Submission to ACCC Inquiry into Water Markets in the Murray Darling Basin

2019
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The Almond Board of Australia

The Almond Board of Australia is an industry development body for the Australian almond industry. With its Board structure, the ABA represents approximately 98% of Australian almonds produced, processed and marketed and is responsible for the industry’s strategic planning and implementation on a whole of supply chain basis.

The Almond Board of Australia is the sole representative body for the Australian almond industry including growers, processors and marketers. The ABA Board comprises seven Grower Directors representing the five producing regions and four Processor / Marketer Directors. Two of the Marketer Directors represent Olam and Select Harvests which are integrated businesses that together grow, process and market more than half of the Australian almond crop. Another Marketer Director represents Nut Producers Australia that process and market for a handful of medium sized orchard enterprises. A further Marketer Director is from Almondco that processes and markets the production of the majority of growers on a co-operative basis. Bright Light Almonds produces and markets their crop and is seeking to build their own processing facility. Some small growers process and market their own crops through farmers markets, directly to health food stores and some is exported.

The ABA implements the industry’s strategic plan with the primary objectives of decreasing costs and risk, increasing demand and value and providing a good operating environment for industry participants.

In 2018, the ABA modified its strategic goal from growing the industry to developing the industry in recognition of the risk to input surety that the rapid expansion of the industry posed to existing almond producers and other irrigators. Water deliverability lay at the heart of this decision.

The ABA has surveyed grower members and a summary of the responses is attached as an Appendix to this submission.

Almond Industry Background

The global almond industry is a profitable one based on an increasing demand for almonds by those aware of the health benefits of nut consumption, increasing interest in plant-based diets and the versatility of almonds used as whole nuts through to almond meal and paste. The domestic market continues to increase consumption with year to date figures showing a 9% increase that has been typical over the past decade.

Export demand has also matched available supply that has grown rapidly for the past decade as orchards planted in the mid-2000s matured. A further planting phase from 2016 has resulted in a 50% expansion of orchard area to 45,000 hectares. In 2018, winter plantings added 2,665 hectares. The 2019 figure is not yet known.

Almonds are a highly suitable crop for horticultural production in Southern Australia. They deliver a high comparative return, are not impacted by fruit fly, are durable with a long shelf life compared with fruit and vegetables, and are harvested mechanically thereby avoiding issues with harvest labour.

The 30% increase in production in 2019 has resulted in record monthly shipments of almonds to export markets during the period from April through to August. During these months, the smallest tonnage increase was 23% whilst the largest was 92% in June with 13,754 tonnes shipped. 62,445 tonnes have been shipped from March to the end of September, surpassing total exports for the entire 2018/19 marketing year.

Compared to the same period in 2018, export volume has increased 33% whilst the value of exports has lifted 55% to $636 million. With five months of the marketing year still to go, the vast majority of the 2019 crop is committed if not already shipped.
The following graphic shows the increase in almond area planted since 2006 and the current distribution between production regions.

The Winter 2019 planting data is not yet available but is likely to be similar to that of 2018 at 2,700 hectares. This would take the industry’s orchard area to 47,800 hectares. Based on reports from growers their concern about water deliverability and cost has curtailed some plans to plant new orchards although it is expected that the industry will reach an area of 50,000 hectares in the next few years.

Much of this expansion has occurred with the producers holding a range of permanent water entitlements from zero upwards. Few hold sufficient permanent entitlement to fully service their irrigation needs in times of full allocation. It is unlikely any would hold sufficient in times of significant reductions in times of significantly reduced allocations.

Conventionally planted almond orchards take seven years to mature to full production as trees fill the row space. Water requirements increase as the trees develop and at full maturity growers are typically applying between 12.5 and 14 megalitres a hectare. Research has shown yields at these levels of irrigation combined with good nutrition practices are greater than when application rates are less. The amount and timing of annual rainfall together with temperatures experienced during the growing season impact on irrigation volumes applied during a year.

The industry has mainly drip irrigation systems (94%) and some low level sprinklers (6%). In recent years, there has been a move from soil moisture monitoring to plant based sensors to better match tree needs to water application. This sophisticated scheduling technology has potential to reduce application rates from 14 megalitres per hectare to 12.5 megalitres per hectare.
Additional research is investigating the benefits of adding almond hull and other organic matter as soil amendments to improve light Mallee soils to better hold moisture and release it to the plant during periods of hot weather.

Despite these improvements in water use efficiency, the industry’s total water use has increased as new orchard area has been added and trees mature. The water use on currently planted orchards will continue to increase until 2026 before plateauing once the trees fill the row space.

Once fully mature, the current area planted will produce 153,000 tonnes of kernel and at today’s returns to growers the Australian almond industry will be worth $1.3 billion at the farmgate, and considerably more at the wholesale level.

The almond industry’s expansion has been transparently reported. Less clear is the expansion of other permanent crops where statistics lag well behind the current position.

The expansion of the almond and other industries has been facilitated by the separation of land titles and water entitlements. The water market has directed water to the higher value crops. The almond industry in the past two years has become increasingly concerned about the deliverability of water below the Barmah Choke during the peak of the irrigation season. This has been exacerbated by uncertainty regarding the use of the Mulwala Canal which we understand provides a more efficient passage in terms of time and evaporation compared to water travelling through the Choke. The diminishing capacity of the Choke due to damage to the riverbanks by over bank flows and also wake boat activity needs to be addressed.

A survey of major almond producers has revealed that they would willingly pay a per megalitre levy to utilise the Mulwala Canal to ensure reliable and efficient water delivery throughout the irrigation season.

The distance between the major water storages and the major permanent crop water users leads to inefficient flows as the 17 day journey between release and arrival in Sunraysia is a timeframe beyond the Bureau of Meteorology’s capacity to forecast weather with accuracy. This impacts on the volume released.

Increased storage capacity closer to the production regions would be beneficial and assist in addressing deliverability concerns.

The concerns regarding the deliverability of water volumes required to meet demand in the height of the irrigation season and the ongoing increase in demand leading from the approval by States of new water use licenses, (a generic term to cover the different approval to irrigate terminology in New South Wales, Victoria and South Australia) led the ABA to develop a water policy early in 2019.

The almond industry water policy aims to ensure the Murray Darling Basin river system and its environs are healthy and can sustainably support a prosperous, diverse irrigated agricultural sector and its communities. The actions sought and the supporting information in brief for the policy follow:

1. A moratorium on all new water use licences pending a review of the system’s capacity to deliver water to support more development, without adverse third-party or environmental impact.

