



**National
Farmers
Federation**

National Farmers' Federation

**Submission to
Basin Socio-Economic Assessment Panel draft
report**

7 April 2020

NFF Member Organisations





The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain.

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

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

Statistics on Australian Agriculture

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

Social >

There are approximately 88,000 farm businesses in Australia, 99 per cent of which are wholly Australian owned and operated.

Economic >

In 2018-19, the agricultural sector, at farm-gate, contributed 1.9 per cent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2018-19 is estimated to have reached \$62.2 billion.

Workplace >

The agriculture, forestry and fishing sector employs approximately 318,600 people, including full time (239,100) and part time employees (79,500).

Seasonal conditions affect the sector's capacity to employ. Permanent employment is the main form of employment in the sector, but more than 26 per cent of the employed workforce is casual.

Environmental >

Australian farmers are environmental stewards, owning, managing and caring for 51 per cent of Australia's land mass. Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 7.4 million hectares of agricultural land set aside by Australian farmers purely for conservation/protection purposes.

In 1989, the National Farmers' Federation together with the Australian Conservation Foundation was pivotal in ensuring that the emerging Landcare movement became a national programme with bipartisan support.

1. Introduction

The NFF welcomes the opportunity to respond to the Basin social and economic assessment panel draft report.

The NFF recognises that the assessment explored issues beyond the Murray-Darling Basin Plan (Plan) itself, although the Plan is an important part of the report. The findings of the report paint a picture of the hopelessness and frustration felt by many basin communities and provides a set of recommendations to address these concerns.

The Sefton report is now one of the many reports that has been delivered to be governments. The report reaffirms concerns about delivering the Sustainable Diversion Limit offset projects by 2024. A bigger issue is what is to be done if some of these projects fail to deliver the expected offsets. Is it still the Commonwealth's intention to purchase water to make up any shortfalls despite well documented costs and entrenched opposition to significant parts of the community to buybacks? Certainty is needed about the Commonwealth's intentions for a meaningful progress.

What is most needed is agreement between the Commonwealth and State Ministers about what actions are required to complete the Plan and what the completed Plan includes. Slowing the implementation without any clear guidance on what areas are being slowed risks prolonging community opposition and uncertainty.

The NFF acknowledges the following findings in the report:

- The social and economic impact has varied across the basin. Although this reflects a broader trend in rural and regional communities, the changing structure of the Australian economy and ongoing water reform has left some communities better able to adjust than others and there are clearly some communities that have been devastated. Those who participated in Commonwealth infrastructure programs under the Plan have received a comparative advantage over other irrigators and regions that did not participate. There is therefore a question about equity for those regions that are left at a comparative disadvantage as result.
- Water recovery has placed significant upward pressure on water prices by reducing the overall consumptive pool. Combined with drought and an increased demand from various sectors, this has increased risks for farmers and reduced the capacity of certain industries to compete, especially if they predominantly purchase water through the temporary market.
- Farmers who participated in buybacks and remained on-farm have been impacted more significantly compared to those who participated in efficiency programs.
- Strong and effective local leadership was required to ensure policy proposals are well-informed, well-designed and can be tailored to the needs of the community.

- Many farm businesses do not feel confident about their futures, nor the futures of the next generation.
- The enhanced environmental outcomes from water recovered are not fully understood. Communities need to understand the benefits of environmental water to ensure confidence that the Plan is working.

The recommendations rightly focus on:

- Improving engagement processes with rural and regional communities.
- Recognising the harm that poorly constructed reform can cause.
- Supporting and investing in basin communities to ensure they can survive and thrive into the future.
- Pragmatic solutions to implement the Murray–Darling Basin Plan.

The NFF seeks clarification on the following findings:

Draft Finding 29

There is little evidence to suggest water recovery through off farm infrastructure investment has helped Basin communities adapt. This issue—including potential implications for future IIO fees and charges—deserves more investigation, with the cooperation of IIOs. (Pg. 53)

The NFF suggests this finding needs clarification. For example, off-farm water savings have totalled over 400 gigalitres in Victoria. This has allowed Victorian farmers to have a more sophisticated system and can more flexibly use their water.

