



**RICEGROWERS' ASSOCIATION  
OF AUSTRALIA INC**

**Submission to the Upper House Inquiry into  
Augmentation of Water Supply for Rural and Regional  
New South Wales**

**AUGUST 2016**

## Introduction

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Thank you for the opportunity to make a submission on the Augmentation of Water Supply for Rural and Regional New South Wales.

The Ricegrowers' Association of Australia (RGA) represents the interests of around 1200 voluntary members, based in the main rice growing areas of the Riverina region of south western NSW.

RGA is a member of the National Farmers Federation, National Irrigators Council and NSW Irrigators Council, and support their submissions to this inquiry.

## Industry information

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In Australia, rice is grown in the Riverina region in the south-west of NSW, predominantly across the irrigation areas of the Murrumbidgee and Murray valleys. The industry is also currently expanding into North Queensland to diversify climate and water availability risks. However, the vast majority of Australia's rice will continue to be supplied out of the Riverina as it is one of the best rice growing regions in the world, provided water is available. The temperate climate ensures high yields from extended and clear daylight hours, and a largely pest and disease free growing environment requiring minimal chemical use during production and storage. The soils are ideal heavy clay for rice growing and gravity fed irrigation systems deliver water to the crops efficiently.



In a typical year the industry produces around eight hundred thousand tonnes of paddy rice with a farm gate value of over \$300 million. Our ability to continue to produce rice is due to the returns per ML our growers are able to attract. This is due to the clean, high quality niche varieties we grow, consistently high yields, the world's most efficient rice watering practices, an integrated rice farming system enabling mutual benefit between rotating crops, world's best practice storage and milling, and highly sophisticated branded marketing into over 60 countries around the world.

After value adding by the grower-owned milling and marketing company SunRice, total industry value is well over \$1 billion each year. This makes the rice industry a significant economic contributor to the Riverina region of NSW. The towns of Griffith, Leeton, Coleambally, Finley, Jerilderie, Deniliquin, Wakool and Moulamein are highly dependent on rice production for their social and economic wellbeing.

## **RGA comments on the inquiry terms of reference**

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### **a) Investigate the requirement for a water equation (demand and supply out to the middle of this century) for rural and regional New South Wales.**

Over the past decade the RGA has seen increasing pressure placed on the water equation, resulting in increasing values of both permanent water entitlements and temporary water allocation. The RGA believes that changes to the water equation into the future will continue to increase the value of water entitlement and allocations. However the RGA suspects that this trend will slow as programs reducing the total supply of consumptive water are finalised.

The main drivers for the increase in pressure the water equation are as follows:

#### **Supply:**

- The main driver of supply is rainfall and weather. While it is not possible to influence the weather, better long-range weather forecast systems will assist irrigators to adjust their farming practices to accommodate the weather.
- Supply to NSW irrigators and other extractive water users was previously limited by the introduction of a cap on extractions in 1995. This supply has further been reduced by the recovery of a large number of productive water entitlement (water share units) from extraction for the purpose of the environment, by means of the following programs:
  - Water for Rivers (completed);
  - The Living Murray (completed); and
  - The Murray Darling Basin Plan (incomplete).
- Total supply may be increased through improvements to the efficiency of water storage and supply. It is critical that current assets and management strategies achieve the most efficient use of a finite resource. To this end the NSW Government must constantly seek to be more efficient with the storage and delivery of water to entitlement holders (including licenced environmental water holders) and ensure all other environmental water is used as efficiently and effectively as possible, while guaranteeing minimal third party impacts.

A secondary impact of a reduction in total water supply is the increasing cost of water delivery for remaining irrigators. Irrigation infrastructure operators are often required to distribute the fixed costs of operating their large irrigation delivery systems between a smaller number of water entitlements (and irrigators). Meaning the cost of supply per megalitre is greater, impacting upon the irrigators' overall profit.

#### **Demand:**

- Total demand is influenced by increasing global demand for Australian produce, in particular driven by an increasing global population, an increasing middle class in major trade partner nations and a decline in arable land globally.
- Increasing plantings of high value irrigation crops within the Murray-Darling Basin and in particular permanent plant crops which demand water regardless of the amount of supply available.

- Total demand may be reduced through improvements to the efficiency of water use within the irrigation sector and for licenced environmental water.

The NSW irrigation industry has been extremely proactive in ensuring its irrigation infrastructure operators and individual irrigators manage their water in the most efficient manner possible. Irrigators' and their respective industries continue to invest large sums of funds into developing world leading irrigation efficient practices and technologies. The Australian rice industry is recognised as the most efficient in the world.

