the given timeframe, are going to be very hard to achieve and run the risk of causing unnecessary impacts on MDB farming communities through rushed decision processes.

Of particular concern to us, is the sense of urgency and absolutes set down by the Inter-governmental Agreement, which is hampering the ability of authorities to progress the Constraints Management Strategy. We would like to see a longer timeframe given that would enable a more rigorous investigation of stream flows and flood levels in particular.

For example, despite State government proponents of SDL projects working to a November deadline for project proposals to return 650GL to the environment, the MDBA still hasn't finalised how it will handle impacts to landholders from increased environmental flows, which ramps up the likelihood of floods wiping out public and private infrastructure, as well as stock and crops.

The common sense question we should be asking ourselves is what do we want to achieve by 2024, what processes do we need in place to get there and what will it cost compared to the benefits instead of using absolute language that is used around timeframes as if not meeting a timeframe is worse than causing adverse impacts on farmers.

We believe there is a quiet conversation already happening within agencies responsible for water management along these lines that is being shut down by MDBA absolutes. These timeframes and absolute numbers are not helpful, when more time may show that less water is actually needed and tight timeframes are unlikely to be met regardless.

**Recommendation 3: Current MDBP deadlines to be extended to more realistic timeframes that will allow more time for industry consultation and minimise unnecessary impacts on MDB farming communities.**

## 7. Social and economic impacts of the MDBP on farmers

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*Under section 20(d), the Basin Plan must provide for 'the use and management of the Basin water resources that optimises economic, social and environmental outcomes'.*

*Furthermore, section 21(4) states that the Authority and the Minister must 'act on the basis of the best available scientific knowledge and socio-economic analysis' (subsection (b)) and have regard to the consumptive and other economic uses of the Basin water resources (subsection(c)(ii)).*

The difficulty imposed by uncertainty and the emotional impact the MDBP has had on MDB farmers is causing a considerable groundswell of discontent and anxiety in some farming communities. We refer the Committee to numerous individual submissions from farmers to this Inquiry that provide examples of local impacts.

More understanding of the social and economic impacts of the MDBP is required at the sub-regional level to help untangle the web of factors that could be impacting on disaffected farmers in MDB regions.

It is important, when looking at social and economic impacts to recognise that even though some farmers may have benefitted from voluntarily selling their water entitlements to the Government, there can still be significant flow-on impacts on local communities that are supported by agriculture. These flow-on impacts from the MDBP are most prevalent for smaller communities with a greater dependence on irrigated agriculture and less diversified economies. The NFF believes these localised impacts are not being picked up in Basin-wide aggregated socio-economic research analysis.

For example, in Dirranbandi Queensland where they have had significant buy-back pressures, there has been significant flow on impacts onto agricultural related businesses in town with the loss of an aerial sprayer and machinery dealer/mechanic. Towns like Dirranbandi and St George, where if the full recovery is taken (approx. 142Gl – 42 Shared and 100Gl in-catchment) it could well be the 'straw that breaks the camel's back' as they are already struggling for a whole range of reasons. Current recovery is only at approx. 56Gl so the full impacts of water reform are yet to be felt but early indications are very concerning.

Another consideration is what the MDBP means for the future of farming in the MDB, especially for new entrants coming into farming. In Victoria for example, farmers are very reliant on temporary water markets and some of these are young people trying to get into the market. Their ability to participate has now changed, and is harder, due to the MDBP but we don't really understand what the long-term implications of this might be.

However you look at it, removing 2,750GL of water from production by 2019 will have social and economic impacts, and the full extent of the adjustment required is yet to be fully realised. Due to the Basin Plan, there will be somewhere between 25-30 percent less water available for productive use every year, whether it's a wet year or a dry year, than before the Basin Plan – and that has to have an impact. Lots of other things may be masking the exact nature of those impacts but there will definitely be impacts that we don't *yet* fully understand.

Observing irrigated commodity performance compared to years immediately prior to the Water Act or Basin Plan does not adequately assess the economic impacts of the Basin Plan on the sector. The Millennium drought was followed by some years of relatively high seasonal water allocations. These years of higher allocation coincided with reasonable commodity prices. To attribute upward trends in production or profitability in recent years with ‘industry confidence’ due to the Basin Plan would be incorrect as the opportunity cost of taking water out of productive use is currently masked by current good seasonal conditions for many southern MDB farmers in particular.

