

## INQUIRY INTO ASPECTS OF AGRICULTURE IN NSW

**Organisation:** NSW Irrigators' Council

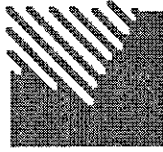
**Name:** Mr Col Thomson

**Position:** Chair

**Telephone:** (02) 9251 8466

**Date received:** 16/08/2007

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## NSW IRRIGATORS' COUNCIL

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16 August 2007

The Hon Tony Catanzariti  
Chairman  
Standing Committee on State Development  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

Dear Mr Catanzariti

### **SUBMISSION TO THE COMMITTEE INQUIRY INTO ASPECTS OF AGRICULTURE IN NSW**

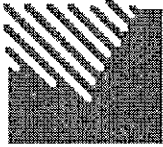
Please find attached, a submission from the NSW Irrigators' Council responding to the Committee's Inquiry into Aspects of Agriculture in NSW.

If you require further information, please contact me, in the first instance on 02 9251 8466.

Yours sincerely

**COL THOMSON  
CHAIRMAN**

**Member Organisations** Bega Cooperative Limited, Border Rivers Food & Fibre, Coleambally Irrigation Co-Op Ltd, Cotton Australia, Gwydir Valley Irrigators' Association Inc., Hunter Valley Water Users' Association, Lachlan Valley Water, Macquarie River Food & Fibre, Murray Irrigation Limited, Mangindi-Menindee Advisory Council, Murray Valley Water Diversers' Association, Murrumbidgee Groundwater Preservation Association, Murrumbidgee Horticultural Council Inc., Murrumbidgee Irrigation Ltd, Murrumbidgee Private Irrigators' Inc., Namoi Water, NSW Farmers' Dairy Committee, NSW Farmers' Association, Ricegrowers' Association of Australia, Richmond Wilson Combined Water Users Association, Riverina Citrus, Southern Riverina Irrigators, South Western Water Users', West Corugan Private Irrigation District, Wine Grapes Marketing Board.



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NSW Irrigators' Council  
Submission to the  
Standing Committee on State Development

Inquiry into

Aspects of Agriculture in NSW

August 2007

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**Member Organisations:** Bega Cooperative Limited, Border Rivers Food & Fibre, Colsubally Irrigation Co-Op Ltd, Cotton Australia, Gwydir Valley Irrigators' Association Inc., Hunter Valley Water Users' Association, Lachlan Valley Water, Macquarie River Food & Fibre, Murray Irrigation Limited, Mungindi-Memundee Advisory Council, Murray Valley Water Diversions' Association, Murrumbidgee Groundwater Preservation Association, Murrumbidgee Horticultural Council Inc., Murrumbidgee Irrigation Ltd, Murrumbidgee Private Irrigators' Inc., Namoi Water, NSW Farmers' Dairy Committee, NSW Farmers' Association, Ricegrowers' Association of Australia, Richmond Wilson Combined Water Users Association, Riverina Cirus, Southern Riverina Irrigators, South Western Water Users', West Corugan Private Irrigation District, Wine Grapes Marketing Board

## NEW SOUTH WALES IRRIGATORS' COUNCIL

NSW Irrigators' Council (NSWIC) represents more than 11,500 irrigation farmers across NSW. These irrigators are on regulated, unregulated and groundwater systems. Its members include valley water user associations, food and fibre groups, irrigation corporations and commodity groups from the rice, cotton, dairy and horticultural industries.

Attachment 1 records the membership details of the NSW Irrigators' Council.

In responding to the Committee's Terms of Reference, NSWIC is representing the views of its members. However, each member reserves the right to make independent submissions on issues that directly relate to their areas of operation, or expertise, or on any other issues they may deem relevant.

### TERMS OF REFERENCE

1. That the Standing Committee on State Development inquire into and report on the agricultural industry in NSW, and in particular:
  - a. the contribution of agriculture and agricultural-based products to the NSW economy;
  - b. Impediments to sustaining appropriate levels of productive capacity and growth in the agricultural industry; and
  - c. Initiatives to address impediments to sustaining appropriate levels of productive capacity and growth in the agricultural industry, having regard to the NSW State Plan priority areas of 'Growing Prosperity Across NSW' and 'Environment for Living'.

### INTRODUCTION

NSWIC welcomes the opportunity to provide input into this Standing Committee Inquiry into *Aspects of Agriculture in NSW*.

This Inquiry is being held during one of the most challenging periods in the history of irrigated agriculture in NSW.

Irrigated agriculture generates almost \$3 billion in farm gate value of production. Add an economic multiplier benefit of 5-6 time and it becomes evident that this industry is one of the most important to the social and economic wellbeing of regional NSW. The footprint of irrigated agriculture is such that many areas across the State enjoy the social and economic benefits of this sector.

