



Australian Dairy Industry Council Inc.

ADIC response to the draft Recommendations for the Independent Assessment of Social and Economic Conditions in the Murray Darling Basin

The Australian Dairy industry Council (ADIC) is the national peak policy body for the Australian dairy industry and represents all sectors of the industry on issues of national and international importance. Its constituent organisations Australian Dairy Farmers Limited (ADF) and the Australian Dairy Products Federation (ADPF) represent the interests of dairy farmers, manufacturers, processors and traders across Australia.

The ADIC welcomes the opportunity to make a submission to the draft **recommendations from the Independent Assessment of Social and Economic Conditions in the Murray-Darling Basin (MDB)**.

We welcome the Panel's recognition of the impact of the Murray-Darling Basin Plan (the Plan) on dairy businesses and communities operating in the Basin.

We consider that ongoing, genuine consultation is required to meet the multiple objectives of the Plan and that this review can form an important input into this process.

While the Australian dairy industry supports a healthy environment, implementation of the Plan must progress in a way that results in prosperous and stable rural communities, including a competitive dairy industry that has confidence and certainty enabling continued investment.

Dairy is an essential part of Basin communities and provides enormous value to the economy, underpins food security and nutrition in the Australian diet, and benefits the wider Australian community and complements rather than just competes with other irrigation users.

The dairy industry recognises the need for transformational change in order to play a key role in achieving the Federal Agribusiness target of \$100 billion farmgate production by 2030 and has been working towards this goal with significant research and investment effort to date. However, water security is key to developing a resilient irrigated farming sector underpinning viable and vibrant Basin communities.

Overview of dairy in the Murray-Darling Basin

Dairy in the Basin (FY 2017-18):

- Provides an important nutritious food and is a key component of Australia's food security
- Includes 1330 dairy farms across 4 states
- Produced 2.2 billion litres of milk, which represents 23% of the national total volume

- 95% of the milk produced in the whole Basin, and around 22% of the nation's total volume of milk is produced in the Murray Dairy region alone (see map below).
- Represents 11% of the total value of irrigated agriculture in the Basin, with a farmgate value of milk produced in 2017-18 of almost a billion dollars.
- This production generated \$2.6 billion of value to the local economy
- The dairy industry has seen a 23% reduction in farm numbers and a 13% reduction in total milk production and associated economic value across the Basin since the Plan began on 2012.(see Table 2)
- Despite this, there is confidence in the industry. In the past five years, \$493 million has been invested in on-farm infrastructure on dairy farms in the Murray region, as well as \$500m in milk processing infrastructure in the GMID and Southern Riverina sub-regions.

Table 1: Murray Darling Basin Dairy Industry by State 2017-18:

| MDB Region by State | Number of dairy farms | % change since 2013 | Total Milk Production (L) | % change 2012-13 to 2017-18 |
|---------------------|-----------------------|---------------------|---------------------------|-----------------------------|
| SA | 86 | -20% | 124,038,428 | -31% |
| Vic | 1011 | -23% | 1,550,340,820 | -11% |
| NSW | 100 | -17% | 229,446,794 | -22% |
| Qld | 133 | -28% | 139,391,457 | -7% |
| Total | 1330 | -23% | 2,171,924,484 | -13% |

Table 2: Economic Value generated through the Murray Darling Basin dairy industry by state 2017-18

| MDB Region by State | Direct Farm-Gate Value | Value to the Local Community |
|---------------------|------------------------|------------------------------|
| SA | \$53,230,934 | \$122,963,458 |
| Vic | \$684,693,775 | \$1,205,061,045 |
| NSW | \$115,892,495 | \$250,327,790 |
| Qld | \$80,482,489 | \$144,063,655 |
| Total | \$998,086,457 | \$2,605,005,653 |

* Source for all data: Dairy Australia and Murray Dairy 'Future Focus Report'

Key points:

