



WINEMAKERS' FEDERATION OF AUSTRALIA

Response to the Murray Darling Basin Authority

Guide to the proposed Basin Plan

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Executive Summary

The Winemakers' Federation of Australia (WFA), the peak representative body for the nation's winemakers, welcomes the opportunity to respond to the Guide to the proposed Basin plan, October 2010 (the guide).

The following response addresses issues relevant to the wine sector.

We support a process of establishing and delivering on the environmental needs of the basin, the treatment of the basin as a single system and the introduction of improved water trading provisions. It is the "how" of achieving these principles against a triple-bottom line that becomes problematic.

We submit that the method of determining the basin's environmental water needs must be clarified and clearly linked to the restoration of flow related problems. Environmental water needs can be met more efficiently than through overbank flows.

We also believe procurement of water by the Commonwealth environmental water holder should, as far as possible, operate across the basin as a whole, rather than according to specific goals for regions. This will deliver a fairer socioeconomic outcome.

Comment on Basin Water Reform

WFA acknowledges the history of over-allocation of water that has led to degradation of the environmental values of the basin and supports an approach which views the basin as a single system, with consistent initiatives across all basin states.

We are very keen to ensure the water reform process leaves grape growers, wineries and the regional businesses and communities they support in a more sustainable and resilient position into the long term.

The Wine Sector in the Basin

Irrigation, particularly in the Murray Darling Basin, is essential to the ongoing success of the Australian wine industry, which is a major export earner and the lifeblood of many rural areas.

The MDBA makes the assumption, consistent with Economic theory, that water will move to the highest value use where there are no structural or market impediments. However the MDBA should be aware that the wine sector is presently trading through the worst structural adjustment from oversupply in a generation¹. Therefore it would be incorrect for the MDBA to assume that with reduced water available lower value agricultural production would switch to the higher value use of wine grapes. Hence in an irrigated locality facing reduced water allocations in which wine grapes are the most significant high value alternative, the only option may be to close down the irrigation district.

Wine grape production in the basin, or supported with irrigation from the basin, accounts for approximately 60% of Australian wine grape production.

¹ Winemakers' Federation of Australia et al. (2009) Wine Restructuring Action Agenda, http://www.wfa.org.au/resources/1/Reports/WRAA/WRAA_statement_10-11.pdf

The continued viability of certain export markets and price segments is dependent on low cost irrigated production and may be threatened by a significant increase in the cost of water or reduction in supply.

Water use Efficiency, Trading and Water Governance

WFA supports the MDBA's position to endorse the ACCC's water trading advice as detailed in the Guide Volume Two that will provide for a more effective and transparent water trade and the removal of volumetric limits on trading. In addition the WFA is keen to see better and more accessible information provided to irrigators on trades in general, local water market trends and water brokers. This information will support irrigators in crop management planning and determining their interest in participating in the government water buy back program. In addition we urge the MDBA to seek to ensure any transitional water use plans dating from receipt of the ACCC advice incorporate that advice.

Water management across the basin is already complex, given the different, roles of the numerous water management and delivery authorities. The addition of the MDBA and the Commonwealth environmental water holder will add to this complexity. WFA submits that greater clarity is needed on how the MDBA and CEWH will relate to and interact with these other bodies to: develop state water plans; in the management of environmental water; and in the implementation of a fairer and more open water trading system consistent with the ACCC advice.

Acquisition of Environmental Water

WFA has welcomed the Federal Government's commitment that water entitlements will only be sourced from willing sellers and believes the MDBA should make a clear statement in support of this approach. However, we are concerned that a disorganised process of water entitlement buy-backs within

an irrigation scheme will lead to a ‘Swiss cheese’ that renders a high-maintenance cost burden onto irrigators and ineffectiveness of the scheme to deliver small volume water transfers at short notice. WFA submits that the MDBA should include consideration of effectively dealing with these issues in its socio-economic assessment process.

WFA supports an approach whereby the environmental water needs of the basin are considered in a basin-wide context whenever possible. Under such an approach, local environmental water acquisition through the Government’s *Water for the Future Program* (entitlement buy-backs and irrigation efficiency projects) is recognised towards an overall basin environmental water target, rather than a local target. We believe this approach will mitigate the socioeconomic effects of meeting SDLs by ensuring water goes to the operations that add the most value. This would also reduce the detrimental effect of the *Water for the Future Program* on regions and sectors that were early adopters of efficient water use practices.

Community Impacts

If irrigators and their families are forced to leave the basin as a result of the proposed SDL’s there will be significant impacts across a range of areas, from the provision of services to the viability of schools. Some wine grape and winery businesses will close or lose staff, and property values will decline.

WFA supports the Minister for Rural Australia’s suggestion to establish a parallel process to support basin communities and address the socioeconomic impacts of the basin plan.

Setting SDL's and Water Efficiency Targets

WFA would support a model whereby all water users in the basin – including critical human needs, irrigation, conveyance and environmental watering categories – are subject to scrutiny on the effectiveness and efficiency of use.

We support the position taken in the Guide that the environment is a legitimate user of water, but submit that the better approach to defining watering targets is to be 'outcome-based', rather than 'volume-based'.

Many environmental outcomes may be achieved on the basis of timing of watering and specific local application of water, rather than widespread and inefficient overbank flows that would threaten regional communities and agriculture. In addition the WFA notes that the assessment of river health behind the MDBA process includes factors that may have little relationship to flow, such as the presence or absence of certain species, such as feral fish. Hence the WFA believes that the appropriate starting point for defining SDLs is to consider only those environmental targets that are relevant to flow and the anticipation of efficient water delivery mechanisms for off-stream wetlands.

WFA submits that efficient irrigation practice extends beyond irrigation infrastructure upgrades to include matters such as the cost of piping and pumping water and associated greenhouse gas emissions, the quality and speed of information available to farm managers on crop water stress, ongoing research on improving crop water utilisation and weather prediction and the training of farm managers.

Conclusion

The Winemakers' Federation of Australia currently supports the concept of water reform in the basin in principal. We support the MDBA's acceptance of the ACCC's water trading advice, to the degree that this ensures a more open water market, consistent rules across the basin, and better and more transparent information for the public on trades and water brokers. However we believe that the MDBA should reconsider the SDL targets put forward in the Guide to meet flow-related rather than general river health objectives and incorporate watering off-stream assets without overbank flows. We also believe, to the extent that it is possible, that the acquisition of water for the environment from the *Water for the Future Program* from anywhere in the basin should be considered as a contribution to the basin-wide target rather than a local objective. The WFA also submit that we are prepared to appear before Senate and House of Representatives enquiries into MDB water reform.