The most recent Australian Bureau of Statistics (ABS) *Water Use on Australian Farms* report revealed the data outlined in Table 1 for NSW.

TABLE 1 AGRICULTURAL WATER USE NSW - 2005-06

|        | Agricultural establishments | WATER USE  |                         | Total     |
|--------|-----------------------------|------------|-------------------------|-----------|
|        |                             | Irrigation | Other agricultural uses |           |
|        | Number                      | ML         | ML                      | ML        |
| NSW(a) | 48 550                      | 4 472 617  | 284 166                 | 4 756 784 |

Source: ABS, 4618.0, 14/08/2007 - *Water Use on Australian Farms, 20 05-06*,  
(a) Includes ACT

The ABS report notes that in New South Wales, rice and cotton continued to be the major users of irrigation water accounting for 27.0% and 25.0% of the State total and 11.2% and 10.3% of the national total respectively. A summary of this ABS report is at [Attachment 2](#).

Irrigated agriculture in NSW is a complement to other agricultural industries such as the intensive livestock sector and supports numerous export oriented industries and commodities.

The innovative nature of the sector provides numerous examples of leading-edge technology development and applications being applied to the business management and production practices across irrigated enterprises operating in most, if not all commodity areas. This has led to Australia's rice, cotton and horticultural sectors being recognised as global leaders in water use efficiency, adoption of new technologies and production, processing and marketing practices.

Currently, the weather swings of nature are imposing severe stress on irrigated business enterprises and communities dependent on the output of this robust and viable agricultural sector. The prolonged period of drought, low water allocations and in some instances flooding rains are all testing the resilience of the sector.

For the first time ever, irrigators in the southern Murray-Darling Basin commenced the water year on 1 July with zero water allocations. Towns along the Murray and Murrumbidgee Valleys are confronting critical water shortages. It is a dire situation in these regions and one that is repeating itself across the State.

While the Murrumbidgee Valley has benefited from a recent easing of restrictions and the allocation of water for this season, other valleys around NSW are not so fortunate. The Lachlan Valley has endured 4 years of either zero or very low water allocations. All other valleys are experiencing similar low water allocations and the attendant business management challenges.

On the Barwon-Darling, embargoes on extractions and persistent drought have combined to devastate production of permanent and annual crops in the Bourke region and have had a significant social and economic impact back through the Border Rivers region and the Gwydir and Namoi Valleys.

One does not normally associate Exceptional Circumstances drought relief with irrigated agriculture, yet the severity of the current drought has reached into the business of irrigated agriculture to such an extent that EC declarations are a common feature across NSW irrigated regions.

There are two major unresolved issues that have been revealed during the current drought. These relate to the declaration of Exceptional Circumstances for irrigation properties impacted by drought and the application of fixed bulk water charges when allocations are zero. [Attachment 3](#) provides details of a submission to the NSW Government on these issues. It is recommended that the Committee adopt, in full, the recommendations in this submission.

A recent NSW Department of Water and Energy Drought and Allocation Update for August 2007 adequately summarises the parlous state of resources across the State. See Attachment 4.

## ISSUES

### i. Reforms Processes

The NSW Government has engaged NSWIC members over the past decade in a number of reform programs related to Council of Australian Government (COAG) decisions, first taken in the early 1990s, that were subsequently refreshed and agreed as the National Water Initiative in 2004.

For much of 2007, attention has been focused on negotiations surrounding the Prime Minister's National Plan for Water Security and the enabling legislation being drafted in the form of the *Water Bill 2007* that is currently before the Commonwealth Parliament.

A comprehensive water planning process has been completed for the State's regulated water sources and is now being focused on the rest of the State's water sources through the development of Macro Water Sharing Plans. Groundwater reform is all but completed for the 6 major groundwater aquifers.

NSWIC recognises the support the NSW Government has provided to this industry throughout this long reform program.

Much has been achieved to provide certainty and security over licensed entitlements, in particular the amendments to the *Water Act 2000* that introduced perpetual title to water entitlements. This one initiative underpins irrigators' confidence to invest and employ. It has been further reinforced by the risk assignment principles that were an integral part of the National Water Initiative and which have since been supported on a legislative basis by the NSW Government.

While reform is never easy, NSW has lead the country in the implementation of COAG reforms and National Water Initiative obligations. The next round of reforms that have been flagged in the National Plan for Water Security will provide both challenges and opportunities for NSWIC members.

Done properly, the options proposed in the NPWS will reinforce the contribution that irrigated agriculture makes to the NSW regional economy and the wider State economy.

Hastily, or poorly targeted reform will equally have a devastating impact on the irrigation sector and dependent regional communities and secondary industries.

One word of caution for all governments relates to the pace of reform being imposed on the industry during this time of drought and exception circumstances and, the period of recovery, when it occurs, that will be required to restore confidence and financial strength to the sector.