With significant volumes of water still to be taken out of the system, it is imperative that we delve down to the sub-regional level to pick up those impacts and manage them before they occur. The NFF believes that these sub-regional social and economic impacts should be given the same level of analysis as *has already* been taken with understanding environmental impacts of the MDBP on a sub-regional level before further water is taken from irrigators. If the same level of investigation had been undertaken of the social or economic impacts of the Plan, many problems now experienced by farmers, could have been avoided or minimised.

As an example, the NFF believes that further water buybacks should be stopped in the Lower Balonne until the northern basin review is completed. This would help to avoid further impacts to that sub-region during the allocation of the shared downstream component.

A genuine, real time evaluation of socio-economic impacts will best be achieved through ‘community consultative’ qualitative research, using structured interviewing, meetings with stakeholder groups and a community survey of irrigators.

**Recommendation 4: An independent research project to be undertaken of high risk irrigation communities across the Basin to identify the extent to which sub regional areas are experiencing social and economic impacts from the MDBP.**

## 8. Effectiveness of Constraints Management Strategy

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The NFF takes this opportunity to highlight the following relevant stated outcomes of the MDBP for the SDL adjustment mechanism:

*MDBP Section 5.06 Objective and outcome*

*Part 1:*

*b) provide greater certainty for all water users, including in times of drought and low water availability; and*

*c) provide time for water access entitlement holders and communities to transition and adjust to long-term average sustainable diversion limits.*

*Part 2:*

*(b) well-informed water recovery measures, including water purchasing and infrastructure, enable a transition to long-term average sustainable diversion limits; and*

*(d) water access entitlement holders and communities of the Murray-Darling Basin are better adapted to reduced quantities of available water.*

### 8.1 Risk assessment for individual properties

The MDBA has made considerable progress in bridging the gap between historical levels of water extraction and the SDL set in the Basin Plan. The recent audit and stocktake of SDL projects has confirmed that efficiency measures can be used to ensure a good outcome. These measures are returning 20 GL of water to farmers but are also delivering 77 GL of water for environmental flows. The NFF supports this initiative but stresses the need to avoid risks of inundation, flooding and other unwanted impacts on the farming community from constraints projects in particular.

Constraints Management Strategy (CMS) is both a highly emotive and political topic and farmers are very concerned about the regulation of large amounts of flow and diversion of water causing flooding and inundation of farmland property and environmental damage from the proposed constraints projects.

The constraints strategy, unless changes are made to reduce risks to farmers, is predicted to be one of the most destructive and divisive elements of the Murray-Darling Basin Plan. We anticipate legal action, civil unrest and further tensions unless there is a significant rethink done to change the current approach.

Environmental flows referred to by the MDBA as “small overbank flows” are actually artificially created flood events that are NOT SMALL. For example, the proposed 20,000-30,000ML/day release between Eildon and Molesworth, is NOT SMALL. This is an enormous amount of water flowing over dry undulating land. The risk of causing flooding is very high, which would make this highly productive farmland useless over successive years.

The NFF remains particularly concerned about the modelling approach that provides the foundation of the adjustment mechanism and notes that the MDB Authority still has not disclosed the assumptions that the model runs on for the SDL adjustment mechanisms. Transparency in establishing this foundation is essential to engendering stakeholder confidence in the projects.

For example, SDL projects below Shepparton will be moving water over large areas of land that has been significantly modified. Any computer modelling for high-risk areas such as this clearly needs to be ground truthed and have input of local knowledge. On-ground observations are needed before, during and after watering events to maximise the use of local expertise and local knowledge that exists in the MDB communities.

It would seem that MDB irrigators are currently expected to absorb any costs associated with flooding and inundation into their budgets. This can result in non-transparent subsidies by farmers to the costs of water supply. This also acts as a barrier to competition because impacted farmers are less competitive in the market. It is NFF's view that where flooding of private land cannot be avoided, the Basin Plan should compel the Authority, Environmental Water Managers and Governments to either pay compensation and/or seek to enter into a flood easement negotiation with the affected landholder(s).

