

# Aither Water Markets Report

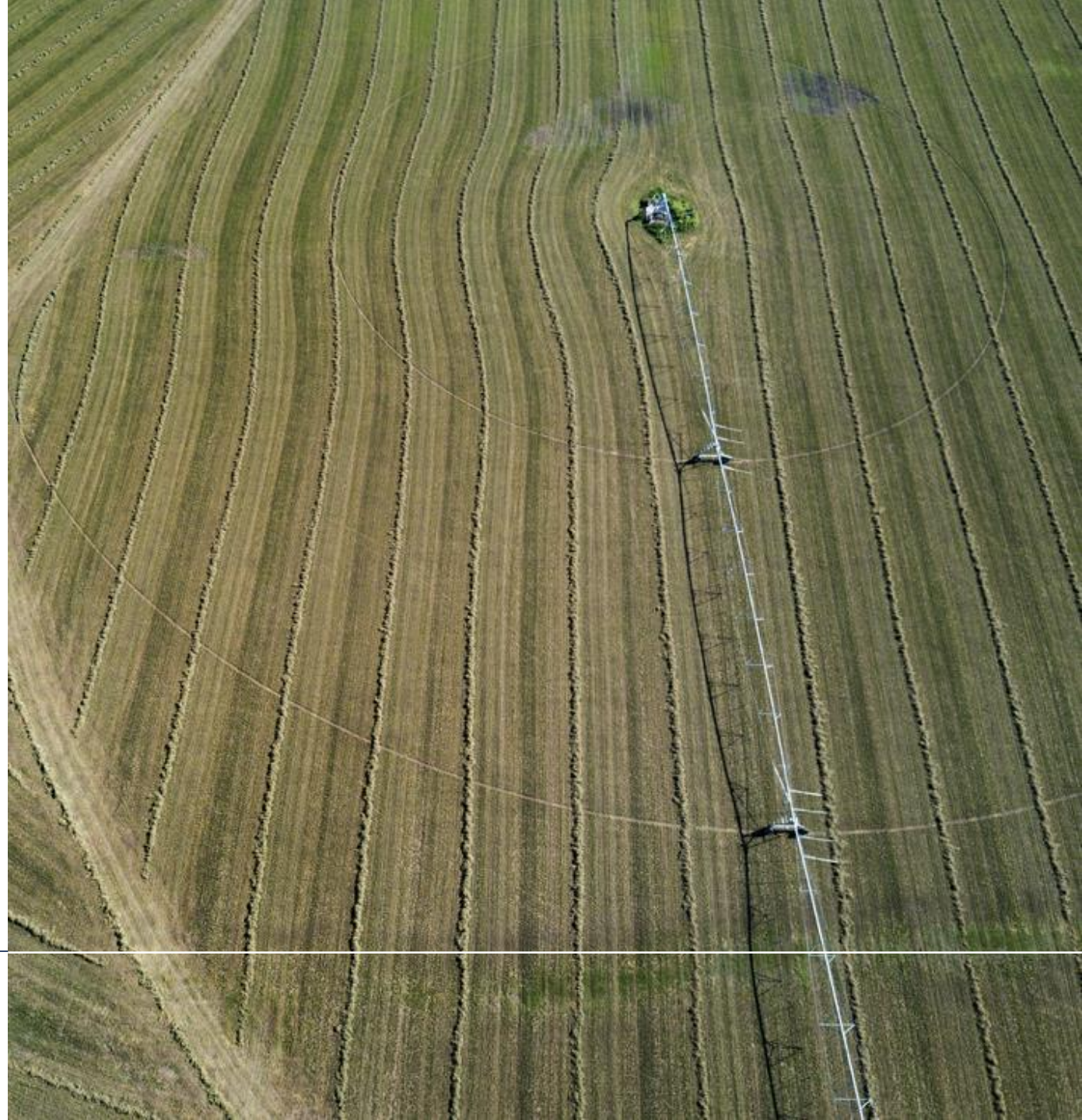
2018-19 review and 2019-20  
outlook

Canberra

26 August 2019

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**A I T H E R**



# Welcome

Will Fargher  
Director, Aither

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# A I T H E R

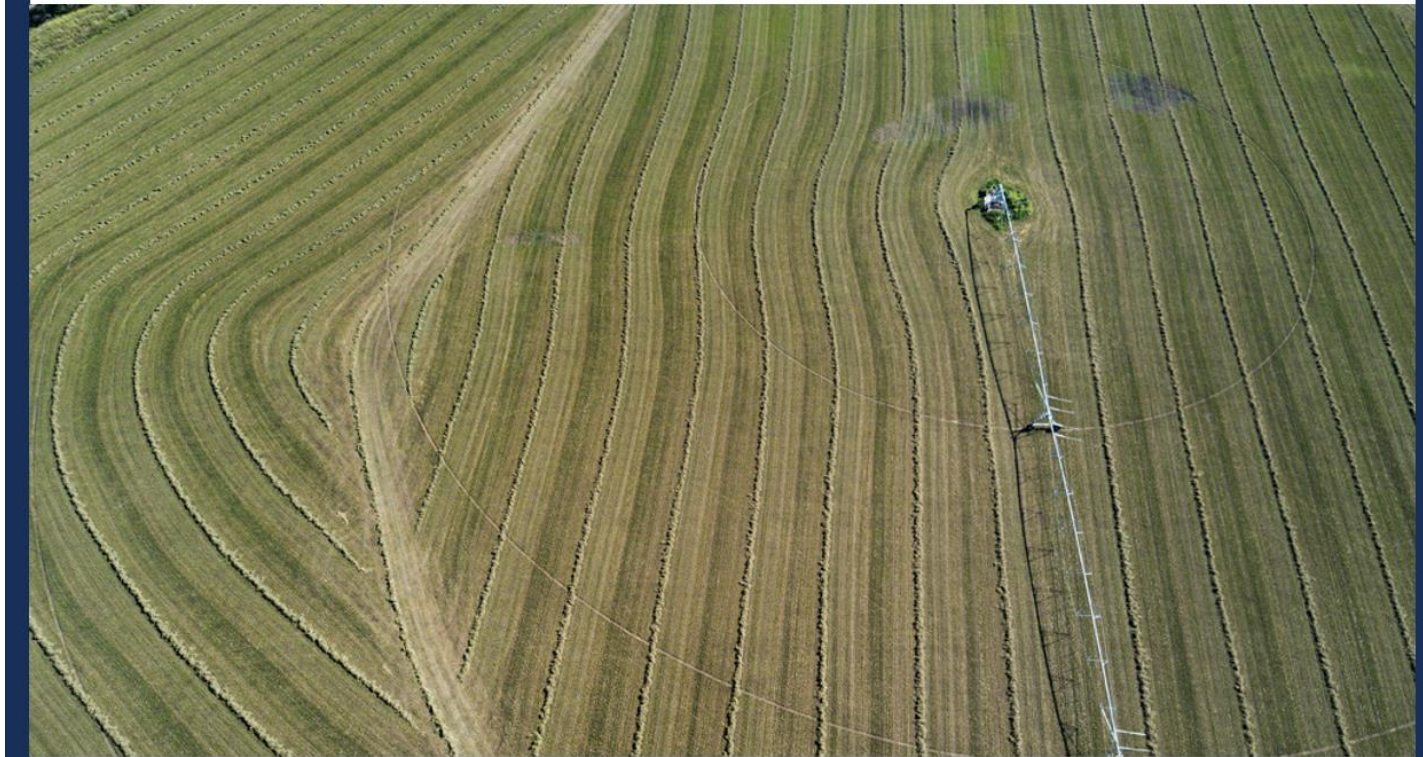
**WATER MARKETS REPORT**  
2018-19 REVIEW AND 2019-20 OUTLOOK

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# 2018-19 in review

Kai Wakerman Powell  
Senior Consultant,  
Aither

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## 2018-19 water markets

