

ACCC MDB Water Inquiry - Stakeholder feedback form

The ACCC is seeking feedback in response to the issues raised in its [interim report](#), and encourages stakeholders to provide a submission. This form aims to assist more stakeholders to provide feedback. It summarises the ACCC's preliminary conclusions and options for reform, which are available in full on pages 34 to 37 of the interim report.

You can provide a submission or respond using this form, to waterinquiry@acc.gov.au. Submissions are requested by 30 October 2020.

The Inquiry is a public process and written submissions will generally be made available on the ACCC website. However if you do not want your personal information (e.g. name and contact details) to be disclosed, please let us know and we can take steps to redact your personal information before placing your submission on the website.

The ACCC can accept a claim of confidentiality from a party if the disclosure of information would damage their competitive position. If you wish to claim confidentiality over all or part of your submission, please identify the relevant parts of your submission and explain why disclosure would damage your competitive position.

About you

Name Robert McGavin	
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Would you like the ACCC to block out your personal information (e.g. name and contact information) so that it does not appear on the ACCC's website?	/ No

Conduct of market participants

The ACCC considers there is insufficient regulatory oversight, and enforcement and compliance activity, in relation to some practices of some market participants

The ACCC's preliminary view is that market integrity regulation needs to be improved and that regulation should be introduced in the case of water brokers. Additional regulation could be introduced to cover other market participants such as investors and IIOs.

The ACCC has identified three options for improving market regulation:

- a) Introduce a government-initiated licensing scheme for intermediaries
- b) Apply the financial regulation framework to all water products, which would be relevant to the activities to a range of market participants
- c) Establish an independent market-focused government regulator, which would enable the regulation of market participants such as intermediaries, investors and IIOs.

Feedback on options to improve market regulation

Importantly, the ACCC interim report does not adequately distinguish between trade in Allocation water (temporary water) and trade in Entitlement water (permanent water). It covers them both as 'water trade'. The economic and social implications for Australia of trade in each category of water are completely different and the risks and benefits of trade in Allocation and Entitlement should, for the betterment of Australia, be addressed separately.

While we support non-water users (pure water investors) owning Entitlement water (Permanent water) we vehemently oppose non-water users buying water in the Allocation market (Temporary water market). The risk to our nations food security and prosperity by allowing open trade in Allocation water cannot be overstated.

At any point in time, the gross value of Allocation water on issue is very small comparatively to the gross value of Entitlement water on issue. In fact, Allocation water would be between 2% and 15% of the value of Entitlements on issue in the Murray Darling Basin (MDB). The returns for pure investors in Entitlement water can only come from selling or leasing the Allocation water associated with that entitlement and the capital gain or loss from increases in the value of that Entitlement. This creates two concerns:

1. A compelling motive by Entitlement owners to increase allocation prices
2. A relatively small investment into buying Allocation water and/or a delay in selling of Allocation water each year can have a material impact on the price of allocation water

In dry years, like those recently experienced, non-water users (speculators and traders) purchasing Temporary Water - particularly in the Southern Murray Darling are crippling irrigators and the communities in which they operate. With the number of dry years expected to increase, irrigators can expect an increase in traders and speculators entering the market in dry times thus making water input costs dramatically higher at exactly the same time when irrigators can least afford it and at exactly the same time when food production is at its lowest due to drought. Unlike irrigators, these traders are not purchasing the water because they have a use for it to keep crops and trees alive, they are purchasing it because they think it will be worth more at a later date. Effectively starving food producers of their most vital ingredient. Allocation water is often in desperately short supply in drought periods and becomes more vital to farmers during this period. It is hard enough for farmers to compete with other farmers for the available water but to have to compete with traders and investment funds who don't even have a productive use for the water is counterproductive to producing food. Unlike Entitlement water, Allocation water is not a commodity that if you don't get it this week you can buy it next week, in summer an entire crop can be lost in less than a week without water.

