
Australia's water reform experience and its impact on the Agricultural sector

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Overview of water reform in Australia

- 1. Setting the scene**
- 2. Drivers**
- 3. Principles and process**
- 4. Outcomes**
- 5. Challenges**

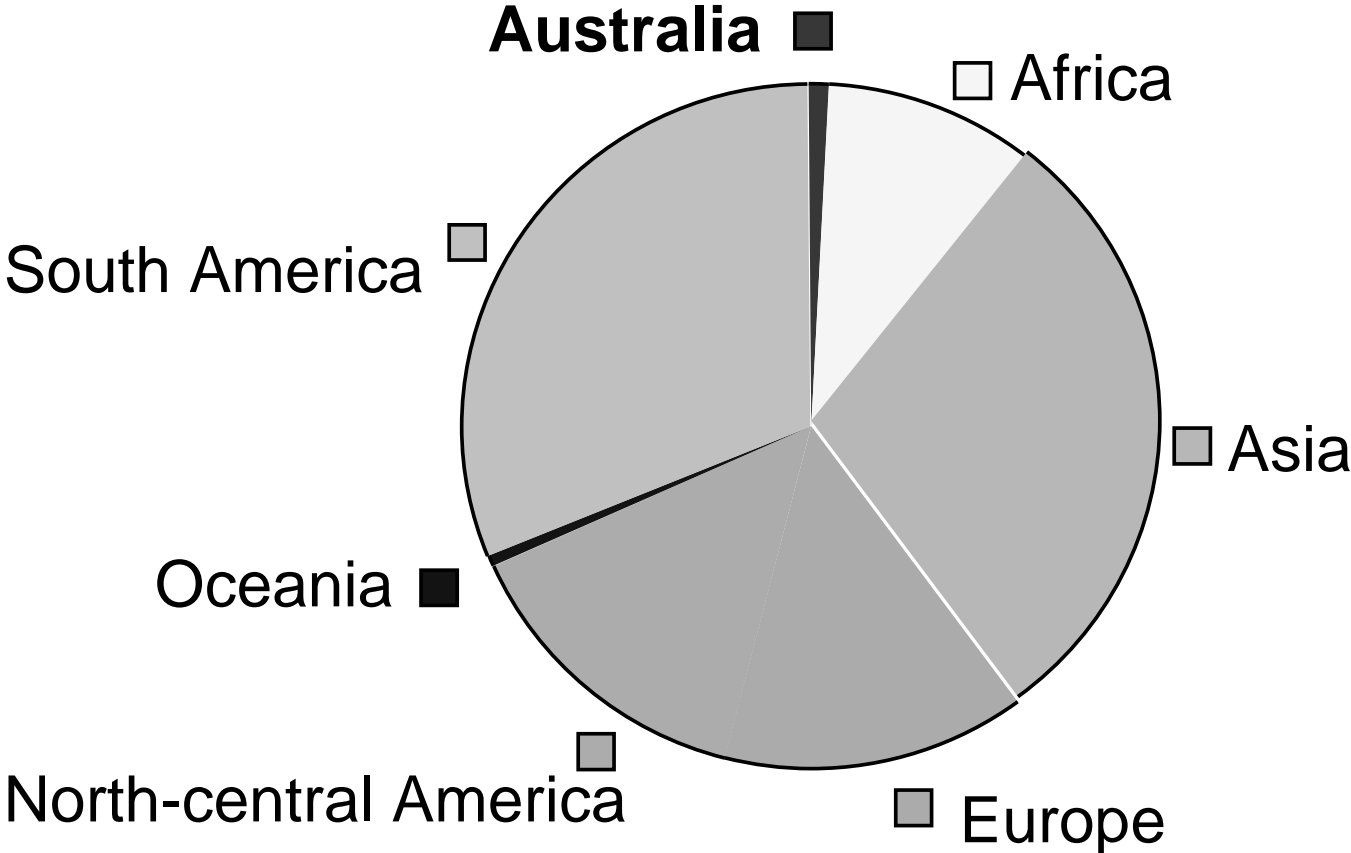


Water's importance to agriculture

- **Irrigation offers opportunities for agricultural intensification, enhanced yields and the substitution of low value crops with higher value enterprises**
- **Irrigated agriculture contributes over 25% of the total value of agricultural production, but uses less than 1% of agricultural land**
- **Without irrigation, a significant proportion of Australia's agricultural industries would either not exist or be greatly diminished**