Southern MDB facts at a glance

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Total entitlement market value:

**\$22.7 billion**

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Annual average allocation price:

**\$375 to \$460 per ML**

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Aither Entitlement Index (AEI) 30 June 2018:

**223.77 points**  
(up 24 per cent for year)

Value of total entitlement transfers (excluding ICs):

**\$699 million**

Estimated value of commercial allocation trade:

**\$566 million (approximately)**

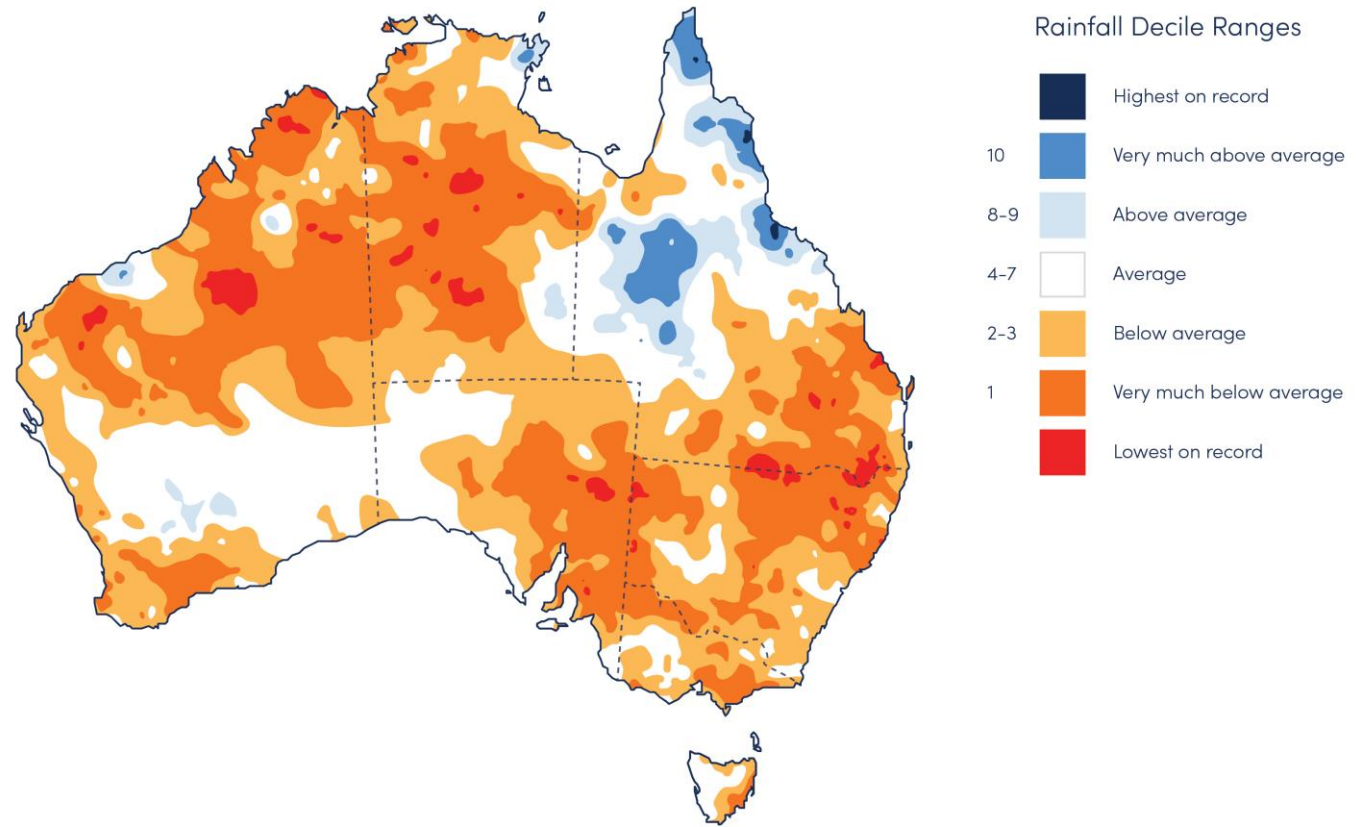
Entitlement market turnover (excluding ICs):

