

ACCC submission

I am a General Security irrigator from the MIA and currently own a 62H farm and 424 ML of General Security Water Entitlement. I have, for more than 25 years, run my own self-replacing cattle herd of around 50 cows as well as working full-time as a Numeracy teacher for TAFE NSW until my retirement at the beginning of 2016. My father was a ricegrower and lamb producer and my mother a book-keeper and the daughter of fruit growers who took up one of the first MIA irrigation farms in 1912.

I joined the farming enterprise at the beginning of the 1980's after completing an Arts Degree at ANU in the late 70's which included a double major in history, some of it focussed on changes in land tenure and the decision to build Burrinjuck Dam (then the second largest in the world) and the closer settlement of the MIA. I obtained a First Level pass in Mathematics in my HSC, but did not pursue this until I became an adult literacy and numeracy teacher in the 1990's.

In summary, I am an intelligent, well educated person with first-hand experience of managing through lengthy periods of the wettest and driest conditions ever experienced in the recorded rainfall history of the MIA. Even so, it has taken me more than three years (since my retirement) and the combined efforts of the Keelty inquiry, the Sefton inquiry and more than 500 pages of ACCC interim report to understand what has happened to GS agriculture in my valley and I am finding it even harder to explain it to others.

The Architecture and Physical attributes of the Murrumbidgee Catchment

The water allocation system in NSW was set up in 1983 following emergency rationing for the drought of 1982-3. Temporary restrictions in 1982-3 cut everybody by half allowing us to grow my family a 60 acre rice crop and orchardists to water alternate rows. The following season the majority of irrigators were given general security allocations (7ML per hectare in the MIA). It was recognised that something different was needed if permanent plantings (which took many years to replace) were to survive the next drought. At this time the horticultural industries were in crisis with the Letona cannery forced to close and citrus growers unable to compete with dumped Brazilian concentrate. High Security Entitlements were created and 13ML per hectare were assigned to horticultural irrigators. The entitlements were tied to the land and unused water was returned to the pool for the following year. The allocations were made on the basis of historical usage and at that time most horticultural irrigators were using furrow irrigation which has now been replaced by the far more efficient drip irrigation.

Blowering and Burrinjuck Dams are able to capture enough water on an annual basis to achieve 100% allocation on median rainfall. The Snowy dams are able to hold water over longer periods with the lowest evaporation levels in the country and when managed more wisely supplied enough water in the worst drought on record (2007-8).

Changes to Land Tenure and the beginning of the conversion of GS to High Security

Land tenure in irrigation areas (Murrumbidgee and Coleambally Irrigation on the Murrumbidgee) was controlled with the maximum home maintenance area for mixed farming then set at 1050 acres and fruit farms at 50? acres. Farms weren't allowed to be held under free-hold title, and only one farm was to be held by one farmer (wives weren't allowed to hold land only children over 16-18 years of age).

Around 1990 the Greiner government abolished home maintenance restrictions, allowing broadacre farms to be subdivided or accumulated. The introduction of new technologies, including mechanical grape harvesting, drip irrigation and land-forming drove the purchase and redevelopment of many rice farms into much more economically viable orchards and vineyards.

High security allocations were not just water, but rather drought insurance for permanent plantings. The initial allocations were easily guaranteed by the Required Annual Releases from Snowy Hydro with enough to also guarantee 15-20% allocation to buffer GS irrigators from the worst effects of severe droughts. During the 1990's the General Security water purchased with the land was converted to High Security. When questioned by the Keelty inquiry, the NSW department asserted that this had been done to a formula which did not disadvantage other water users. Initially it was done (I have been informed) at a rate of 10:9 and then 10:8. The last conversions which took place in 2008 were done on a basis of 10:5 (2:1)

Murrumbidgee Entitlements

Year	High Security	General Security	Ratio of HS to GS
2000	279 000	2 416 000	11.5%
2019	360 297	1 891 995	19.0%