State river managers are experiencing increasing difficulty delivering water to meet increased demand from new horticultural development. For example, on the Victorian side, diversions between Nyah and the SA border have increased from 360 GL in 2011-12 (30 per cent of total Victorian diversions) to 540 GL in 2017-18 (40 per cent of total Victorian diversions).

The change in the location and demand for water is increasing conveyance losses during dry seasons, potentially reducing the water available for allocation. An increase in the volume and duration of transfers through the Barmah Forest and the Goulburn River is causing environmental damage.

Victoria, New South Wales and South Australia should impose a moratorium on new water use or extraction licences pending review whether the system can support additional development. In the meantime, trade in licensed extraction rights (Cap and Trade System) to support new development should be considered.
2. The ACCC conduct an inquiry into water market trading rules, including but not limited to the existence of, or potential for, not-competitive conduct by non-water using investors.

This action, now being conducted, was based on an analysis of water trading that indicated speculators are active in the allocation market. The aim of the call for the ACCC inquiry was to establish if their activity was distorting prices and availability in dry years. The last ACCC inquiry into water market rules in 2010 recommended no restrictions on participation, in large part because speculators had not materialised.

Currently the market is dominated by non-water using accounts with no links to land and not set up for irrigation. For example, in 2017-18, 238 GL (21.9% of total purchases) of Victorian allocation was bought into accounts unlinked to land or irrigation, compared to 43 GL in 2014-15 (5%).

Ownership restrictions need to be reconsidered for entitlements and the trading rules for annual allocations.

3. A unified water register and clearance platform combining all the State-based registers to provide transparent and ‘real-time’ market information and the application of consistent rules across the southern connected Murray-Darling Basin, combined with an appropriate and enforceable compliance regime.

Water trading data currently must be sourced from three different State registers with varying formats and degrees of detail and timeliness. This makes it impossible to accurately track trades and monitor potentially anti-competitive conduct distorting the market.

The almond industry supports a similar level of transparency to that which applies to the ASX. It is believed that categorising buyers and sellers would provide an added level of transparency.

4. Registration and regulation of water brokers, consistent with standards in other sectors such as real estate and stockbroking.

Water brokers are only regulated through a voluntary Code of Conduct. They need to be registered and regulated consistent with standards in other industries.

5. Resolve outstanding implementation issues identified by the Productivity Commission and current Murray-Darling Basin Plan such as constraints, before any further water recovery from the consumptive pool.

The Basin Plan is on track without needing to recover more water from irrigators at this stage. The 2024 review is the appropriate time to consider whether more is required.

The environment now owns ~2,000 GL or 28% of entitlements in the southern Basin; 28% less water to support irrigated agriculture is driving up scarcity and water prices. Another 450 GL cannot achieve the hoped-for additional environmental gains unless constraints can be addressed.

Negotiating agreements with thousands of landowners will take many years. In the meantime, the 450 GL would accumulate in storages, or require damaging high-flow transfers to South Australia.

The ABA circulated a shortened version of the ACCC Water Inquiry Options Paper to almond growers and received 33 responses comprised of 17 full and 16 partially completed surveys. 45 growers opened but did not complete the survey. Their responses have been compiled and are submitted as an Appendix to this submission.
Market Trends and Drivers

The variable climate, with droughts and occasional flood as its extremes, is the key driver of the water market.

Removal of 20% of water from the consumptive pool for the environment has been necessary but it is impacting heavily on the market.

The increase in permanent crops occurring mainly below the Barmah Choke and more specifically in Sunraysia, the Riverland and Riverina has been significant. The profitability of almonds, citrus and table grapes has driven significant expansion in these industries whilst slower growth has occurred in other permanent crops.

The expansion of these crops has assisted these regions adapt to the economic challenge posed by the reduced availability of water for consumptive use with the implementation of the water buybacks for the environment under the Murray Darling Basin Plan. This challenge for river communities will intensify in future should further buybacks be required to meet the required environmental water component of the Plan.

The ABA is of the view that the Plan has set the appropriate level of water required for the environment until determined otherwise by scientific review. It is our further view that further holdings of water for the environment by private funds or individuals above the level in the Plan should be held for that purpose alone and the volume held deducted from any further volume to be recovered for the environment and held directly by the Environmental Water Holder.

The impact on water for consumptive use from crowd funding or the like to invest in water for the environment should be addressed.

The increase in permanent plantings has created a situation where the reliability of supply is critical, as unlike annual crops, the sunk investment in vines and trees is jeopardised by severely diminished levels of irrigation. With less than optimal application rates crops suffer in the immediate year and yields can be diminished for a number of years following. Given this, irrigators of normally profitable crops will opt to endure losses to maintain their productive asset. As a result of the Millennium drought coupled with the global financial crisis and the ensuing tightening of credit many growers chose or were coerced to sell water entitlement and rely on the temporary water market.

In addition, many farmers who have sold their properties have kept their water entitlements. It is now an uncommon practice to sell water entitlement with the land title. This has again added further demand on the temporary water market.

The expansion of the almond industry plantings from 2015 will lead to an increase in total water use estimated to be 258 gigalitres when comparing the irrigation needs of the planted area in the Southern Basin in 2014 to those of 2018 once trees recently planted are fully grown in 2025.

The upturn in permanent plantings has inevitably increased demand for water and this will continue to build into the future as vineyards and orchards mature.

Deliverability has become a concern as the capacity to move sufficient volumes of water to where it is extracted in the peak of the irrigation season is physically constrained, particularly when downstream environmental flows, now more prevalent than before the Plan, coincide.

The Victorian government has recognised this issue and is conducting a review into deliverability and Minister Neville has stepped in to manage the approval process on the issuing new water use licenses. The ABA supports both these actions.

The management of environmental flows is an area that needs development to ensure the manner and timing of application of water is optimised whilst considering the needs of irrigators. The Catchment Management Authorities (CMAs) that manage the delivery of water to the environment in their regions have their budget determined based on the volume pumped, a situation that may lead to sub optimal application given staff positions within the organisation are linked to the volume applied and hence funding received.

The increasing demand from horticultural developments will continue to put pressure on water prices and it is a concern that annual crops may be priced out of the water market. These industries offer diversity and are a
necessary source of adjustment in demand in years of drought and reduced allocations. Without this adjustment capacity the permanent crops will be impacted during periods of drought.

The unbundling of water has facilitated this development of higher value crops. However, the holding of water by non-water users or by those holding more than required to service their irrigation needs and the role they play in temporary water prices being higher than would be expected under a fair market, will be an outcome of the inquiry eagerly awaited by almond producers and irrigators in general.

