

# **Gwydir Valley Irrigators Association Inc.**

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458 Frome St, PO Box 1451, Moree NSW 2400

**Submission to the Australian Government's**

**Agricultural Competitiveness Issues Paper**

**Gwydir Valley Irrigators Association Inc**

**April 2014**

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## Contents

1	Purpose of this submission .....	3
2	About the Association .....	3
2.1	Where we are and what we do.....	3
2.2	Association Contacts .....	4
3	Introduction.....	4
4	Issues for Consideration .....	5
5	Recommendations.....	5
6	Comments on Specific Issues.....	6
6.1	Ensuring Food Security.....	6
6.2	Enhancing Access to Finance.....	8
6.3	Increasing Competitiveness Globally .....	9
6.4	Regional Communities.....	9
6.5	Competitiveness of Inputs.....	10
6.6	Government Regulation .....	14
6.7	Effectiveness of Incentives.....	16
7	Conclusion.....	16

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# 1 Purpose of this submission

This document has been developed by the Gwydir Valley Irrigators Association (GVIA) on behalf of its members as a formal submission for consideration by the Australian Government for preparation for White Paper on Agricultural Competitiveness. We understand this is the first opportunity to provide input into this discussion and welcome further conversations on the issues being addressed.

This document represents the views of GVIA's members. However, each member reserves the right to express their own opinion and is entitled to make their own submission.

## 2 About the Association

### 2.1 *Where we are and what we do*

The Gwydir Valley Irrigators Association (GVIA) represents in excess of 250 water entitlement holders in the Gwydir Valley, centred around the town of Moree in North-West New South Wales. Our mission is to build a secure future for its members, the environment and the Gwydir Valley community through irrigated agriculture.

Our members hold entitlements within the Gwydir regulated and un-regulated surface water areas, in addition to groundwater resources. All of which are managed through water sharing plans.

The main broad acre irrigated crop is cotton with irrigated wheat, barley and Lucerne also occurring depending on commodity prices. Currently there are also pecans, walnuts, oranges and olives being grown within the region covering approximately 1,500 hectares. There is however, significant and potential for expansion into horticulture.

The region is highly dependent on agriculture with irrigated agriculture a predominate feature of the gross value of production for the region. The value of irrigated agriculture, in particular cotton has a follow-on multiplier effect of up to three to the wider community.

The Gwydir Valley Irrigators Association organisation is voluntary, funded by a cents/megalitre levy on regulated, unregulated and groundwater irrigation entitlement. In 2012/13 the levy was paid on in excess of 87% of the eligible entitlement (excludes entitlement held by the State and Federal Government).

The Association is managed by a committee of 11 irrigators and employs a full-time executive officer and a part-time administrative assistant, as well as hosting a Regional Landcare Facilitator and Project Officer for externally funded research.

Much of the activity the association revolves around negotiating with government at a Federal, State and Local level to ensure the rights of irrigators are maintained and respected.

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While the core activities of the Association are funded entirely through a voluntary levy, the Association does from time to time, undertakes special projects, which can be funded by government.

The GVIA and its members are members of both the National Irrigators Council and the NSW Irrigators Council.

We support the submissions made by NSW Irrigators Council on behalf of the irrigation industry of NSW.

## **2.2 Association Contacts**

Gwydir Valley Irrigations Association

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## **3 Introduction**

The Gwydir Valley Irrigators Association (GVIA) welcomes the opportunity to provide comment on issues pertinent to our industry and our region, as part of the Australian Government's White Paper on Agricultural Competitiveness.

Gwydir Valley irrigators are highly innovative and some of the most water efficient across Australia but this is being undermined by poor policy and competition for resources and inputs, resulting in trade-offs that impact productivity. We have through our own initiatives attempted to address some of these concerns, although we believe there is the opportunity for more national leadership in some areas.

