Small Australian towns face devastation under river “rescue plan”

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27 October 2010

Small farmers and business owners reliant on irrigation from the Murray-Darling river system, Australia’s only major river network, have reacted angrily to a government report recommending cuts to water allocation of between 27 and 37 percent.

According to senior scientists, cuts of this magnitude are necessary to save the river from collapse. But at meetings attended by thousands, irrigators and workers burned copies of the report and attacked the Gillard Labor government for leaving their towns to wither. Many spoke of how the cuts would destroy their lives, with banks already threatening to terminate loans. Some farmers speculated that behind the planned cuts was an actual intention to bankrupt small farmers. As one farmer put it, “If you're suddenly going to lose half of your water, what incentive is there to remain in the industry?”

The consensus among scientists is that if water extraction is not radically reduced, the Murray-Darling will cease to be a functioning river and many eco-systems along its course will collapse. During the drought that started in about 2000 and is only now beginning to abate, the river system dried in many places to a series of puddles. A 2008 audit reported that the majority of rivers in the basin are already showing signs of long-term environmental degradation. Water birds in particular have suffered, with their populations in many places along the river reduced by 80 percent over the past half century.

However, there is no doubt that if the cuts are implemented as planned—that is, through the expansion of a water rights market—many rural communities will be decimated, including several substantial towns. The river system is the economic “lifeblood” for more than 10 percent of Australia’s population (over 2 million people) that live in its basin. The area accounts for 39 percent of Australia’s agricultural production, contains around 75 percent of the country’s irrigated land area and about 40 percent of its farms.

The report, released by the Murray-Darling Basin Authority (MDBA) on October 8, admitted that the effects of its recommendations on these farms and communities would be “serious” and that at least six substantial rural towns would cease to be viable. The report conceded that “social and community networks would come under increasing pressure”, that “access to health services and education will become more difficult” and that “there will be fewer funds available…to invest in and maintain community infrastructure”. The report predicted job losses of about 800, but that figure had been ridiculed by farmers’ organisations. According to one leading economist, Professor Quentin Grafton from the Australian National University, 8,000 to 10,000 jobs will disappear.

The MDBA itself pointed out that debt levels in the Murray-Darling Basin are at record levels and that banks have already “indicated they may start taking action to address their loan exposure to the basin once the [MDBA report] is released… Some have already started. Banks are of the view generally that towns with a population less than 25,000 people, which predominantly rely on irrigation for its economy are not sustainable in the longer term as a population centre without a thriving irrigation industry,” it said.

The proposition that emerges from the MDBA report is that, as unfortunate as it may be, there is no choice but to sacrifice the interests and livelihoods of rural workers and landowners for the environmental health of the river system and wetlands. In support of that argument the MDBA describes the growth of human extraction from the river: “Since the 1920s there has been a significant increase in the volume of surface water extracted from the Murray–Darling Basin (from about 3,000 gigalitres [one billion litres] in the 1930s, to about 11,000 gigalitres in the 1990s). Increases during the 1970s and 1980s were particularly rapid, corresponding to the construction of major water infrastructure.” During the drought of the 2000s there was a substantial drop in the amount of water that could be extracted from the river. Overall, the combination of drought and increased extractions has “contributed to a significant decline in the health of the Basin”, the report stated. The proposed water allocation cuts means putting between 3,000 and 4,000 gigalitres back into the river system.

But the MDBA’s emphasis on extraction growth is in sharp contrast to its silence on another rapid, but no less important, change: more concentrated farm ownership. Families have been pushed off the land in droves and companies have moved in. According to the Australian Bureau of Statistics, between 1971 and 2006, the number of family farms—about 80 percent of which are located in the Murray-Darling Basin—declined 46 percent. (That trend is likely to have accelerated sharply with the drought.) Relative to the average family farm, corporate farms are both huge in scale and, partly because of their size, highly productive. They account for 26 percent of Australia's agricultural production but only 1.5 percent of the total farm holdings. They also account for a significant portion of the water infrastructure that the MBDA says is behind the acceleration in commercial water use.

Although its report did not say so explicitly, what the MBDA envisages is the further concentration of farming in corporate hands. Along with extraction cuts, the report demands further liberalisation of the market in water entitlements, such entitlements having become a tradable commodity in 2004. The intention behind this coupling (extraction cuts plus markets) is crystal clear: small farmers should be encouraged to sell their remaining post-cut water entitlements to the more productive users, namely agribusinesses.

The report claimed, for instance, that the market in water rights will "mitigate" the effects of the water allocation cuts. But what form will this mitigation take? In the case of small farmers, the only conceivable mitigation is that they will sell their residual water rights. In other words, the financial disaster of having a bank take possession of their farm is "mitigated" by selling water rights. On the other side of the ledger, the water rights of desperate farmers will be purchased by agribusiness. These businesses have sustained themselves through a decade of drought by buying-up water rights from drought-stricken families who have nothing else left to sell. The same dynamic would likely operate under the MDBA recommendations, with water scarcity caused during this period not by drought, but by extraction cuts.

Professor Sharon Beder from the University of Wollongong has pointed out that the idea behind the water right market is to "enable those who can make the most money out of the water to buy it and for those who make less money out of it to sell it, rather than use it on 'low value' crops". Those who make the most money out of water are those with the capital to invest the enhancement of water productivity—generally well-resourced companies. But such is the anarchy of markets that the question of whether a crop is "high value" has nothing to do with its environmental or social benefit: value is determined solely by profit. Cotton, for instance is a high-value crop because it is profitable, but it is also the most water-intensive crop currently farmed and therefore the most environmentally damaging. Extraction cuts will not reduce the proportion of cotton being farmed. In fact, the scale of cotton farming may well increase.

Beder points out that "those who need the water for their farms can't outbid the big players" who are increasingly "not farmers at all" but rather speculators—finance companies and others who profit from the trade in water rights. During the drought, water sold for $1,000 per megalitre, meaning big profits for those who had amassed entitlements. Small farms forced to purchase water to keep their farms going, were also forced to run at a loss because of the cost of those water purchases.

The conflict between the economic and social needs of millions of people in the Murray-Darling Basin and the danger of an environment collapse is irresolvable under the profit system. The unplanned use (and overuse) of the Murray-Darling river system for profit has created the conditions for an environmental catastrophe. At the same time, cuts to water allocation will lead inevitably to great hardship for many small farmers and the towns that depend on them. Moreover, the system of trading in water rights means that the reduction in water extraction from the Murray-Darling will be determined by the capitalist market that created the crisis in the first place. It may lead to a more profitable use of water resources, but not one that actually meets social needs and avoids further environmental problems.

If little or nothing is done, the river system will break down with devastating effects not only for the local residents but for the wider population in Australia and beyond. What is required is the development of a rational, scientific plan based on fulfilling social needs—including the food requirements of the globe—not profit. Such a plan can be developed only with the democratic involvement of working people—something that is impossible when corporate interests dominate every aspect of government and society. The future of workers, small farmers and business people in the towns of the Murray-Darling Basin is intimately bound up with the struggle of the working class for socialism.