**4 per cent**

# Climatic conditions

Worsening dry conditions

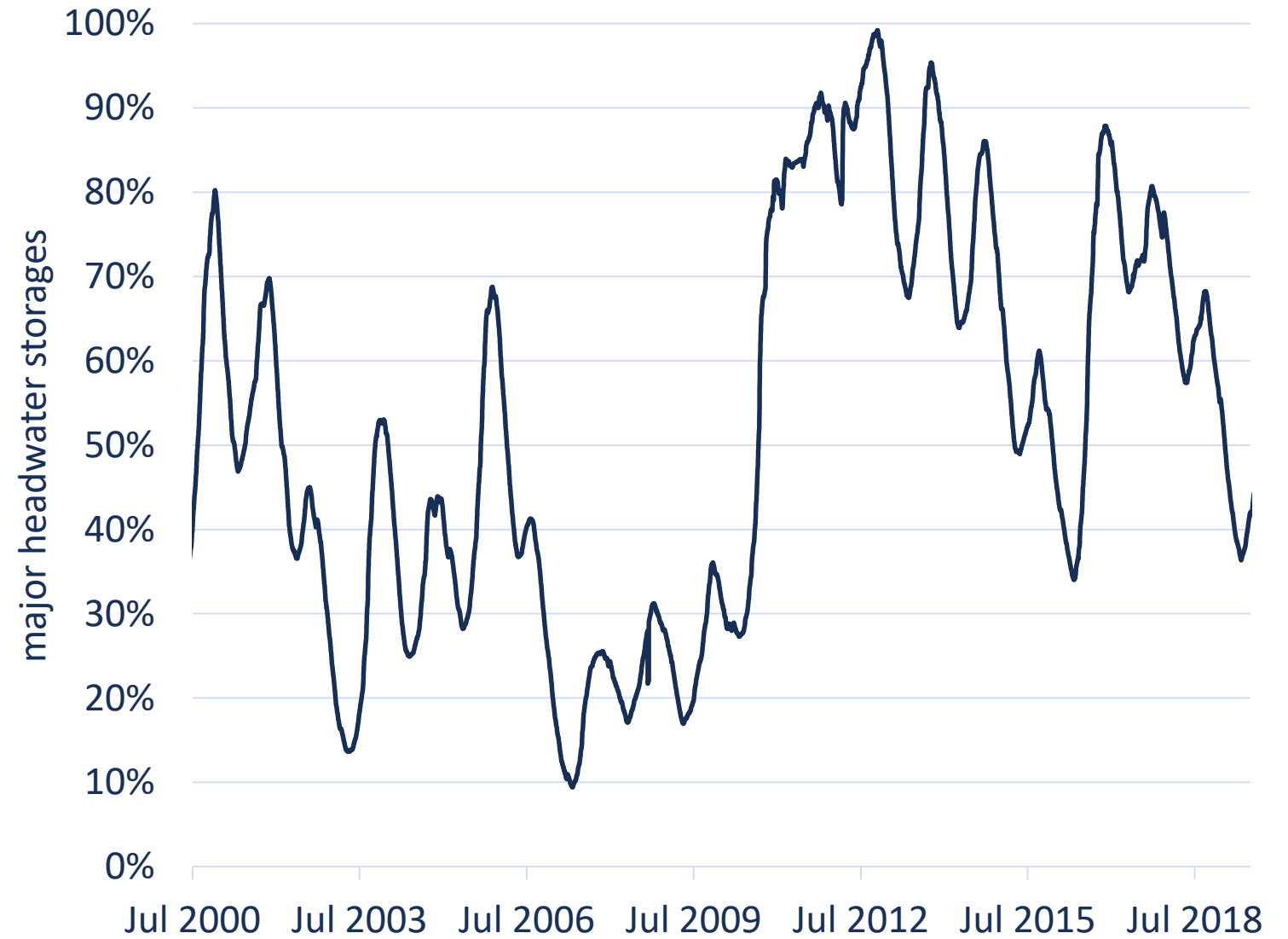
Conditions worsened over 2018-19



## Southern MDB water storages

Major headwater  
dams

Well below average inflows  
resulted in a large decrease  
