



National Irrigators' Council

Level 2, NFF House, 14-16 Brisbane Ave
Barton ACT 2600
Ph. 02 6273 3637

Ph: 02 6273 3637
ABN: 92133308326

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Committee Secretary
Senate Standing Committees on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600
rrat.sen@aph.gov.au

Dear Committee Secretary

Re: Committee inquiry: Export Control Amendment (Banning Cotton Exports to Ensure Water Security) Bill 2019

National Irrigators' Council (NIC) is pleased to submit comments to your Committee's reference on the Export Control Amendment (Banning Cotton Exports to Ensure Water Security) Bill 2019.

We recommend that:

- 1. the committee recommend that the Senate reject the bill; and**
- 2. the Committee ensures that appropriately qualified witnesses are called from each state jurisdiction to discuss and explain the allocation of water to the irrigation industry.**

We note the bill provides for the prohibition of the export of cotton grown anywhere in Australia, but does not affect the production of cotton for use in Australia.

Vaguely and naively, the second reading speech accompanying the bill suggests:

No doubt some cotton farmers may shift production to other irrigated crops. Some may move to other activities including significantly less irrigated water. Overall, it could be anticipated that termination of the cotton export market would result in significant reduction in demand for Murray Darling Basin water resources. This would provide an opportunity to return significant volumes of water to the environment, consistent with the objectives of the Water Act to manage the Basin water resources "in the national interest" and to "protect and restore the ecosystem of the Murray-Darling Basin".

It is disappointing that in the midst of the current drought across large parts of eastern Australia, we see knee jerk, unbalanced, ill-informed and illogical debate about agriculture and environmental issues. This reaction fundamentally fails to understand the water market and reflects little knowledge of the effort by the irrigated agriculture sector over the past twenty years, as part of a massive water reform process, which has seen significant efficiencies delivered across many industries.

There appears to be little understanding and lack of justification around why it is thought that the banning of the export of Australian cotton would improve water security in the Murray Darling Basin. Any ban would instead see water directed to another high value crop. Banning the export of a specific crop will not alter the water-use of irrigation licence holders, nor the export of water-consuming crops. Farmers will grow the next most profitable agricultural product, which given the limited size of the Australian domestic market, will invariably be exported.

This lack of logic either misunderstands or ignores the way water is allocated in Australia. Water is not allocated on a crop by crop basis; water is allocated through a water licence, where the licence holder is then at liberty to determine how and on what crop that water will be directed.

The second reading speech also suggests that: *Large scale water buybacks, and a consequent reduction in irrigation – especially in the northern Murray-Darling Basin – are essential to restore the environmental health of the river system and ensure water security for cities, towns and communities downstream.*

This statement ignores the very comprehensive work completed as part of the review of the Northern Basin which included a long period of comprehensive scientific research demonstrating that water buyback has negative impacts on communities.

NIC suggests that in considering this the Committee needs to agree some key principles:

- the object of the Basin Plan is to regulate the amount of water used, not what it is used to grow;
- farmers should make their own decisions about what to plant and when; and
- Australia values agricultural production; the jobs it generates in rural communities and the export income it provides.

The Bill

It is apparent from the second reading speech, that the Export Control Amendment (Banning Cotton Exports to Ensure Water Security) Bill 2019 is being justified partly from the findings of the South Australian Murray-Darling Basin Royal Commission. NIC strongly contests much of the Commissioner's findings which appear to be predominantly based on the evidence of a very small number of well-known Basin Plan critics.

The Commissioner contended that the Basin Plan is illegal because in the commission's view it does not set an appropriate sustainable diversion limit, and unfortunately many of the Commissioner's recommendations emerge from that conclusion. It is disappointing that the Commission did not hear from the large number of well-respected scientists who have had a significant involvement with the Basin Plan, and who are recognised academics conducting their work independently in research institutions.

It is important to note that many other independent inquiries including most recently the expert panel looking into fish deaths and prior to that the Productivity Commission did not agree with the Royal Commissioner's view.

However importantly, the South Australian Royal Commissioner did suggest in his final report:

Cotton growers and rice farmers are acting as we, historically and nowadays, socially value them to do so. We — Australian society and our governments — positively encourage, as we should, the water resources of the Basin, so far as they should be available for irrigation, to be put to their most valuable use. In the main, that means the most efficient watering of the most profitable (lawful) crops. How could a society like ours proceed otherwise?

It follows that cotton and rice should not be denigrated in comparison with, say, fodder, cabbages or permanent plantings. If it is perceived that cotton and rice 'use too much water', the first thing is to check that the overall consumptive take — regardless of the crop or crops — is not excessive. If not, the market does, and probably should continue to, allocate the water to chosen crops.

Despite this statement, this legislation does exactly what the South Australian Commissioner advised against and that is, targeting a specific crop.

Murray Darling Basin Plan

NIC strongly supports the full implementation of the Basin Plan; it is a unique and historic agreement between the Basin States and the commonwealth. It represents world leading reform, it is complex and challenging, and it will not succeed without continued bipartisan and inter-jurisdictional cooperation. This is not the time to change course when the Basin Plan is but half way through implementation.

The 2017 Basin Plan evaluation completed by the Murray Darling Basin Authority noted the difficult and challenging work ahead to recognise the benefits of the Basin Plan. The evaluation recognised *that the Basin Plan is a shared responsibility and Basin governments need to be fully committed and work together to implement the Basin Plan on time and in full.*

Indeed, after many decades of debate and argument, a bipartisan Basin Plan was agreed in 2012. This represented significant sacrifice for the irrigated agriculture sector and major social and economic pain for Basin communities. But it also held the prospect of providing some certainty for Australia's most important food and fibre production area; and the opportunity to reverse and repair damage to the environment.

