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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln
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Lake McConaughy: Who Gets the Water?*

Market Report	Yr Ago	4 Wks Ago	12/10/04
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	\$96.87	\$82.81	\$84.76
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb	111.80	122.03	121.50
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb	103.01	104.39	109.00
Choice Boxed Beef, 600-750 lb. Carcass	157.09	132.31	145.61
Western Corn Belt Base Hog Price Carcass, Negotiated	48.27	77.36	70.57
Feeder Pigs, National Direct 45 lbs, FOB	33.90	55.75	60.77
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	55.67	76.30	75.18
Slaughter Lambs, Ch. & Pr., 90-160 lbs., Shorn, Midwest	86.37	90.37	93.87
National Carcass Lamb Cutout, FOB	212.61	225.51	240.20
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Omaha, bu	\$3.84	3.32	3.35
Corn, No. 2, Yellow Omaha, bu	2.44	1.64	1.74
Soybeans, No. 1, Yellow Omaha, bu	7.68	5.01	5.32
Grain Sorghum, No. 2, Yellow Columbus, cwt	4.04	2.68	2.57
Oats, No. 2, Heavy Minneapolis, MN, bu	1.69	1.66	1.79
<u>Hay</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton	115.00	115.00	115.00
Alfalfa, Large Rounds, Good Platte Valley, ton	67.50	62.50	62.50
Grass Hay, Large Rounds, Good Northeast Nebraska, ton	59.00	57.50	57.50
* No market.			

Nebraska is in a drought of historic proportions. Because of this, water levels in Lake McConaughy near Ogallala are falling to near-record lows. This has led to an active debate regarding how water in McConaughy should be managed, and (in my opinion) unfair criticism of how the lake has been managed. This column takes a quick look at the water rights dimension of McConaughy water levels.

Who owns Lake McConaughy? Lake McConaughy is owned and operated by the Central Nebraska Public Power and Irrigation District (Central). Lake McConaughy is not a natural lake, and does not belong to the State of Nebraska, as many seem to think.

Who owns the water in Lake McConaughy? The state of Nebraska has granted storage appropriations to Central and to the Nebraska Public Power District (NPPD) to store water in McConaughy. Both Central and NPPD use this stored water to supply their irrigation customers. Central and NPPD also generate hydroelectric power with water from McConaughy. The water stored in McConaughy does not belong to the state of Nebraska.

For what water uses are the McConaughy water rights authorized? Irrigation and power production. The McConaughy water rights are not for recreation, as many people seem to think.

Well, shouldn't there always be plenty of water in Lake McConaughy for recreation? Up to this point, recreation has been a "free rider." In other words, people have been able to enjoy the water in the lake for recreational purposes for free when the water was there. However, McConaughy is not legally required

to be managed for recreational purposes. In fact, managing McConaughy for recreation instead of for irrigation would likely violate the water supply contracts that Central and NPPD have with their irrigation customers.

What about endangered species water? Central allocates up to 50,000 acre-feet of water each year for endangered species protection. The water stored in this environmental account is released into the Platte River at the direction of the U.S. Fish & Wildlife Service (FWS). The annual water deposits into the environmental account vary based on how much water flows into McConaughy each year.

Well, can't this environmental-account water be used for recreation? That depends upon decisions made by the FWS. However, in dry years there is likely to be little water available for endangered species. And the environmental account water in McConaughy is stored to be released when the FWS determines endangered species need the streamflow. The endangered species need the water in the river, not in the lake.

Well, we need water more in Lake McConaughy for recreation! And historically there has usually been plenty of water in the lake for recreation. But in dry years that won't be the case. So if recreational interests want a full or nearly full lake in dry years, they are going to have to buy the water from Central and NPPD irrigators.

You mean, someone would have to pay irrigators not to irrigate in order to leave more water in the lake? That is correct.

Is that legal? It has always been legal to buy and sell stored water in Nebraska, and irrigators commonly sell water to each other within irrigation districts. However, 2004 legislation makes it legal to lease "direct-flow" irrigation water rights for other uses. This may lead to a more active water right market in Nebraska.

Well, if we have to buy the water from irrigators to keep the lake fuller, how much might that cost? Hard to say. For leasing water rights, one place to start would be comparing the difference between cash rental rates for irrigated and dryland farms. For 2003 UNL cash rental rates in Central Nebraska, the difference between irrigated and dryland is about \$70 per acre. If we can assume that would lease about 1.5 acre

feet of water, the cost of water per acre-foot might be around \$47.

Lake McConaughy holds a maximum of 1.95 million acre feet. So, for example, if you wanted to keep 500,000 acre feet (about 25 percent) of additional water in Lake McConaughy, that could cost around \$23.5 million dollars, for one year.

Wow! That is really expensive!! Yes it is. Now, we don't know precisely what irrigators would be willing to lease their water for. But this gives us at least a rough estimate of what it might cost to keep more water in McConaughy.

Isn't there a cheaper way to do this? Pray for rain, and lots of it.

*An earlier version of this article appeared in the November 2004 *Nebraska Farmer* magazine.

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Last Issue of the Year

Have a Safe and Happy Holiday!!!