

Victoria and the draft Basin Plan

Total annual average surface flows across the Basin: 32,800 GL

2009 Baseline Diversion Level (BDL): 13,623 GL
(incl. 2720GL interceptions such as plantations and farm dams)

Proposed Sustainable Diversion Limit (SDL): 10,873 GL
(SDL comes into legal effect in 2019).

Water recovery target by 2019: 2750 GL

- 21% of 2009 Baseline Diversion Level
- 25% of 2009 Baseline Diversion Level, excluding 2720GL in interceptions.

Water recovered pre-2009 baseline: 1213GL
(incl. Living Murray, Barmah Forest, Snowy River)

Water recovered since 2009 baseline: 1282 GL

- 1068GL through buyback and infrastructure
- 214GL NVIRP Stage 2 deal (planned by 2017).

Gap: 1468 GL still to be recovered by 2019.

Water recovery targets

The Guide vs the draft Plan

Basin	Guide 3000 GL	Draft Plan	% change
North	630	390	-38
Southern connected	2274	2289	+0.6

2015 Review

The MDBA proposes a review in 2015 to re-examine the SDL in light of environmental works and measures, changes to river management and advances in scientific knowledge.

The SDL may be increased or decreased as a result.

Parliament must approve any changes before the SDL comes into legal effect in 2019.

Filling the Gap to the SDL

Northern Victoria's total catchment target is 627 GL. This is 18% of its surface diversions in 2009, excluding interceptions.

Victoria is on track to exceed its catchment target, with at least 671 GL through buybacks so far and infrastructure works underway or contracted, incl. NVIRP.

The Murrumbidgee, NSW Murray and SA Murray still have catchment gaps of 183GL, 68GL and 22GL respectively.

In addition, the 971GL shared target for the southern Basin will be sourced from any catchment deemed cost effective and efficient to do so.

Water recovery for catchment and downstream needs

The 2750GL water recovery target is broken into two components:

Catchment targets: A target has been set for each catchment to recover water to meet its own environmental needs from its own diversions.

Shared targets: In addition to the catchment targets, the MDBA proposes to recover a further 971 GL and 143 GL in the southern and northern Basin respectively, to meet 'downstream' needs such as the lower lakes, Coorong and Murray mouth.

Water to meet the respective shared targets may be sourced from anywhere in any catchment that the Government deems cost-effective to do so.

Water recovery targets in major southern Basin catchments

	Diversions GL (excl. interceptions)	Catchment target GL	Catchment % of diversions	971 GL downstream (if shared pro-rata)*	Catchment and shared as % of diversions
Murrumbidgee	2000	320	16%	256	29%
NSW Murray	1708	262	15%	214	28%
Vic Murray	1662	253	15%	202	27%
Goulburn	1580	344	22%	192	34%
Campaspe	113	18	16%	14	28%
Loddon	89	12	14%	11	25%
SA Murray	665	101	15%	83	28%

*The draft Basin Plan does not propose to recover water to meet the 971GL target for downstream needs on a pro-rata basis across catchments. Instead, the Government intends to source this water from anywhere it deems cost-effective and efficient to do so.

Northern Victoria 2010/11 Goulburn Broken Irrigation District (GMID) and North East

- Total dairy farms: 1551
- Milk production: 1.63 GL
- Farmgate value of milk: ~\$684 million
- Number of factories: 9 (Rochester, Cobram, Kiewa, Stanhope, Echuca, Tatura, Bendigo, Tongala, Strathmerton)
- Total value-add of dairy product: ~\$1710m
- Regional jobs (on farm and in processing): 8000+
- Major markets: international export
- % of Murray Darling Basin milk production: 72%
- % of total national milk production: 18%
- Average dairy farm debt rose 41% during drought to \$575,900 in 2010/11.
- Average debt per cow rose 43% during the drought

Dairy farmers have proved flexible users of water, steadily adapting their practices to produce more milk with less water over the last 20 years.

However, record low allocations during the drought forced farmers into high-cost, temporary coping strategies that drove up farm debts.

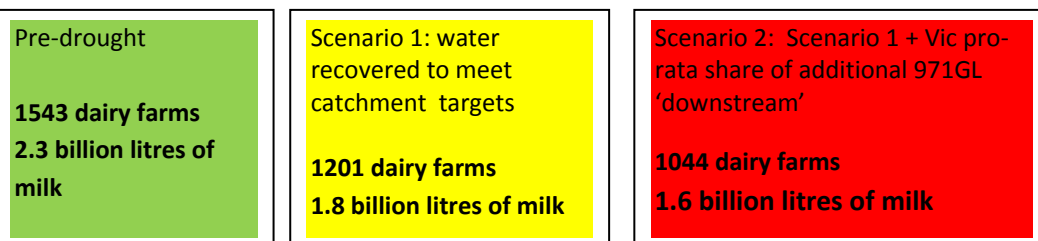
In 2011/12, with the recovery in water storages, good export demand growth and improved milk prices, northern Victoria is now well-placed to rebuild herds, reduce farm production costs, reduce debt and increase milk production.

How well the region recovers depends on how the Basin Plan affects future water availability and affordability.

Dairy in Northern Victoria

The dairy industry in the Murray Darling Basin is concentrated in northern Victoria, which produces 74% of all milk produced in the Basin. More than 85% of the region's 1551 dairy farms are in the Goulburn Murray Irrigation District (GMID). Here, dairy is the largest irrigation water user and as such underpins the viability and affordability of the irrigation distribution system for all users.

Milk production in the GMID also supports 9 regional processing facilities providing jobs in towns where the milk factory is often the major employer. Modelling for Dairy Australia on the GMID under various scenarios shows the draft Basin Plan has profound implications for milk production and processing.



*Modelling by RMCG, using a base case linking milk production to a typical feed budget, and water availability determining the amount of feed that can be grown on-farm.

Scenario 1: Water recovered to date in Victoria, including buyback and NVIRP stage 2 water savings commitment (671+ GL).

Scenario 2: Water recovered to date in Victoria, plus Victoria's contribution to the 971 GL 'downstream' target in southern system if apportioned pro-rata across the States (~1047 GL).

The results indicate that, even at current water recovery levels, the dairy industry faces a significant challenge to restore milk production in the southern Basin to historical levels.

Any growth will require continued investment and efficiency gains – an outcome hampered by the high debt levels many farmers accrued in the recent drought.

Further significant reductions in the total pool of water available for irrigation, trade and carryover will further limit industry output, posing a major challenge.

Reduced milk production will increase pressure on local processors to rationalise operations, with far-reaching effects on local jobs, businesses, families and towns.

Australian Dairy Industry Council position

The draft Basin Plan has not effectively balanced environmental needs with those of the community and the economy.

1. SDL set to meet catchment environmental needs.
2. 2015 review to assess SDL in light of environmental works and measures, improved river operations and new knowledge in meeting downstream needs.
3. No further general buyback tenders in the southern system. Buyback limited to strategic purchases linked to community-led efficiency projects.
4. More funding to extend \$300 million On-Farm Irrigation Efficiency Program.
5. More funding for modernisation programs in the NSW Murray and Murrumbidgee, and rehabilitation of the Murray Swamps in SA.
6. Environmental objectives to be achieved using:
 - Environmental works for greater water efficiency and improved flows.
 - Improved river operations.