

1st February 2024

National Water Reform 2024
Productivity Commission
GPO Box 1428 Canberra City ACT 2601
Submitted online via: www.pc.gov.au/inquiries/current/water-reform-2024

Dear Productivity Commission,

RE: TasFarmers Submission- National Water Reform 2024

By way of brief introduction, TasFarmers (formerly known as the Tasmanian Farmers and Graziers Association) is the peak representative body for Tasmanian agricultural primary producers. TasFarmers represents producers across a range of agricultural commodity groups including meat, wool, dairy, vegetables, grains, forestry, and horticulture. Agriculture is key to the state's economy and TasFarmers is committed to ensuring the agricultural sector remains profitable and sustainable.

The Tasmanian Government has an ambitious goal to increase the annual value of the Tasmanian agricultural sector to \$10 billion by 2050. It is recognised that to achieve this goal the sector will need to grow at more than double the growth rate experienced over the past 20 years. TasFarmers considers investment by both the Commonwealth and Tasmanian Governments in the further development of irrigation infrastructure throughout Tasmania as an essential enabler of growth in the agricultural sector in Tasmania.

The Tasmanian Government, through Tasmanian Irrigation (a State-owned company) supported by Commonwealth investment in irrigation infrastructure, has been a key catalyst for recent growth in the agricultural sector in Tasmania. Since its establishment in 2008, Tasmanian Irrigation has taken over management of a range of inherited assets, including dams, irrigation schemes and river works and constructed some 15 new irrigation projects.

Investment in irrigation has both immediate and long-term economic benefits

Tasmanian Irrigation has successfully applied a development model for irrigation projects which sees Commonwealth funding matched dollar-for-dollar by contribution by the State Government and irrigators; thereby effectively doubling the value of the economic investment represented by the Commonwealth's contribution to the construction of these irrigation schemes. Importantly it is not only the immediate benefit brought about by the construction of new irrigation schemes that provides economic growth to the State of Tasmania; accompanying the construction of new irrigation schemes in the short-term is the development of on-farm infrastructure by irrigators to be able to make use of the irrigation water. In the medium to longer-term there is a significant increase in economic growth and employment accompanying the increased productivity that comes from converting farmland to irrigated production and more intensive farming operations.

Investment in irrigation is a physical hedge against climate variability

Australian agriculture has long been exposed to the risk of drought brought about by climate variability. Just as the Commonwealth Government is investing in modernising the electricity grid to support increased renewables penetration in response to climate change, increasing the acreage of Australian farmland under irrigation provides the agricultural sector with a physical hedge against the risk presented by increased climate variability. Irrigation schemes developed by Tasmanian Irrigation provide high-surety irrigation water which mitigates the economic harm accompanying long-term drought. Additionally, the opportunity for economic diversification - undertaking a variety of crop and livestock activities – afforded by increased acreage under irrigation can help farmers reduce their risk exposure to climate variability. So, as well as providing immediate benefit to the construction sector during installation and the medium and long-term economic and employment benefits to the agricultural sector brought about by investment in irrigation infrastructure by the Commonwealth Government, increased acreage under irrigation provides a physical hedge against future climate variability.

Commonwealth investment in next tranche of Tasmanian Irrigation projects

Tasmanian Irrigation's tranche-three irrigation projects (the Pipeline to Prosperity program) is looking to deliver a further 10 irrigation projects in the agricultural areas of Tasmania, delivering up to 78,000 megalitres (ML) of irrigation water at an estimated capital cost of \$496 million¹.

The projects are anticipated to bring:

- a. \$114 million per annum net present value at the farm gate;
- b. a total of \$783 million in economic benefit over the life of the project;
- c. a farm gate benefit to cost ratio of 2.4;
- d. 2,600 full-time jobs; and
- e. \$150 million on-farm private investment.

Given the:

- a. co-investment of money by the State Government and irrigators to match investment by the Commonwealth Government.
- b. the immediate economic benefit brought about by construction of these irrigation schemes and accompanying on-farm investment.
- c. the medium to long-term economic benefit brought about by increased agricultural production; and
- d. the physical hedge against climate variability represented by the Pipeline to Prosperity program,

TasFarmers considers the Commonwealth's continued investment in Tasmanian Irrigation projects will bring about much benefit for the Australian agricultural sector.

¹ Reference: <https://www.tasmanianirrigation.com.au/source-assets/map-data/Pipeline-to-Prosperity-Summary.pdf>

Accordingly, TasFarmers provides its full support and encouragement to the continued investment by the Commonwealth Government in these crucially important irrigation developments.

Water access entitlements

In Tasmania, the primary form of water access entitlements for agriculture includes water licences issued by the Tasmanian Government's Department of Natural Resources and Environment (NRE) and irrigation rights issued by Tasmanian Irrigation. Within the National Water Initiative (NWI) the objectives of water access entitlements and planning frameworks include to:

- a. Enhance the security and commercial certainty of water access entitlements by clearly specifying the statutory nature of those entitlements²; and
- b. Clearly assign the risks and arising from future changes to the consumptive pool³.

Continued Commonwealth funding of irrigation in Tasmania will be crucial to achieving these objectives. Through a detailed development process of design, planning, approvals, consultation, and water sales, new and upgraded irrigation schemes will help enhance the security and commercial certainty of water entitlements. The high-surety guarantee of irrigation schemes works to address the risks from future changes to overall water supply. The NWI also recognises that several land use change activities such as farm dams, storing overland flows and plantation forestry can potentially intercept large volumes of surface and groundwater. The increased availability of reliable irrigation water can in some situations help reduce reliance on these additional water storage activities on farms.

² Reference:

<https://www.dcceew.gov.au/sites/default/files/sitecollectiondocuments/water/Intergovernmental-Agreement-on-a-national-water-initiative.pdf>

³ Reference:

<https://www.dcceew.gov.au/sites/default/files/sitecollectiondocuments/water/Intergovernmental-Agreement-on-a-national-water-initiative.pdf>

Conclusion

Quality high surety irrigation water is vital to the growth and prosperity of our Tasmania's agricultural sector. With the correct combination of both maintaining existing practices and adapting and implementing new objectives, the NWI could be well positioned to progress Australia's water management into the future.

We welcome further consultation. Please contact TasFarmers or Malcolm Green, Chair of the TasFarmers Water Committee, if you require further information.

Yours faithfully,

Alastair Cameron
Interim Chief Executive Officer