in water in storage

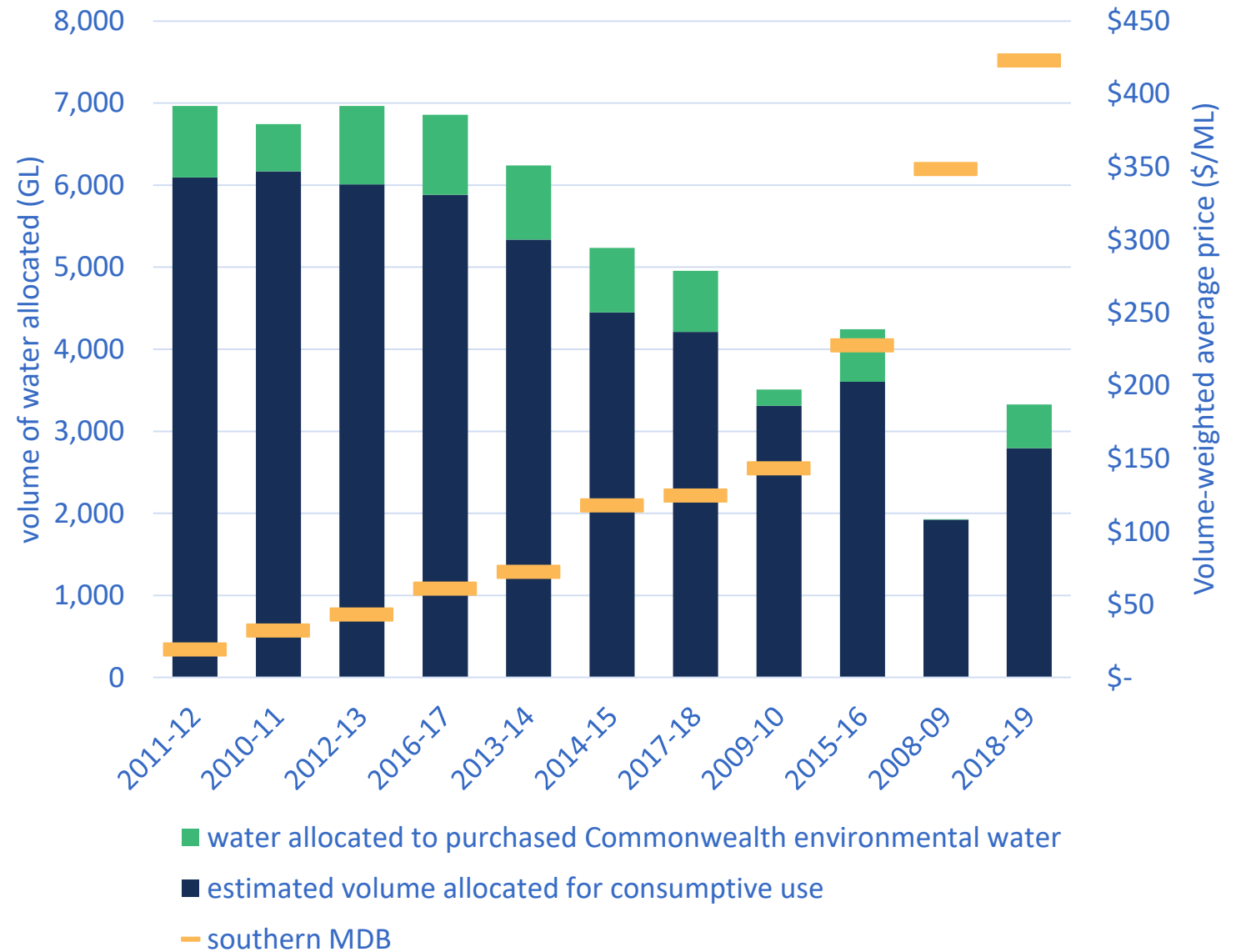


MAJOR HEADWATER STORAGES, SOUTHERN MURRAY-DARLING BASIN, 1 JULY 2000 TO 30 JUNE 2019

## The year in comparison

Prices are moving up

For a given amount of water, prices are higher than historical levels.



