

Submission to - Market mechanisms for recovering water in the Murray-Darling Basin

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This submission reports on research undertaken with irrigators in the Riverland of South Australia¹. It was conducted at a time when these irrigators were considering whether or not to participate in the 'Murray-Darling Basin Small Block Irrigators Exit Grant Package' (the exit grant). The data were gathered using a mail-out survey posted in November 2008, and interviews which were conducted in December 2008. Both activities took place during the 20 September 2008- 30 June 2009 period of exit grant availability. Many of the irrigators had just completed gathering the information needed for determining their eligibility for participation in the exit grant, and had lodged their applications, but hadn't yet received notification of the success or otherwise of their applications. This submission describes the most prominent perceptions of the 291 irrigators who returned the survey (a 29% response rate) and the eleven irrigators who were interviewed, and offers suggestions for improvements to any future exit grants of a similar nature.

Those who were considering participating in the exit grant criticised the exit grant for:

- Not providing a stated price provided for water. The negotiated tender method of price-setting, employed for the exit grant water purchases, while attractive for the government in that it was less likely to drive the price of water up, was not viewed positively by potential sellers. Many indicated that they would prefer to see more transparency in the price setting process.
- The stringent eligibility criteria which made it hard to access.
- The upper limit of fifteen hectares for eligibility for participation, (we recognise that this was increased to forty hectares in April 2009).

An indication of the seriousness of the situation for many irrigators in the SA Riverland is that many wanted to access the grant despite the stringent conditions of the grant: the sale of all their water to the government, and a five year embargo on their return to irrigated agriculture.

One of the most attractive aspects of the 2008-09 exit grant was that it allowed irrigators to remain on their block, something even those who are not eligible for the grant viewed as an attractive option. But retaining the block only satisfies some of the needs of these irrigators. Some of their self-worth and identity has been gained from growing and caring for their vines and trees. One irrigator said of the exit grant:

Left with dryland but keep the house - why would you want to live like that? The land becomes dry and dusty, and towns suffer; becoming another ghost town.

If the government were able to explore further options which better match some of the irrigators' goals with the exit grant it might be more successful in obtaining water for the environment and facilitating structural adjustment while minimising the negative effects of those actions. One of these options might be to allow irrigators to retain a small amount of water for several years to establish trees for firewood or other purposes so that there is some sort of alternative gainful activity for the farmer, and some replacement of productive vegetative growth on the block other than letting it become an unattractive wasteland.

One irrigator asked:

Why couldn't the government encourage people like me who want to get out and establish a wood lot and carbon trade it? Then you don't have a dust bowl and you actually have something that would be very useful in [responding to] climate change.

Another irrigator also explained why the idea would have appeal:

I said why on earth while there's a little bit of water, don't we plant all the bare patches that we've got now with gum trees, we can give them a little bit of water to get them established and then they should go by themselves. I said at least then if the irrigation water is ever cut off you've got gum trees to look at rather than bare sand, but it's just the time and money we just never got round to it. I'd love to see it all covered with something.

We suggest an example of how this could be achieved by designing another exit grant similar to the 2008-09 exit grant but with the following modifications:

- Allowing 15% of the expected annual irrigation water allocation to be used over a three year period for the purposes of establishing a woodlot or other perennial plantings. The three year period would allow the removal of existing trees and the establishment of alternatives to irrigated agriculture to be phased in over a manageable period.
- In addition the Government could pay the irrigator a payment for ecosystem services – a guaranteed but declining amount (over the three years) of money equivalent to the unemployment benefits. This would not be dependent on the normal tests of looking for work but would be dependent on previously agreed tree planting targets being met.

The positive benefits of a scheme such as this are that:

- It would allow the irrigator to have a less traumatic transition to another career. The three year period of the arrangement would allow them to seek out other employment (or develop skills that allowed them to do so).
- Because they would be employed doing something similar to their previous occupation it would be less socially and emotionally disruptive.
- It would reduce the problem of uncared for, weed-infested, dry and dusty blocks.
- It would give the irrigator the opportunity to retain more of the value of their blocks, as their value for lifestyle purposes would be enhanced, and therefore provide positive benefits for their retirement savings.
- Reduces the social and economic effects of water leaving irrigation communities.

An exit grant designed in this way may only be suitable for part of the population of irrigators, but these may be the irrigators who were reluctant to consider the exit grant because of the way that it was in conflict with their personal goals such as 1) caring for trees, 2) living in a pleasant environment, 3) remaining on the land and in the community that they have had a long relationship with, and 4) facilitate a gradual transition into a new job or into retirement.

The exit grant should not be seen just as an opportunity to recover water from irrigators who are financially stressed and wishing to leave the industry. It should be seen as a way to facilitate structural adjustment without social disruption. With careful planning some of the seemingly conflicting goals of irrigators and the government may be able to be achieved.

¹ This work was undertaken in collaboration with Geoff Kuehne as a postdoctoral fellow at UniSA working on the RIRDIC funded project. He is now a postdoctoral fellow at CSIRO.

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