



Gilbert River Irrigation Area Demand Assessment Report

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Prepared by Blockey Consulting



Contents

| | | |
|----|------------------------|---|
| 1. | Introduction..... | 2 |
| 2. | Consultation..... | 3 |
| 3. | Industry Feedback..... | 3 |

1. Introduction

The Gilbert River Irrigation Area in Etheridge Shire has long been earmarked for further expansion, including by the State Government who undertook a series of investigations in this regard from 1998 to 2000. In late 2008, Gulf Savannah Development (GSD), representing Gulf local governments, put the proposed expansion back on the agenda and in April 2009 released the *Gilbert River Irrigation Area Investment Report*, accompanied by a *Supplementary Report*, which provided in-depth analysis of the resource position and data on agricultural production. The intent was to provide relevant information to the private sector and Federal/State Governments on the opportunities presented by the Gilbert River Irrigation Area, and to elicit investment interest.

Blockey Consulting was engaged by GSD in August 2009 to contact a range of private sector organisations and industry stakeholders to gauge the level of interest in the proposed expansion of the Gilbert River Irrigation Area. This report summarises the initial feedback from those organisations, based on the concepts presented in the *Investment Report*.

Two key traditional owner groups (Euwamian and Tagalaka) are also being consulted on the proposal. At the time of writing, one of these consultations has occurred, with in-principle support given. The outcomes of these consultations will be the subject of a separate report, once completed.

2. Consultation

Eighteen private sector organisations were contacted and discussions held in person or by phone. Consultations took place from August to December 2009. In addition a number of private growers have expressed interest in the Irrigation Area.

Details of the project were presented electronically and in hard copy.

| Grower Assoc/Research | Private Sector |
|-----------------------------|-----------------------------|
| AgForce | Banana Exchange |
| Aust Banana Growers Council | Energy Crops Aust |
| Growcom | Organic Biological Farmers |
| Innisfail Banana Growers | RM Williams Agricultural |
| Mareeba Fruit & Veg Growers | Rural Management |
| JCU | SunRice |
| Qld Dairyfarmers Org | Top Stock Agencies |
| Qld Pork Producers | Peanut Company of Australia |
| | Blue Ribbon Seeds |
| | Global Resource Management |

3. Industry Feedback

On the basis that the project information presented was conceptual only, and that the economic analysis in the Investment Report did not provide an estimate of the price of water, the general feedback to the concept was positive, with in-principle support given subject to further details being made available and ongoing consultation.

There was wide recognition of the potential of the region's water supply in contrast to the diminishing supplies in southern Australia, with support expressed variously for a new and alternative growing region in the north to mitigate against damage caused in other regions by cyclones, flooding and drought.

Many comments also reflected a commitment to the development of regional Australia, or as one person put it "anything that promotes the values of primary production would be supported." Another put it as follows: "with an increasing population to feed, and fertile land increasingly being used for housing, future food security is a major concern".

Specific responses by industry sector are shown below.

Fodder Crops & Grains:

Widespread support and interest for new growing areas for fodder crops and grains was expressed, particularly amongst potential buyers of such products. Included in the justification of interest was the fact that a large percentage of feed is imported currently from down south. In addition, the Gilbert River Irrigation Area was seen as ideal in being able to produce uncontaminated and high protein feed with better nutrient content; interest was expressed for wheat, soybean and canola.

Demand for fodder crops and grain could come from across northern and eastern Australia, particularly as the drought affects growing regions to the south; however, there is a ready local north Queensland market from cattle, dairy, pork and poultry producers. For example, it is understood that there are six farms and over 1,200 breeding sows on the Atherton Tablelands, each of which might produce up to 20 piglets. Poultry farmers on the Tablelands produce 80,000 birds every eight weeks. One estimate suggested there was potential demand for as much as 50,000 tonnes of soy to feed livestock.

Rice:

There appears to be opportunities unfolding in northern Australia, with dryland rice varieties being trialled in a number of locations. There was a suggestion that with strong worldwide demand, Australia should grow as much rice as it could. A major rice buyer group suggested that rice varieties grown would have to be for niche markets as Australia could not compete with the bulk production in Asia of standard long rice.

One of the companies contacted has formed a North Australian Taskforce which will be looking at projects on a case-by-case basis. Another company has advised that they have a strong interest in North Queensland, with packing facilities already established in the Tablelands and rice trials already underway: “at this stage we could see Mungbeans and Rice being our best options for production within the Gilbert River Irrigation Area. Both of these crops have very high international market saturation points and the increase in available export tonnage is unlikely to have any negative impact on the market price”

Peanuts:

Peanut production is already established in the Gilbert River Irrigation Area, and interest has been received from Tablelands peanut growers regarding expansion into the Gilbert River. The cattle grazing industry has also expressed interest in peanut by-products – particularly peanut hay. Although one major industry player initially showed interest in being a pioneer investor and producer, the company has since changed its approach and is no longer investing directly in production systems. However the company retains an interest in purchasing product from Northern Australia, particularly as it provides crops in winter, and it already has a mill in the Tablelands.

