

22 January 2004

The Hon John Thwaites  
Deputy Premier and Minister for Water and Environment  
Level 3, 1 Treasury Place  
**MELBOURNE Vic 3002**

Dear Minister,

**RESPONSE TO THE GREEN PAPER ON "SECURING OUR WATER FUTURE"  
FROM MURRAY VALLEY CITRUS BOARD**

Thank you for providing the Murray Valley Citrus Board with an opportunity to submit its response to the Green paper "Securing Our Water Future".

We appreciate the date for formal submissions closed on 30th November 2003, however our organization has recently undergone some administrative changes culminating with the appointment of a new Chief Executive. This process delayed our response, however there are a number of important considerations we wish to draw to your attention for the sustainability of the Murray Valley citrus industry including:

- Resolution of the management of Barmah Choke to secure reliability of water supply
- Need for clear signals and predictability in the business environment in the development of the Water market and unbundling of Water Entitlements
- Site Use Licences
- Direct and specific consultation with the citrus industry in the development and implementation of change on particular requirements for industry sustainability
- Propose "exit fee" charge to be applied to avoid unnecessary stranding of infrastructure.

Comments in this submission are the considerations of the Board as representatives of Murray Valley Citrus. They are not the result of consultation with all citrus growers as time available did not allow for this.

The Board is pleased to see that the proposed reform recognises that water is a valuable and limited resource and that its effective management is essential to ensure the well being of many regional catchments and communities. It is also pleased to see that it focuses on the often vastly different needs of cities, towns, industry and the environment, and recognises that all Victorians have an important role in securing our water future. It is the Board's understanding that the proposed reforms are to ensure the following:

- That water is managed to meet the economic, social and environmental outcomes required by the community
- That water as a resource is managed in an efficient and effective manner
- That more uniform organisational governance arrangements are applied to the water sector; and
- That emerging community, organisational and government issues are addressed.

The government is to be congratulated on the breadth, together with the thoroughness and clarity of the issues presented in the "Green Paper".

### **Background to the Murray Valley Citrus Board (MVCB)**

The MVCB is a Statutory Authority set up under State legislation and run by industry for industry. The Board consists of a broad group of industry, government representatives and skilled people from outside the industry and provides the key information, extension and research conduit for the citrus industry in the Murray Valley.

The MVCB represents 527 citrus growers on both the NSW and Victorian sides of the Murray River from the South Australian border to Echuca/ Moama and areas around Kyabram and Wangaratta. The total area under citrus production in the Murray Valley is 6,729 hectares.

In 2002/03, citrus production in the Murray Valley totalled approx 183,000 tonnes generating approximately \$50 Million in returns to growers. 61,000 tonnes were exported generating approximately \$31 Million in returns.

While the Green Paper makes reference to the uncertainty associated with what irrigated enterprises will be grown in Victoria in the future, the Board will be doing everything in its power to ensure the citrus industry continues to remain a vibrant and sustainable industry in the Murray Valley Region and provides an increased contribution to the wealth and health of local communities.

### **Water Requirements and Efficiency Measures Within the Citrus Industry**

The citrus industry in the Murray Valley has made significant improvements in matching water use to tree and soil requirements, substantially reducing overall water use and off-farm impacts. However this has increased the demand for continuous supply of quality water in order to manage risk to trees of drying out as a result of shorter frequencies of application.

Citrus is a high use water crop with similar usage patterns to other horticulture tree crops namely Almonds, Stone fruit and Avocados (13.5 Ml per hectare). Water use for viticulture on the other hand ranges from 7 to 10 Ml per year.

Significant improvements in on-farm water management have been introduced recently supported by excellent government incentive and training initiatives. Improved technology and increased understanding of the gains to be made through reduced water consumption and costs have been the driver for growers to become more efficient.

Programs such as the "Growing the Mallee" and "Sunraysia Salinity Management Plan" have enabled growers to attend irrigation management courses enabling them to improve their water monitoring and scheduling practices. Some 1500 growers received incentives through these two programs alone, further emphasising that growers are adopting innovative irrigation management tools to improve efficiency and reduce the run-off and effect on the environment.

The introduction of farm management tools such as drippers and under-tree sprays, in addition or to replace the traditional furrow and overhead methods of water application, has facilitated increased control of water application to meet the requirements of plant and soils thereby substantially reducing run off and off-farm environmental impacts.

This technology has the added advantage that it also enables growers to fertilise their orchards through their irrigation systems enabling fertilisers to be applied at frequency and timing that trees can take it up, thereby reducing risk of leaching nutrients. Water quality is important when applying fertilisers during the irrigation process to ensure that the fertilisers mix well and are readily available to the plants.

While the introduction of drip irrigation and improved management practices, such as the use of tensiometers and enviroscans, has facilitated the reduction of overall water consumption, it has increased the requirement for continuously available quality water. Water is now required in small amounts over a longer period of time to meet plant requirements. This has significantly reduced the amount of water applied to the orchard, reducing run off and leaching, but it has added the need for reliable systems to supply good quality water on demand.

