Agricultural Competitiveness White Paper Submission - IP375
Wyndham City Council, Submitted 17 April 2014

Submission to White Paper

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Agricultural Competiveness

17 March 2014

Wyndham City

The estimated population as at June 2013 was 188,788 people representing a 6 per cent annual growth rate. (source:forecast.id)

Wyndham has experienced the largest and fastest growth in all Victorian local government areas and is the third fastest growing in Australia. The City's residential population is set to exceed 245,000 people by 2021.

Spanning 542 square kilometres on a coastal plain on the western fringe of Melbourne, the City is home to a diversity of sectors: strong industrial, retail and commercial centres, intensive vegetable growing areas and dry land grazing.

Wyndham is also home to East Werribee, a precinct comprising in excess of 700 hectares of State Government owned land. With a vision for 60,000 jobs, the precinct has been designated as a National Employment Cluster.

Key tourism and open space attractions including the Werribee Park Mansion, Werribee Open Range Zoo, National Equestrian Centre, Point Cook Homestead and the Point Cook RAAF Museum surround the expansive urban area.

The City is large and diverse. The principal areas of population are Werribee and Hoppers Crossing, with substantial growth occurring in Tarneit, Point Cook, Truganina and Wyndham Vale.

Werribee South is home to one of the most significant market garden regions in the state.

Overview

The Agricultural Industry in Wyndham City is faced with enormous challenges and is under increasing pressure as a result of climate change and urban expansion.

Council welcomes the opportunity to respond to the Agricultural Competiveness White Paper and applauds both Parliament and the Committee for its foresight and initiative in addressing the fundamental important issue of the future of Agribusiness in Australia.

This submission focuses on water issues pertinent to the future of agribusiness development in Wyndham City. In addressing the terms of reference of the white paper the response addresses the following:

- ***How can the agriculture sector improve its competitiveness relative to other sectors in the economy?***

- ***How can land, water and other farm inputs be more effectively deployed to better drive agriculture sector productivity, while maintaining or enhancing the natural resource base?***

Whilst significant land masses in the north, north-west and west of Wyndham City have had a history of dry land farming, it is the market garden area of Werribee South for which the municipality is agriculturally renowned and it is this precinct that is the subject of this submission.

In excess of 3000 hectares make up the market garden area of Werribee South known as the Werribee Irrigation District (WID).

Irrigation first commenced as early as the 1920's when the sheep and dairy grazing country was transformed into a patchwork of intensive agriculture. By the 1930's land holdings were vast with the region broken into only twelve large properties. Increases in population and the excising of smaller holdings to next generations has resulted in a relatively small number of holdings in excess of 15 hectares. Only 3.2% of lot sizes within the district are more than 15 hectares with 32% of land holdings less than 0.4hectares.

The three major crop types grown at Werribee South are broccoli, cauliflower and lettuce with many farm management holdings involved in production, processing and marketing of produce.

The estimated farm management holdings are approximately ninety, down from one hundred and thirty recorded in 2002[1], with the consolidation of farms occurring more through leasing rather than land sales.

A strong argument can be made to suggest that this trend has resulted in the reduction of operating costs and increased production levels through better economies of scale.

[1] Southern Rural Water, Western Irrigation Futures

Werribee Irrigation District Green Wedge Policy and Management Plan[2]

Developed in consultation with the Werribee South Steering Committee, Council's vision for the district is:

The Werribee South Green Wedge will be an environmentally, socially and economically sustainable precinct where opportunities for agricultural innovation and diversification, biodiversity conservation and investment in tourism, recreation and the community are realised.

The climatic conditions currently being experienced, the uncertainties this has brought to the security of water supply, and the increases in the price of water, are together placing pressure on the farming community in the intensive agriculture precinct.

The Green Wedge Management Plan articulates the objectives of the Intensive Agricultural Precinct. These objectives are:

- To protect agricultural land from incompatible land uses and promote the continuation of farming and its viability within the local economy.
- To broaden the range of agricultural uses possible within the area and the conditions under which diversification may take place.
- To separate agricultural land uses and activities from residential, commercial, and industrial development and facilities, and where necessary, provide buffer land uses.
- To provide and advocate for the provision of infrastructure and services that are sufficient to support sustainable agriculture.

