Australian Dairy Industry Council Inc.

2026 Murray Darling Basin Plan Review Discussion Paper

Submission to the Murray Darling Basin Authority

May 2026

1. Executive summary

The Australian Dairy Industry Council (ADIC) welcomes the opportunity to contribute to the 2026 Murray Darling Basin Plan review and encourage the Murray Darling Basin Authority (MBDA) to strengthen the Plan by focusing on measurable outcomes rather than water recovery volumes, improving the evidence base, and ensuring policy settings support environmental improvement and productive, thriving communities.

Dairy supports a Basin Plan that is judged by whether it delivers real environmental outcomes alongside strong regional economies. The MDBA's own analysis shows environmental outcomes are shaped by factors such as connectivity, habitat condition and water quality, not water volume alone. Further water recovery, by itself, will not deliver the outcomes sought and risks negatively impacting productive communities.

While existing MDBA analysis has sought to consider socioeconomic impacts, there remained no dairy-specific research to assess how policy settings are affecting the sector – in particular, the impact of water buybacks. In the absence of this, the Australian dairy industry, commissioned its own detailed, industry-specific analysis to better understand these impacts.

This work provides an important evidence base and must be recognised and incorporated into future decision-making. The analysis highlights the scale of the impacts of water buybacks. Modelling indicates further water buybacks could reduce water availability by about 7 to 8 per cent under a 302 GL scenario and up to 16 per cent under a 683 GL scenario, driving allocation price increases of 7.5 to 40 per cent. This is projected to result in milk production declines of 2 to 15 per cent (about 40 to 270 million litres per year), alongside reduced farm profitability and flow-on impacts to processor throughput and regional economic activity[1].

These impacts are already being observed in Basin communities. In the Goulburn Murray Irrigation District, water recovery has contributed to a significant reduction in irrigated dairy production, including a decline in water use of about 50 per cent[2] between 2001 and 2021, alongside reduced farm numbers and milk supply. More broadly, buybacks have contributed to higher water prices, increased reliance on allocation markets, and structural change across irrigation districts, including the fragmentation of production systems and reduced system efficiency.

Accordingly, water buybacks must cease, and a focus should be placed on ensuring environmental outcomes are being maximised from the water already recovered, while avoiding further impacts on the dairy industry. A substantial volume of water has been

[1] Impact of water buyback on the sMDB dairy industry: Potential impacts for dairy farms, processors and suppliers. Ricardo. 2025.
[2] Social and economic impacts of the Basin Plan in Victoria

recovered from Basin communities and industries. The priority must now be to improve how this water is used, delivered and integrated within the system.

Achieving outcomes will require stronger evidence, transparency and accountability. There must be clearer reporting on how environmental water is used, what outcomes it is delivering, and how environmental, social and economic values are being considered and supported in decision-making.

The Review should also prioritise complementary measures and targeted investment, including infrastructure, improved river operations, habitat restoration, water quality improvements and ecological interventions such as carp management. These measures, combined with place-based and community-led implementation, are essential to delivering outcomes in practice.

The dairy industry has already made substantial adaptation and investment over the past decade, including major improvements in irrigation efficiency and water productivity. Much of the readily achievable adjustment has already been realised, meaning further reductions in water availability are likely to accelerate production losses and have direct impacts on regional economies.

Maintaining the current Sustainable Diversion Limits (SDLs) is therefore essential to stability and confidence. Improvements to Basin Plan implementation should occur within this framework, not through further changes to diversion limits.

The next phase of Basin policy should provide long term stability and certainty. This will support investment, maintain viable irrigation systems, and better align Basin water policy with food security, regional development and climate adaptation.

With that certainty, the dairy industry will invest in productivity, innovation and sustainable water use, supporting efficient food production, strong regional economies, and a Basin that is environmentally sustainable and economically productive.

Recommendations

The Australian Dairy Industry Council recommends that:

1.1 The next iteration of the Basin Plan is designed to deliver outcomes across environmental, social, cultural, and economic domains, rather than relying on water recovery volumes as a proxy for progress.

1.2 The Commonwealth undertakes robust, independent, and regionally disaggregated socioeconomic assessment of the impact on dairy (and broader) industries and communities, addressing the current lack of dairy-specific analysis and incorporating credible, industry-commissioned evidence to better inform decision-making.