The temporary water markets in the segregated zones and types are not large and it is strongly believed they are open to manipulation. This belief is based on the view that the temporary water prices experienced during 2018/19 appear unrelated to water storage levels.

A further factor influencing the price of water is the reliance on water brokers for information about the market. With their reward linked to the price, brokers are incentivised to talk the market up. The “Buy now as it will be more tomorrow” rhetoric is certainly a factor. It is a tactic by large water traders to create similar anxiety in buyers’ minds. Some claims in the press attributed to a large trader have exaggerated well beyond the realms of fact what almond producers are in a position to pay. This could be viewed as being done with the deliberate intention of misleading buyers to influence the price they would receive.

The changes to the requirements for producers to have the water before they use it or face criminal proceedings has placed further power in the hands of sellers who can withhold temporary water from the market knowing that buyers must maintain positive water accounts and purchase before a deadline that occurs at least four times a year. Sophisticated traders are aware of the water position of large producers and can utilise this knowledge to their advantage.

The current price of permanent water has risen to a point where new almond developments are not viable if the purchase of permanent entitlement water is factored into the equation. Permanent water at a cost of $7,000 to $9,000 per megalitre would add $98,000 per hectare to the cost of a development. Added to the cost of the irrigation system, plant material, labour, equipment etc. the returns do not warrant the risk of the investment. This leads to a dependence on the temporary water market.

**Market Transparency and Information**

The almond industry has a mix of large corporate growers and smaller growers with 70% of properties being less than 100 hectares and 18% larger than 200 hectares.

Most larger growers have managers responsible for water procurement and despite this being the major part of their positions they are thwarted by a lack of transparency in the market. The ABA believes a similar level of transparency of information is required as applies to the Australian Securities Exchange.

The current Bureau of Meteorology platform is insufficient and an enhanced platform is required that provides a categorisation of sellers and buyers information and more accurate and timely pricing information. The recently released audit was damning. An explanation is required for $0 trades and for those occurring well below other trades at the time. If non-cash consideration is part of the agreement then this should be disclosed.

Many growers rely on water broker pricing information that is not comprehensive and could be seen to be selective in nature for the purpose of sustaining high prices.
Regulation and Institutional Settings

The almond industry believes the underlying principle needs to be that the water market best serves irrigators in their endeavours to generate agricultural products and not to facilitate the movement of revenue generated to those benefitting from a distortion of the water markets.

As noted previously, water markets in various zones and types of water entitlements are not large and therefore are more readily manipulated than larger markets. The requirement for growers to have water by certain points of time also adds power to sellers. The large and increasing holdings of water by non-users is a significant proportion of the water that is available for lease each year.

To limit the impact of speculators and those with the aim of market abuse it has been proposed that water entitlement should be transferable only once a year. However, the management of this may not be practical.

The continued issuing of water use licenses by State governments has built demand past what may be considered sensible and threatens the viability of many existing irrigators, particularly when drought conditions are being experienced. The loss of annual cropping industries in the Southern Basin will impact heavily on permanent cropping industries during drought, as will the further shrinkage of water for consumptive use if buybacks for the environment are required to meet the Plan’s environmental water target.

The water market’s aim when water was unbundled was to move water to higher value crops and it is doing this but the current market structure, as it is operating, is seeing the profits of farming enterprises being heavily diminished as the profits and assets of the water entitlement holders surge.

This is leading to significant industry adjustment. There has been much talk of maintaining the asset value of water entitlements held as superannuation for retirees but in doing so the asset value of many farming enterprises and dependent businesses are suffering.

From the almond industry’s perspective, we would like the decision making on inter valley transfers to be more predictable and transparent. It is widely understood within the agricultural community that the decisions are based around minimising harm to industries with political influence more than the stated reasons in press releases. Trade restrictions need to be based on actual constraints and supported by independent analysis of system capacity.

It is recognised that regulation to achieve a fair market without manipulation occurring is a difficult task to achieve. However, it is galling when market interference is invoked to limit inter valley transfers and create a higher price in some zones than others and distorting an imperfect market further. Along with many other irrigators reliant on the temporary water market, almond growers want confidence the market is not being abused and there are appropriate consequences if market manipulation is occurring.

Carryover is a complex area. It has been proposed that non-water using accounts should not be able to carry over water. However, it is recognised that with the emergence of new water products, such as multi year leases, that these are valuable to irrigators and carryover is a useful tool in delivering this product. However, the use of carryover to deliberately short the market during drought periods is an undesirable outcome.

Market Participant Practices and Behaviours

The Almond Board of Australia’s water policy is seeking the mandatory licensing of water brokers. The licensing provisions should provide guidance on acceptable practices particularly around conflict of interest. The compliance requirements for licensed real estate agents and stockbrokers should form the basis of one for water brokers. It should be uniform across States and have appropriate penalties if breaches occur, something the Australian Water Brokers’ Association’s voluntary code of conduct lacks. The ABA’s public stance on this action has received both support and condemnation from within the water broking industry.
Concerns regarding market manipulation and market abuse have been covered in the previous section. It is appropriate to leave examples of how behaviours of market participants have impacted water market access, transparency, efficiency, and competition to the firsthand accounts of irrigators.

What is clear is that water brokers and investors have used the lack of accurate information to support why prices are where they are at to escalate prices. The public meetings heard that irrigators are swamped with messages about predicted substantial price rises with some spruikers using prices obtained on small water entitlements as evidence.

**Competition and Market Outcomes**

The National Water Initiative (2004) led to the further development of water markets leading to positive and negative impacts depending on the crop and dependent communities.

Crops like almonds have benefited from the unbundling of water from land and in doing so has contributed to the rapid rise in value of irrigated agriculture in the Southern Basin from $5.2 billion in 2009/10 in real terms to $8.6 billion in 2017/18. This figure needs to take into account the long period of drought that had been experienced up to 2009/10. The $2 billion cotton crop in 2017/18 accounts for much of the growth but fruit (including grapes) and nuts grew from $2.15 billion in 2009/10 to $2.88 billion, an increase of 34% in eight years.

These figures will be influenced by the value that the fruits and nuts were traded at as well as the volume produced. However, the plantings of almonds, table grapes and citrus has responded not only to strong prices in domestic and global markets but also the improved trading environment with market access and trade agreements reducing tariffs in key export markets. At the same time the rice, dairy and mixed grazing industries have declined in the Southern Basin. The price points where irrigators in different industries cease purchasing water on the temporary market shows water is being directed to the higher value crops.

It should be noted that whilst more water is being extracted by irrigators below the Choke, significant volumes of water for the environment have been secured from regions downstream of Barmah.

