**Rabobank: Water Management A Global Opportunity**

**The world must increase its usable water supply and effectively manage water demand. These are the key findings in a new report from Rabobank. The report “Agricultural Water – Free Flowing Markets Sustain Growth” focuses significant attention on water markets as a tool that has been proven to be effective at delivering water where it’s most valued. According to the research, markets are an important part of ensuring that the proper allocation of water can occur, and helping ensure that the agricultural industry has access to enough water to be economically viable and can feed a growing world population.**

“We encourage food and agri suppliers and other leaders to be directly involved in the establishment of water markets to protect the long-run economic sustainability of the agriculture industry”, says Vernon Crowder, analyst at Rabobank. “Globally, local governance and investment will be required in order to ensure stable water supplies but also to replenish current deficits caused by years of overuse in many countries. Water markets will increase the overall net benefit to society, increase the incentive for expanded investment, while decreasing risk for the agriculture sector as a whole.”

The following pros and cons for some of the major agricultural regions of the globe are noted:

**Africa** – Many African countries will be faced with some difficult challenges associated with rapid population growth and subsequent urbanisation. A majority of countries in Africa have an international treaty in place to help protect the country’s water rights; however, within that framework, many countries do not have institutions or funds to manage how water is used. Balancing implementation of more formal, civic law-based strategies with local customary rules continues to be a challenge. The absence of rights and enforceability causes overdrafting to be a major problem in the region. Many countries also face challenges with technical development, political stability, and the ability to implement long term policies. The need for adequate water development and management is there; however, the lack of governance and investment proves challenging when trying to establish markets.

**Asia** – Much of Asia struggles to maintain adequate water for basic health and sanitation purposes, much less for agricultural purposes. Countries such as China and India have both seen explosive economic development at the same time fuelling demand for water. In recent years there has been political tension between China, India, and other neighbouring countries as the Chinese have begun building dams along rivers that flow across borders. This along with groundwater overdraft has been the cause of both political and agricultural challenges in India.

**Europe** –While not in the report, this does not preclude European countries from the discussion of the need for water markets. Countries and regions in Europe have different experiences with water markets, some Dutch water boards have been managing water quality, quantity and infrastructure for centuries—which are essential for proper water management. The 2006-2008 drought in Spain encouraged government officials to revamp their water management strategies; however, once the drought was officially over, the market evaporated. The different countries and regions in Europe are not exempt from water management challenges and will benefit from implementing markets.

**Latin America** – The vast differences in geographical and political situations make the countries of Latin America each unique. Looking at one of the largest countries, Brazil, the report notes that this historically ‘water rich’ country has only recently begun to formulate formal water rights. This has been compounded by a recent drought in some regions and the realization that the current infrastructure is inadequate to manage the resource from one location to another. Water challenges facing Mexico and Chile are also discussed in the note.

**North America** – While considered ‘water rich’ in a global sense, specific areas such as the Colorado River Basin, the Ogallala Aquifer and California are being threatened by significant exploitation of their respective water resource. The much publicized drought in California has brought to the forefront the challenges surrounding water rights and the need for further investment in water projects, and water markets.

**Oceania** – The story in this geographic region is really Australia and the decade long drought it recently faced. Lauded as a success story, Australia has been used as a model of reform in recent years. Water markets have been used to provide an essential conduit through which a truer economic value has been placed on water resources. As a result, efficiencies have been gained and new opportunities such as water trading have been used to manage farm incomes in the face of commodity price and drought risk.

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