Speculators

In California, for example, neither the state nor federal authorities allow water transfers where the water is not being used for production. Pure water investors should not have the right to distort the lifblood of our nation's communities and food supply and therefore it is imperative that Allocation water is reserved for consumptive users.

The key to a long term well-functioning water market that delivers in the best interests of Australia's future prosperity is ensuring the Allocation market cannot be manipulated by traders/hoarders and the market cannot be allowed to be controlled by a few with large holdings. Furthermore, during droughts, Allocation water needs to be freed up and available for use by those who are desperately trying to ensure living plants, trees and livestock survive. In this regards we believe it is critical that the ACCC recommend the following:

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1. That direct consumptive users (e.g. irrigators, industrial users, towns etc) are the only parties permitted to purchase Allocation water (Temporary water) relative to their annual usage. In other words, pure financial investors are permitted to purchase Entitlement water and sell the resultant allocation from that water but are NOT permitted to purchase Allocation water unless they are using it to deliver against an pre-existing supply agreement with a consumptive user.
 2. No entity (including related parties) should be permitted to own more than say 3% of water entitlements in any individual irrigation zone/region and furthermore no entity can hold more than say 1% of total water entitlements in each connected system. There should be a carve out for entitles who directly use the water (consumptive users) on their own farms, for example.

Any recommendations made by the ACCC regarding trade in Allocation water must be stress tested and deeply consider the likely implications on the market and all participants in times of drought and short water supply.

Supporting Arguments

The most damaging and costly decision ever levied on irrigators and the communities in the Southern Murray Darling Basin (SMDB) was implemented in 2014 when non-irrigator investors were legally permitted to purchase Temporary water (Allocation water) that is available for use by farmers and industry. This change then allowed non-irrigators such as traders, investors, managed funds, environmental groups, water brokers and even sovereign wealth funds to purchase and hoard unlimited amounts of Temporary water with no legal requirement to use the water for productive purposes or on-sell to an irrigator for consumptive use. Quite simply, these non-irrigator investors can sell their Temporary water to another trader, let it run out to sea, or in some cases carry it over to the next irrigation season, which has the effect of reducing supply and increasing the price of water for genuine irrigators. This has been crippling, particularly in years of low allocation where every irrigator, regardless of whether they own permanent Entitlement water or not, have been forced into the temporary water market to sustain their business.

Irrigators are *forced* buyers. If they are unable to buy water, the effect on animals, trees and crops is disastrous and consequently, communities slowly die, a fact hard to ignore. This change, especially in dry years, materially increases the price irrigators have to pay and the negative flow on effect during the current long-standing drought is alarming.

The conduct of non-water users in water markets is harming not only farmers, but also rural communities and, ultimately consumers by artificially inflating prices in a manner that does not reflect the natural forces of supply and demand. We estimate that during the last 3 irrigation seasons, the conduct of non-irrigators has raised the price of temporary water by \$100/ML to \$500/ML above the price that would otherwise prevail in the current climate, if irrigators were only competing with each other for the available temporary water. This has resulted in a cost to farmers of between \$157 million and \$785 million each year over the last 3 years. That cost is unsustainable and is ultimately borne by rural communities; farmers with less money available for discretionary spending, with some struggling to even meet basic needs. Smaller family farmers without a large balance sheet, and often with limited financial resources, are particularly at risk.

Water is a precious commodity, and one we must manage carefully and respectfully. The current water market is small, and does not have the liquidity, regulation, transparency or normal checks and balances of a properly functioning market to keep traders honest. It is too easy and simple for traders to increase the price through buying and holding water alone.

It is such a serious issue for irrigators who have no choice but to buy water to keep their business going, and is particularly devastating for family farming businesses who often don't

have the financial resources or options available like larger corporates; many family farmers are already in a desperate and dire situation. The negative flow-on effect to rural communities who rely on irrigators cannot be underestimated.

Attached to this submission is a joint letter that all key horticultural industry groups sent to all water ministers (both state and federal) in late 2019. This gives the ACCC a gauge of the serious concern amongst irrigators of trade in Temporary Allocation water and the ability of non consumptive users to hoard water.

