

**Submission to the**

**ACCC's**

**Murray-Darling Basin water markets**  
**inquiry**

**19th November 2019**

**Geoff & Fiona Kendell**



## **Contents**

<b>Authors</b>	<b>Page 2</b>
<b>Introduction</b>	<b>Page 3</b>
<b>Is the current water price unsustainable?</b>	<b>Page 3</b>
<b>Water Speculators &amp; Unprecedented Water Price Rises</b>	<b>Page 3</b>
<b>Farmers</b>	<b>Page 4</b>
<b>Our Business</b>	<b>Page 4 &amp; 5</b>
<b>Our Irrigation Fixed Charges Account</b>	<b>Page 5 &amp; 6</b>
<b>Government Grants for upgrades</b>	<b>Page 6</b>
<b>Banks &amp; Debt Recovery</b>	<b>Page 6</b>
<b>Do we understand who owns the water and who makes the changes?</b>	<b>Page 7</b>
<b>Watermove &amp; Water Brokers</b>	<b>Page 7 &amp; 8</b>
<b>Where has all our Water gone?</b>	<b>Page 8</b>
<b>Taking more water out of the system and moving it down the River</b>	<b>Page 8</b>
<b>The Problem, The Lower Lakes</b>	<b>Page 9</b>
<b>Solution</b>	<b>Page 9</b>
<b>What has been the impact to our Region so far?</b>	<b>Page 10</b>
<b>Conclusion</b>	<b>Page 10 &amp; 11</b>
<b>References</b>	<b>Page 11</b>
<b>Appendixes</b>	<b>Page 12 &amp; 13</b>

## **Authors**

Geoff Kendell is a fourth generation Australia farmer, 1850 to 2019.  
He is a third generation irrigation and dry land mixed farmer in the Kerang Region of Northern Victoria, 1893 to 2019.  
He is a GIACD and former Policy Council Member of the National Farmers Federation and Victorian Farmers Federation.

Fiona Kendell has been married to Geoff for 30 years living in the Kerang Region.  
She is a Primary School Teacher, Director and part time farmer of the family business.

## Introduction

The Australian Competition and Consumer Commission are conducting an inquiry into the Water Markets in the Murray Darling Basin.

We believe this inquiry is investigating whether traders, brokers or any other players are artificially driving up prices and thereby hurting family farmers. This is why we are making a Submission.

## Is Current water pricing unsustainable?

The following draws a very real and personal picture of why we believe the Water Industry has become unsustainable.

## Water Speculators & Unprecedented Water Price Rises

We believe there needs to be an immediate investigation into who owns our farming industry water.

In the 2018- 2019 season during January 2019 Temporary Water Prices rose \$120 in 6 days from \$410 on the 16<sup>th</sup> January to \$530 a megalitre by the 22<sup>nd</sup> January.

The market was again bounced this 2019-2020 season by \$170 in 17 days from \$620 to \$790 between the 15<sup>th</sup> August to the 2<sup>nd</sup> September 2019, and in 3 days from the 19<sup>th</sup> October to the 22<sup>nd</sup> October rose a further \$100 from \$800 a megalitre to \$900 a megalitre and then jumped again 6 days later on the 28<sup>th</sup> of October 2019 to hit \$1000 a megalitre.

If this had happened in the business world there would have been an immediate investigation. Obviously the perception is speculators are manipulating the market. We believed they artificially hold back water supply only releasing water when seasonal demand becomes desperate thus generating a spike in the market price. The present Carryover rules for Water allocation also give Water Speculators the ability to hold water in the Dam for an annual charge of \$13.86. This tool allows them to hold large parcels of water from the market pushing the price up, especially in times of heavy demand thus distorting the market places prices but worse still, holding water that could be used for growing food by farmers. Measures should be taken in the future in an effort to stop this practice. It is now also believed that when cheap parcels of water hit the market they are snapped up very quickly by these speculators within seconds using a process of algorithms before any farmers can attempt to buy it.

