

30th October 2019

Australian Competition and Consumer Commission

**23 Marcus Clarke Street
Canberra ACT 2601**

**GPO Box 3131
Canberra ACT 2601**

Attention: Mr Rod Simms

Murray-Darling Basin Water Markets Inquiry

We refer to the current enquiry into the Murray Darling Basin water market and would like to submit the following on behalf of our business Yenda Producers Co-operative, our members and their communities.

For perspective and background here is a brief summary of our business.

Yenda Producers Co-operative was formed back in 1925 by 10 shareholders on the back of returned soldiers from WWI and the NSW Government's vision to drought proof inland NSW by planning and diverting water inland to set up the Murrumbidgee Irrigation Scheme in 1912.

Today, Yenda Producers Co-operative is a locally owned member co-operative based in the Murrumbidgee Irrigation Area of NSW. We are a true co-operative in every sense of the word with around 1,500 local shareholders members who we support by providing goods, service and professional advice to.

We assist our farmer members who produce a wide variety of produce including - grapes, citrus, nuts, rice, corn, cotton, vegetables, winter cereals, livestock, pastures, stone fruits and numerous niche crops. Our Co-op and its associated businesses provide our members an array of services which include:

1. On-Farm Agronomy and Horticultural Advice.
2. Supply and Delivery of Farming Inputs.
3. Credit Facilities for Seasonal Term Finance.
4. Livestock and Property Selling Service.
5. Animal Nutrition and Health Advisory Service
6. Irrigation Design and Installation Services.
7. Grain Storage and Marketing Services.
8. Manure and Fertilizer Spreading Services.
9. General Cartage Services.
10. Dried Prune Handling and Grading Service (Angas Park)
11. Insurance Services.
12. Water Trading Services.
13. Community Support and Sponsorship.

Our Co-operative is very community focused and we have seen the demise of our local community over time as a direct result of the perpetual changes that have taken place with regards to water in our local area. This has been particularly evident on the back of all the legislative changes both State and Federal, along with the introduction of the Commonwealth Water Act 2007.

Water is not like gold or any other mineral, you can't dig it up and cart it around the world to sell to the highest bidder; and thus, it shouldn't be treated and traded in the same way.

Water is a 'Finite Public Resource' that is needed to sustain communities and therefore should not be left to the "free market" to control.

Water is not a manufactured object that can be multiplied simply by mixing components to increase supply.

Water is a Public Resource that should be **Regulated** and **Controlled** by public institutions for the betterment of the communities who consume that water; and not by individual businesses for financial reward.

Water in our community is our 'Oxygen', without it we can't breathe.

Would our Governments allow individual institutions to control, regulate and dictate who controlled '**Oxygen**'? – **No**, because it's a necessity for human survival and no individual should have the right to say who breathes and who doesn't.

To our communities our Governments have let us down by putting the control of our '**Oxygen**' (water), into the hands of the individuals with the deepest pockets. Our community has lost control of its destiny and its ability to survive, because we have lost control of our water.

If we look back to 1994, when water was not separated from irrigation land in the MIA, very rarely did the community ever suffer from extremes of low water, even in the dry years. The reason being that any unused water from farming operations was held in the dams over winter and would form the start of the new season's allocation. In essence, it would drought proof the communities from one year to the next.

However, once water was separated from land and water ownership was opened up to literally anyone (highest bidder). The dams are now drained every year as the owners of that water try to gain the best financial return on their water investment by selling to the highest bidder – who ever that might be?

Ownership has now been transferred from local hands to investors who have no real concern for the local communities but are driven by the dollar. These new investors are often speculators from investments firms, overseas governments shoring up food security or overseas super funds with no real focus or concern about our community and its long-term sustainability.

The changes towards the current water market rules and systems of operation have slowly been destroying our local irrigation communities, 'death by a thousand cuts'.

With reference to the other specific items highlighted in inquiry, we would like to add the following comments:

1. market trends since 2012, including the demand for water, changes in the location where water is used, the quantity of water traded, water availability, water users and their communities, development of new trading products, and the number of participants and sectors participating in the water markets;

- Just because water is now traded in an open market, it doesn't make it right. Government needs to recognise that they let the genie out of the bottle when they allowed for the ownership of water to be held by anyone and openly traded. The easy answer is to say that 'we've gone too far to reverse the decision' (ie: control and tighten regulations and place ownership back into the hands of irrigators who consume that water). The harder answer is to admit that you got it wrong and you need to fix the problem.
- Water markets are becoming more and more sophisticated which caters for the 'smart investor' at the expense of the farmer – who uses the water for food and fibre production.
- Irrigation water use should be restricted to the areas set up and designed to deliver water to farms and not add new farming land to the equation. There is a limited amount of irrigation water available annually and currently there is more than enough existing farms in designated delivery areas to consume all that water without increasing the land area. Every time another area is set up to consume existing water, the delivery costs increase, and these fixed costs need to be spread amongst the same volume of consumption resulting in increases in water deliver prices and overall cost. Regulation is required urgently to stop the 'rambling' effect these new irrigation areas are creating.
- Water availability needs to be increased if we are going to be able to feed a growing world population. Its simple math. We need to look at the two most obvious ways of increasing water availability. 1. Review river management practices to identify savings that are available through improved ways of transmitting our water downstream. 2. We also need to look to areas and times when 'surplus' water events occur and be able to capture a % of that water and make it available for food production, the environment and communities. This will involve Governments committing to major 'long-term' infrastructure projects including pipelines and storage facilities.
- Under the current system, communities and water users are losing control of their destiny. Ownership of large amounts of 'our' water are now in the hands of foreign enterprises. We have no control of whether it stays in our community from year to year or is moved on. Resulting in the loss of support services, because without farming activity there is no need for support services. These are agribusinesses, mechanics, engineers, butcher, baker, chemist, newsagent, doctors, hairdresser, grocers, etc. This gradually eats away at our communities as the services disappear so does the community.
- Additionally, ownership of water means that you have ownership and control of what is produced from that water. It is already happening, that overseas ownership is dictating the growing of food crops and directing the destination of where that food is sold. ie: Australian produced food soon won't be available for sale in Australia – we will need to rely on imported food to satisfy our consumption needs, because we will have lost control of our food production.

