

**Monday 20 November 2023**

Re: Australian Dairy Industry Council submission to Productivity Commission *Murray-Darling Basin Plan: Implementation Review 2023 Interim Report*

On 30 October 2023, the Productivity Commission released an Interim Report for the [Murray-Darling Basin Plan: Implementation Review 2023](#) and called for submissions.

The **Australian Dairy Industry Council (ADIC)** appreciates the opportunity to provide a second submission to this review.

The [ADIC submission to the initial Discussion Paper](#) sets out ADIC policy on the Murray-Darling Basin Plan (**section 1**), and the state of the dairy industry in the Murray-Darling Basin (**section 2**). It highlights negative impacts on our sector from lack of progress on recommendations from the first Productivity Commission *Murray-Darling Basin Plan: Five-year assessment* in 2018 (**section 3**) and responds to the key questions set out in the May 2023 Call for submissions paper (Box 1 and **section 4**). Further general discussion of the impacts of the Basin Plan on the dairy industry is given in **section 5**.

The ADIC position has not changed since this submission was provided.

This submission does not seek to replicate the initial submission but responds to the themes and proposals outlined in the Interim Report recommendations.

### ADIC Position

The Australian Dairy Industry Council (ADIC) **supports the intent of the Basin Plan to improve environmental outcomes and has worked hard to support the delivery of 2100GL under the Plan to date**. All levels of Government need to honour the commitment to completing water recovery projects in good faith.

The ADIC **does not support further buybacks from the consumptive pool unless they can progress without negative social or economic impacts**, nor the removal of the 1500GL cap on buybacks.

Ensuring that future projects to implement the Basin Plan have **neutral or positive social and economic impacts on communities** is essential for fair and equitable implementation of the Plan.

The ADIC acknowledges that the recommendations outlined in the Interim Report go some way towards improving the Murray Darling Basin Plan and to ensure that we can continue to have a dairy industry in the Basin that provides healthy, sustainable products that Australians need and enjoy.

However, many of the recommendations from the previous (2018) Productivity Commission Murray-Darling Basin Plan: Five-year assessment are yet to be implemented as agreed in the Government response at the time.

This **lack of action on implementing recommendations undermines community confidence in the review and consultation processes** and builds cynicism in the ability of communities to impact outcomes.

A lack of action following monitoring and evaluation is also undermining confidence within communities.

**Timeframes for implementation must be extended.** Major Basin Plan reviews have flagged that projects are behind schedule, and recent flooding, COVID and inflationary pressures have exacerbated delays.

The ADIC seeks an **increased focus on measuring the environmental outcomes** as a way to measure progress and success of the Basin Plan, rather than a sole focus on recovering volumes of water.

Measuring the environmental outcomes will drive innovation in environmental management which recovering volumes does not guarantee.

Complementary environmental projects should also be considered where they either protect environmental outcomes achieved by, or magnify, benefits from environmental water delivery.

With predictions of a drying and more variable/volatile climate in future, a more **innovative and flexible approach that focuses on outcomes is the only way to balance a triple bottom line.**

**New or amended projects under the Basin Plan have the potential to either ease or exacerbate economic pressures on local farming businesses and communities.** Undertaking a proper, thorough assessment of potential social and economic impacts, including engaging with local communities, is the only way to ensure that Basin Plan outcomes can be achieved without further negatively impacting dairy business and regional communities across the Basin.

## Australian dairy industry

The ADIC is the peak national body of the Australian dairy industry, representing the interests of dairy farmers and processors through its two constituent bodies **Australian Dairy Farmers** and the **Australian Dairy Products Federation**.

**Australian Dairy Farmers (ADF)** is the national peak policy and advocacy body representing dairy farmers across the six dairying states. The ADIC has also consulted with State Dairy Farming Organisations in Murray-Darling Basin states and with Dairy Australia on the development of this submission.

The **Australian Dairy Products Federation (ADPF)** is the national peak policy and advocacy body representing the post farm-gate members of the Australian dairy supply chain, including processors, traders, and marketers of Australian dairy. ADPF members process more than 90% of Australian milk volumes and provide dairy products for both domestic and export markets.

**Dairy Australia (DA)** is the national services body for dairy farmers and the industry. Its role is to help farmers adapt to a changing operating environment, and achieve a profitable, sustainable dairy industry. As the industry's research and development corporation (RDC), it is the 'investment arm' of the industry, investing in projects that cannot be done efficiently by individual farmers or companies. Working with DA are four Regional Development Programs based in the Basin – Murray Dairy, Dairy NSW, Dairy SA and Subtropical Dairy, each of which delivers regional extension programs for farmers in their region.