1.3 The MDBA and Commonwealth Government prioritise improving system function, targeted interventions, and the effectiveness of existing environmental water over further water recovery.

1.4 The MDBA and Commonwealth Government must cease further water buybacks.

1.5 The MDBA, CEWH, and Commonwealth Government improve evidence, transparency, and accountability of environmental water use and broader Basin Plan implementation.

1.6 Governments commit to a coordinated program of investment in complementary measures and infrastructure to improve the effectiveness of environmental water and deliver Basin Plan outcomes.

1.7 Governments embed place-based, community-led approached into the design and implementation of Basin Plan measures.

1.8 The MDBA and governments recognise that much of the readily achievable adaptation has already been realised, following significant industry investment in irrigation infrastructure, efficiency and water management practices.

1.9 MDBA maintain the current Sustainable Diversion Limit (SDL) settings as a stable and enduring foundation for Basin water management, while focusing on improving how the Basin Plan operates in practice.

1.10 The MDBA and governments establish a clear and consistent policy pathway that delivers long-term stability and confidence across the Basin, including a commitment to stability in Basin Plan settings.

Contents

Keywords: Murray–Darling Basin Plan Review; Environmental outcomes; Water recovery; Water buybacks; Environmental water; Sustainable Diversion Limits (SDLs); Sustainable Diversion Limit Adjustment Mechanism (SDLAM); Water Act 2007 Review; Menindee Lakes Review; Irrigated agriculture; Dairy industry; Food security; Regional economic impacts; Farm profitability; Supply chain impacts; Investment certainty; Water market volatility; River connectivity; Habitat condition; Water quality; Environmental flows; Invasive species (carp); Complementary measures; Infrastructure investment; River operations; Place-based approaches; Community-led solutions; Transparency; Accountability; Evidence-based policy; Regional communities; Jobs and employment; Climate resilience; Policy certainty.

Part 1 – Background and Context

1. Introduction

The Basin Plan was established to deliver a healthy working Basin, balancing environmental, social, cultural and economic outcomes. The 2026 Review provides an important opportunity to reaffirm this objective and ensure the Plan remains fit-for-purpose in a changing operating environment.

Since its inception, significant progress has been made in recovering water and establishing governance frameworks but at the expense of economic and social outcomes. The context in which the Basin Plan now operates has evolved. Basin systems are under increasing pressure from climate variability, changing water demand, and structural shifts across industries and regions. At the same time, there is growing recognition that achieving environmental outcomes depends on a set of factors that are broader than water recovery alone.

In this context, the Review presents an opportunity to reset the focus of Basin policy toward outcomes, strengthen the evidence base underpinning decision-making, and ensure implementation approaches are practical, transparent, support economic and social outcomes and can deliver results on the ground.

The Australian Dairy Industry Council (ADIC) welcomes the opportunity to contribute to the Review. This submission sets out the dairy industry's perspective on how the Basin Plan can be strengthened to deliver measurable environmental improvements while supporting productive industries and thriving Basin communities.

2. 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.

3. Context

3.1 The importance of the dairy industry in the MDB

Australia's dairy industry is a major contributor to the national economy, regional employment, and food security. In 2024–25, the industry contributed $5.96 billion in farmgate value, employing about 30,400 people across farming and processing. These jobs are primarily located in regional communities, providing significant flow-on benefits to transport, input services, and manufacturing sectors[3].

The Murray Darling Basin (MDB), particularly the southern MDB (sMDB), is a vital dairy-producing region, hosting about 26 per cent of Australia's dairy farms and contributing about 25 per cent of national milk production (about 2.06 billion litres annually)[4]. Dairy production in the Basin is concentrated in northern Victoria, southern New South Wales, and South Australia's Riverland region. Farms in these irrigated areas depend on water entitlements, allocations, and water markets to manage seasonal variability and production risks.

The sMDB dairy industry supports a complex and interdependent supply chain, including about 36 processing facilities, transport operators, and service industries. The region directly employs more than 7,000 people, contributes about $1.5 billion in farmgate value, and generates more than $2 billion in total economic activity annually[2]. Dairy processing is asset-intensive, operating continuously year-round due to the perishable nature of dairy products. Stable milk volumes throughout the year are crucial to maintaining plant efficiency and economic viability.

