



**WATER SALES IN YOUR AREA**

**GRIFFITH – MURRUMBIGEE IRRIGATION**

**History of trade**

Land & Water have been traded together since day one and still remains a major trading method. As prices increase between the assets, more and more people are selling separately. Temporary trading began in the 1960's and early 80's for pooling to finish crops. In the early 90's – inter and intra valley trade, where trade took two months and both Ministers' signatures.

**Temporary Trade prices**

92/93 = \$2.50	2000 = \$20.00	2005 = \$40.00	2007 = \$1250.
94/95 = \$4.00	2004 = \$80.00	2006 = \$500.00	

There was an introduction of carry over in the late 90's.

- 10% up to 2000;
- 15% - 2001 – 2007/08;
- 30% in 2008/09;
- Murray is at 50% when Murrumbidgee is at 15% - purchase late season allocation and store in Murray (or private storage).

**Impacts of trade**

Trade has allowed irrigators to diversify business, generate income and meet business needs. It has also; highlighted the value of water, become a key driver of efficiency and has turned around the political debate that water is 'too cheap'.

However distribution of benefits is not equitable:

- In the Murrumbidgee there is an average 2% impact on General Security (GS) availability for a 50,000ML trade out
- Some High Security (HS) users have 'sold own security' WSP 1 September cut-off
- Murrumbidgee Irrigation (MI) pushed for August intent to trade
- WSP suspended allowing extended trade, and it is likely that cut-off date will be removed
- Trade has many positive benefits but like reform, generally there have been winners and losers and it cannot solve everything (see US financial market crisis!).

**Present trade rules:**

MIA Temporary	MIA Permanent
Close off dates for completing temporary transfers are: <ul style="list-style-type: none"> <li>• <b>1st September 2008</b> for high security</li> <li>• <b>30th January 2009</b> for general inter-valley or inter-State</li> <li>• <b>27th February 2009</b> for general security intra valley</li> </ul> <p><i>Note: Last season all of the above dates were postponed to the 30th April 2008 by NSW Department of Water and Energy (DWE) due to the severe water shortage and suspension of the Water Sharing Plan. DWE has not yet confirmed if they intend to have similar arrangements in 08/09.</i></p> <ul style="list-style-type: none"> <li>• <b>12th June 2009</b> for all other transfers.</li> </ul>	Termination Fees – \$315 (HS), \$180 (GS), \$72 (Supp.)
	4% limit on trade out (to 2014 subject to review)
	Currently received/conditionally approved = 8,130ML (4% = 41,493ML)
	Delivery restrictions inside apply

For more information about the "Farmfit" sessions near you, go to [www.rga.org.au](http://www.rga.org.au) or contact the RGA on (02) 6953 0433. We look forward to seeing you at one of these sessions.



**Australian Government**  
 Department of Agriculture,  
 Fisheries and Forestry



### Water management options

- Conversion – MI advised government not to continue until impacts known.
- Government continued and MI facilitated.
- 92,000ML converted in MIA before conversions ceased.
- Change resulted in:
  - GS 930GL – 838GL
  - HS 254GL – 304GL
- The Carry Over increase to 30% provides more flexibility.
- Advantages of trade combined with carryover were shown last season.
- However the business of irrigation has become more complex. It has grown from one market to multiple markets and products and we have to be aware of managing the risk this brings.
- Because of this increased complexity, corporations increasingly have role, for example in risk management and dividends.

### Emerging markets

- Delivery Entitlements
- Push to create market, for example termination fees
- Based on entitlement
- Channel capacity
- Buy or sell?
- Less water across the area means a greater chance of higher delivery entitlements.

### River Reach concept

This concept was discussed in the "Current Water Market" presentation summary sheet. This concept works so that the environment gets water when it needs more of it; in wetter years and irrigators get it when they need it most; in dry years.

It works through:

- Creation of a new market (forward sale & options derivative)
- Selling allocation NOT entitlement
- Creating an exchange for buyers and sellers
- Understanding how to best manage water.

The owner can sell water above a certain point in their 'entitlement tank'; the risk of availability is with the buyer:

- Price gets higher the lower the water gets
- Money is paid up front
- Initial products are being modelled and negotiations with government buyers are underway
- Once initial products tested, then there is opportunity for customers
- It is gauging broader interest.

When considering sales, you have to remember that water as an asset may attract a capital gains tax. Make sure you discuss this with your accountant.