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The GVIA as part of this submission have outlined the many policy issues that are constraining our industry and limiting irrigators ability to be profitable and productive, now and into the future. We have also questioned the need for the current level of regulation in our industry and how this is impacting on the effectiveness of many of the policies being implemented, in particular the Murray Darling Basin Plan.

We have provided a list of recommendation for consideration throughout this document and listed these in Section 5: Recommendations for ease of reference.

The GVIA understands that this is the first opportunity to provide input into this discussion and we welcome further conversations on the issues being addressed.

## **4 Issues for Consideration**

The scope of issues to be addressed by the White Paper and available for comment by stakeholders:

1. Food security in Australia and the world through the creation of a stronger and more competitive agricultural sector;
2. Means of improving market returns at the farm gate, including through better drought management;
3. Access to finance, farm debt levels and debt sustainability.
4. The competitiveness of the Australian agricultural sector and its relationship to food and fibre processing ad related value chains, including achieving returns;
5. The contribution of agriculture to regional centres and communities, including ways to boost investment in jobs growth in the sector and associated regional areas;
6. The efficiency and competitiveness of inputs to the agriculture value chain – such as skills, training, education and human capital; research and development; and critical infrastructure;
7. The effectiveness of regulations affecting the agricultural sector, including the extent to which regulations promote or retard competition, investment and private sector-led growth;
8. Opportunities for enhancing agricultural exports and new market access; and
9. The effectiveness and economic benefits of existing incentives for investment in jobs creation in the agricultural sector.

The GVIA in its following submission will address some but not all of these issues.

## **5 Recommendations**

The following represents a list of the initial recommendations that the GVIA would like the Australian Government to consider as part of the preparation for White Paper on Agricultural Competitiveness:

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- The GVIA recommends that Government Policy is reviewed against our local and global food and fibre requirement and adjusted to not constrain productivity and regional economic growth.
- The GVIA recommends that Research and Development priorities are expanded to include applied and technical research with an Industry led focus.
- The GVIA recommends that there is an assessment of the impacts of increasing levels of farm debt within the agricultural sector – with a view of understanding the reasons and impacts.
- The GVIA recommends that there is consideration to the establishment of a national strategy to represent Australian agriculture, its people and products.
- The GVIA recommend that Government Policy should be more cognisant of the follow-on impacts that national driven policies have on regional and remote Australia, recognising the difference in the social and economic fabric of such regions to cities.
- The GVIA recommends that there is further focus placed on agricultural and natural resource management education including the syllabus, on-the job training opportunities and employment pathways.
- The GVIA recommend that there is further research into the potential impacts of mining and CSG in the short and long-term and that a nationally consistent water quality and quantity policy for all users is applied.
- The GVIA recommends a lifting of constraints within the Water Act 2007 (Cth) to allow the CEWH to be more flexibility in managing their water portfolio.
- The GVIA recommends that the user base for water charges is expanded to include all discretionary water users.
- The GVIA recommends further research and investment into energy efficiency innovations for irrigators.
- The GVIA recommends that further work is undertaken to help irrigators and famers deal with labour shortages.
- The GVIA recommends a review of the regulation of the irrigation industry with a view to better integrate policy outcomes and be more effective.
- The GVIA recommends a review of incentives and consider the inclusion of industry input in the design of future programs.

## 6 Comments on Specific Issues

### 6.1 Ensuring Food Security

The GVIA believes that Governments (State and Commonwealth) need to be more proactive in enabling Australian agricultural producers to play a significant role in the local and global food security issues. Currently there are a number of competing policy's that do not support Australia being a global food supplier in particular the Murray Darling Basin Plan and the lack of protection of key land and water resources from extractive industries. The current balance of water for production and the risk of competition on these resources will

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significantly undermine our ability to increase production in areas where agriculture is already a dominant feature of the landscape and has potential to expand.