The competition for water has led to high prices for temporary and permanent water entitlements with Aither reporting the value of Southern Basin entitlement has increased 370% since 2013.

There is mounting concern that the increasing cost of temporary and permanent water is adding substantially to the cost of production for farmers in the Southern Basin and adds to the challenge of marketing Australian irrigated products in competitive export markets.

The competition for water has meant that irrigators are looking to both manage water optimally to generate high revenue per megalitre applied and manage water acquisition cost effectively. For some large producers this latter challenge has led to employing specialists to manage water purchases strategically to get the best outcome from an increasingly complex market where clarity and timeliness of information is not readily available.

Smaller irrigation enterprises face the same challenge but do so for the most part without specialist staff.

From the supply side, the profits to be made has seen sophisticated broking and trading businesses develop. In some instances, these being one and the same, a situation not accepted in other markets.

The development of new water products has provided options to help irrigators manage cost and risk better.
Potential Solutions

The problems and potential solutions have been included in the text above. The following provides a collation of the potential solutions.

1. The water market is developing in ways that are benefitting irrigators, communities with high value crops, and the nation in directing water to where it can deliver most value but it needs to do so in a manner that cannot be manipulated to extract unwarranted returns to water holders.

2. If practical, allowing temporary water to be transferred only once a year would ensure the purchaser's intention was to use the water for productive farming.

3. A single water market platform is required to provide timely and transparent information as a way of providing true and useful information to market participants.

4. A uniformity of descriptive language between States would be beneficial.

5. ASX type disclosure provisions should apply to the water market.

6. Mandatory licensing of brokers should be introduced with similar conduct requirements to those applied to Real Estate Agents and Stockbrokers.

7. Delivery capacity needs to be considered when water use licence applications are considered by State governments.

8. It is important that real water delivery constraints are expertly assessed in limiting inter valley transfers and are not a source of market distortion.

9. Delivery solutions that may involve a heavier utilisation of the Mulwala Canal and storage capacity closer to production regions need to be developed.

10. Improvement of weather forecasting to allow irrigator flow requirements to be determined would assist river management.

11. It is crucial that environmental water use is optimal and not just pumped to ensure regional funding is retained.

12. Water privately held for the environment needs to be accounted for and deducted from government held water for the environment as water removed unnecessarily from the consumptive pool will increase prices for farmers and reduce the nations productive capacity.

13. The Murray Darling Basin Plan should be implemented to provide healthy rivers and environs, but it is important that the additional water required is delivered from the efficiency projects and not from buybacks from the consumptive pool.
Appendix - Almond grower survey to inform the Almond Board of Australia’s response to the ACCC Murray-Darling Basin Water Market inquiry

The following are collated responses to a survey of almond producers responded to by 33 growers who answered the survey in full (17) or partially (16).

The Australian Competition and Consumer Commission (ACCC) has released its issues paper on its Murray-Darling Basin water markets inquiry. The ACCC has been asked to recommend options to enhance markets for tradeable water rights, including options to enhance their operations, transparency, regulation, competitiveness and efficiency.

The ACCC has invited irrigators to express their views, particularly on the following key areas:

- The factors driving changes in water markets and water prices;
- How market participants (including irrigators, investors, water brokers, water exchanges, water registries and others) use market information; and whether water markets are sufficiently transparent;
- How market regulation, regulatory agencies and policy differences between states and trading zones have affected water markets;
- How the practices and behaviours of different market participants and interested parties impact water markets; and
- The extent to which the objectives of water markets have been achieved, and how overall market competition and efficiency have changed over time.

Thirty-seven questions were taken from the ACCC Issues Paper and circulated to grower members to canvas their opinion and feedback (11th November – 24th November) for inclusion in the industry-wide response.

Issue 1 – Market Trends and Drivers

The ACCC is interested in exploring trends in water supply and demand, in particular since 2012, and their potential impact on water prices, trading and other market activity. The Inquiry will also investigate other factors impacting market operation, such as changes to the mix of market participants, changing behaviours and any other relevant trends.

Where possible, please include supporting information and specific examples in your responses:

1. How and why have you used water market products such as leases, forward contracts, options and carryover allocations?

Leases, forward contracts and carryover allocations have been used to varying degrees to meet crop water requirements in the following scenarios:

- during years when allocations are less than 100% (dry years);
- to meet the growing water requirements of maturing plantings;
- to build a total water supply portfolio that matches the plant/crop physiological demand profile throughout the growing year;
- to meet a shortfall in the Riverland Irrigation Trust annual use limit for almonds;
- to enable farming of new irrigation properties purchased where water entitlement was not included in the sale.
Water budgets are determined early in the year and leases are taken out in July to secure lower prices and topped up during the season as more information is known regarding water restrictions. 

Carryover has been used when water savings have been made the previous year. It has become a core part of irrigation management strategies allowing growers to manage their allocation more efficiently by providing a known starting point of guaranteed allocation. However, there were concerns raised by SA irrigators where carryover water is lost without a spill event.

Long-term leases have been used as an option to avoid upfront capital outlay for permanent water given the large amount of capital already tied up on the balance sheet from the development activity.

A suite of lease, forward contracts and some carry over have been used to insure against market volatility and make water costs as static as possible.

2. How has your activity changed over time?

Some growers are reluctant participants only entering the market when the dry conditions force them to i.e. Millennium drought and now.

Others are regular participants becoming increasingly strategic in actively watching for trends to protect against spikes and secure water when the price is right.

"We now have someone looking at the water for one day a week analysing the data and trying to work out forward plans. It’s now nearly a full-time job and being family owned farmers on the smaller scale, we do not have the time and resources to scan and analyse the data ...to make the best of all situations."

"We have been proactive in buying permanent entitlement. We were in the market for a long-term lease however prices for that product have risen dramatically recently as "water banks" have decided to charge more.”

Unbundling made water a tradeable commodity rather than an essential service to grow food. There are more restrictions on permanent high security water and more people in the market trying to make money at the expense of the pioneering family farmers. "Now we stress over water daily, and have decided to leave this industry, as there is no hope and no future."

Those who rely on the temporary market to meet the water needs of maturing trees find that the amount needed to lease each year increases as the trees reach bearing age.

Complexity of the market makes options confusing and decisions hard to make due to this and poor communication from water brokers.

Pressures were placed on growers by banks to clear debt in the 1990s which meant some growers sold their high reliability permanent water shares. These growers are now reliant on the temporary market to continue farming.

Increased participation as the need to purchase more water increases especially during dry seasons. However, there is a point where participation will cease as the price means growers are no longer commercially viable.