Since late 2022, the sector has faced considerable stress, with 22 processing facilities publicly announcing a closure in the past three and a half years. This is lost regional investment and diminished food system resilience.[5].

Milk from the sMDB is processed into diverse products, including cheese, milk powders, butter, liquid milk, and specialised nutritionals, linking regional production closely to national and international markets. The region's dairy output is integral to domestic and export supply chains, supplying processing plants within and beyond the Basin, notably in Queensland, New South Wales, and South

[3] In Focus 2025 The Australian Dairy Industry
[4] Dairy Australia, 2025.
[5] Impact of water buyback on the sMDB dairy industry: Potential impacts for dairy farms, processors and suppliers. Ricardo. 2025.

Australia. Ongoing production declines threaten supply chain stability, regional economies, and the broader structure of Australia's dairy industry.

3.2. Importance of water and irrigation to dairy production in the MDB

Water, particularly reliable access to irrigation, is fundamental to the operation, productivity and long-term viability of dairy farming systems across the MDB.

MDB dairy farms are highly exposed to water availability and market dynamics. About 60 per cent of water used by dairy farms is sourced through the temporary market, and about 25 per cent of farm capital is held in water entitlements[6]. This reflects the importance of water to farm operations and the sector's exposure to water price and availability risks.

The importance of water extends beyond the farm gate. Reliable milk supply underpins the viability of processing infrastructure, which requires consistent throughput to remain efficient and competitive. Irrigation plays a critical role in enabling this consistency, allowing dairy farms to manage seasonal variability, respond to climatic conditions, and maintain stable production levels. Changes in water availability therefore have cascading impacts across processing, supply chains and export markets.

Recent work through the Murray Darling Basin Dairy Industry 2025 Strategic Plan[7] reinforces the central role of water within the broader dairy system. The Strategy highlights the interdependence between irrigation, agricultural production and regional communities. In particular:

- reliable irrigation underpins consistent milk production and supports domestic and export market supply.
- dairy farms provide a stable and significant demand for water, contributing to the efficiency and viability of irrigation networks, and
- dairy production supports regional communities through year-round employment, investment and economic activity.

Over the past two decades, the dairy industry has made substantial investments to improve water use efficiency and adapt to a more constrained and variable water environment. For example, in the Goulburn Murray Irrigation District, 92 per cent of dairy farmers have upgraded their irrigation systems[4]. These adjustments have increased water productivity, they also indicate that much of the readily achievable efficiency gain has been realised.

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[6] Murray darling basin dairy industry 2025 strategic plan, Gardiner Foundation, 2025.
[7] Murray darling basin dairy industry 2025 strategic plan, Gardiner Foundation, 2025.

As a result, further reductions in water availability are increasingly likely to result in direct impacts on production, rather than being absorbed through additional efficiency improvements.

3.3. Current challenges in water availability and system pressures

Water availability in the southern Murray Darling Basin must be understood in the context of a system already under significant and increasing pressure. This reflects the combined effects of long-term policy settings, changing demand dynamics, and increasing climate variability.

Over time, water recovery under the Basin Plan has resulted in a structural reduction in the consumptive pool available to irrigated agriculture. Substantial progress has been made towards recovery targets[8]:

- Sustainable Diversion Limits have been largely recovered (about 2,062 GL/year recovered toward the 2,075 GL/year 'Bridging the Gap' target as of December 2025)
- As of 25 February 2026, about 221 GL/year of the 450 GL/year of additional environmental water has been recovered or contracted.

These reforms have reduced the volume of water available to consumptive users and increased the system's sensitivity to seasonal conditions. Government buybacks and recovery programs are also influencing water market behaviour. With 2022 Victorian Government report finding buybacks were contributing to rising entitlement prices and increasing competition for high reliability water[9].

At the same time, demand for water within the Basin has become more concentrated and less flexible. The expansion of permanent plantings and high-value horticulture has increased baseline demand for water, as these industries require secure, ongoing water supply and have limited capacity to adjust production in response to changing availability. This has fundamentally altered water market dynamics, increasing competition for water and placing upward pressure on prices during periods of scarcity[10].

