



Australian Dairy Industry Council Inc.

Australian Dairy Industry Council submission

Draft Framework for Delivering the 450GL of Additional Environmental Water

March 2024

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March 2024

Australian Dairy Industry Council submission regarding the 'Draft Framework for Delivering the 450GL of Additional Environmental Water'

1. Introduction

The Australian Dairy Industry Council (ADIC) is the peak national body of the Australian dairy industry, representing the interests of dairy farmers and dairy processors through its two constituent bodies **Australian Dairy Farmers** and the **Australian Dairy Products Federation**.

Australian Dairy Farmers (ADF) is the national peak Industry Representative Body (IRB) representing all dairy farmers from across Australia's six dairy producing states. ADF's membership includes the State Dairy Farming Organisations from each State as well as direct farmer members.

The Australian Dairy Products Federation (ADPF) is the national peak policy and advocacy body representing the post farm-gate members of the Australian dairy supply chain, including processors, traders, and marketers of Australian dairy. ADPF members process more than 90% of Australian milk volumes and provide dairy products for both domestic and export markets.

Dairy Australia (DA) is the national services body for dairy farmers and the industry. Its role is to help farmers adapt to a changing operating environment, and achieve a profitable, sustainable dairy industry. As the industry's research and development corporation (RDC), it is the 'investment arm' of the industry, investing in projects that cannot be done efficiently by individual farmers or companies.

2. Background

The Australian Government has released the 'Restoring our Rivers: Draft framework for delivering the 450GL of additional environmental water', seeking feedback on the draft principles, program guidelines and potential impacts on communities. The Water Amendment (Restoring Our Rivers) Act 2023 commenced on 7 December 2023. The draft framework for delivering the 450GL outlines 3 new programs that the Australian Government will establish to deliver the 450 GL target:

1. **Resilient Rivers Program** - infrastructure projects, rules changes, land and water partnerships, and other ways to recover water
2. **Voluntary Water Purchase Program** - purchase of water entitlements from willing sellers
3. **Sustainable Communities Program** - adjustment assistance for Basin communities impacted by voluntary water purchase

The draft framework for delivering the 450GL also outlines three key principles that will guide the approach to water recovery: **enhancing environmental outcomes, minimising socio-economic impacts** and **achieving value for money**.

The ADIC appreciates the opportunity to provide comment on the Draft framework.

We have opted to comment on key elements of the programs and principles, providing a comprehensive analysis of the current operating environment and the implications and risks for the dairy industry sector aligned with each.

3. Executive Summary

a. Key Principles re the Water Amendment (Restoring our Rivers) Act 2023

- 3.1 ADIC believe that the Restoring our Rivers Act undermines decades of collaboration on water sharing and management in the Murray-Darling Basin.
- 3.2 The ADIC strongly opposes further buybacks from the consumptive pool and the removal of the social and economic test - both of which will negatively impact food production and therefore cause food inflation affecting the wider Australian population.
- 3.3 The measures included in the Act are not supported by the vast majority of reviews and inquiries that have been undertaken into the Basin Plan over the last 5 – 10 years.
- 3.4 The ADIC welcome extension of timeframes for delivery of water recovery projects, as supported by the Productivity Commission reports in 2018 and 2023.
- 3.5 The ADIC, and agriculture sector more broadly, has joined the conversation at every stage in good faith. We have supported the key intentions of the Basin plan, in particular the need to achieve environmental outcomes, but we now feel bypassed by an Act that appears to ignore recommendations of all earlier reviews.
- 3.6 Dairy farmers and processors are integral to Murray Darling Basin communities and regional economies. We urge the Australian Government in the strongest terms to meaningfully engage with our sector in the implementation of the Act and associated Framework.

b. Recommendations re Draft Restoring our Rivers Framework

- 3.7 Meaningful consultation & engagement including co-design.
 - ADIC request genuine engagement and consultation, embodying actual principles of co-design as proposed by the framework. ADIC consider that a Departmental submission process with only five weeks lead time on a significant national interest policy issue is inappropriate and unreasonable. ADIC request a second review on the Draft Framework with regular and genuine ongoing engagement.
- 3.8 Transparency
 - While the Commonwealth is the most significant and influential player in the national water market, there are mixed messages and a lack of transparency (coming from government and the DCCEE) on where water is proposed to be recovered from, anticipated targets and timeframes. This provides a high degree of uncertainty for basin communities that will be impacted and significantly reduces their ability to prepare for or to mitigate any unintended consequences. The government must commit to more timely, transparent practices and communication methods, working in partnership with communities and impacted industries.
- 3.9 Enhanced Environmental Outcomes
 - The ADIC has consistently advocated for, a) an increased focus on measuring the environmental outcomes as a way to measure progress and success of the Basin Plan, b) the development of complementary environmental projects where they either protect environmental outcomes achieved by, or magnify, benefits from environmental water delivery, c) the development of new or amended projects under the Basin Plan, and d) a more innovative and flexible approach that focuses on outcomes.
- 3.10 Resilient Rivers Programs/ Volumetric Outcomes
 - The ADIC does not support the continued focus on recovering volumes of water as the key measure of achieving environmental outcomes. Unless recovered water is delivered to where it is needed, there is not a clear link between water recovery and environmental improvements. For example, recovered water cannot be delivered to wetlands and waterways in need without completion of the significant work to ease constraints. Therefore, in line with the policy intent of the Restoring Our Rivers Bill 2023, the ADIC recommends that all options or alternatives for

recovering water and delivering to the 450GL target must be included. This includes 'complementary measures' being allowed to contribute to this target.

