

**IMPACTS OF THE WATER AMENDMENT (RESTORING OUR RIVERS) ACT  
2023 ON NSW REGIONAL COMMUNITIES**

**Organisation:** NSW Farmers

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**NSW Farmers submission to  
the inquiry into the impacts of the *Water  
Amendment (Restoring Our Rivers) Act  
2023* on NSW regional communities**

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**NSW Farmers  
Level 4, 154 Pacific Highway  
St Leonards NSW 2065**

T: (02) 9478 1000 | F: (02) 8282 4500

W: [www.nswfarmers.org.au](http://www.nswfarmers.org.au) | E: [emailus@nswfarmers.org.au](mailto:emailus@nswfarmers.org.au)

• @nswfarmers  nswfarmers

For further information about this submission, please contact:



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## About NSW Farmers

NSW Farmers is Australia's largest state farming organisation, representing farmers on the issues that matter to them such as the environment, biosecurity, water, animal welfare, economics, trade, workforce, and rural affairs.

Agriculture is a vital sector, quite literally feeding the nation. Farming directly employs more than 75,000 people across New South Wales, and underpins rural and regional communities, producing more than \$24 billion in food and fibre and making a significant contribution to the state and national economy.

Our aim is to support stronger farming businesses and reach \$30 billion in output by 2030. We ensure genuine voices from the paddock identify issues and shape policies, with teams in regional NSW and Sydney. We provide specialist advice and offer partner benefits that deliver excellent value for members.

## Executive summary

Regional and rural communities have long felt that the impacts from decades of water policy reform were not being addressed and the long-term productivity of agriculture in NSW is under threat. Once the Water Amendment (Restoring Our Rivers) Act 2023 (ROR Act) began to be implemented by the government, it was clear that irrigated agricultural business in NSW would again be exposed to Commonwealth water purchases through a rushed and secretive process. The removal of the cap that limited Commonwealth buybacks has been of significant concern, with analysis showing socio-economic impacts will be exacerbated once more water is removed from productive use and major environmental outcomes being compromised from poor management and contentious project roll-out. Uncertainty remains around the Reconnecting River Country program and how impacted riparian landholders will be compensated for adverse impacts.

Rules changes that seek to reduce water available for productive use are of major concern, including how environmental watering rules are utilised, the increasing pressure on reliability of allocations and the changes to water sharing through novel programs like Aboriginal water strategies. Past structural adjustment programs have unclear outcomes due to lack on monitoring and reporting. There are risks that funding decisions are being made for industries and local communities through the new Sustainable Communities Program based on theories or non-existent assumptions regarding impacts of previous programs, opportunities to diversify local economics (away from agriculture) and the true social, economic and environmental condition of regions. Recent research into how the dairy industry will be impacted by water buybacks is summarised and provided as real, up-to-date examples of how a key agriculture enterprise through NSW will be left worse off under high water buyback scenarios.

NSW Farmers recommends:

1. Continuing the opposition to water buybacks being used as a tool for water recovery for the environment in NSW.
2. Addressing issues in how constraints projects are being rolled out, how existing environmental water flows are impacting production and riparian areas in key valleys and committing to removing liability exclusions for impacts from environmental water flows.
3. Clarifying discrepancies with classifications of environmental water flows and reviewing rules-based water management.
4. Considering ongoing and cumulative impacts to allocation reliability and how these impacts can be managed.
5. Ensuring a fit-for-purpose structural adjustment program prioritises keeping farms productive and as much water as possible directed towards growing food and fibre in NSW.

## Introduction

The agriculture industry across the Murray Darling Basin was blindsided when the Australian Government introduced the Water Amendment (Restoring Our Rivers) Bill in late-2023. The bill and its proposed changes to the foundations of the Murray-Darling Basin Plan (the Basin Plan) sought to undermine the stability around the delivery of the Basin Plan that had been slowly building up over the years across the communities in the basin. Farmers in these communities quickly came to understand that the changes would not benefit the agriculture industry, communities and towns, and the environment as promised by the government. Once the Bill passed and the Water Amendment (Restoring Our Rivers) Act 2023 (ROR Act) began to be implemented by the government, it was clear that irrigated agricultural business in NSW would again be exposed to Commonwealth water purchases through a rushed and unclear process.