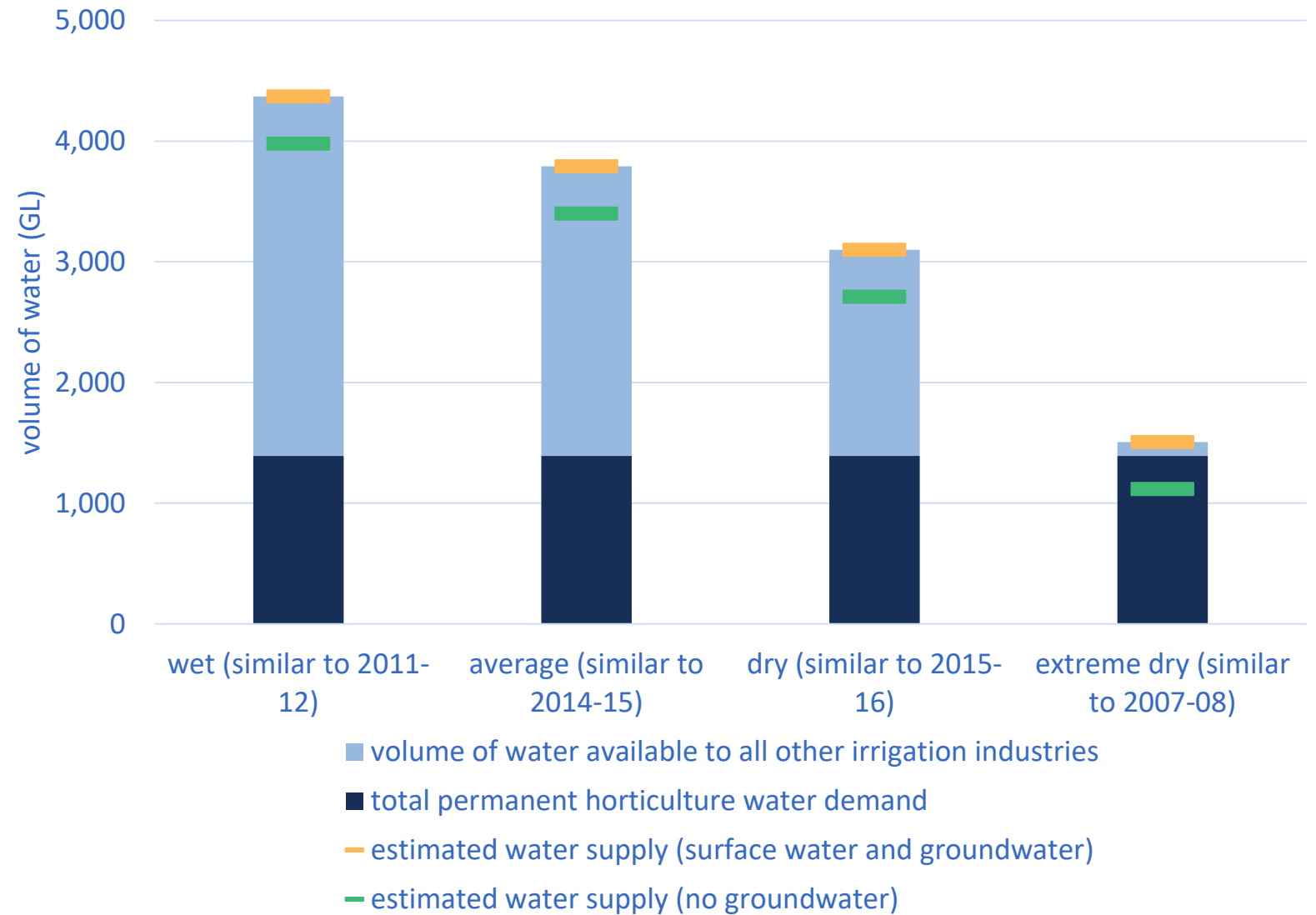
WATER ALLOCATED AND AVERAGE ANNUAL VOLUME-WEIGHTED AVERAGE PRICES, 2008-09 TO 2018-19



