What is driving market prices for water allocation?

The ability to trade allocation within the connected southern Murray-Darling Basin means that market prices reflect water availability and changes in irrigation demand across the entire southern Basin.

The chart above illustrates how allocation prices vary depending on water availability in northern Victoria, climatic conditions and water availability in the NSW Murray.

Water availability in the NSW Murray and Murrumbidgee has a very strong influence on market prices in Victoria.

In 2018-19, market prices have risen sharply due to:

- Drought in NSW and hot and dry conditions that have resulted in increasing competition for water to meet irrigation demands in the southern Murray-Darling Basin.
- Reduced water availability with zero general security allocations in the NSW Murray and lower carryover in northern Victoria.
- Good commodity prices for many key horticultural crops, and some annual crops committed to production under forward contracts.

If there are lower seasonal determinations across the southern connected Basin in 2019-20 under a dry to very dry climatic scenario, it is anticipated that there will potentially be increased demand for the available water.

How is water trading across the southern Murray-Darling Basin?

The ability to trade within the connected southern Murray-Darling Basin has been beneficial for Victorian irrigators to assist in meeting their allocation needs.

In most of the last ten years, Victorian irrigators have been net importers of allocation from interstate.

However, the drought in NSW has seen net trade out of Victoria to NSW in 2017-18 (147 GL) and this trend has continued so far this year.

The drought conditions in NSW have had a very strong influence on the water market and the price of allocation.

What trends were observed in interstate trade in 2017-18?

In 2017-18, NSW was a net buyer of allocation throughout the year, with peak periods of purchases in September and from mid-February to late March.

Victoria was a net importer of allocation from South Australia until April. From April, South Australia become a net buyer of allocation with net trade being out of Victoria by the end of the season.

Figure 2: Annual net interstate private allocation trade into Victoria (22 March 2019)

Figure 3: 2017-18 monthly net interstate private allocation trade into Victoria from NSW and SA

Accessibility

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