

30 October 2020

Mick Keogh OAM
Agricultural Commissioner, Australian Competition and Consumer Commission
Murray-Darling Basin Inquiry
GPO Box 3131
Canberra ACT 2601

Via email: waterinquiry@accc.gov.au

Dear Mr Keogh,

Re: ACCC Murray-Darling Basin water markets inquiry Interim report

Cotton Australia is the peak industry body representing Australia's 1500 cotton farmers, many of whom are irrigators.

Cotton Australia is delighted to provide this brief submission on the *ACCC Murray-Darling Basin Water Markets Inquiry Interim Report*.

Cotton Australia is a member of the National Farmers' Federation (NFF), National Irrigators' Council (NIC), NSW Irrigators' Council (NSWIC) and the Queensland Farmers' Federation (QFF), and as such has been an active contributor to the submissions made by these organisations.

Given Cotton Australia's involvement in the more detailed submissions lodged by the organisations above, this submission focuses on re-enforcing a few key issues. While Cotton Australia is confident that this submission is consistent with those mentioned above, if there is any variation of positions, the position of Cotton Australia is the one articulated in this submission.

Cotton Australia would like to acknowledge the generosity of Commissioner Keogh and other senior ACCC staff in making themselves available for industry briefings on the interim report, and in particular for their virtual attendance at the Queensland Murray-Darling Basin Irrigator Workshop held in Dalby during September.

General Comments

Australia's established cotton production stretches from the Victoria/New South Wales border near Swan Hill, up across the Murray-Darling Basin, and then stretching to the Central Highlands of Queensland around Emerald.

There is also significant interest, and some commercial production in the Queensland Gulf Catchments, the Northern Territory near Katherine and Douglas-Daly, and across in the Ord River region of Western Australia.

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Approximately two-thirds of all cotton hectares planted are irrigated, and those plantings normally account for more than 90% of the production.

Water entitlements are a very significant component of an irrigated cotton producer's capital investment, and most irrigated cotton producers would have engaged in the water market at some point in time.

Cotton Australia would like to make the following key points:

-)] A robust, timely, transparent, effective, and cost-effective water market is supported by the Australian cotton industry.
-)] The continued separation of land and water is supported (as is the participation of non-landowners in the water market).
-)] There is a considerable difference in the maturity and complexity of the water market when comparing the highly active Southern Basin water market with the Northern Basin and outside the Basin.
-)] While recognising the more timely and accurate water market reporting is necessary, Northern Basin and outside the Basin irrigators are wary that increased regulation will lead to significant and unnecessary regulation and costs. Most trades outside the Southern Basin are either direct entitlement holder to entitlement holder trades, or they may be facilitated by water brokers/real estate agents, but the number of trades is relatively small.
-)] In considering that one of the key motivations for this Inquiry was claims of unfair market manipulation or influence by some market participants, it is disappointing that no clear evidence either supporting or refuting these claims was included in this report, with the ACCC reporting it was undertaking additional work. While Cotton Australia can understand that these issues may be complex, it is difficult to provide definitive feedback on the recommendations contained in this report when it is very unclear as to whether a problem really exists, and if so, the extent of it.
-)] The report devotes considerable pages to "Water Architecture" issues. Cotton Australia cautions that many of the issues raised in this section should more properly be discussed and considered in other forums that focus on good water policy, rather than the market. If water policy issues are being considered, the driver for that consideration should not be water market reform, but better water management.
-)] The report proposes three alternative mechanisms for better water market regulation. Cotton Australia does not believe adequate information (including costs) were available in the interim report, and therefore is unable to offer an informed decision on the best model. It is important that any solution is both effective and cost-effective, and we request that the ACCC prepare more detailed information and undertakes further consultation on this matter.
-)] Cotton Australia does believe binding rules need to be in place to ensure the protection of client funds held by brokers, and there are effective steps (including disclosure rules) to protect against brokers and related parties acting in a way that provides them or others with an unfair advantage.

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- J Cotton Australia would, in-principle (subject to effectiveness and cost-effectiveness), support a single water trade reporting site, where all trades need to be reported in real-time (or near-to-real-time). Cotton Australia suggests that the trades should be required to be reported when the trade was agreed on, not when final approval is given (though a traffic light system might be used to designate when a trade is awaiting approval). When trades are made on an electronic platform it should be relatively straight forward to link that trade immediately to a central platform, and in cases of manual trades, the trade should not be deemed binding until it is lodged on the site.
- J While supporting the transparent reporting of market transactions, Cotton Australia is very mindful that much information needs to be considered “Commercial-in-Confidence”. Market reporting should be restricted to the Class of Water, its market location, volume and price.

For more information on this submission please contact Cotton Australia General Manager Michael Murray – michaelm@cotton.org.au or 0427 707 868.

Yours sincerely,



Michael Murray,
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Cotton Australia

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