NSW Farmers welcome this inquiry into the impacts on NSW from this major Australian Government reform. The initial years of water recovery followed by transformational changes under the Basin Plan since 2012 has been fundamentally changing farming practices and water supply infrastructure that were developed a hundred years prior. Regional and rural communities have long felt that the impacts from decades of water policy reform were not being addressed and the long-term productivity of agriculture in NSW is under threat.

## Terms of Reference

*NSW Parliament Legislative Assembly Committee on Investment, Industry and Regional Development inquiry into the impacts of the Water Amendment (Restoring Our Rivers) Act 2023 on NSW regional communities:*

- a) the social, economic and environmental impact of repealing limits to the cap on Commonwealth water purchases*
- b) the risks to the effective implementation of the Federal Water Amendment (Restoring Our Rivers) Act 2023 including unlicensed take of water and options to address these risks such as rules for floodplain harvesting*
- c) the impact of Planned Environmental Water rules on the reliability of water allocations in NSW and the Commonwealth's environmental water holdings*
- d) the impact of rules-based changes on the reliability of water allocations in NSW, including their impact on different water license categories*
- e) the effectiveness and impacts of past water reforms, including community-based water reduction adjustment programs such as the Strengthening Basin Communities program and Murray-Darling Basin Economic Development Program*
- f) options to improve future community-based reduction adjustment programs including next rounds of the Sustainable Communities Program*
- g) any other related matter.<sup>1</sup>*

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<sup>1</sup> [Terms of reference](#)

## The social, economic and environmental impact of repealing limits to the cap on Commonwealth water purchases

A key feature of the ROR Act was the provision to repeal of the statutory 1,500 GL cap on buybacks by the Commonwealth, which had in the past restricted the government from purchasing more water from the productive pool. NSW Farmers supported the maintaining of this cap in the legislation and continued to advocate that further buybacks not be considered to meet any water recovery targets under the Basin Plan.

Social impacts of the water purchase cap removal have been hard to separate from more generalised socio-economic and broader economic impacts. There continues to be a lack of directed and ongoing monitoring, evaluation and reporting on pure social factors associated with water buybacks, with most references in recent analysis tying social impacts to economic. The 2024 Aither report<sup>2</sup> commissioned by NSW DCCEEW into water purchase programs and their impacts found that social outcomes generally link to or follow economic ones, and that a range of social outcomes at different scales are supported by economic activity, including the productive use of water. Anecdotally, NSW Farmers has heard from our members within regions that are marked for water buybacks (namely the southern connected Basin) that the looming threat of more water being removed from agriculture is deeply troubling, and they fear for the future of their industries and communities, alongside their own farm businesses.

At an economic level, the trend from analysis over the years before the ROR Act was introduced and since the policy has begun to be implemented is simple and clear – there is an overwhelming negative economic impact on agriculture and the communities that rely on these industries from water buybacks, as well as an impact on the supporting water market.<sup>3, 4, 5</sup> These negative impacts extends to jobs and industries that support agricultural business in local communities, as well up and down

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<sup>2</sup> Aither 2024, [Water purchasing programs](#), report prepared for New South Wales Department of Climate Change, Energy, the Environment and Water

<sup>3</sup> Sefton, R, Peterson, D, Woods, R, Kassebaum, A, McKenzie, D, Simpson, B & Ramsay, M 2020, [Final Report: Independent assessment of social and economic conditions in the Murray–Darling Basin, Panel for Independent Assessment of Social and Economic Conditions in the Murray–Darling Basin](#), Melbourne.

