

Landholder update from the Board

Friday 19 May 2017



The following is an update to landholders following a meeting of the Murray Irrigation Board of Directors on Thursday 18 May 2017.

As you no doubt will be aware, it has been a week of considerable change for the Murray Irrigation Board. The Board has appointed a new Chair and Deputy Chair. One of our independent directors, Dr Sharman Stone, announced that she was reluctantly stepping down from her role due to her growing commitments to the Commonwealth Government.

Following yesterday's Board meeting, the Directors agreed to provide landholders with an update of what was discussed and the decisions that they have made. The Directors want to ensure landholders that they are listening and are taking on board the constructive feedback received. The Board recognises that their communication with you to date has not been up to scratch, and that this has left you with gaps in the information you have about your company's direction.

Compliant meter credits and resource distribution

Following strong feedback from customers, and to give confidence for the upcoming season, the Board has agreed that you will have full access to any resource distributions (conveyance/supplementary) next financial year. There will be no sale of this water by the company in 2017/18.

As a result of this:

- The five percent Compliant Meter Credit will remain in place for 2017/18; and
- A three percent resource distribution announcement will be made on 1 July 2017 (subject to a one percent general security allocation).

Financial status of the business

The current forecast is indicating that 2016/17 has had a significant improvement on budget, driven by the higher deliveries of water, but also significant cost savings.

MILCast is showing signs of making a positive contribution to the financial performance of the business.

Also, PIIOP Round 2 remains on time and on budget.

The management team continues to work hard to stabilise the commercial operations of Murray Irrigation. The Board is confident that the current strategies presented to it will, within three to five years, allow for:

- The water delivery business to return to break even; and
- The ongoing turnaround of the MILCast business.

These initiatives have given the Board confidence to make the decisions regarding the Compliant Meter Credit and resource distributions.

Murray Irrigation will announce pricing for the 2017/18 season in June. The pricing will reflect the balance between your businesses' financial sustainability and the company's financial sustainability.

There is still a lot of work to do to ensure that we achieve the right balance between your financial sustainability (on-farm productivity) and the company's long-term financial future (efficient management of infrastructure).

Keeping landholders informed

Over the last three years, the organisation has been restructured to be more customer-focused. More recently, Murray Irrigation commenced a customer engagement process, conducting 28 meetings and getting feedback from customers representing 379 landholdings on the direction they wanted the company to take. Feedback on the process has been overwhelmingly positive.

The Board is now focused on ensuring it communicates clearly, and regularly with you. For example:

- The Board has agreed to provide an update to landholders after each Board meeting;
- A new Corporate Affairs Manager has been appointed (starting in June) to manage the way Murray Irrigation communicates with its landholders and stakeholders; and
- Management will shortly be providing those customers that participated in the customer engagement process with detailed feedback on the findings.

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Moving our focus to generating on-farm value

Murray Irrigation's core job is managing infrastructure to deliver water efficiently and effectively to irrigators. There has been an historical under-investment in the assets of the company and PIOP Rounds 2 and 3 are important parts of renewing and revitalising this critical infrastructure.

Murray Irrigation is entering the final, and most critical, stage of the PIOP Round 2 program. The Board was yesterday presented with key information and data on the approach and implications of the final commissioning stages of this project.

To date, the attention has been on the cost savings to be made from the PIOP Round 2 investment. The Board acknowledges that while this is important, the vital returns on this investment are on-farm. Our primary focus needs to move to maximising the on-farm returns for irrigators from this infrastructure upgrade, while also driving the efficiencies of this new infrastructure.

Murray Irrigation is conducting the biggest winter works program in its history in preparation for the commissioning of PIOP Round 2 in October. To unlock on-farm productivity, the Board will need everyone's collaboration and support. Undoubtedly, there will be technical difficulties that arise as the company switches over to the automated system. The Board and Management will work with customers to ensure the program is a success.

Improving Board accountability and behaviour

The Board of Murray Irrigation are your representatives, and in looking after your interests, need to conduct themselves professionally, and in accordance with both the codes of conduct of the company and their fiduciary duties required of directors under corporations law.

There are some specific issues around the code of conduct that the Board is currently dealing with.

Concluding remarks

Murray Irrigation is entering a challenging and exciting phase as the company brings one of Australia's largest agriculture infrastructure programs on-line over the next six to 12 months. The Board and management team look forward to working with you, and for you, to make Murray Irrigation a company we can all be very proud of.



Bruce Simpson
Chairman, on behalf of the Board