People who do not own irrigation land should not be allowed in the market as it heavily distorts the market place for the farmers who need the water to grow crops and pasture to produce food for this nation.

An immediate Royal Commission should be held.

**As we have pointed out Water Speculators are only charged a Storage Fee of \$13.86 a megalitre for their water in the dam, where a farmer like me, producing food for our nation's population is charged \$2065.88 a megalitre for allocated water to use. A 14 805 % mark-up!** What for? Administrative fees which include access fees/delivery shares. Why are we disadvantaged? What have farmers done wrong in looking after our environment and producing high quality clean green food at the highest food safety standards in the world for our population to eat?

## **Farmers**

Farmers and River Communities confidence is at an all time low as the Murray Darling Basin Plan has all but destroyed our existence. While water floods forests along the Murray River and the Wakool River and Mulwala Channel runs to capacity farmers are left looking, unable to comprehend why they can't receive a drop for their farms.

Farmers need security of 100% allocation by the 15<sup>th</sup> of August to be able to water planted crops and pastures for their best financial return. Not like last season when it was allocated on the 17<sup>th</sup> of December 2018.

I will say this again because I don't believe a bureaucrat understands agronomics.

"Farmers needed security of 100% allocation by the 15<sup>th</sup> of August to be able to water planted crops and pastures for a financial return". For example, in layman terms, if your employee dies of thirst on the 20<sup>th</sup> of August 2019, it is no good giving him a litre of water on the 17<sup>th</sup> of December 2019, you are not going to bring them back to life to make an income for you, so...

**"Farmers need security of 100% allocation by the 15<sup>th</sup> of August to be able to water planted crops and pastures for a financial return."**

This season started on the 15<sup>th</sup> of August 2019 with 26% water allocation, which meant an investment had to be made to top up allocation with Temporary Water of \$620 a megalitre, to ensure all crops and pastures received water to finish their growing cycle and maximise production. Water Speculators quickly pushed this figure to close on \$800 a megalitre within 17 days of trade. Needing 1.5 to 3.5 megalitres a hectare to irrigate this investment was significant, for many quickly ending up well above a financially viable option.

Not obtaining 100% security in water supply by the 15<sup>th</sup> of August dramatically reduces the enthusiasm to push ahead and invest in our irrigative industries.

## **Our Business**

My Great Grandfather came to Australia in 1850 and started farming not long after. My Grandfather came to Kerang, selected and settled our farm 126 years ago and started irrigating when the irrigation system was developed in our Region in 1926. Today through the pressures of extreme water prices caused by commercial greed and government mismanaged water policy, our farming business is drawing to an unwanted forced closure.

My two sons now in their twenties have both left, with no intention to farm as they have personally seen how stressful and mentally draining this industry has become, with increasingly relentless long hours of labour for very little reward or financial gain.

There is very little recognition or understanding by the government of the tough and gruelling industry we live and work in, constantly battling against the elements to try to produce food and fibre for the population. Then to have them so badly mismanage our water asset has been the last straw. It has been extremely distressing.

In the last 7 years of the Plan my hay, small seeds and grain supply business has gone from 43 to 3 irrigation farming customers still operating in business. My sheep

livestock business has been similar, over the last 2 years from 4 600 to just carrying 110 head at the moment.

My irrigated crops and pasture use 3.5 megalitres of seasonal water to produce good high quality yielding produce of up to 11.5 tonnes to the hectare.

With today's Temporary Water price at just on \$1 000 a megalitre, equating to \$3 500 a hectare, I can't come close to making a financial return and am therefore out of business!

We didn't water and only cut 840kg to the hectare of failed wheat off some of our country yet we still have to pay our water rates for the year. With what, fresh air!

We employed 1 full time worker, 7 part time workers with my sheep enterprise, a further 4 part time workers with my grain enterprise, 1 part time worker with my hay enterprise and my stock agent who were all kept constantly busy.

These have all but gone due to the high price of irrigation water and the constant insecurity of supply, all caused by mismanaged water policy run by those with no on ground understanding of how an irrigation enterprises works.

