

IMPACT OF DROUGHT & GOVERNMENT WATER BUY-BACK ON THE MOREE COMMUNITY



Knowledge. Insight. Experience.

INTRODUCTION

- Boyce is one of the largest professional services firms in regional Australia.
- Five offices across NSW.
- Established in 1973 – more than 35 years of experience.
- 150 staff including 15 Directors and Associate Directors.



INTRODUCTION



Knowledge. Insight. Experience.

- Jointly produced the Australian Cotton Comparative Analysis (CRDC & Cotton CRC).
- I am a Director of Boyce at Moree, the largest population centre in the Gwydir Valley.
- I am not economist or social researcher.
- I have witnessed the impact of drought on regional communities:
 - As an advisor to primary producers and small business.
 - As a past President of Moree Chamber of Commerce.
 - As a business owner.
 - As a father of a young family living in Moree.

IMPACT OF DROUGHT & GOVT. WATER BUY-BACKS ON THE MOREE COMMUNITY



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1. The impact of drought on Gwydir Valley irrigation industry.
2. The flow on impact of drought to the Moree community.
3. The impact of Govt. water buy-backs on the irrigation industry in the Gwydir Valley.
4. Where to from here?

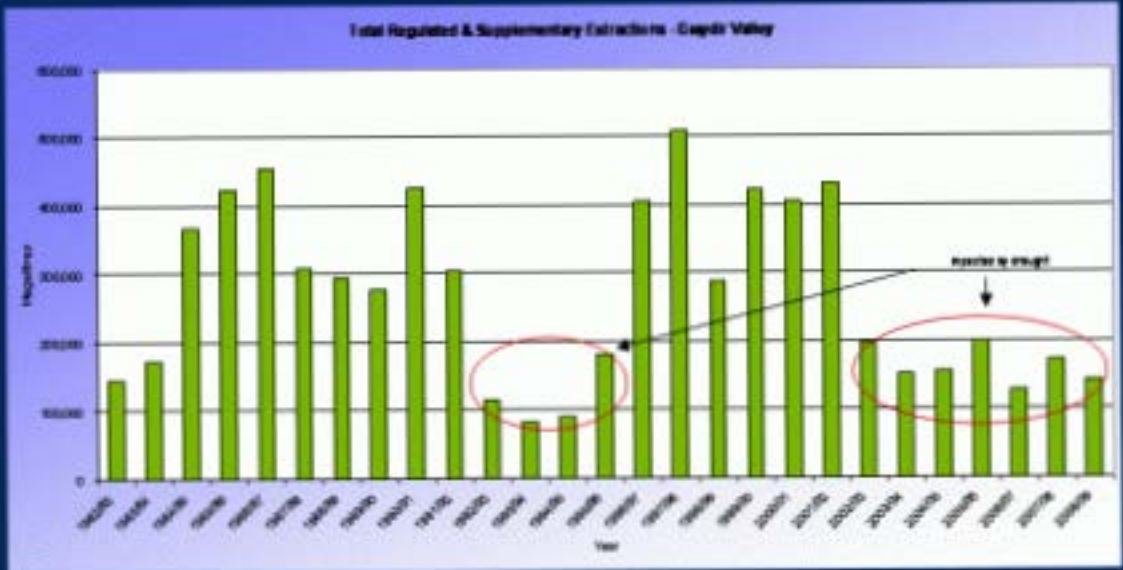


1. IMPACT OF DROUGHT ON GWYDIR VALLEY IRRIGATION INDUSTRY



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Reduced water availability.



1. IMPACT OF DROUGHT ON GWYDIR VALLEY IRRIGATION INDUSTRY

Reduced water availability

- Average extractions 82/83 – 08/09 (27 Years) – 268,402 Mgs p.a.
- Average extractions 92/93 – 01/02 (10 Years) – 292,779 Mgs p.a.
- Average extractions 02/03 – 08/09 (7 years) – 164,463 Mgs p.a.



