

GMID Water Leadership Forum

- Established late 2015
- Members – dairy, horticulture, irrigated cropping & grazing, municipal, processors, natural resource managers, irrigators, community & business groups
- Community funded advocacy group
- Co-Chaired – Suzanna Sheed, independent member for Shepparton & David McKenzie, local agri-valuer

RMCG - October 2016

- Commissioned RMCG to prepare a GMID focused socio-economic analysis of the impact so far
- The first look at where the GMID was at – peer reviewed analysis
- Stripped out externalities – Basin Plan impact only
- Projected what a 2750 GI plan and a 3200 GI plan would mean



GMID IRRIGATORS PAYING
\$20m a year more
for temporary water

LESS WATER =

\$550m in lost production
every year since 2012,
totalling \$4.4b by 2020



MIXED FARMING LOSING
\$25m a year



**HORTICULTURE
FUTURE GROWTH**
limited in the
next drought



DAIRY LOSING
\$200m a year at the farm-gate;
\$360m in processed products



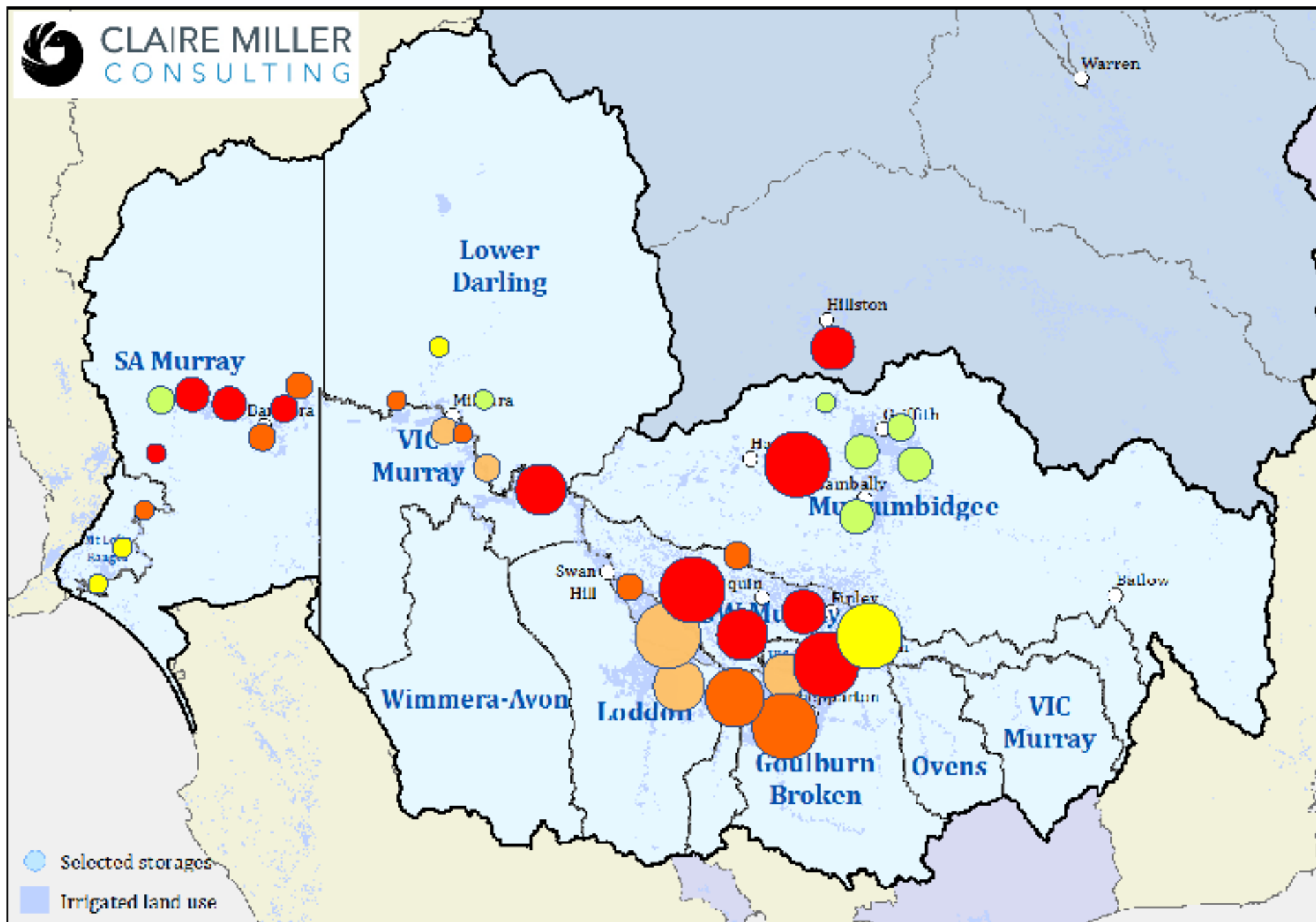
ESTIMATED
1000 jobs lost

Vic Government analysis

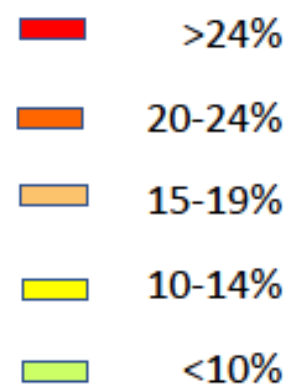
- Commissioned Frontier Economics & Tim Cummins & Associates
- Took a Victorian state-wide view;
- Reached similar conclusions for the GMID, and reached new conclusions for Victorian horticulture