The changes in irrigation method has also increased the risk of stress on citrus trees with any reduction in the availability of water. The intense management methods being incorporated on orchards mean that growers cannot afford to have trees stressed at any time throughout the year. Reliability of supply **during critical periods** is essential.

The most critical time for water supply for citrus is the flowering and fruit set periods from August to December. With new irrigation methods there are no appropriate times to have water restrictions although the trees can be slightly stressed for a couple of days in the fruit expansion stages from January to May where the trees can recover quickly. This timing is different to other crops, in particular grapevines where wine grape growers are applying Controlled Deficit Irrigation in the December/January period to increase fruit quality. Grapes can also handle reduced watering from harvest until just before bud break. This timing depends on the variety and can run from March to July.

## **Reliability of Supply**

### ***The Barmah Choke***

The movement of water downstream of the Barmah Choke and the use of that water on vines or permanent pasture (summer demand) instead of annual pasture (autumn demand), and the application of Controlled Deficit Irrigation and Partial Root Zone drying together with other water use control techniques which move the time of peak demand is eroding the established standards of service to growers in the Mid to Lower-Murray regions. The standards of service are further eroded by the additional transmission losses that apply to water moved downstream not being considered.

Resolution of the Barmah Choke issue and commitment to an agreed standard of service for bulk and retail water deliveries and the introduction of "Exchange Rates" as water is transferred downstream and losses are increased are essential if growers are not to be disadvantaged in the longer term as more water is transferred downstream.

The Board believes that the introduction of Capacity Share as part of the water entitlement unbundling process should be extended to include any head-works such as the Barmah Choke.

## **Water Entitlements**

### ***Developing the Water Market – Unbundling of Water Entitlements***

The Board believes that the unbundling of water rights to include water entitlement, capacity share and site use licences and the associated greater certainty in water property rights is an essential next step in the water reform process.

Victorian growers have relied on the sales component as part of their entitlement (i.e. additional water that can be made available over and above the water required to secure water right in the current and following year). To ensure equity is maintained with other states and to ensure the total water entitlements of growers are considered when making decisions, the Board suggests that the traditional sales component of the entitlement be converted to a low security water entitlement and be transferable on a temporary and permanent basis the same as the higher security base water entitlements.

The introduction of “Capacity Shares” provides a win-win situation in that it enables the water authority to recover the infrastructure part of their costs by this means (thus protecting them against the impact of stranded assets), and ensures the landowners' standards of service are not eroded as water is transferred into an area.

The Board is, however, concerned that unless the ownership of water entitlement and capacity share are strongly linked to land ownership, the water and capacity share markets will be subject to price fixing by water/capacity barons, etc.

With unbundling, the water market should be expanded to include capacity share (entitlements) and site use licences/ entitlements in addition to water entitlements (particularly in areas where irrigation development is limited by system capacity or external impacts).

The implications of unbundling water entitlements will require careful consideration particularly relating to the social and economic impacts on citrus growers. The Board agrees in principle with the “half way” option with the volume of water held being limited to 18 ML/ha (twice the initial allocation in the Sunraysia pumped districts of land suitable for irrigation). It is considered essential that water rights continue to be linked in some way back to land or other means be introduced to avoid growers being exploited at times of water shortage.

Specific issues of concern include the following:

- The introduction of compulsory acquisition of water to enable infrastructure assets to be withdrawn is supported in unsustainable areas subject to just terms compensation and provided there are safeguards introduced. These safeguards could include the need for agreement by a customer base water user group and the Catchment Management Authority with the right of appeal, as is currently the case with compulsory land acquisitions.
- Re the focus on acquiring water from crops with lower returns. Not all crops can provide equally high returns but a range of crops are required to ensure a sustainable market place. In addition, not one irrigated crop is suited to all areas of the Victorian landscape. Removing water from enterprises of lowest return will therefore encourage the stranding of assets in some areas, impact on industry and communities and not relate to land capacity (as opposed to current use).
- The stranding of infrastructure tends to push up the prices for those growers that choose to remain in an area. This price increase could be partially offset, however, through the establishment “delivery capacity share” in water tariffs, whereby a land owner who

sold their water entitlement would be required to pay an "exit fee" which would go towards the ongoing operation and maintenance of the supply system.

- Better articulation of the upside of unbundling for irrigation is required.

Agriculture is a business, which is associated with risk. To contain and manage this risk any future change to government policy concerning the management of the state's water resources must not undermine the reliability upon which existing entitlements have been allocated.

It is important that as part of the water reform process, water rights are converted to secure property rights. This will ensure that water rights can be used to secure borrowings and enable growers to develop their enterprises.

### **Site Use Licences**

While the Board supports the concept of a site use licence, it disagrees with the heavy-handed approach proposed to minimise off-site impacts caused by irrigation (eg. pollution charges and regulation). Other less imposing options should be considered in the endeavour to improve water use efficiency and reduce off-site impacts, such as the introduction of nationally and internationally recognised eco-labelling accreditation schemes or other agreed Environmental Management Systems (EMS).