There is only so much reform and restructure that can be afforded when an industry had been crippled by drought and low water allocations. Expectations must be tempered with reality, to ensure that individuals are not expected to meet unrealistic restructure targets from a position of financial distress.

## ii. Government Programs

The NSW Government has over past years implemented a number of industry assistance measures that have provided significant demonstration effect and facilitated a wider understanding and uptake of water resource management options and water efficient infrastructure investments options.

Government has also funded either in full or partially, environmental programs and land and water management programs that have delivered beneficial outcomes across the State. These programs have been, in many instances, co-funded by industry to lever off existing industry best practice and environmental management programs and have provided a range of outcomes that have benefited not only the irrigation sector, but the wider community as well.

NSWIC acknowledges the ongoing government support for the industry in these program areas.

One program that NSWIC northern Rivers members are seeking immediate action on is the infrastructure investment program proposed for Menindee Lakes. Numerous options to improve the management of water resources in the Menindee Lakes have been explored over the past decade. A number of studies have been commissioned, recommendations made and reviewed and yet no investment decisions have been agreed or implemented.

At the moment, a disproportionate share of the risk and cost of ensuring that the Menindee Lakes hold sufficient water to meet the needs of the Broken Hills community rests with a small number of northern Rivers irrigators and communities. This is an inequitable situation that can be resolved if governments, State and Federal prioritise resolution of this issue.

## iii. Planning

NSWIC members have actively supported the water sharing planning processes that have been undertaken over the past decade.

There are, however, outstanding issues in many water sharing plans that must be resolved to ensure that certainty and security of title and allocations are not jeopardised. Of equal importance is the conclusion of the macro water sharing planning and floodplain harvesting policy and planning processes. To date, these Plans have been drafted with too much secrecy and not a transparent enough process of community and industry engagement.

The time delays have built uncertainty around resource security and this in turn is impacting, in a cautionary way, on investment and production decision making.

NSW, like most other Australian States, is experiencing significant population migration from inland regions and metropolitan areas to 'sea change' locations, in particular the north, central and south coasts. These population shifts are impacting on the ability of utilities to meet the burgeoning demand for most essential services, but in particular water resources.

Storage infrastructure that was in many instances designed for flood mitigation or irrigation supply is now being stretched and stressed to meet this burgeoning consumer demand.

From the irrigation industry perspective, scarce resources are now being challenged by the need to supply urban demand. The very structure and viability of some irrigation enterprise will be jeopardised by this unplanned urban growth.

To compound the impact of this growth, the *Water Management Act 2000* allows the Minister to allocate additional water to local governments that are experiencing population or industry growth, without a requirement that this water be purchased in the market place from willing sellers.

There is an urgent need for the government to convene a regional planning workshop with NSWIC to focus on this issue and develop management practices that will cater to the competitive demands on infrastructure emanating in these rapidly growing regions.

This issue also raises a broader question to the point of what type of regional economy is best for NSW. Do we wish to preserve the productive base of our food and fibre industries, that currently operate in some of the most fertile regions of the State, or are we willing to see unplanned urban growth force a fragmentation and decline of high quality productive agriculture to satisfy the consumptive demands of urban consumers.

#### iv. Industry Promotion

Accepting that the NSW irrigation sector is a valuable contributor to both the regional and wider State economy, NSWIC is concerned that community awareness of the value derived from the productive application of water resources is not fully understood and that this is leading to lost opportunities to capitalise on benefits that are associate with this dynamic industry sector.

In a negative sense, misinformation is clouding understanding and acceptance of the valuable role that irrigated agriculture plays in the provision of high quality, fresh, plentiful and affordable food and fibre.

NSWIC would like to explore a partnership with the government to promote community awareness to the scope of the contribution that irrigated agriculture makes to society wealth and wellbeing in NSW and Australia.

#### v. Regulation and Red Tape

A recent report released by the National Farmers' Federation: *The Cost of Bureaucratic Red Tape on Agriculture*, (see [Attachment 4](#)) found that up to 15% of net farm profit is being stripped away each year.

In publishing this report, NFF stated that:

*"The total cost of complying with red tape has risen almost 80% over the last four years... farmers are understandably frustrated and concerned about the mounting cost of regulation.*

*"While not all regulations are bad, the staggering weight of the costs – which continue to escalate at an alarming rate – are clearly unsustainable. Every effort should be made to eliminate unnecessary compliance burdens.*

NSWIC acknowledges that regulation and red tape is a function of all levels of government and urges the NSW to work with NSWIC to review and reduce the regulatory burden on farmers to the maximum extent possible and in the shortest timeframe possible.



## NSWIC INITIATIVES

The passage of the *Water Bill 2007* through the Commonwealth Parliament will herald a new era in water resource management in Australia, none more so than in NSW where the greater portion of the Murray-Darling Basin lies.

