

29 November, 2019

To: ACCC Murray - Darling Basin Enquiry

Anger is misdirected at speculators and water traders. In fact they provide a very valuable clearing house function and liquidity that enables the market to function efficiently. They are not responsible for high prices nor can they hoard water.

Prices are high because there is limited water available after 3 dry years.

Local dysfunctions, like the Menindee fish kill occur because excessive water is extracted in the Upper Darling and too much water is sent to South Australia much of it to maintain artificially fresh lakes Alexandrina and Albert.

Farmers who have planted permanent crops like nuts and grapes that require water every year without securing permanent water supplies like high security or bore water have themselves to blame. They could have purchased high security water for less than \$4000/ML in 2016 but chose to buy cheap temporary water then. Now that things are dry and high security water trades at \$9000/ML and temporary water is scarce and expensive they are whinging and blaming others for their own greed and short-sightedness.

In the case of Boundary Bend their hypocrisy is doubly remarkable. Not only did they increase plantings of permanent crops like Almonds but they actually SOLD 30,000 megalitres of high security water to purchase more land and increase plantings. They are the true speculators!

We have 1200 hectares under spray irrigation in the Riverina and have chosen to idle our irrigators and sell our water for the last 3 years because it made economic sense given low cereal crop prices and high water prices driven by cotton and nuts. We have used the proceeds to buy hay for our cattle, having had only 16 inches of rain in the last three years. Our neighbour has sold his small allocation for much needed cash, which in turn is spent in the local community.

We deal with several different brokers who have all performed well without any problems. From our perspective the market functions very well. We don't like the drought one little bit but it is not speculators and brokers that are the cause of the problem, it is Mother Nature and Government. That said it would be appropriate for the ACCC to determine which if any brokers are secretly trading their own account as

proprietary traders in conflict with the interests of their clients and to put a stop to such practices or at least make them transparent.

Prior to my return to Australia from New York in 2000, I co-headed the Alumina Department for Glencore and was a senior member of the management team. We effectively provided a clearing house function that dealt with the imbalances in supply and demand for alumina worldwide and enabled producers and users to efficiently balance their requirements. I see definite parallels between the global alumina market and the Australian water market. Both require a strong, effective clearing house system to work properly. A clearinghouse requires traders and principals prepared to take market risk. To dismiss their role as speculators in a very pejorative way is wrong headed and disingenuous.

To limit trades to those made directly between farmers will absolutely paralyse the market and prevent water from finding its highest value end use. We need brokers and we need speculators to make markets. There is absolutely nothing wrong with off farm investors owning water rights. They can't hoard it and must either use it (sell) or lose it. They too, offer important capital and liquidity.

Overall the water market is functioning extremely well and should not be interfered with just to appease a few noisy horticulturists who have been irresponsible and taken stupid, greedy risks.

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