For example, the Basin Plan has resulted in less than 26%<sup>1</sup> of long-term average river flows available for productive use in the Gwydir without a thorough assessment of the performance of environmental achievements of previous water sharing arrangements. It is the GVIA's opinion that the Basin Plan reductions remain unjustified and represent the volume of water recovered due to the previous Labor Government's 'no-regrets' water buy-back programme rather than what the Environmentally Sustainable Level of Take<sup>2</sup> is for our region. This reduction in water directly limits the production of agricultural products in our region and will re-define the production curve for the region, resulting in smaller and less sustained production peaks following high water availability years. These impacts were alluded to in the Cotton Catchment Communities Cooperative Research Centre (CRC) socio-economic studies<sup>3</sup>, however actual analysis of these communities (including our own) should occur since 2011/2012 to evaluate this impact.

***The GVIA recommends that Government Policy is reviewed against our local and global food and fibre requirement and adjusted to not constrain productivity and regional economic growth.***

Research and development priorities need to also be adjusted to continue to strive for productive growth, this includes further investment in water use efficiency, energy use efficiency and crop genetics to name a few. The fact that organisation like ourselves, decide to undertake our own research means that research priorities (both scientific and applied) should be adjusted to also align with the direction of those on the ground, the farmer or grower, who is best positioned to provide the future direction of the industry. Research should also become more flexible to change with future directions.

#### Our Own Initiatives:

The GVIA through initial funding support from the National Water Commission and now the Cotton Research and Development Corporation, established the grower-led irrigation efficiency trial looking at four different irrigation systems for cotton production. The GVIA expanded this trial to also look at energy and maintenance concerns, in response to many irrigators needing to balance water use efficiency gains against energy costs – resulting in a

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<sup>1</sup> Calculation based on Water Sharing Plan long-term annual average river flows for the environment in addition to percentage of water recovered for the environment by the Commonwealth and NSW Government.

<sup>2</sup> The Murray Darling Basin Authorities process for determining environmental water requirements.

<sup>3</sup> Cotton Catchment Communities Co-operative Research Centre commissioned a series of socio-economic analysis on cotton communities in preparation for understanding the impacts that reducing water availability will have. See for full list of reports

[http://www.cottoncrc.org.au/communities/Cotton\\_Info/Socio-Economic\\_Reports](http://www.cottoncrc.org.au/communities/Cotton_Info/Socio-Economic_Reports)

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trade-off between the two. Information on the “Keytah” four-system comparison trial is attached for your information.

The GVIA also sourced funding through the Achieving Sustainable Groundwater Entitlements programme to assess the viability of expansion of the horticulture industry in our region. This program provided incentives investigate alternatives to shift to high value crops whilst encouraging water use efficiency as well. Importantly, this project identified the potential for expansion of horticulture in the region, which is constrained by water availability; both physically and policy-based but that not by suitable land.

The project exceeded the expectation of the GVIA in terms of major milestones, with the area developed for horticulture irrigation across a mix of crops was 127.7 Ha, well above the 109 Ha targeted. Irrigators indicated overwhelming gratitude for the incentive support, which was matched by an estimated \$1,607,051.64 of in-kind contribution from the irrigators (project funding was for \$615,000). As many have undertaken further work than identified as part of the project, the area and investment is in fact much greater than reported.

The report “Horticulture Alternative in the Lower Gwydir” is attached for your information.

***The GVIA recommends that Research and Development priorities are expanded to include applied and technical research with an Industry led focus.***

## **6.2 Enhancing Access to Finance**

It must be recognised that since the development and implementation of the water sharing policy<sup>4</sup>, there have been clear impacts that in our region has resulted in the aggregation of farming size<sup>5</sup> and water entitlement<sup>6</sup>. Indicating that during the Water Sharing Plan’s implementation period (2004-2014), many were required to consolidate and to buy more land and water to survive. Many borrowed heavily and hence, farm debt is also increased.

The GVIA and its members are concerned that the increasing levels of farm debt may act to constrain farm business investment in innovative technology and therefore constrain future productivity. With increasing farm debt, farm financiers are beginning to also have a greater role in the farm business, regardless of their level of agricultural expertise.

