

## **ACCC Water Submission**

STEPHEN BROOKS, 5<sup>TH</sup> GENERATION MURRAY RIVER IRRIGATOR, COMMODITY TRADER

### **MARKET TREND / DRIVERS:**

The inflexibility of environmental water allocations during low inflow years means that the temporary water market prices are exacerbated during times of low supply. If the environmental water is SUPPOSED to mirror the natural flows of the river, why do we have a situation where in a drought, our protected forests are being flooded? This in no way mirrors what the 'natural state' would be. In fact it would be highly unnatural for the forest to be flooded every year. Whilst the true requirement for environmental water may be debated based on accurate science, it is reasonable to expect that in a year of lower inflows, that the environmental water allocation is similarly reduced to MIRROR the natural state of the river.

The fact we are even calling these 'environmental flows' is a misnomer. The vast majority of the claimed 2,750GL allocated for 'environmental flows' is used for filling a previously estuarine lake in South Australia, where it either evaporates or is flushed out to sea. If this were truly mirroring the natural state of the river, ocean water could be used to do this rather than precious freshwater at the direct expense of irrigators and their riverside communities.

The long term cost of higher water prices actually makes water demand even MORE inflexible. The reason being is that, at high water prices, farmers are forced to move away from annual crops like wheat/canola (where they can choose to plant these crops from year to year) into more high value crops like nuts or high value fruit. These trees require water every year and the demand for that water is totally inelastic. Said another way, there is no scenario where those farmers would stop watering those trees. Furthermore, what is considered 'high value' like fruit and nuts, also require significant capital investment and so require a higher return to justify the investment.

### **MARKET TRANSPARANCY:**

Nobody can make a clear case as to why anyone who does not use water for irrigation, should be able to own water. In fact, the fact that non-water users were ever able to own such a critical precious resource is a complete oversight of government. This breach of trust by government can only be remedied by ensuring that any temporary water, or water entitlement in either state may only be purchased / owned by a landowner who is able to consume the water for the production of food / fodder. As someone who has spent 15 years trading commodities I can understand the attraction for some businesses to enter, and trade for profit: water. But given the public importance of water access to farmers, and the subsequent access the public has to cheap, high quality food - this is not an acceptable arrangement. Water is not for trading profit, water is life to the irrigation communities who have built businesses around producing food.

In the rare legacy situation where farmers own water entitlements but no land, and currently lease that water entitlement to other farmers, this should be able to be continued for a period, but prevent any future purchases from non-land owning irrigators.

## **REGULATION AND INSTITUTIONAL SETTINGS:**

There must be a proper observance of the natural constraints of the river system. By this I mean it is unacceptable that the Murray Darling Basin Authority has requested and received the right to create man made floods in order to push more water down the river than it can naturally handle. The Barmah Choke is the prime example where “overbank transfers” generate enormous losses for water users in an attempt by the authority to push more water downstream to other valleys either for water demanded on the temporary water market, or for ‘environmental flows’ to the South Australian lower lakes. Regardless of the reason, the allowance of such a waste of water and blatant ignoring of natural constraints along the river needs to be halted immediately. Not only is it doing enormous environmental damage to internationally protected areas (Barmah and Gunbower forests) but no government agency should have the right to run the river so recklessly in order to push more water down the river than it can naturally deliver.

To talk specifics, the Barmah Choke has a natural capacity of 7-8,000ML/day, yet the Murray Darling basin Authority have run it as high as 14-15,000ML/day in a mad attempt to provide water out of valley, and to fill the South Australian Lower Lakes.

The trading of water should observe these natural constraints and restrict the volume of water trading below the choke to match the natural capacity of the river to deliver as much.

## **MARKET PRACTICES AND BEHAVIOUR**

The primacy of entitlement holders must be better protected. Whilst the legislation elevates ‘environmental flows’ above all other water users, there should be some protection for all entitlement holders on the river. High security, Low Security and general security entitlement holders should have a minimum allocation each year in order for them to be able to run their business with some certainty. It is not right that an authority can render an entitlement useless, through taking 100% allocation of environmental water in years when supply is low.

Furthermore, government does not owe anything to any businesses in the Lower Murray who have built entire businesses on the presumption of access to temporary water. These predominantly large corporations should have to show entitlements to water before any further expansion of production. I am referring specifically to the production of Almonds in the Lower Murray; many of whom have grown, or continued to grow on the assumption they can access temporary water. The unrestricted development of these hugely water-hungry trees (20mg/ha) and the high value of these products means that they can crowd out and pay far more for water, than other producers like wheat/canola/dairy. A healthy mix of producers within the mix of production is needed.