<sup>4</sup> Frontier Economics and Tim Cummins & Associates 2022, [Social and economic impacts of Basin Plan water recovery in Victoria: 5-year update](#), report for Department of Environment, Land, Water and Planning, August.

<sup>5</sup> Downham, R, Walsh, J, Gupta, M, Galeano, D & Hone, S 2024, [The impacts of further water recovery in the southern Murray–Darling Basin](#), ABARES research report, Australian Bureau of Agricultural and Resource Economics and Sciences, Canberra, June

broader agricultural supply chains. A changing water market and increasing government market participation has resulted in more farms reliant on a highly dynamic temporary water market, fuelled by the ongoing non-transparent process for Commonwealth water purchases. NSW Farmers is concerned that the changing landscape of water users in the market, with the state and federal governments as the largest water owners and users, will threaten the viability of water delivery models and infrastructure and result in more and more costs being assigned to a smaller and smaller pool of productive water users. NSW Independent Pricing and Regulatory Tribunal (IPART) is currently reviewing water prices for the next five years, after receiving proposals from WaterNSW and the Water Administration Ministerial Corporations (WAMC) that would see water bills increase by up to 200% over that time period for some water users. Both WAMC and WaterNSW have proposed significant price increases which would result in unaffordable water bills for nearly all customers, but small and medium farmers would be most impacted. While small and medium farmers make up the majority of the customer base, they hold a smaller share of the overall water entitlements in NSW. The proposed price increases average out to up to 15% per year for groundwater system users, up to 23% per year for unregulated river users and up to 35% per year for regulated river users.

Environmental impacts from ongoing water recovery programs as well as the recovery of the additional 450 GL as per the ROR Act are discussed in detail in the following section.

## **Risks to the effective implementation of the Federal Water Amendment (Restoring Our Rivers) Act 2023**

There are major risks to the implementation of the ROR Act but the unlicensed take of water in NSW is not one. Water users in NSW operate under the scrutiny of the Natural Resources Access Regulator (NRAR) and NRAR's own reports make it clear that the vast majority of water licence holders are adhering to the rules of taking, using and reporting use of water. Through 2023-2024, NRAR's compliance campaigns were able to cover over 22 million ML of water entitlements, and involved checking tens of thousands of properties, water accounts and licenced works.<sup>6</sup> From this, enforcement actions were issued to only approximately 180 properties. For context, The powers afforded to NRAR are sufficient, high levels of compliance are being achieved, and water users understand their responsibilities to adhere to the rules.

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<sup>6</sup> Natural Resources Access Regulator, October 2024, [Progress Report 2023-2024](#)

The real risks that face governments and agencies in the effective implementation of the ROR Act lay firstly in the continued focus on purchasing more water for the environment and secondly, in engagement with the affected communities to deliver projects under the Basin Plan.

## **Focus on water buybacks**

In their February 2024 'NSW Alternatives to Buybacks Plan', the NSW Government reiterated that buybacks were not supported and would prioritise focusing on supporting projects that can deliver water savings to the environment to avoid further disruption to communities and the water market.<sup>7</sup> It was then also encouraging to see the MDBA publicly state in their June 2024 'Basin Plan Review: Early Insights Paper' that achieving outcomes for the environment needs to move beyond just adding more water.<sup>8</sup> For a number of years, NSW Farmers has raised the concerns from communities that transferring more water from productive use to environmental use risks unintended impacts that detract from the supposed social, economic and environmental outcomes sought through the Basin Plan. With about 2,135 GL of water already recovered for the environment, up top of over 800 GL recovered before the Basin Plan came into effect, the Australian Government is intent in increasing this recovery through the 450 GL of additional water for the environment. The case has not been made as to what the additional 450 GL of recovered water will deliver in terms of environmental outcomes. The last several years has seen that concentration of water recovery in the headwaters of the Murray and Murrumbidgee Rivers is already leading to increases in flooding risk affecting the farming sector and regional towns. The increased flooding risks is real and should be a key factor in acknowledging storage limitation of the major southern basin dams, and the physical limitations of the river systems through the southern connected Basin. Recognition is required to understand the cumulative impacts of major changes in how these southern basin storages are being managed because of water policy changes and the MDBP water recovery targets. Continual, high-level flows is already having major negative impacts on riverbank integrity leading to erosion, ongoing degradation of riverine vegetation (including dying trees), bank slumping in the Murray and Edward/Wakool Rivers system, movement of sand deposits, and a decline in river capacity.