In anticipation of the successful passage of this Bill and, the subsequent focus on the implementation of the National Plan for Water Security, (NPWS) NSWIC has evaluated the 10 Points of the NPWS and identified areas of leadership and engagement for NSWIC members in an endeavour to ensure that maximum benefit is derived for NSW from the \$10 billion that the Commonwealth Government has pledged to the NPWS.

NSWIC's members have considerable expertise in on-farm water resource management and innovative infrastructure development, management of bulk water delivery infrastructure and implementation of best practice production, processing and environmental programs.

The NSWIC publication: *NSWIC Response to the 10 Point Plan*, (see Attached) outlines the range of options that NSWIC believes should be considered in the design, implementation and management of the NPWS.

NSWIC would welcome the opportunity to partner with NSW Government to further develop the options outlined with a view to establishing partnerships of mutual benefit to ensure that the NSW irrigation sector derives maximum benefit from the \$10 billion allocated to support the NPWS.

### NSWIC's Request of Government

- Work with NSWIC to build a positive brand message for irrigated agriculture in NSW, to highlight the contribution this sector makes to the social and economic wellbeing of NSW as a whole.
- Be supportive of the innovative nature of the industry through recognition and promotion of the fact that this industry sector is regularly benchmarked amongst the best in the world
- Continue to foster the exploration of water efficiency investments and production practices that push the envelope of what can be achieved in the NSW irrigation sector;
- Support education and extension programs to help get R&D and best practice messages to all in the industry;
- Continue to support the reality that productive use of water resources and sustainable environmental outcomes are not mutually exclusive objectives;
- Invest in infrastructure improvements and renewal that will underpin and enhance the productive capacity of the NSW irrigated agricultural sector;
- Work with NSWIC to explore competitive options to expand the NSW irrigation sector in the Murray-Darling Basin;
- Introduce objective decision making timelines to speed up the processes surrounding major government investments such as the Menindee Lakes infrastructure program;
- Work with NSWIC to ensure that when required, industry support programs such as Exceptional Circumstances declarations are based on an objective, accountable and transparent mechanisms for both transition into and out of the assistance phases; and
- Work with NSWIC to identify reduce the regulation and red tape burden on farmers as much as possible, as soon as possible.

## ATTACHMENT 1

Bega Cooperative Society Limited  
Border Rivers Food and Fibre  
Coleambally Irrigation Co-operative Limited  
Cotton Australia  
Gwydir Valley Irrigators Association Inc.  
Hunter Valley Water Users Association  
Lachlan Valley Water  
Macquarie River Food and Fibre  
Mungindi Menindee Advisory Council  
Murray Irrigation Ltd  
Murray Valley Water Diverters Advisory Association  
Murray Valley Groundwater Users' Association  
Murrumbidgee Groundwater Pumpers' Association  
Murrumbidgee Horticulture Council Inc.  
Murrumbidgee Irrigation Ltd  
Murrumbidgee Private Irrigators' Inc.  
Namoi Water  
NSW Farmers' Association Dairy Section  
NSW Farmers' Association  
Ricegrowers' Association of Australia  
Richmond Wilson Combined Water Users Association  
Riverina Citrus  
Southern Riverina Irrigators  
South Western Water Users  
West Cororgan Private Irrigation District  
Wine Grapes Marketing Board

## SUMMARY COMMENTARY

## AGRICULTURAL WATER USE

In 2005-06, Australian agricultural establishments used 11,905 gigalitres of water for agricultural production. Of this, 10,845 gigalitres (91.1%) was used for the irrigation of pastures and crops, and 1,060 gigalitres (8.9%) was used for other agricultural purposes such as stock watering and the cleaning of dairies and piggeries.

## 1.1 AGRICULTURAL WATER USE, By State - 2005-06

|              | Agricultural establishments | WATER USE         |                         | Total             |
|--------------|-----------------------------|-------------------|-------------------------|-------------------|
|              |                             | Irrigation        | Other agricultural uses |                   |
|              | no.                         | ML                | ML                      | ML                |
| NSW(a)       | 48 550                      | 4 472 617         | 284 166                 | 4 756 784         |
| Vic.         | 36 993                      | 2 470 542         | 217 874                 | 2 688 415         |
| Qld          | 32 871                      | 2 435 215         | 279 654                 | 2 714 868         |
| SA           | 16 457                      | 927 264           | 93 342                  | 1 020 606         |
| WA           | 14 816                      | 317 703           | 144 860                 | 462 563           |
| Tas.         | 4 716                       | 201 822           | 26 643                  | 228 465           |
| NT           | 648                         | 19 546            | 13 621                  | 33 167            |
| <b>Aust.</b> | <b>155 052</b>              | <b>10 844 708</b> | <b>1 060 161</b>        | <b>11 904 869</b> |

(a) Includes ACT.

