



# Murray-Darling Basin water markets inquiry public forum – Murray Bridge

29 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.

Friday 29 November 2019, 12:00 pm to 2.15 pm  
Murray Bridge Golf Club  
40 Ritter Street, Murray Bridge, SA

## Attendees

### **Australian Competition and Consumer Commission**

Mick Keogh, Deputy Chair

Steven Ridgeway, Commissioner

Bruce Mikkelsen, Executive Director

Other ACCC staff.

### **Interested parties**

Approximately 50 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 would 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**

Stakeholders voiced a range of views about trends in water prices, including:

- Water prices are currently unsustainably high
- There is incentive for those who hold water, but not land, to drive prices up
- The opening up of the market has led to an explosion in demand for water without an increase in supply and therefore there is oversubscription to the system and the states have overcommitted water resources
- The market has created scarcity and therefore higher prices, which knocks out the lower value end of producers (for example, grapes and dairy)
- The exploitation of different regulations is pushing up the market price
- Even though there are different classes of water products to deal with permanent plantings as opposed to annual crops, not all permanent plantings are operating with permanent or high security water
- Inflows from rainfall are less than expected
- Farmers had purchased water because the forecast was for an 80% allocation, but the allocation reached 100%, which has led to losses for many.

### **Issue 2 – Water market transparency**

The following comments were made by attendees in relation to water market transparency:

- More transparency is required over allocation forecasting as multiple stakeholders had made business decisions based on a lower forecasted allocation
- Forecasted water usage for regular intervals (for example, monthly), and information about the overall demand on the system, including increases in plantings, would assist them in assessing the demand for water and price forecasting
- Some stakeholders rely on the water pricing information they receive from brokers, including in the form of weekly email updates
- Larger operations had the time and money to exploit a better understanding of price information and knowledge, including, for example, the fine print of inter-valley trade rules. It was considered that small irrigators were at a disadvantage to large corporate businesses who have specialised staff for this purpose
- It was difficult to make comparisons with dam levels compared to the previous drought, as there is a lack of information on how much volume is stored for irrigation and environmental usage, and over the accounting of transmission losses, which limits an understanding of the supply in the system
- The lack of a single portal for trading and registration of trades was frustrating for attendees. Several stakeholders raised that it would be beneficial for trade information to be published, but on a regional basis, rather than a name basis.

- The details of SA Water trades should be available.

### **Issue 3 – Water market regulation**

Stakeholders raised specific policy and regulatory suggestions, including:

- A one trade rule, where water can only be used for irrigation and cannot be sold once bought
- Regulations that encourage a balance between permanent plantings and annual crops
- Equal rights and treatment for environmental water holders
- Regulation to discourage exploitation between different rules around carryover and inter valley trades.

### **Issue 4 – Water market participant behaviour**

One stakeholder raised concern over the perceived practice of certain brokers driving up water prices by painting a picture of scarcity and rising prices.

### **Issue 5 – Water market competition and objectives**

Stakeholders expressed their views about competition and market outcomes as follows:

- There was frustration voiced at delays by governments to address the issues in the Basin and the rotations of water ministers
- Many stakeholders considered that water markets are delivering unwanted social and economic concerns, for example that small irrigators, especially dairy and grape producers, are being priced out of water markets
- Several stakeholders summarised the overall problem to be that that water is over-allocated and the system is oversubscribed, because of reduced inflows, and increasing demand, and planners relying on water users not using 100% of their allocations
- Many stakeholders considered that the “family farm” was not valued or considered by policymakers
- One stakeholder expressed that a benefit of the Basin Plan was that the environment was now a legitimate water holder and did not have to fight farmers for water. Several stakeholders expressed that modelling was based on spills, which are beneficial to the environment and are not wasted water
- One stakeholder raised the issue of market concentration, in terms of how much of the total pool any one user owns, and expressed concerns over an unhealthy level of market power in certain catchments.