National Farmers Federation

Productivity Commission Inquiry into National Water Reform 2026: Preliminary Assessment – Interim Update 2

July 2026

The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade, and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

NFF Member Organisations

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Introduction

The *National Farmers' Federation* (NFF) welcomes the opportunity to provide a submission to the *Productivity Commission* (PC) regarding the *National Water Reform 2026: Preliminary Assessment Interim Update 2* (Interim Update). NFF's submission to the Inquiry's initial *Call for Submissions* remains current and should be read in conjunction with this document. This Interim Update seeks evidence of where progress under the *2004 National Water Initiative* (NWI) has occurred, where it has been limited, slower than expected, or reversed since 2024, and how effectively jurisdictional policies and programs are meeting NWI outcomes. Our comments are detailed below.

Water Access Entitlements and Risk Assignment

In considering the return to sustainable levels of extraction, it should be recognised that all *Sustainable Diversion Limit* (SDL) compliance reports published by the *Inspector-General of Water Compliance* (IGWC) to-date have found all units continue to operate within and comply with defined extractions limits while maintaining *Environmentally Sustainable Levels of Take* (ESLT) as per official reporting. Where concerns regarding the effectiveness of SDLs have been raised, the *Murray-Darling Basin Authority* (MDBA) makes clear in its preliminary analysis that these are driven by non-flow related factors rather than a lack of total water volume. Basin water usage is now under 30% of total catchment inflows in normal years based on MDBA numbers. We are unaware of any over-use issues in other catchments in relation to irrigation usage.

Water Markets and Trading

With regard to the NWI commitment to remove unwarranted barriers to trade and enable environmental water holders to participate in water markets, NFF notes that water trading arrangements are well developed across jurisdictions. We reiterate our previous comments to the MDBA that more flexible and efficient trading arrangements should be contemplated with the *Commonwealth Environmental Water Holder* (CEWH), including mechanisms that facilitate trade between environmental water holders and willing consumptive users where this would improve environmental outcomes and market efficiency. Such arrangements would support water being used at the right time and in the right location, while preserving voluntary participation and avoiding adverse third-party impacts. There are currently trading impediments with CEWH in when they can trade water. These should be removed in order to allow for more flexible and better environmental outcomes. Temporary trades need to open and be transparent.

Integrated Management of Water for Environmental and Other Public Benefit Outcomes

As acknowledged within the Interim Update Report, there are significant industry concerns regarding the lack of transparency surrounding rules-based changes that reduce water allocations available for water entitlement holders. Proposed changes must be clearly identified and explained, including their legal basis, expected environmental benefit, effect on entitlement reliability, and any resulting socio-economic impacts. All water entitlements of the same class whether held privately or publicly must have the same characteristics of usage and trade.

Water Recovery for the Environment

It is clear that the costs of water recovery through Commonwealth purchasing have inflicted significant cost upon communities without due regard or consideration of alternative options. After a decade of implementation and water recovery, the Commonwealth has recovered a substantial share of the Basin's consumptive pool particularly in the Southern Basin, and this, together with other environmental water holdings, accounts for around one third of the total pool (for agriculture) according to some estimates. Further, only 28% of total water in the Basin is now available for use, leaving the rest for the environment. This represents a massive structural shift. It is our view that the significant heavy lifting undertaken by communities after a decade of implementation has not been fully acknowledged.

The impacts of Commonwealth water buybacks have been significant, unevenly distributed, and concentrated in irrigation-dependent regions, and well-documented across multiple reviews and independent socio-economic analyses. These impacts are visible in reduced economic activity, declining confidence, population loss in smaller communities, and sustained pressure on regional resilience (issues consistently articulated by industry groups and those with lived experience). Evidence from the 2025 Ricardo Water Markets Report confirms that Commonwealth water buybacks have re-emerged as a major destabilising force in the Basin, driving significant upward pressure on both water entitlement and allocation prices. We support the view that there is significant scope for improved transparency around how options ae evaluated.