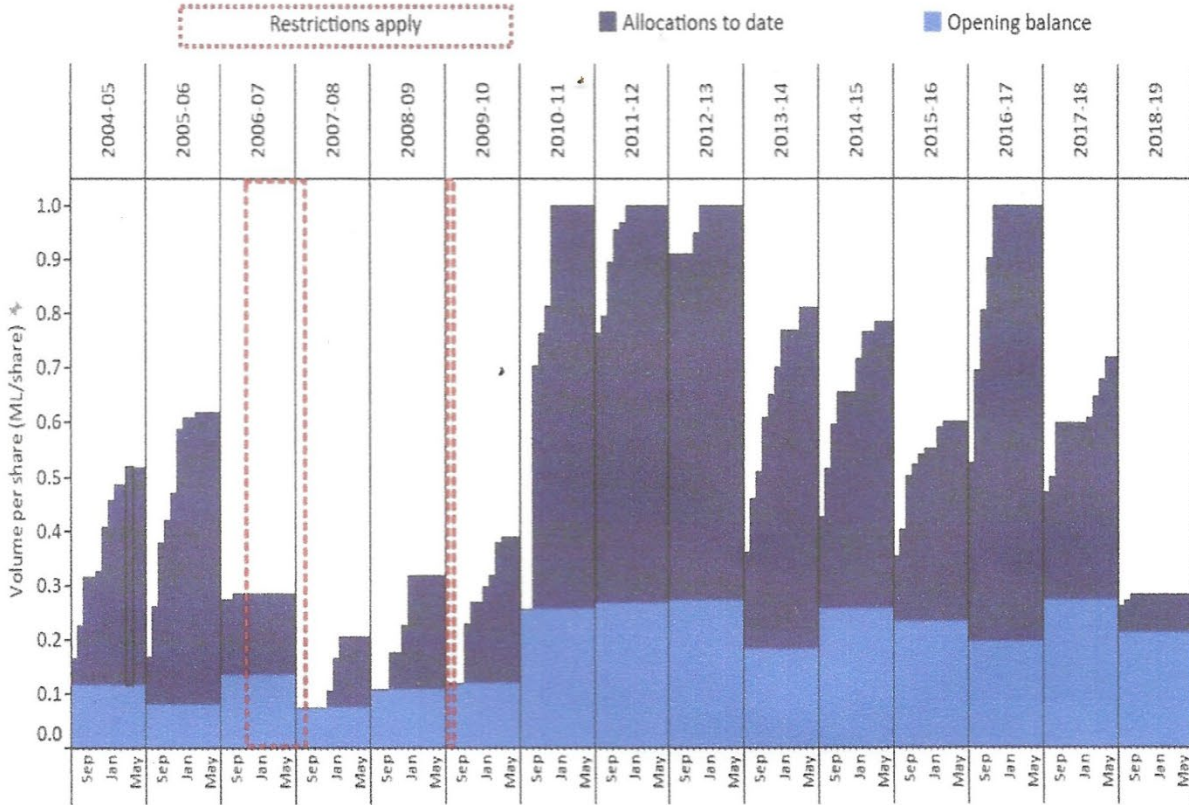
The earliest record of High Security Entitlements I have been able to find appears in a document published around the time of the NSW Water Act 2000, entitled Advice to Water Management Committees, No 4 Regulated Rivers (High Security) Access Licences. At that time, **after a decade of conversions** authorised by the State Water Resources Department, High Security water was just 11.5% of General Security. It now forms 19% an increase of 7.5%.

The assertion by the NSW department that this did not affect GS irrigator was at best misguided, and in truth a lie. By 2000 the Murrumbidgee had experience nearly 20 years of 100% allocations and, with the exception of the 1982-3 drought, 30 of the wettest years in recorded rainfall. Perhaps this led them to disregard the extreme variability of rainfall in the longer term.

Given the reliability and size of Snowy RAR water (which has ranged from around 600GL to 1200GL over the last 10 years)(Source: GPWAR Statement of Physical flows) High Security Water on the Murrumbidgee is guaranteed, regardless of how severe a drought may be. The only reduction in High Security Water allocation occurred in 2007-8, the lowest catchment rainfall ever recorded. The guaranteed portion of annual inflows total somewhere around 30% of total entitlement.

Initially, that high security water was split between High and General Security irrigators with General Security users possibly able to rely on an allocation of 15-20% (ball-park guesstimate on my behalf) in the worst of droughts and HS users less than 10%. If one conceives of General Security water as a portfolio including high, medium and low reliability entitlement, the so-called conversion of general to high security entitlement has in fact been a direct transfer from the livestock and cropping industries to the horticultural industries of most (all but 5%) of the high reliability water in the catchment. This was done without any consultation with water users and without any compensation given, and at the same time as the Murray Darling Basin Reforms and water markets were being established.