With the loss of local markets comes loss of critical mass which means for those who remain there is no local mainstream tractor, truck or farm implement dealerships left in the Region, so in my case, Echuca is just over an hour and Swan Hill just under an hour for supplies. Livestock is now freighted and marketed to Naracoorte 4 hours, Colac 4 hours, Bendigo 1.5 hours and Swan Hill 50 minutes.

This is all extra farm operating downtime and a massive increase in farm operating expenses.

It also means if we now have to travel to these centres we buy our supplies there while waiting and are less likely to buy local. This does not help our local businesses or support our local economies and communities in turn.

### **Our Irrigation Fixed Charges Account**

Our water Fixed Charges Account continues to rise.

Prior to the introduction of Delivery Shares and Infrastructure Access Fees system in July 2007 we paid \$29.94 per megalitre for our service of 232.5 megalitres allocation in the 2006-2007 year.

In 2009-2010 ten years ago we paid \$ 36.08 per megalitre for our service of **232.5 megalitres allocation**. (Appendix 1)

Now this year, ten years later we are paying \$ 2 065.88 per megalitre for **4.5 megalitres of allocation**. (Appendix 2)

**The price we are now paying is dramatic!**

**\$ 29.94 per megalitre to \$ 2 065.88 per megalitre.**

**This has to be investigated!**

The increases in 10 years are

Entitlement Storage Fee High Reliability from \$ 7.49 to \$ 13.86 a megalitre

**85% increase**

Service Fee \$ 112.68 to \$ 120 **6.5% increase**

Infrastructure Access Fee 2.33 ML/day Delivery Share \$ 2 571.90 to \$ 2 925

**13.73% increase**

Irrigation Service Point Fee \$ 56.35 each to \$ 1060 each **1781 % increase**

Drainage Service Fee \$ 112.68 to \$ 120 **6.5% increase**

Drainage Area Fee \$ 2.22/ha to \$ 4.68/ha **110.8 % increase**

Prior to the introduction of Delivery Shares and Infrastructure Access Fees system in July 2007, we use to have access to Water Sales over and above our 100% Water Right Allocation which we were able to use and did consistently use year in year out. When the new system was introduced we were allocated High Reliable Water & Low Reliable Water Allocations. Low Reliable Water allocation was to replace our Water Sales but we now had to pay for this annually. Our problem has been we have NEVER received Low Reliable Water in the past 12 years but had to pay the increasing annual fees. So we sold our Low Reliable Water allocation in 2017.

We were told that with all the NIVRP, Connections and On Farm Efficiencies Projects being completed and our system becoming fully automated that GMW deliveries would become more efficient, thus reducing our costs. Not accurate!

We believe Goulburn Murray Water really needs to rethink their costs to farmers They need to start charging speculators and non landholders of water, including government agencies more than what they charge farmers because they trade the water to make money, where farmers grow food and fibre for the nation's population and try to make a living while doing so.

Charging these speculative groups a full rate for water would give GMW more revenue and take the present burden off farmers for GMW's mainstream financial recovery.

We believe Farmers should not have to pay \$ 33,000 (just on 10 times the annual Infrastructure Access Fee) to get rid of one delivery share.

Farmers shouldn't be made to keep delivery shares they don't want, didn't ask for and can not afford.

Farmers should not have to cover all of GMW's delivery and maintenance costs.

Farmers should not have to buy Temporary water at ridiculously high prices.

**Farmers should not have to pay for Goods and Services we do not receive (WATER!)**

**Where else in the business world does this happen!**

Personally we have always paid our Goulburn Murray Water Rates including Delivery Shares and an Access Infrastructure Fee since the 1<sup>st</sup> July 2007 when introduced.

We've done the hard yards in paying these fees for 12 years, while growing food for this nation and trying to make a living for our family with exorbitant rising costs.

We believe given our families present situation we should only have to pay the same fee as the Water Speculators, \$13.86 a megalitre for the water, not the ridiculous extras tacked onto our accounts. We believe this to be a fair price for farmers trying to produce food for this nation's population and this price would generate viable and sustainable businesses for future generations.

