

Lislea Lodge Pty Ltd

ATF The Baxter Family Trust

Wool, prime lambs beef cattle, cereals, pulses, oil seeds & fodder

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SUBMISSION TO ACCC MDB WATER TRADING ENQUIRY

I am an irrigator at Nathalia in Northern Victoria with an aggregate water entitlement of around 2000 ML. I attended the public forum in Shepparton on 13 November 2019 and want to reiterate and supplement the comments I made at that event.

I believe that water trading is an essential element of an efficient water allocation system and that it has served the industry well since it was introduced. There is little doubt that without trading the millennium drought would have bankrupted many irrigators. Moreover, trading allowed some farmers to exit the industry with dignity and some cash in hand for fresh pursuits. In the process, it allowed some unsuitable land to be retired from irrigation.

The fact that some farmers, either through ignorance, poor advice or misjudgment chose to sell their permanent entitlements and rely on the temporary market for their water requirements and have now been caught out by a market driven escalation in temporary water prices is no reason to mandate onerous conditions on water markets.

The water holders in question need to live with their decision and not attempt to load others with unnecessary cost or red tape.

Water prices have risen dramatically for a number of reasons, primarily the drought. If Hume and Dartmouth were spilling this Spring, we would not be having this discussion. It will rain again and both storages will spill again.

Secondly, irrigation efficiency and water utilization has changed substantially over the last decade or so. My father never irrigated grain crops. He tended to conserve his allocation each year in case of a dry Autumn in order to grow green grass for lambing ewes. If Autumn came early with consistent rain, then he did not use his allocation in full that year. Notwithstanding that under utilization, he was obliged to pay for the total allocation. Prior to unbundling, that unused water went back in the pool and was utilized by other irrigators, mainly dairy farmers as "sales". In effect, some farmers were cross subsidising dairy farmers who were able to source "sales" at a cost less than otherwise would have been the case because some of it at least had been already paid for once. Water trading has enabled farmers to sell allocation they might not use which has overcome the cross subsidisation conflict and at the same time enabled water to move to the highest and best use.

Thirdly, broad scale irrigation farms are much more developed than they were a few years ago. For example, my farm has progressively installed eleven spray irrigation machines since 2007. Despite the efficiency and productivity gains, which have been substantial, a greater

volume of water is being used because land previously not commanded by surface irrigation is now able to be reached. Also, the introduction of new crops has opened up new opportunities particularly for Summer irrigation. Hence demand for water overall has increased despite the irrigation footprint in the GMID shrinking.

Fourthly, the dramatic expansion in almond and olive oil plantings in the Victorian Lower Murray has by definition increased the demand for temporary water and, in years such as 2019 when allocations are only around 50%, massively so.

Fifthly, the substantial water volumes acquired for the environment and held by the Commonwealth and State water holders have self evidently reduced availability for irrigators and by the forces of supply and demand pushed up prices.

At the Shepparton meeting, there was a lot of comment about transparency of trades. I don't have a problem with trades being available on a public register although I fail to see any worthwhile advantage. If this transparency is to be introduced, it needs to apply to all trades, not just those above some sort of threshold. If a minimum size trade is set before disclosure is required, it can only lead to all manner of contrivances to keep below that point and such is in no-ones' interest.

I have no evidence that so called water barons are manipulating the market. They may be and I will be interested in what this ACCC enquiry might determine.

Similarly, I am unconvinced that the barons are hoarding water. They own water in order to make money. If they are hoarding it this season when temporary water is commanding a remarkable price and their profits would be very substantial indeed, it beggars belief that they would hold on to it and risk a wet start to 2020, a consequent collapse in prices and a possibility of losing a lot through a spill event.

There were quite a few references at Shepparton to carryover. Unfortunately, much of it was ill-informed and demonstrated that some of the attendees did not understand how carryover works. I believe that carryover has been a very valuable initiative. It enables farmers to plan for the following season and set their budgets and planting schedules with some confidence. It seemed to be lost on some contributors in Shepparton that carryover is a useful risk management tool. Likewise, they seemed unaware that carryover can be lost in part or in full by a spill event. They appeared to be of the view that carryover takes up space in the storages that might otherwise capture inflows that could be allocated in part to them. This notion is rendered nonsense by the spill provisions.

Those claiming that in the absence of the carryover system a low security allocation akin to the former "sales" would be likely available are deluding themselves. Now that we have trading, that water would simply be sold on the market if carryover was not an option.

There were three points made at Shepparton which I particularly endorse.

1. Water holders who do not hold an ABA should not escape contributing to distribution system upkeep. They require a channel system to be available to the buyers of their trades. The fact that it is underwrites the value of their water asset. They should therefore be liable for infrastructure charges.
2. The environment should bear some of the conveyance losses. Such losses in effect go to the environment anyway and it seems inequitable that presently irrigators are bearing the total burden.

3. Consideration should be given to devising a formula which accounts for the fact that a 100ML released at Mulwala requires about 100ML to deliver it in the adjacent MVID but considerably more than 100ML to deliver 100ML to the lower reaches in South Australia.

Finally, I express the hope that the ACCC can complete its deliberations well in advance of the deadline set the Government. The quicker some of the myths and allegations surrounding water trading are put to rest the better.

Bill Baxter AM

17 November 2019