Importantly, there is a growing risk water availability will be insufficient to meet demand in drier conditions. Recent analysis highlights, in moderately dry and extreme dry years, there will be insufficient water to meet demand from permanent plantings alone - particularly in the lower Murray, where competition for water is most acute[11].

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[8] Progress on Murray-Darling Basin water recovery - DCCEEW
[9] Social and economic impacts of the Basin Plan in Victoria
[10] 2025 Ricardo Water Markets Report
[11] Water supply and demand in the Southern Murray-Darling Basin, Victorian Government Department of Energy, Environment and Climate Action & WSP, 2026

These structural pressures are now being compounded by increasing climate variability. In 2024–25, much of the southern Basin experienced below average rainfall, with some regions recording record-low annual rainfall, reinforcing the exposure of irrigated agriculture to dry conditions[12]. We note that forecasts of an impending El Niño event point to a higher likelihood of continued below-average rainfall and reduced inflows, which is expected to further tighten water availability and intensify pressure on irrigated systems and Basin communities[13].

This has translated into significant pressure on system storages. Water held in major southern Basin storages declined by 31 per cent (3,496 GL) over the course of the 2024–25 water year, representing one of the largest drawdowns in the past 25 years and leaving storage levels among the lowest recorded in recent years[12]. As of 25 March 2026, southern Basin storages have declined a further 11 per cent to a total 6,930 GL.[14]

Water availability has also become less reliable. Allocations to major southern Basin entitlements in 2024–25 were at a five-year low, and in many systems were delivered later in the season than in previous years. In some cases, lower reliability entitlements received no allocation, further reducing flexibility for irrigators[12].

Despite these constraints, demand for water remains strong. Water use across major southern Basin systems reached a 12-year high in 2024–25, reflecting ongoing production demand across a range of agricultural sectors[12].

This tightening balance between supply and demand has placed significant upward pressure on water prices. Allocation prices across the southern Basin averaged $153/ML in 2025[12] - about double the previous year. In March 2026, prices in the southern Basin averaged $390/ML – again, more than double the previous year[15].

Victorian DEECA commissioned modelling completed by Ricardo & WSP indicates further recovery of the 450 GL target could reduce water availability across the southern Basin by about 6 to 9 per cent, increasing the likelihood of supply shortfalls and placing further upward pressure on water prices in dry years[16].

Taken together, these factors point to a system operating under substantial structural constraint. Reduced water availability, increasing demand from less flexible industries, and growing climate variability are combining to tighten water markets, increase costs, and reduce reliability for irrigators. These pressures are already evident and are likely to intensify under future climate and policy settings.

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[12] 2025 Ricardo Water Markets Report
[13] Possible El Niño: long-range forecasts matter | The Bureau of Meteorology
[14] Murray - Darling Basin Government Storages
[15] Production Inputs Monitor | Dairy Australia - Production-Inputs-Monitor-Issue-238-March-2026
[16] Water supply and demand in the Southern Murray-Darling Basin, Victorian Government Department of Energy, Environment and Climate Action & WSP, 2026

Part 2 – Policy Positions

4. Outcomes must remain the central objective of the Basin Plan

The Australian Dairy Industry Council (ADIC) supports the MDBA's focus on outcomes rather than water recovery volumes as the primary measure of success under the Basin Plan.

The MDBA's own analysis highlights achieving Basin Plan outcomes is complex and influenced by a range of interacting factors, including river connectivity, habitat condition, water quality and climate pressures. It also recognises models and flow studies are only one line of evidence and do not capture the full range of drivers affecting Basin health[17].

In this context, ADIC support the MDBA's position that success should be defined by whether the Basin Plan is delivering measurable improvements in environmental condition, alongside productive and thriving industries and communities, rather than relying on water recovery volumes as a proxy for progress.

A clear and consistent outcomes framework will be critical to guiding future decision-making, including:

- defining what constitutes success across environmental, social, cultural and economic domains
- ensuring policy settings are aligned to deliver those outcomes in practice
- enabling transparent evaluation of whether Basin Plan measures are effective over time

Maintaining this focus will help ensure future reforms are evidence-based and aligned with delivering a healthy working Basin, while supporting confidence across Basin communities.

1.1 Recommendation
The Australian Dairy Industry recommends that the next iteration of the Basin Plan is designed to deliver outcomes across environmental, social, cultural, and economic domains, rather than relying on water recovery volumes as a proxy for progress.