## ADIC Response to Key themes from the Interim Report Recommendations

### Transparency

The ADIC supports the Interim Report recommendations that would improve transparency of operations in the Basin. Given the number of organisations, both state and federal, involved in decision making on policy, operations and programs, improving transparency is imperative to ensure community confidence in decision making.

In addition to the proposed recommendations, **the ADIC calls for the inclusion of a recommendation to report on implementation of any PC recommendations which the Government accepts in full or in principle.** Many of the recommendations from previous PC MDB reviews (and other MDB reviews in general) have not been implemented, and this is undermining confidence of stakeholders in the whole process. Including an implementation report would go a long way to improving transparency in this area.

### Timeframes

As outlined in the ADIC position above and the ADIC initial submission, **the ADIC supports the extension of timeframes for completion of the projects.** However, it notes that while this recommendation is reflected in the current Water Amendment (Restoring Our Rivers) Bill 2023, the extension proposed is unlikely to be sufficient to complete many of the current proposals or to develop and complete any new projects. In setting these new Basin Plan timeframes, consideration needs to be given to realistic project development timeframes.

**The ADIC agrees with the PC analysis that the recovery of the 450GL for enhanced environmental outcomes should not be pursued until water recovery under the ‘Bridging the Gap’ target has been achieved (i.e., full recovery of the outstanding 605GL). The ADIC does not support the use of buybacks to recover this water unless they meet the agreed December 2018 Basin Ministerial Council socio-economic test criteria and have no deliverability impacts.**

### Focusing on Outcomes

Several of the Interim Recommendations signal a move towards measurement of outcomes rather than relying on volumetric targets.

This is supported by the ADIC, as outlined in the [ADIC submission to the initial Discussion Paper](#):

*The overall purpose of the Basin Plan is to improve environmental outcomes, and we acknowledge there is a monitoring and evaluation process in place to do this. However, the framework used focuses on volumes of water recovered as a proxy for environmental outcomes. This assumes that water recovered directly results in positive environmental outcomes, but this is not necessarily the case. Communities situated in the Basin have continuously flagged the need to consider additional environmental indicators that limit sustainability outcomes, including erosion, weed and pest incursions, and water quality. Ignoring these factors will not result in targeted environmental outcomes being achieved.*

However, the recommendations that suggest a move towards environmental outcomes also suggest a timeframe of 2026 for this to happen. **The ADIC recommends that this should occur immediately so that progress from now onwards can be appropriately tracked and monitored, rather than waiting two years.**

### Planning future water recovery

The ADIC supports Interim Recommendations related to improving planning for future water recovery including:

*Recommendation 2.4: Develop a renewed approach to water recovery:*

*The Australian Government should develop a renewed approach to water recovery to manage the risk of a supply measure shortfall. This approach should consider all water recovery options, including voluntary water purchases. However, purchasing should be undertaken gradually, to avoid driving rapid water market and community adjustment, and aligned with irrigation network rationalisation where necessary to avoid impacts on irrigation network viability. The Australian Government should update its water recovery strategy so it is clear how this renewed water recovery program will proceed. The strategy should outline:*

- *the sequencing of different water recovery targets, based on the progress of supply and constraints measure implementation*
- *how different water recovery options will be used, based on the availability of projects, their cost-effectiveness and likely socioeconomic impact*
- *when and how community adjustment programs will be implemented, based on socioeconomic monitoring*
- *requirements for monitoring, evaluation, reporting and improvement on program design.*

Such an approach would provide transparency and certainty to agricultural and processing businesses to better plan for and manage changing water availability. However, as outlined above, the ADIC supports a move towards outcomes-based measurement for the Basin Plan and requests that Recommendation 2.2 be amended to include a focus on outcomes rather than just volumetric targets.

### Buybacks

The ADIC does not support further buybacks from the consumptive pool unless they can progress without negative social or economic impacts. The Interim Report states that:

*'Buybacks should be part of the mix of options ('all options on the table'). However, buybacks need to be carefully managed to avoid impacts on communities, irrigation networks and water markets. Government should assist communities, where necessary and warranted, to transition to a future with less available water.'*

The Water Amendment (Restoring Our Rivers) Bill 2023, which is currently being considered in the Senate will allow immediate buybacks towards the 450GL, without consideration of the social and economic impacts. The ADIC is extremely concerned with this proposition and notes the following commentary from the PC in the Interim Report:

*'the Bill will allow for water purchases to contribute to the 450 GL/y, which will reduce the cost of recovering water towards that target. However, based on current water prices, **purchasing the remaining 424 GL/y will still not be possible within the existing WESA budget.** Further, **attempting to purchase such a large volume of water by 2027 also risks significant disruption to water markets.***