Scenario	Potential impact on Victorian horticultural investment
2100 GL recovery scenario	<p data-bbox="545 379 2346 529">At current levels of water recovery, in a repeat of 2008-09 allocation levels there would be 16 GL more water available than it takes to meet the full irrigation requirements for horticulture. When the existing plantings mature however, there would be a shortfall (-110 GL).</p> <p data-bbox="545 586 2333 736">Without water recovery, there would still have been a small shortfall as existing planting mature of 8 GL of High Reliability Water Shares. Developers need to be aware of this risk, but based on the historical record they may judge that the risk is worth taking.</p> <p data-bbox="545 793 2346 893">At 12ML/ha the additional shortfall of 103GL could have developed another 8550ha. At \$19,000/ha this is \$162 million of total investment that has hypothetically already been forgone.²</p> <p data-bbox="545 951 2270 1100">An alternative way of considering is that, when the existing plantings mature, the additional shortfall of -103GL puts 8850 ha of existing horticultural development at risk, which represents \$162 million of existing investment.</p>

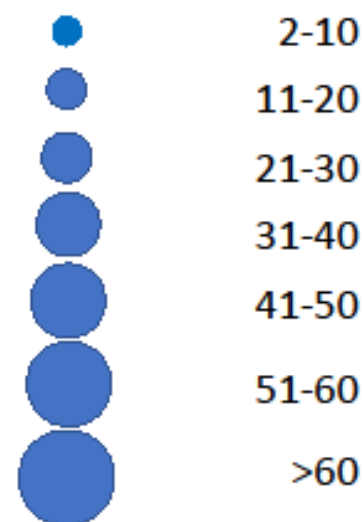
2750 GL recovery scenario	Under medium future water recovery, there would be an additional shortfall of -193GL in a repeat of 2008-09 allocation levels. This puts 16000ha of existing plantings at risk, which represents \$306 million of existing investment.
3200 GL recovery scenario	Under high future water recovery, there would be an additional shortfall of -241GL. This puts 20000ha of existing plantings, at risk, which represents \$381 million of existing investment.