If water trading policy is not carefully considered, the majority of profits from irrigation activities in the Murray Darling Basin (MDB) will mostly flow to the water entitlement owners and allocation traders. The long-term impact on irrigation communities, particularly in the SMDB is worrying because the many irrigators (particularly those growing lower value but still essential crops) are likely to be priced out of the market. This is a sad situation as we all know that irrigators do all the work to produce crops, have all the expertise, invest in innovation and technology, live in the rural communities, employ local staff, spend their money locally and most importantly - take most of the risk. Lower long-term profitability will also mean less investment by irrigators in research, market development, growth and supporting the local communities, which will have long term negative impacts on our nation.

It must be remembered that water is not like most other markets. In most free markets when the price goes up, the market can react by increasing supply, which then pushes the price down again. In water it does not matter how much the price goes up; it does not bring on more rain. The water markets are unique in having a finite supply, yet increasing demand.

I therefore hope the ACCC final report addresses some of the questions below so that policy makers can better understand the facts about the market and the possible impact on the future of irrigators, especially in relation to:

1. The likely financial impact on the allocation market caused by non-irrigators:
 - a. being able to purchase Allocation water
 - b. Non-irrigator Entitlement holders' withholding water and not selling it for consumptive use in a timely manner
 - c. Ability to "carry over water" from year to year rather than sell it for productive use in each irrigation season
 - d. Fund managers being able to show capital gains and collect performance fees, without selling the water for productive use in each year.
2. Verify the net financial impact on the Allocation market (negative or positive) that non-irrigator investors claim to be having with regards to:
 - a. Offering irrigators financial solutions with regards to water
 - b. Offering forward contracts and pricing to irrigators
3. Verify the net financial benefit to irrigation districts (irrigators, towns, businesses etc) under different scenarios (wet, dry and average rainfall years):
 - a. If entitlement water is owned by irrigators or non-irrigator investment funds
 - b. If the price of Temporary water is low or high.

In summary, I believe that policy makers should unapologetically ensure it supports a policy that is in the best interests of the majority of irrigators and the communities and consumers who rely on them, regardless of the impact it might have on non-irrigator investors. Knowing the answers to these questions should be of great benefit in forming policies to ensure we better understand the unintended consequences of open market on irrigators and their communities.

It must be remembered that irrigators in Australia's southern Murray Darling Basin are effectively being used as guinea pigs (world first initiative) when it comes to water trading, by allowing non-Irrigators to enter the entitlement and allocation market. This in itself must reinforce the need to exercise caution and keep reviewing policy.

Improving trade processes and market transparency

The ACCC considers practical changes to trade processing are needed to improve the quality and timeliness of core market data

The ACCC has identified several practical improvements that, in its preliminary view, should be made as soon as practicable. These improvements relate to the validation and quality checking of trade data, including how zero dollar trades should be approved; capturing additional information in trade forms such as the reason for trade, struck date and intermediaries' details; and increasing harmonisation across Basin States' registers.

Feedback on options to improve quality and timeliness of core market data

[Any improvements are welcome](#)

The ACCC considers practical changes need to be underpinned by clear and comprehensive mandates to provide efficient trade services and high quality information to market participants

The ACCC has also identified a suite of further changes required to achieve a consistent and comprehensive trade processing and market reporting framework:

- a) Legislative changes to require Basin States to keep registers of entitlement and allocation trades and for Basin State water registers to provide information services with clear publication requirements.
- b) IIOs should be required to establish and maintain registers for temporary and permanent trades, within, out and into their networks.
- c) Update Water Regulations 2008 (Cth) to more clearly specify data reporting requirements for trades of irrigation rights.
- d) Allow for contracts to be registered with or otherwise recorded in water registers such that all allocation trades arising under one contract can be identified together.
- e) Introduce standardised single party identifiers across the Basin, such as using ABNs.
- f) Standards and processes for processing trade applications and recording and disseminating trade data should be mandated and consistent across jurisdictions and apply to all IIOs and Basin State approval authorities. Standardised record-keeping and continuous disclosure rules should also be placed on intermediaries.
- g) Basin States should work towards harmonising allocation trade application fees in the Southern Connected Basin, while recognising the NWI principles for cost recovery.
- h) Basin Plan water trading rules should be revised to require prices to be reported for all tradeable water rights, including irrigation rights and water delivery rights.