5. The Basin Plan must recognise the socioeconomic importance of irrigated agriculture and Basin communities

Irrigated agriculture underpins the economic, social and cultural fabric of Basin communities. Industries such as dairy, horticulture and cropping are central to regional

[17] 2026 Basin Plan Review Discussion Paper, MDBA

economies, supporting employment, investment and essential services across the Murray Darling Basin.

The dairy industry plays a significant role in the southern Basin. The region accounts for about 25 per cent of Australia's milk production and supports more than 7,000 direct jobs, alongside a broader supply chain including processing, transport and service industries (see section 4.1).[18]

Water policy decisions do not affect individual sectors in isolation. Reductions in water availability can have cumulative and compounding impacts across industries, supply chains and regions. These impacts are often highly localised, with some regions and industries more exposed than others.

While the Australian Dairy Industry recognises that the MDBA's Evaluation and Discussion Papers have sought to consider socioeconomic outcomes alongside environmental objectives, the current analysis is not sufficiently detailed to inform policy decisions, particularly at a dairy industry and regional level.

The level of detail and transparency provided does not enable a clear understanding of how Basin Plan settings are impacting specific industries or regions. In particular:

- No baseline for comparison i.e. value of production if water held by CEWO was available.
- dairy is often grouped with broader livestock industries, limiting the ability to identify sector-specific impacts
- analysis is largely presented at a Basin-wide level, which can mask significant regional variation in impacts
- there is limited transparency around how socioeconomic impacts are assessed, weighted and incorporated into decision-making

Given the scale and complexity of Basin industries, a more detailed and robust approach is required. Basin-wide averages are not sufficient to capture the real impacts of water policy on individual regions, industries and communities.

There is also a need to ensure that adequate resourcing is available to support this analysis over time. Robust, independent and regionally disaggregated socioeconomic assessment will be critical to informing future policy decisions and maintaining confidence across Basin communities.

In the absence of sufficiently detailed, dairy-specific analysis, the Australian dairy industry has commissioned its own robust, industry-specific research to better understand the socioeconomic impacts of Basin Plan settings.

[18] Dairy Australia, 2026

This work provides a valuable and credible evidence base that can strengthen and complement existing MDBA assessments. This analysis must be recognised and incorporated into future evaluation and decision-making processes, alongside improved use of industry data, insights and methodologies to enhance the granularity and relevance of socioeconomic assessment. The Australian dairy industry stands ready to work with the MDBA to support this process and ensure future assessments are fit-for-purpose, regionally disaggregated and grounded in real-world industry outcomes

1.2 Recommendation

The Australian Dairy Industry recommends that Commonwealth undertakes robust, independent, and regionally disaggregated socioeconomic assessment of the impact on dairy (and broader) industries and communities, addressing the current lack of dairy-specific analysis and incorporating credible, industry-commissioned evidence to better inform decision-making.

6. Water recovery alone will not deliver the environmental outcomes sought

Consistent with the MDBA's own analysis, there is limited evidence that additional water recovery, in isolation, will deliver meaningful environmental improvements across the Basin.

The Discussion Paper highlights that achieving environmental outcomes depends on a range of interacting factors, including river connectivity, habitat condition, water quality, invasive species, and the ability to deliver water at the right time and scale. The MDBA has explicitly acknowledged that "our initial assessment is that more targeted solutions to address the broader set of drivers are needed to achieve environmental outcomes"[19].

This position is further reinforced by the MDBA's analysis. Technical reports show no difference in the likelihood of achieving outcomes with water recovery as of June 2024, or with full implementation of the Basin Plan (including full recovery of 450GL for the environment, and 605GL for SDLAM projects)[20, 21].

In practice, these findings reflect the realities of how the river system operates. While substantial volumes of environmental water have been recovered, their effectiveness is constrained by physical, operational and regulatory limitations within the system.

[19] 2026 Basin Plan Review Discussion Paper, MDBA
[20] Basin Plan Report Card, MDBA, 2024
[21] 2025 Basin Plan Evaluation, MDBA

Improving environmental outcomes will require a stronger focus on system function and targeted interventions, including improving connectivity, addressing habitat and water quality issues, managing invasive species, and enabling more effective and flexible delivery of environmental water.

