



Director  
Murray-Darling Basin Inquiry  
Australian Competition and Consumer Commission  
GPO Box 3131  
Canberra ACT 2601

29 November 2019

**Re: Australian Competition and Consumer Commission Issues Paper on Water Markets in the Murray-Darling Basin**

goFARM Australia (goFARM) is pleased to have the opportunity to contribute to the Australian Competition and Consumer Commission (ACCC) Inquiry into Water Markets in the Murray-Darling Basin. goFARM is supportive of efforts by the ACCC and regulators to improve the transparency, fairness, and efficiency of water markets.

goFARM is a long-term Australian agricultural investor focused on growing high-value, healthy, and nutritious food crops for both the domestic and export market.

The goFARM business owns and manages assets throughout the southern Murray-Darling Basin with exposure to the grains, dairy, grazing, citrus and almond industries.

We are proudly an Australian family-owned business, based in Victoria. The owning families hold multi-generational connections with Australian agricultural and horticultural production and marketing.

Our investments generate a range of positive benefits for the communities in which we invest, including the creation of new jobs and the requirement for service provision from a broad range of local businesses.

A robust and efficient water market is critical to Australian agriculture and the operation of our business. As an irrigator, we support a water market regulatory regime that protects property rights, provides long-term certainty, facilitates the productive use of water, and provides transparency to all market participants.

Like all agricultural producers, goFARM faces a myriad of serious challenges including, but not limited to, climate change, access to labour, and fluctuating water costs. In response to these very real challenges, we are seeking to invest in transitioning land and water towards high-margin, high-value produce.

The following comments summarise goFARM's response to the topics raised in the ACCC's Issues Paper. I would be happy to speak further with you about our submission.

**It is critical that market participants have access to water entitlements and market products with the characteristics that allow them to manage water supply across multiple years.**

The availability of new water market products such as leases and forward contracts has given market participants new risk management tools. goFARM uses a variety of water market products including owning entitlements, purchasing water off the temporary (spot) market, using forward markets, long-term leases, and utilising carryover products.

There have been some calls for carryover to be materially modified, or even removed. goFARM believes doing so would undermine the ability of irrigated businesses, large or small, to plan and adapt to changing conditions. Carryover is a critical risk management tool; it helps water users manage water supply-side parameters, and in doing so helps to smooth out price peaks and troughs as well as facilitate short and medium-term investment certainty. In the absence of carryover, the market could

become more volatile and a 'use it or lose it' approach could see water applied to inefficient uses. goFARM encourages the ACCC to analyse and demonstrate the efficiency benefits of carryover to market participants and to investigate opportunities to further improve carryover arrangements. For example, the ACCC should consider the efficiency and fairness implications of the NSW Government's announcement that it would withhold carryover on General Security accounts to meet any shortfall in allocations to High Security entitlements.

**Reliable price formation is critical for well-functioning and fair markets.**

To facilitate the 'price discovery' process, information pre and post-trade must be easily accessible and in as close to real-time basis as is possible.

goFARM accesses water market information from various sources, including other irrigators, water brokers, independent consultants, and the various state water registers.

Currently the public (state) water registers provide varying and inconsistent levels of information. In line with the commitments made under the National Water Initiative, all Basin states should investigate ways to improve the transparency and accessibility of public water registers. There is currently no consistency in how the states collect and report water trading information on registers. This inconsistency makes it difficult for market participants to access information. Simple changes to improve the functionality of water register websites (e.g. website design) would have immediate benefits for irrigators, including providing access to information that gives irrigators the confidence to make investment decisions about buying or selling water.

Notwithstanding our support for improvements to water market transparency, goFARM believes the benefits of additional public transparency must be carefully balanced with the need to preserve the efficiency of the markets. Changes to state water registers that lead to increased transaction/processing fees or increased processing times will not be productive or supported by industry.

**Improving the timeliness and transparency of post-trade reporting.**

It is currently difficult to determine the timeliness and therefore relevance of trade information on some state water registers due to delays in processing transactions and inconsistent reporting. All state water registers should specify the 'Date Agreed', 'Date Lodged' and 'Date Approved' for a water trade to allow market participants to understand market movements in close to real-time.

**Removing the opaqueness of allocation and entitlement trades.**

There are too many \$0/ML trades recorded on public water registers. This undermines price discovery. Governments must ensure that traders and brokers correctly fill in information on trade forms and that this information then makes its way onto registers. Two causes of \$0/ML trades include:

- Related Party Trades
  - When trades occur between related entities, they may assign \$0/ML for ease. While it would be easy to legislate/regulate that all trades must have a real price assigned, it would be difficult to police the accuracy of the assigned prices.
- Broker Practices
  - We are aware that it is current practice for many broker firms, to assign \$0/ML to any allocation included when entitlement is sold 'wet'. This is despite their being two separate processes/forms required to transfer the entitlement and the allocation. In coming to buy/sell decisions, rational participants would be setting their price based on both these components, so it should then be stated and recorded. Again, if it were legislated/regulated that a real price must be assigned, \$0/ML trades could be eliminated.