# Demand for water

Permanent horticulture water demand increasing

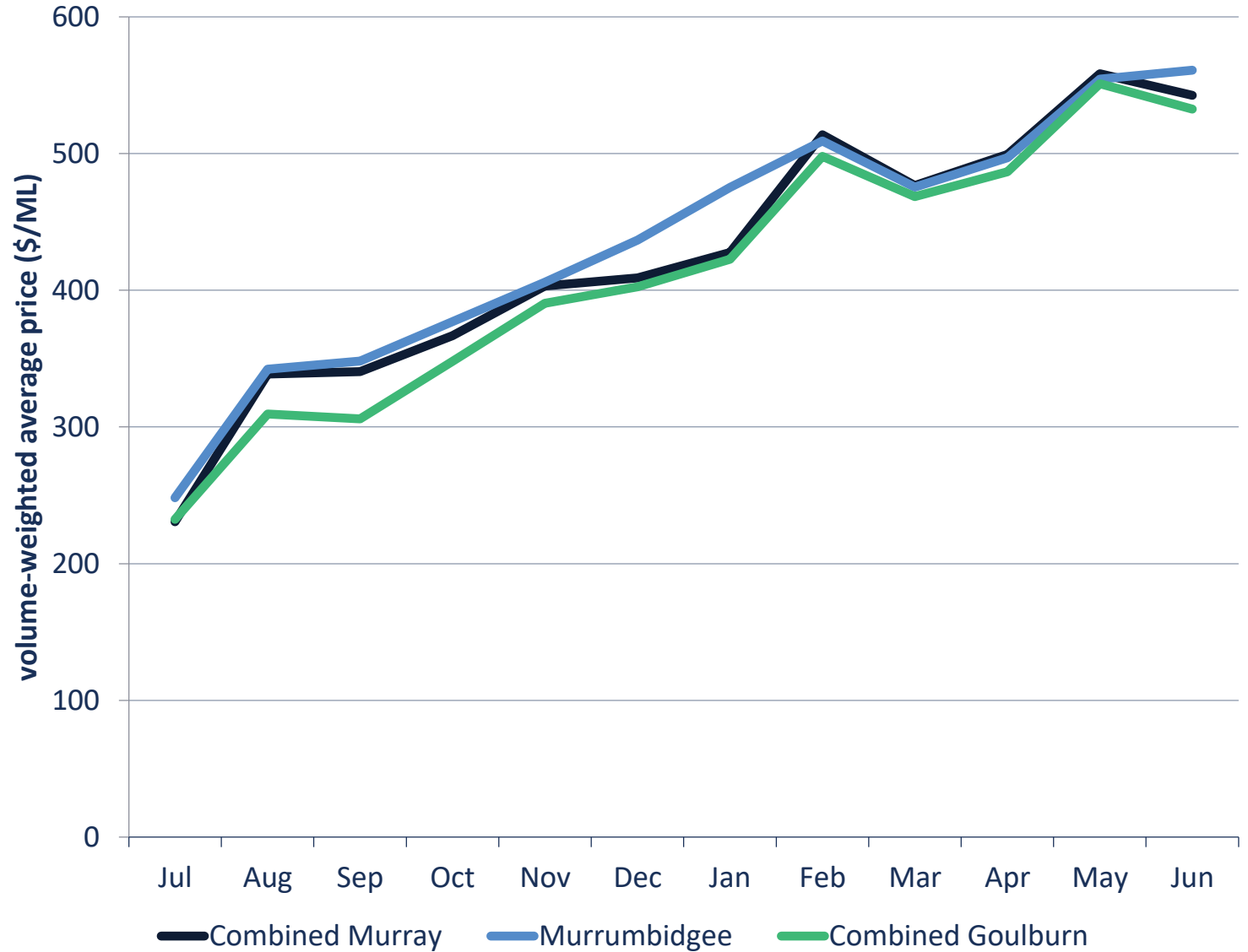
Water demand from permanent horticulture is higher than previously estimated. This is exacerbating the effect of dry conditions on markets.



# Allocation markets

Steadily increasing prices

Dry conditions and increasing water demand from booming industries pushed higher allocation prices throughout the year.



MONTHLY VOLUME-WEIGHTED AVERAGE ALLOCATION PRICES MAJOR SOUTHERN MURRAY-DARLING BASIN ZONES, NSW MURRUMBIDGEE AND VIC 1A GREATER GOULBURN, 2018-19

## Entitlement markets

Surface water markets reaching record highs

High reliability entitlement prices continue to reach record highs, while low reliability entitlements — with limited value in dry conditions — have plateaued.

