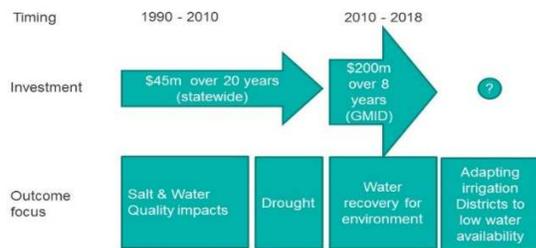


# Victorian Farm Modernisation Project – Options Review

Long history of community led farm efficiency programs

Victoria’s investment in irrigation districts has focused on reducing the amount of water needed to operate the systems, avoiding the loss of water entitlement and guaranteeing the growth of sustainable, high-value agricultural production.

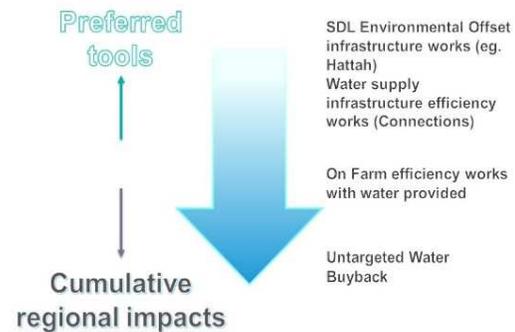
Successful programs involving community support and government resources over many decades have evolved from a single issue like salinity in the 1980s to a more complex approach to issues like efficient water use, reducing environmental impact and improving productive capacity (Figure 1).



**Figure 1: Evolution of Farm Water Use Efficiency Programs**

Victoria’s consistent aim with the Murray Darling Basin Plan has been to get the best outcomes for the environment with the least impact on productive water, by designing programs that recover water in a way that minimises negative social and economic impacts.

For example, water supply infrastructure efficiency works projects are preferred because they recover water through recovering system losses, don’t impact the consumptive pool and avoid damaging social and economic impacts associated with untargeted water buybacks (Figure 2).



**Figure 2: Hierarchy of preferred water recovery methods**

## The Victorian Farm Modernisation Project

The Commonwealth-funded water recovery program, the Victorian Farm Modernisation Project (VFMP), required water to be transferred away from productive use. It was always recognised that handing water over to the Commonwealth and reducing the volume of water available for irrigation would eventually impact on agricultural profitability and the viability of public irrigation systems.

The Victorian Farm Modernisation Project, started in 2013 is the Commonwealth Government water recovery irrigation efficiency project where the Commonwealth Government funds works to upgrade farms in northern Victoria in return water savings (no less than 55% of the estimated water savings going to the Commonwealth Environmental Water Holder).

The VFMP has funded improved works and technologies on farms like laser grading, installation of pressurised irrigation systems and soil moisture monitoring equipment.

The project is funded through the Commonwealth Sustainable Rural Water Use Efficiency Infrastructure Program and was to be implemented through three tranches, subject to the need to recover more water for the environment, and subject to Commonwealth and Victorian agreement.

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The VFMP has helped Victoria to meet its commitment under the Basin Plan by providing around 17.4 GL of high reliability of water shares to the Commonwealth since 2013. This is about two percent of Victoria's contracted Basin Plan water recovery to date (more than 800 GL). It has funded 241 irrigator projects and 26,750 hectares of improvements including automated irrigation, laser grading of land and improved sprinkler technology.

## Options Review of the VFMP

The Victorian Government has reviewed the delivery of the VFMP in the light of concerns about how the changing climate, drier conditions, reduced inflows and Basin Plan water recovery are impacting on land and water use in northern Victoria.

Data from recent studies confirm the picture that has emerged over the past decade:

- a decline in water available for irrigation
- more price variability, and
- increasing demand for high-reliability water shares from outside of the Goulburn Murray Irrigation District (GMID), with water users in the GMID owning less entitlement.

The review looked to find water recovery options on-farm that minimised the socio-economic impacts on the consumptive pool in the southern connected Basin.

It modelled the impact of a reduction in the percentage of water needing to be transferred, but also water products such as Victoria's Low Reliability Water Shares, unregulated and groundwater licences to minimise the socio-economic impact, particularly in smaller parts that are less connected in the water market.

The criteria for assessing options were that they:

- Support agricultural production and irrigation communities to adapt to the high rate of change and low water availability, avoid higher water prices and not contribute to stranded assets.
- Build on existing investment in the GMID and lessons learned from the reset of the Connections Project to maximise the public benefits of the supply system.
- Avoid material adverse impacts on the reliability of third party entitlements or on the environment.
- Align with the objectives of the State-Commonwealth agreement to recover water for the environment through water efficiencies.

## Review findings

The review of the VFMP has found it was not possible to identify options to fund farm works that transfer water to the Commonwealth that:

- avoid negative social and economic impacts to local communities, and
- can deliver significant volumes of water in time for the roll out of the Basin Plan

This includes the current VFMP program design that requires the transfer of 55 per cent of the estimated water savings, which do not have widespread community support because of growing concerns about the real impacts of reduced water availability.

No further on-farm efficiency rounds under this program requiring water transfer will be delivered in Victoria because of these cumulative social and economic impacts on northern Victorian irrigators and the broader community.

Victoria will continue to explore investment in projects that deliver strong public benefit in low-use and high-loss areas grappling with climate change and reduced water availability. In particular, projects that capitalise on distributional losses and operational changes to produce water savings will be developed. These do not take water away from productive use and mitigate against damaging social and economic impacts.