Current management strategies appear narrowly focused on one objective – to deliver enough water down the Murray River to keep the river mouth open 95 per cent of the time. Communities along the rivers in NSW are seeing the negative results of these strategies in real time, playing out in the form of environmental water being acquired and delivered at the expense of the ecological, social and

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<sup>7</sup> NSW Department of Climate Change, Energy, the Environment and Water, [NSW Alternative to Buybacks Plan](#), February 2024

<sup>8</sup> Murray Darling Basin Authority, [Basin Plan Review: Early Insights Paper](#), June 2024



economic detriment of upstream communities. It is hard to understand how even further water recovery for the environment will not increase already recognised risks. The MDBA have finally recognised that they will no longer pursue the 80,000 ML/day flow rate target at the South Australian border that was originally planned under the initial Constraints Management Strategy.<sup>9</sup> It is critical that governments and agencies work with riparian landholders and the communities through the valleys that have proposed constraints management projects to reach agreement on flow rates that can deliver already acquired environmental water without significant impacts on these on the ground.

## **Delivery of projects under the Basin Plan**

A major component of the ROR Act was the allowance of ‘more time’ and ‘more options’ to deliver the Basin Plan and remaining water recovery targets. This reform regarding time and options encompasses the SDLAM supply and constraints projects, existing and new, that are needed to deliver environmental benefits equivalent to 605 GL of water that would otherwise be recovered. The states are responsible for delivering these projects and the NSW Government focuses heavily on the role of projects in their ‘NSW Alternatives to Buybacks Plan’.<sup>10</sup> The main constraints project in NSW is the Reconnecting River Country Program for the Murray and Murrumbidgee valleys, of which the final business case for the Murrumbidgee project of the program was endorsed by the Australian Government earlier in 2025. The status of the Murray project is unclear, as the NSW Government has stated that the final business case for the Murray will not progress until the outcomes of the MDBA’s constraints roadmap are established.

There remain widespread concerns with how the NSW Government is managing the delivery of the constraints management programs. Affected landholders who have identified flooding risks and negative impacts on their businesses continue to call for recognition of risks which remain not addressed. Community engagement on constraints management strategies has been going on for over a decade with various state and federal entities conducting engagement, non-specific impact mitigation options presented, and key flow rates proposed based on inadequate assessments and without community support. Additionally, through this period, the NSW government has implemented major reforms of water regulations and policies, including water sharing and water resource plans, floodplain management plans, non-urban metering rules and floodplain harvesting, alongside other Murray-Darling Basin Plan requirements. Progress on constraints projects in the southern basin was also significantly impacted by major flooding events and the Covid pandemic. The Northern Basin Toolkit measures program has also seen changes to projects and deadlines alongside delays to

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<sup>9</sup> Murray-Darling Basin Authority, [Constraints Relaxation Implementation Roadmap](#), December 2024

<sup>10</sup> NSW Department of Climate Change, Energy, the Environment and Water, [NSW Alternative to Buybacks Plan](#), February 2024

implementation, including the Gwydir Reconnecting Watercourse Country program. The Australian Government continued to run water buyback programs over this same time period, removing significantly portions of water from productive use and increasing the amount of water to be used for environmental flows.