Temporary water is now sold or purchased through RIT (Renmark Irrigation Trust) to avoid exorbitant fees charged by brokers.

3. How have you used brokers, exchanges or advisors in your water trading activity?

Brokers have been used to purchase, lease and sell water, facilitate transactions, provide alerts, give advice on pricing, rulings, volumes available, trade options and market opportunities. Some growers using up to 3 brokers to gain information on trade and some stating that there are only two brokers that can be trusted.
“We constantly use brokers and advisors to assist us in formulating strategies and acquiring water.”

Others opt to use Central Irrigation Trust / Renmark Irrigation Trust to purchase temporary water.

Brokers have assisted in getting permission for water allocation surplus as on average the orchard has needed an extra 20ML annually.

“We ... engage advisors who have no interests in trading water for gathering information to help us model and build our strategies.”

“I have used water brokers constantly, as the paper-work and trading process involved in trading water is very complex and is not easy for a layman like me.”

4. How have the rules around water market products - including carryover arrangements (trading and parking) - impacted water markets and trading patterns?

Responses from growers were divided on this issue with some highlighting the merits of the trading rules which have provided great assistance to growers and that changing these rules and arrangements would likely impose severe disadvantages.

“I think that in general the products that are now available versus some years ago has improved our ability to manage our water portfolios better for both long term and medium term. It gives us better platform to build good portfolios and strategies to ensure the future for our business.”

“The Rules have meant that growers have become much more informed of the overall water challenge and the need to make every drop count, in the orchard and on the water market.”

While others claim that unbundling of water from land and allowing non-irrigators to own allocation has been “catastrophic” for irrigators. Non-irrigating speculative investors are described as holding irrigators to “ransom” and “artificially inflating prices for temporary water” especially during periods of low rainfall and low water allocations. "This should be banned immediately as water is the single most critical resource to sustain human life."

Further to this carryover is recognised as a useful tool introduced for irrigators to hedge against restrictions avoiding the need to buy in at high spot prices creating a stabilising effect on the market. The presence of a non-irrigating speculators in the carry-over market who don’t have a critical need for water has a destabilising effect as that is where greatest profit lies.

The ability to “park” carry-over water on low security licenses for the following season during years of full allocation effectively hides water in the system and takes up dam space. It’s something that “those who understand the rules” have done regularly providing cheap water to profit in the following season. A lot of people don’t understand the rules and the risks for various options. This causes problems for individuals and suspicion amongst growers that the rules are different for different growers especially when specialists are employed. Not everyone can afford a specialist.

“The ability to bring water from other zones into Zone 7 and 11 becomes very challenging which will drive price up due to limited resource, typical of the centuries old supply/demand issues.”

“Loss of SA carryover if allocation gets to 100% will dictate using interstate carryover in future.”

5. How do you forecast price movements for tradeable water rights over the short and long term?

Growers commented that forecasting price movements is difficult to do and equated to “crystal ball gazing”. Those who do use various information streams including monitoring market prices daily, observe media forecasts on water prices, consider industry news, scan websites frequently for update information on water prices and politics as well as seeking advice from brokers and irrigation trusts and accommodate estimates to the trending waves of drought. “By guessing! How can you forecast rainfall and increase in development of
plantings where the data is not available to you.”

6. What changes have you observed since 2012 in the availability of tradeable water rights and other water market products, and the levels of trading activity in different water markets?

There has been a huge growth in horticulture in certain zones that were not there previously. In Zone 7 the very large expansion of permanent plantings; Table Grapes, Citrus, Avocados, Almonds and other nuts/fresh fruit has increased the number and volume of water trades into this zone.

There are more players in the market, with more water trading products available, requiring a higher level of sophistication and over time the system has improved and is much easier to use.

Almond growers have become a lot more flexible in their water strategy. Many almond orchards adopt a third permanent allocation; a third spot price; and a third forward leasing to gain their water needs for each year. The total annual volume required will continue to increase to meet crop requirements as orchards mature.

The government run water efficiency and buy-back schemes have effectively taken water away from the usable pool that irrigators could access and now means irrigators who participated in these initiatives now rely on water trades back to these irrigation areas.

The expansion coupled with the environmental buybacks have meant that water prices have not returned to pre-Millennium drought levels (2012) and prices in the last two years almost match those of the Millennium drought.

The availability of water on the market is very tight and it means growers have less control of when and how they enter the market. It can be described as a sellers’ market and the only thing stopping anyone from getting the water they want is having the cash-flow or the biggest overdraft.

These markets are now driven or geared towards big business. Small family owned businesses do not have the ability to raise the capital needed to secure permanent water and so investment funds and water barons can go to shareholders, ask for more money and then purchase more water to sell back to small businesses such as ourselves at a profit. All trading now is geared around profit and the small farmers and family farms are hurting.

The absence of standard terms, practices, registers, metering devices and no agreed 'best practice' targets means that we’ve witnessed overdevelopment of irrigation enterprises relative to the total available water in the 'system' even in years of plenty.

**Issue 2 – Market Transparency and Information**

The ACCC wishes to identify where significant information gaps exist and seeks to understand where participants encounter practical difficulties in using currently available data to participate in water markets with confidence. The ACCC is also interested in identifying any flaws in information collection and reporting processes and rules that are undermining the accuracy or accessibility of water market information.

Please include supporting information and specific examples in your responses.

7. Select all of the following information items that you find easy to access and understand:
   a. trade prices and volumes
   b. trading rules and operation of constraints
c. the characteristics of water access entitlements and other products
d. carryover provisions / arrangements (including those relating to trading and parking carryover)
e. water ownership structures
f. water availability
g. river operations
h. weather and climate
i. water use
j. environmental water ownership and use, including trade.

There is a lot of information "out there" when you seek it and work through it. Presenting relevant information would help interpretation in making market decisions. Current situation favours those who have time and staff to troll the information.

8. What types of water market information do you access from public (such as state water registers, water authorities)?

Allocations, water usage, price and volumes, balances of account holdings.
My usage, my personal water account.
Dam levels and storage volumes, stream flows, any restrictions such as IVT and or environmental issues that might hold up water delivery.
Climate data.

9. or private (such as information supplied by water brokers, exchanges and advisors) sources?

Water prices; available volumes; size of markets looking for water, likely trends; IVT data; various water products; restrictions and opening allocations.
Only word of mouth on latest market activity.
Past and current pricing, flows and storage information. The types and volumes of trade. Crop types being planted in different regions to help assess potential impacts on trade.
10. How often do you access this information and how does it help in making business decisions?