The Werribee South Intensive Agriculture Precinct is identified in the Wyndham Municipal Strategic Statement as an important asset to the state of Victoria.

The Green Wedge Management Plan also states:

- The quality of the area's soil, availability of fit-for-use water (if maintained), and access to local, national and international markets all contribute to its significance as an agricultural precinct.
- In addition to these strengths, the unique character of the Intensive Agriculture Precinct and its proximity to the East Werribee Employment Precinct create opportunities which have the potential to be capitalised upon to benefit agricultural production in future.
- The Municipal Strategic Statement supports agriculture as the predominant activity in Werribee South, with the area to remain as non-urban for the foreseeable future.

[2] Wyndham City Council, Werribee Irrigation District Green Wedge Policy and Management Plan 2010

- Planning decisions made for land within or adjacent to the precinct should protect the viability of agricultural activity and not impact upon the right to farm.

- Landowners and farmers within the intensive agricultural precinct must be able to undertake agricultural activities without being unreasonably constrained by adjoining non-agricultural land uses.

- The location of the Werribee South Intensive Agricultural Precinct in relation to major local and interstate transport networks, the proximity of the precinct to irrigation sources (Werribee River and the Western Treatment Plant) and the results of land suitability analysis suggest that the area could potentially support a range of rural activities beyond soil-based agriculture.

- The three key attributes of the area (water, soil and transport infrastructure) should therefore all have an equal role to play in determining appropriate land uses in the area.

- Landowners must be able to capitalise on one or a combination of resources in response to changing market pressures and demand.

- Diversification of agricultural activities in the area is considered a key to securing sustainability of the local economy. It is therefore appropriate to expect that activities occurring within the precinct extend beyond vegetable production to potentially include horticulture, aquaculture, hydroponics and other plant production.

- The definition of agriculture must be applied flexibly so as to encompass and enable a wide range of primary production activities. However, whilst existing non-agricultural uses in the precinct are permitted to continue and expand, new broiler farms and intensive animal husbandry operations are discouraged.

Water

The “Water for Werribee Group”, a group representing farmers in the WID released a discussion paper, “Water Needs of the Werribee Irrigation District” in April 2008 which succinctly outlined the views of the industry at that time.

Whilst six years have passed since that report was completed the landscape as it was then has, for all intents and purposes remains the same. Whilst we are not currently experiencing severe drought conditions, as was the case at the writing of the paper, we must be mindful that we can expect cycles of similar conditions to be the norm in the medium to long term. Much of the text from that discussion paper is reproduced below:

Introduction

The future viability of the Werribee Irrigation District (WID) for agriculture is ***dependent upon the provision of sufficient water of a quality and at a cost consistent with the sustainability of the Werribee Irrigation District for vegetable growing.***

Potential sources of water are from the Werribee River, ground water from the Deutgam aquifer, and recycled water from the Western Treatment Plant. Other supplies may be available from time to time because of special circumstances, but they should not be seen as part of regular sources of water for WID.

The current position is that stocks in storage are extremely low, there is a ban on the use of the aquifer and recycled water has a relatively high salinity and is limited in volume. The challenges extend beyond the volume of water entering the irrigation system because high losses in the irrigation channel mean that issues of the efficiency of supply also need consideration.

Background

Werribee South produce is sold to supermarket chains, the wholesale market and export markets. The latter is under substantial threat from overseas suppliers. The irrigators of the WID are influenced by increasing production costs and water shortages/quality which impact on the consistency of production.

Historically, the WID has relied on water from storages on the upper reaches of the Werribee River and the Duetgam aquifer. Years of low rainfall have substantially depleted storage stocks and increased use of the aquifer has lowered the water table and led to substantial restrictions, including bans on its use for irrigation purposes. The capacity of the storages has decreased due to silting and the water in the storages is increasingly been used for urban purposes.

Recycled Water

Recycled water from the Western Treatment Plant was first made available in 2004. The commitment to irrigators purchasing recycled water was that:

a) the price of recycled water up to June 2009 would not exceed that of river water

b) salinity levels would be a maximum of 1,000 EC post June 2009 due to implementing a salt reduction plan

c) the initial volume of recycled water would be limited to 25% of the property water rights

To access recycled water irrigators gave away options to access sales water post 2009.The ongoing drought, draw down of the water table, depletion of river water stocks and pressures on production have led to a situation where the reliance on recycled water has increased significantly. The lack of water in Werribee River storages has prevented blending, resulting in the recycled water supplied having salinity levels of generally between 1800 and1950 EC.