As well as budget impacts and potential water market distortions, the 'cost of recovering water towards the target' mentioned here is only the financial cost of purchase and does NOT factor in the social and economic cost of this action. **The current Bill does not include a Regulatory Impact Statement and there has been no effort by the Government to quantify what this social and economic impact would be.**

ADIC is also concerned that the legislation aims to remove the 1500GL cap on buybacks which was part of the original plan to protect productive agriculture and dependent communities. **Removal of the cap allows the govt to pursue buybacks to recover all water and removes the onus on govt to be innovative and use science, technology to achieve outcomes which protect the environment into the future. It also means that** farmers and communities are essentially bearing the brunt of the blame for the slow pace of water recovery and missing water recovery targets, when it was the Federal and State's responsibility to fund and implement these projects.

Buybacks also pose a risk to Australia's food security, with the dairy industry in the Basin producing a full one-fifth of Australia's fresh milk, supplying markets from Adelaide to Brisbane, as well as supporting over 900 farms across 4 states and almost 7000 jobs. (Full details are available at [Dairy Australia](#).)

#### Community support package and the social and economic test

The ADIC agrees with the need for a Community Support Package to assist communities impacted by further MDB Plan implementation but seeks further consultation on how they will work, and the type and amounts of funding available and for how long.

As outlined in Dairy Australia's research document [Dairy in the Basin](#), Basin dairy communities have faced significant challenges over the past three decades, including implementation of the Basin Plan, and shown themselves to be resilient and able to manage this change. However:

*'This resilience is not limitless, and future changes brought through Plan implementation require serious consideration of community needs and support to ensure that Basin dairy communities and their connected economies can continue to produce the fresh, nutritious products that Australians enjoy into the future.'*

Dairy communities already need this support to ensure ongoing adaptation, change and resilience, and that is *before* further implementation of the Plan occurs, and *before* facing potential additional buybacks.

Avoiding further impacts is always better than trying to support community through impacts. For this reason, **the ADIC continues to strongly support the maintenance of the social and economic test for water recovery.**

Thorough consultation on Community Support Packages needs to be undertaken in developing these packages, and this must be included as part of in the final version of the Review. The ADIC again notes that the [Water Amendment \(Restoring Our Rivers\) Bill 2023](#), which is currently in the Senate for decision, has not included the development of a Regulatory Impact Statement. Therefore, there has been no effort to recognise the social and economic impacts of this Bill. **Maintaining the social and economic test could help overcome his information gap and keep support funding to a minimum.**

## Conclusion

The ADIC supports many of the recommendations in the *Murray-Darling Basin Plan: Implementation Review 2023 Interim Report* – in particular those which promote transparency, accountability, a move towards measuring outcomes, and especially the recommendations to extend the timeframes for implementation of the Plan and to wait until 2026 to consider the recovery of the additional 450GL for enhanced environmental outcomes.

The ADIC continues to oppose buybacks unless they can progress without negative social and economic consequence, and recommends other options are available to recover water or achieve equivalent environmental outcomes (see previous consultation: [Ideas to Deliver the MDB Plan](#)).

The solution to improving environmental outcomes for the Basin does not have to be agriculture versus the environment. Farmers are stewards of the land and have a vested interest in improving their properties and local ecosystems, ensuring the health of the river systems on which they depend for their livelihood and which they enjoy in their local communities.

The ADIC however, has no confidence that the recommendations outlined in the *Murray-Darling Basin Plan: Implementation Review 2023 Interim Report* will be implemented. As discussed in the [ADIC submission to the initial Discussion Paper](#), a lack of progress on implementation of the 2018 review recommendations has undermined confidence in the farming and processing industries that this review will be any different. The current hostile debate over the Water Amendment (Restoring Our Rivers) Bill 2023 and the timing to consider the Bill before the PC report is completed further undermines confidence. For this reason, it is imperative that the **final report for this review be accompanied by an implementation report** to track progress on implementing recommendations that the Government accepts in full or in principle.

The recommendations outlined in the Interim Report go some way towards improving the Murray Darling Basin Plan, to ensure that we can continue to have a dairy industry in the Basin that provides healthy, sustainable products that Australians need and enjoy.

However, more work is to be done, as suggested above with ADIC's proposed additions to recommendations.

The ADIC would appreciate the opportunity to discuss our submission in more detail, and work collaboratively with the Productivity Commission on next steps of this important policy reform to develop a workable solution to deliver the Murray Darling Basin Plan that is fair and equitable to all stakeholders.

We would welcome hosting the Productivity Commission on a visit to the Murray Darling Basin's dairying regions to learn first-hand the opportunities and challenges facing dairy farmers and processors, and the communities in which they operate.

Yours sincerely

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