However the same standard has unfortunately not been upheld by our environmental water users. Nevertheless, it is critical that environmental outcomes be achieved in the most efficient manner possible. The RGA therefore strongly encourages the NSW government to ensure water use efficiency standards are applied to environmental water use.

In addition, the RGA encourages the NSW government to work constructively with its neighbouring Basin States to ensure that the same principles of efficient water use for irrigation the environment are replicated in all other Basin States. This is particularly important given the natural constraints within the river system that limit the volume of water that can be delivered to South Australia.

In summary, and taking into account that the main driver of the water equation is weather, it is likely that this equation will remain relatively unpredictable.

Fortunately for the rice industry, this unpredictability lends itself to annual plantings such as rice and cotton rather than permanent plantings. Irrigators with annual plantings have the flexibility to vary the size of their total crop (or not plant a crop at all) subject to their annual water allocation and the local temporary water prices. Unfortunately irrigators with permanent plantings do not have this flexibility and must either continue to irrigate their full crop regardless of allocations and water prices, or otherwise risk losing often years of investment.

**b) examine the suitability of existing New South Wales water storages and any future schemes for augmentation of water supply for New South Wales, including the potential for aquifer recharge**

The RGA is supportive of future schemes for the augmentation of water supply within New South Wales subject to the following:

- There being no negative third party impacts for rice growers or their communities (including impacts to the characteristics of existing water entitlement or government water charges);
- The benefits of any future project outweighing the costs, established through a thorough business case subject to adequate public consultation;
- The cost of any future water augmentation project being funded equitably by all those who benefit from the project, including the NSW government, the environment water users, urban and industry users. Any impact on future government water charges should be subject to adequate consultation with rice growers and irrigation sector more broadly.

The RGA does not provide any comment on the potential for aquifer recharge other than that any future options must also comply with the parameters outlined above.

- c) **review the NSW Government's response to the recommendations of the June 2013 report by the Standing Committee on State Development on the adequacy of water storages in New South Wales**

Please refer to our response to item b.

- d) **examine the 50 year flood history in New South Wales, particularly in northern coastal New South Wales, including the financial and human cost**

No comment.

- e) **examine technologies available to mitigate flood damage, including diversion systems, and the scope of infrastructure needed to support water augmentation, by diversion, for rural and regional New South Wales**

Please refer to our response to item b.

- f) **examine social, economic and environmental aspects of water management practices in New South Wales and international jurisdictions, including the following case studies:**

- i. **Broken Hill town water supply/Menindee Lakes system**

The RGA does not wish to provide comment on the social and economic aspects of water management practices in regards to the Broken Hill town water supply/Menindee Lakes system.

However with respect to the environmental management, the RGA wishes to reinforce to the NSW government the importance of ensuring that any environmental improvements achieved through changes to the management practices for the Menindee Lakes and related systems are adequately captured as a supply measure (water recovery offset project) under the Murray Darling Basin Plan.

Supply measures are an important tool for ensuring that the health of the Murray Darling Basin system is improved without requiring further water recovery. Hence supply measures are a critical tool for maintaining the supply of productive water, and the viability of Basin communities across the system.

This principle is not only applicable to the Menindee System but applies across the whole Basin.

- ii. **South Western NSW water management practices**

*Social and Economic*

**Water Sharing Plans**

The Australian rice industry is predominately located within the Murray and Murrumbidgee valleys of New South Wales. The management of the water resources in these valleys is subject to the relevant Water Sharing Plans. The RGA is supportive of the Water Sharing Plan framework, especially considering this underpins the security/reliability and hence value of existing permanent entitlements.

Any substantial changes to the provisions of these water sharing plans could significantly impact upon the value of our growers' water entitlement assets. In the event changes reduced the value of entitlements, this would result in widespread economic detriment to irrigators' and their communities.

Pursuant to the Murray Darling Basin Plan, Water Sharing Plans are due to be replaced by Water Resource Plans in 2019; however the NSW Irrigators' Council has been assured that the Water Resource Plans will retain the current Water Sharing Plan framework. Ensuring that there is no substantial change to the current provisions of the Water Sharing Plan's, unless subject to adequate consultation with rice growers' and other interested stakeholders, is critical to the future viability of the irrigation industry.

The Water Sharing Plans (and the Water Resource Plans) are subject to ten yearly statutory reviews. This length of time is appropriate in ensuring stability and certainty for growers and for reducing the burden that the review process places upon the industry. Nevertheless, considering the size and complexity of the Water Sharing Plans servicing both the Murray (and Lower Darling) and Murrumbidgee Valleys it is critical that the NSW government dedicate adequate time and resources to undertaking this review.

