

ESCOSA Inquiry into Drinking Water and Sewerage Retail Services Pricing Reform

Submission from Livestock SA in response to the draft report, September 2014

Livestock SA was formed last year to represent South Australian sheep, beef cattle and goat producers. It has taken over the role previously provided by the South Australian Farmers Federation. As part of the establishment process, a number of regional meetings have been held as well as asking members and other livestock producers for their priority issues.

One of the top ten priorities identified was the need for a reduction in the cost of water for livestock.

It was strongly felt that there needs to be a differentiation in water prices for water used from SA Water for livestock consumption.

The current excessive price of water is beginning to lead to a reduction in livestock numbers in those areas reliant on SA Water.

Livestock SA **agrees** with ESCOSA's first recommendation, that to enhance economic efficiency, a single usage charge based on the long-run marginal cost (LRMC) of water supply should be adopted.

The Commission estimates the LRMC of supply to Greater Adelaide to be around 62 cents per kilolitre. Assuming a similar level of cost in regional areas of the State where SA Water provides reticulated water, this would set a much better basis on which producers could ascertain whether to remain in livestock production and to use water from SA Water.

The current high cost of water and its effect on livestock production can be best illustrated by the details provided to Livestock SA by a livestock producer near Gladstone:

"Our farm is positioned along the Morgan-Whyalla pipeline and water is supplied to all the property via five meters. The yearly amounts are:

- 2008/09: \$1905.85
- 2009/10: \$1713.45
- 2010/11: \$2981.65
- 2011/12: \$4394.25
- 2012/13: \$6723.99
- 2013/14: \$6235.10

It is clear there has been a dramatic increase in our water costs, born by the same farm operation using it for all those years, namely; 40 beef breeders, 500 sheep, one rental house and our house.

We have diligently kept leaks to a minimum and have been adding taps to our troughs so we can turn them off when not in use. We always turn off any meters which have no stock on them.

The increase from 2008/09 to 2013/14 represents over tripling of the cost. Alas our beef, sheep and even dry land crops have not kept pace with this and we are in a classic cost/price squeeze.

We cannot replace the mains water with dam water because of the fact we live in the Rocky River catchment and would not be allowed to intercept water flow, and in any case dams filled by rainwater in our area would be unreliable from year to year.

Even if we turn off all our meters the fixed costs and supply charges would amount to approximately \$1600 per annum, which is totally counter to any water conservation initiatives.

I fully support a reduction in the cost of water to meters which supply water only to livestock as this is an animal welfare issue and all of the state should help to ensure good stock health and support our local food supply.”

A farmer from Robertstown has provided the following that reinforces this situation:

“Since 2004/05 there has been a gradual reduction of sheep on our property, particularly since 2011. We are now only running half the sheep we were 10 years ago, primarily due to the high cost of water. I would envisage we will be completely destocked in 5 years’ time.

Our financial figures for water rates are:

<i>2004/05</i>	<i>\$1158</i>
<i>2008/09</i>	<i>\$1442</i>
<i>2013/14</i>	<i>\$2238</i>

As can be seen our water rates have doubled in 10 years while running half the livestock. Even though we are only small producers it is still relevant for all primary producers reliant on SA Water and unless the situation changes there will be implications for the farming communities.”

The cost of mains water for livestock production is becoming a major problem in South Australia.

If the current price for water was set at 62 cents per kilolitre as ESCOSA has calculated, Livestock SA believes there could be an increase in livestock production and hence also an increase in water usage.

If the price of water is not reduced to a more realistic level, not only will this lead to reduced livestock numbers, but it will start to mean that less efficient management procedures will occur. For example, in times of drought producers had started keeping animals in drought lots as part of effective natural resource management on their properties – as water prices increase this will not be a feasible measure.

Currently SA Water pricing bears no relationship to the real cost of supplying stock water. As ESCOSA has stated *“the current charges have, over time, moved away from cost reflective levels”* (Dr Pat Walsh, 16 July 2014 Media Release).

If water prices continue to be artificially increased, there will need to be an adjustment package for those livestock producers reliant on SA Water.