## **Government Grants for Upgrades**

When Government Grants where offered such as the Northern Victorian Irrigation Renewal Project (NVIRP) for up grades our family were told we couldn't get anything because our farm sat on a backbone channel, yet neighbours on and off the backbone channel received Grants into the millions. What a rort!

## **Banks & Debt Recovery**

Farmers were made to sell their permanent water by Banks to pay back accumulated debts from the 10 plus years of the millennium drought, then told they could buy Temporary water to replace it.

This has been like being feed to the sharks (Water Speculators) as they circle waiting to rip off another farmer in desperate need of now Temporary water.

## **Do we understand who owns the water and who makes the changes?**

No-one seems to know who makes the changes; yet they have all but destroyed our generational farms and river communities without a care, whoever they are.

No-one wants to take responsibility for the mess and if you start to ask questions no-one wants to talk to you, yet they are still happy to take your money for a service and water supply we don't even receive.

How can they justify this action and sleep at night. Its just plain robbery!

Has there been a cost benefit analysis done to show the benefit to the farmers for this service?

I truly doubt it.

An example for no-one taking responsibility was; the unintended initial flooding of both Barmah and Millewa Forests with farmer's precious allocated water during last season and not environmental water until a later date. Farmers had no say in loosing this precious allocation. This type of action really questions the Authorities principles.

Now this season, the CEWH opened the regulators and started up pumps to flood the Edward –Wakool, Barmah-Millewa and Gunbower-Perricoota forests, Lake Kramen and wetlands in Chowilla and Lower Lakes with total disregard to concerns raised in the past year by the river communities and their farmers. All while crops and pastures died and businesses went broke.

This action really questions the Authorities principles yet again. Who is in Charge?

## **Watermove & Water Brokers**

Watermove was owned by Goulburn-Murray Water (G-MW), which is a statutory Corporation constituted by Ministerial order under provisions of the Water Act 1989 (Vic). G-MW is the resource manager for northern Victorian water systems, and its responsibilities included water delivery, infrastructure management and maintenance, meter reading, billing, allocation announcements and approving trades of both water allocations and water access entitlements. Watermove was established by the Department of Sustainability and Environment in 2002 to support the development of water trading across Victoria. When it was established Watermove offered a 'pooled exchange', which provided a weekly pooled water exchange where traders submit offers to buy or sell and elect a volume and price they will accept. The pooled exchange conducted a double bid auction in trading zones 1A, 6 and 7 to match compatible offers to buy and sell and determined a weekly pool price that buyers would pay and sellers received, with unsuccessful schedules of offers carried forward to the next exchange. The service was available for the Goulburn Murray Irrigation Districts Zones water allocation, trading across Northern Victoria and in southern New South Wales for GMW Victorian ABA holders.

This system allowed trades to be negotiated between different trading zones and their website included a history of these trades and the prices achieved.

From our personal perspective Watermove seemed very transparent and a great trading platform which we used consistently to watch the water market and buy and sell water at different times.

We believe State Government was lead to believe that GMW had a Conflict of Interest between its mainstream business of water delivery and Watermove their Water Trading arm, therefore we saw Watermove's demise in 2012- 2013 financial year and water trading move to Private Brokers.

This was unfortunate but Goulburn Murray Water's business Watermove seem to only trade GMW water and couldn't deal interstate.

Since then we have successfully used Waterfind Australia, Landmark Kerang, Graeme Hayes Real Estate and Southern Basin Water. In all cases we have a personal broker in all Companies we deal with.

### **Where has all the Water gone?**

With Government Northern Victorian Irrigation Renewal & Connections Projects and Reconfiguration & On Farm Programs near completed were has all the saved water gone?

With many channels now filled in, and others piped and lined there has been a massive saving of water that would have seeped or evaporated away, but were has that water gone?

We have seen huge buy backs of farm water by the Government for environment use also.