NIC has long argued the case for a balance between social, environmental and economic outcomes to ensure the Basin Plan is fair and workable. This relates directly to the confidence the irrigated agriculture sector and the dependent communities have in the Plan. For over a decade, irrigated agriculture along with other groups, have worked together in the development and implementation of the Basin Plan, to support the Plan's objectives. Our commitment remains to a viable, productive irrigated agriculture sector in Australia and improved environmental improvement across the Basin.

Under the Basin Plan, around 20% of water extraction has now been directed back to the environment and we know it is delivering some significant early environmental benefits.

In the midst of the current drought where the irrigated agriculture sector is experiencing devastating impacts with loss of production, loss of income and increasing levels of debt, we know only too well what this means for community wellbeing and the mental health of individuals. And against the backdrop of public debate around climate issues, many farming families feel they are unfairly blamed for environmental problems caused by drought, which further undermines community wellbeing.

The Export Control Amendment (Banning Cotton Exports to Ensure Water Security) Bill 2019 only serves to put greater pressure on communities and individuals. It is critical that the raft of recent and current inquiries into Basin Plan and water issues do not impede progress on the rollout of the Basin Plan to continue to meet statutory requirements. Irrigated agriculture industries and dependent communities seek above all else, certainty and a clear space that enables the Plan to continue under its many and sometimes complex moving parts.

The importance of complementary or non-flow measures

NIC's long held view is that a suite of complementary or non-flow measures could well achieve better environmental outcomes than recovering further water. A dedicated focus on non-flow measures underpinned by rigorous science, should be embedded as part of the Basin Plan to support connectivity and habitat for native fish, enable concerted action on terrestrial and aquatic animal and plant pest species, and to address cold water pollution.

Without complementary measures, the water reserved for the river and the environment will not produce actual environmental outcomes. A flow target is not an environmental outcome, but just one part of the mechanism to achieving an outcome.

Complementary Measures (also known as toolkit measures in the Northern Basin) facilitate:

- delivering equivalent ecological outcomes required to meet Basin Plan objectives that will not be met through existing water recovery measures

- supporting the rehabilitation of native fish species
- improving productivity within aquatic ecosystems
- increasing the resilience of threatened species
- improving social and economic prosperity from aquatic resources
- contributing to the achievement of cultural water objectives

These are critical measures designed to underpin short, medium and long term outcomes to ensure that native species have the greatest opportunity to thrive. This approach will deliver the Basin Plan's environmental objectives over time without additional collateral damage to regional communities. Such measures fall into two categories, fundamental interventions or actions required to achieve improved ecological outcomes in our river systems, or new opportunities for operation and management of environmental resources.

These non-flow measures include:

- a) Carp control through the release of the Carp Herpes virus
- b) appropriate management of cold water pollution
- c) improvement of fish migration through fishways along the Barwon-Darling & tributary catchments
- d) restoration of native fish habitat
- e) feral animal control in wetlands such as the Narran Lakes, Gwydir Wetlands and Macquarie Marshes.
- f) Riparian land management
- g) Weeds

Recognising that funding allocated for the Plan is currently constrained by the existing criteria, we strongly support additional funding applied to comprehensive work around complementary measures.

Australia's cotton industry

During periods of drought, the amount of water for farmers significantly drops, as allocations are reduced. Water that is available is prioritised for critical human needs and the environment. Without water allocation, there is no capacity to grow irrigated cotton, beyond any water that might have been stored during a period of high water allocation.

Due to the lack of available water, the 2018-19 cotton crop is forecast to be less than half of that grown in 2017-18. It has been very disappointing to see the ill-informed criticism of the fact that some people are able to grow cotton this year. The ill-informed critics appear to have very little understanding about water allocations. Cotton growing in the current season includes dryland cotton, cotton watered from ground water, producers who had carryover water stored in dams on regulated rivers or producers who are on systems that still have some allocations.

Some of the key facts on cotton:

- The cotton industry has improved water use efficiency by approximately 60% over the past two decades.
- Australia is the world's most efficient cotton producer with the highest cotton yields, approximately three times the world average.
- The industry is world-leading and is recognised by a number of international organisations as a supplier of sustainable cotton.
- The cotton industry is a significant contributor to over 150 rural and regional communities
- The industry directly employs over 10,000 people in Australia (in a non-drought year).
- The industry's investment in research has delivered average annual yield increases of 3% py.
- The industry has reduced pesticide use by more than 90% over the past 25 years.
- 90% of cotton producers in Australia are family farms, producing approximately 80% of the cotton crop.

- The industry has developed the Best Management Practice program, adopted by 80% of growers.

Critically, the banning of cotton exports would result in at least \$1 billion of stranded cotton specific assets such as cotton gins, cotton pickers and seed treatment facilities. It would also see the loss of an important livestock feed source in cotton seed.

It would be an unprecedented action for Australia to ban an otherwise legal crop, and it raises a real question about what would be next? If this bill was supported what other exports would the parliament and/or activists seek to ban? It is a ridiculous proposition that must be rejected outright.

I commend these comments to your Committee for consideration.

Thank you

Yours sincerely



Steve Whan
CEO
National Irrigators Council