

11 May 2026

Productivity Commission
National Water Reform 2026
E: waterreform2026@pc.gov.au

To whom it may concern,

The Australian Dairy Industry Council (ADIC) welcomes the opportunity to provide input to the Productivity Commission's National Water Reform 2026.

The dairy industry supports careful and balanced water management that delivers environmental outcomes while maintaining productive agriculture, regional communities and Australia's food manufacturing capability.

For the dairy sector, affordable and reliable access to water is fundamental to farm productivity, processor viability and regional employment.

Water policy settings therefore need to consider not only environmental objectives, but also the long-term affordability, resilience and sustainability of water services and irrigation systems.

The southern Murray Darling Basin (sMDB) is one of Australia's most important dairy production regions, supplying about one quarter of national milk production and supporting significant regional processing and manufacturing activity.

Dairy farms in the region are highly exposed to water availability and water market volatility due to their reliance on irrigation and participation in allocation markets.

ADIC is concerned water policy, through the Murray-Darling Basin Plan, is not supporting the long-term sustainability of Australia's water services in that is driving up water costs and driving down productivity.

Industry analysis commissioned by Dairy Australia and completed by Ricardo¹ found further water recovery through buybacks as part of the basin plan could reduce water availability across the southern Basin by between 7 under a 302 GL buyback scenario and 16 per cent under a 683 GL buyback scenario, with associated allocation price increases of 17.5 to 40 per cent

The modelling also identified potential milk production declines of between 2 and 15 per cent, alongside reduced farm profitability and increased pressure on dairy processors and regional economies.

These pressures are occurring within an industry already facing significant structural challenges, including rising energy, labour and transport costs, alongside declining milk supply. Twenty-two dairy processing facility closures have been publicly announced over the past three and a half years.

¹ [Impact of water buyback on the sMDB dairy industry: Potential impacts for dairy farms, processors and suppliers. Ricardo. 2025.](#)

In considering pricing and regulatory settings, the Inquiry should recognise that water affordability is directly linked to national food production, regional employment and domestic manufacturing capability.

Water markets and pricing frameworks must support efficient and sustainable water use while also maintaining the long-term viability of productive industries and regional communities.

Policy settings that continue to reduce the consumptive pool without addressing broader system constraints risk placing further upward pressure on water prices and reducing the resilience of irrigated agriculture.

ADIC also encourages the Commission to consider the long-term sustainability of irrigation and water delivery infrastructure.

Irrigation networks and associated water infrastructure are critical economic assets supporting regional Australia.

These systems underpin agricultural production, regional processing industries and export supply chains.

Much of this infrastructure is ageing and will require substantial investment for renewal, maintenance and replacement over coming decades.

The scale of this task is beyond the financial capacity of regional water authorities which derive income from delivery share entitlement holders (irrigators), particularly in areas where water recovery has reduced customer bases and increased delivery costs for remaining users.

Without coordinated government support, there is a risk of declining infrastructure performance, reduced delivery efficiency and rising water costs for regional communities and productive industries.

ADIC considers there is a clear role for Commonwealth and State governments in supporting long-term infrastructure resilience through targeted co-investment, including irrigation modernisation, asset replacement and system efficiency projects.

This aligns with the inquiry's consideration of long-term financial sustainability, proactive asset management and the structural challenges faced by regional water service providers.

Future water policy should focus on maintaining resilient and affordable water systems that support environmental outcomes alongside food production, regional economies and national productivity.

To ensure this occurs, ADIC recommends the interim report consider practical measures to address these challenges, including:

- recognition of water affordability as a core component of national productivity, food security and regional economic resilience
- stronger assessment of the cumulative impacts of water recovery and water pricing on irrigated dairy, regional dairy manufacturing and regional communities
- a shift in policy focus from additional water recovery towards improving the effectiveness and management of existing environmental water holdings



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- development of a long-term Commonwealth and State co-investment framework for irrigation infrastructure renewal and modernisation
- consideration of funding models and regulatory settings that support proactive infrastructure replacement and maintenance for regional water authorities
- examination of the impact of declining customer bases and stranded infrastructure costs on regional irrigation networks and water pricing outcomes, and
- support for infrastructure efficiency projects that improve water delivery reliability while maintaining affordable access for productive users.

Thank you for the opportunity to contribute to the Inquiry.

Yours sincerely,

Ben Bennett
Chair
Australian Dairy Industry Council

John Williams
Deputy Chair
Australian Dairy Industry Council

About the Australian dairy industry

The ADIC the peak national body of the Australian dairy industry, representing the interests of dairy farmers and dairy processors through its two constituent bodies Australian Dairy Farmers (ADF) and the Australian Dairy Products Federation (ADPF). It aims to create a more prosperous and sustainable future for the local industry and the regional communities that rely on it.

Australian Dairy Farmers (ADF) is the national peak Industry Representative Body representing all dairy farmers from across Australia's six dairy producing states. ADF's membership includes the State Dairy Farming Organisations from each State as well as direct farmer members.

The Australian Dairy Products Federation (ADPF) is the national peak policy and advocacy body representing the post farm-gate members of the Australian dairy supply chain, including processors, traders, and marketers of Australian dairy. ADPF members process more than 90 per cent of Australian milk volumes and provide dairy products for both domestic and export markets.

Dairy Australia (DA) is the national services body for dairy farmers and the industry. Its role is to help farmers adapt to a changing operating environment, and achieve a profitable, sustainable dairy industry. As the industry's research and development corporation (RDC), it is the 'investment arm' of the industry, investing in projects that cannot be done efficiently by individual farmers or companies.

Further reading

- [Report: Impacts of water buybacks under the Murray-Darling Basin Plan on the dairy industry](#)
- [ADIC Submission: Murray-Darling Basin Plan Review](#)