**Recommendation 5: Additional resources (and time) to be made available to offer individual site assessments to landholders concerned about impacts from SDL projects.**

**Recommendation 6: Where flooding of private land cannot be avoided, the Basin Plan should compel the Authority, Environmental Water Managers and Governments to either pay compensation and/or seek to enter into a flood easement negotiation with the affected landholder(s).**

## **8.2 Northern MDB issues**

The NFF believes there is an opportunity for further improvements and adjustments to the SDL's in the north through the Northern Review – and that the Inquiry should bring all the pressure that it can bear on ensuring that the review thoroughly considers all the data, especially social and economic, when finalising the SDL's for the northern MDB.

The Northern Review while welcomed, currently has a limited focus on the Condamine/Balonne and the main run of the Barwon/Darling regions. It is NFF's view that the scope of the Northern Review should be widened to include *all* northern catchments as this would further help to ensure that all, if not more, of the 650GL of environmental works and measures are achieved. We also note, that there is still clarity required around what approach will be adopted if the government doesn't reach targeted reductions in the northern basin by 2019.

Progress within the Queensland MDB catchments on recovery has been slow. Inconsistency in approach to the Queensland catchments has been experienced, with the Lower Balonne experiencing the bulk of buyback-related socio-economic pressure and community impacts. In comparison, the Condamine Alluvium has some willing groundwater sellers but no Australian Government tender success to date due to a non-acceptance of local market signals.

There is also the very specific issue of the conversion factor review that still needs to be resolved for the Macquarie and the Gwydir region, where 30GL or approximately \$100m of recovery has been bought and paid for but not recognised, and must be recognised with no negative impacts on other catchments.

There is support for a focus on efficiency through the Healthy Headwaters project with some further potential for funding projects in the reaches of the Lower Balonne, such as the Bokhara River and Braire Creek, that don't directly link to the Narran or Culgoa environmental assets if these could be considered. There are concerns, particularly in the Lower Balonne and the Border Rivers about the apportionment of the outstanding downstream component and what that means in terms of further economic impacts.

More broadly, there are outstanding questions about the environmental targets (intra-catchment) and the volume of water needed to achieve sustainable use. Again, we stress the need for Government to provide greater justification and evidence about whether environmental targets are already being achieved by water returned before further water recovery is undertaken.

**Recommendation 7: Government to widen Northern Basin Review scope to ensure all northern catchments are included to maximise their contribution to the 650GL to be achieved.**

### **8.3 Use local knowledge to maximise hydrological model outcomes**

To date, there has been minimal engagement with local irrigators and riparian landholders that are likely to be impacted on by SDL supply or constraints projects by State project proponents. At present, there is a very rushed process underway that seems overly reliant on hydrological modelling.

Good planning requires a strong evidence base and good analysis, combined with good judgment by decision makers. Local knowledge is a very important part of analysis that should not be ignored. Irrigators are experts in moving water. They have specific local knowledge about how water moves through the landscape, are innovative and are the most significant parties impacted by supply and constraints projects, hence are motivated to assist. We need a constraints planning process that is receptive to local knowledge and has the institutional framework to integrate that knowledge into the planning process.

The NFF expects project planners to work in closer consultation with farmers to develop and implement projects that avoid problems before they occur, which computers may not pick up. The NFF is of the view that collaboration would be improved if planners were

relocated closer to the communities that will be impacted by the SDL projects. This suggestion is explored further in Part B.

**Recommendation 8: SDL hydrologists/planners to be relocated closer to the communities affected by SDL projects.**

## **9. Impacts of water trading**

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### **9.1 Water price increases**

Price increases in the water allocation and entitlement markets in 2014-15 and 2015-16 will impact all MDB irrigation industries but the extent of impacts and nature of responses may differ from the past due to the extent of different crops in production, and new strategies employed for managing water availability risk.

Changes to water demand (due to shifts in production) may place significant adjustment pressure on some irrigated industries in the coming years if industries with a higher willingness to pay for water drive the baseline price of water to a level above that which other industries with lower price thresholds can afford.

Rural industry stakeholders in the MDB are already expressing concern about price impacts and the growth of industries with a higher willingness to pay for water, including how this may impact the future production and competitiveness of other industries. Given opening prices and the water availability outlook for 2015-16, concern and debate is likely to intensify across the MDB this year.

