Farming, fibs and Four Corners

Alan Moran

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From little things, big things grow. And so, for the 60 odd years until the nineteen-nineties, we saw the land in the Murray Darling basin being developed from what was mainly arid low-yield farmland into a province producing over 40 per cent of the nation's agricultural output.

Dams transformed the highly irregular flows of the system (the annual variation being between 7,000 and 118,000 gigalitres) into a placid river. This not only allowed some 12,000 gigalitres of water out of the average 34,000 gigalitres to be allocated to irrigation use, but also gave us a river far more suitable for recreation as well as for fish and birdlife. The Murray Darling became a working river like the Nile, the Mississippi, the Indus, and the Po.

Climatic factors mean the irrigated area of Australia is low by world standards, less than one per cent compared to 20 per cent in many well-watered poorer countries as well as in Italy, Japan and Korea. The Murray Darling is nation's the only extensive irrigation system.

Having created a valuable agricultural resource, Australia's predilection for (normally destructive) policy meddling has, since the nineteen hundreds, worked on tearing it down.

Activists formed the Wentworth Group (named after the five star Sydney hotel where they met) to wind back and eventually eliminate irrigated agriculture in the river system. The Group's members, mainly taxpayer funded, have included David Karoly, Tim Flannery, Anna Skarbek, and Quenton Grafton. Lusty and utterly unfounded claims were made about the river drying up as a result of global warming, irrigation causing salt infestations, driving animal species to extinction and causing forests to die. The media, especially the ABC, took up the cause publicised these jeremiads and magnified the activists' support.

Politicians, most of whom are constantly attuned to a cause into which they can wade and exercise political control, started commissioning reports and plans. John Howard with one eye watching Malcolm

Turnbull at his back started the ball rolling in buying back water licences.

Beginning small at 450 gigalitres, rather than the Wentworth Group's final ambit claim of 1,500 gigalitres, the policy went into a chrysalis from which it emerged in 2007, following a change of government under Gillard's more muscular environment Minister, Tony Burke, a former Wilderness Society member. Along with his adviser, then partner, Skye Laris, Burke created a 400 strong quango, the Murray Darling Basin Authority, tasked with buying or otherwise finding 2,700 gigalitres to be poured down the river as environmental flows. And the pressure was immediately on to syphon off even more of the area's most important productive input. The $13 billion program was carefully constructed to comprise funds to save water by better channels and so on, as well as direct purchases from farmers.

This week's Four Corners program Cash Splash maintained the ABC's close association with activists calling for further political interventions. Noting that Griffiths is the centre of the nation's most productive farming valley in Australia, it quoted Paul Pierotti, Griffith Business Chamber, saying, "The Murray Darling Basin Plan is a triple bottom line fail. It's fail for communities, it's fail for the economy and it's absolutely fail for the environment. It has been the biggest waste of $13 billion in the history of Australia's economy."

The problem was that the program attacked the symptoms of the debacle rather than its cause. Its target became the "speculators" who had bought water rights (usually without the land to which they were previously attached) and were seeking to profit by selling them. It also criticised as wasteful the part of the scheme that involves payments for water saving through improved infrastructure. Particular attention was paid to Websters Limited which received $41 million (out of $5.6 billion) that was allocated to water saving.

Speculators are often targets but their activities enable resources to be switched from those who value them less highly to those who are willing to pay most for them. Speculators therefore have a beneficial effect. The fact that the water licences are detachable from the land they originally served is a vehicle for ensuring this (and informal trading among licence holders has been common for decades). Once government intervention makes water more expensive, it is best shifted to activities where it can be used most profitably. Nut growing is one such activity that has expanded.

Four Corners and much of the subsequent commentary has focussed on deficiencies of the scheme. But the real tragedy is that it exists in the first place. No evidence has ever been presented that the former allocation of some 11,000 gigalitres of water to irrigation was excessive. The claims that it was so were rhetorical and have mainly been refuted (for example, no species have become extinct, the rainfall has not been reduced, salinity – a natural rather than human caused problem – was easily resolved.

Meanwhile the Plan has taken 20 per cent of the water from irrigators, degrading the nation's most valuable agricultural region, reducing its annual output by some $3 billion. While individual irrigators have profited from the sale of their water rights or from subsidies to irrigation infrastructure, for the region this has meant less work for suppliers, contractors and those servicing the now diminished agricultural industry. For Australia as a whole it is yet another self-harming policy that makes us considerably less wealthy.

Alan Moran is with Regulation Economics. His latest book is Climate Change: Treaties and Policies in the Trump Era.