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«talking water»

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customer newsletter

from the desk



Permanent water prices on the move

Whilst it is a difficult time for local irrigators at least one positive is that the market value of their permanent water entitlements has increased significantly over the past few months. There are currently many buyers competing for permanent water with current prices being achieved in the order of:

- Vic Murray Valley High Reliability
- \$2350 to \$2450 / ML
- NSW Murray Valley High Security
- \$2500 to \$2700 / ML
- NSW Murray Valley General Security
- \$1050 to \$1200 / ML
- Western Murray Water Entitlements
- \$2000 to \$2200 / ML

Since unbundling and the freeing up of the water market irrigators now have the freedom to sell all or part of their water entitlement for various reasons including paying down debt, diversifying into other assets or exiting the industry completely. Indeed in the current environment the method to maximize the total value of an

irrigation property may be to sell the water and land components separately rather than as a going concern, particularly if the property has some underlying residential value. Most buyers of permanent water at present are not seeking to acquire land.

Given the current low allocations and spotlight on water at the moment many irrigators are asking what is the outlook for permanent water prices? Some of the major factors which are likely to affect prices in the coming months include:

- Indeed in the current environment the method to maximize the total value of an irrigation property may be to sell the water and land components separately rather than as a going concern, particularly if the property has some underlying residential value. Most buyers of permanent water at present are not seeking to acquire land.
- Given the current low allocations and spotlight on water at the moment many irrigators are asking what is the outlook for permanent water prices? Some of the major factors which are likely to affect prices in the coming months include:
 - Working with irrigation communities to buyout water entitlements from areas willing to move out of irrigation, facilitated by a price premium reflecting the value of water savings from closure of infrastructure such as supply channels; and
 - Working with State Governments to co-fund the purchase of appropriately located

irrigation properties and their water entitlements to enhance environmental outcomes in the northern basin. Clearly how the Government handles the buyback will have a major impact on permanent water prices moving forward.

ACCC Water Market Rules

In July the ACCC released its initial position paper on water market rules. This position paper is primarily concerned with NSW and SA where in many cases Irrigation Infrastructure Operators hold bulk licenses on behalf of irrigators.

The ACCC is proposing a period of transformation to allow irrigators to permanently transform an entitlement held on their behalf by an operator into an independently held water access license registered on a state water registry. The ACCC is also proposing that the exit fee for terminating delivery entitlements within such areas be reduced from current levels.

This potentially will increase the asset value of the permanent water entitlement held by individual irrigators within such areas. Currently each operator (such as Western Murray, Murray Irrigation etc) have their own set of rules regarding permanent trade and as such the market tends to discount permanent water values within such areas. The ACCC suggests that a common set of rules and processes will allow more flexibility and freedom should they wish to permanently or temporarily trade their water asset.

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