1.3 Recommendation

The Australian Dairy Industry recommends that the MDBA and Commonwealth Government prioritise improving system function, targeted interventions, and the effectiveness of existing environmental water over further water recovery.

7. Water buybacks must cease

A significant volume of water has already been recovered from Basin communities and industries under the Basin Plan. The priority must now shift to ensuring this existing environmental water portfolio is being used as effectively as possible to deliver intended outcomes, rather than continuing to focus on additional water buybacks.

As outlined in section 6, environmental outcomes are influenced by a range of system and ecological factors beyond water volume. This underscores the need to improve how environmental water is planned, delivered and integrated with river operations, infrastructure and complementary measures, so it can be applied at the right time, place and scale.

In this context, further water buybacks should cease, and a focus should be placed on ensuring there is clear and transparent evidence that:

- existing environmental water is being fully and effectively utilised
- system constraints and broader environmental drivers have been addressed to the extent practicable
- environmental outcomes are being consistently measured and demonstrated

Recent analysis by Ricardo, commissioned by Dairy Australia and partially funded by ADPF, reinforces the risks associated with further buybacks. Modelling of water recovery scenarios indicates water availability could decline by about 7 to 8 per cent under a 302 GL buyback scenario, and up to 16 per cent under a 683 GL buyback scenario, with associated allocation price increases of about 17.5 to 40 per cent. These changes translate into milk production declines of 2 to 15 per cent (or about 40 to 270 million litres per year), alongside reductions in farm profitability and flow-on impacts to processor throughput and regional economic activity[22].

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

The impacts of water recovery through buybacks are also evident in Basin communities. In Victoria, water recovery has contributed to a substantial reduction in irrigated dairy production, particularly in the Goulburn Murray Irrigation District (GMID), where total water use declined by about 50 per cent between 2001 and 2021[23]. This has been associated with a reduction in dairy farm numbers, lower milk production, and decreased water availability for productive use.

Water recovery has also contributed to the disconnection of land from irrigation delivery networks, resulting in stranded assets, increased delivery costs for remaining irrigators, and reduced system efficiency. Stakeholders have described this as a "Swiss cheese effect", where uneven removal of water fragments production systems and undermines the viability of irrigation districts[24].

These structural changes are also evident across other Basin regions. In the Murrumbidgee Irrigation Area, analysis by ABARES indicates water buybacks have contributed to a shift toward permanent plantings, reducing system flexibility and increasing exposure to water market volatility for remaining irrigators[25].

Recent analysis by the Victorian Government and WSP[26] further highlights that the expansion of permanent horticulture has increased baseline demand for water and reduced the system's ability to respond to variability, particularly in dry conditions. There is an increasing risk that water availability will be insufficient to meet demand from permanent plantings in both moderately dry and extreme dry years, especially in highly contested systems such as the lower Murray.

When combined with water buybacks, these changes are intensifying pressure on the system. Buybacks reduce the volume of water available to all users, while growth in less flexible demand increases the volume of water that must be secured each year. This interaction is contributing to a system that is more sensitive to variability, more reliant on water markets, and more exposed to price volatility across irrigated industries, increasing the risk of shortfalls and compounding impacts on production and regional economies.

Taken together, this evidence demonstrates that while buybacks may deliver water volumes, they can impose significant and lasting costs on regional economies, irrigation systems and community wellbeing, without a clear or proportionate environmental benefit.

Accordingly, the next phase of Basin Plan implementation should prioritise demonstrating the effectiveness of the existing environmental water portfolio,

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[23] Social and economic impacts of the Basin Plan in Victoria
[24] Social and economic impacts of the Basin Plan in Victoria
[25] Economic effects of the Commonwealth water recovery programs in the Murrumbidgee Irrigation Area, 2017, DCCEEW
[26] Water supply and demand in the Southern Murray-Darling Basin, Victorian Government Department of Energy, Environment and Climate Action & WSP, 2026

supported by improved delivery, stronger evidence, and greater transparency in how outcomes are achieved.

1.4 Recommendation
The Australian Dairy Industry recommends that the MDBA and Commonwealth Government cease further water buybacks.