Feedback on options to provide efficient trade services and data collection

The ACCC considers digital technologies offer the opportunity to streamline trade services, at the same time as improving information quality and availability

The ACCC has identified options for using technological change to make more substantial improvements to improve the integrity of Basin water markets. The ACCC's preliminary view is that while governance remains distributed between Basin States and other actors, options which deliver *harmonisation* and *co-ordination* are more suitable than options which deliver *centralisation*. This approach could be achieved by combining the following options:

- a) a digital protocol that enhances interoperability between Basin State approval authorities and registers, IIOs and exchanges, and automates the collection, cleaning and publishing of water market information
- b) a water market information platform which brings together (but does not replace) diverse information sources.

Other options for using technological change include:

- a) a spot market and real-time automated matching of buyer and seller offers, similar to the National Electricity Market
- b) a single exchange platform for posting and matching trade offers by creating a single mandatory online platform for matching buyers and sellers
- c) an ASX-like approach of a single clearinghouse to administer trade but connecting via interoperability protocols to trading platforms and different Basin State registers
- d) Distributed Ledger Technology, such as Blockchain, which administers trade through smart contracts and also records all registry information
- e) a single common register in which all water accounting for both trade and delivery (use) would be accounted for in the same, single system.

Feedback on digital technology options

Improvements in transparency are necessary however need to be combined with structural changes ensuring Allocation water can only be purchased by consumptive users. This will dramatically improve the trust and confidence that irrigators have in their business and the market. Irrigators should need to compete for precious water against each other...this is healthy and will ensure water migrates to the best economic use over time. However, Irrigators competing with well-resourced non-irrigator traders/investors for available Allocation water is not conceivable.

Improving market architecture

The ACCC considers the design of the southern connected Basin market architecture has not kept pace with increasing trade activity, and the ACCC is seeking to identify options for reform

The ACCC considers that market architecture that better integrates trade, operational requirements and the physical characteristics of the system will improve the operation of water markets. This will help achieve a range of benefits, including properly pricing the costs of trade and protecting other water users and the environment.

The ACCC is identifying appropriate market architecture reform options, which might include:

- a) Improvements to policy transparency and consultation processes
- b) Alternative approaches for allocation and carryover policies
- c) Creating formal markets for storage and delivery capacity
- d) Applying transmission loss factors to water deliveries in the southern connected Basin
- e) Removing the exemption for grandfathered tags or removing entitlement tagging altogether
- f) Alternative and more dynamic mechanisms to manage inter-valley trades
- g) Changing all allocation trade to tagged allocation trade
- h) Improving consistency across Basin States' accounting and metering requirements.

Feedback on options to improve market architecture

I don't think there is any doubt that recent changes to water policy (over say the last 10 years) are increasingly disadvantageous to an irrigators ability to negotiate a fair market price for Allocation water (Temporary water), and the unintended consequence will be the significant medium term increase to the price of Allocation water, and consequently the very survival of low value irrigated crops (rice, cotton and dairy) and the communities they support.

Many irrigators (especially lower value annual crops) play such a critically important role in supplying water to permanent crops in years of low supply, when they can exercise the option of trading their allocation instead of producing a crop. Any ACCC recommendations must facilitate trade in a timely manner in Allocation water and increase its availability. Allocation water that is hoarded by traders / speculators or carried over from one season to the next and not made available for use by farmers in a timing manner is of material concern to Australia's future prosperity and food security. The key outcome irrigators require is to 'free up allocation water in periods of drought so it can be purchased by irrigators for productive use'.