In all states and territories, irrigation was the major use of water by the agricultural sector. In New South Wales, Victoria and Queensland, irrigation accounted for 94.0%, 91.9% and 89.7% of agricultural water use respectively, while in the Northern Territory and Western Australia other agricultural uses accounted for 41.1% and 31.3% of total agricultural water use respectively.

## IRRIGATION WATER USE

At the Australian level, 45,130 or 29.1% of agricultural establishments reported using water for irrigation purposes. Increases in the number of agricultural establishments using water for irrigation purposes, and the increase in total number of agricultural establishments to 155,052, reflects the inclusion of additional agricultural establishments in the new ABR-based register of agricultural establishments.

At the state/territory level, the Northern Territory reported the highest proportion of farms irrigating (54.3%), followed by Tasmania (40.6%) and South Australia (38.4%). Western Australia reported the smallest percentage of farms irrigating (21.9%).

Victoria had 25.8% of the nations irrigating establishments, followed by New South Wales (25.3%) and Queensland (22.6%).

New South Wales, Victoria and Queensland continued to be the major users of water for irrigation, accounting for 86.5% of all water used for irrigation purposes nationally. New South Wales used 4,473 gigalitres (41.2% of all water used for irrigation purposes nationally) followed by Victoria with 2,471 gigalitres (22.8%) and Queensland with 2,435 gigalitres (22.5%). Across Australia, 2,583,000 hectares of agricultural land was irrigated at an average application rate of 4.2 ML/ha. This application rate was unchanged from the previous year.

**ATTACHMENT 2 ABS 4618.0 - Water Use on Australian Farms, 2005-06**

In New South Wales, 986,000 hectares of agricultural land was irrigated (38.2% of irrigated agricultural land nationally), followed by Victoria with 657,000 hectares (25.4%) and Queensland with 572,000 hectares (22.1%). Combined, these three eastern states accounted for 85.7% of irrigated agricultural land nationally.

Western Australia had the highest application rate for irrigated agricultural land at 5.1 ML/ha followed by New South Wales (4.5 ML/ha) and Queensland (4.3 ML/ha). Tasmania had the lowest application rate at 2.5 ML/ha, followed by the Northern Territory (3.3 ML/ha).

**1.2 IRRIGATION ACTIVITY, By State - 2002-03 to 2005-06**

|              | Agricultural establishments no. | Agricultural establishments irrigating no. | Area of agricultural holding '000 ha | Area irrigated '000 ha | Volume applied ML | Application rate ML/ha |
|--------------|---------------------------------|--|--------------------------------------|------------------------|-------------------|------------------------|
| Australia    |                                 |  |                                      |                        |                   |                        |
| Old basis(a) |                                 |  |                                      |                        |                   |                        |
| 2002-03      | 132 983                         | 43 774                                     | 439 531                              | 2 378                  | 10 403 759        | 4.4                    |
| 2003-04      | 130 526                         | 40 400                                     | 440 110                              | 2 402                  | 10 441 515        | 4.3                    |
| 2004-05      | 129 934                         | 35 244                                     | 445 149                              | 2 405                  | 10 084 596        | 4.2                    |
| New basis(b) |                                 |  |                                      |                        |                   |                        |
| 2005-06      | 155 052                         | 45 130                                     | 444 077                              | 2 583                  | 10 844 708        | 4.2                    |
| 2005-06      |                                 |  |                                      |                        |                   |                        |
| New basis(b) |                                 |  |                                      |                        |                   |                        |
| NSW(c)       | 48 550                          | 11 413                                     | 61 180                               | 986                    | 4 472 617         | 4.5                    |
| Vic.         | 36 993                          | 11 658                                     | 13 364                               | 657                    | 2 470 542         | 3.8                    |
| Qld          | 32 871                          | 10 220                                     | 155 571                              | 572                    | 2 435 215         | 4.3                    |
| SA           | 16 457                          | 6 322                                      | 55 526                               | 219                    | 927 264           | 4.2                    |
| WA           | 14 816                          | 3 249                                      | 99 096                               | 62                     | 317 703           | 5.1                    |
| Tas.         | 4 716                           | 1 917                                      | 1 764                                | 80                     | 201 822           | 2.5                    |
| NT           | 648                             | 352  | 57 574                               | 6                      | 19 546            | 3.3                    |

(a) Derived using old ABS-maintained frame. See Technical Note for detail.

(b) Derived using new ABR-based register. See Technical Note for detail.

(c) Includes ACT.