3.11 Voluntary Water Purchases

- The ADIC does not support the recovery of water through buybacks due to the huge and well documented social and economic impacts. All options or alternatives must be evaluated and exhausted before consideration of voluntary water purchase options with the least socio-economic impact can occur. If pursued (as a last resort) they need to:
 - Be ordered, planned and predictable – and where the least socio-economic impact can occur.
 - Ensure the integrity of world class irrigation systems across the Basin and not result in stranded assets or unreasonable costs to remaining water users.
 - Be clearly linked to the Sustainable Communities Program.

3.12 'Community Adjustment'

- The Community Support Program is fundamental to minimising the socio-economic impacts from water recovery programs. It is critical that time is spent upfront to learn from past buyback experiences while also clarifying the language, intended audience, and outcomes. Community Support Programs must include the dairy industry in their development and delivery while also providing material benefit to impacted communities, primary producers, processors, and irrigation industries. Solutions must be commensurate with the size of the industry and contribution to the MDBP, at the right scale and for the right length of time to allow for adjustment. Community adjustment assistance must be co-designed and executed by Basin Governments, working in conjunction with communities and impacted industries. The ADIC proposes the Community Support Programs must:
 - Focus on business adaptation.
 - Engage with agricultural business and communities and support individual business adaptation. Some MDB regions are focused on one industry, and therefore it is necessary to consult with that industry, not just the local government.
 - Focus on mega trends in the MDB, noting that it is not just the impact of buybacks that will impact communities, but the broader impacts of climate change. This needs to be considered in a holistic way to find appropriate interventions.

3.13 Establishing a Minister-led Agricultural advisory group

- ADIC request the formation of a Minister-led Agricultural advisory group established from the outset – inclusive of dairy farmer and processor representation – to guide the implementation of the Act and Framework and minimise any community consequences.

4. ADIC response to: The Water Amendment (Restoring Our Rivers) Act 2023

The ADIC supports the intent of the Basin Plan to improve environmental outcomes across the Basin and has worked hard to support the delivery of 2100GL under the Plan to date. All levels of Government need to honour the commitment to completing water recovery projects in good faith.

Regarding the Water Amendment (Restoring Our Rivers) Act 2023:

- the ADIC **supports** the **extension of timeframes** for implementation of projects under the Basin Plan.

The vast majority of Basin Plan reviews over the last 5 years have flagged that water recovery projects are behind schedule and recommended the need for a time extension. Recovering water through these projects is preferable to recovering water through buybacks. The South Australian Royal Commission was the only review to NOT comment on the timeframes for completion of water recovery.

- the ADIC **does not support** further buybacks from the consumptive pool unless they can progress without negative social or economic impacts.

Buybacks would not be required if Government properly considered stakeholder submissions to the recent consultation [Delivering the Murray Darling Basin Plan](#), which proposed over 1000GL of water recovery through projects.

Almost all major reviews of the Basin Plan over the last 5 years have not recommended buybacks be used to recover water due to the social and economic impacts. Only the South Australian Royal Commission called for more buybacks and removal of the 1500 Cap – in direct opposition to Productivity Commission reviews and the Independent Review of Social and Economic Conditions in the Basin.

Buybacks would impact on water prices by reducing the pool of available water relative to agricultural demand and by increasing management and maintenance costs for remaining irrigators in public irrigation schemes run by Goulburn Murray Water (GMW) and Murray Irrigation Limited (MIL).

- the ADIC subsequently **has not supported** the removal of the 1500GL cap on buybacks as this will allow extensive buybacks to proceed.
- The ADIC **supports** the ongoing use of the social and economic test to ensure Basin Plan interventions result in the **neutral or positive social and economic outcome**. This is essential for fair and equitable implementation of the Plan.

Removing the Social and Economic Test will result in further negative social impacts on agricultural industries and regional communities. It is clear that deep and widespread impacts on communities, regional employment and food security are at stake and beyond the reach of "community support" or structural adjustment packages.

The ADIC has provided several submissions in the last twelve months to Basin reviews, including to the consultation on [Delivering the Basin Plan](#) , [Murray-Darling Basin Plan: Implementation review 2023](#) as well as the Draft Water Amendment (Restoring Our Rivers) Bill 2023 prior to being passed. These submissions have consistently stated the above positions as well as advocating for:

- an increased focus on **measuring the environmental outcomes as a way to measure progress** and success of the Basin Plan, **rather than a sole focus on recovering volumes of water**. Measuring the environmental outcomes will drive innovation in environmental management which recovering volumes does not guarantee.
- **the development of complementary environmental projects** where they either protect environmental outcomes achieved by, or magnify, benefits from environmental water delivery.