If water trading policy is not carefully considered, the majority of profits from irrigation activities in the Murray Darling Basin (MDB) will mostly flow to the water entitlement owners and allocation traders. The long-term impact on irrigation communities, particularly in the SMDB is worrying because the many irrigators (particularly those growing lower value but still essential crops) are likely to be priced out of the market. This is a sad situation as we all know that irrigators do all the work to produce crops, have all the expertise, invest in innovation and technology, live in the rural communities, employ local staff, spend their money locally and most importantly - take most of the risk. Lower long-term profitability will also mean less investment by irrigators in research, market development and growth which will have long term negative impacts on our nation.

Furthermore, incremental policy changes are working against creating a fair market playing field for irrigators. In isolation they could be deemed minor however when combined the impact is much more pronounced.

Examples of such policy changes:

1. Keeping positive balance in water accounts at all times: We are supportive of this initiative, however it is materially impacting the market price of temporary water. Historically, private irrigators could purchase Temporary water throughout the irrigation season, and go into negative balance on their water account provided they were in positive balance at the end of the irrigation season (nominally set at 30 June each year). This allowed irrigators to buy Temporary water strategically throughout the year, when the price was most attractive, to manage cashflow and water availability, etc. Most importantly, before carry-over was allowed there was a reasonably even balance of power between buyers and sellers (i.e. it was a real market

where both sellers and buyers had something to lose/gain). Recent changes (which we support) forced irrigators to buy the water ahead of using it; however, the unintended consequence is that this has created a huge demand imbalance where the market power has moved in favour of non-irrigator investors.

This is because:

- more irrigators are forced to purchase water earlier in the season and more and more available water is owned by investors who have no obligation to sell their Temporary water in a timely manner and furthermore, can carry it over at the end of the season.
 - Increasingly non-irrigator water investors use a management company to manage their water. These same managers do not have to convert the Temporary water to cash to make a profit, and are in fact judged by their accounting profit and “independent valuation”, which is based on a market to market price – rather than cash/realised profits. In effect, a manager can make significant performance bonuses on increasing water prices, without selling a drop. They can value the water at 30 June at market price and carry it over and still collect their performance bonus. Now I understand that if the dams spill or the price goes down the manager might not get a bonus the next year, but it is normal practice in funds management that no-one comes and takes last year's bonus from them.
2. Allocations, more than ever, seem to be drip fed to entitlement holders (even in years of high storage volumes) creating less supply early in the season. While I am supportive of this conservative approach, it must be recognised that this reduces supply and liquidity in the market and gives more negotiating power to entitlement owners and their ability to increase the price.
 3. Recent changes now allow anyone to purchase Temporary water without having a water use licence (WUL). Again, these non-irrigators are bidding against irrigators and pushing up the price of water - which is particularly prominent in years of tight supply - without having the obligation of promptly selling it to an irrigator.
 4. On face value it looks like non-irrigator entitlement holders have a small share of the overall market, but this can be misleading as I believe they have a very high percentage of the allocation water available for trade. This is because, in most years, irrigators who own water don't sell allocation out...they use it.

It must be remembered that water is not like most other markets. In most free markets when the price goes up, the market can react by increasing supply, which then pushes the price down again. In water it does not matter how much the price goes up; it does not bring on more rain. The water markets are unique in having a finite supply yet increasing demand.

Recommendation

To ensure that Water Allocations are freed up and put to productive use in the best interests of the entire Nation:

1. Pure water investors who own Entitlement water must sell the resultant Allocations in the water year they are allocated.
 2. Pure water investors (who have no direct consumptive use) should not be allowed to purchase Allocation water unless that are fulfilling existing contracted obligations to supply a consumptive user.
 3. Only consumptive users (irrigators, industry users, towns etc) should be permitted to purchase Allocation water (relative to their annual use)
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Any recommendations made by the ACCC regarding trade in Allocation must be stress tested and deeply consider the likely implications on the market and all participants in times of drought and short water supply.