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<sup>4</sup> The Water Sharing Plan for the Gwydir Regulated Water Source began in 2004.

<sup>5</sup> Median farm size in the Border Rivers/Gwydir/Namoi region increased from 526 Ha to 970 Ha between 2006 and 2010. NSW Office of Water, *Monitoring economic and social changes in NSW water sharing plan areas: A comparison of irrigators’ survey 2006 and 2010 – covering plans commenced in 2004*. December 2011

<sup>6</sup> Median water entitlement owned in the Border Rivers/Gwydir/Namoi region increased from 199 ML to 549 ML between 2006 and 2010. NSW Office of Water, *Monitoring economic and social changes in NSW water sharing plan areas: A comparison of irrigators’ survey 2006 and 2010 – covering plans commenced in 2004*. December 2011

Furthermore, consolidation of farming areas can be either by family farms growing or by corporatisation, both processes result in changes to the social fabric of a region, although these are yet to be quantified.

***The GVIA recommends that there is an assessment of the impacts of increasing levels of farm debt within the agricultural sector – with a view of understanding the reasons and impacts.***

### **6.3 Increasing Competitiveness Globally**

The GVIA believes that the Australian agriculture has a substantial social licence which is yet to be fully explored, utilised or exploited to the benefit of the industry or nation. The cotton industry for example has taken significant steps to ensure that their product and industry is environmentally sustainable and community focused, through local on-ground initiatives but also industry established myBMP<sup>7</sup>, whilst also producing some of the best quality cotton in demand by major manufacturing countries like China. Many groups have their own strategies but they lack national coordination.

Each commodity group then also undertakes their own marketing and export campaigns, with some even trying to leverage this social licence like CottonLEADS<sup>8</sup> for cotton. There is scope for national coordination or strategy that could cement a unique Australian Brand, that's environmentally sustainable and responsible, builds community resilience, is cost effective, and then try and secure global markets in one, well-organised effort.

The same could be said for 'Australian Farmers' as a product, who are currently not uniformly represented nationally yet alone internationally<sup>9</sup>.

***The GVIA recommends that there is consideration to the establishment of a national strategy to represent Australian agriculture, its people and products.***

### **6.4 Regional Communities**

Regional communities, like Moree and the surrounding area, are highly dependent on agriculture with a strong sensitivity to changes in government policy to this sector. Coupled with a high degree of remoteness and a population that does not pass the 'critical mass' test, these regions are more at risk to change<sup>10</sup>. Analysis by for the Cotton Catchment

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<sup>7</sup> myBMP is a free, on-line farm management tool that helps cotton growers manage their responsibilities to the natural environment and their workers. It helps reduce risks around the farm, meet legislative requirements and keep the paperwork in order. For more info see <https://www.mybmp.com.au/home.aspx>

<sup>8</sup> Cotton LEADS™ is a commitment to the supply and use of responsibly-produced cotton through national and international efforts. It is a partnership between the Australian and US cotton industries. More information at <http://www.cottonleads.org/>

<sup>9</sup> See the Australian Farm Institute research on Agriculture Advocacy.

Communities Cooperative Research Centre (CRC) socio-economic assessment program<sup>10</sup>, outlines these risks more clearly in relation to changes in water policy under the proposed Murray Darling Basin Plan. These works highlight the need for governments to be more cognisant of the follow-on impacts that national driven policies have on regional and remote Australia.

***The GVIA recommend that Government Policy should be more cognisant of the follow-on impacts that national driven policies have on regional and remote Australia, recognising the difference in the social and economic fabric of such regions to cities.***

As regional communities and indeed their economies rely on agriculture, it is important that there continues to be education opportunities in this sector. The lack of agriculture and geography in schools and tertiary institutions is alarming, considering the importance that an understanding of the basic principles of resource management and sustainable production should be to all. There is also a lack of incentives for farmers to employ and train agriculture trainees which should be addressed.