% of total LTAAY water shares purchased or transferred through on-farm programs

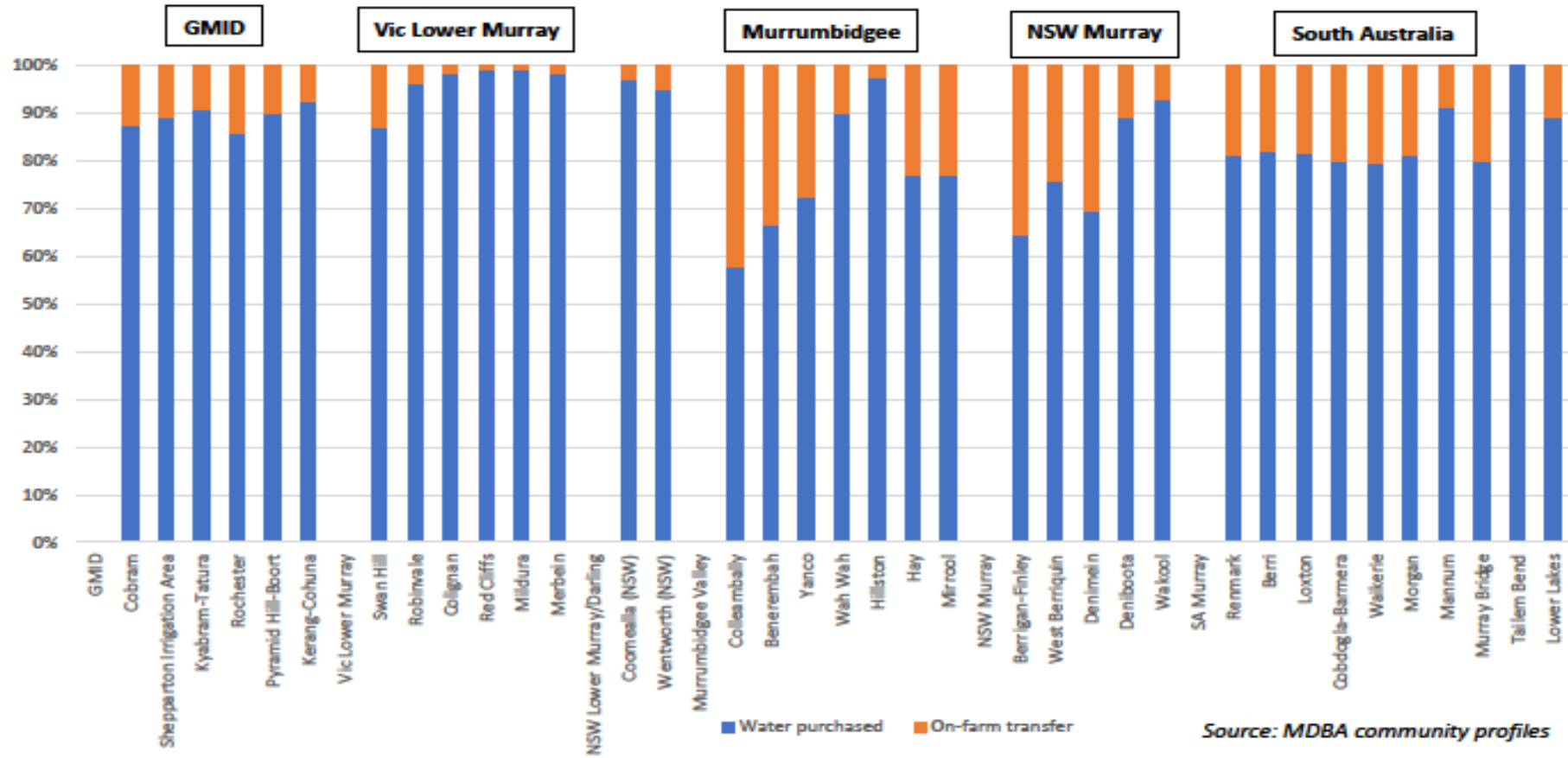


LTAAY volume GL



Selected storages
Irrigated land use

Water purchase vs On-farm transfer



- Significant deficiencies in the EY December 2017 report
- Grave concerns from communities that this work will heavily inform future implementation strategy
- Governments relying on the EY report is probably the biggest risk

PROGRAM COST

- Recovering 450GL within the \$1.575 billion budget: EY assumes a high reliability entitlement market value of \$1880/ML.
- But EY acknowledges this is unlikely. **‘Given current water prices and the increase in the price of water over time ... there is a significant risk in achieving the recovery of the 450 GL within the statutory budget.’ (p33)**
- HRWS in Goulburn was around \$2800-\$2900/ML on 12/1/2018, and \$3000-\$3300 /ML elsewhere in the southern Basin.
- Further, actual off-farm efficiency projects costs are more than \$4500/ML. EY itself notes more off-farm savings in the NSW MIL would cost \$8000/ML.

MODELLING OF ON-FARM PROJECTS

- The net benefit assumes an average 16% productivity gain. The feasibility of this assumption is not tested.
- The report warns irrigated industries will suffer a net \$330 million loss if the assumed 16% productivity gain is not realised, or irrigators unable to retain their water savings (pp100-102).
- The benefit/cost analysis is also based on fixed 2014-15 values, so a high risk the numbers may be subject to significant volatility given changes in water prices, commodity prices, and capital works costs, etc.

Market impacts

EY acknowledge that on-farm upgrades programs tend to lead to farmers using more water, not less, and this has the potential to drive up temporary water prices.

Data Limitations

EY report says limited data collection for on-farm projects hampered its evaluation, and this information is needed to better understand the socio-economic effects, the economics of participation, value for money, and budgetary risks.

Socio-economic neutrality?

- It is critical for any socio-economic analysis to resonate with affected communities & sectors
- The current test is deeply flawed, and continues to drive distrust & evaporating social licence for the MDBA
- Aither report March 2017

Specifically, the Basin Plan provisions do not account for:

1. impacts on people who are not directly participating in the program
2. impacts that are a result of the cumulative or aggregate implementation of entire programs
3. the distribution of impacts across stakeholders.

The current provision in the Basin Plan, that voluntary individual participation equals neutrality, does not meet the overarching intent of the Basin Plan to consider the socio-economic impacts of 'upwater' programs.

On-farm efficiency – unintended consequences

- Any farmer in (practically all) the southern connected basin who trades water for on-farm efficiency is;
- Likely to end up using more water
- Securing their enterprise by buying permanent or temporary Vic Murray & Goulburn water
- Thus putting consequential socio-economic impact on GMID communities – no-one is trying to detect or measure this REAL impact

Downstream irrigators who use Vic Murray & Goulburn water

- Do not hold delivery share – the distribution mechanism for GMW system costs
- Compress & elevate system running costs for the GMID for remaining irrigators
- Do not contribute to the local economy
- Put upward pressure on water prices
- Cause our rivers (asp Goulburn) to be ‘run as channels’ with attendant environmental damage

What now?

- The NBR & 605 GI of offsets are critical
- Keep the MDBA honest – but focus on decision makers
- Lobby for a genuine socio-economic neutrality test – 3rd party & consequential impact
- If Upwater is going to stay on the table – don't be lazy – no more from the remaining productive pool

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#fairflow
because we are all in this together

follow the flow    www.gmid.com.au