Increased requests for recycled water mean that demand now exceeds supply, while the initial decision to provide recycled water at costs comparable to river water means that recycled water production must be subsidised by Melbourne Water/Victoria Government.

The WID is outside of the Urban Growth Boundary and is an area identified by Government policy to be retained for agriculture purposes, largely because of the quality of soils and existing farm infrastructure. The irrigation channel is approximately 80 years old, resulting in significant losses in the delivery process.
The location of the WID and level of interest in urban development in Wyndham is likely to lead to ongoing questioning by some parties of the longer term viability of retaining the WID for agriculture activity.

In practice, there is a close link between future land use within the Irrigation District and the quality, cost and volume of water for sustainable agriculture. Securing the Irrigation District's future irrigation needs would be a valuable contribution to creating the confidence for irrigators to invest and enter into further contracts for the sale of their produce.

Key Issues
The key issues which need to be addressed with Government support to meet the needs of the Werribee Irrigation District are:

Quality:
Water quality matched to at least Class A standards with salinity levels below a maximum of 1000 EC and heavy metals, hormones, ammonia, etc., at acceptable levels

Cost:
The cost of water reflecting the quality provided and consistent with the ongoing viability of the Werribee Irrigation District

Volume
Supply of the water volume required to sustain vegetable growing for the foreseeable future

Distribution Efficiency
Minimise water losses in the open channel system to increase the efficiency of distribution

Salinity Reduction
Asses sand review the information supporting the decision not to install a salt reduction program at the Western Treatment Plant and identify the most cost effective means of achieving targeted maximum salinity levels

Information
Develop an information guide to assist irrigators to minimise the cost of addressing the current high salinity levels

Develop an information base in relation to irrigation within the WID which supports continuous improvement of the irrigation system

Research
Establish a research program to investigate and provide information on irrigation techniques on farms that

enhance efficient use of water and investigate and explore the latest technology and success of rain enhancement program

The future of Werribee South as a major vegetable producing area is closely linked to future water supplies which have suitable quality and reliability and are available at competitive prices.

The treatment process for recycled water produces water well suited to WID activity, with the exception of salinity levels which ideally should be halved and be no higher than 1000 EC. Reliability and consistency of supply is needed to give irrigators confidence to enter into supply contracts and substantial financial commitments.

Supply reliability involves issues of seasonal water allocations and daily volume requirements during peak demands, linked to very hot weather.

The cost of water is likely to become increasingly significant. The Werribee Irrigation District charges are comparatively high by Victorian standards and all irrigators would understandably favour reduced water costs.

However, when faced with choices between water quality, available supply, increased costs, higher salinity levels and reduced water availability, irrigators are likely to rate reduced salinity and reliability of supply as the key issues.

Establishing long term solutions to the irrigation needs of Werribee South will require a shared understanding of the key issues, willingness to compromise, open access to information and a clear vision in relation to the future of the Werribee Irrigation District.

Minimising losses in the distribution system will become increasingly important as competition for available water increases.

If the commitment to the future of the Werribee Irrigation District as a vegetable producing area is 100%, there needs to be an equal commitment to ensuring the viability of WID from economic, environmental and social viewpoints.

Securing sufficient water of a quality and cost consistent with the sustainability of the Werribee Irrigation District will give irrigators confidence to invest for the future and to enter into supply contracts for their produce. The Irrigation District is a significant employer and contributor to the Wyndham economy.

It is recognised that many of the challenges of securing sufficient quality water extend beyond the Irrigation District. Land developers, local government and sporting clubs all recognise the potential significance of recycled water to achieve a broad range of social, environmental and economic benefits.

The irrigators also recognise that the solution to the challenge of the water needs of the Werribee Irrigation District will involve a range of other parties.

The low rainfall which has been experienced for many years is probably not a short term phenomena, meaning that competition for quality water will increase.
Given this scenario, a choice must be made between allowing competition for a limited volume of water or alternatively, taking a partnership approach to increase supply options by addressing user needs on a priority basis.