- The ADIC welcomes the Panel's finding that past water reforms have negatively impacted on dairy communities.
- Overall, the ADIC maintains there should be no further negative socio-economic impacts as a result of the ongoing implementation of the Basin Plan.
- The ADIC welcomes the Panel's finding that there is growing recognition that the targets for water recovery under the Plan are unlikely to be achieved within the original timeframe and budget. However, the Panel's recommendation that the pace of recovery should be slowed creates uncertainty and more specific guidance or detail is required.
- ADIC recognises that the use of the MINCO endorsed socio economic test is vital in assessing any additional 450GL recovery.
- ADIC also believes the 450GL water is unlikely to be achieved in the Southern Basin when the Ministerial Council endorsed socio economic test is applied.
- Dairy processing capacity cannot easily flex up or down so any incremental water loss (for whatever reason) threatens the critical volumes needed to make a dairy processing plant viable. Any water loss in the Southern Basin is a potential milk volume loss to a regional dairy processor.
- The recovery of the 605GL equivalent Sustainable Diversion Limit Adjustment Mechanism (SDLAM) water, which accounts towards to the original 2750GL target, is a key point of stress for the dairy industry. If the 605GL equivalent is not recovered, the Government will return to buybacks to recover the water. The dairy industry has been heavily impacted by buybacks previously and does not support further buy backs to recover water. Sensible projects need to be adopted involving community consultation, with a focus on complimentary projects. It must be noted that there is more to environmental outcomes than just increasing flow.
- No further water recovery should be undertaken unless this water can effectively and efficiently be delivered to areas where environmental outcomes will be achieved. The Panel's position about wanting to relax constraints but also recognising delivery issues is unclear and needs to be resolved in the final report.
- Numerous reviews and investigations have been undertaken throughout the MDB over the 8 years of implementation of the Plan, but few recommendations have been implemented. Communities have consulted on all of these in good faith. Rural communities are fatigued and want to see a genuine commitment that their concerns will be addressed.
- What happens to the Plan after 2026 completion date is a major point of concern and uncertainty for communities in the Basin. Given that the current water recovery is unlikely to be completed, as well as the modelling around water availability under climate change models, it is unclear what this means for future water availability for irrigators in the Basin. The impact of this uncertainty on investment decisions cannot be understated, with ripple-through effects on whole communities and infrastructure.

Further resources:

- [Murray Dairy Future Focus report](#)
 - o Future Focus is a document that identifies an industry in the midst of significant change and provides a road-map to a sustainable, profitable dairy industry in the Goulburn Murray Irrigation District (GMID)
 - o In 2017-18 dairy in the Murray region generated a farmgate value of \$916 million, with the region's 1372 dairy farmers producing 2064 million litres of milk (22 per cent of the national total). A further \$730 million of economic contribution was injected into regional communities. Dairy is the leading employer within agriculture, employing 8700 people on-farm, in regional processing and within the broader service sector
 - o Continuing confidence in the sector is reflected in investments over the past 5 years, with \$493m invested in on-farm infrastructure in the Murray region as a whole, and \$500m in new and upgraded processing facilities in the southern Riverina and GMID sub-regions. (p20)
 - o Changes in water use patterns across the Basin are placing pressure on water infrastructure, as outlined on p34:
"Stakeholders have expressed increasing concern over the level of water use, the size of their

irrigation district's infrastructure footprint, and the associated cost structures. They perceive that reduced water usage and more volatile usage patterns as irrigators become more opportunistic, pose a threat to the viability of water companies in terms of the revenue needed to sustain the infrastructure footprint. For example, since 2000, the volume of water use in the GMID has declined, from an annual average 2100 GL down to 1300 GL, and as little as 600 GL in a dry year. This has put significant pressure on the viability of Goulburn Murray Water (GMW) in terms of generating enough revenue to cover costs without dramatically increasing pricing structures. The reduction in water use is linked to irrigators trading around 700 GL litres in high reliability entitlements out of the GMID since 2000; an estimated 417 GL in entitlements were sold or transferred to the environment under the Basin Plan but the balance was traded downstream mainly to support an expansion in almonds and other fixed horticultural plantings.”

- **Dairy Australia Situation and Outlook March 2020**

- The March Situation and Outlook provides positive indicators across the dairy industry. After a difficult start to the 2019/2020 season for many farmers, falling milk production has moderated to a decline of just 3.7 percent to date. Production volumes in both December and January exceeded expectations, with December seeing the first year on year increase in milk production in 18 months.

, ADIC Water Standing Committee