Global water resources

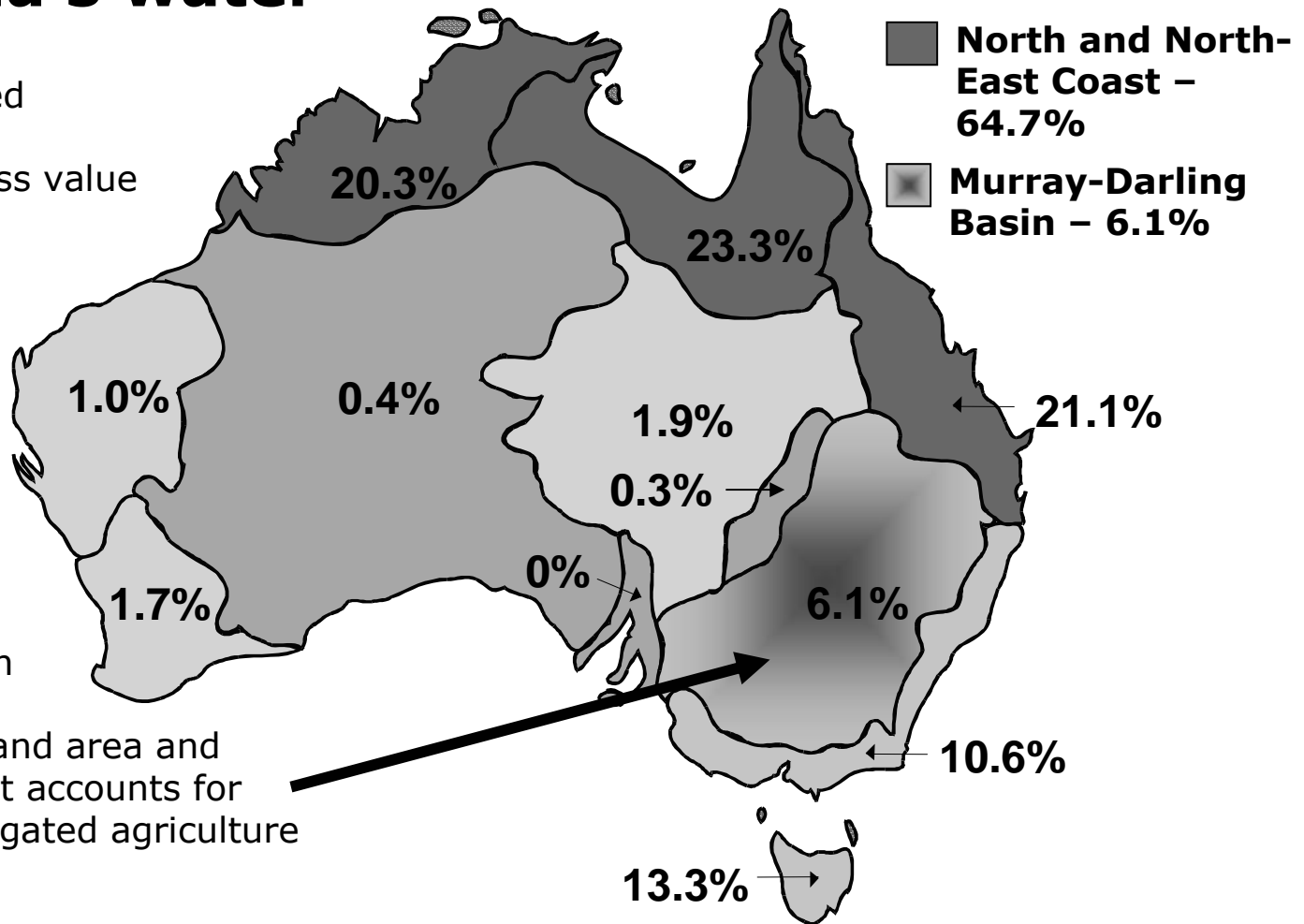


FAO AquaStat Data



Australia's water

Land - 0.4% irrigated
 returning:
 \$7 billion, 25% gross value
 of agriculture



Murray Darling Basin

14% of Australia's land area and
 6% of the water, but accounts for
 approx 2/3 of all irrigated agriculture
 (\$4.2 billion)