**Recommendation 9: Independent research project to be undertaken to increase our understanding of MDB industry responses to decreased water availability and increased water prices.**

### **9.2 Water trading**

Water trading has become an important business tool for many MDB irrigators. It allows irrigators to adapt and respond to variable natural water availability, to develop new agricultural ventures by giving irrigators greater flexibility, and by offering a means of managing risk and cash flow. One of the complications associated with water trading, however, is that there are very few substitution possibilities.

While some farmers have secured a good price for their water entitlements, others lost out as prices fell, and the buyout affected everyone with fixed costs going up for neighbouring farms as people sold without the costs of maintaining the irrigation system being sufficiently considered. Industry adaptation at a Basin scale hides some large sub-regional and regional changes that have arisen due to the MDBP.

Even moderate changes in water availability at a basin scale mask substantial negative effects on some regions in the south of the Basin, for example in a dry scenario. Some of these regions are predicted to suffer large reductions in profits and employment in irrigated

agriculture. In less extreme dry weather scenarios, the effects would be much less pronounced Basin-wide, and also regionally. The NFF believes that some of these impacts could be offset through the provision of training and capacity building activities for irrigators. This is explored further in Part B.

**Recommendation 10: Resources for training and capacity building for irrigators be made available to MDB industry groups.**

### **9.3 Regulatory burden**

In the Australian Water Markets report 2012-13 (Water Markets Report 2012-13, pg. 41), the National Water Commission reported that delays in processing water trade applications can impose significant costs on water users.

It is NFFs view that Government needs to reduce transaction times for trades because although there are a number of private companies, such as H2OX in NSW that are providing commercial services, they still rely on state governments to approve the trades. The H2OX exchange currently provides full electronic trading between buyers and sellers, however the electronic processing of transactions into Government Agencies is limited by the capabilities of those Agencies to transact electronically. Anything that could make those trades faster and more efficient would be very important to MDB farmers.

A consistent set of laws, regulations standards and practices across jurisdictions would also assist irrigators (and others) operating in more than one jurisdiction by reducing the costly compliance and regulatory burden they face complying with different legal frameworks to undertake the same activity in different locations. These benefits can be realised by adopting general principles to make a consistent legal framework without the jurisdictions having to necessarily commit to uniformity.

**Recommendation 11: State governments to coordinate efforts and resources to reduce transaction times for water trades to be approved.**

## **10. Other issues**

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### **10.1 Resolving tensions between government and farmers**

Despite the MDB Authority undertaking extensive engagement efforts with MDB stakeholders about the Basin Plan, they are failing to adequately connect with the communities they are impacting upon. To date, the Basin Plan consultation process has not been well received by farmers and work is required to rebuild trust between the MDBA, Government and Basin communities.

There is considerable frustration towards Government and the MDBA for their lack of understanding of what MDB farmers and their communities have endured, and its unwillingness to accept responsibility for poor level of genuine engagement. This is not necessarily the fault of individuals, but a systemic communication problem within the MDBA and in some cases, a misunderstanding of the MDBP by the farming community.

Effective local engagement by outside agencies, such as the MDBA requires processes that promote information exchange within and across communities. The nature of this engagement must focus on rebuilding trust, delivering a clear, co-ordinated and consistent message about what is required and which organisations are available to assist communities in adapting to change. Information and engagement processes must be tailored so that they are relevant and meaningful for specific communities concerned – a one size fits all approach pursued so far is inappropriate.

A long-term focus on adaptation and participatory processes is needed. Adaptation is not simply about responding to external effects, but is about supporting individuals and communities in their responses to a range of shocks, anticipated or otherwise. It is important that those most affected by the Basin Plan, i.e. entitlement holders and riparian landholders, feel some “ownership” of the Basin Plan. Only then will there be acceptance of the outcomes required to give effect to the changes required. Positive interventions are needed.

For affected communities to feel ‘valued’ (genuinely listened to), there needs to be active participation processes for decision making/input at the local level. There also needs to be a feedback loop back to farmers about how their issues have been considered and what impacts they have had on decisions that impact on them and their communities. It is the NFF’s view that the Australian Government is too far removed from MDB communities to be able to implement effective engagement strategies at this level.

The NFF would suggest that the MDBA and other relevant authorities partner with Catchment Management Authorities or industry groups to facilitate catchment scale consultation processes. Catchment Management Authorities and industry groups have generated significant expertise in executing highly effective regional community engagement processes for natural resource management over the last 20 years, often involving farmers.