Figure 16: Incremental available water determinations and carryover volumes for general security as a proportion of share component



Carryover

The above figure from General Purpose Water Accounting Statement 2018-19 illustrates the effect of water trading, and the increase of allowable carryover to 30% during season 2009-10. During the drought carryover was limited to 12-15% depending on the year, and the only water available for carryover was that issued in GS allocation the previous year. With the advent of trading and High Security able to be sold on the temporary market this was no longer the case.

High security no longer had to be forfeited to the general pool at the end of the season and GS carryover has provided a mechanism for it to be either parked or laundered in General Security. I suspect, with no restriction of ownership to actual irrigators that a relatively small number of large irrigation families or corporations are now able to own High Security, possibly in other names and avoid restrictions by laundering it through the temporary market.

Carryover was an important tool to maximise pasture and winter cereal production in the spring during the millennium drought but at higher levels it is now used to mask the amount of allocation taken from the majority of General Security Irrigators. Note the high level of carryover and shortfall in total available GS when comparing allocation in 2018-19 to 2007-8.

2008 – the last great raid on GS allocation

High Security Entitlement	2006-7	280 669ML	
	2007-8	343 985ML	
	2008-9	358 496ML	Total Increase in HS 77,827ML

In 2008 Murrumbidgee Irrigation announced that the minister for water had approved the conversion of General Security water to High Security water at a rate of 10ML for 5 ML of High Security for use in general security cropping. The offer was open for a short period only and many irrigators are still unaware of this offer and have no idea of the impact of this action.

A total of 77,827ML of HS entitlement was created. (Source NSW DPI Water Share Component Dashboard) This amounts to 4.1 percent of GS entitlement, and because the DPI rules which determine available water for allocation insist that sufficient water is kept in reserve to cover the following season, this action has reduced available allocation by about 8 percent. If one checks the amount of water held in Burrinjuck and Blowering Dams during the most recent years of drought it never dropped below 30 percent.

How did this happen? I suspect people regarded as key representatives of industry stake-holders actually represented their own interests rather than the broader industry they were supposed to represent. Paid employees of both the state Government and Murrumbidgee and Coleambally Irrigation were less than diligent and their care for other people's property.

An Example: In late March 2020 I decided to actually check the holdings which Helen Dalton, the state member for Murray, had announced some months earlier. When I found that she described herself as a corn grower who held 1383ML of High Security water and 3324 ML of General Security entitlement (SMH 19.11.19) I thought (perhaps incorrectly) that she and her husband Nayce Dalton, the current Chairman of Murrumbidgee Irrigation had obtained their shares in 2008. I wondered **how many "Daltons" would it take to make up that number (77 827)?** The answer is a mere 56.27.

There are undoubtedly many people who now own High Security Entitlement which is not used to limit or totally avoid the risk of drought. Anecdotally, I am told, that the farm modernisation buy backs associated with the installation of drip irrigation, fell well short of the real savings achieved. Many small growers who retired from uneconomic blocks kept their entitlement to sell on the temporary market to provide retirement or additional income. Even at the height of the drought they could have made more money from other financial products, whilst high security entitlement distributed fairly and honestly in the hands of actual farmers, could have mitigated the effects of severe drought much more effectively than some of the measures taken by government.

Early in the 2018-19 season I realised that my carryover water would provide a lot of the feed necessary to feed my older cows until I could wean their calves and sell them. In order to do this I paid just under \$400/ML for 30ML to water a small, high producing millet crop. I was glad to be able to do this even though I believed that I was forced into the market at a time of great and rapidly to increasing cost to essentially buy back water that would have been mine prior to 2008.

I realise that this issue is largely the responsibility of the NSW state government, however the reply I have received to two letters, sent in March and April, makes it clear that they are either unable or unwilling to investigate the issue or discuss a variety of possible solutions to the problem.

In both 2002-3 and 2018-19 I was overstocked with 60 cows at the beginning of the drought. In 2002-3 I was able to reduce the herd to 40 young cows, and maintained them throughout the drought, by borrowing 20ML of water from Snowy in 2003 which had to be paid back the following season, and by buying A LOT OF HAY in 2007 which I was able to source locally bailed wheat crop, and feeding on the road.

In 2018-19 I had to buy hay from Victoria in the first instance, and buy 30ML of water for high quality summer forage and reduced the herd to under 30 cows and some replacement heifers. The amount of hay bought during this drought has far exceeded that bought during the whole of the millennium drought. Thankfully livestock prices have been high and interest rates low. The scale of the disaster this time had markets and interest rates been like 1982-3 and the late 1980s is unimaginable.

Sandra Williams