NSW Farmers supports the continuation of infrastructure projects under the Basin Plan only where these projects can supply further environmental outcomes without adversely impacting regional communities. Ongoing management of the Murray Darling Basin, particularly in relation to sustainable diversion limits (SDLs), should be adaptive and utilise evidence-based decision-making including consideration of cumulative impacts. All facts, figures and risks on which SDLAM projects are based must be ratified by an independent body and available to stakeholders before proceeding to the final draft of the business case. Water policy needs to be flexible enough to facilitate sustainable and efficient agriculture, resilient rural communities, healthy ecologies, and meet growing domestic and export markets for food and fibre production. Prerequisite policy measures (PPMs) should only be introduced in circumstances where there will be no adverse impacts on productivity, efficient farm operations, property rights, irrigation entitlements, general water reliability and elevated regional flooding risks.

The main concern raised by landholders through much of the previous consultations relates to the assessment and management of proposed flows within the programs and the associated impacts to riparian landholders from these flows and overall river management. Still outstanding is if and how landholders will be compensated for the delivery of the Reconnecting River Country Program, as the NSW Government is yet to release any outcomes from their consultation in late 2024 on the draft Landholder Negotiation Scheme Regulation to support the RRC Program<sup>11</sup>. Of major concern is the perceived reliance of the NSW Government on an existing liability exclusion in the current legislation that removes the ability for a landholder to seek fair and adequate compensation from impacts arising from the RRC Program. The existing statutory exclusion from liability afforded to the NSW Government and WaterNSW as river operator denies the avenue for landholders to seek compensation for these impacts, if deemed the action is undertaken in good faith. NSW Farmers requires the removal of this exclusion from the legislation and full consideration of liability (and therefore compensation) to extend to all landholders within the footprint of the RRC Programs.

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<sup>11</sup> NSW Department of Climate Change, Energy, the Environment and Water, [Draft Landholder Negotiation Scheme Regulation Consultation Paper](#), September 2024

## Impact of Planned Environmental Water rules and rules-based changes on the reliability of water allocations in NSW

There has been building unease amongst farmers and rural communities for many years as the roll-out of significant water policy reforms has progressed. Many have genuine concern that the re-balancing of the existing use of water against potential environmental need is advancing ahead without due consideration for the impacts to water users and a true understanding of the perceived environmental benefits that may eventuate. With many rule changes over the previous decades and many more slated through both the ROR Act and at the NSW management level, there is little monitoring and reporting about the cumulative impact of all of these changes on the agriculture industry. While in isolation, each proposed change or amendment to rules may have minimal impact, there is a real risk that in its totality, rules-based changes will significantly erode on the rights of water users, the reliability of entitlements and the ability for farmers to effectively prepare for the future.

### Rules for environmental water

Water users need a clear understanding of how Planned Environment Water rules will be managed within the MDBP and at the NSW level, and the acknowledged discrepancy between definitions should be addressed.<sup>12</sup> Adding to this gap is the ongoing altering of rules within NSW Water Sharing Plans (WSPs), both during the statutory review process and through amendment provisions in the replaced plans. Current consultation processes run by the NSW department are not adequate and farmers are left feeling they are heard, but not truly listened to through the review development as none their suggested actions are included. While WSPs do not directly influence Australian government policy, the Water Resource Plans (WRPs) required under the Basin Plan are based heavily on NSW WSPs. It is not clear whether there is any ongoing acknowledgement, monitoring and reporting of the cumulative impacts for multiple layers of policy reforms at the state level, both on the practicalities of accessing and managing water, and on the social, economic and environmental outcomes the reform seeks to bring about. Recent moves to introduce thousands of prescribed wetlands on private properties across NSW is a key example of WSP amendments that actively work against these intended social and economic outcomes.