Pathways into agriculture should also be further explored and promoted. Agriculture is not just about driving tractors or chasing cattle (although, that a large part for many), but there is an entire industry built to support the sector that is not well understood, to name a few:

- Banking and finance;
- Marketing;
- Lobbying and advocacy;
- Research and extension; and
- Administration and management.

***The GVIA recommends that there is further focus placed on agricultural and natural resource management education including the syllabus, on-the job training opportunities and employment pathways.***

## **6.5 Competitiveness of Inputs**

There are a myriad of factors that are resulting in Australian farmers struggling to be competitive locally and internationally, including:

- Government policy (refer Sections 6.1, 6.2 and 6.4) and regulation (Section 6.6);
- Research direction (refer Section 6.1);
- Resource competition; and
- Input competition – water, water prices, energy and labour.

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<sup>10</sup> Cotton Catchment Communities Co-operative Research Centre commissioned a series of socio-economic analysis on cotton communities in preparation for understanding the impacts that reducing water availability will have. See for full list of reports [http://www.cottoncrc.org.au/communities/Cotton\\_Info/Socio-Economic\\_Reports](http://www.cottoncrc.org.au/communities/Cotton_Info/Socio-Economic_Reports)

### Resource Competition:

The competition for land and water resources between agriculture and other extractive industries like coal mining and coal seam gas (CSG) will place pressure on Australia to continue to firstly maintain their production but also improve it to meet demand. The GVIA area also concerned about the impact mining and CSG has had (and will have) on the water resources i.e. the quantity and quality of these resources into the future.

The GVIA are not yet convinced that there is sufficient knowledge available to assess the impact of mining and CSG activities. With this lack of knowledge, we are concerned that the adequate protection of water resources is not ensured.

The GVIA believes that at a minimum, all extractive industries should adhere to the same standards and rules that irrigators are subjected to and that there should be consideration to some national standardisation of this which is crucial when considering that water resources at risk flow across state boundaries like the Great Artesian Basin and the Murray Darling Basin. This should then ensure that cumulative impacts are addressed and that there are no third-party impacts to other water users. Water users in the Gwydir have been operating under these simple considerations prior to water sharing plans being developed and its time other extractive users do as well.

The GVIA supports greater investigation into the risks associated with water quantity, quality and reliability and the development of ways to better understand the long-term implications of mining and coal seam gas development.

***The GVIA recommend that there is further research into the potential impacts of mining and CSG in the short and long-term and that a nationally consistent water quality and quantity policy for all users is applied.***

### Input Competition:

As explained, water policy like the water sharing plans and the Murray Darling Basin Plan have resulted in changes to the availability of water for irrigation. The Commonwealth Environmental Water Holder is now the largest holder of water in the Australia and in the Gwydir holds, 17.5%<sup>11</sup> of General Security entitlement with the NSW Riverbank a further 3%<sup>12</sup>.

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<sup>11</sup> CEWH holds 89525 megalitres out of a total general security shares of 509665 megalitres, also holds high security and supplementary entitlement see <http://www.environment.gov.au/topics/water/commonwealth-environmental-water-office/northern-catchments/gwydir>

<sup>12</sup> NSW RiverBank have 17092 megalitres out of total general security shares of 509665 megalitres, also holds supplementary entitlement see <http://www.environment.nsw.gov.au/environmentalwater/waterpurchase.htm>

