



Time for change: the impact of forestry plantations on catchment yields is under the spotlight.

Our troubled waters

THE Murray Darling Basin is in crisis along with much of rural Australia.

A drought of historical significance is playing out, but other factors have contributed to the parlous state of our rural communities.

Life on the land has become increasingly difficult over the past 20 years.

Much of this can be attributed to the actions of both federal and state governments.

It is not just climate variability, but rather government policies, one after the other, making wealth creation from agriculture ever more difficult.

When it comes to making a mess of farming, managed investment schemes in forestry and agriculture must rank at the top.

Earlier this year the Australian Tax Office issued a new ruling on

Managed investment schemes will inflict yet more misery on rural communities and the environment, says ROBERT BELCHER

agricultural MIS which will, when implemented, strip them of the tax advantages which have enabled a handful of companies to embark on an unprecedented land and water grab at the expense of farmers.

The ATO is now saying that an investor in MIS is a passive, rather than an active investor in a primary production business, and should not be eligible for an upfront 100 per cent tax deduction.

MIS promoters have harvested a tsunami of funds from investors due to the 100 per cent tax deduction.

There has been an immense advantage to the MIS companies and promoters, running into

billions of taxpayer-funded dollars that could have funded much needed services for rural Australia.

Last year, the MIS sector bought 80-85 per cent of all tradeable water in the Murray-Darling Basin.

This year, huge dams are being filled by MIS companies even while the Murray River struggles to flow and the prospects for allocations next season remain grim.

The price of water has increased, and the ability of other agribusinesses to compete for water resources has declined.

Remember, this is a consequence of government policy.

The ATO and the Federal Government have finally seen the light and moved to abolish this unfair advantage.

However, the tax advantages for investors in forestry MIS have survived more or less intact.

The Government has also bowed to pressure from the MIS sector and granted another 12 months before the new ruling on non-forestry MIS takes effect.

This will result in an investor splurge to get the tax benefits and these MIS companies will go for broke in buying up even larger parcels of water.

Can anyone imagine a more vulnerable period for primary producers and agricultural communities?

Equally, if not more alarming are the threats to the water resource of the Murray Darling Basin of allowing investors in forestry MIS to continue reaping upfront tax deductions.

Inflows to the Murray were a record low last year, at 1400 gigalitres.

The CSIRO and other experts calculate that one hectare of plantation will consume 1.5 megalitres of water per annum, over and above what would be consumed by unirrigated farm pasture.

Furthermore, plantation water is free and unplanned.

The existing plantation area in the Basin absorbs about 750 gigalitres more water than the same area would if used for grazing. This water never leaves the plantation.

Had this area been farming country, last year's inflow to the Murray could have been as high as 2150 gigalitres.

By 2020 or sooner, the plantation estate will reach three million hectares, absorbing 4500 gigalitres more water than the farm pasture it replaces.

It is likely that one million hectares of this will be in the Basin, reducing the annual Basin inflow by 1500 gigalitres.

Anecdotally, wherever I travel in Australia, the common complaint from landholders adjoining plantations is the reduction of stream flow and aquifer resources, or the total loss of water.

Farmers lose out and the MIS sector wins at both ends. This is an illogical, unsustainable, unfair government-sponsored water grab.

Removing tax breaks for other agricultural managed investment schemes does not go far enough.

The Federal Government must wake up to the damage it is doing by sanctioning the continued exploitation of our water resource.

• Rob Belcher is chairman of Sustainable Agricultural Communities Australia