An example of the confusion around PEW and rules-based water is evident in the Murrumbidgee valley. Under the current WSP for the Murrumbidgee Regulated River Water Source 2016 (due to cease in June 2026 and currently under review), it is not clear how much water for the environment is to be stored in

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<sup>12</sup> NSW Irrigators' Council, [Guide to Fixing the Basin Plan](#), July 2023

dams and how translucent and transparent flows will be managed. The complexity of arrangements means that water users in the system are left in the dark and then are also impacted when these flows are released. The Natural Resources Commission in its statutory review of the WSP found that there is limited evidence that the use of translucent flows in the Murrumbidgee Regulated River is even achieving the intended environmental outcome.<sup>13</sup> In addition, rules-based water is not included in the MDBP water recovery target although these volumes are being used for environmental purposes. It is essential that a comprehensive review into rules-based water is conducted by NSW, looking at how these flows are used and whether they are delivering the expected environmental outcomes.

## **Reliability of allocations and access**

NSW Farmers has for a number of years been concerned with the ongoing erosion of reliability afforded to water licence holders across the state. Erosion of reliability extends beyond simple uncertainty with how much water will be available and when but has flow-on impacts that are causing shifts in how farmers plan and manage their water needs over years, as well as the inherent value of the entitlements. While the hierarchy of water allocations is understood and supported by farmers, many are consistently left in the dark when allocation announcements are made late or appear to conflict with the current and forecast conditions. Timely allocation announcements can be the difference between saving a winter crop after a dry growing season or being adequately prepared to plant a summer crop within the correct window. Even when allocation announcements are made in a timely manner, licence holders in some valleys face other barriers to accessing their entitlements. Irrigators along the Murray River continue to experience issues with being able to access their entitlements due to flow management and river heights being incompatible with water supply works, with changed river management rules laying at the heart of the problem. The rule book for how headwater storages like Hume Dam are managed and then how water is then released to manage flows through the Murray system is complicated. Those agencies tasked with the responsibilities of this management have a duty to engage better with entitlement holders to explain decisions and work more closely with productive water users to address these concerns.

In addition to concerns regarding reliability to water licence holders, farmers who rely on unregulated flows across floodplains for stock and domestic water access are also experiencing dysfunction resulting from public and private works changing flows. Not only do unregulated flows through systems delivering basic landholders rights' access to water, but these flows also contribute as key environmental watering opportunities for connected systems and local valley assets. As the number

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<sup>13</sup> Natural Resources Commission, [Review of the Water Sharing Plan for the Murrumbidgee Regulated River Water Source 2016](#), September 2024

and scale of public and private works (ranging from road and rail infrastructure, to on-farm levies) continues to be realised, on-the-ground effects are already resulting in a significant cumulative change to how beneficial flows move through the landscape. Flows and floods are not behaving as floodplain management modelling has predicted and farmers are dealing with increased velocity, depth and duration of flows and unpredictability of events. NSW Farmers maintains that policies that rely on floodplain modelling and key flow management rules need to be ground-truthed and reviewed to account for what is actually happening within valleys, not just what is meant to happen at a desktop level.

An emerging area of change in the sharing of water amongst users is the increased focus of both state and federal entities on Aboriginal participation in water through dedicated programs. For NSW, the Aboriginal Water Strategy and Action Plan is slated for finalisation in 2025 while at a federal level, the Australian Government is delivering the Murray-Darling Basin Aboriginal Water Entitlements Program. NSW Farmers supports the participation of Aboriginal people as water users and recognises that their use of productive water should be no different to any other entitlement holder. It is essential that the understood hierarchy of water needs is not changed and that new entitlements or forms of access to water for Aboriginal people are not created to meet targets, including through rules changes. Equally critical is that the access and use of cultural water cannot interrupt the accessibility or supply of existing water entitlements, including domestic and stock basic landholder rights. NSW Farmers welcomes working through how these programs and other strategies can be incorporated into the existing water sharing frameworks to benefit existing and new users of our shared resource.