Historically there was more water used and land irrigated by the irrigation farmers 20 years ago above the Barmah Choke than the almonds trees use today below the Choke, so I ask again were has the water gone?

### **Taking more water out of the system and moving it down the River**

It is so disappointing to see Murray & Edwards Rivers & Mulwala Channel already running over capacity, washing away river banks by up to 3 metres, flooding forests with 1.5 metres of water for a second year in a row while Australia's most highly productive food and fibre region's landscape is being decimated.

The Federal Government & Murray Darling Basin Authority push to send extra Gigalitres of water down an already saturated river floodplain to SA is ludicrous. It won't fit!

All they will do is moved ponded water held in the Edward –Wakool, Barmah-Millewa and Gunbower-Perricoota forests back into the River systems causing a catastrophic disastrous Blackwater event killing the marine life in its way.

If a wet season was to occur during this coming winter and spring we are set up perfectly for a major flood event. As the forests are already saturated from unseasonal flooding this would in turn bring about tree and flora water logging and subsequent deaths to the largest redgum forests in Australia.

A further GL Buy-back Program is utter madness and has no scientific credence. It would finish the Northern Irrigation of Victoria's water industry and the farmland environment will be turned into lunar landscape overnight.



## **The Problem, The Lower Lakes**

We believe The Murray Darling Basin Plan fails to address the real problem, which is the two lakes at the end of the Murray; Lake Alexandrina and Lake Albert, Adelaide's recreational playground and water supply.

Lake Alexandrina (64,950 hectares) and Lake Albert (16,800 hectares) together represent the largest freshwater reservoir in South Australia. Lake Albert is situated to the south-east of Lake Alexandrina, to which it is connected by a narrow channel near Point Malcolm. Lake Alexandrina and Lake Albert are shallow, with mean depths of 2.8 m and 1.7 m respectively, holding 1924 GL in storage. Using (Shepherd 1971) evaporation equation the seasonal evaporation for the surface area of the 81,750 hectares is a staggering 865.2 GL a year, just under a third the capacity of the Hume Dam.

This also equals a third of the total evaporation losses for the entire Murray Darling system. It has to be stopped.

This third is believed to equal the entire 100% seasonal allocation for the Goulburn Murray Irrigation District and Southern Riverina Irrigation District. This has to be addressed.

During the drought in 2010, if flexible management operations had been in place for the Lower Lakes, it is estimated that the ability to conserve 1180 GL in evaporation losses from the Lower Lakes (2003/04) plus an additional 280GL that went over the Barrages into the sea (2003/04), would have delivered 100% water security for South Australia, plus given an estimated increase in water supplies of 25% - 30% for Victoria and New South Wales Murray Irrigation regions. The financial implications of this savings are almost immeasurable.

## **Solution**

With a growing population in Adelaide and requirements for fresh water increasing let's look for the solution.

In 2002 I met with the then Federal Minister for Water and the Victorian Minister for Agriculture & Water to put forward a visionary proposal, a pipeline from Lake Argyle (with annual fresh water losses to the sea 5 times the capacity of Sydney Harbour) to fix the SA problem and reduce the reliance on Murray & Darling Systems. A pipeline at this time could have been built alongside the construction of the Darwin to Alice Springs rail link. A pipeline that will gravitate to the bottom of Lake Eyre before pumping was needed. A Pipeline that mimics the Hoover Dam and Lake Mead in the USA that supplies millions more people than Adelaide.

In 2006 the Late Richard Pratt offered to pay for the pipe, alas both ideas fell upon deaf ears.

If not a pipeline a secondary patch up solution would be to place a new lock in the Murray River above the Lower Lakes holding fresh water above the lock for Adelaide and only releasing water through on a needs basis to keep the River Mouth open thus stopping the needless loss of evaporation of precious 1000's of GL of water.

With a growing population we must reduce our total reliance upon the Murray Darling System and become smarter about how we use this valuable resource.

## **What has been the impact to our Region so far?**

We understand that the ACCC's inquiry doesn't take into account the social, economic and environmental impacts to Regions but to better understand the impact of a distorted Water industry market and rising costs we have included this quick snapshot of what has been caused by the flow on effect in the our Region since the Murray Darling Basin Plan was initiated in 2007.