Higher flows and receiving water at any time of day at the designated flow rate has allowed farmers to adapt and become more efficient with their water use. If the Panel is arguing the off-farm infrastructure upgrades have not led to increased farm productivity, it should be more explicit.

Draft Finding 11:

“Drought is the main factor contributing to higher water allocation prices over the past 18 months”.

Given the contention over the contributions to increased water prices, subject to review by the ACCC, the NFF suggests the Panel cite the sources that reflect this finding, and clarify the extent to which environmental water recovery has increased water prices in the southern basin.

Draft Recommendations	Comments
Bring communities back to the heart of conversations and actions that decide their future	
<p>The Panel recommends all Basin governments commit to providing greater clarity and certainty around long term policy, and drive greater accountability and improved delivery of outcomes to build trust and ensure more people share in the benefits of Basin water reforms. Specific commitments and initiatives should include:</p> <ul style="list-style-type: none"> • All Basin governments and relevant authorities must work together cooperatively, to deliver the Basin Plan. This work may require adapting to changing circumstances and new information. 	<p>The NFF supports these recommendations and the need for greater clarity and certainty around long-term policy, accountability and improved delivery of outcomes to restore community trust. The challenge is putting the recommendations into practice.</p> <p>A fundamental part of rebuilding trust involves clear acknowledgement of the Plan from all stakeholders. The drought, water market reform, and the Plan itself has had a major impact on the basin — 20 per cent of the consumptive water has been shifted in a relatively short period of time — not enough time for communities to adapt and has caused disproportionate impact to some communities. While water reform is needed in the nation, governments must communicate that not all impacts can be mitigated and communities will be burdened with a heavy cost for this process and should be supported.</p> <p>The recommendations come in several parts. The NFF agrees that the Commonwealth must work cooperatively to deliver the Plan. The underwhelming response to the Productivity Commission review has created further uncertainty, undermined confidence and reinforces the need for strategic direction. Legitimate community concerns about the Sustainable Diversion Limit Mechanism Adjustment (SDLAM) projects including addressing what may happen if water recovery targets of 605 GL and 450 GL are not yet met. The NFF and other stakeholders are willing to be involved in these discussions but require Governments to firstly have some vision and secondly to take action where required.</p>
<ul style="list-style-type: none"> • The Murray–Darling Basin Ministerial Council should demonstrate a shared vision and clear objectives, showing it can articulate what it sees as common goals with clear roles, accountabilities and actions, that provide long term policy certainty. 	<p>The NFF supports this recommendation.</p> <p>The Productivity Commission’s five-yearly review of the implementation of the Plan identified the need to improve the governance, transparency and accountability of Basin Governments in order to be more effective at delivering policy and to restore trust in communities. We keep hearing about better engagement and communication, and coordination, but it is not being seen in the regions. We need a real commitment to address this real and persistent problem.</p> <p>Specifically, the Commission recommended: the structural separation of the Murray-Darling Basin Authority’s (MDBA) service and regulatory functions; and enhancing the role of the Basin Officials Committee (BOC) to drive implementation and promote</p>

	<p>intergovernmental collaboration. The NFF continues to support the implementation of these recommendations.</p> <p>These recommendations were complemented by Greg Claydon’s <i>review of the Murray-Darling Basin Joint Governance Arrangements</i> in 2019. The review found that current joint governance arrangements were not fit for purpose, complex and lacked clear direction. The review recommended the BOC be reformed to provide strategic direction and manage strategic risks. The Joint Government response to the review goes some way to improve these processes, and should now make the efforts underway to take meaningful action to develop a shared vision and other strategic action required to implement the Plan.</p>
<ul style="list-style-type: none"> • All parties involved in the design, development, implementation, monitoring and evaluation of water policy and reform should recognise the importance of transparency, and accountability in providing certainty and confidence to communities. 	<p>The NFF supports this recommendation.</p>
<ul style="list-style-type: none"> • Basin governments must find better and more effective ways to engage with rural and regional communities. Basin communities want to be part of decision and policy making that makes their communities better places to live. This engagement should empower communities and keep government accountable, as well as making the case for reform. 	<p>The NFF strongly supports more effective engagement with rural and regional communities. The recently established regional offices under the MDBA has provided a conduit between the Commonwealth and local communities and has proved reasonably effective in ensuring local communities voices can feed into water policy improvements. Where basin governments can do more to replicate those that are working well and improve engagement, they should make this a priority. The NFF suggests the Panel consider what specific actions may be taken to facilitate better engagement.</p> <p>The NFF suggests further detail on what actions governments should take to implement this recommendation.</p>