This unfortunately has not been the case for the first statutory review for these two water sharing plans, which was due to be undertaken in 2014, however was delayed for two years before the current plan was rolled over without consultation. The clear lack of respect displayed for the importance of these documents to the water users and their communities was disappointing.

### **Murray Darling Basin Plan Implementation**

The implementation of the Murray Darling Basin Plan and the previous environmental water recovery programs has seen a significant reduction to the quantity of productive water supplied to the irrigation communities within the Murray and Murrumbidgee valleys respectively. Despite a number of irrigation efficiency programs being undertaken concurrently, this recovery has significantly reduced the productive capacity of these valleys and hence the profitability of these communities.

Considering a majority of these communities are solely dependent on agriculture, substantial reductions in local production has large detrimental impacts for these communities, including a reduction to the ability to support critical services, including emergency services, healthcare and education.

Despite being charged with the responsibility for monitoring the social and economic impacts of the implementation of the Basin Plan, the RGA is of the view that the Murray Darling Basin Authority is yet to demonstrate that they have the competencies to fulfil this task. The perceived lack of understanding of the impacts is extremely frustrating for rice growers and their communities.

Nevertheless, the RGA is thankful for Minister Niall Blair's commitment this year that there will be no further water recovery in NSW.

### *Environmental*

The RGA encourages the NSW government to undertake the following:

- To ensure that the Department of Primary Industries Water strongly pursue all suitable supply and complementary measures within the NSW Southern Connected Basin and that the water savings generated by these projects are adequately accounted for;
- To continuously consider innovative and adaptive uses of environmental water which benefit water users and the environment concurrently.
- To review the use of different forms of environmental water available in NSW to ensure that their use is coordinated to achieve the best environmental outcomes for the environment. In this regard, the RGA welcomes the recent announcement of Minister Niall Blair that there will be a review of the translucency flow provisions within the Murrumbidgee Valley; and
- To ensure that the communities directly and indirectly impacted by environmental flows are both informed and engaged with regarding the environmental watering activities.

**iii. North Western NSW water management practices**

No comment.

**g) the efficiency and sustainability of environmental water being managed by different State and Federal Government departments and agencies**

The RGA is of the view that there is room for improvement in regards to the management of environmental water. There are a number of agencies engaged in this space and the delegation of roles and responsibilities between these organisations is not clear.

This can make it difficult for local communities to understand or engage with the agencies regarding environmental watering program, and the monitoring and evaluation.

**h) the management, appropriateness, efficiency and reporting of:**

**i. inter-valley transfers**

The RGA congratulates Water NSW on recent improvements made to the transparency of the Murrumbidgee-Murray IVT account. The RGA continues to advocate for real-time processing of IVT trade applications.

**ii. conveyance and loss water**

The RGA understands that both Water NSW and the Murray Darling Basin Authority river operations team are subject to legislative obligations to operate the rivers in the most efficient manner possible.

Nevertheless, if a particular watering function requires the river operators to use water in a manner that increases those losses, then the RGA is of the opinion that those additional losses should be incurred by the licence holder who benefits from that use. This principle is particularly relevant for the policy pre-requisite measures required by the Basin Plan.

**iii. carryover**

The RGA supports the current carryover framework. Nevertheless, the RGA provides that any future change to the carryover framework should occur in accordance with the Water Sharing Plan review provisions and should be subject to adequate consultation with growers' and the irrigation sector more broadly.

**iv. the management and reporting of the water market**

The RGA supports further improvement being made to the transparency of the water market and to the regulation of the water market intermediaries, provided these improvements do not result in unnecessary compliance burden or cost for irrigators'.

## **Conclusion**

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While the RGA is supportive of initiatives' that secure the future of rice growers, the rice industry and their communities, it is important that any such initiative are subject to adequate analysis and public scrutiny to ensure that potential negative impacts are not overlooked.

The augmentation of water supply for New South Wales is an extremely sensitive and complex issue, not least due to the consequences that any changes to current water arrangements may have on the value of permanent water entitlements and temporary water allocations.

For this reason the RGA urges the Upper House to proceed with caution when considering any potential changes to the augmentation of water supply for New South Wales.

Thank you again for the opportunity to submit to this inquiry. If you require clarification about any of the matters raised in this submission, please contact the RGA's Policy Manager, Rachel Kelly.