The irrigators of the WID want to secure the future viability of the Werribee Irrigation District for agriculture by securing water of a quality and cost consistent with the sustainability of the District for vegetable growing.

There is confidence that a partnership approach by willing partners can achieve this goal and provide the confidence for irrigators to invest in the future and enter into further supply contracts. Improving the quality of recycled water by reducing salinity will also resolve challenging issues being experienced by land developers; local government and sporting clubs in the use of recycled water and achieve a range of triple bottom line benefits for Government, Wyndham City Council, Irrigators and the Wyndham community.[3]

Western Irrigation Futures Strategy

Southern Rural Water's Western Irrigation Futures (WIF) project was established by Southern Rural Water to develop a robust strategy for the future of the Werribee and Bacchus Marsh irrigation districts. This was subject to discussions with Government, customers and other stakeholders.

The Strategy documents the outcome of the consultation process and identifies the path forward to best meet the future needs of the two districts. An options review was undertaken focussing on three key areas:

Bulk Water Supply

- What options are available for water supply to the irrigation districts for water in the future?

Delivery System Modernisation

- What opportunities are there to improve the efficiency of water use through modernizing delivery infrastructure?

Value of Irrigated Supply

- What contribution to local and state economies are provided by each irrigation district?

In summarising the major challenges associated with the WID, Western Irrigation Futures states the following:

The WID is located within a Green Wedge Zone and under government policy is therefore constrained from alternative land use until at least the year 2030.

The major challenge to the future sustainability of the WID is the need to access a water of sufficient volume and quality in years of low rainfall.

[3] Water for Werribee, Water Needs of the Werribee Irrigation District 2008

In recent years, recycled water from Melbourne Water's Western Treatment Works provided the main source of supply. However, during the summer period, it has levels of salinity above long-term accepted levels for production of salad crops and soil management. That creates challenges both for production and environmental compliance.

The district supply system relies primarily on open concrete channels. These have poor and unacceptable delivery efficiency as well as a limited life-span.

Council supports the intent and direction of WIF and a copy of the Strategy is included as part of this submission.

However in supporting the WIF, Council makes note of the Strategy Implementation of the document and the funding principles that would apply.

Most particularly Council notes the following statement within the document in relation to funding the implementation

Beneficiary pays:

That is, costs are allocated to the party that is the primary recipient of the benefit from the investment. On this basis, public investment is only likely where there is demonstrable significant public benefit;

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Council's position is that the Werribee Irrigation District provides <u>significant</u> public benefit that extends well beyond the districts capacity to provide local employment and economic output.

Whilst Australia and the world's capacity to provide "safe food" continues to diminish, Werribee South is still well positioned to provide a haven for the production of quality, safe vegetables.

Federal, State and Local Government, in partnership with industry, have a community obligation to protect Werribee South as a provider of quality, safe food, not just for the local community, but for all of the country. In this regard the benefit the WID provides to Australia is well beyond significant.

Council welcomes the planned implementation of Southern Rural Water's "4/1 Spur System" upgrade. This project will replace about 6km of old leaking channels in the western area of the district with more efficient pipelines and accurate water meters. Channels within this system are some of the oldest in the district.

However this is but a small part of a system that is in need of immediate rehabilitation and/or redevelopment; either by the lining of water channels or full replacement of existing channels

Whilst Council is well positioned to facilitate programs with key stakeholders, State and Federal Government must contribute substantially through direct allocation of funding programs that will result in the upgrading of the water delivery system. More importantly it is Council's position that State and Federal Government must allocate a level of funding to the implementation of the WIF that will bring forward existing timelines associated with the WIF.

Recommendations

1. That State and Federal Government formally recognise the importance of the Werribee Irrigation District as a supplier of fresh, safe produce to Australia.

2. That in ensuring the long term sustainability, viability and competiveness of the Werribee Irrigation District, that the State and Federal Government commit funds to the full upgrade of the existing water delivery system as a matter of urgency for inclusion in the next state and federal budget cycle.

Every year, water retailer, Southern Rural Water set allocation levels for the Western Irrigation District, which tells customers what % of their river water entitlement they can take. This is separate to any recycled water entitlements. The allocations are announced fortnightly with a season lasting 12 months, from 1 July to 30 June.