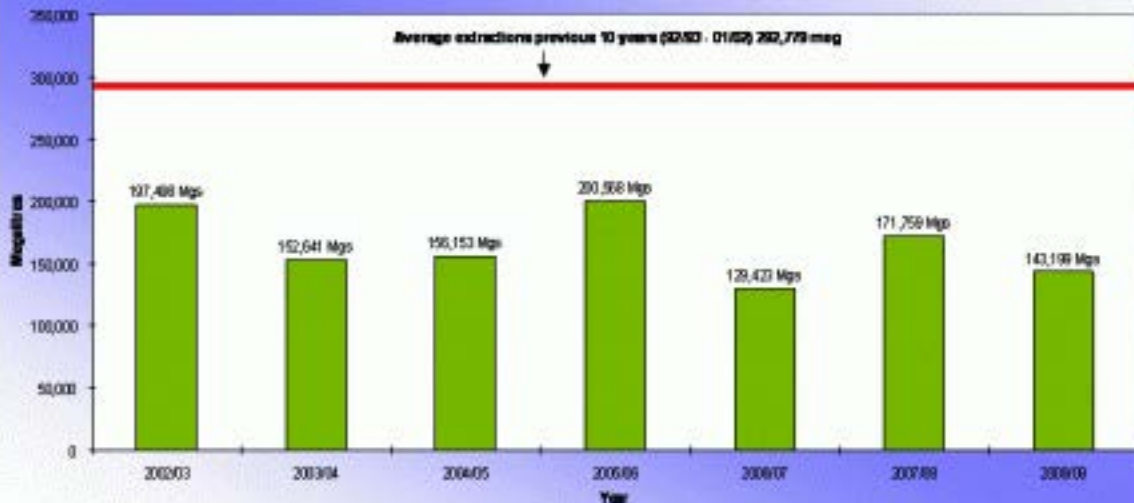
1. IMPACT OF DROUGHT ON GWYDIR VALLEY IRRIGATION INDUSTRY



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Reduced water availability

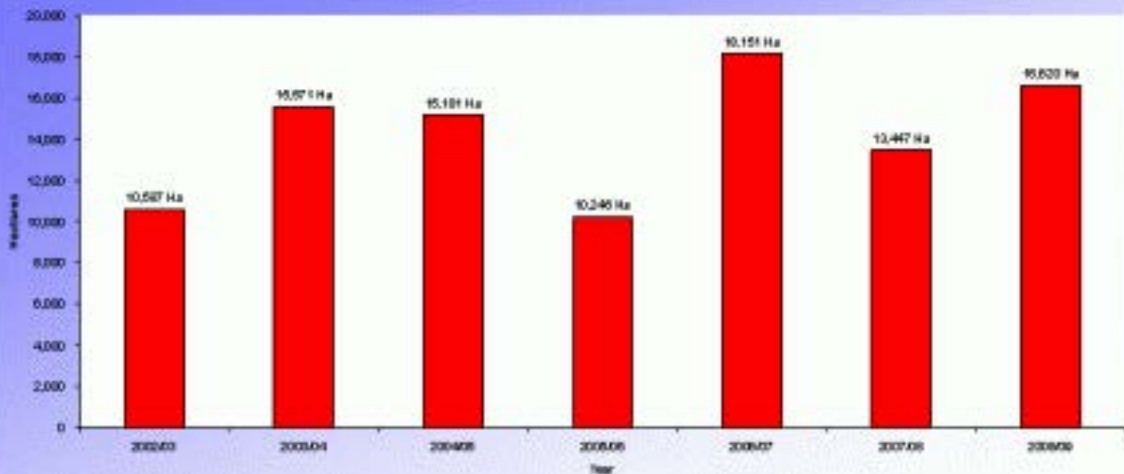
Gwydir Valley Extractions 02/03 - 08/09
Compared to Previous 10yr Average



1. IMPACT OF DROUGHT ON GWYDIR VALLEY IRRIGATION INDUSTRY

Reduced water availability = Reduced irrigated cotton area

Reduced Gwydir Valley Cotton Area Due to Drought
As Compared to Previous 10 Year Average
(Based on 9 Mgs/Ha)



2. THE IMPACT OF DROUGHT ON THE MOREE COMMUNITY



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Reduced cotton area = Reduced expenditure

Based on:

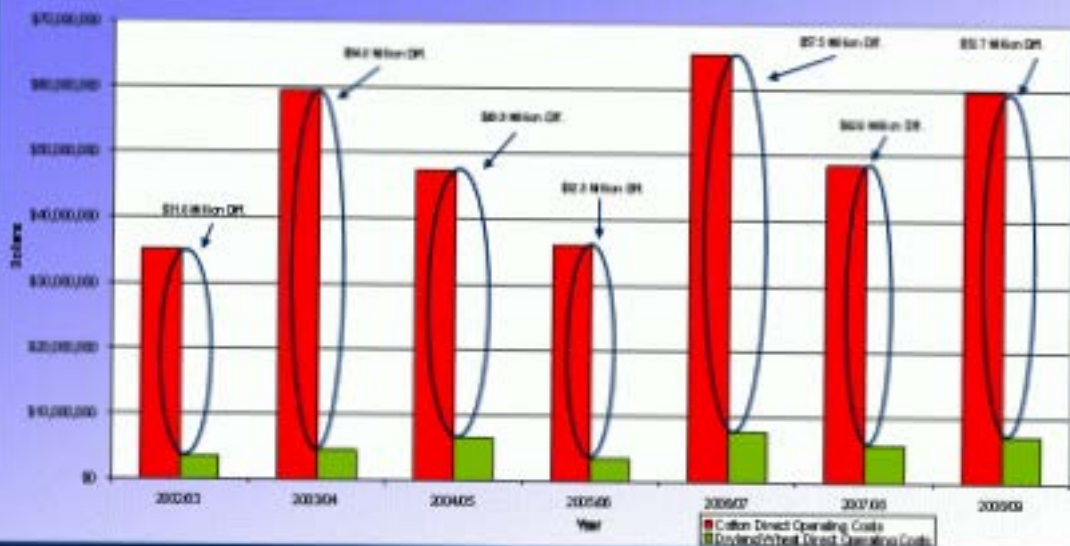
- Assumption that reduced irrigated cotton area is planted to dryland wheat.
- Average annual direct costs for irrigated cotton – Australian Cotton Comparative Analysis.
- Average annual direct costs for dryland wheat – Boyce benchmarking and client data.
- Assumption that indirect overheads are fixed costs and do not change as a result of change in cotton area.