National Water Policy

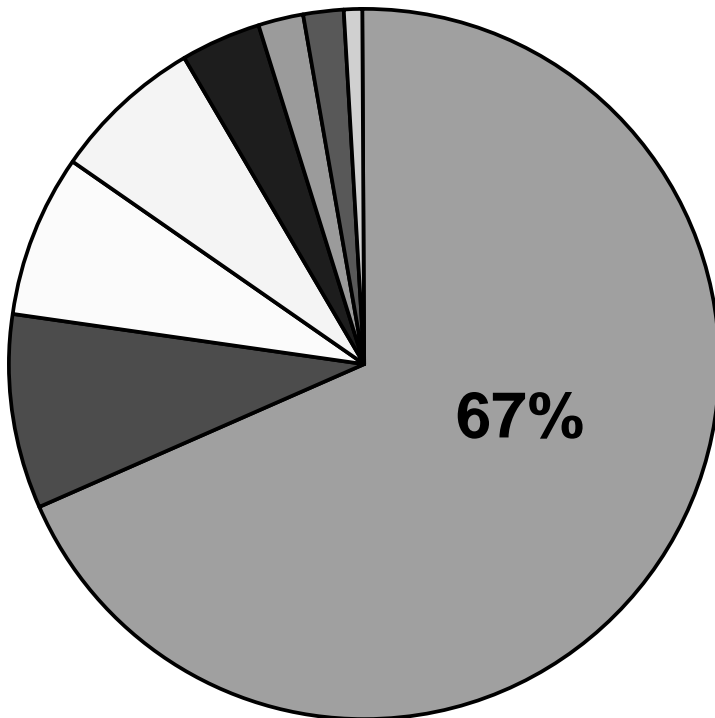


- 6 States and 2 Territories
- Each State is responsible for management of their land and water resources
- All governments recognise the need to work together
- The Australian Government becomes involved in matters of national interest



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Australian Water Use 2000/01



Source: ABS 2005

- Agriculture
- Households
- Water supply industry
- Electricity and gas generation and supply
- Manufacturing
- Other
- Mining
- Forestry and fishing



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Total area of irrigated agriculture - 1983/84 and 1996/97

Commodity Group	1983/84	1996/97	Increase (`000ha)	Increase (%)
Pastures	871	935	64	7.3
Cereals	315	337	22	6.9
Vegetables	76	87	11	14.5
Fruit	97	151	54	55.7
Other Crops	260	544	284	109.2
Total	1625	2056	431	26.5

Source: National Land & Water
Resources Audit 1997-2002



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Drivers for reform

- **Historical perception of water abundance**
- **Management of natural resources rests with State and Territory governments**
- **Governments issued water rights primarily to support economic development, with funding of infrastructure up to the farm gate**



Drivers for reform (cont.)

This lead to:

- **Over allocated water resources
(unsustainable levels of extraction)**
- **Aging water delivery infrastructure**
- **Growing environmental concerns**



Council of Australian Government (COAG) Water Reform Framework - 1994

- **Two-part tariff pricing**
- **Water trading**
- **The environment and water quality**
- **Institutional structures**
- **Public consultation and education**

Murray-Darling Basin Cap – 1996



COAG National Water Initiative - 2004

- **Comprehensive and transparent water planning**
- **Water supply certainty**
- **Environmental outcomes**
- **Investment certainty**
- **Enhanced water markets and trade**



Outcomes

What these programmes are achieving for farmers

- **Equity in access throughout river systems**
- **Certainty in water allocation**
- **Capacity building**
- **Scope to trade water**
- **Incentives for greater water use efficiency**



Outcomes

What these programmes are achieving for governments and society

- **Reduced reliance on government subsidisation of water**
- **Transparent community service obligation costs**
- **Mechanism for governments to change policy and buy water for environmental needs**
- **Increased scope for upgrading infrastructure**
- **Ecosystem health benefits**



Challenges

- **Water trading**
 - Refining property rights for water
 - Allowing a greater range of water 'products' to be traded
 - Developing monitoring and accounting frameworks
- **Interaction of rural and urban water reform agendas**
 - Movement of water from rural to urban centres due to higher demand and higher capacity to pay
- **Institutional frameworks**
 - Alignment of objectives
 - Flexibility
 - Compatibility



Conclusions

- **Water**
 - Natural capital – productive, environmental and social
 - Reforms encourage adaptive management
- **Market-based approach**
 - Creation of water markets and effective price signals
 - Allocation to highest value uses
- **Partnership approach**
 - Cooperation between governments and stakeholders
 - Continued effort to maintain momentum



Thank You

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