



30-7-2022

To: UAW_DawsonSWIR@rdmw.qld.gov.au

***Submission to Department of Regional Development, Manufacturing and Water
Draft Report Strategic Water Infrastructure Reserve Dawson River Pilot Project
Review Report***

Cotton Australia is the peak national body representing the cotton producers and cotton ginners from across Australia, including the producers of the Dawson Valley in Queensland.

Cotton Australia welcomes the opportunity to provide some brief comments on the content of the draft report, as well as some more general comments on the future direction of SWIR temporary releases, particularly in the Dawson Valley.

The Dawson Valley Cotton Growers Association (DVCGA), which is celebrating its 100th anniversary this year, is a member of Cotton Australia, and Cotton Australia endorses the submission to this report lodged by the DVCGA. For sake of clarity, should the views expressed by the DVCGA in its submission, and the views of Cotton Australia in this submission be viewed as different, the view of Cotton Australia is as expressed in this submission.

Cotton Australia has long been a keen supporter of the temporary release of SWIR water and congratulated the government on this initiative when the first release was conducted in 2019.

In 2021 Cotton Australia called for a review of the first release, with the view of incorporating any enhancements in a second round, and we therefore welcome this report.

Cotton Australia is very supportive of a new release following the conclusion of this pilot, as there is no doubt that the availability of SWIR water has stimulated the economy of the Dawson Valley, while preserving the integrity of the Water Resource Plan, and providing protection for the environment.

Cotton Australia urges the Queensland Government to expedite the second release, so farmers and their community can benefit from the economic and social outcomes during the 2022/23 season, providing a degree of continuity while also continuing to recognise that the SWIR water is being offered with limited tenure, and knowledge that should the State's priorities change on going access to this reserve may not be possible.

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Recommendations

While recognising the nature of SWIR water, and in particular its lack of long-term tenure, Cotton Australia recommends the following:

-) As a general principle, the government should favour the re-offering of SWIR water at the end of each lease terms, until there is a clear alternative call on the SWIR water that meets the requirements a Strategic Water Infrastructure, that requires all or part of the reserve.
-) The government should announce at least one-year prior to the expiration of “current” SWIR leases, whether it is the intention of the government to re-offer the water at expiration.
-) Assuming there will be a re-offer, the re-offer process is structured in a manner that would allow the new leases to be operational in a seamless manner, coinciding with the expiration of the old leases.
-) The government should consider increasing the period of any leases from 3 years to 5 years. Such an increase would allow the farmers a greater opportunity to gain a return on the leased water, while being well within the planning timetable of any potential project that would qualify for access to a permanent entitlement from a SWIR.
-) An alternative approach would be to introduce a rolling three-year renewal process, that would allow existing lease holders the opportunity to automatically renew, this approach should be equitable as long as the full amount (90,000 megs) is not being utilised.

Comments on the Draft Report

Cotton Australia intends to focus its comments on the key Objectives of the Pilot as outlined in section 3.2 of the draft Report:

The objectives of the Pilot Project to release SWIR water was to provide ability for water users to access committed water reserves within a water plan under a water licence with the intent to stimulate the water trading market and strengthen job creation and economic development. The release was intended to provide landholders with an incentive to expand or diversity irrigation areas, provide greater flexibility and opportunities for cropping frequencies while stimulating an increase in the water trading market. The aim was to provide temporary access to this water until decisions were made to construct new strategic infrastructure utilising these reserves. It was / is not intended to be a permanent release.

Stimulate Water Trading

Cotton Australia cannot readily identify why the release of SWIR was likely to have a significant impact on water trading, and therefore is not clear on how this objective was formed in preparation for the release.

