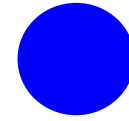


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**Key Words**

Record water prices  
Grape prices higher  
Citrus struggle  
Water allocations low

## **Water market supported by grape growers**

Record prices are being paid for temporary water for 2007 – 2008. A price of \$1,000/ML for temporary water would have been unthinkable two years ago. Last year's barrier of \$500/ML was smashed in the first week of serious trading and the price has climbed to test the \$1,200/ML barrier.

The prices are being paid by grape growers rather than citrus, potato and onion growers. The market is being supported by grape growers because wineries will be paying more for grapes. Potatoes and onions are at break even or a small profit depending on the amount paid for water. Citrus growers are in survival mode.

Wineries are indicating prices of \$775 for tonne for cabenet/shiraz/merlot when last year's price was \$375. This represents an increase of 100% but this increase is not across the board. Naturally, it depends on the grape variety and individual situation of wineries.

Other prices being mentioned are \$550/tonne for chardonnay and \$450/tonne for Bordeaux. The wineries are chasing reds but quality grapes are wanted.

The obvious reason for the record high prices is the drought with allocations being around 20% of entitlement. South Australia sits on 16%, Victoria's allocations range from 2% to 28% depending on location. NSW has allocations at 80% on the Murrumbidgee. NSW had the only decent rains in their catchments and Burrinjuck Dam reached about 40% of capacity. This allowed their Minister, Phil Koperberg, to give higher allocations to growers.

SA Minister for the River Murray, Karlene Maywald, mentioned on radio that water to 16% of citrus trees has been turned off but the figure may be higher. Growers who have bought water and who will be making a loss desire to 'keep the show rolling because of the investment in land, sheds, machinery and human resources'.

These comments are not surprising in these historic times with the current drought and on-going water reform, which includes the use of water markets. The world of water has changed. It has probably changed forever. However, these comments are made during the middle of a drought and, if it floods next year, the water prices may reverse to historic lows. Percat thinks this is unlikely with climate change, governments buying water and growers valuing water differently.

## **River Murray Prices from Percat Water Traders**

Contact: [www.percatwater.com.au](http://www.percatwater.com.au) Office Manager 1300 PERCAT or 1300 737 228

*See Next Page*

5 November 2007

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### COMMENTARY

#### Storages

Total storage within the Murray Darling Basin reservoirs remains at 22% of capacity (last week 22%). Lake Eildon, which supplies the Goulburn system in Victoria, also remains at 24% (last week 24%), while Burrinjuck Reservoir on the Murrumbidgee River has reduced to 37% of capacity (last week 38%).

#### Allocations

High security allocations in the Murrumbidgee Valley have increased to 80%, while Goulburn-Murray Water has indicated that their Murray River water allocations may reach 28% by February, if the current inflows continue.

	LAST PRICE \$/ML	BUY \$/ML	SELL \$/ML
<b>TEMPORARY WATER</b>			
NSW	1,020.00	1,020.00	1,040.00
Vic	1,018.00	979.00	1,058.00
SA (for 1:1 allocation)	1,100.00	1,000.00	1,140.00
<b>PERMANENT WATER</b>			
NSW (General Security)	550.00	550.00	600.00
Vic	2,400.00	2,400.00	2,500.00
SA	2,600.00	2,400.00	2,600.00

#### DISCLAIMER

These facts and figures are based on information obtained by Percat Water Traders from its own sources and from different water authorities. Readers should make their own enquiries about prices and the information provided here. The information is not provided for investment purposes and individual valuations are recommended.