<ul style="list-style-type: none"> • Basin Governments should invest in the ongoing development of effective water markets and improving the water literacy of participants and users of basin assets. This could be done by developing an easily accessible, Basin-wide water resource information platform. The platform could provide timely information and simple description and definitions of water terms, policies, operational settings, rules and their implementation, and changes (or those proposed) to them. It could also provide easily understandable indicators of water supply and demand and enable rapid understanding of the composition of, and changes in, river flows, and storages, both temporally and spatially as well as access and release triggers. 	<p>The NFF supports this recommendation.</p>
<ul style="list-style-type: none"> • Basin governments need to invest in developing improved water literacy in communities and within government, so all understand what policy proposals mean in practice. 	<p>The NFF supports this recommendation and also suggests improving literacy in media organisations. An informed media plays a significant role supporting understanding in both urban and regional towns. Improving water literacy in media organisations is necessary to re-establish an informed dialogue and greater trust.</p> <p>The NFF suggests further detail on what actions governments should take to implement this recommendation.</p>
<ul style="list-style-type: none"> • Strong and effective local leadership that understands is what is required for successful outcomes. Basin governments should explore ways to build local leadership capacity to work with governments to design policies that are tailored to community needs. 	<p>The NFF strongly supports building the knowledge capacity and leadership capabilities of basin communities, and improving water literacy. The complexity of water policy in Australia requires a much deeper and broader understanding of intricacies within the rural and regional communities it has a direct influence and impact on. It would be beneficial for both basin communities and basin governments as it would ensure better designed government policies and reduce the undeniable chasm between communities and governments on all levels about management and implementation.</p> <p>The NFF suggests further detail on what actions governments should take to implement this recommendation.</p>
<p>The Australian Government should extend the Murray–Darling Basin Economic Development Program beyond its 2023 completion date, and increase its scale. Past and future impacts of Basin water reforms will still be passing through Basin regions and towns after 2023. The program should be extended to 2030, then reviewed. Project delivery timeframes should be extended beyond the current four year timeframe to</p>	<p>The NFF supports this recommendation. It is clear that water reform, including the Plan, has caused significant negative social and economic impacts to some basin communities and may continue beyond 2024. These impacts have been uneven. There is a need to focus on projects that result in long term investment and associated improvements to agricultural profitability and productivity in the Basin with long term community benefit. However, the NFF notes economic programmes are difficult, and they are not a panacea for the wide range of challenges facing communities. Some impacts of the Plan cannot be mitigated.</p>