If site use licences are introduced they should be linked to the regional Land and Water Management Plan (LWMP) and strategies and provide for adaptive management and development of EMS's. They should also recognise and support the provisions within any existing EMS's. The Board agrees that LWMP's should be the vehicle for adopting site-use licence standards, but feel it is essential that industry play a key role in the development of these standards.

It is also important that these are developed with adequate consultation with the grower community to ensure practical solutions, understanding and ownership, thereby facilitating speed of transition and adoption. Adequate time and financial support needs to be provided to allow irrigators to adjust to allow any new conditions placed upon them through site-use licences.

The benefits and reasons for site-use licences need to be better communicated. The structure and content of site-use licences and the transition arrangements should be tested and further developed in consultation with water user groups and industry.

Prior to the imposition of targets and conditions on irrigators, the actual off-site benefits of implementing specific targets and their associated on-farm works and measures should be well researched and communicated.

Growers require certainty and clarity to invest and grow their businesses. Site-use licence conditions will effect land prices and if changed could effect the level of investment required and any security held by banks etc (current and new). If introduced, the tenure of site-use licences must not be limited and the conditions and targets must be known at the time the licence is issued.

The National Australia Bank recently reported that *"if a farmer and his finance provider have no certainty of tenure, for example beyond ten years, then loans being serviced by the product of a water entitlement will need to be paid out over that period"*.

The bank also highlighted that the cash flow impact of this change in farm financing would be a 30% reduction in cash surplus on a typical irrigated farm. The bank also said "*advances in water use efficiency will only be made if farmers have clarity, security and tenure over access to water*"<sup>1</sup>.

### **Increases in Water Prices**

Whilst the Board recognises the need for the irrigation water supply authorities to be viable in the longer term, any increase in water prices should be clearly justified, quantified and transparent, as far as the use of additional revenue is concerned. Excessive price and licence compliance condition increases could reduce grower viability and as already mentioned above be counter productive leading to less investment on farm by irrigators in areas of water use efficiency and the adoption of Best Management Practices.

### **Other Issues**

Although the Board supports the establishment of an Environmental Water Reserve, the benefits and potential social, environmental and economic impacts of each of the possible options to provide water for the Environmental Water Reserve should be thoroughly understood prior to their implementation. These options include savings in the distribution system, on farm savings, changing system management, leasing and purchasing water and water being donated in short and longer term.

As indicated in the Barmah Choke issue, the introduction of Exchange rates to allow for losses as water is moved along the River Murray is considered essential. In a similar vein, the transfer of water has salt load implications. At present a cost is imposed as water moves into the area covered by the former Nyah to the South Australian Border Salinity Management Plan. The Board believes this concept should be broadened to other areas of Victoria and eventually the Murray Darling Basin. Credits should also be introduced where the transfer of water reduces the salt load on the Murray (e.g. the transfer of water from Pyramid Hill to Shepparton).

Greater focus needs to be placed on the social implications of adopting the reforms outlined in the "Green Paper". The Government should adopt a holistic approach with investment being targeted in irrigation industries such as citrus that are shown to be sustainable in the longer-term.

Groundwater management has not been well addressed in the "Green Paper". The Board believes that the development and active management of Groundwater Management Plans (including the establishment of sustainable yields for all aquifers) is essential. An agreement exists for the management of the interface between South Australia and Victoria and the Board believes that although the issues may be different with more emphasis on water quality rather than yield, as is the case with South Australia, a similar approach should be developed for the interface between New South Wales and Victoria.

The Victorian Farm Dams Legislation was introduced to protect the state's water resources. Research has shown that land use change can have an effect on yield, which could arguably be greater than the impact of new farm dams in some catchments. The Board therefore supports the introduction of water entitlements being linked to land use change throughout the

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<sup>1</sup> National Australia Bank Media Release, Melbourne, Thursday, 29 May, 2003

catchment (i.e. if trees were planted or removed in the upper catchment, the net longer term impact should be assessed and the Water Entitlement to that land adjusted accordingly either by purchase on the water market or credits which can be sold).

### **Future Engagement Process**

Consultation associated with the "Green Paper" and the Living Murray initiative has raised the level of awareness among citrus growers and stimulated debate relating to the future management of Victoria's water resources. It is essential that the momentum generated through this preliminary consultation continue to be fostered as further information becomes available. The consultation process needs to be thorough and accountable, mindful of the demands of the irrigation industry and be based on more than one public meeting involving a range of key stakeholders.

The "Green Paper" describes many high level reforms to the Victorian water industry. Many of these reforms are likely to result in significant change and have the potential to affect the welfare and business operations of our citrus growers. The Murray Valley Citrus Board therefore asks that it be kept informed of progress and potential implications of the proposed reform in the spirit of working co-operatively in promoting improvements already in train and implementing workable solutions to protect the river through research, development and extension initiatives.

Finally, during the lead up to the "White Paper" the Board would like to meet with the Victorian government representatives involved in this reform process to discuss the long term strategic direction of our industry. We look forward to the opportunity to continue to provide input to the proposed government reform agenda, and other water sector reform as it is developed.

If you have any questions regarding this submission, please contact Mr John Tesoriero on (03) 50211890.

Yours sincerely

Robert Mansell  
**CHAIRMAN**