8. Achieving outcomes requires stronger evidence, transparency and accountability

Achieving the Basin Plan's objectives requires a stronger and more transparent evidence base to demonstrate how environmental water is being used and what outcomes it is delivering.

While ADIC acknowledges the significant progress has been made in recovering and managing environmental water, there remains limited publicly accessible information that clearly links environmental water use to measurable ecological outcomes at a system and site level. Strengthening this connection is critical to understanding whether current approaches are effective and whether investments are delivering value.

Greater transparency is needed across the full environmental water management cycle, including:

- how environmental watering priorities are set and decisions are made
- how water is delivered and managed in practice
- what environmental outcomes are being targeted and achieved

This should be supported by consistent, comparable metrics and reporting frameworks that enable outcomes to be assessed over time and across regions.

There is also a need for clearer visibility of how environmental, social and economic considerations are balanced in decision-making. Providing greater transparency on these decisions will support more informed engagement and help build trust across Basin communities.

Importantly, strengthening evidence and transparency should also include independent and regionally disaggregated evaluation of outcomes and impacts, ensuring policy decisions are informed by robust and credible analysis.

1.5 Recommendation
The Australian Dairy Industry recommends that the MDBA, CEWH, and Commonwealth Government improve evidence, transparency, and accountability of environmental water use and Basin Plan implementation.

9. Complementary measures and infrastructure will be essential to achieving outcomes

Achieving the Basin Plan's environmental objectives will require a broader and more integrated set of solutions than water recovery alone. Consistent with the MDBA's own analysis, improving environmental outcomes depends on addressing the underlying drivers of river health, including connectivity, habitat condition, water quality and ecological pressures.

Targeted investment in place-based complementary measures will be essential to enable environmental water to deliver outcomes in practice. This includes:

- infrastructure and engineering solutions to improve the delivery and management of environmental flows
- river operations and system reconfiguration, to allow water to be delivered at the timing, duration and scale required for ecological outcomes
- habitat restoration and water quality improvements, to ensure ecosystems are able to respond to environmental watering
- ecological interventions, including management of invasive species such as carp, which can significantly limit environmental outcomes even where water is available
- connectivity and constraints management, to enable water to reach key environmental assets such as floodplains and wetlands

Public investment should be reoriented away from further water buybacks and toward these complementary measures and place-based initiatives, which directly improve system function and enable environmental water to deliver outcomes. Continuing to prioritise buybacks risks allocating significant public funding to measures that do not deliver commensurate environmental benefit, while imposing costs on Basin communities and industries.

Prioritising these measures will help ensure the environmental water already held is used more effectively, delivering targeted and measurable outcomes across the Basin.

1.6 Recommendation

The Australian Dairy Industry recommends that governments commit to a coordinated program of investment in complementary measures and infrastructure to improve the effectiveness of environmental water and deliver Basin Plan outcomes.

10. Place-based and community-led solutions must guide implementation

Achieving Basin Plan outcomes in practice will depend on how solutions are designed and implemented at the local level. Basin communities must be actively involved in shaping the approaches that affect their regions, industries and livelihoods.

A place-based, bottom-up approach is critical to identifying solutions that are practical, locally appropriate and capable of delivering outcomes without unintended consequences. Basin systems vary significantly in their hydrology, infrastructure, land use and community context. As such, a one-size-fits-all approach risks overlooking local constraints and opportunities.

Community-led approaches can:

- identify locally appropriate investments and infrastructure solutions
- ensure environmental measures are aligned with farm systems and regional economies
- minimise unintended impacts on landholders, irrigation systems and communities
- build social licence and long-term support for Basin Plan implementation

Importantly, achieving high-level environmental objectives must not come at the expense of regional outcomes and community viability. Durable solutions will require integrating environmental goals with the needs of Basin communities, rather than treating them as competing priorities.

Embedding place-based, community-led approaches within Basin Plan implementation will support more effective, balanced and sustainable outcomes over the long term.

1.7 Recommendation

The Australian Dairy Industry recommends that governments embed place-based, community-led approached into the design and implementation of Basin Plan measures. Implementation should be tailored to regional conditions, recognising differences in hydrology, infrastructure, land use and community context, and supported by collaboration with local organisations, irrigation networks and industry groups to identify practical, on-ground solutions.