- **the development of new or amended projects under the Basin Plan** which have the potential to either ease or exacerbate economic pressures on local farming businesses and communities.
- **a more innovative and flexible approach that focuses on outcomes** is the only way to balance a triple bottom line, particularly given predictions of a drying and more variable/volatile climate in the future.

The Act does not address any of the above concerns. The ADIC's most recent press-release on the Bill/Act can be found [here](#).

5. Analysis of key proposals within the Act

a. Extension of Timeframes

The ADIC supports the extension of timeframes for implementation of projects under the Basin Plan. Almost all major Basin Plan reviews have flagged that projects are behind schedule, and recent flooding, COVID and inflationary pressures have exacerbated delays.

b. Buybacks and the removal of the 1500GL Buybacks Cap

Buybacks are not required if the Government were to implement projects outlined through the recent consultation [Ideas to Deliver the Plan](#). The [National Farmers' Federation](#) submission alone provided a list of projects that could potentially deliver over 1000GL of water to meet the Basin Plan targets, and could do so without significant negative social or economic impacts on local communities. The ADIC also provided a [submission](#) to this review, as did 129 other entities. These projects should be investigated BEFORE any buybacks are considered.

The ADIC does not support further buybacks from the consumptive pool unless they can progress without negative social or economic impacts. Subsequently, the ADIC **has not supported removal of the 1500GL cap on buybacks.**

It is unlikely that buybacks can proceed without social and economic impacts on regional communities. In 2020, the [Independent assessment of the social and economic conditions in the Basin](#) (the 'Sefton Review') found that buybacks:

- exacerbated business risk to farmers who participated in previous buybacks, and who now rely on the market for their water annual water requirements, particularly at times of drought when water availability is at its lowest and prices at their highest.
- have negatively impacted certain irrigation regions and the public irrigation schemes, such as those under the control of Murray Irrigation Limited (MIL) and Goulburn-Murray Water (GMW), where less farmers now shoulder the costs of maintaining irrigation infrastructure, affecting farmer competitiveness, and risking stranded assets in those areas.
- negatively affected service industries and businesses due to flow-on changes in regional supply chain demand
- resulted in a loss of community through a loss of population and investment in community and recreational facilities and capacity.

When considering the impact of future buybacks, the Sefton Review said that 'recovering more consumptive irrigation water will have significant negative impacts for some regional Basin communities, including NSW Murray and northern Victoria.' Community decline was a common theme heard through consultations undertaken for the Sefton Review, particularly in communities in northern Victoria and southern NSW that traditionally relied on dairy and cropping.

As an example, previous buybacks have overall resulted in less irrigation, including 50 per cent less water use in the Goulburn Murray Irrigation District (GMID) in northern Victoria/southern NSW. This has put the viability of major irrigation districts and the industries and communities they support under pressure.¹

Additionally, following previous buybacks, dairy farms are now much more reliant on purchasing from the temporary market to fulfill their water requirements. In 2021/22, 91 per cent of dairy farmers in the GMID purchased water from temporary allocations, with 46 per cent of dairy farmers reporting they were highly reliant on allocation trades. Over recent years, water availability for irrigation has been reduced, and large investments in horticultural plantations has meant that demand for water has increased, pushing prices to record levels with an upward trajectory.

The economics of supply and demand tell us that taking further water out of the consumptive pool for irrigation through buybacks, voluntary or not, will result in further increases in water prices. This will either result in dairy farmers being priced out of the water market and exiting the industry, which would impact on food security, or result in consumers paying higher prices for basic supermarket items to cover the costs.

Given these impacts, and as stated in the submissions of other agricultural peak bodies including the NFF, NSWIC and VFF, there is limited community support in regional areas for more water recovery to occur through buybacks.

Recovering water does not necessarily translate into environmental improvements because simply recovering more water does not mean that it can be delivered to where it is needed.

To date, 2100GL of water has been recovered from the agricultural sector to be delivered for environmental benefit, with more to be recovered through the SDLAM projects, buyback of the shortfall from the Bridging the Gap, and 450GL for enhanced environmental outcomes. It is still unclear if or how this additional water recovered will directly improve environmental outcomes.

In the case of the Basin Plan, we know that recovered water cannot be delivered to wetlands and waterways in need without completion of the significant work to ease constraints. The Commonwealth Environment Water Holder has said:

*'There are a number of Basin Plan measures that **are fundamental to realising the full value of Commonwealth environmental water and maximising environmental outcomes. These include activities that remove or ease constraints on the capacity to deliver environmental water (constraints measures).**'*

Commonwealth-supported buybacks from the consumptive pool allow a transfer of wealth and economic activity from communities to individuals who have water rights to sell. Buybacks are therefore only a cheap option when the cost to communities and restructuring are not accounted for.