Most on a daily; several times a week; weekly but also fortnightly; monthly; four times a year; and as needed.

“The information is sourced multiple times a week and sometimes on a daily basis. This enables us to make informed decisions regarding acquisition of water in terms of both prices to pay and volumes to buy.”

“Whenever I need to make a trade. I take in as much info that is readily available but the business decision is mainly instinctive. e.g. on a market that is always rising, the sooner you can afford to buy the better.”

“We access this almost daily, in this type of current climate it is essential that we are constantly reviewing and potentially changing plans/strategies based on all information gathered.”

11. Have you experienced any difficulty in accessing all of the water market information you require, and are you confident in the information available when making water trading decisions? Please explain.

No major difficulties reported other than each source having a different type of format which can take time to find and understand how each system works.

Water pricing information is not easy to understand and brokers seem to have vested interest so don’t trust. Doubts about whether all trades are being shown, and whether prices are inflated by brokers.

It is difficult to be fully confident when making a purchase if we do not understand or know what is really and truly available for the season

“I don't understand why this years’ opening price for temporary water was significantly higher that previous years’, and what has caused the significant increase in the cost of temporary water this year to date.”

“Not all people either understand this type of transacting or are confident to be able to do this, it can be quite intimidating, so people resort to taking advice from various sources including family/friends”.. and brokers. You hope that the broker is providing the correct information to answer your question. But brokers operate on both sides of the ledger as both buyers and sellers.

“I know with Ruralco total costs of purchase before hitting purchase button. I also know that when I press button a real purchase is made, as a committed seller I am locked in. Other brokers just make promises which can be broken.”
“You can never be sure of the data given that there is not one regulated water exchange that is policed appropriately to eliminate the risk of market manipulation.”

“Increased levels of mandatory reporting of the operations especially of the larger sector could generate more credible information”.

“The information and market conditions can change instantly with the change of a rule by government making the water more or less expensive and more or less available which changes the risk matrix by which business decisions are made.”

12. What other types of water market information would you like to access and how would that information be helpful or important? What delivery method would you like this information?

What is missing is the total water available for each zone, and total demand (use) based on hectares for each crop. All this is held by states but not collated or shred in a meaningful way.

Brokers express frustration on lack of “transparency” on who is operating in the market at a time, particularly institutions and the environmental water holder e.g. last year the SA gov was actively leasing water out.

Would be useful to know what each dam is holding for irrigators, environment, transmission losses for the following year and domestic supply. Without this we really do not know how much water is possible to be on the market and if businesses or people are holding water back or if we should buy because that’s all that’s left.

How do you find out about short term policy changes?

• Web based and maintained on the one system that is easy to understand and access
• A central repository of water holding data accessible on-line, updated in real-time or at least daily listing temporary sales made privately to growers (others) exceeding a stipulated volume. Water register for all states.
• Email alert daily from impartial group outlining availability and price.
• One webpage showing ALL markets and brokers and spot price

13. Are the differences in information reporting across states or agencies impacting your participation in the market and market competition? If so, how?

Yes, we have one river but states doing their own thing. It’s confusing, time consuming and frustrating creating time delays in getting the information accurately verified for each location. The MDBA should be empowered to report on the market and on planted areas and hectares of new development in the pipeline so we can all see how the future use will unfold. The information is out there but held by states. Give it to one authority to fix.

“Yes, there is always a discrepancy in water availability and pricing. These change very quickly. It’s all price driven and water is constantly held back waiting for a trigger point with price that the holder wants to get then they release. They cannot and should not be able to hold water back that available in the system if they are holders not have no land for the water.”

Issue 3 – Regulation and Institutional Settings

An appropriate level of regulation, effective market settings and clear institutional roles are all essential to instilling confidence in market operation, ensuring equitable access to water markets and managing third party impacts. Regular and accurate monitoring of water extraction is a key element of these arrangements and is crucial to effective compliance and enforcement.
The Inquiry will examine how the current regulatory and policy settings influence the operation of water markets across the Murray-Darling Basin. In particular, the Inquiry will explore how the roles and operation of regulatory and policy making institutions support or hinder the efficiency of, and access to, water markets. It will also consider whether the current split of roles and responsibilities between governments and agencies is the most effective form of governance for the future operation and development of water markets.

Further, the Inquiry will explore the extent to which the variations in water market products and management arrangements between the northern and southern Murray-Darling Basin reflect the natural differences between the catchments, and whether regulatory settings can be harmonised across these systems or different approaches are required.

Water resource planning processes, water resource plans and the sustainability of any extraction caps imposed under these are outside the scope of the Inquiry.

Please include supporting information and specific examples in your responses.

14. Do you believe the differences between Basin states (administration, systems and rules) and trading zones impact the water trade effectiveness and equitability? If yes, how?

Yes. due to the states individually controlling IVT allowances and changing them without basin wide consultation or notification it changes the market dynamics and business with dedicated water traders and analysts can take advantage of this by securing water through IVT before smaller farmers even know about it.

Yes. There should be consistent trading and allocation rules for all States in the MDB. Having different rules makes it challenging to (i) understand the rules (ii) ensure that there is a level playing field for all water users (iii) acquire water at a reasonable price.

Yes, there are arbitrage opportunities which 'resourced' investors are exploiting.

"Not really. The southern system works”.

15. Do current approaches in managing river channel and delivery network congestion and constraints allow equitable access to water trade opportunities? Please explain how this impacts on your commercial operations.

There has been a huge growth in horticulture in certain zones that was not there previously and also other annual crops in regions where they were never grown before e.g. cotton in the Riverina. In Zone 7 the very large expansion of permanent plantings; Table Grapes, Citrus, Avocados, Almonds and other nuts/fresh fruit has increased the number of water trades into the zone to meet crop requirements...as well as delivery patterns by tightening the window within which larger amounts of water are needed. This is exacerbated by the increasing number of heat waves where water requirements rise rapidly in a short amount of time.

I think in the future there will be bigger impacts on the deliverability through the Barmah Choke than we are seeing at present. To get the actual water needed may not be possible unless the channel capacity can be fixed. This has the potential to have catastrophic results for not only Irrigators but communities that rely on industry for work and livelihoods.

Currently the over allocation of AUL licenses and the absurd push to further develop a failing river system with more crops now restricts water trading opportunities. We are now in a position where farmers are fighting against each other for water especially the smaller ones as big business has the ability to secure what it needs for the season and us smaller people are left with the leftovers. There is purely now not enough water in the system for what the system demands - even with 100% allocation.

