

29 May 2025

Senator the Hon Murray Watt
Minister for Environment and Water
Parliament of Australia
E: senator.watt@aph.gov.au

Dear Minister Watt,

Request to discuss independent report on water recovery impacts to dairy.

We write today as a united voice representing Australia's dairy farmers and dairy processors.

New independent, evidence-based, modelling has found continued water buybacks under the Murray-Darling Basin Plan (MDBP) pose a severe, disproportionate, and avoidable risk to the entire dairy supply chain and the region communities they sustain.

With much of Victoria and South Australia experiencing extreme dry conditions, these findings are especially timely and highlight the compounding pressures on the sector.

The Australian dairy industry engaged global consultancy Ricardo to assess the potential impacts of buybacks on the dairy industry in the southern Murray Darling Basin (sMDB). This is the first research of its kind, despite the dairy sector contributing more than \$2 billion annually and supporting more than 7,000 jobs across the sMDB.

The results are clear and alarming: water buybacks, as currently proposed, are not just a policy tool – they threaten the viability of an entire industry. Under two plausible buyback scenarios - the recovery of 302GL and 683GL - the analysis shows:

- **Reduced water availability:** Buybacks would reduce the consumptive water pool by 7 to 16 per cent.
- **Significant increases in water prices:** Allocation prices could rise by up to 40 per cent, compounding production costs across the industry.
- **Sharp declines in farmgate milk production:** Annual milk output could fall by 3 to 15 per cent, up to 270 million litres – also disrupting supply chains across states that rely on milk from this region.
- **Farm viability risks:** In an average year, under a moderate scenario, farm earnings could drop by about 37 per cent. In extreme drought years, farm earnings could plummet by up to 535 per cent, with losses up to \$430,000 for some businesses.
- **Heightened risk of dairy processor closures:** Reduced milk supply and rising costs would force further rationalisation across the dairy processing sector. Under a high impact scenario, the foregone revenue from processed dairy products could be more than \$500 million annually.
- **Community and supply chain impacts:** Farm spending cuts flow through to rural suppliers and service providers, and reduced milk supply threatens associated local jobs, business viability, and the broader regional economy.

Our industry is not opposed to reform. We support sustainable environmental recovery. But buybacks are a blunt tool that risks significant harm. Instead, we urge your leadership to help deliver a smarter, more balanced approach. We ask you to halt further water buybacks and:



Australian Dairy Industry Council Inc.

- **Ensure Basin Plan decisions strike the right balance** between environmental outcomes, food production and the long-term resilience and security of regional communities.
- **Deliver tailored transition support** for dairy farmers, processors and regional communities adapt, modernise and grow sustainably.
- **Invest in smart, win-win solutions** including infrastructure, innovation, and efficiency measures that deliver environmental outcomes without compromising dairy production.
- **Fund the research** that has enabled the Australian dairy industry to identify and understand the real and disproportionate impacts of buybacks on farmers, processors and the communities they support.
- **Strategic water entitlement returns (from buybacks):** to ensure equitable, reliable access for high-impact dairy regions
- **Greater water flexibility:** Allow environmental water holders to sell water to raise funds for environmental projects. A win for farmers and the environment.

Attached is the full Ricardo report.

We would appreciate meeting with you as soon as possible to discuss these findings and identify actionable, collaborative solutions. We are available in Canberra, major cities, or on-site at a dairy farm or processing plant in the sMDB. Please contact Fred Jones Operations Manager at operations@australiandairyfarmers.com.au or 0422 382 390 to arrange a time.

We look forward to working together to safeguard the future of Australian dairy.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'B. Bennett', written over a light blue rectangular background.

Ben Bennett

Chair – Australian Dairy Industry Council
President – Australian Dairy Farmers

A handwritten signature in black ink, appearing to read 'J. Williams', written over a light blue rectangular background.

John Williams

Deputy Chair – Australian Dairy Industry Council
Chair – Australian Dairy Products Federation