As a result, the **ADIC does not support the continued focus on recovering volumes of water as the key measure of achieving outcomes.**

c. Social and Economic Test

The ADIC supports the ongoing use of the social and economic test to ensure Basin Plan interventions result in the neutral or positive social and economic outcome. This is essential for fair and equitable implementation of the Plan.

Efficiency measures projects are required under *The Basin Plan 2012* (Cth) to have neutral or positive social and economic impacts. The [Social and Economic Criteria](#) were [agreed by Basin Ministers](#) in

¹ water.vic.gov.au/our-programs/murray-darling-basin/social-and-economic-impacts-of-the-basin-plan-in-victoria

December 2018. The new Act depending on the application of the Framework to be implemented undermines, if not removes this requirement to have a neutral or positive impact.

This move is in opposition to the findings of the 2020 [Independent assessment of the social and economic conditions in the Basin](#) (the 'Sefton Review'). The Sefton Review was an extensive review which included literature reviews, case studies, including one that focused on [Northern Victoria](#), and extensive consultation across the Basin.

The final report describes a mixed, **but overall significantly negative, impact on Basin communities** following the implementation of the Basin Plan.

“As a Panel, we were disheartened to see communities at a crossroads despite countless studies, reviews and inquiries. Visions and policies in our irrigated communities focusing on overall gains have not dealt fairly with those left behind, nor worked hard enough to be fully inclusive.

The pace [of change] has been rapid and the impacts profound. The future is no longer secure or certain for some people and regions, despite their hard work. Morale has eroded, and a sense of hopelessness is spreading; in many cases, people no longer feel confident in their future. These impacts are not only being felt in the ‘back pocket’, but witnessed in the main streets of towns, and in the prospects for our next generation.”

Removing the social and economic test is a backwards step that ignores the evidence of impact on communities gathered through extensive reviews and from the lived experience of farmers themselves. Further information on the impacts of Basin Plan implementation on the dairy industry is contained in sections 7 and 8 below.

6. Analysis of key proposals within the Draft Restoring Our Rivers Framework

The Department through its consultation process have requested additional feedback on the draft framework, and associated programmes:

1. Resilient Rivers Program (infrastructure projects, rule changes, Land and Water Partnerships, other water recovery options).
2. Voluntary Water Purchase (water entitlement purchases from willing sellers by the Commonwealth).
3. Sustainable Communities Program (community adjustment assistance for Basin communities impacted by voluntary water purchase).

ADIC provides the following specific comments regarding the proposed framework in addition to that information provided above and following.

We have considered this in the context of the three guiding principles – enhanced environment outcomes, minimising socio-economic impacts and achieving value for money – as well as the principles for the community adjustment assistance, most notably ‘co-design’:

a. Questions remaining un-answered = uncertainty/undermining market confidence

ADIC consider the Draft Framework has raised a number of questions and further uncertainty as to how the Water Amendment (Restoring our Rivers) Act 2023 will be achieved and the unintended consequences on communities and food and fibre production.

Most notably is the lack of understanding of how water recovery works in practice.

This uncertainty undermines both community and market confidence and in itself can have a negative impact on investment. Northern Victoria is the major hub for milk processing in Australia. Uncertainty around the scale and location of water recovery is causing loss of confidence to invest and questions

around closures of processing facilities. On-farm there is also loss of confidence and reduced ability to absorb significant increases in costs of production. For example, an average 500 cow farm which relies on purchasing 60% of irrigation water requirements from the temporary trade market would see an extra \$90,000 in costs if water increases in cost by \$100 per megalitre.

This uncertainty includes how buybacks will be executed, including the timeframes; the lack of partnering with all State Governments (noting Victoria is still to become a signatory to the changed legislation); the lack of detail around the community assistance packages, their scale and enduring impacts on affected communities and how they will be delivered; leasing options and whether agriculture can lease water to the environment and have this recognised in the environmental pool; lack of transparency of funding support; and more.

This lack of uncertainty with the Draft Framework, and need to resolve outstanding questions must be addressed as a priority, with government working with industry and community stakeholders.

b. Consultation, Engagement and Co-design

ADIC request genuine engagement and consultation, embodying actual principles of co-design as proposed by the framework. ADIC consider that a Departmental submission process with only five weeks lead time on a significant national interest policy issue is inappropriate and unreasonable.

There has been no effective consultation in co-design processes with industry and Basin communities despite governments rhetoric to the contrary.

The ADIC – and the agriculture sector more broadly – has joined the conversation at every stage in good faith. We have supported the key intentions of the Murray Darling Basin Plan, in particular the need to achieve environmental outcomes whilst minimising community impact. But are constantly being bypassed by the need to deliver a Plan that appears to ignore recommendations of all earlier reviews.

Similarly, the dairy industry has continued to invite key Ministers, Committee members and other members of government to visit a dairy farm and processor in the Murray Darling Basin's dairying regions to learn first-hand of the opportunities and challenges to them and the communities in which they operate. *This has not happened.*

The Government needs to listen to the recommendations of recent reviews, as well as Basin dairy farmers and processors themselves, and genuinely engage with our sector to co-design workable solutions under this Framework to delivering the Murray Darling Basin Plan and securing sufficient, reliable water resources.

