

DEPARTMENT OF AGRICULTURE AND WATER RESOURCES

File No.: LT2016-004

NOTE FOR FILE – MEETING WITH EAA RE: WATER RECOVERY PACKAGE ON 10/1/17

Representatives from Eastern Australia Agriculture Pty Ltd (EAA) and the Department of Agriculture and Water Resources met at 1 Bligh Street, Sydney on 10 January 2017 to discuss a potential water recovery package for the company's Clyde property. Participants were:

- Mr Matthew Bickford-Smith, Director, EAA
- Mr Connor Maloney, Director, Eastern Australia Irrigation
- Mr Tony Reid, consultant to EAA as Director, Growth Farms Australia
- Mr Paul Morris, A/g Deputy Secretary
- Ms Mary Colreavy, A/g First Assistant Secretary
- **s. 22(1)(a)(ii)** , A/g Director

Participants discussed transacting water entitlements from Clyde on the understanding that the department had authority to purchase and the company was open to selling. The key points of the discussion were:

- A transaction could be arranged for 15,000 ML of overland flow entitlements associated with storages #10 and #11 on the southern end of the property. This would include 5,422 ML in overland flow entitlement associated with Storage #10 and a 'surge licence' associated with Storage #11. The latter does not have a nominal volume but its yields are well understood, and are in the order of 10,000 ML.
- A price of \$2,200/ML was originally suggested by the company and their expectations have not changed. It is also in line with valuations received by the department.
- The company is very keen to include some agreement regarding the use of Storage #10 as part of the transaction. They are strongly of the view that it will be of use to the Commonwealth Environmental Water Holder in future environmental watering. They recognise the need to decommission Storage #11 and need to consider both storages when they propose a final price.
- All discussions will remain in-confidence. The department would consult with the company before making any public statements about a purchase.

EAA expects that such a sale would have a relatively small impact on production and the local economy. The company noted:

- Clyde is being used to crop chickpeas, wheat and cotton. It has 4,000 hectares of laser-levelled irrigable land and 12,000 hectares of grazing land. Grazing land is particularly productive after floods.
- If they were to sell 15,000 ML of overland flow, they estimate they could maintain 55 per cent of current production. They would continue chickpea and wheat production and

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reduce cotton production. Southern parts of the property could be irrigated with water captured in the property's north.

- If they were to sell this water, they estimate that on-farm employment would reduce by 1-2 seasonal positions. They draw seasonal workers from the backpacker community.
- They can provide more specific details on the impact any sale would have on production, their business and employment.

Participants discussed how affected storages could be managed and their potential value for future environmental watering programmes. The key points were:

- Storage #11 is useful for capturing overland flow but not storage due to its shallow depth. The storage would be decommissioned if the entitlements were purchased.
- The company reiterated that Storage #10 has high environmental value as it could be used to manage environmental flows (via capture, storage and release). It uses pumps to harvest water and has low maintenance costs.
- The Commonwealth Environmental Water Holder (CEWH) is investigating using storages in the region, as recommended by the Murray-Darling Basin Authority's 'toolkit measures'. These measures are designed to achieve environmental objectives with smaller volumes of water, similar (but not equivalent) to 'supply measures' in the southern basin.
- The CEWH has not yet completed the steps necessary to use such storages. The department will confirm with the CEWH when this could be done.
- The company will consider the means and price they could propose, to sell the Commonwealth an option to use Storage #10 in future.

Participants also discussed the company's applications for infrastructure investment funding under the Healthy Headwaters Water Use Efficiency (HHWUE) project. Key points were:

- Two of the company's applications are unlikely to be affected by the sale. These applications regard Storage #9 and channel and field works.
- The two remaining applications are unlikely to be viable, and would not justify company or government investment. These applications regard Storages #10 and #11.
- The company will review its applications and indicate how it would like to proceed. This should happen quickly as the company is keen to move on any viable projects as soon as possible. The department agreed it would complete its assessments quickly.

A sale process is already underway for Clyde and Kia Ora, another property held by the company near St George. The company indicated:

- There are three potential domestic buyers. All have made expressions of interest and are in the process of due diligence and finalising their offers.
- One buyer is interested in Kia Ora only and another in Clyde only. A third buyer is interested in Kia Ora and Clyde together. This third buyer is a large institutional investor and is unlikely to want to sell entitlements to the department.

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- Selling Clyde entitlements to the department would be a good outcome for the company. While some of the company's investors are concerned that such a sale would reduce the property's sale price, management considers it beneficial.

Participants agreed to the following actions:

1. The department will send tender documentation, including an application form and draft contract, to the company on 11 January 2017.
2. The company will review these documents, taking into account discussed prices and options.
3. The company will review its HHWUE Project applications and indicate which applications it wishes to pursue, amend or withdraw.
4. The department will immediately process any HHWUE Project applications that the company wishes to pursue.
5. The company will provide more detailed estimates of what impact the sale would have on Clyde's production and employment.

s. 22(1)(a)(ii)

A/g Director

Water Purchase and Conveyance Section

Water Acquisition and Markets Branch

Date: 16/01/2017