Before the most recent drought period, allocations would usually go above 100% of high reliability water shares and 100% of low reliability water shares by the end of the season. During the last years of the drought, these allocations dropped to as low as 5% for the whole season.

These big differences provide uncertainty to farmers in the medium to longer term planning of irrigation cycles. For the retailer the challenge is to get the balance right based on what is available and to not over allocate.[4]

Recommendation

3. That Federal Government facilitate a program where relevant levels of government, water agencies and industry experts collaborate with a view to exploring innovative ways to provide greater certainty regarding water allocation to the WID (and other irrigation districts) through periods of drought.

Water Quality

The current level of recycled water emanating from the Western Treatment Plant has an elevated level ranging from 1600 to 2200 Electrical Conductivity (EC). This has resulted in a greater application of recycled water than the crops would normally demand, particularly during the hotter weather, to persistently leach the soil to manage the salinity impact on vegetable crops. This level of management is not sustainable in the long term.

[4] Southern Rural Water, www.srw.com.au

Recommendation

4. That if recycled water from the Western Treatment Plant is to continue as a supply of water to the WID that funding must be allocated to developing infrastructure and systems capable of reducing EC levels below 1000EC as a minimum.

Efficient delivery of quality water is critical to the future of Werribee South as a competitive and safe crop producing precinct.

Allocation of funding to bring forward the Western irrigation Futures Strategy, reduce salinity and upgrade the water delivery system needs to be given priority status to ensure the future of the WID.

Transport & Logistics

Wyndham City is home to one of the Australia's largest logistics hub at Laverton North. Immediate connection to the Princes Freeway and Metropolitan Ring Road and close proximity to the Port of Melbourne, Melbourne Airport and Avalon Airport has been a driver of decision making by national and multi-national companies to consolidate their distribution operations within the precinct.

Specific large scale food distribution and cold storage facilities include those operated by Coles, IGA, Woolworths and Murray Goulburn.

The northern boundary of the municipality at the interface with the industrial precinct of Laverton North / Truganina has also been identified as the site for a proposed Western Intermodel Freight Terminal.

The recent announcement by the Linfox Group that an MOU has been signed between Avalon Airport and China's HNA Group for the establishment of commercial and freight services to China further strengthens the region's capacity to directly connect to export markets.

The WID is ideally placed to take full advantage of the locational advantages that Wyndham City offers.

Regional advocacy and economic development organisation, LeadWest are currently developing a project with the working title of Fresh West. This project identifies the proliferation of supply chains in the food industry within the region from primary production, to processing, distribution, sale and recycling. The project confirms the importance of the WID within the regional supply chain and the capacity of the region to attract new investment in agriculture and food sectors.

For Melbourne's west, and most specifically the WID to maximise this competitive advantage, ongoing investment in road infrastructure is required to ensure the needs of the agriculture and food sector and associated growth industries.

Recommendation

5. That Government, in recognising the strategic locational advantages that the WID and the Laverton North Industrial Precinct offers, allocate investment in key transport infrastructure to ensure the future growth of the region, and more specifically future growth and long term sustainability of the agriculture and food sectors

6. That Government provides support to the development of Avalon Airport to ensure that fresh food export market opportunities are maximised.

The Value Add Factor

Wyndham City is home to the largest parcel of commercially zoned land owned by the State Government.

East Werribee, designated as a National Employment Cluster was previously known as the Werribee Agricultural and Food Technology Precinct.

The Metropolitan Planning Authority, in collaboration with Wyndham City Council has developed a Precinct Structure Plan with a vision to creating a precinct that will deliver 60,000 jobs.

CSIRO Food and Nutritional Sciences, Dairy Innovation Australia, Agrifood Technology and Victoria University are located within the precinct and with plans in place to build on these existing tenants there is great capacity to develop a major food and technology research hub for Melbourne's west.

Further investment in programs that will promote innovation and research & development projects upstream and downstream of the primary agricultural sector within the WID will provide opportunity to increase the competitive advantage of the region as a grower of safe, high yield, quality vegetables.

Recommendation

7. That Government continues to fund food related research and development projects and that consideration be given to targeting specific projects that aim to deliver cost and quality efficiencies to growers within the WID