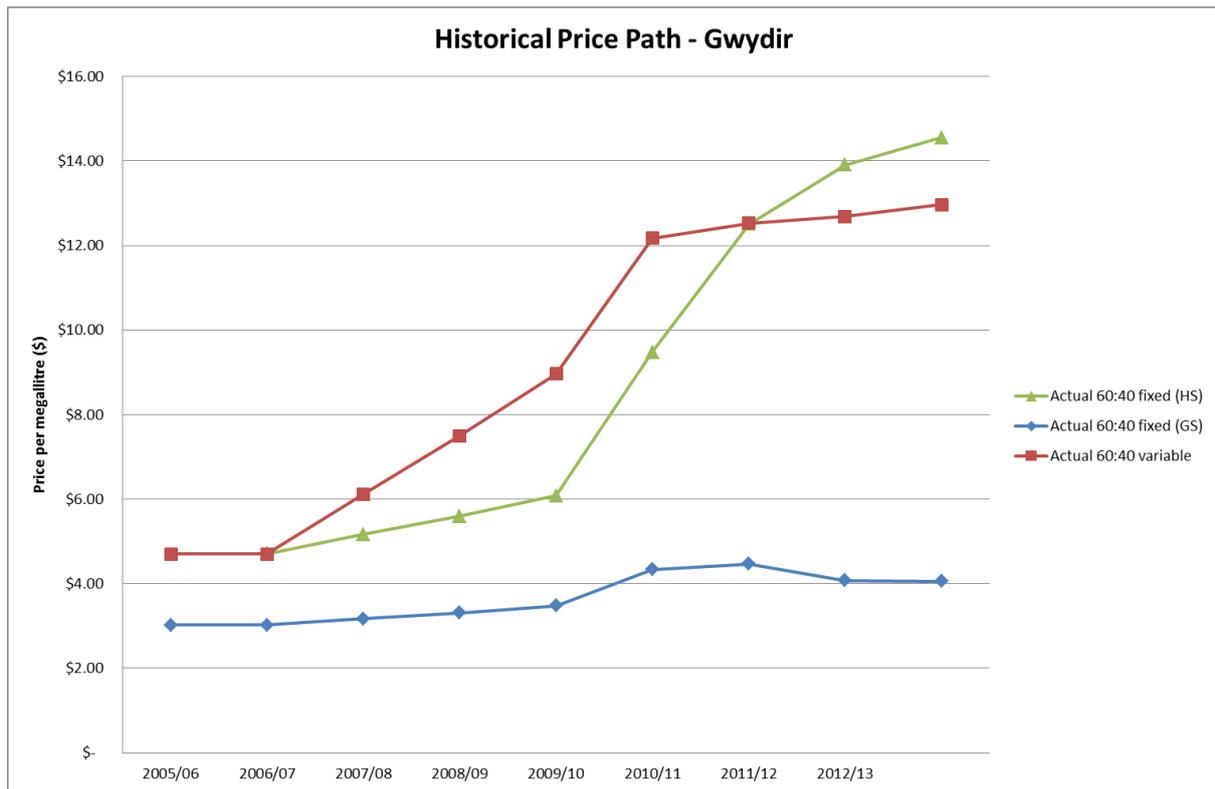
It is important that with the differing requirements for producers and the environment, there is flexibility in the management of environmental water portfolios to allow for the trade of excess allocation and entitlement back into the productive pool. THE GVIA welcomed the trade of Commonwealth water in the Gwydir in January 2014, with the opportunity highly successful for all parties; with additional 10,000 megalitres of water secured for this season's cotton crop and an extremely high and unprecedented value for money, return for the Commonwealth.

The GVIA support a lifting of constraints within the Water Act 2007 (Cth) to allow the CEWH to be more flexibility in their role of managing environmental water for the Basin and we encourage the Commonwealth Government to pursue this through the review scheduled for this year.

***The GVIA recommends a lifting of constraints within the Water Act 2007 (Cth) to allow the CEWH to be more flexibility in managing their water portfolio.***

Water prices are also a major concerning factor for irrigators and if they continue to climb – as evidenced below in Figure 1, then they will place a significantly constraining factor on production into the future. Whilst the GVIA recognise that the setting of water prices, is a state-based issue, there should be consistency in principles in how 'prices are set' and 'who pays' across states. Importantly, while the GVIA supports the 'user pays principle', states continue to charge for water on a limited consumer base with irrigators in many cases the to be the only 'user' paying for the resource, despite their being a suite of other discretionary users that are utilising the benefits of the resource, including:

- Recreational users;
- Communities whom benefit from flood mitigation activities (where those dams were built with the intent for flood mitigation);
- Stock and domestic users;
- Users of planned environmental.