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However, in reviewing the trading data provided in the report, Cotton Australia make the following comments:

-) Trading activity in the Dawson Valley is normally relatively light, and activity is often activated by external forces.
-) Permanent Trade (Unsupplemented) – If you take away the trades that occurred in the three years from 16/17 to 18/19, most years only show 1-3 trades. CA understands in the 16/17 to 18/19 period there were some water trading rule changes which did stimulate above average trade activity, which then returned to normal levels when the opportunities generated by those changes were exhausted.
-) Further, Cotton Australia understands a significant number of the trades, could be considered inter-related party trades, and therefore should be excluded.
-) Analysis of the permanent Supplemented trades show similar enhanced activity period from 16/17 to 18/19, and then a return to more normal levels. A spike in trades in 13/14 is most likely attributable to farm business adjustments following the floods of 2010, 2011 and 2012.
-) In Cotton Australia's view, the release of the SWIR water neither enhanced nor depressed trading.
-) Enhanced trading should not be an objective of SWIR.
-) The actual leasing of the SWIR water should be counted as trades in any statistics, and this should note not only the 12 licences, but recognise the licence issued to Theodore Water, was a "bulk" licence representing a number of individual irrigators, who had made their application (at the request of the Department) through Theodore Water.

Strengthen job creation and economic development

Cotton Australia is aware that there has been considerable development that is related either directly or indirectly to the release of SWIR water.

Some irrigators have increased their level of field development and water storages to optimize the opportunity from SWIR, while others have brought forward development activity, that would have occurred anyway overtime.

The increase in water take of SWIR over the three years, is an indication of development coming online, as well as a reflection of seasonal and river flow conditions influencing opportunities to take the water.

It is worth reflecting on the sometimes mix governmental messaging around this release. Growers have both heard that the release should stimulate economic development, as well as that they should not invest significantly in new infrastructure as the water is only temporary in nature.

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The reality is growers will adjust their actions, in accordance with their risk appetite and long-term goals, and it is unrealistic to expect an increased in economic development without some additional on-farm infrastructure expenditure.

Flow-On Affects

Data from Queensland Cotton has shown that the release of the SWIR in 2022 contributed to an increase area of cotton production of 2,300ha, amounting to approximately 23,000 lint cotton bales extra per annum, worth some \$16 million, along with \$2 million worth of cotton seed. The increase in production has also seen employee numbers at the gin increase from six permanents and six seasonal casuals to six permanents and 16 casuals.

There is a flow-on affect to a whole range of local businesses including picking contractors, agronomy services, input suppliers, local shops of all nature, entertainment services, and in fact all aspects of business and social life in the Dawson Valley.

Cotton Australia is aware that the Government is seeking more data on the impact on on-farm employment, which has had a considerable lift, along with an unfilled demand (labour shortages) for even more employment.

An incentive to expand or diversity irrigation areas

As discussed above, the release of SWIR has increased production area, and although much focus has been on cotton, there SWIR water has allowed a greater diversity of production, in particular opening up double-cropping opportunities, that may not be immediately apparent.

Like all water, it does tend to move to the highest value use, and therefore within annual cropping options, most operators have favoured increased cotton production, but in many cases the cotton crop has been followed by irrigated wheat or chickpeas, which may not have otherwise been planted.

General Comments on the Future Use of SWIR Water

Cotton Australia recognises that this report is not primarily about any future calls on the Dawson Strategic Water Infrastructure Reserve, but two possible calls are mentioned – Nathan Dam to meet the needs of the Darling Downs and future hydrogen production in Gladstone.

While the merits of these proposals can be debated at a future time, Cotton Australia does hold the principle that available water reserves should in the first instance be made available to the communities closest to where the water reserves are generated. Neither of these two proposals would meet that principle in the first instance.

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Pricing

There appears to be some perception that SWIR water is cheap, and a superficial review of temporary water prices would support this. However, the very temporary, and uncertain nature, of the tenure of this water, means it should always be significantly discounted against more certain and secure other forms of water access.

As discussed above, to make sound economic use of this water, some additional capital expenditure is required by irrigators, and to offset the risk from lack of long-term tenure and security, the price has to be lower.

Direct comparison of prices for other forms of water are flawed.

Conclusion

Cotton Australia looks forward to the Queensland Government announcing the process and timeline for the second round of Dawson Valley SWIR Water leases.

It hopes, that following the learnings of the pilot, there will develop a more seamless process for lease rounds, while the SWIR water is not fully committed for other purposes.

Cotton Australia has witnessed first-hand both the economic and social benefits the SWIR water leases has brought to the Dawson Valley and believes the pilot has been a great success.

For further information on this submission, please contact Cotton Australia General Manager Michael Murray – 0427 707 868 Or michaelm@cotton.org.au .

Yours sincerely

A handwritten signature in black ink, appearing to read "Michael Murray".

Michael Murray,
General Manager,
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