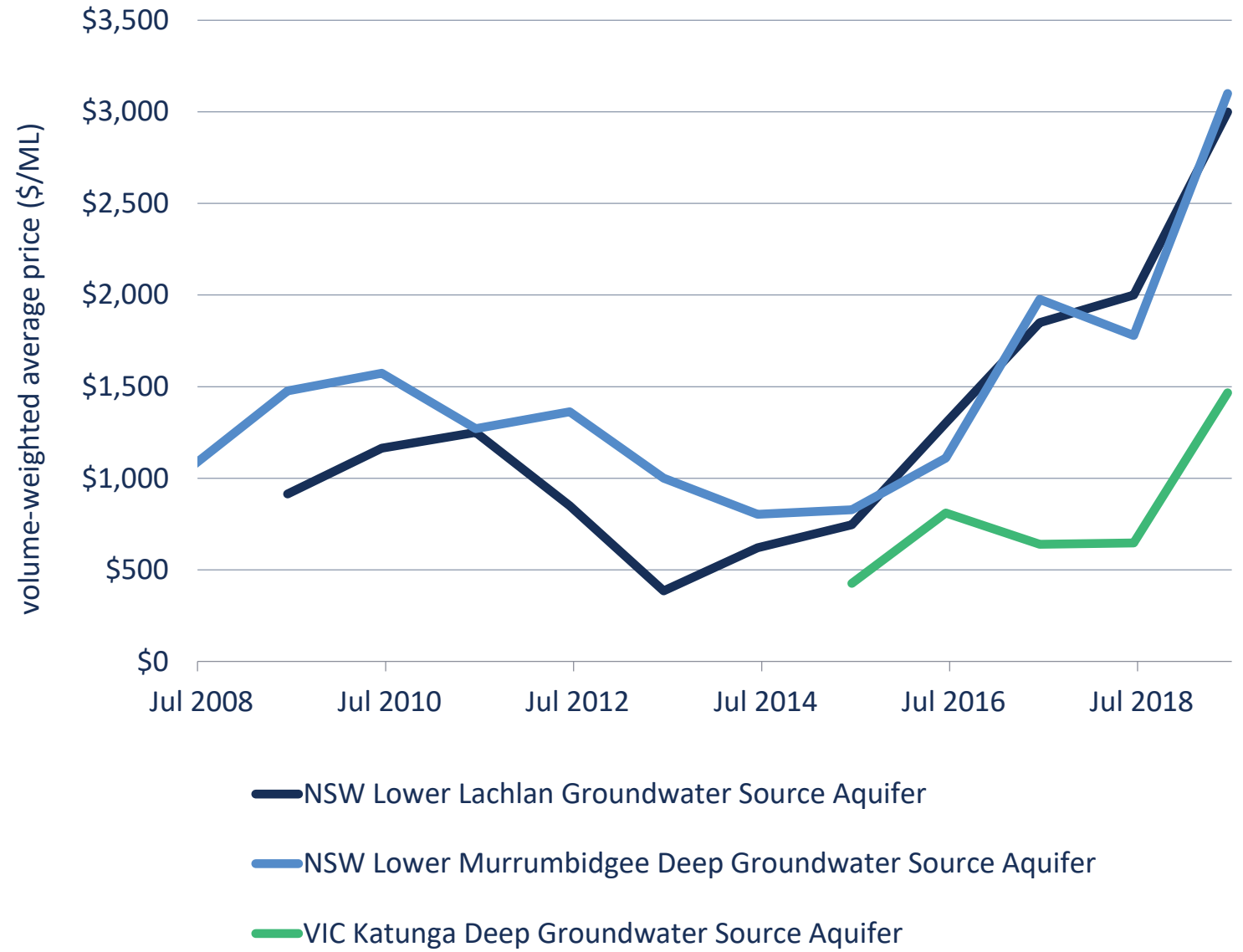


AITHER ENTITLEMENT INDEX, 2008-09 TO 2018-19

## Groundwater markets

Irrigators are looking for viable alternatives

As surface water entitlements become more expensive, groundwater is increasingly seen as a value option.



## 2019-20 outlook

Kai Wakerman Powell  
Senior consultant,  
Aither

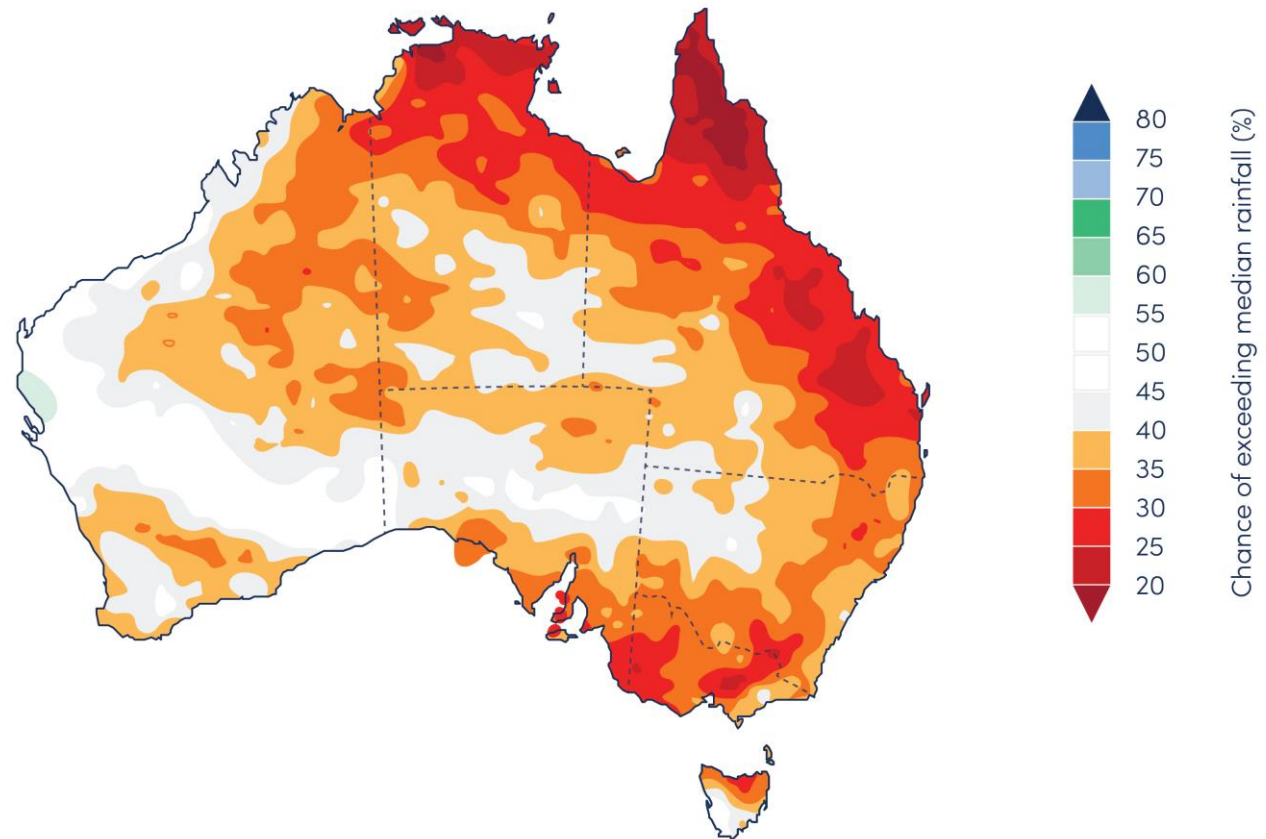
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## Continued dry conditions

### Spring conditions

Unfavourable climatic influences mean that the critical spring inflow period is likely to remain dry.