- New water trading products are not here to help farmers, they are here to make money for the traders and 'ideas' people who come up with these derivate products. People making money by inventing a 'new' product that doesn't create any more water or food production.
- Participants in the water market are becoming very concentrated with investment enterprises with the deepest pockets taking control of the available water. Many of these investors don't necessarily farm in our communities. This disjointed ownership is generally at the detriment of the sustainable local communities.

2. the role of carryover allocation practices in water markets;

- Carryover allocations are a good provision in the water management toolbox. They allow farmers, communities and associated businesses to plan. The alternative would be year to year announcements, and hand to mouth decisions being made which isn't good for anyone.
- The extension of the carryover practice to include multiple years would also be advantageous assuming there was enough water to allow this.
- Carryover provisions should be restricted to consumers of water and not market speculators. (ie: You need to be using that water in production to be eligible to benefit from carryover provisions).

3. the role and practices of market participants, including water brokers, water exchanges, investment funds and significant traders of water allocations and entitlements;

- Water should be controlled and managed by Governments ie: this means winding back what's happened over the last 30 years. The control of a Public Asset like water, needs to be regulated by a Public Authority.
- If not, water ownership should be restricted to those who produce food and fibre from it and taken out of the hands of financial speculators.
- Water trading should happen on a Single Transparent Platform with a Public Register showing who owns the water.
- Water is a Public Assets and ownership and movements need to be Transparent to the Public.
- There should be restrictions on ownership of our water, particularly by foreign governments and investors – We need to remain in control of Our Public Asset.
- We wouldn't let overseas interest own or control our education, hospital, judicial or policing systems, would we? So why is our Water any different?

4. the availability to the public of information on water market activities and tradeable water right holdings;

- There should be a Public Register of Water holders – to include all classes of permanent water.
- There should be a Transparent Central Trading Platform to include – all temporary trades as well as any contracted term leases.
- There should be 'one' set of transparent rules for trading where everyone has the same information and opportunities.
- Ideally, water should only be allowed to be held by businesses who own irrigation land in the respective communities and who use that water to produce food and fibre.

- Water shouldn't be tradable between irrigation schemes, they shouldn't allow inter-valley trading of water either permanent or temporary.

5. the timeliness, accuracy, and completeness of public information released on water market activities and tradeable water right holdings, including true trade price reporting and the types of trade (for example, immediate purchases, forward contracts, leases);

- Water is a Public asset and shouldn't be owned by investors who don't produce anything with it.
- If owned and controlled by Public hands this would be an easy thing to manage – ie: recording of temporary water trades to end users.
- We need to remove the speculators (traders) out of the water market – they play a game to make money using resources that communities rely upon for their livelihood – 'they are gambling with our lives'.
- Currently as there is no central marketing platform, trades are done anywhere and everywhere with no central recording of water trades and current holding. This lends itself to insider trading and profiteering by those in the 'know'.
- The people in the 'know' making money from water aren't the farmers, agricultural resellers or local communities who contribute to growing food and fibre. The people who now make money from water are the investors; fund managers; and traders who forward sell, hedge and speculate on market futures.
- Water isn't an optional extra that you can choose to include or leave out of your farming program, unlike most other inputs where you have alternatives. Water is a Public Asset that needs to be managed by independent authorities with the Public's interest at heart and not individual speculators.

6. barriers to entry, expansion and exit, including transaction costs;

- Barriers to entry are dictated by the deepest pockets and that 'chaser' mentality, who are quiet often not part of our communities.
- Barriers to entry should revert back to what the rules used to be ie: If you don't own irrigation farming land, then you shouldn't be allowed to own irrigation water.

7. the management of constraints on the storage or delivery of water, including adjustments made to give effect to trades and intervalley transfers

- The delivery constraints relating to intervalley transfers are a good thing, as they restrict the amount of water that can leave our community annually. The more water that stays in our community the more sustainable our community will be long-term.
- Intervalley transfers act as a destructive mechanism for those communities who loose water to others. This practice should be stopped.

- Local constraints within an irrigation system can contribute to restrict the types of crops that can be grown on a farm. If the crop required a high flow rate and the constraint stops that rate being deliverable, then the farmer will need to look at alternatives that might not be as profitable.

In summary, the need for the Government to have a transparent and open system to help manage and control our water is imperative to maintain healthy sustainable communities. Pressure needs to be put back onto Governments to take responsibility to look after our most precious natural resource for the benefit of the wider communities and not for the benefits of a few wealthy individuals or foreign investors. Our Water needs to be put back in the hands of those people who require it to survive and produce our food; and not in the hands of disconnected investors wanting to make a quick 'buck'.

Yours Faithfully,

P. Calabria

Peter Calabria
Managing Director