Further, allocation transfers should specify whether the transfer was associated with a lease, forward, related party transfer, or a commercial allocation trade. Environmental transfers should be identifiable on the registers in real time. Reporting of entitlement and allocation trade within Irrigation

Corporations should be dramatically improved as this is one of the major sources of opaqueness in the market in the southern MDB.

**Additional aggregated real-time water system information is required.**

The existence of multiple water entitlement classes and trading zones can make it difficult to understand the supply and demand drivers of water markets. The Murray-Darling Basin Authority and state authorities should publish real-time information for each water system/ trading zone including:

- Carryover Balance (ML)
- Allocation to Date (ML)
- Usage to Date (ML)
- Trade In (ML)
- Trade Out (ML)
- Current Water Available for Use/ Trade (ML)

For all of this information, the volumes held by urban water corporations, environmental water holders and irrigation users should be clear. Currently, information that reports environmental water and consumptive water together is providing a misleading picture around water availability that is likely to be confusing to many market participants.

Separately, an area that needs attention is consistency regarding water metering and monitoring across the Murray-Darling Basin. The use of telemetry could help ensure that water usage is monitored in real-time. A consistent approach to usage uploads and a zero tolerance approach to compliance should be adopted.

**Intervalley water trading processes must be fair and transparent.**

Trading water between different systems/zones allows water to be moved to its most productive use. The current process governing Intervalley Trade windows is not transparent or fair. Currently, the ‘fastest finger’ wins when trading windows open, with water brokers often jostling to reserve all available Intervalley trade volumes. This process favours a few and disadvantages many. The ACCC should investigate options to ensure all market participants have fair access to Intervalley trading opportunities.

**Regulation should detect, deter and penalise market manipulation and other unfair trading practices.**

goFARM supports the appointment of the Interim Inspector-General of Murray-Darling Basin Water Resources. This position should work closely with relevant state authorities, including the New South Wales Government’s National Resource Access Regulator.

goFARM is not aware of any misconduct by market participants but would welcome initiatives to ensure oversight and transparency over trading activities. The enforcement of misconduct or market manipulation is critical to providing irrigators with confidence to invest and participate in water markets.

**The same reporting and disclosure rules should apply for all water owners.**

The same reporting and disclosure rules should apply to all water holders regardless of their size. It is not clear what objective regulators are seeking by proposing to make commercially sensitive information public, nor can it be supported. A key tenant of the advice provided by the ACCC to the Australian government in the establishment of the Murray Darling Basin Plan Trading Rules is open and non-discriminatory access to water markets. Any moves that require different reporting and disclosure rules for some water owners should be evaluated against this principle. Publishing information on who owns and uses water could lead to perverse and unintended consequences. For example, it could encourage speculation and market manipulation, not prevent it.

**A nationally consistent approach to water market regulation is required in line with the principles of the National Water Initiative.**

Greater coordination between state and federal governments is needed to ensure fair and transparent water markets that are supported by a stable regulatory framework. Leadership is needed at a federal level to keep all states 'in the tent' to commit to the implementation of the Murray-Darling Basin Plan.

All Australian governments should further progress implementation of the principles agreed to through the National Water Initiative. Outside of the Murray-Darling Basin, there is an opaqueness of information about water systems and markets that makes irrigated agriculture riskier and undermines the confidence of irrigators. It is beyond the scope of this Inquiry, but attention by federal and state authorities is needed to ensure that states like Tasmania and Western Australia have fair and transparent water markets.

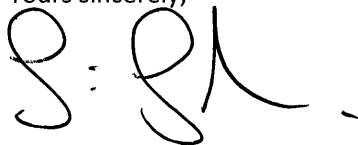
Australia's water market and regulatory framework is well regarded internationally. It provides us a competitive advantage over those in other jurisdictions where unsustainable water use and complex property rights are being challenged by the introduction of new regulation.

**There is no silver bullet to addressing the complex issues of drought and water policy.**

Reactive legislative changes or expenditure programs by governments could undermine the confidence of irrigation businesses. The efficiency of water markets requires a stable regulatory framework in line with the principles of the National Water Initiative.

Thank you for providing this opportunity to comment. Please do not hesitate to contact me with any queries regarding this submission.

Yours sincerely,



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