

THE AUSTRALIAN

Price of water soars as farmers buy in panic

EXCLUSIVEBy **EAN HIGGINS**, NATIONAL RURAL REPORTER12:00AM OCTOBER 24, 2019 •  38 COMMENTS

Murray River water prices have spiked nearly 25 per cent in five days, as desperate farmers try to secure what little is left to keep their almond and olive trees and grape vines alive.

Drought and depleting storages are driving fears there will not be enough irrigation water to go around for growers this summer.

“It’s crazy, because they are panic buying,” said Australian Table Grape Growers Association chairman John Argiro.

Mr Argiro, a third-generation grape grower from the Victorian town of Mildura, said farmers might not be able to afford to keep their crops going.

Asked about the surging water prices, Darren Minter, who farms citrus, almonds and asparagus south of Mildura, said: “I have no idea why they are spiking. We are probably going to go broke in the process. It is very depressing.”

Spot market water for the lower Murray, covering parts of NSW, Victoria and South Australia, traded at \$790 per megalitre last Friday, already extremely high compared with a long-term average of \$135. The market moved up rapidly this week, with trades at \$970 on Wednesday.

The price spike came as Dairy Australia warned that the outlook remained dire for many dairy farmers, as record farmgate prices were offset by hugely expensive irrigation water, high feed costs, and a dry weather outlook.

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Milk production declined 6.9 per cent in the season to August as a result of cost pressures, low rainfall in some regions and reductions in herd numbers, Dairy Australia said.

A senior water broker said the water price hike reflected fundamentals of demand and supply.

He said that in the absence of substantial rain, prices for irrigation water would rise further.

“The key driver of the price increase is that inflows into the Murray have now peaked, and storages are now decreasing,” the broker said.

He added that the Bureau of Meteorology was forecasting continued hot and dry weather in many areas. “The market supply, the number of sellers in the market is really thin, because there is not much water,” he said.

Many almond and olive growers who had to buy water to maintain their investment had assessed that available supply was diminishing, and they needed to seize a share of that available. Whether there would be enough water to keep all such growers’ trees alive was “borderline”, the broker said.

“There has been a massive amount of permanent plantings by operators who don’t own any permanent water entitlements themselves, and they are having to buy it all on the spot market.”

Mr Argiro and Mr Minter say the fundamentals in the market have been exacerbated by the activities of “water barons” who, they allege, have lawfully taken advantage of a market deregulated five years ago to allow pure investors who do not own agricultural land to speculate.

“We are here to grow produce to feed the nation, and we are now being raped and pillaged by people outside the industry,” Mr Argiro said. “It should be that water trading can only happen when you are farming. It’s not an open market commodity. It’s not coal.”

One enterprise is Duxton Water Ltd, a publicly listed company that is a pure trader with no agricultural land, set up three years ago by former international equities and derivative traders from Deutsche Bank. Duxton Water doubled its profits in the last reporting period, and recorded a total return for investors of nearly 30 per cent in 2018-19. The company denies hoarding water or speculating, saying it is a long-term investor that provides extended water leases to farmers.

Treasurer Josh Frydenberg — at the request of Water Resources Minister David Littleproud — has commissioned an investigation by the Australian Competition & Consumer Commission into the allegations of manipulation in the water market.

The inquiry will hold a regional roadshow of public forums to hear complaints from farmers and others, starting in Mildura on November 7.

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