Authorities that change rules e.g. inter zone transfers, can impact on availability of water committed to or the price of that water.
16. Is the process for managing and communicating water supply and allocation announcements effective? If no, what improvements are needed to assist your water trading/ business decisions?

This particular information is managed reasonably well and has improved considerably during this drought with fortnightly allocation updates.

Sometimes it can be good and sometimes not as effective. If all the information could be put onto one website, would save a lot of time and searching for the answer that you require.

The way SA dribbled out the allocation this year was unnecessary and contributed to market price increase. It does not align with their pre-season scenarios paper.

17. Have water trade regulations (and costs) created inappropriate barriers for you to enter or exiting water markets? If yes, how?

Permanent water costs now prevent me from purchasing any meaningful volumes of permanent water to top up my existing allocation.

The inter valley trade restrictions has forced up temp water prices.

Water trade regulation is positive for the market provided it is implemented and undertaken in a consistent and equitable manner without being overly onerous and creating unnecessary “red tape”. interstate trading costs are unknown so restricting trade.

Cost have blown out for the every-day family farm. How can we compete to purchase permanent water when it’s at $6,500 or $9,000 per meg. I don't have the equity and could not afford the risk.

18. How are the current approaches and frameworks for metering and monitoring of water use impacting water market outcomes including efficiency, equitability and confidence in the market?

Metering is a must and Irrigators are in favour of being metered. Without accurate metering, we do not have an idea what is being extracted from the system. All Irrigators must be accountable by having a meter. Metering and monitoring should be a national issue. All the same. And compliance enforced.

Water use monitoring from the main channel is quite effective i believe, the problem is with the water harvesting that occurs in the upper catchment where this is not monitored and water is not made available to the system, the Darling River is the clear example of this.

The decision to ensure all meters are positive at all times in conjunction with speculative purchasing has caused significant market pressure on pricing.

19. Is the level of regulation of water exchanges, water brokers or other market intermediaries appropriate?

I don't know what level of regulation there is now to comment on whether it is appropriate.

No, all trades should be completely transparent, currently the lack of transparency opens up notions of misconduct by brokers etc.

No, it needs firming up. I want to see all trades reported quickly to the market. Including probate sales. Sales listed at nominal value should be banned. Let the value reflect the current market and stop kidding us.

No. There is a perception of an overall system lacking in standards, governance, technology and appreciation of
the term sustainability. There should be only one water exchange (similar to the ASX for equities). All brokers and other intermediaries should be registered with a government authority. There needs to be full transparency and accountability with regular reporting against standards, and audits and penalties applied.

**Issue 4 – Market Participant Practices and Behaviours**

The ACCC is interested in how the ways that different market participants operate in, or interact with, water markets may support or undermine market operations, competition, confidence and beneficial outcomes for participants.

These different types of water market participants all have different ways of using and trading water and their decisions will affect water markets in different ways. The ACCC is looking to better understand the differing practices and behaviours of the various participants in water markets in the Murray-Darling Basin, and the role of brokers and exchanges as providers of related services. The Inquiry will investigate the impacts, both positive and negative, of having a diverse range of market participants accessing water markets.

ACCC welcomes your feedback on any of the following issues. Where possible, please include supporting information and specific examples in your responses.

20. The behaviours and practices you have witnessed by others in water markets, including:

- irrigation farmers
- investors
- water brokers
- water exchanges
- water registries
- other service providers facilitating the trading of water
- environmental water holders
- urban water authorities
- irrigation infrastructure operators
- market advisors and analysts
- market regulators.

Water represents different things depending on your perspective which will then determine behaviours:

- farmers - a means to produce food for the population and make a profitable business which extends into a profitable region. They are passionate about this as it is generally a life they have grown up with and a matter of retaining a legacy.
- investors - an asset which needs to maintain a return on investment to keep share-holders happy and profitable. Being removed from the end use allows a level of disconnectedness to treat it with nonchalance.
- brokers - make money when water is traded...... 'nuff said

The other people in the water arena all have a part to play and where the Murray water is used as drinking and sanitation water the feelings towards it will grow increasingly passionate.

I have witnessed investors/speculators holding monopoly over water users during drought conditions, inflating water prices and putting “smaller” businesses in agriculture to fail and go into debt.

Water brokers seem to only give information that benefits them, not the whole picture. Irrigators in Victoria now purchase land and new AUL in NSW to guarantee farming. Investors. My only question is why? Why should this essential commodity be handled in such a way. Why can it be unbundled from
farming land and allow this debacle.

Mismanagement of water by the MDBA and government departments has been reported ad-nauseum in the media. There is countless anecdotal evidence of market manipulation by non-irrigator water investors (aka water barons) by buying water and selling at a higher price at times when there is no logical external reason for the water price to move.

Water holders using IVT to move allocation to valleys where a higher price may be achieved, holding this water in accounts belonging to brokers, then buying back allocation in own zones at a lower price.

Water Brokers colluding to increase price. Broking both the sell and buy side of the same transaction.

"Fake Auctions" are being run to glean information about prospective buyers and how much they would be prepared to pay. Pass-ins are significantly above Market Price

Investors profiteering from water purchases and taking advantage of loopholes in the water system to park and hold water in cheap years over to be sold the following.

Non-compliance of metering.

21. Are you aware of possible conflicts-of-interest involving water market participants, and how might these conflicts-of-interest impact on market participant behaviour?

I am aware of rumours of such. I have been aware of one large broker constantly talking up prices, and well before this current drought. I cannot see how that broker is working for the interest of both buyer and seller. Brokers who physically own and trade water themselves... Phil Grahame, Tim Elstone and tom Wilkes...

Water brokers who are holders of water have an interest in seeing the price of water increase and to a certain extent they can increase that price to increase the profit margin.

22. How has the operation of environmental water holders in buying, selling or moving water impacted on the water market and your trading behaviour?

The loss of 25% of available water for production has made the market very tight and has elevated prices. Environmental water should at least in part be put on the market in droughts to keep permanent crops alive. Even greens told me in the early days of "The Living Murray process" that droughts were natural in Australian environments. That is Native vegetation does not need to be watered in droughts if it is to mimic natural flows.

When the 3IP program rolled out there was a sharp increase in the value of water as the program inflated the value as irrigators sold water to the government and then just bought it back on the open market.

23. Are you aware of instances where large market participants have used trading strategies which have influenced water availability or prices? Please provide details, including whether this influence might change depending on the season and overall water availability.

During drought conditions, people who have previously obtained large bodies of water begin to sell back water to agricultural businesses at an inflated price due to water restrictions that hold farmers at ransom.

