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# «talkingwater»

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customer newsletter

## from the desk



### Will the water market hit \$1,100ML again?

This is the \$1100 dollar question which is often asked by local irrigators. The honest answer is that no one really knows. The temporary water market has been so volatile and is influenced by so many variables that it is simply impossible for anyone to predict with any degree of confidence.

Clearly the major variable influencing prices is the allocations given to irrigators in SA, Vic and NSW. The higher the allocations the less water demanded and which means the price should be lower. The latest industry opinion from the data available is that NSW irrigators may be given higher allocations than last year whilst SA and Vic may receive the same or slightly lower. This will obviously be determined by inflows over the coming months.

However, if we assume for the moment that

allocations will be approximately the same as last year, there are a number of factors which suggest that the price of temporary water might not reach the peaks of last year. These factors include:

- Additional carryover – many irrigators have additional carryover this year in comparison to last year. SA in particular has significantly more carryover which will mean less demand for temporary water in the first half of this irrigation season.
- Conversions – a significant driver of demand for temporary water in the latter part of last year was the ability for NSW irrigators to convert a General Security licence to High Security licence. This option was available at a 60% ratio and required irrigators to have 100% of water in their General Security account. Many irrigators took up this option and therefore purchased additional temporary water to top up their accounts. The NSW Department of Water and Energy has recently placed an embargo on this conversion and therefore this is unlikely to be a factor in this irrigation year.
- Government experience – many of the price spikes last year were a direct result of Government announcements. In particular

early last year an SA State Government announcement stating that irrigators were unlikely to get any more allocation caused significant panic and resulted in the price of temporary water hitting the \$1,100 / ML peak. This year we are hopeful that the various State Governments will keep irrigators constantly informed of the likely outlook so as to eliminate surprise announcements and panic buying.

- Less permanent plantings – various reports have indicated that as much as 20% to 30% of the permanent plantings in the Riverland and Sunraysia regions have been taken out of production. In theory many of these irrigators may now be sellers of temporary water rather than buyers.
- Ability to pay – the constant feedback we have from local irrigators with permanent plantings is that they simply cannot afford to pay \$1,100 / ML for temporary again. Many have exhausted their available capital and it is simply not financially viable to continue purchasing temporary water.

As previously discussed however the greatest influence on prices this year will be allocations – lets all keep praying for rain!

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