<p>2030. This extension will empower communities to make longer term investments in their future.</p>	<p>The NFF suggests clarification and further explanation on what actions Governments can take to implement this recommendation.</p>
<p>The Australian Government should prioritise future investment in the Murray–Darling Basin Economic Development Program in vulnerable and disadvantaged communities most negatively impacted by Basin water reforms. The Panel’s assessment shows these communities include:</p> <ul style="list-style-type: none"> • Basin regions where more water has been recovered through open tender buybacks, and less through on-farm irrigation investments • dairy and annual cropping regions and towns in the southern Basin that have benefitted less from past water reforms and will decline with future water recovery • smaller Basin communities that have poor socioeconomic conditions and rely heavily on irrigated agriculture, and/or where water recovery and other reforms proceeded quickly (such as through single ‘strategic’ purchases). 	<p>The NFF supports this recommendation. Ongoing implementation of the Plan should not result in further negative impacts on Basin communities.</p>
<p>Where an upwater recovery proposal fails to meet established neutrality criteria, this failure should trigger a formal process to consider and agree on whether and how third party impacts could be offset in a way that is acceptable to those negatively affected by the change. This process must be community led.</p> <p>The Panel considers this process would likely stimulate a more diverse range of community led recovery proposals, which may alleviate an otherwise protracted and even more painful and unmanaged transition for regions.</p>	<p>The NFF does not agree with this recommendation. The NFF also notes existing deliverability issues in the southern basin undermines the efficacy of further water recovery in that region. It would be remiss to have to recover more water until there are clear plans to address deliverability issues.</p> <p>The NFF recognises and agrees that community driven recovery proposals, assisted by relevant Government authorities, are more likely to succeed. If Commonwealth efficiency projects have, overall, led to broader community benefits, and a delivered a comparative advantage for those who have participated, then it follows the communities that have not participated have a comparative disadvantage and would be disproportionately impacted. Where there are opportunities for infrastructure investment in communities to improve efficiencies, and help manage future risk, it should be prioritised.</p> <p>However, projects must meet established neutrality criteria. The NFF notes the purpose of upwater to deliver enhanced environmental outcomes under Schedule 5 of the Plan. The NFF has long advocated that environmental outcomes are more than flow outcomes, and they do not necessarily correlate without appropriate operations in place.</p>

	<p>Furthermore, the NFF suggests the recommendation could be expanded and refocused to include projects that can deliver enhanced environmental outcomes without water recovery, noting that this would require legislative change.</p> <p>The NFF therefore suggests: <i>Upwater recovery proposals should be designed consistent with established neutrality criteria and should pursue off-farm projects first. Concurrently, Governments should establish a formal process to facilitate development of community led projects.</i></p> <p><i>Government should initiate a process to explore options to enable enhanced environmental outcomes under Schedule 5 of the Murray-Darling Basin Plan be delivered through means other than water recovery.</i></p>
<p>Meet the pressing needs of First Nations</p>	
<p>Governments should do more to increase First Nations communities' access to water for cultural and economic purposes, by:</p> <ul style="list-style-type: none"> • working with First Nations groups to define levels of access required to support improved outcomes for First Nation peoples across the Basin • recognising the relationship between, and benefits from, First Nations' increasing access to water and land, and working on approaches that provide for both. 	<p>NFF has previously taken the view that whilst supportive of better engagement for first nations, any increase in water must be accessed from the existing pools. The preference is that economic water is purchased as a licence from the appropriate consumptive pool.</p> <p>Funding for this is a matter of negotiation between First Nations and government/s, noting that any arrangements should be mindful of not providing any distortionary effect on existing markets</p>
<p>The Australian Government (potentially in partnership with state governments) should fund First Nations groups to work with experts in valuing ecosystem services provided by, and the benefits arising from, culturally significant sites (including, but not limited to, the 17 Ramsar sites in the Basin). The goal should be to better understand the cultural and economic benefits of improving First Nations groups' access to water, and environmental outcomes.</p> <p>Funding should also be provided to support Aboriginal enterprise development in associated First Nations communities that use (or could use) ecosystem services.</p>	<p>Ecosystem services design is an important current debate. The NFF is pursuing proposals which include dialog with First Nation groups, any focus on this under the guise of basin reform should be at least not inconsistent with those current processes and should preferably integrate with them as they mature.</p> <p>Funding for this is a matter of negotiation between First Nations and government/s, noting that any arrangements should be mindful of not providing any distortionary effect on existing markets.</p>