They need to have the cooperation and commitment of all Basin state partners. Given the significance of Victoria to food and fibre production, and to achieving the MDBP, this must include them. Co-design must encompass engagement across government, community and most importantly impacted industries.

A second consultation on this Draft Framework needs to occur as a priority and prior to undertaking any water recovery measures to deliver the additional 450GL environmental water – all options must be on the table.

A Minister-led Agricultural advisory group must be established from the outset – inclusive of dairy farmer and processor representation to guide the implementation of the Act and Framework and minimise any community consequences.

c. Transparency

The Restoring our Rivers Act 2023 and Draft Framework reference amendments to support “more options more time, more accountability and more funding to deliver the Basin Plan in full, including recovery of the 450GL of environmental water to achieve enhanced environmental outcomes”.

Under 'more funding' it specifically references funding to support Basin Plan implementation including water infrastructure projects, voluntary water purchase and community assistance packages. However, it then goes on to say that this "funding is not for publication due to market sensitivities".

This lack of transparency is inappropriate. And, is one only example of many.'

For instance, 130 submissions were received on the recent consultation on [Ideas to Deliver the Plan](#). The [National Farmers' Federation](#) submission alone provided an extensive list of projects that could potentially deliver over 1000GL of water to meet the Basin Plan targets, and could do so without significant negative social or economic impacts on local communities or regional economies. Whilst we have asked for these projects to be investigated before any buybacks are considered, we have been advised that the current list of proposed projects is not relevant to help deliver environmental water across the Basin. There is a lack of transparency or clarity on how they are not relevant, nor what additional information or ideas are needed to be more relevant. Where barriers are found to implementing these projects, solutions should be sought – just because it is complex does not mean a project should not be considered.

Similarly, if we look at water recovery: with government the most significant and influential player in the national water market, there are mixed messages and a lack of transparency coming from Government and the Department of Climate Change, Energy, the Environment and Water (DCCEEW) on where water is proposed to be recovered from and anticipated targets and timeframes, providing no certainty to basin communities or an ability to prepare to mitigate any unintended consequences.

As per the Draft Framework and Voluntary Water Purchase, in the southern basin targeted voluntary water purchase are outlined to commence in 2024 – to which we have heard this may be as soon as April. Again, this lack of transparency and inconsistency in message must be addressed.

The Government must commit to more timely, transparent practices and communication methods working in partnership with communities and impacted industries.

d. Enhanced Environmental Outcomes

The ADIC has consistently advocated for:

- an increased focus on **measuring the environmental outcomes as a way to measure progress** and success of the Basin Plan, rather than a sole focus on recovering volumes of water. Measuring the environmental outcomes will drive innovation in environmental management which recovering volumes does not guarantee.
- **the development of complementary environmental projects** where they either protect environmental outcomes achieved by, or magnify, benefits from environmental water delivery.
- **the development of new or amended projects under the Basin Plan** which have the potential to either ease or exacerbate economic pressures on local farming businesses and communities.
- **a more innovative and flexible approach that focuses on outcomes** is the only way to balance a triple bottom line, particularly given predictions of a drying and more variable/volatile climate in future.

(1) Resilient Rivers Program

The ADIC does not support the continued focus on recovering volumes of water as the key measure of achieving outcomes.

Recovering water does not necessarily translate into environmental improvements because simply recovering more water does not mean that it can be delivered to where it is needed.

In the case of the Basin Plan, we know that recovered water cannot be delivered to wetlands and waterways in need without completion of the significant work to ease constraints.

In line with the policy intent of the Restoring Our Rivers Bill 2023, **the ADIC recommends that all options or alternatives for recovering water and delivering to the 450GL target must be included.**

This includes ‘complementary measures’ being allowed to contribute to this target.

And similarly, the proposed Land and Water Partnerships (LWPs) should also contribute to water recovery opportunities, ensuring adequate time, engagement and collaboration in the development and implementation.

The ADIC does not support ‘held water entitlements’ (HEW) being a prerequisite of this water recovery program.

Adequate and effective engagement and consultation is paramount – government, communities and impacted industries.

(2) Voluntary Water Purchase

As previously noted, the ADIC does not support the recovery of water through buybacks due to the huge and well documented social and economic impacts.

All options or alternatives must be evaluated and exhausted before consideration of voluntary water purchase options with the least socio-economic impact can occur.

The inability of Federal Government to achieve the original target volume of 44.3GL in its recent tender process to help ‘Bridge the Gap’ for the Murray-Darling Basin validates the lack of appetite amongst farmers / key stakeholders for voluntary water entitlement purchases and a lack of support from communities on buybacks.

Water purchase programs should be the last resort to recover water. If pursued, they need to:

- **Be ordered, planned and predictable – and where the least socio-economic impact can occur.**
- **Ensure the integrity of world class irrigation systems across the Basin and not result in stranded assets or unreasonable costs to remaining water users.**
- **Be clearly linked to the Sustainable Communities Program.**

Government, communities and impacted industries must be adequately and effectively engaged, and their views given equal consideration.