However it is achieved, empowering individuals and families to better manage change according to their own circumstances is very important. The NFF would argue that partnering with the CMAs or industry groups is likely to be well received by most farmers and presents an opportunity for genuine partnerships with the community at a local level. Refer to Part B for further suggestions.

**Recommendation 12: MDBA to partner with industry groups and / or Catchment Management Authorities to establish landholder consultation groups in each MDB catchment.**

## 10.2 Cost effectiveness of MDBA administration

NFF's view is that more could be done to improve the administrative efficiency and cost-effectiveness of water administration. These areas include the apparent duplication in roles and responsibilities for environmental water management (both between Commonwealth agencies, and between the Commonwealth and the States) and the absence of the regulation of cost recovery for the delivery of services by the MDBA.

The Australian Government has committed \$12 billion to the MDBP reform effort. With it now being appropriate for the role of the MDBA to be reduced as state government's take up their role as water managers, it is hard to understand why there has been recent increases in funding and staffing levels for the MDBA.

According to 2014/15 budget statements, from 2014/15 the estimated actual (\$146,682,000) budget will be increased to 2015/16 (\$173,675,000) an increase of \$26,993,000. The funding increases again in 2016/17 to \$188,629,000. The increase can in part be explained by an \$11m increase in funding by the Australian Government for the Joint program, however, there is a big increase in the Annual Administered expenses: administered items in 2014/15 of \$7m to 2015/16 of \$25m and in 2016/17 of \$40,000 (pg. 247 PBS). Average staffing levels in 2014/15 of 299 are also set to increase by 17 in 2015/16 to 316 (pg. 244 PBS).

This raises concerns about the effectiveness, efficiency, cost-effectiveness and equity of the MDBA administration. It would be useful in our discussions with our members to be able to explain why these increases are necessary when the actual role of the MDBA in our view, should be easing as responsibilities for the implementation of the MDBP are devolved to States.

**Recommendation 13: The MDBA to explain why costs for MDBA are increasing when the role of the MDBA is easing.**

## PART B

The NFF takes this opportunity to reflect on Section 5.02 of the MDBP, which clearly states the following as core objectives and outcomes to be achieved by the Basin Plan that are worth revisiting:

*MDBP Section 5.02, Part 1*

- b) 'establish a sustainable and long-term adaptive management framework for the Basin water resources, that takes into account the broader management of natural resources in the Murray-Darling Basin; and*
- c) to optimise social, economic and environmental outcomes arising from the use of Basin water resources in the national interest; and*

*MDBP Section 5.02, Part 2:*

- b) productive and resilient water-dependent industries, and communities with confidence in their long-term future.*

*MDBP Section 5.07, Part 2 The outcome for trading in the water market is the creation of a more efficient and effective market that:*

- (b) enhances the productivity and growth of water-dependent industries; and*
- (c) enables water-dependent industries to:*
  - (i) better manage through extreme events under current climate variability;*
  - (ii) strengthen their capacity to adapt to future climate change.*

*Section 8.39 Principle 7—Working effectively with local communities*

*Environmental watering should be undertaken having regard to the views of:*

- (a) local communities, including bodies established by a Basin State that express community views in relation to environmental watering; and*
- (b) persons materially affected by the management of environmental water.*

In this section, the NFF proposes four suggestions for immediate collective action that could provide better adaptation pathways for MDB farmers. These have been prepared in recognition that major structural shifts in irrigated agriculture in the MDB are likely to continue and in some cases intensify in the future and some different approaches are urgently needed that are industry led, and supported by government.

Importantly, these programs will go a long way to helping the Australian Government to keep two important promises described as cornerstones of the Plan:

- localised efforts; and
- adaptive management.

## **11. Training and capacity building for MDB irrigators**

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Water markets and infrastructure investments in irrigation efficiency have largely provided flexibility to support change and allow new and more efficient farming models to emerge. However, with these changes come increased complexity and uncertainty about what this will mean in terms of industry responses to decreased water availability and increased water prices in the future.

The NFF believes that farmers are not well prepared to conduct their business in an increasingly complex water trading environment and this is likely to have severe negative impacts on some groups more than others. The level of adaptation and change expected of MDB irrigators could be better supported through workshops and supporting material for farmers to help them to better understand water markets and how their business is likely to be impacted on a day to day basis.