No temp water available to buy this season until it got to $900 /ML then suddenly 1000 MLs available!

There are rumours, of water being sold to large irrigators off market so it does not lower markets as it would if it was put on the open market.

24. Do you consider fees for trade processing, broker fees, or other water charges to be sufficiently transparent?
Fees and charges vary between brokers. Some charge the seller, some charge the buyer and some charge both seller and buyer. Needs to be clarified what a standard charge should be.

Some are very open and transparent about charges upfront.

**Issue 5 – Competition and Market Outcomes**

Water markets are a ‘cap-and-trade’ system, which rely on:

- clearly defined cap(s) on the available resources;
- clearly defined, legally secure and tradeable water rights;
- robust and functioning registers of water ownership and trade;
- sound governance and regulatory arrangements, including clearly defined water trading rules; and
- comprehensive compliance and enforcement regimes, supported by regular and reliable water use metering and water accounting frameworks, together with adequate resourcing.

Water markets in the Murray-Darling Basin are intended to drive an adaptive and productive irrigated agriculture sector, while supporting a sustainable level of water diversion. By allowing water to move to its most productive or “highest value” use water markets are intended to facilitate the efficient allocation of water over time and across hydrologically connected regions. Water market policy seeks to:

- facilitate the efficient trading of shared water resources, including by minimising transaction costs, enabling good information flows and compatible arrangements across jurisdictions and removing barriers to trade;
- contribute to the economically efficient allocation and use of water, including through enabling the appropriate mix of water products to develop and enhancing the productivity and growth of water-dependent industries;
- appropriately manage the third-party hydrological and environmental impacts of changes in the timing and location of water use that arise from water trading activities;
- enable open and non-discriminatory access to water markets; and
- provide participants with confidence in the market rules, regulations and institutions, and enable them to make informed decisions.

Water markets may be relatively ‘thin’ in the volume of trade conducted compared to other trading markets, especially in times of low water availability. This may be associated with the natural limit on the volume of the tradeable commodity. The Inquiry will explore whether the design of water markets is working in circumstances where there may not be a large volume of trade occurring, and whether limited volumes of water availability and trading activity increase the ability of some water market participants to influence particular markets.

The ACCC welcomes your feedback on any of the following issues. Where possible, please include supporting information and specific examples in your responses:

- **25. Whether water markets are operating efficiently, and where changes to improve efficiency can be made.**

Improvements can be made by prioritising the agricultural industry over those who have invested interests in water only, including carryover.

Transparent electronic platforms with real time transfers between buyer and seller (including open market trades) rather than a long waiting period would be advantageous.

An ‘efficient’ market is defined as a market where there are large numbers of rational, profit ‘maximisers’
actively competing, with each trying to predict future market values of individual securities, and where important current information is almost freely available to all participants. The water market is most definitely NOT this.

How can a water market operate efficiently when it’s now a commodity market? The whole aim now with water is how to make money from it.

26. Whether the water market affects the ability of some market participants (including indigenous communities / traditional owners and other industry segments) to better able to enter, access or exit water markets.

Sometimes it comes down to who has the biggest cheque book to draw on when it comes to buying water is a concern for all participants in the marketplace whether they are trying to enter, exit or remain sustainable. Not necessarily fair and equitable.

The ability to enter, access or exit exist, it is the cost of which can be the prohibitive part.

It has pushed the price up to where smaller businesses and family owned farms cannot afford permanent water anymore. How can we compete against large corporations and investment funds.

27. The extent to which the objectives of water markets have been achieved and whether unintended outcomes, beyond the intended objectives of water markets have occurred.

Yes, I believe so, I believe the regulated system we have mostly works but needs some refining.

Water was separated from land so it could be shifted to the higher value crops. I don't think the unbundling was ever intended for speculators to come into the market for a financial gain. Irrigation should have preference on water before speculators.

I know that we need to get away from looking at water use based on value of crop and start to look at removing heavy water use crops and transitioning them over to different more water saving crops. Our region has changed and as such we as farmers need to adapt. Just because a crop is high in value does not and should not give them the right to pump massive amounts of water.

Unintended outcome of degrading the diversity of irrigation communities through ensuring water goes to highest value end use. Some commodities priced out of the market.

If you are an investor that holds water then you need to make sure you get your return. It’s a flawed system when profits need to be made on water. Farmers are not looking to profit off the sale of water, they are looking to grow food and fibre for the nation and hopefully make some profit for the supply.

Issue 6 – Potential Solutions

The ACCC has been asked to recommend options to enhance markets for tradeable water rights, including options to enhance these markets’ operations, transparency, regulation, competitiveness and efficiency.

The ACCC invites your views and ideas regarding potential solutions to any problems you may have raised in your submission. Please briefly summarise the problem, describe your proposed solution and give your reasons for proposing it.

The problem

Ability for non-irrigators to own water entitlements & allocation with carryover.

Multiple water exchanges.
Water Brokers are not regulated and unaccountable.

Lack of transparency of water trades on- and off-market.

Too much water being allocated for environmental flows.

Governments allowing developments of greenfield sites to large businesses which have now over allocated the river system

Water harvesting occurring in the upper catchment with no accounting for the water they are not letting down stream.

Unfair allocation of water between southern & northern basin.

An artificial water shortage, created by politicians and bureaucrats.

I don't think water investors are a problem in general. I am an irrigator with my own allocation and I have water in my super fund that I lease on a long-term basis to other growers. It is the short-term market manipulators that cause big problems.

The solution

Prioritising the agricultural industry over water investors/ spectators/barons by employing a price freeze on water prices. And to prevent future water investors, possibly enact water licenses for bodies of water to the agricultural industry. Having a cap on how much can be held for investment purposes may be a part of that answer.

A water bank!

Create a single regulated water exchange (similar to ASX) to provide transparency to all water trades across states and be on a web site within 48 hours of the trade.

On the same web site knowledge of total demand based on crop use and area and on water available, and water held by non-productive investors and holders.

Brokers need to have completed a course on trading which sees them accredited and registered. By doing this they can be held accountable for their actions and conduct. There should be a "Watchdog" or body such as ASIC that deals and monitors inappropriate conduct and behaviour.

Reduce environmental flows to provide more water needed to feed the nation.

Accounting of turkey nest and catching dams in the upper catchment and darling downs to be done (very easy with aerial imaging) and these farmers and catchers be scrutinized and held more responsible for letting water down the darling and Murray system.

All pumps from the Darling & Murray & subsidiaries must be metered so that losses from seepage & evaporation are met by the licence holders involved.

We need more Dams, for long term storage of water. We need a minimum of 10-15 years storage.