(3) Draft Community Adjustment Assistance Principles

The Community Support Program is fundamental to minimising the socio-economic impacts from water recovery programs.

However, we must spend time clarifying the language, intended audience and outcomes, learning from past buyback experiences – where community assistance funding was used to paint more silos and build sporting infrastructure but did nothing to ensure there was a community to enjoy them.

Community Support Programs must deliver material benefit to impacted communities, primary producers, processors, and irrigation industries – for example, 60% of the dairy industry are reliant on purchasing water entitlements from the temporary water market. The dairy industry in northern Victoria and southern NSW along the Murray River from Albury to Swan Hill and in the Goulburn Valley is the largest and most significant industry. Any Community Support Programs must include the dairy industry in their development and delivery.

What is needed are robust solutions that create long-term, viable jobs that provide commensurate economic multipliers to that which the irrigation sector currently provides to regional communities and townships. Solutions must be commensurate with the size of the industry and contribution to the MDBP, at the right scale and for the right length of time to allow for adjustment.

This is complex and difficult – and is about sustainable communities and vibrant regional economies.

Guaranteed funding and other support services must be sufficiently targeted toward minimising and offsetting the direct impacts of voluntary water purchase.

Community adjustment assistance must be co-designed and executed by Basin Governments, working in conjunction with communities and impacted industries.

The ADIC proposes the Community Support Programs must:

- Focus on business adaptation.
- Engage with agricultural business and communities and support individual business adaptation. Some MDB regions are focused on one industry, and therefore it is necessary to consult with that industry, not just the local government.
- Focus on mega trends in the MDB, noting that it is not just the impact of buybacks that will impact communities, but the broader impacts of climate change. This needs to be considered in a holistic way to find appropriate interventions.

In considering the Community Adjustment Assistance ‘Principles’ as outlined in the Draft Framework, we note a language change (since industry groups last saw these in November 2023), that being:

Principle 1 (Support Diversification and Resilience):

- **Original:** *‘Support long-term economic diversification and transition of regional communities to achieve a wide range of community socio-economic outcomes’.*
- **Proposed:** *‘Support transition of regional communities to prepare for a future with less water’.* *‘Focus on job creation and sustainable economies’.*

The broadening of language must not be interpreted as a dilution of safeguards for impacted individuals and communities. This could easily be amended by adding the words ‘focus on job creation and sustainable economies’ to the original wording of Principle 1.

Under Community Adjustment Programs, the ADIC raises an important piece of work that the dairy industry and communities are collectively engaging on: to develop a new MDB dairy industry strategic plan that will provide a collective view of the dairy industry in the MDB, identify initiatives, investments and opportunities and recommend what role stakeholders need to play to realise growth potential. That is, actions that address: Innovation and Technology; Housing; Energy; Skills & Workforce; Infrastructure; Community Wellbeing; and, Diversification. The Strategic Plan is aimed for completion by July 2024, and will be an important adjunct to any criteria for community assistance.

7. Dairy industry in the Murray-Darling Basin

Dairy businesses — both farms and processing — are the backbone of the economy and community in many regions of the Murray-Darling Basin. These communities have faced challenges in recent decades from a myriad of factors, but shown themselves to be innovative and resilient, maintaining confidence and positivity.

The Murray-Darling Basin (the Basin) contains several important dairying regions – including areas of northern Victoria, southern New South Wales and smaller clusters of farms around Forbes and Wagga Wagga in New South Wales, Toowoomba and Warwick in Queensland, and Murray Bridge in South Australia. Unlike dairy along Australia’s coastline, where pasture growth is closely linked to rainfall, most dairy farms in the Basin, with the exception of some in the Queensland Downs region, rely on irrigation schemes to produce feed requirements.