Specifically, training and capacity building is needed to help farmers to better understand and respond to:

- seasonal increases in prices for both water entitlements and allocations;
- changes in the structural composition of irrigation industries;
- water use efficiency measures;
- water allocation markets to meet their needs;
- hydrological constraints and trade rules; and
- deteriorating seasonal conditions, i.e. at what stage do you need to reduce production for the period that prices remain above respective price thresholds?

The NFF proposes a targeted and relatively intense approach based on leveraging the NFF's and other industry groups membership in the southern and northern MDB regions. Our proposed approach would involve a rapid development of training materials (much of which is already available), consultation and engagement, trials and coordinated delivery throughout the southern MDB regions initially and extending to the northern basin regions later in 2016/17.

These are complex matters that farmer/irrigation organisations are best placed to answer. We believe that for this to be successful, this must be developed and delivered by farmers to farmers, working in close consultation with the MDBA and government.

## **12. Individual property risk assessments for SDL projects**

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The MDBA states that in Phase 2 of the Constraints Management Strategy, it must be shown that the project is viable, achievable technically and economically, whilst identifying remaining risks and mitigation.

Essential to achieving this is that any water held by environmental water managers is managed efficiently with due diligence taken in the planning stages (that is now) to ensure that farmland will not be unnecessarily subject to flooding and inundation.

The risk of flooding productive farmland due to SDL water recovery efforts is now a primary concern for the NFF. As stated already, we believe that the best way to avoid this, is to use local knowledge to ground truth hydrological assumptions, before problems occur.

The MDBA has expressly stated, “localism has been hard-wired in the Basin Plan.”

It is the NFF’s strong view, that better outcomes for SDL projects will be achieved if processes are in place to integrate local knowledge into the planning process and individual property risk assessments are made available to concerned landholders. This also provides an opportunity to address property owner’s concerns directly and identify any communication problems before they occur.

## **13. Partnering with local expertise to manage risks of SDL projects**

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MDB landholders, and particularly farmers, have a right to debate the hydrology assumptions behind constrains measures. In this way, the constraints process could become a 'learn as you go' exercise, with irrigators and environmental managers having the flexibility to reduce the risk of environmental and property damage to individual landholders and adjust to changing situations as they evolve, rather than locked into rigid positions.

One of the biggest challenges for government working at a local level is that planning officers are often working as outsiders to MDB communities and are largely unknown to community members or government agencies within the Basin. This can result in misunderstandings and disconnect between decision makers and those impacted by their decisions.

One way to overcome this is to locate project managers closer to the community, as already mentioned in this submission. A revised local consultation/engagement strategy is needed that places government decision makers within the communities that are likely to be impacted by those decisions to ensure greater level of accountability and significantly reduce the risk of mistakes being made.

The NFF believes that project proponents in each region should be required to partner with industry groups or regional CMAs to undertake consultation processes that seek input from local irrigators and riparian landholders who understand the landscape and have been successfully moving water in these areas for decades.

## **14. Open dialogue on lower lakes**

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A large issue in relation to implementation of the MDBP lies with the difficulties in reaching a consensus between all basin states in relation to how the Lower Lakes should be managed. NFF submits that a Basin-wide dialogue on the Lower Lakes with a focus on identifying options to reduce the requirement for fresh water in the Lakes, is urgently required.

Regardless of competing views on this subject – and there have been many – rural communities should have the confidence that all avenues are being investigated in order to balance the environmental, economic and social needs of the Basin, including those that might be politically sensitive. Various reports have pointed to the fact there may be a number of ways to improve and maintain Adelaide’s drinking water supply, in conjunction with different ways of managing the Lower Lakes, Coorong and Murray Mouth.

It is not apparent whether any of the identified opportunities for improved hydrological management have been actioned and to what degree. It is assumed that certain works have been undertaken but clarity on outcomes and evaluation of their effectiveness is needed in order to make sensible decisions about the management of the Lower Lakes in the future. Given the proposed recovery in the southern connected system of the Basin, rural communities deserve an explanation as to why this dialogue has not taken place.

**Recommendation 14: A Basin-wide dialogue on the Lower Lakes is facilitated as soon as possible, including options for reducing requirements for fresh water.**