At the Australian level, the major crop by volume of irrigation water applied remained pasture for grazing, using 2,871 gigalitres with an average application rate of 3.5 ML/ha. This was followed by cotton (1,746 gigalitres at an application rate of 6.3 ML/ha), rice (1,230 gigalitres at an application rate of 12.3 ML/ha) and sugar cane (1,104 gigalitres at an application rate of 5.0 ML/ha). Pasture for grazing accounted for 26.5% of all irrigation water use nationally, followed by cotton (16.1%), rice (11.3%) and sugar cane (10.2%).

In New South Wales, rice and cotton continued to be the major users of irrigation water accounting for 27.0% and 25.0% of the state total and 11.2% and 10.3% of the national total respectively.

In Queensland, sugar cane remained the major user of irrigation water, accounting for 42.7% of the Queensland total and 9.6% of the national total.

Pasture for grazing remained the major user of irrigation water in Victoria, using 63.4% of the Victorian total and 14.4% of the national total.

## **ATTACHMENT 2 ABS 4618.0 - Water Use on Australian Farms, 2005-06**

Irrigation of fruit trees, nut trees, plantation or berry fruits accounted for 64.8% of irrigation water in the Northern Territory.

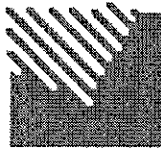
### **WATER SOURCES**

Across most of Australia, surface water remained the major source of water for agricultural purposes, totalling 9,074 gegalitres or 76.2% of all water used for agricultural purposes.

In South Australia and the Northern Territory, groundwater remained a more significant source of water, accounting for 47.3% of water used for agricultural purposes in South Australia and 69.5% in the Northern Territory. Across Australia, groundwater totalled 2,524 gegalitres or 21.2% of all water used for agricultural purposes.

Recycled or re-used water from off farm sources accounted for less than 1% of water used by agriculture.

## ATTACHMENT 3



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### Submission to the New South Wales

### Murray-Darling Basin Ministerial Advisory Council

### Drought Support for Irrigated Agriculture

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#### OBJECTIVE

To establish the principles that would apply to trigger support from the NSW Government for irrigated agriculture during times of extreme hardship.

#### BACKGROUND

The duration and severity of the current drought has resulted in critically low water storage levels throughout NSW and zero or minimal water allocations in many valleys, including the withdrawal of allocation in southern valleys of the Murray-Darling Basin in 2006.

In response, the NSW Government deferred the introduction of quarterly billing for water charges in 2006/07, waived the fixed charges for General Security irrigators in the Lachlan Valley in 2006/07 (and previously in 2003/04) and provided an assistance package for irrigators in the Murray and Murrumbidgee who could show financial loss as a result of the cuts imposed in October and November, 2006. With the recent extensions to Exceptional Circumstances (EC) assistance, many irrigators have also been able to apply for EC Income Support and/or Interest Subsidy assistance, providing they satisfy the eligibility criteria.

The assistance provided by the NSW Government has been a response to specific circumstances rather than part of a consistent policy framework at Government level for drought support for irrigated agriculture. NSWIC recommends that the MDB Ministerial Council consider additional measures to support irrigators and rural communities in times of extreme hardship.

While water users have responded to the drought by reducing their own costs, a cost irrigators cannot reduce are fixed water charges. The current water pricing system, where charges are set 3 years in advance by IPART, provides no incentive for Government agencies or State Water to respond to drought conditions and reduce their own costs. It also requires license holders to bear the costs of running the river to provide water for non-customer beneficiaries, eg, basic rights holders, the environment and recreational users, a cost that should more appropriately be treated as a Community Service Obligation fully funded by Government. The cost of meeting obligation to non-customer beneficiaries rises steeply under severe drought conditions when most of the flow in the river is required to meet these obligations and very little is available for license holders.

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Member Organisations: Bega Cooperative Limited, Border Rivers Food & Fibre, Coleambally Irrigation Co-Op Ltd, Cotton Australia, Gwydir Valley Irrigators' Association Inc., Hunter Valley Water Users' Association, Lachlan Valley Water, Macquarie River Food & Fibre, Murray Irrigation Limited, Mungindi-Menindee Advisory Council, Murray Valley Water Divers' Association, Murrumbidgee Groundwater Preservation Association, Murrumbidgee Horticultural Council Inc., Murrumbidgee Irrigation Ltd, Murrumbidgee Private Irrigators' Inc., Namoi Water, NSW Farmers' Dairy Committee, NSW Farmers' Association, Ricegrowers' Association of Australia, Richmond Wilson Combined Water Users Association, Riverina Citrus, Southern Riverina Irrigators, South Western Water Users', West Corrgan Private Irrigation District, Wine Grapes Marketing Board.

## ATTACHMENT 3

### NSWIC PROPOSAL

This paper proposes establishing a trigger for drought relief for irrigated agriculture, based on objective indicators of the impact of drought on the irrigation sector, which can be applied to each river.