## **Effectiveness and impacts of past water reforms, and options to improve future community-based reduction adjustment programs**

It is difficult to comment on the effectiveness and impacts of previous community-based water reductions adjustment programs (or structural adjustment programs) as the monitoring, evaluation and reporting on these initiatives has been minimal. The 2022 Murray-Darling Basin Social and Economic Conditions Report<sup>14</sup> by the MDBA highlighted major gaps in the available information and reporting on key components that limited the report showing the reality of how the Basin has changed and is coping with these changes. This includes gaps relating to:

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<sup>14</sup> Aither, [Murray-Darling Basin Social and Economic Conditions Report](#), February 2022

## NSW Farmers submission to the inquiry on *Restoring Our Rivers* impact – April 2025

- **Irrigated agriculture** – the report noted that data relating to the industry is variable and presented in an ad-hoc manner, partially due to the lack of ongoing government commitment to regularly publish data. General industry trends and how specific irrigated industries and regions are performing is hard to quantify.
- **Local social conditions relating to water management** – the report flagged the lack of data on how communities are dealing with changing water policy, and how this is affecting communities at a social level. There does not appear to be any whole-of-Basin approach to monitoring the social condition nor how this has changed over time.
- **Local economic conditions relating to water management** – the report highlighted that the lack of local scale economic data is not available across all LGAs in the Basin as well as any sort of time series or periodic evaluation of changes. This makes it hard to understand the impacts of water reform at a local and Basin level, as well as how structural adjustment programs have influenced (or not) the conditions in these areas.

NSW Farmers is concerned that funding decisions are being made for industries and local communities through the new Sustainable Communities Program based on thin or non-existent assumptions regarding impacts of previous programs, opportunities to diversify local economics (away from agriculture) and the true social, economic and environmental condition of regions. While it is important to reiterate that more buybacks are not supported and are also not needed to deliver environmental outcomes for the Basin Plan, in reality this method of water recovery has already been executed by the Australian Government in recent months. The priority should be to keep as much water as possible available to productive water users to grow food and fibre, because funding and programs, regardless of the amount or strategy, cannot replace this essential input to so many agricultural industries. Farming businesses need to be eligible as an affected party under the new Sustainable Communities Program.

While there may be avenues for farmers to reduce water use through changed production models or efficiency upgrades, it is critical that farms and industries be supported to remain productive rather than forced to diversify outside of agriculture. With this as the driving principle for design and implementation of any future community-based reduction adjustment programs, NSW Farmers is keen to work with the NSW Government to ensure that the Sustainable Communities Program is fit for purpose and keeps farmers and the agriculture industry as the key stakeholder through all processes.

## Case study – impacts of buybacks on the dairy industry in the southern Murray-Darling Basin

The following case study is based on a report<sup>15</sup> prepared by Ricardo in March 2025, prompted by the removal of the cap on water buybacks with the passing of the ROR Act. While previous work has been completed on the impacts of changing water availability on the dairy industry, this report seeks to provide an updated evidence-based analysis of the potential impacts of more buybacks on the dairy farms, dairy processors and input suppliers, in the southern Murray-Darling Basin (sMDB).

NSW Farmers presents this case study as an example of a key industry in the Murray-Darling Basin that is reliant to the water market, and as such is exposed to the threat of buybacks, and requests that the Committee consider the following information as material to support our key points as discussed above in this submission.

### **Facts to know about the dairy industry in the sMDB:**

- 22.8% of national milk production, delivering about 1.85 billion litres of milk per year
- Fresh milk from the sMDB region is supplied to Brisbane, Sydney and Melbourne as well as other major centres across Queensland, NSW and Victoria
- There are 13 milk processing facilities in the Murray Dairy region, out of a network of over 40 facilities across the sMDB, providing nearly 7,000 jobs.
- Farmgate value is estimated at \$1.14 billion, with a total economic contribution of ~\$2 billion each year
- Dairy farms in the region support a network of feed, fuel and fertiliser suppliers, machinery and equipment dealers, and veterinary and herd management services.