Figure 1: Dairy regions in the MDB

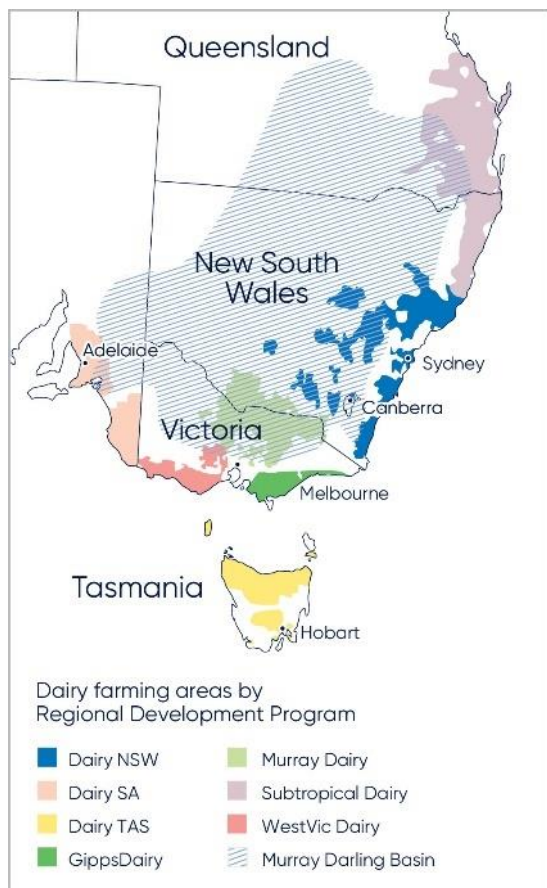
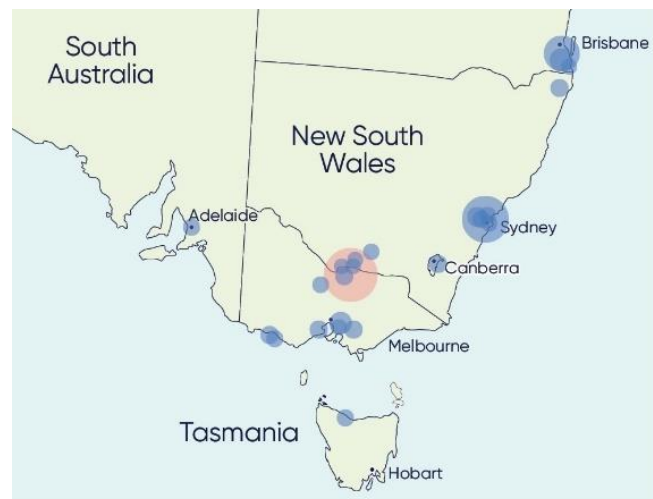


Figure 2: Milk movement from the MDB region to other areas of Australia



Dairy production and processing in the Basin underpins Australia’s food security, producing 1.53 billion litres, or 19%, of Australia’s milk, and is a key source of nutrition in the Australian diet, benefiting the wider Australian and international community. The region also affords dairying some key competitive advantages. It is ideally located for both export and domestic markets, with efficient connectivity through road, port, and telecommunications infrastructure. Logistics access to Melbourne, Sydney and Brisbane has become increasingly important in recent years as adverse conditions such as drought and land-use change impact milk production elsewhere. Significant volumes (around 250-300 million litres) of milk produced in the southern basin flow into New South Wales and Queensland to support fresh milk markets.

Irrigation together with access to grain and cropping enable more even, year-round milk production in the Basin than in southern Victoria and Tasmania. This allows for more efficient year-round use of milk processing infrastructure. Milk produced in the Basin is processed within the Basin through 42 dairy processing facilities located in the region, supporting 6,862 direct and indirect local jobs and generating \$1.96 billion to the local economy.

Beyond producing essential nutrition for the community, irrigated dairy farm businesses play an important role in the Basin, working with other irrigation users, buying and selling inputs with local businesses and supporting each other. Water authorities report that dairy farms are an important component of maintaining the viability of irrigation infrastructure for all irrigators. Indeed, agricultural diversity (diverse consumptive water uses) is key to resilience and prosperity in Basin communities and regional economies.

Dairy Australia has developed a fact sheet *Dairy in the Murray-Darling Basin*, which contains further information. Key metrics are included in **Appendix A**.

8. Impacts of the Basin Plan & Draft Framework on Dairy Communities

Farming in the Murray-Darling Basin has seen significant change in the past 25 years. A main driver of change was the introduction of water trade, which began in the 1980s but grew significantly with reforms in the 1990s and 2007. Water trade accelerated farming and structural changes that would likely have occurred anyway, but not with the same speed or regional intensity. Water recovery under the Basin Plan has added extra pressure to this transition by making less water available.

For dairy, this change has resulted in a transition towards more intensive annual based feed systems that incorporate mixed cropping and the ability to build significant feed buffers to reduce the risks of low water availability and other periods where feedbase production is compromised, for example in dry conditions and other extreme events. These systems provide additional benefits by supporting animal health and welfare through improved cow comfort in stand-off areas, housing and feedpads built to withstand high temperatures and wet conditions. However, these systems still need to be underpinned by a sustainable irrigation system to build high performing feedbase systems over the long term. They also require significant financial investment, are not available in all regions, and require all dairy farmers to have the skills and capacity to manage these more complex farm systems. As a result, the ability to transition and buffer water market pressures has not been equal, resulting in a **44% reduction in dairy farm numbers and a 30% reduction in total milk production since 2012**.² For some, the rate of change has been too much to manage.

In 2020 the *Independent Assessment of Social and Economic Conditions in the Basin*, chaired by **Robbie Sefton ('The Sefton Review')**, examined the social and economic impacts of the Basin Plan on communities across the Basin. The final report describes a mixed, but **overall significantly negative, impact on Basin communities**.

"As a Panel, we were disheartened to see communities at a crossroads despite countless studies, reviews and inquiries. Visions and policies in our irrigated communities focusing on overall gains have not dealt fairly with those left behind, nor worked hard enough to be fully inclusive.

