

The trading of water futures that [began late last year](#) will increase price transparency in California, where farmers are seeing access restricted to state water allocations, an expert has said.

In December, water joined gold, oil and other commodities traded on Wall Street, highlighting worries that the life-sustaining natural resource may become scarce across more of the world.

Kevin Assemi, a farmer in Fresno and partner in Water & Land Solutions, an agricultural water and land use consulting firm, told [Reuters](#) that the state's water market is opaque, despite having a robust water infrastructure system.

The state is divided into hundreds of water districts, all of which have their own local environmental and municipal approval process, and may also have to deal with federal regulations, he said.

Assemi told the publication he is a “big advocate” of having a futures market because it could bring more attention to issues that affect water supply.

Dewane says the discrepancy in groundwater and imported water costs throughout California shows the inefficiency in water pricing, and by publishing the price of water in a futures contract would increase transparency. Seeing that price would help people understand the value of water.

“Water is incorporated into every good, service and product that we use in the activities of daily living. When the cost of water rises, the cost of all those goods and services rise, too,” he was quoted as saying.

California is a top producer of vegetables, fruit, nuts and dairy products. In a complex system, California farmers are allocated water from the state based on seniority and need, but many producers are still seeing access restricted to state water allocations, a few ag producers say.

Alan Boyce, co-founder of Materra, who has several farms in California and Arizona, says in fall 2020 they turned down some contracts with tomato canners, concerned about the availability of water from state allocations in the spring and the price of water, which was unknown. “In the fall we were very sensitive to the risk of drought,” he was quoted as saying.

Farmers normally negotiate prices with buyers during the growing season, but “we made

the determination that in the water-short San Joaquin Valley, we need to know in advance what the price of water is, otherwise we'll leave it in the ground," he says.

"Right now, in hindsight, that looked pretty smart," he says, adding, "You have to know in advance what price you're selling your water resource, whether it's surface water or groundwater."

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