

## **INQUIRY INTO STATUS OF WATER TRADING IN NEW SOUTH WALES**

**Organisation:** NSW Farmers Association

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Attn: Select Committee on the status of water trading New South Wales  
Via email [watertrading@parliament.nsw.gov.au](mailto:watertrading@parliament.nsw.gov.au)

***Re: NSW Farmers response to the inquiry into the status of water trading in NSW***

NSW Farmers welcomes the opportunity to respond to the Legislative Council's inquiry into the status of water trading in NSW.

NSW Farmers is Australia's largest state farming organisation, representing the diversity of interests of its members. Our focus extends from issues affecting particular crops and animals, through to broader issues including the environment, biosecurity, water, economics, trade and rural and regional affairs.

Water is both a critical input for agriculture and a finite resource that must be shared fairly between all water users. NSW Farmers supports the appropriate regulation of water trading to facilitate this, in a way that balances economic, social and environmental outcomes.

To support better outcomes, NSW Farmers urges the government to streamline and rationalise rules and regulations for water trading across all levels of government, all valleys, and all states where possible. NSW Farmers notes however that a 'one size fit for all water region' may not be appropriate and that rules and regulations around water trades must reflect characteristics and practicalities of different water areas across NSW.

In accordance with current federal water legislation, NSW Farmers supports the implementation of *Water Act 2007* (Cth) schs 2-3. This would have the effect of introducing trading zones to protect the principles of the National Water Initiative, and implementing the trading requirements as identified in the Schedules.<sup>1</sup> Implementing this legislation would give effect to the principles of user pays, and achieve pricing transparency in respect of water storage and delivery in irrigation systems, and cost recovery for water planning and management.<sup>2</sup> It would also set out clear Basin water market and trading principles for across the Murray Darling Basin system.<sup>3</sup>

NSW Farmers supports the inter-valley transfer of water to licences where the physical transfer of water is possible, and the transfer is subject to stringent social, economic and environmental considerations. Such IVT transactions should be limited to a maximum of 500 megalitres in any one transaction in the southern basin as there are currently no restrictions on the amount of water that can be transacted in a single application during an inter-valley transfer open event, often resulting in the inter valley transfer shutting within seconds after only a small number of trades are processed. This occurs because traders and water brokers trade extremely large parcels on behalf of several clients while individual irrigators are faced with the choice of paying water brokers to try to get their water transferred or taking a chance at trying to get their small individual volume through. For example, during a recent inter-valley transfer event between the

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<sup>1</sup> *Water Act 2007* (Cth) schs 2-3.

<sup>2</sup> *Ibid* sch 2 pt 2 cl 2(d).

<sup>3</sup> *Ibid* sch 3 cl 4.

Murrumbidgee and Murray Valleys, trading closed within minutes which left 47,000 megalitres unprocessed in the queue.

NSW Farmers supports a fit for purpose water market and trading framework, incorporating appropriate safeguards and transparency including:

- Full accounting of transmission losses for all traded water
- Prevention of distortion of water markets by Managed Investment Schemes; prevention of government intervention in water markets and/or Federal or State water policies that could undermine the integrity of water property rights as enshrined in the National Water Initiative
- Protection of the viability of existing irrigation communities
- Reinforcement of the existing principle that water entitlement can only be traded within connected systems
- That government activities in the water market be conducted under full price disclosure within 24 hours of contract signing
- That there be a free and readily accessible public register of all water licence holding in NSW
- That the public register and disclosure of ownership of water is applied equitably, inclusive of water ownership held by any entities or individuals of government, public service or consultants to government.

Water is a critical input for farmers whether they are growing rice or cherries or anything in between, and as such, water trading forms a critical part of farm business operations for many farmers across NSW. Without it, farmers may not be able to access the water they require to grow their crops or fodder.

However, if the settings are not right, farmers and regional communities alike may suffer due to market distortion and inability to access water as it has historically been available. It is critical that social, environmental and economic factors are considered when determining how water may be traded, and in particular, potential impacts either intended or unintended, on farmers working hard to produce our food and fibre.

Yours sincerely

Xavier Martin  
President