

ACCC SUBMISSION – MURRAY DARLING BASIN

WATER MARKETS INQUIRY

We run a mixed irrigation farm at Mathoura NSW, supplied by a private river pumper's irrigation scheme. This scheme was 100% funded by the landholders 60 years ago to drought proof their farms. We are a typical family farming enterprise and are currently the 3rd/4th/ and 5th generation to farm this piece of land. Our farm and district produces food and fibre, staple commodities that are necessities for human consumption. Grains for bread and pastas, wool for fibres to keep us warm, beef and sheep for meat. We have the ability to irrigate about 30% of our farm. We are geographically located above the Barmah choke but administratively treated below the choke. In the last 7 years we have invested \$500,000 in water efficient infrastructure. We have not sold any water to fund these improvements. Despite all of this our water is less secure than it has ever been.

70 years ago when the Snowy Mountains Scheme was started in 1949, its primary design was to provide reliable irrigation water to farmers to drought proof their farms and provide a reliable food source for the nation. I do not think the ability to trade water as a commodity to water speculators who have no intention to produce anything and then sell this water for profit was what our forefathers had envisaged.

NSW General Security water has historically been a reliable product. Even in the millennium drought we had an allocation and water storages are at the same or higher capacity now. Something has changed and we have not received a water allocation. Our area is currently in a manmade drought, it would be safe to say that there would not be many broad acre cropping enterprises that would be in the water market at the present time. The exorbitant price of water is a barrier to entry into the market as the cost of production outweighs any possible returns.

What has changed and what is driving the market?

Listed below is a range of issues we think as irrigators, the ACCC should take into consideration in their inquiry

- Separation of water from land
- Environmental water and the
 - Non accurate measuring
 - Transmission losses
 - Carryover water
 - Forcing water through the Barmah Choke = Spilling
 - Flowing water out to sea in a drought
 - Artificially maintaining lower lakes as fresh water
 - Environment not experiencing "dry" conditions when the state is in drought.
 - Concern water bought from irrigators as general security was converted to high security without the 2:1 ratio for Barmah Millewa environmental water
- Transmission losses
- Conveyance water allowance too high
- Water speculators/investors
 - Carryover water
 - Not contributing to water infrastructure costs

- Not using water to produce “food or fibre” and purely out to make profits
- Carryover water
- Permanent plantings with general security water entitlements
- Trading zones too big and not numerous enough
- Corporate water holders and investment funds with deep pockets
- Inter-valley water trades
- Water sharing plans between the states
- Shift of water use from Goulburn Valley & Southern Riverina to downstream users
- No provisions by Governments to provide more storage for increased populations since the last dam was built
- Water holders and market transparency
- Political will to intervene and make HARD decisions at the expense of VOTES.

This is not a definitive list of issues affecting water availability and water markets but is instead a sample of reasons why water has become a political hot potato and our water security has gone AWOL.

There are probably many reasons contributing to this lack of water security and it undoubtedly started with the separation of water from land. This was done so the “willing” sellers could sell water and anyone with or without land could own it. The government has suggested that this is a measure that was taken in response to requests from landholders but we would refute that fact as we know of no one that wanted this and we could foresee all the issues that have since arisen.

We believe minority Farmer interest groups advised the government and our concerns were not represented. Or, even more alarming, that this was seen as an avenue to allow non-irrigators and foreign investors a foot in the door and open up water trading. Water is a commodity that should not be for sale to the highest bidder. Water, food and air are essential for life. If food was snapped up by traders and manipulated for the highest price there would be a war. If clean air was tradeable, collected by countries with bad pollution, would this be acceptable? Why is water different?

The “stripping” of water from an established, once productive food producing area and re-establishing another area at the end of the line has decimated our communities with no thought for the socio-economic ramifications.

Water has been “taken” from our district and has been used to setup new unregulated growth further down the river where land was cheap. This same water now has to travel much longer distances to be delivered with no accounting for the transmission losses. Water is being “forced” through the Barmah Choke, spilling over the banks flooding vast areas of forest. The MDBA and state water authorities have not factored into their water calculations any transmission losses incurred by this water now having to travel much further to get to its final destination.

Huge areas of land now have permanent plantings which once were not allowed to be established with NSW general security entitlements. This is a change to the rules which had previously only allowed seasonal crops to be grown with general security water and permanent plantings requiring high security water.