Meeting the drought threshold trigger would result in the waiving of fixed charges, and possibly other measures appropriate to that valley.

### TRIGGER

River systems across NSW have a range of expected reliabilities and any potential trigger for drought relief must accommodate this range, while distinguishing between an exceptional drought that merits relief and the normal climatic variability that irrigators can handle through their individual risk management strategies. NSWIC recommends a drought relief trigger aligned with the principles used for Exceptional Circumstances declarations, which are based on identifying circumstances that occur only once every 20 or 25 years, ie, a 5% or 4% chance of occurrence.

While there are a range of indicators that could be used to indicate an exceptional drought, water allocation reliability (yield) is recommended as the primary indicator because it is a direct and objective reflection of the impact of drought on irrigated agriculture.

Using the 1 in 20 criteria, NSWIC recommends the primary trigger be defined as when water allocation, or cumulative Available Water Determinations, as at 1 October in any year is within the lowest 5% of allocations for that valley, as determined by IQQM modelled diversions over a 100 year period in the relevant Water Sharing Plan.

Example: If the IQQM model indicated that in 95% of years the diversions in the Lachlan Valley used by General Security irrigators were equal to or exceeded 6% allocation, then if the General Security allocation at 1 October is less than 6%, the valley would be considered to have met the threshold trigger for assistance.

Secondary indicators, which could be tailored to individual valleys, may include:

- the account balance or carryover from the previous year;
- declaration of a 'severe water shortage order' for the river under s 60 (2) of the *Water Management Act 2000*, and activation of a Drought Contingency Plan for the river;
- consecutive years of zero or minimal allocation; and
- EC declarations covering the valley.

Meeting the primary indicator would result in fixed charges for that licence category being waived and possibly other relief measures appropriate to that valley.

The Government may apply some eligibility criteria to ensure that the assistance is targeted at those producers who earn the majority of their income from primary production and who have a significant reliance on irrigation.

## ATTACHMENT 3

### QUARTERLY BILLING

As it currently stands, quarterly billing for water charges will be introduced for the 2007/08 year, meaning that irrigators will receive a bill for the first quarter's charges in October 2007, possibly, given the current position of storages, before most General Security irrigators have received an allocation.

By proceeding to introduce quarterly billing, the scenario in rural NSW is one where drought assistance measures are being provided by both State and Federal Governments on the one hand and will then clawed back by the introduction of quarterly billing for irrigators receiving no allocations.

Deferral of the introduction of quarterly billing is a low cost measure for Government that will provide cash flow relief to drought affected irrigators. It will ensure that equity is seen to be delivered in that a wholly-government owned monopoly service provider will not be receiving funds for no service delivery.

It is suggested that quarterly billing could be gradually reintroduced as allocations increase.

### RECOMMENDATIONS

NSWIC recommends to the MDB Ministerial Advisory Council the following package of measures to assist irrigators and communities affected by the drought crisis:

1. Defer the introduction of quarterly billing for water charges for those valleys (that are not already on a quarterly cycle) where the General Security allocation at 1 July 2007 is zero, and maintain this deferral until allocations reach a specified trigger point to be determined in consultation with NSWIC.
2. Establish a drought trigger for irrigated agriculture that is aligned with the Exceptional Circumstances principles. The primary component of the trigger is that water allocation as at 1 October in any year is within the lowest 5% of allocations for that valley, as determined by the IQQM modelled diversions over a 100 year period in the relevant Water Sharing Plan.

Secondary components of the drought trigger may be the account balance or carryover from the previous year, declaration of a severe water shortage order under s 60 (2) of the *Water Management Act 2000* and consecutive years of zero or low allocation.

3. That the NSW Government waive the fixed charges for eligible license holders on those rivers where the drought threshold trigger has been met and provide other forms of drought assistance as appropriate.



## ATTACHMENT 3

### AGRICULTURAL WATER USE

In 2005-06, Australian agricultural establishments used 11,905 gigalitres of water for agricultural production. Of this, 10,845 gigalitres (91.1%) was used for the irrigation of pastures and crops, and 1,060 gigalitres (8.9%) was used for other agricultural purposes such as stock watering and the cleaning of dairies and piggeries.

#### 1.1 AGRICULTURAL WATER USE, By State - 2005-06

|              | Agricultural establishments | WATER USE         |                         | Total             |
|--------------|-----------------------------|-------------------|-------------------------|-------------------|
|              |                             | Irrigation        | Other agricultural uses |                   |
|              | no.                         | ML                | ML                      | ML                |
| NSW(a)       | 48 550                      | 4 472 617         | 284 166                 | 4 756 784         |
| Vic.         | 36 993                      | 2 470 542         | 217 874                 | 2 688 415         |
| Qld          | 32 871                      | 2 435 215         | 279 654                 | 2 714 868         |
| SA           | 16 457                      | 927 264           | 93 342                  | 1 020 606         |
| WA           | 14 816                      | 317 703           | 144 860                 | 462 563           |
| Tas.         | 4 716                       | 201 822           | 26 643                  | 228 465           |
| NT           | 648                         | 19 546            | 13 621                  | 33 167            |
| <b>Aust.</b> | <b>155 052</b>              | <b>10 844 708</b> | <b>1 060 161</b>        | <b>11 904 869</b> |

(a) Includes ACT.