Chance of exceeding median rainfall  
August to October 2019

# Outlook – allocation markets

No cheap water

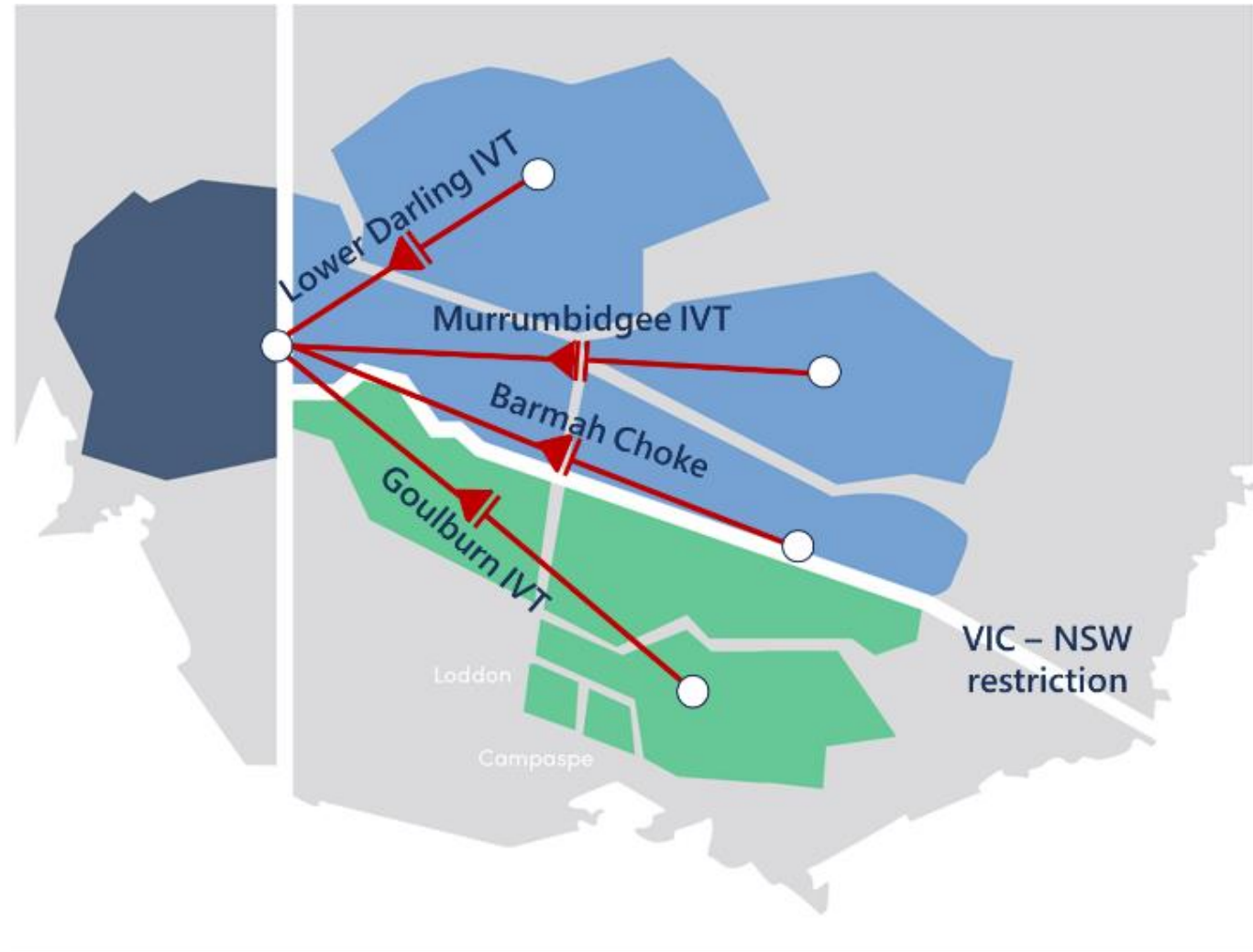
Given the climatic outlook, there is little reason to see prices easing, with potential that they could increase further.



## Trade restrictions

A fragmented market

Early season trade restrictions mean that we are likely to see prices diverge, likely all season.



## Outlook - entitlement markets

High prices likely to persist

Strong demand continues, especially for high reliability entitlements and those that can deliver water to the Lower Murray



AITHER ENTITLEMENT INDEX, 2008-09 TO 2018-19

## Panel Discussion

Phillip Glyde  
Chief Executive, MDBA

Les Gordon  
Chair, NFF Water Taskforce

Chris Olszak  
Director, Aither



Close

Will Fargher  
Director, Aither

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