The following graph shows a significant reduction in expenditure in the Gwydir Valley as a result of drought.

2. THE IMPACT OF DROUGHT ON THE MOREE COMMUNITY

Reduced cotton area = Reduced expenditure

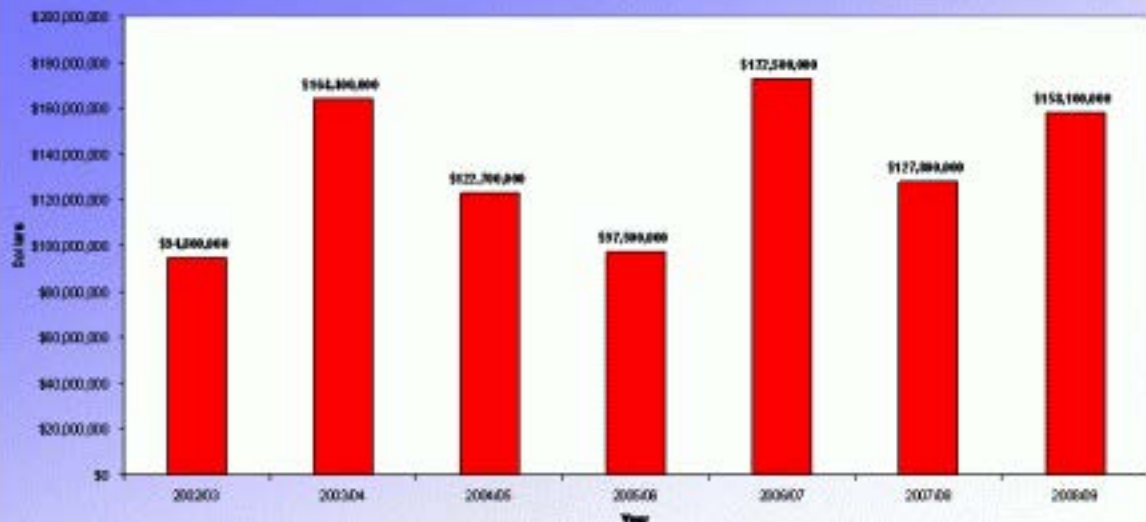
Reduced Cropping Expenditure in the Gaydon Valley Due to Drought



2. THE IMPACT OF DROUGHT ON THE MOREE COMMUNITY

Reduced economic activity – 3X Multiplier effect

**Gungah Valley Reduced Economic Activity Due to Drought
(3X Multiplier Effect on Reduced Direct Cropping Expenditure)**



2. THE IMPACT OF DROUGHT ON THE MOREE COMMUNITY



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Reduced economic activity - Impact

- **\$937,800,000** cumulative reduced economic activity 02/03 to 08/09 (7 years), as a result of reducing direct cropping expenditure.
- Total reduced economic activity much higher as haven't considered:
 - Reduced drawings by proprietors.
 - Reduced capital expenditure.
- Disproportionate population decline – Anecdotal evidence suggests 25-45 year age demographic heavily impacted – Social impact.
- Retail sector in decline, other small business reduced scale - need employees.

3. IMPACT OF GOVT. WATER BUY-BACKS ON GWYDIR VALLEY IRRIGATION INDUSTRY



business insight. experience.

Combined State & Federal Govt. water buy-backs – Gwydir Valley

- General security water – Approx. 220,000 Mgs purchased
- Supplementary water – Approx. 85,000 Mgs purchased
- This will result in a reduction of 126,100 Mgs available as compared to average years (38% availability for general security and 50% for supplementary).



3. IMPACT OF GOVT. WATER BUY-BACKS ON GWYDIR VALLEY IRRIGATION INDUSTRY



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Impact of reduced future water availability

- Average reduced irrigated cotton area of approx. 14,000 Ha's p.a. (9 Mgs/Ha)
- \$43.7 Million reduction in average annual direct cropping expenditure (irrigated cotton \$3,580/Ha, Dryland wheat \$460/Ha)
- \$131.1 Million average reduction in economic activity as a result of reducing cropping expenditure (3X Multiplier effect).
- Excludes impact of reduced capital expenditure and reduced drawings by proprietors.
- Average of 82 less FTE employed directly on cotton farms – Australian Cotton Comparative Analysis.
- Several hundred less combined direct and indirect jobs.

4. WHERE TO FROM HERE?

- We have seen economic decline due to drought and associated population decline.
- As a result of Government water buy-backs the cotton industry in the Gwydir Valley will not be what it was previously.
- As a community we need to work together to halt the decline:
 - To generate new sources of economic activity
 - Hot Artesian Water Tourism
 - Value adding opportunities for agriculture.
 - To maintain and rebuild social infrastructure to encourage people to return to Moree.
- We need to work with other effected communities to lobby for structural adjustment assistance – Seed capital for new sources of economic activity.

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QUESTIONS

Knowledge Insight Experience