Changes to market governance

The ACCC considers there is a need to reconsider governance frameworks to enable independent and clear decisions on the development of market settings

The ACCC considers improved governance will help resolve many of the issues identified throughout the inquiry and strengthen the system so fewer problems emerge in the future.

The ACCC is considering options to improve market governance that may seek to:

- a) establish clear, independent decision making structures
- b) separate market governance roles from broader water management governance
- c) consolidate or harmonise fragmented roles
- d) reduce regulatory gaps by creating and assigning new roles or functions
- e) address conflicting roles.

Feedback on options to improve market governance

Any improvements in Governance are necessary and welcome.

Other comments

Please provide any other feedback you consider relevant to the ACCC's inquiry.

Feedback

It is obvious that a huge amount of time and effort has been put into reviewing the water market of which we and many irrigators are very grateful. However, I cannot overstate the importance of thoroughly reviewing the pros and cons of allowing non-Irrigators to purchase Allocation (Temporary) water. The unnecessary threat to our food producers and Nation is far too great to risk.

FOR INDUSTRY,
BY INDUSTRY

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11 November 2019

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Dear Ministers,

Urgent intervention needed to free up water markets

This letter is written on behalf of the following industry commodity representative bodies: Australian **Almond** board; **Citrus** Australia, Australian **Olive** Association, Australian **Table** Grape Association, Australian **Grape** and **Wine, Pistachio** Growers Association, Australian **Walnut** Industry Association, **Summerfruit** Australia, **Hazelnuts** Growers of Australia and **Chestnuts** Australia.

Much has been made of the drought impact on the dryland farming community and rightly so, but our irrigated industries are also facing an existential threat.

You will be well aware the drought is driving up temporary water prices. While we recognize this is in part the result of supply and demand under extremely dry conditions, speculative trade is amplifying the drought impact on the southern Murray-Darling Basin (sMDB) water market. For many family and larger enterprises, this additional price pressure will be the difference between surviving the drought or going bankrupt.



The Murray-Darling Basin Plan aims to sustainably apportion limited and valuable water resources between environmental and consumptive use, without negatively impacting on river communities. That goal is **not** being realized, as the water market is not working in the best interests of irrigators. Without immediate intervention, agricultural businesses across the southern MDB will soon suffer irreparable damage, and the associated industries and river communities will likewise suffer.

While temporary water can be expected to be more expensive during drought, we have two key concerns:

- The presence of water speculators is increasing the temporary water price beyond what would be expected under the current supply and demand conditions. It is evident during the last irrigation season that speculative buying of temporary water resulted in material upward pressure on the market. This is dramatically affecting farm viability.
- Recent changes to trading rules combined with increasing compliance demands on irrigators to maintain positive water accounts at all times has meant that they must buy earlier in the season. This has materially distorted normal market supply and demand balance to our detriment. In times of low water availability, it also leads to greater early season market volatility, which can affect water prices for the remainder of the season. At the same time, speculators and traders are taking advantage of carryover rules (originally designed to help irrigators manage risk) to short irrigators of water.

In the 2018-19 season, we understand one water investor purchased an estimated 140 GL (140,000 ML) of temporary water. To our knowledge, this company does not own land and has no direct consumptive use, so it can only be assumed the water was intended for speculative trade. To put this volume in context:

- In **Victoria**, the estimated Lower Murray Water districts total combined water use in 2017-18 was **104,000 ML**¹. Total annual irrigation use for the Mildura and Red Cliffs districts was approximately 94,000 ML in 2017-18².
- In **New South Wales**, according to the ABS the total estimated water use in NSW Murray and Riverina districts for "Fruit trees, nuts or plantation berry fruits" in 2017-18 was **111,900 ML**³.
- In **South Australia**, the estimated total irrigation applied to almonds in 2019 was **122,930 ML**⁴.
- Total Water use in **Murray Irrigation district** in 2018-19 was **296,149 ML**⁵

While this trading activity may be permissible under current laws, it is clearly not delivering on Murray-Darling Basin Plan objectives and is adding to the hardship of drought-affected businesses. It is highly likely the temporary water price in 2018-19 was materially higher due to the behavior of speculators and some brokers. Many irrigators used all available cash reserves when water prices should have been much lower. They are now not in a financial position to buy water again at even higher prices now. This has been particularly devastating for the dairy, rice and cotton sectors who wore the brunt of water scarcity and high prices last year.