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<sup>15</sup> The interim report was completed in late March 2025 and has been shared with NSW Farmers as a member of Dairy Australia through our capacity as the state farming organisation representing NSW to Australian Dairy Farmers. It is anticipated that the final report will be released in late April, at which time it can be provided to this inquiry.



## Water buybacks and the southern Murray-Darling Basin Dairy Industry: Potential impacts for dairy farms, processors and suppliers

*A report by Ricardo – March 2025*

This report seeks to provide a better understanding of how water purchases under Commonwealth policy may affect dairy farm businesses, dairy processors and local economies in the southern Murray-Darling Basin (sMDB) over time under two recovery scenarios:

- a moderate scenario (302 GL of total buyback), and
- a higher-impact scenario (683 GL of total buyback).

This work builds on previous analysis, including by the Australian Bureau of Agricultural and Resource Economics (ABARES), and it draws on detailed individual dairy farm data provided through the Dairy Farm Monitor Project (DFMP).

### How was the research conducted

This analysis was conducted in three parts:

- **Farm-level impact assessment (Part A):** Assesses the potential farm-level impacts of buyback, including financial pressures, adaptation strategies, and implications for milk production.
  - Part A modelled the impacts of the two buyback scenarios on 11 case study farms, using dairy farm industry data, under 3 different pathways.
  - Key metrics assessed were change in EBIT (farm earnings before interest and tax), change in operating costs and change in milk production.
- **Impacts of buyback on dairy processors (Part B):** Evaluates how reduced milk supply resulting from buybacks could affect dairy processors, including plant viability, supply chain adjustments, and operational costs.
  - Part B built on the Part A findings to apply the farm-level milk supply impacts to a processor analysis.
  - Qualitative analysis through interviews with processors and transport operators and quantitative analysis through review of existing economic data.
  - Used a scenario analysis to estimate reductions in outputs and foregone value.
- **Input supplier impacts and local expenditure analysis (Part C):** Examines the potential impacts of higher costs and reduced milk production on input suppliers and local economic expenditure.
  - Part C built on the Part A findings using a case study approach through changes in farm spending.
  - Determined baseline farm expenditure to then scenarios using a reduced herd size and production to estimate expenditure reduction and impacts at a farm level and across the sMDB.



**Key findings and impacts to the dairy industry from water buybacks:**

**For dairy farmers:**

1. Buybacks will materially decrease the consumptive water pool in the sMDB
2. Reductions in the consumptive water pool could significantly increase allocation prices in the sMDB
3. Dairy farms will have to adjust their strategies in response to buyback based on seasonal conditions, market factors, and their long-term financial outlook
4. Periods of severe drought will exacerbate farm financial losses due to buybacks, especially for those with low entitlement ownership
5. Farms with low entitlement ownership face the highest risks of falling production and industry exit
6. Milk production in the sMDB may decline by between 3% to 15%

**For dairy processors:**

1. Dairy processors are largely unable to influence prices, and will struggle with reduced milk supply
2. A reduced milk pool in the sMDB will affect processors over a wider geographic area
3. Buyback and adverse market conditions will likely lead to consolidation in the processing sector
4. Production and revenue will reduce, with estimated loss of between 60 – 270 million litres per year and flow on losses valued between \$115 and \$747 million.
5. Not all processors have the scale or flexibility to adapt.

**For dairy farm input suppliers:**

1. Reductions in milk production would lead to significant contractions in spending by dairy farms.
2. Reduced spending on farm labour and contractors risks local job losses or reduced working hours, particularly in smaller dairy-dependent towns.
3. Decreased demand for rural contractors, machinery dealers, fuel suppliers, and mechanical services erodes turnover and may undermine business viability.
4. As dairy farms reduce expenditure, lower income flows into local businesses may impact the broader town economy, with potential effects on population retention and local services.

***It is clear that water buybacks, particularly under a high recovery scenario, would likely have a materially negative impact on the dairy farm sector.***