The pace [of change] has been rapid and the impacts profound. The future is no longer secure or certain for some people and regions, despite their hard work. Morale has eroded, and a sense of hopelessness is spreading; in many cases, people no longer feel confident in their future. These impacts are not only being felt in the 'back pocket', but witnessed in the main streets of towns, and in the prospects for our next generation.

The Sefton Review commissioned modelling to examine and quantify impacts on various agricultural sectors, including for dairy in northern Victoria. **This work found that 'recovering more consumptive irrigation water will have significant negative impacts for some regional Basin communities, including NSW Murray and northern Victoria.'** Community decline was a common theme heard through consultations undertaken for the Sefton Review, particularly in communities in northern Victoria and southern NSW that traditionally relied on dairy and cropping.

The Victorian Government undertook modelling that helps to understand this. This modelling found that in dry years, when prices are high, dairy farms cannot compete for available water. This is a significant issue when you consider that many **dairy farms now need to purchase 60% of all the water they need on the temporary market, leaving them exposed to this water market risk**.³

² Dairy Australia, *Dairy in the Murray Darling Basin*, 2021

³ <https://www.water.vic.gov.au/mdb/mdbp/social-and-economic-impacts-of-the-basin-plan-in-victoria>

9. Conclusion

A fifth of Australia's milk (and by extension the dairy nutrition required by all Australians) comes from the Murray-Darling Basin.

The dairy sector is a critical employer in this part of regional Australia and an integral contributor to the local economy. Money generated from dairy production also supports the community through complementary business such as electricians, diesel mechanics, dairy technicians, accountants, feed mills, grain producers, and fodder producers. This money also flows into other community businesses such as supermarkets, hairdressers, sporting organisations, pre-schools, primary and secondary schools, medical services and so on.

The impact of ill-informed water recovery will be felt most in smaller rural towns, but also flows into large regional centres. The impacts will be felt widely throughout the southern basin dairy regions and beyond for many years as there are no other comparable significant industries to provide jobs and economic opportunity in the scale provided by dairy farming and processing.

The dairy industry, and indeed the wider agriculture and food sector, does not want to be dealt out of discussions about sharing of Australia's critical water resources.

The current Bill and approach to final stages of the Basin Plan appear to be turning a deaf ear to issues of **food security and regional community** livelihoods outlined in every review of the Basin Plan to date.

A second consultation on the Draft Framework must progress as a priority.

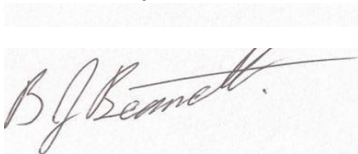
The ADIC calls on the Government to genuinely engage and consult with our sector in the implementation of the Act and associated Framework, embodying actual principles of co-design as proposed by the Framework.

This means listening to the recommendations of recent reviews, as well as Basin Plan dairy farmers and processors themselves, and ensure that the Plan can be completed in a way that is fair and equitable. This means extending the timeframes for completion of Basin Plan projects and upholding the social and economic test. This must not be contingent on allowing water buybacks which will devastate regional communities, but ensuring all options for water recovery are considered.

It also means establishing a Minister-led Agricultural advisory group from the outset, to genuinely guide on the implementation of the legislative changes to the MDBP and to minimise any negative consequences.

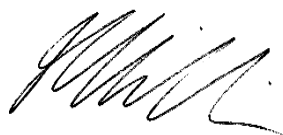
The ADIC would be pleased to host government in the Basin's dairying regions in order to discuss the submission in more detail and to see first-hand the dairy farms and businesses which will be negatively affected by the bill.

Yours sincerely



Ben Bennett

Chair
Australian Dairy Industry Council



John Williams

Deputy Chair
Australian Dairy Industry Council

SNAPSHOT OF DAIRY IN THE MURRAY DARLING BASIN FY2022-23*

Farmgate value of **\$1.14 billion** resulting in **\$1.96 billion** of value to the local community.



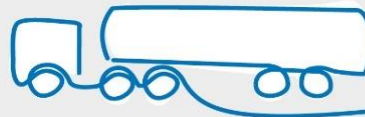
6,862
Total employment

2,848
Direct employment (farm and processing)

4,014
Flow-on employment



42
dairy processing companies operating in the Basin.



912
dairy farms across four states

78%
of which are in Victoria

22%
split between South Australia, New South Wales and Queensland.

1.53 billion
litres of milk produced, representing

19%
of the total national volume.



The highest number of farms relying on irrigation are in the Southern Basin region, which includes Southern NSW, Northern Victoria and South Australia. Very few Queensland dairy farms rely on irrigation.



47%
reduction in dairy farm numbers and a

35%
reduction in total milk production since the Basin Plan began in 2012.



Anecdotally, water entitlements make up approximately

25%
of capital assets for dairy farm businesses in the Basin.

Many dairy farms are now needing to purchase

60%
of all the water they need on the temporary market, leaving them exposed to significant water market risk.

* Dairy Australia, multiple sources.

** Farmgate value and employment numbers are based on estimations applying 2021/22 output against 2019/20 economic multipliers from the BDO economic contribution report.