**Figure 1 Historical price creep: prices for fixed components of since 2005/2006 for high security users have increased by 68% and general security by 26%, with their variable/usage charges fluctuating up by 64%. This creep is more evident in the user share of total revenue required for SWC to undertake their business, which has increased from \$2.9M in 2005/2006 to \$5.6M in 2013/2014, which is nearly a 50% increase for what many believe that with technology improvements (as adopted by SWC), should actually remain steady over-time<sup>13</sup>.**

***The GVIA recommends that the user base for water charges is expanded to include all discretionary water users.***

The GVIA are also concerned about rising energy costs and the nexus between water-use efficiency and energy efficiency (to reduce cost impacts caused by high energy prices), resulting in trade-offs by irrigators. More investment is required into energy cost saving technology and research to allow producers to maintain 'efficiency' across all inputs, rather than trade water against energy use which will directly impact production. Not to mention

<sup>13</sup> Extract from Gwydir Valley Irrigators Association submission to the Australian Competition and Consumer Commission on: State Water Corporation's 'Pricing application to the Australian Competition and Consumer Commission for regulated charges to apply from 1 July 2014' see <http://www.accc.gov.au/regulated-infrastructure/water/state-waters-regulated-charges-2014-17-review/information-paper>

that the rising cost of energy is undermining the Commonwealth Government’s investment in water-use efficiency infrastructure.

**The GVIA recommends further research and investment into energy efficiency innovations for irrigators.**

Furthermore the expansion of mining and CSG in predominately stable workforces that are agriculture dominated has placed further pressure on other local inputs, most particularly labour. Strategies to help irrigators and famers deal with labour shortages need to be further explored.

**The GVIA recommends that further work is undertaken to help irrigators and famers deal with labour shortages.**

### 6.6 Government Regulation

The GVIA is becoming increasingly concerned with the over regulation of irrigation industry, as a result of the changes policies around water. Figure 2 below highlights the involvement of 13 different Departments in the water sphere for both the Australian and NSW Government.