¹ https://waterregister.vic.gov.au/images/documents/Water-Market-Trends-Update-2018_web.pdf, p2.

² Lower Murray Water Annual Report 2017-18; https://www.lmw.vic.gov.au/wp-content/uploads/2018/09/LMW-2017_18-Annual-Report-Full.pdf

³ Australian Bureau of Statistics 46180DO001 201718 "Water use on Australian Farms 2017-18"

⁴ PIRSA, Pers Comm

⁵ https://www.murrayirrigation.com.au/wp-content/uploads/resource/2019/10/Interactive-Annual-Report_online-version.pdf

We would also like to make ministers aware that we have many reports that banks funding irrigators and businesses in the southern MDB are getting very nervous due to the high demand for increased debt facilities to purchase water. Lending criteria is becoming very stringent and loans for many are unattainable.

Water speculation during a drought may be legal but enforces hardship on others. Would it be acceptable, for example, for an investment company to accumulate supplies of fodder during the current drought and withhold that from livestock farmers in order to sell it later at an increased price?

It is such a serious issue for irrigators who have no choice but to buy water to keep their business going and is particularly devastating for family farmers who often don't have the financial resources or options available like corporates. Many family farmers are already in a desperate and dire situation. The flow-on effect to rural communities who rely on irrigators cannot be overstated.

To quote former Harvard Business School professor Jonathan West *"I think the behaviour of some water traders during this drought could be compared to speculators hoarding food during a famine, to drive prices up. Its immoral, and it's got to stop."*

Water market reviews underway

We support the two initiatives currently underway, with final reports due by the end November 2020:

- ACCC Inquiry into Water Markets in the Murray Darling Basin (**Inquiry**); and
- Senate Select Committee on the Multi-jurisdictional Management and Execution of the Murray-Darling Basin Plan (**Select Committee**).

URGENT – Proposed interim solutions

Noting the Inquiry and the Select Committee will not report for more than a year, we request the Australian and Basin State Governments urgently implement the interim solutions below:

1. **Only water users can purchase temporary water allocations** – anyone who is not an irrigator with direct consumptive use or does not have a pre-existing bona fide supply contract to an irrigator cannot purchase any temporary water allocations in the Southern MDB.
2. **Only water users holding permanent entitlement with a carryover facility can carryover water from one season to the next, subject to the following limitation** – this carryover volume cannot be higher than their direct annual consumptive use and cannot be sold or loaned to another party for their use.
To protect against unintended consequences, hardship or pre-existing contractual arrangements, a threshold could be considered. For example, non-water users (including related parties) with cumulative allocation account balances lower than 2GL or \$2m (whichever is triggered first) may be still be able to carryover.

Immediate action is urgently needed in line with the serious challenge imposed by the drought. It's not just the potential for economic damage, but the human cost with many accounts emerging of suicidal irrigators.

Time is of concern as we approach a period of increasing water use for most irrigated crops over summer. Without some form of immediate relief, it may will be too late for many farmers, business and regional communities.

We respectfully call on you and your Government to collaborate with other Basin State Governments and the Commonwealth to explore measures to free up more water for trade. There is no time to lose. The seriousness of this issue warrants an emergency response, and bipartisan, cross-border commitment.

The proposed interim solutions are sensible and benign and should be implemented urgently.

We would appreciate the opportunity to meet with you to discuss these issues in more depth.

Yours sincerely



Tony Battaglione
Chief Executive

On behalf of the following industry bodies:

