



MEDIA RELEASE

Senator the Hon Penny Wong

Minister for Climate Change, Energy Efficiency and Water

PW 94/10

26 April 2010

NEW STUDY ANSWERS THE CRITICS OF WATER PURCHASE

A new assessment of the impact of the Federal Government's water purchase program by the Australian Bureau of Agricultural and Resource Economics (ABARE) has answered critics of the water buyback.

The Minister for Water, Senator Penny Wong, today released the study which models the impact of the first \$1.5 billion of the Rudd Government's \$3.1 billion *Restoring the Balance in the Murray Darling Basin* water purchase program.

The study found that:

- The water purchase program is helping ease financial pressures on irrigators;
- Lost production as a result of water purchase is very small, especially when compared with other factors, such as drought and in any case may be offset by the Government's investment in infrastructure, and;
- The water purchase program is helping irrigators prepare for the new, lower limits on water use that are expected under the Basin Plan.

Senator Wong said that critics of the water buyback have repeatedly claimed that purchasing water to restore river health has hurt agricultural production and is bad for regional economies.

"Yet today's report shows that purchasing water is not only helping the environment, by returning much needed water to the Basin's rivers and wetlands— it also helps irrigators," Senator Wong said.

"Water purchase is providing irrigators with an extra option for managing their way through drought, retiring debt, investing in farm upgrades, diversifying their operations or exiting irrigation altogether."

It is clear from this study that the overwhelming source of lost production in the Murray Darling Basin is drought, which caused the gross value of irrigated cotton production to fall by 47 per cent, compared with a projected reduction of 1.9 per cent under the buyback.

The study also found that:

- The Rudd Government's \$5.8 billion investment in improving rural water use and efficiency is expected to reduce the volume of water required by irrigators to produce a given level of output;
- Any decline in Gross Value of Irrigated Agricultural Production across the Basin is expected to be modest, and is predicted to be fully offset by productivity growth, and;
- Gross Regional Product can be expected to decline by less than 0.5 per cent in each of the seven regions considered in the ABARE study.

"Today's study confirms that the Rudd Government's long-term *Water for the Future* plan is supporting the future viability of our Basin communities and returning the rivers to health," Senator Wong said.

To download a copy of the study visit www.environment.gov.au/water.