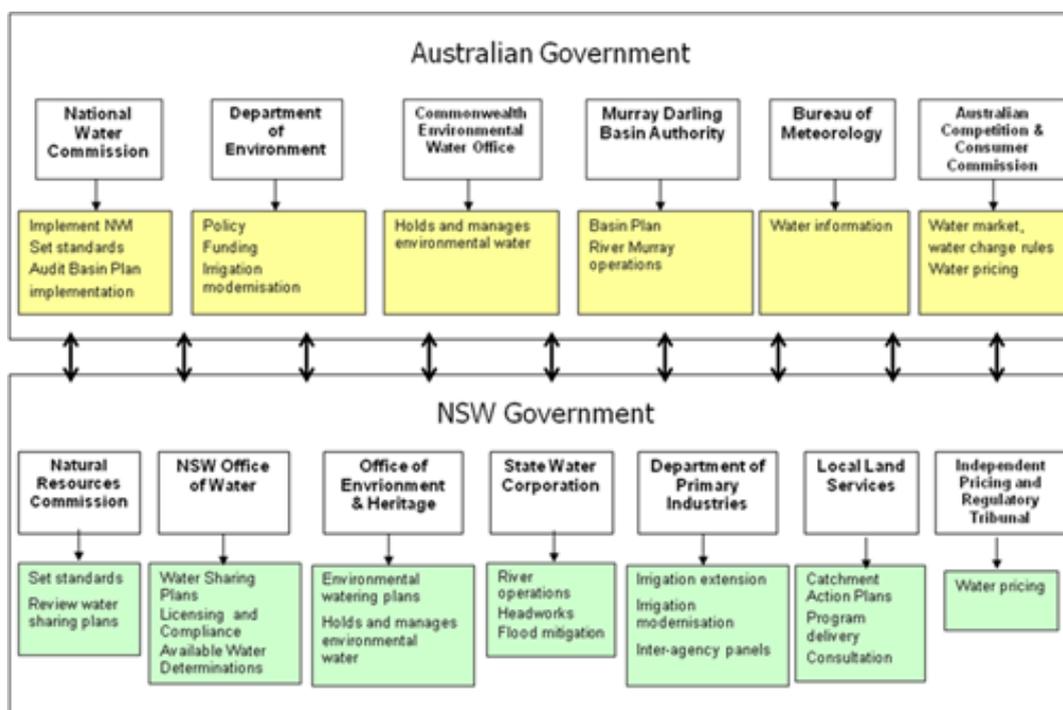


Figure 2 Government Regulation in the Water Industry<sup>14</sup>

<sup>14</sup> Source: Macquarie River Food and Fibre

Irrigators (let alone the community, who are event more confused) are left questioning who it is they need to talk with when they have an issue and most commonly questioning, is there 'doubling' up of resources between Departments or Governments.

The concerns were highlighted more recently to the GVIA during a meeting with the Murray Darling Basin Authority (MDBA) over environmental water planning. The Gwydir Valley has had held and planned environmental water since before the development of the NSW Water Sharing Plan for the region in 2004, there is a history of planning and implementing environmental water management since this time. However, under the Basin Plan, environmental water planning has evolved into its own duplicitous industry with:

1. MDBA – Basin Plan plus, long term and annual water use plan;
2. Commonwealth Environmental Water Holder – 5-year plan and annual water use strategies;
3. NSW Government – Water Resource Plans with environmental watering plans;
4. Gwydir Environmental Contingency Allowance Operational Advisory Committee – 5 year strategic plan and annual water use strategies.

Another concerning issue is the further creation of 'silos' within Departments, further enhancing concerns overing doubling up but also constraining Governments to adequately deal with the issues at hand.

For example, the Murray Darling Basin Plan was established on the premise to improve upon the health of the Basin's resources. However, the plan is focused on hydrological outcomes and does not address the broader natural resource management issues that also affect Basin health. This principle is continued with the implementation of the Basin Plan with the Commonwealth Environmental Water Office (CEWO) unable/incapable of addressing non-hydrological issues like invasive species in key assets like the Gwydir Wetlands, as that is another Departments concern. Although the CEWO is the best positioned to identify and understand the limitations of their watering actions, they are restricted in dealing with the problem. Without a holistic approach with integrated catchment management, the effectiveness of environmental watering will be ultimately undermined.

Although, changes to the Water Act 2007 (Cth) and the Commonwealth Environmental Water Holder's ability to dispose of excess water allocations and entitlement, may provide the funds needed to assist the CEWO to better integrate catchment management and environmental water delivery. There requires further integration at a Department and inter-government level to enhance effectiveness of the management of all the Basin's resources.

***The GVIA recommends a review of the regulation of the irrigation industry with a view to better integrate policy outcomes and be more effective.***

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## **6.7 Effectiveness of Incentives**

The GVIA encourages a review of incentives to ensure that their remains a fairness between agricultural industries and their opportunity for individuals to be eligible for such incentives. This should include an assessment of whether there is opportunity to have industry input into future incentive programs and that these could be implemented by industry. By having industry input, there is greater opportunity for the current and future needs of the industry to be better understood.

***The GVIA recommends a review of incentives and consider the inclusion of industry input in the design of future programs.***

## **7 Conclusion**

Irrigators are highly resourceful and innovative but there are many policy issues that act to constrain their ability to continue to strive for productivity growth and remain sustainable into the future. The GVIA welcomes the opportunity to provide comment on some of these policy concerns for the preparation of the White Paper on Agricultural Competitiveness.

Submission ends