### **Gone**

272,000 head Prime lamb & Sheep Market worth an estimated \$34,188,150 (Kerang)

34 200 head Beef Cattle Market worth an estimated \$34,213,000 (Kerang)

Loss of these 2 Markets to the Community Businesses estimated at \$273,600,000

Add to this the irrigated Wool, Hay and Grain industries.

In that time 592 less children at school (2007 until March 2019)

### **And now**

55 dairy farming entities since Christmas, a loss of 30,000 dairy breeding and milking cows slaughtered (\$120 Million worth) plus another 9000 young stock slaughtered.

**Murray Dairy's Rule of Thumb:** For every 200 cows earn \$1Million of that an estimated \$780,000 goes back to the Community which inturn employ 6 full time workers.

Up until just recently Murray Darling Basin Authority wouldn't acknowledge their Plan was causing any kind of a Social & Economic Impact in our Region.

### **Conclusion**

An agricultural consultant said to a farmer: "Your methods are too old-fashioned.

I won't be surprised if this tree will give you less than 20kgs of apples."

I won't be surprised either", said the farmer. "This is an orange tree."

Unfortunately those making the decisions think the above is funny.

This is actually our lives!

We are third generation irrigation and dryland farmers in the Kerang Region of Northern Victoria. We are pioneers, settling here 126 years ago.

We are presently being forced out of an industry we love by high water prices and the non guarantee of supply, at the 15<sup>th</sup> of August, to irrigate crops and pasture to finish their growing season and maximise production.

What has happened to The Murray Darling Basin Plan 2007, a plan that was developed to balance the water industry and return water to the environment to keep the Murray River mouth open, unfortunately the Plan has been like a runaway train with no checks and balances, destroying regions social, economic and environmental infrastructure that lay in its path.

The Plan only keeps addressing the symptoms of trying to keep the river mouth open, of which only 16% of the 1500 Gigalitres (GL) environmental flows actual made it to the river mouth last season.

Farmers should not have to pay for **WATER AND SERVICES THEY DON'T RECEIVE!**

**They should not be made to keep delivery shares they don't want, didn't ask for and can not afford,** let alone pay \$33,000 to get rid of just one delivery share.

Farmers should not have to cover all delivery and maintenance costs.  
Farmers should not have to buy Temporary water at ridiculously high prices.  
Water Speculators are driving the water market to artificially high levels in an attempt to grab good returns for their business and shareholders investments. This is at detriment to the Australian Irrigated Agricultural Industry and their rural communities who support them in their attempts to grow food and fibre for this nation's population.  
Water Speculators are killing our industry and they have to go.  
They pay \$13.86 a megalitre to trade water for their shareholders.  
We pay \$2065.88 a megalitre for allocated water to grow food and fibre for this nation's population.  
It's simple, "If you don't have land you can't trade water".

Yes, the current Water price is unsustainable for agriculture to survive and yes, the current price is being heavily distorted by those outside our industry.

## **References**

Victoria's North & Murray Water Resource Draft Plan 2019  
Murray Darling Basin Authority  
Shepherd 1971 Evaporation Rates for the Lower Lakes  
Southern Riverina Irrigators Advice to the Murray Darling Basin Authority 1<sup>st</sup> May 2010  
South Australian River Murray Water Resource Plan Area Risk Assessment DEW Technical report 2018/05  
Goulburn Murray Water  
Waterfind Australia  
Kerang Technical High School  
Kerang South Primary School  
St Joseph's Catholic Primary School Kerang  
Kerang Central Primary School  
Cohuna Consolidated School  
St Mary's Catholic Primary School Cohuna  
Lake Charm Primary School  
Stock & Land  
Livestock Agents Greg McNeil & Greg Dickson  
Charles L King & Company  
McKenzie & McKenzie  
Murray Dairy Future Focus Dairy Industry Strategy Murray Region 2019