<p>Basin governments should work to better embed and mainstream First Nations participation in water policy and planning at all levels over the long term. Basin-wide processes have provided for greater First Nations involvement, but involvement in state and local decision making and planning varies and should be increased.</p>	
<p>Implement water reform with greater care so potential harms are minimised</p>	
<p>The Australian Government should time further water recovery to match the capacity to deliver water to where needed to achieve enhanced environmental, social and working river outcomes. This approach means slowing further recovery in the Basin, and accelerating efforts to relax delivery constraints.</p>	<p>The NFF supports slowing down recovery of water to deliver enhanced environmental outcomes and the need to match water recovery with the capacity to deliver water</p> <p>Without resolving structural issues in the water market, it is likely that existing trends in the Murray-Darling Basin — greater carryover; shifts in the location, volume and timing of demand for consumptive and environmental water; changed irrigator behaviour; and, large environmental water holdings will exacerbate impacts to industries already struggling (namely those on general security licences) including dairy and rice.</p> <p>It is highly unlikely that the 450 GL efficiency can be achieved by 2024 without significant cost and community disruption. Much of the 450 GL recovery is dependent on relaxing constraints. However, they are separate from deliverability issues which are addressed below.</p> <p>The NFF notes the NSW and Victorian review of Constraints modelling highlighted that there was insufficient information about: costs to owners and managers of floodplain assets; modelling; and implications of constraints relaxation. The Panel recommended an adaptive management approach to progressively relax river constraints, detailed on pages 50-54 of the report. The Panel should consider those the findings in the develop of its final report.</p> <p>The NFF therefore suggests: <i>The Australian Government should time further water recovery to match the capacity to deliver water to where needed to achieve enhanced environmental, social and working river outcomes. This approach means slowing further recovery in the Basin, and taking an adaptive management approach to constraints relaxation, consistent with the 2019 Constraints Modelling Review.</i></p>
<p>Reflecting community concerns, Basin governments should continue addressing deliverability constraints as a priority. This work includes:</p>	<p>The NFF supports the intent of the recommendation, but suggests the Panel clearly separate deliverability from constraints relaxation as they are separate issues. Major</p>

- Commonwealth and state water ministers developing an aligned multi-state approach to development below the Choke, as a priority action
- consistent with Victoria's approach, NSW and South Australia not establishing new or expanded water licences until a clear long term plan for managing deliverability below the Choke is agreed.

The Panel considers long term clarity and confidence around coordinated development above and below the Choke will better stimulate, support and promote healthy and sustainable rural and regional communities in the Basin, compared with the current approach.

State tributaries such as the Goulburn and Murrumbidgee rivers are being damaged as more water is being pushed down these rivers to bypass the Barmah Choke.

The *Independent Panel for Capacity Project review* identified various mechanisms to address deliverability issues. In the short term, the review recommended that:

- As an immediate priority, jurisdictions should develop a contingency framework for making decisions on how they will manage shortfalls when they occur and agree on key steps, roles and responsibilities in implementing and communicating these decisions. This should also include consideration of environmental delivery shortfalls

In the long term, more information is needed to understand and mitigate impacts of deliverability shortfalls. The review recommended:

- Revisit previous work on Barmah Choke bypass options and undertake a first-cut feasibility analysis to bring forward revised set of options in mid-2020.
- Determine the rate of sedimentation of Barmah Choke and feasibility of extraction to increase capacity
- Undertake a number of general model improvements including a more contemporary representation of: Victorian allocation policies, modelled inflows from the Goulburn and Murrumbidgee valleys, Lake Victoria operating levels, river transmission losses in the Barmah Choke area and the interim operational measures in the Lower Goulburn recently introduced by Victoria. 12.
- Review potential for operational analysis to inform the interpretation of modelled delivery shortfalls.

This NFF recommends the Panel use the *Independent Panel for Capacity Project review* to complement their recommendations.

