



NATIONAL WATER REFORM 2026 – SUBMISSION TO PRODUCTIVITY

Via email: waterreform2026@pc.gov.au

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Re: Water reform - improve productivity and reduce food inflation

Water in the Murray-Darling Basin (MDB) is increasingly being owned and controlled by non-consumptive investors and traders, with little regard for the national interest during periods of drought, increasingly causing serious consequences for water users ie: farmers, industry and communities.

Without reform being implemented prior to the next drought, Australia faces sharp consumer food price inflation, economic damage to regional communities in the MDB and ultimately worsening food security. With droughts likely to become more frequent and severe, the risks of inaction are growing.

This submission outlines two specific reforms that **should be implemented as soon as possible but certainly prior to the next drought**. These reforms are consistent with the contents of a letter³ sent by key water user groups to all state and federal water ministers in the 2017 to 2020 drought.

Proposed Reforms

1. **Restrict purchasing of 'Temporary Water' allocations to consumptive users proportional to their actual use** – that is, those who use the water for productive purposes such as farming, industrial use, and environmental sustainability. This would prevent non-consumptive investors from driving up prices purely for profit.
2. **Restrict carryover of 'Temporary Water' allocations to consumptive users only**, capped at a percentage of their average annual use. This would ensure farmers and other productive users can manage drought risk without being priced out by traders withholding water from the market.

The key benefits of these reforms are:

- **Food security and inflation protection:** Around 60% of Australia's food production and up to 90% of its fruits, vegetables, nuts and olive oil is produced in the MDB⁴. Disruption in water availability directly impacts food production and consumer prices.
- **Certainty for regional investment:** Farmers and agribusinesses need confidence that water will be accessible (albeit at higher prices) during droughts. Allowing investors to carry over and withhold water undermines that certainty.
- **Strong public support:** JWS research⁵ shows 70% of Australians, across all demographics and political affiliations support these reforms.
- **Cost-neutral:** These changes require immaterial taxpayer funding to implement.

³ [Letter-to-State-Federal-Ministers-from-irrigators-and-industry-groups.pdf](#)

⁴ [Our reliance on the Basin for water | Murray-Darling Basin Authority](#)

⁵ [JWS-research-summary-report-Water-Rights-Feb-2025.pdf](#)



Understanding Water Rights

There are two types of water rights:

1. **Permanent Entitlement Water (Permanent Water)** – A long-term “right” to a share of available water. It can be bought or sold independently of land ownership or actual water use. About 30% of the Permanent Water in the MDB has been purchased by government environmental funds. Permanent Water cannot be used for irrigation - only the annual Temporary Water allocations derived from it can.
2. **Temporary Allocation Water (Temporary Water)** – Seasonal allocations determined annually based on rainfall, dam storage levels and weather outlook. These allocations expire annually (1 July – 30 June) and are the primary source of irrigation water in the southern MDB (sMDB). The volume allocated varies with climatic and storage conditions and can change throughout the year.

Both **Permanent** and **Temporary** Water can be traded, and different entitlements come with varying degrees of allocation security. The sMDB, reliant on government storages like Hume, Dartmouth and Lake Eildon, grows most of Australia’s high-value permanent crops (e.g. olives, almonds, citrus, grapes, vegetables), along with other annual crops like dairy, rice, cotton and cereals. Many sMDB irrigators do not own Permanent Water and rely on access to Temporary Water from the market.

Concerns with Water Trading in the sMDB

Current trading and carryover rules have allowed non-consumptive traders gaming the market to accumulate significant control over **Temporary** Water availability and hence price. This control becomes especially damaging during droughts, when water is scarce and prices rise. The result is market distortion, inflated prices, and reduced water access for productive users.

Two major concerns outlined by KPMG⁸ are listed below:

A. Governance issues

Consistent with the findings of the ACCC, there are significant deficiencies in water market governance that undermine its efficiency, create mistrust, and allow potential for market manipulation. While governments have endorsed recommendations to improve these deficiencies, they remain unimplemented.

B. Impact of Investor Activity

Non-consumptive traders are increasingly dominating the market. During droughts, their presence inflates prices and limits supply to farmers. This speculative activity threatens farm viability and regional economies.

Unlike theoretical or “textbook” markets, the MDB water market does not function efficiently during droughts. Low-risk, high-return speculation from non-consumptive traders during these times undermines the intent of the market and erodes its legitimacy.

Conclusion

Water is a national resource, and its allocation - especially during drought—must reflect the national interest. Current trading rules allow speculative behaviour that damages food security, regional communities, and consumer prices.

Implementing the two reforms outlined—limiting **Temporary** Water trading and **carryover rights** to consumptive users—is a low-cost, widely supported step that would restore fairness and protect Australia’s food system.

Thank you for considering this submission. Please call if you have any questions

Yours sincerely

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Chairman – ASX: CBO

⁸ [FINAL-KPMG-report-Water-Trading-Analysis-for-Cobram-Estate-5-Dec-2023.pdf](#)