The establishment of permanent plantings of almonds and wine grapes with the use of general security and not high security water by corporate operators growing so called high value crops are non-essential luxury items at best. The insatiable need for water these crops have, coupled with the very deep pockets these companies have has caused the price of water to sky rocket. Almonds and wine may be nice for the city dwellers sitting at their local café and sipping on their almond milk

skinny latte and enjoying a macaroon while we are importing essential staples like milk, bread, meat, fruit and vegies, and even wheat, from countries that do not have the strict regulations our food products endure. When we have to start importing all of the products that we produce “clean and green”, introduce overseas pests and diseases to our remaining farmers, is the government going to compensate us?

The MDBA and their environmental plan is not working. This plan is not flexible at all. Drought is a natural part of the system and the environment is still receiving its full allocation. MDBA is allowing water to be mismanaged, flow out to sea, maintain an estuarine lake artificially as a fresh water lake, flood the environment when it should be under “dry” conditions and sacrifice essential food and fibre irrigation farmers.

Water used by the environment is not accurately measured. Our water is measured to within an inch of its life to the nearest drop while environmental water uses the “world’s best practice” method with no meters in site. Water lost to overflows into the environment while delivering water through the Barmah Choke is not attributed to the environmental water holder’s entitlement, in fact no one is accounting for these losses at all. This does not include the transmission losses of delivering water some 1800km from the choke to the Murray River mouth.

Irrigators have fixed water charges whether they receive any water or not. Expensive irrigation infrastructure is sitting idle waiting for allocation on entitlements. Water investors are not contributing anything to the upkeep of any of the water infrastructure. This is just another insult to food producing irrigators while water investors can hold onto large quantities of water until prices are at the top of the cycle until they sell. Not only that, they also have the ability to use the carry over mechanism, designed to give irrigation farmers the ability to secure water to finish crops off in the new irrigation season when opening water allocations are historically low. Our farming enterprise traditionally uses this ability to carry water over as a necessary management tool, essential for our overall yearly cropping security. Water speculators who have purchased water purely for profit and not producing a single tangible thing should NOT be entitled to carry water over. This would free up water at the end of the irrigation season as investors would have to sell or lose it. The price would fall and investors couldn’t hold irrigators to ransom.

Water attached to land was the ideal but the genie is out of the bottle and there is no going back. Putting in rules of must own land to carry over water will not work now as water investors could buy “token parcels” of land to comply with this rule. The only workable solution left is either you have to be a Primary Producer OR you need to have a delivery share/entitlement. Investors have water with no ability to physically “use” that water on land.

The Government environmental water holder should also not be allowed to carry over water. If the environment needs water then use it. If it doesn’t then lose it.

The water trading market and water ownership is definitely NOT perceived as being transparent. Politicians’, public servants and bureaucrats should be forced to declare any water they or their family owns. It is totally unacceptable for anyone in government state or federal to own water and be making decisions that affect water entitlements holders. It is not inconceivable that Water Traders could also own large parcels of water and if they do, we should know about it. To suggest that if you have a WAL number you can for a fee pay the Titles Office and they will research the owner of the WAL it is a transparent system. That is NOT the definition of transparent. Until a public register exists that has the WAL, number, name of owner and the quantity of water held that anyone

with access to the internet can easily and freely look up using name or WAL then and only then will everyone be confident we have a transparent water market.

There would be no doubt that water traders and big water holders would emphatically reject any attempt to have full market transparency. Anyone actually using the water as an “input” for farm production would have absolutely no problem at all and insist we have full market transparency.

The Murray River is approximately 2500km long and has only two zones in NSW, (zone 10 & zone 11) located above and below the Barmah Choke, adding to that, contributing valleys are not taken into account when water for downstream users is assigned. For example in a year where the Darling system has contributed 0% water to the Murray River and South Australia has been supplied with virtually its full entitlement- with no reductions, this is ludicrous. Trading from above the choke to below the choke or water taken out of the Murray River and transfer to other Valleys should not be allowed.

Our family farm has never sold any water in its 60 year water using history either temporary or permanent. We have only purchased small parcels of temporary water on a couple of occasions through a water trader to add to our own allocation to finish a crop. We do not have enough experience in the market place to comment on whether the traders are manipulating the market or not.

All of the above factors (and more) have contributed to the scarcity of water and blaming the drought is a “cop out” by the bureaucrats. Water availability has definitely impacted heavily on price and decimated our community and irrigation farmers.

In conclusion if someone else sells their water to a third partner, it shouldn't affect us, but it has in a seriously negative way.