In all states and territories, irrigation was the major use of water by the agricultural sector. In New South Wales, Victoria and Queensland, irrigation accounted for 94.0%, 91.9% and 89.7% of agricultural water use respectively, while in the Northern Territory and Western Australia other agricultural uses accounted for 41.1% and 31.3% of total agricultural water use respectively.

## ATTACHMENT 4

### National Farmers' Federation Media Statement: Counting the cost of red tape

7 August 2007

In new analysis commissioned by the National Farmers' Federation (NFF) to quantify the financial burden of bureaucratic red tape on farm businesses, agribusiness consultant Holmes Sackett & Associates found that up to 15% of net farm profit is being stripped away each year.

"The findings, in the shadow of the current Australian Government Productivity Commission Red Tape Review, are alarming and dramatically demonstrate what farmers have been saying about red tape for years... the costs are out of control," NFF Vice-President Charles Burke said.

Holmes Sackett & Associates' report '*The Cost of Bureaucratic Red Tape on Agriculture*', found for 1998 to 2006, on a nominal basis, the average of 'all farms' analysed suffered:

- A total expense of \$22,542 a year owing to bureaucratic red tape requirements – of which \$19,412 was for overheads and \$3,130 was for wage expenses associated with red tape.
- Approximately 18 lost days, taken up on tasks associated with red tape – equating to 3.6 full working weeks or 7.5% of the total working year.
- The total expense of \$22,542 per year on red tape relates to 3% of farm income, 4% of total farm expenses and 14% of net farm profit.

Holmes Sackett & Associates also stratified their study by farm activity, with the breakdown over the same period of 1998 to 2006 for 'grazing farms' finding:

- A total expense of \$14,134 a year owing to bureaucratic red tape – of which \$11,414 was for overheads and \$2,718 was for wage expenses associated with bureaucratic red tape.
- Approximately 16 lost days taken up on tasks associated with red tape – 3 full working weeks or 6.6% of the working year.
- The total expense of \$14,134 per annum relating to red tape on grazing farms equates to 3% of income, 4% of total expenses and 13% of net farm profit of these farms.

For 'mixed farms' the report found:

- A total expense of \$34,367 a year owing to bureaucratic red tape – of which \$30,659 was for overheads and \$3,708 was for wage expenses associated with bureaucratic red tape.
- Approximately 20 lost days taken up on tasks associated with red tape – 4 full working weeks or 8.5% of the working year.
- The total expense of \$34,367 per annum relating to bureaucratic red tape equates to 3% of income, 4% of total expenses and 15% of net farm profit of these farms.

"The total cost of bureaucratic red tape on mixed farms is higher than grazing farms in each year over the nine-year period," Mr Burke noted.

"There is no apparent explanation why this is the case, so we are asking the Productivity Commission to find solutions for government to implement.

"The total cost of complying with red tape has risen almost 80% over the last four years... farmers are understandably frustrated and concerned about the mounting cost of regulation.

#### ATTACHMENT 4

“While not all regulations are bad, the staggering weight of the costs – which continue to escalate at an alarming rate – are clearly unsustainable. Every effort should be made to eliminate unnecessary compliance burdens.

“The NFF’s submission to the Productivity Commission’s Red Tape Review, which highlights the outrageous impositions on farmers, calls for a more flexible, commonsense approach... one-size does not fit all. Regulation imposed on such a basis is grossly inappropriate and heavy-handed.

“In those areas where regulation is required, streamlining the current out-dated system, by making regulations uniform across state borders, is essential.

“The increase in business activity between states has also intensified the practical problems farmers face. Rationalisation of the processing sector means farmers have to move their produce further afield, often interstate, complicating their businesses as red tape obligations between states are often radically different.”

The NFF’s Productivity Commission submission demonstrates the problems excessive red tape causes in the following areas:

- Transport infrastructure regulations.
- Environmental regulations.
- Livestock Traceability.
- Food safety regulations.
- Taxation Security sensitive chemicals.
- Barriers to adjusting business structure.
- Drought support access.
- Pension access.
- Workplace relations regulation.
- Occupational Health and Safety.

The NFF’s submission is available online at: [Submissions to Government](#), while the Holmes Sackett & Associates’ report ‘*The Cost of Bureaucratic Red Tape on Agriculture*’ is also available online at: [Farm Business & Economics](#).