Murray-Darling Basin water markets inquiry public forum – Narrabri

21 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 21 November 2019, 11.00 am to 1.00 pm
The Crossing Theatre
117 Tibbereena Street, Narrabri, NSW

Attendees

Australian Competition and Consumer Commission

Mick Keogh, Deputy Chair

Bruce Mikkelsen, Executive Director

Gwendolen DeBoe, Director

Other ACCC staff.

Interested parties

Approximately 30 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 shared a range of views about changes and trends in water markets. These included:

- Although there is currently very little water in the northern Basin, stakeholders considered that the water markets in the Namoi area had evolved relatively well
- Stakeholders expressed some concern around the difficulty to trade water in the region, referring to how certain rules apply
- Carryover has had a positive impact and has allowed for good decisions to be made
- The price of water has increased substantially in recent years and ongoing water price increases is concerning
- Continuing drought conditions lessening supply and increasing demand were the main market drivers for the price increases.

Issue 2 – Water market transparency

Stakeholders' main observations about water market transparency in the region were:

- Water losses need to be more transparent
- Further transparency of trade or entitlement ownership is not required. There was concern that transparency over who holds water entitlements may result in unsolicited approaches to buy water from entitlement holders
- Many participants felt that adequate market information was available and that it was a matter of putting the time into understanding it
- The northern Basin faces different issues to the southern Basin
- Participants did not have concerns about who was conducting trades, and stated that most trades in the region occur 'farmer to farmer' and there was little intermediary involvement.

Issue 3 – Water market regulation

Stakeholders' views in relation to water market regulation included:

- There was regulatory fatigue in the region, and that constant regulatory changes did not help in creating a stable and functioning market
- There is a lack of understanding about why certain regulations are there, including different regulations applying to different industries
- The unpredictable nature of regulatory decisions increases risks for farmers and regulations are removed or modified without considering the consequences
- There has been a loss of local expertise as government departments reduce their presence in regional areas

- The extent to which rules are actually enforced varies across regions
- There is a lack of understanding of the water metres and whether they are compliant
- There was concern about the MDBA's role in compliance
- There are lengthy approval times which have made certain trades impossible
- Water sharing plans are not being reviewed as promised.

Issue 4 – Water market participant behaviour

Stakeholders shared the following views about water market participant behaviour:

- Market intermediaries were not a major factor in the region
- While there was little water in the northern Basin, they considered the confidence in the market was worse in the southern Basin due to the involvement of intermediaries.

Issue 5 – Water market competition and objectives

Stakeholders considered the following as the main factors influencing the market in the region:

- The prevalence of annual cropping in the region determines how irrigators interact with the market, and reduces the use of water products such as forwards
- The geographical limitations of the region, particularly for ground water trading, mean that trade in some areas is not common
- Stakeholders also raised some concern around penalties for negative accounts and how this differs between regions.