<p>Improvements in monitoring and evaluation should include creating a solid baseline and tracking environmental outcomes from water reform, and how these impact Basin communities' social and economic wellbeing. Measures should include, but not be limited to, demonstrating how enhanced environmental outcomes of water reform affect tourism, recreation, liveability, human health and wellbeing, and cultural values.</p> <p>This tracking is a critical need, and communities should be more involved in the design of this program compared with previous efforts.</p>	<p>The NFF strongly supports this recommendation provided monitoring and evaluation is very targeted and cost-effective monitoring – with meaningful and targeted metrics. Greater transparency and information are needed about how environmental water (and water overall) is used across the Murray-Darling Basin to provide data against which environmental outcomes can be assessed.</p> <p>The NFF notes that flow targets do not necessarily equate with environmental outcomes, as they also rely on effective river operations amongst other variables. There is a disproportionate focus on environmental flows under the Plan that devalues the importance of non-flow environmental outcomes which are equally important in the broader environmental health of the basin.</p> <p>The NFF suggests that this recommendation could be fleshed out to explore specific measures and/or bodies that may help implement this recommendation.</p>
<p>In response to the emerging risks in Basin, increase the focus and funding of research and innovation in the following key areas:</p> <ul style="list-style-type: none"> • enabling the diversification of farm systems across industries • translating research and innovation knowledge into on-ground application. 	<p>The NFF strongly supports this recommendation. Research and innovation provide opportunities for individuals and communities to adapt to change. Any research and development proposals must meet the highest scientific rigour and process standards.</p>
<p>Community Service Obligations may be helpful in some circumstances to clarify future service requirements and how costs are shared when off-farm infrastructure is provided to achieve water recovery.</p>	
<p>Support the capacity of communities to adapt to change</p>	
<p>Improve water security planning and investment for Basin towns and cities. Improvements should include better supply and demand forecasting and planning; more focus on non-rainfall based supply options; investment decisions based on a full assessment of costs, benefits, risks and uncertainties; and better meeting of the water supply needs of First Nations communities.</p>	<p>The NFF supports this recommendation, but notes the urban sector uses a small amount of water across the Basin.</p> <p>Competitive communication services are a fundamental building block of any community, large or small. Without it, economic reform cannot happen. However, and very unfortunately, its provision is also not a guarantee of economic prosperity. There must be an acknowledgement that for many small communities their economic advantage was access to water, take that away, and they are left with little.</p>

<p>The Australian Government should develop regional pilot programs for alternative urban supply sources, including indirect potable reuse. These investments may be part funded through the National Water Infrastructure Development Fund.</p>	<p>NFF supports this in principle but would want to understand the proposal in greater detail to particularly ensure there are no perverse economic outcomes, compromising of water availability nor distortionary effects on pricing and availability</p>
<p>To improve decision making and enable well focused and timely responses to wellbeing concerns, governments should agree on a framework to more regularly monitor and, where feasible, develop improved and more granular indicators of community wellbeing in the Basin. Consideration should be given to reporting Basin community wellbeing at least every four years, and every two years in communities with higher vulnerability.</p>	<p>The NFF supports this recommendation, but notes there is already sufficient evidence on impacts of wellbeing and regional communities. Responding to these impacts is most critical.</p>
<p>Basin governments should fund a program for First Nations groups to build a baseline and track social and economic conditions, and water reform outcomes. First Nations groups could partner with the Murray–Darling Basin Authority and Australian Bureau of Statistics to complete this work.</p>	<p>The NFF supports this in principle but does wonder why it is confined to First Nations, is it different to a community well being assessment? If so, it should be considered more broadly than for First Nations.</p>
<p>Governments should consider developing a Basin-specific infrastructure fund, with a focus on digital connectivity. Basin communities already have a significant infrastructure deficit, and they should not have to compete with other regions in a new fund.</p>	<p>The NFF supports this recommendation.</p>
<p>Address critical and urgent gaps in wellbeing, infrastructure and services</p>	
<p>Governments should invest to improve essential infrastructure in Basin communities, particularly in outer regional and remote communities that are at a relative disadvantage.</p>	<p>The NFF supports this recommendation.</p>
<p>Basin governments should direct resources to attract and retain frontline service providers that specialise in addressing household distress, mental health issues, and financial hardship, in Basin locations experiencing acute social or economic issues. Section 2.2 of this report identifies these Basin regions and towns, and their frontline resource needs.</p>	<p>The NFF supports this recommendation, the twin burden of drought and water reform has left communities and individuals quite fragile and any assistance is appropriate.</p>
<p>Governments need to work with communities in the Basin with acute social and economic issues to develop action and outcome plans that will address these issues over the next three years. Such plans should build on any existing plans and be driven by local communities that are provided with</p>	<p>The NFF supports this recommendation, but this should not be a response to the Plan. We need responses/recommendations to address the impacts of the Basin Plan.</p>

additional skills and expertise to help them develop long term (say, two to three decades) and short term (up to 10 years) tailored plans.	
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