Bio-diesel & Energy:

There is strong interest, with one company “very enthusiastic”, with the rider that the growing region would need to be larger to achieve the economies of scale required for energy crops. Interest includes for soybeans and pongamia (‘oil tree’) – the demand for bio-oils is currently high relative to supply.

Beans:

An emerging prospect with new varieties being developed by the industry, requiring reduced water input and getting increased productivity, which could supply a big market worldwide – one eminent academic suggesting beans could “save the world”.

Fruit & Vegetables:

The Gilbert River Irrigation Area was seen as providing the potential to increase existing crops being grown in the area, such as mangoes. When it comes to bananas, 90% of the nation’s crop comes from north Queensland, centred on the Innisfail area. A lack of geographical diversification gives rise to one of the biggest threats facing the industry – by way of example, the impacts from the devastation to the crop was very evident following Cyclone Larry, when the price of bananas skyrocketed from \$2/kg to over \$20/kg – with its ensuing 0.25 basis point impact on the nation’s inflation.

The banana industry has advised that they are always looking for future alternative growing areas with suitable growing conditions (two key factors being temperature and water) to offset the impacts from urban sprawl, expansion of other crops, vulnerability to exotic pests and diseases, and threats such as cyclones.

There has been sustained interest from the banana industry in expansion of the Gilbert River Irrigation Area:

- the Australian Banana Growers Council “has identified a need to increase its geographical diversity of production and would look seriously at future opportunities in this regard”. They have also confirmed that the Gilbert River Irrigation Area is fully consistent with the industry Strategic Plan and that the industry would consider trials along the Gilbert River as soon as 2010
- the Cassowary Coast Banana Growers Association moved a motion of support for expansion of the Gilbert River Irrigation Area and noted that “there would be many in the industry interested”
- a number of private growers have also sought copies of the Investment Report and several have already begun work to identify properties along the Gilbert River.

There may be further interest from growers of different horticultural crops, and further investigation would be required to determine suitability of growing conditions for crops such as tomatoes, berries, mushrooms and citrus. Other advantages could be in the early harvest of crops, which could mean better prices.

There was strong support from the peak horticultural organisation for Queensland: “Growcom commends this project and endorses the further investigation and planning of the scheme, and encourages logistical and financial assistance from all levels of Government ... which will greatly improve Food Security in Australia”

Grazing Industry:

One of the most exciting expressions of interest has come from the cattle industry. A consortium is currently undertaking a feasibility assessment to establish an abattoir in the Gulf. The Gulf is currently a cattle breeding region, with stock sent elsewhere for fattening and finishing. The opportunity to fatten cattle in the region using crops grown with Gilbert River water, would localise the supply chain. The consortium is also looking at the potential to export from the region (via the Port of Karumba/ Normanton airport). This proposal has highly significant flow-on benefits in reducing carbon miles for the grazing industry, providing valuable employment opportunities (especially for the Gulf’s majority indigenous population), increasing the value of Gulf cattle production, enhancing international competitiveness through local export, and overall increasing the standard of living for Gulf residents.

It is understood the proposal covers a 3-run abattoir, capable also of processing donkey, goat and pig meat for Chinese market. The possible addition of a fertiliser plant using by-product is also under consideration.

Organic Region:

There was some interest in this concept, particularly in relation to unwanted chemical residues often found in fodder and grains. The Gilbert River region was identified as an area with few natural pests and diseases, and being relatively remote with limited threat of incursions, could be established as a natural organic region.

Issues:

A range of potential issues were raised during the consultation, as follows.

There was some concern about creating more agricultural land for fruit and vegetables – seen by some as already well supplied on the Tablelands, and with bananas in the Innisfail district. However, there was some acknowledgement that the horticultural industry is looking at risk management more seriously since Cyclone Larry. Additionally, it may not be possible to transpose crops grown down south into the Gulf region.

Price of water – there was a suggestion that if a full return on investment cost (total scheme) is required, then the cost of water might be prohibitive – whereas in the Ord, reportedly the cost of water is affordable. However, as the proposed dam would seek to recharge river aquifers (meaning that water distribution channels are not currently proposed), it is assumed that the price of water would be relatively low and thus attractive to growers. A consultant has been approached by GSD to provide an estimate of the price of water.

The cost of land could also become an issue as the scheme is proved up. Allocation (ML/ha) will be critical, particularly for some crops (needing 9+ML/ha), and in seasons with below average rainfall – there could be a need to irrigate for 9 months a year.

Transport is also a potential issue – critical being access to markets, possible seasonal isolation, and the cost of freight, both for export of product and import of supplies. Off-setting this, the region has good road access to southern markets and is on a road train route. There was some interest in a “closed loop” energy community – i.e. where the region grows energy crops for its own energy supply.

Supply of labour was another issue identified that would need to be overcome with increased production in the region.