Community Partnerships and Adjustment

Community Partnerships

The *"largely achieved"* assessment for community partnerships may overstate the consistency of performance across Governments and agencies. In practice, community engagement remains a work in progress, with some agencies demonstrating considerably stronger practice than others. Recent engagement by the PC and the MDBA serve as a useful model. In particular, the MDBA's engagement over the past 12- to 18-months has represented a marked improvement in the quality, openness, and authenticity of its consultation as it is clear where input has been heard. By contrast, compressed consultation timelines with limited opportunities for genuine co-design including in some *Department of Climate Change, Energy, the Environment, and Water* (DCCEEW) processes can constrain stakeholders' ability to provide meaningful and considered input.

The existence of a consultation process is not in itself sufficient. Effective community partnership depends on authentic leadership, adequate timeframes, accessible information, and a clear line of sight between stakeholder input and the final decision. Performance should be assessed against the complete NWI commitment, including whether stakeholders received usable information, whether concerns were substantively addressed, whether stakeholders could identify how their input influenced the process, and whether the outcome and reasons were documented.

Community Adjustment Assistance

The same distinction is important for community adjustment assistance. The Interim Update relies on the establishment of the *Sustainable Communities Program* to support a *"largely achieved"* rating. Establishing a program does not demonstrate that adjustment issues have been appropriately addressed. At this stage, evidence regarding implementation and outcomes is limited. There is also insufficient clarity regarding what *Key Performance Indicators* look like and how Program effectiveness will be measured through time.

It is important to recognise that the *Sustainable Communities Program* provides one-off, time-limited adjustment assistance and is not being implemented consistently across jurisdictions. Program eligibility is varied and in some cases is dependent on the legal structure of an affected business. For example, in New South Wales, eligibility settings exclude sole traders and partnerships meaning these affected businesses are not able to participate in the programme.

More broadly, the scale of assistance that has been provided is grossly insufficient to address the long-term impacts of continued water recovery and this needs to be upped substantially to support a *"partially achieved"* finding. This is supported by both Commonwealth and industry commissioned analysis:

- The *Third Independent Review of the Water for the Environment Special Account* (WESA) noted that as of 27 August 2025, no project expenditure had occurred. It concluded that there was insufficient detail to determine whether the Program would be fully effective by 2028. Victoria and Queensland had not entered into funding agreements, and senior State officials considered the funding pool to be insufficient.

- The *2012 Basin Plan Regulation Impact Statement* acknowledged the significant adverse socio-economic impacts on irrigated agricultural production and dependent communities. These included higher water allocation prices, an estimated 3.5% reduction in surface water-use in the Southern Basin, and an estimated $111 million or 1.6% reduction in annual agricultural production.

- The Dairy Australia commissioned Ricardo Report identified significant and cascading economic impacts from additional water purchases, including up to approximately $545 million in annual potential foregone revenue from processed dairy products and a potential 7-16% reduction in the consumptive water availability in the Southern connected Basin dependent on the scenario contemplated. It also estimated increases in water allocation prices of between 17.5 and 40%.

A one-off adjustment program of limited and uneven reach cannot reasonably be treated as an adequate response to impacts of this scale and duration. This is particularly the case while the Commonwealth continues to pursue an accelerated water-purchasing program without adequate consideration or comment for that matter on more than 1,000 GL of buyback-free, community-identified options put forward by NFF in 2023 in response to then Minister Plibersek's *Call for Innovative Proposals to Deliver the Basin Plan.* The *Third Independent Review* also made no substantive provision for complementary measures of the kind consistently advocated by industry.

National Water Agreement

As outlined in our initial submission, the current understanding is that the NWA is with States and Territories for consideration, that there is no immediate urgency to sign, and that further stakeholder consultation will be undertaken at a State-level prior to any decision. Ensuring stakeholders have access to the current version of the Agreement and ability to assess and respond to its implications should be a prerequisite ahead of any expectation that jurisdictions endorse it.

Despite repeated requests, industry has not been provided with a copy of the current Agreement. The continued lack of access is rendering it increasingly difficult to reconcile with stated commitments to transparency and consultation. This stands in contrast to the NWI which was developed through a decade of genuine discussion and negotiation. NFF therefore requests that the PC recommend the immediate public release of the consolidated Agreement for review by industry and other stakeholders. This would materially improve transparency and strengthen community trust in the broader water reform process.

Closing Remarks

Please do not hesitate to contact Warwick Ragg, General Manager, Natural Resource Management, via e-mail: WRagg@nff.org.au in the first instance to progress this discussion.

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