Australian Dairy Industry Council Inc.

17 December 2015

COFFIE program, Water Division
Department of Agriculture and Water Resources
GPO Box 858
Canberra City ACT 2601
efficiency.measures@agriculture.gov.au

Dear Sir / Madam,

COMMENT ON COMMONWEALTH ON FARM FURTHER IRRIGATION EFFICIENCY PROGRAM

The dairy industry seeks that this program be put on hold while there is a review of the approach to the 450GL upwater.

The Australian Dairy Industry Council (ADIC) is the dairy industry's peak policy body representing all sectors of the dairy industry in Australia. The dairy industry urges cessation of all work on recovery of the 450GL upwater. Progressing new program design, piloting and approval of projects is contrary to the need to focus on first achieving the 2750GL target. Further, it is inconsistent with the need to show socio-economic neutrality of any upwater proposal. ADIC notes that the Commonwealth On Farm Further Irrigation Efficiency (COFFIE) program has not demonstrated socio-economic neutrality.

ADIC notes that the documentation and call for feedback on the COFFIE program makes no mention that COFFIE is all about recovering 450GL over and above the 2750GL, and that the Department intends to start this additional recovery before the 2750GL is achieved. The COFFIE website and associated documents suggest the program is another government funding round towards the 2750GL target. We are very concerned that this omission in the documentation is misleading both the public and potential participants, including many irrigators, about the context and objectives of this program. Without this critical information, any consultation on the COFFIE is seriously compromised because the community, farmers and anyone outside the Basin are not responding from an informed position.

The dairy industry does support continued investment in water saving through on and off farm infrastructure. Recovering water through on-farm works is a welcome investment in regional development and increased farm productivity. As such, it is a meaningful structural adjustment payment that is paying social and economic dividends far in excess of the original investment. This is because it helps keep farmers, regional processing and farm service industries in business. It therefore supports the overall wellbeing of the community and national economy[1].

Funding for upgrades must reflect the true market and productive value of the water to be economically attractive to irrigators. Farm upgrade programs need to be better designed in consultation with industry to ensure they are economically beneficial at both an individual landholder and irrigation district level. This will achieve the regional adjustment required to sustain irrigated production in the long-term. The existing on farm irrigation efficiency programs should be progressed and improved as a priority to assist water recovery towards 2750GL. Any water recovered under the Special Account budget to 2019 must first go towards covering any shortfall to the 2750GL target. This would be consistent with the socio-economic neutrality and triple-bottom line outcomes consistently confirmed by decision-makers.

Dairy is the largest irrigation-based livestock industry in the Murray-Darling Basin, with around 1790 dairy farms producing 2.623 billion litres of milk in 2014 (27% of Australia's total milk production); 98 percent of these farms are family owned.

[1] RMCG, *Cost Benefit Analysis of Farm Irrigation Modernisation,* May 2013. Full report and fact sheet at: http://www.dairyaustralia.com.au/Industry-information/About-the-industry/Recent-industry-topics/Murray-Darling-Basin.aspx

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The Australian dairy industry supports reforms to improve the environmental health of rivers, wetlands and lakes across the Murray-Darling Basin. Our farmers have played an active role in achieving better environmental outcomes, through selling and transferring water for the environment, and participating in Landcare and catchment management activities and plans. A large number of dairy farmers have participated in on farm irrigation efficiency programs[2].

Water availability and affordability are key issues for the dairy industry's future. More than 950GL of water has been transferred from irrigators to the environment so far in the southern-connected Basin, through buybacks and on-farm upgrades. This represents about 13% of the annual average water availability. It includes more than 20% of Victoria and South Australia's high reliability entitlements, which underpin those States' high-value dairy industries[3].

A significant pain of adjustment is already being felt in the dairy industry, even if no more water is transferred from the consumptive pool across to the environment. Buybacks provided much needed cash flow for dairy farmers during the Millennium drought. However, the reduced water availability and affordability has diminished milk production to well below pre-drought levels. Feedback from dairy farmers indicates that many are now reaching the limits of economically feasible adaptation.

To achieve its targets, the Basin Plan needs community ownership and genuine triple-bottom-line outcomes. More time is needed to improve the design and implementation of infrastructure programs and the buyback strategy to ensure regional structural adjustment is managed most effectively. Infrastructure funding needs to be spent in a way that meets farmers' and communities needs. This will not be achieved through proceeding with programs such as COFFIE now and in isolation.

The fact that an individual farmer may choose to participate in a farm infrastructure program such as COFFIE does not mean that the project has no negative socio-economic effects. A broader assessment is required of the impact of removing that water from the productive pool, for example impacts on upward pressure on prices in the water market and fixed costs in shared irrigation districts, and consequent effects on production and the broader community. Recovering water through on-farm works has both positive and negative implications, and these need to be well understood in order to inform any socio-economic neutrality assessment. The Government needs to understand and address any negative impacts well before irrigation districts and their communities become economically unviable.

Realistic timelines, transition and structural adjustment are essential. A clearer picture of socio-economic and environmental effects is required before more water is taken from the irrigation pool. This requires a review of the approach to the 450GL upwater including robust and comprehensive assessment of the triple bottom line outcomes, and an overall plan to manage regional adjustment to meet farmers and community's needs, before proceeding with any individual programs such as COFFIE.

The dairy industry has made a submission to the Senate Inquiry into the Murray Darling Basin Plan which more fully addresses issues raised here. The submission is available at: http://www.australiandairyfarmers.com.au/pdf/submissions/2015/Inquiry-into-the-Murray-Darling-Basin-Plan.pdf.

We would welcome the opportunity to discuss the matters raised in this submission. Please contact Irene Clarke, Senior Policy Manager (iclarke@australiandairyfarmers.com.au) for any further information or discussion.

Yours sincerely

Simone Jolliffe
Chair, Australian Dairy Industry Council

2 For example, the Goulburn Murray Catchment Management Authority is a major delivery partner in the Goulburn Murray Irrigation District and of 381 projects completed in round 1 and 2 of their program, 239 (63%) were on dairy farms.

3 Allocation data from Department of the Environment website (now Department of Agriculture and Water Resources) on *Progress of water recovery towards bridging the gap* and analysis of this data (as well as MDBA and CEWH data) by Dairy Australia.