



Murray-Darling Basin water markets inquiry public forum – Mildura

7 November 2019

This document is not a verbatim record of the forum but a summary of the issues raised by forum attendees.

The views and opinions expressed are those of the attendees and do not reflect the ACCC's views or position on the issues summarised.

Thursday 7 November 2019, 11.30 am to 2.15 pm
Benetook Room, Alfred Deakin Centre
190 Deakin Avenue, Mildura, VIC

Attendees

Australian Competition and Consumer Commission

Mick Keogh, Deputy Chair

Steven Ridgeway, Commissioner

Marcus Bezzi, Executive General Manager

Bruce Mikkelsen, Executive Director

Other ACCC staff.

Interested parties

Approximately 145 interested parties attended the forum

Opening of forum

Deputy Chair Mick Keogh opened the forum by welcoming the attendees. He outlined that the ACCC's Murray-Darling Basin water markets inquiry has two key information gathering components: firstly, the public forums, and secondly, the obtaining of information and documents from market participants through the ACCC's compulsory information gathering powers.

Deputy Chair Keogh informed attendees that the ACCC will take notes of the matters discussed and publish a summary on its website, but that this summary would not identify or attribute comments to individuals.

Summary of issues

Attendees discussed the following issues during the forum:

Issue 1 – Trends in water markets and prices

Many stakeholders raised concerns about water prices being too high. Stakeholders put forward various opinions on why water prices were so high, including:

- Expansion in permanent plantings is contributing to stronger demand for temporary water
- The need to buy water to keep plantings alive, causing demand to be insensitive to price changes
- Uncertainty of predicting allocation announcements is contributing to stronger demand for entitlements to manage risk
- Many irrigators sold their water entitlements after the Millennium drought and the global financial crisis to clear debts, contributing to stronger, inelastic demand on the temporary market
- The existence of investors that do not use water is contributing to increased prices
- It was also suggested that retired farmers are the single largest demographic of water licence holders who do not use water
- The ongoing drought and low inflows into the system are resulting in lower supply
- Carryover practices and storage implications (e.g. spills), particularly associated with the practice of carrying over allocations in low security entitlement accounts
- Restrictions on inter-valley trade are causing market distortions
- Alleged misinformation by some brokers to pressure irrigators into buying water before prices rise higher, contributing to stronger demand.
- Price volatility being driven by inter-valley trading windows and rules.

Issue 2 – Water market transparency

The general view was that there needed to be more transparency over regulatory decisions, institutional settings, market information and market behaviour. In particular:

- Attendees advised they did not know how much water was on the market on a given day
- Widespread regulatory, policy and price uncertainty mean that irrigators find it very difficult to plan ahead
- Stakeholders generally considered that market information is available but that it is difficult to get a sufficiently wide understanding of market factors. It was advised that small irrigators were at a disadvantage to large corporate businesses who have specialised staff/employees to keep abreast of market changes
- One stakeholder suggested there is prevalent misinformation and the market is being monopolised by those who have the most information and knowledge

- Stakeholders specifically suggested that more transparency was needed over the volume of stored water for allocation, carryover and environmental usage, and over the accounting of transmission losses, to better understand the drivers for temporary water prices
- Stakeholders suggested that the use of water for environmental purposes should be made more transparent
- Many stakeholders said they wanted greater transparency and certainty over inter-valley trade rules and practices
- It was suggested that there should be a single trading platform, perhaps like the ASX.
- It was also suggested by another stakeholder that it is not clear how a system like the ASX would apply to water markets and that, in any case, it would not remove the need for brokers
- One stakeholder said it would be beneficial for trade information to be published, including buyer, seller and price details.

Issue 3 – Water market regulation

There was widespread concern that water market regulation was not achieving desirable outcomes. In particular:

- There were strong concerns that state governments are not working together on policymaking. Many asked for accountability for state policies that have caused social harm and for policy divergences that have distorted water markets
- Many stakeholders considered that the current policy settings and regulatory interventions were not thought out and had been developed without forward planning. For example, government water buybacks did not retire the land, meaning that demand for water did not decrease following the buybacks.

Stakeholders also raised specific policy and regulatory suggestions, including:

- Restrictions on new plantings
- Regulations that discourage market speculation
- Mandatory disclosure of water-related interests by parliamentary members
- Removal of percentage-based brokerage commission fees as they may cause a conflict of interest and incentivise brokers to drive up water prices.

Issue 4 – Water market participant behaviour

Stakeholders raised concern over a number of alleged market participant behaviours, including:

- Alleged hoarding of water by some market participants, particularly investors and speculators, causing reduced liquidity
- A perceived practice among certain brokers of driving up water prices by painting a picture of scarcity and rising prices
- The use of environmental water during the drought.

Issue 5 – Water market competition and objectives

Many stakeholders were concerned that water markets are delivering unwanted social, economic and environmental outcomes. In particular,

- Small irrigators, especially dairy producers, are not valued or considered by policy makers and are being priced out of water markets
- There is a trend towards monoculture as some industries are priced out of the water markets. Many stakeholders expressed a view that having a diversity of agricultural industries was socially and economically valuable
- Alleged repeated flooding of the area around the Barmah Choke to accommodate delivery demand, resulting in damage to the natural environment and water wastage from transmission losses
- One stakeholder suggested that irrigator and environmental interests should not be pitted against each other, and that the community must be prepared to change its mind
- Water is still over-allocated despite the government water buybacks, because of reduced inflows and because state government policies are not aligned in addressing this issue
- Stakeholders questioned the value inherent in the water market that water go to the highest bidder.