11. The dairy industry has already made significant adaptation and investment

The Australian dairy industry has undertaken substantial adjustment over the past decade in response to changing water availability, including significant investment in irrigation infrastructure, efficiency and water management practices[27].

These investments have improved water productivity and enabled the industry to adapt to a more constrained operating environment. However, they also mean much of the readily achievable adaptation has already been realised.

As a result, the capacity for further adjustment in response to ongoing reductions in water availability is increasingly limited. Additional reductions are more likely to result in direct impacts on production, farm viability and regional economies, rather than being absorbed through further efficiency gains.

Recognising the scale of adjustment already undertaken is critical to ensuring future policy settings are proportionate and grounded in the operational realities of Basin industries.

1.8 Recommendation
The Australian Dairy Industry recommends that the MDBA and governments recognise that much of the readily achievable adaptation has already been realised, following significant industry investment in irrigation infrastructure, efficiency and water management practices.

12. Maintaining the current Sustainable Diversion Limits is essential for stability

The current Sustainable Diversion Limit (SDL) framework provides an important foundation for stability within the Basin, reflecting a balance between environmental objectives and consumptive use.

Maintaining these settings is essential to providing certainty for Basin communities, investors and industries, particularly in a system already facing increasing variability and structural pressure.

Improvements are needed in how the Basin Plan operates - through better delivery mechanisms, governance and complementary measures. These improvements should

[27] In the Goulburn Murray Irrigation District, 92% of dairy farmers have upgraded their irrigation systems – Murray darling basin dairy industry 2025 strategic plan, Gardiner Foundation, 2025.

occur within the existing SDL framework, rather than through further adjustments to diversion limits.

In particular, SDL settings should not be used as a mechanism for additional water recovery through the 450 GL target or SDL Adjustment Mechanism (SDLAM) reconciliation. Using the framework in this way risks undermining its role as a stable and predictable foundation for water management, and eroding confidence across Basin communities.

1.9 Recommendation
The Australian Dairy Industry recommends that governments maintain the current Sustainable Diversion Limit (SDL) settings as a stable and enduring foundation for Basin water management, while focusing on improving how the Basin Plan operates in practice.

13. The next phase of Basin policy should focus on stability and long-term confidence

The next phase of Basin Plan implementation should provide a clear pathway toward stability and long-term confidence for Basin communities and industries.

Establishing stability through clear and consistent policy settings will enable businesses and communities to plan with greater certainty. This is essential to support ongoing investment, maintain viable irrigation systems, and strengthen regional economies.

Greater certainty will also help align Basin water policy with broader national priorities, including food security, regional development and climate adaptation, ensuring the Basin continues to support environmental and productive outcomes.

With stable and predictable settings, the dairy industry is well positioned to continue investing in productivity, innovation and sustainable water use. This includes adopting new technologies, improving farm system performance, and strengthening the long-term viability of processing and regional supply chains.

A stable policy environment will enable dairy farmers and processors to plan with confidence, invest for the long term, and contribute to an environmentally sustainable and economically productive Basin.

1.10 Recommendation
The Australian Dairy Industry recommends that governments establish a clear and consistent policy pathway that delivers long-term stability and confidence across the Basin, including a commitment to stability in Basin Plan settings.

14. Conclusion

The 2026 MDB Review provides an important opportunity to strengthen the Plan by focusing on what delivers outcomes in practice.

The evidence is clear environmental outcomes are not driven by water volume alone. Achieving meaningful and lasting improvements will require a stronger focus on system function, targeted investment, and effective use of environmental water, supported by improved evidence, transparency and accountability.

At the same time, Basin policy must recognise the central role of irrigated agriculture in supporting regional economies, food production and community wellbeing. The Australian dairy industry has already made significant adaptation and investment, and there are limits to further adjustment in the face of ongoing reductions in water availability.

Looking ahead, the next phase of Basin policy should provide stability and long-term confidence. Maintaining the integrity of the Sustainable Diversion Limit framework, prioritising complementary measures, and embedding place-based approaches will be critical to achieving balanced and durable outcomes.

With a clear, stable and outcomes-focused policy framework, the Australian dairy industry is well positioned to continue investing in productivity, innovation and sustainable water use, supporting efficient food production, strong regional economies, and a Basin that is environmentally sustainable and economically productive.

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