MURRAY REGIONAL STRATEGY GROUP

Basin Plan: NSW Murray socioeconomic impacts

The southern Murray-Darling Basin consumptive pool is now 37% smaller than it was 25 years ago, due to water recovery for the environment under pre-Basin Plan and Basin Plan programs.

The smaller pool is driving up water allocation prices and pushing several industries, including rice and dairy, to tipping points where production falls below the critical mass needed to support local and regional manufacturing and agribusiness services providing jobs and incomes in towns.

While economists may claim the impact on farm turnover is minimal due to farmers changing crop mixes and expanded dryland cropping, this does not help the people and towns relying on jobs and income beyond the farm gate. Dryland cropping has lower yields than irrigated cropping, while rice and dairy are particularly labour and service-intensive industries beyond the farmgate.

Australian-grown rice at high risk

In years of typical production (~500,000 to 600,000 paddy tonnes), the SunRice Group, a $1.88 billion, ASX-listed global food manufacturer:

- employs more than 650 skilled workers in the NSW Riverina.
- supports around 500 Riverina ricegrowers.
- sources goods and services from close to 400 Riverina-based small-medium businesses.
- injects over $400 million into Basin communities through salaries and wages, and payments to growers, suppliers, and contractors.
- operates three processing mills and associated value-add facilities in Deniliquin and Leeton.
- operates, a network of storage facilities across the Riverina, and the CopRice animal feed business located at Leeton, Coleambally and Gunnedah in NSW and Tongala and Wangaratta in Victoria.

SunRice warned a 2025 NSW Parliamentary Inquiry it may have to make commercial decisions to offshore processing due to the impact of continued water recovery. The flow-on impacts include:

- loss of thousands of manufacturing jobs in the Basin;
- loss of significant gross domestic irrigated food production; and,
- loss of domestic food security when global food supply chains are increasingly volatile.

The volume of rice grown is directly correlated to water availability and affordability.

ABARES says water recovery has added $72/ML to annual average water prices, a figure supported by the water market record. In three of the last 10 years, prices were higher than $200/ML – too high to plant large areas of rice. In 2019, only 54,000 tonnes were harvested when water cost $460/ML; in 2018 water was $140/ML and 623,000 tonnes of rice were harvested.

ABARES modelled the impact of recovering the 450 GL, and found it would drive water allocation prices over $200/ML in eight out of 10 years. Given ABARES' modelled impacts of water recovery to 2022 have held true, we are alarmed about a potential sharp contraction in rice growing and what that means for the people and towns relying on the rice industry beyond the farmgate for jobs and income.

Dairy industry is on the line

The southern Basin is home to more 40 dairy processing facilities from small boutique type operations to large volume processing, employing almost 2000 people directly across eight local government areas.

Milk production in the Murray Dairy region has nearly halved from a peak of 3.1billion litres to an average of 1.6 – 1.8 billion litres annually since the implementation of the Basin Plan. This is driven by farms exiting the industry, shifts in land use, and water availability/affordability. For every 200 cows milked, $1 million is generated and 6 full-time jobs are created. The purchase of another 325 GL in the southern Basin will drive a further 15% reduction in production, or 270 million litres of milk annually.

Plants designed for high milk throughput will struggle to maintain profitability as they operate at lower capacity, while transport costs increase as processors try to source milk from other regions. Farmers with little or no water entitlement ownership (next generation farmers) face rising input costs and a limited ability to absorb them.

The Government's current drive to purchase 300 GL in the southern Basin could see some farms lose up to 40 per cent of earnings before interest and tax. This is not marginal adjustment — it is structural exits from the industry.

Vegetable growers and processors are under pressure

Kagome Australia is a major fruit and vegetable processing company, and the largest tomato processor in the nation. With 39 major international customers, Kagome grows and processes tomatoes, garlic, carrots and corn all within a 150km radius of Echuca in northern Victoria, irrigating 330 days a year.

The company employs 153 full-time-equivalent and seasonally 300-350 people across nine tomato harvesters operating 24/7; its regional operations inject $104-$112 million a year and $27 million in wages into NSW Riverina/northern Victorian local economies.

Water is a major company expense. Kagome spends $1.7-$4.8 million on water every year. Rising water costs have forced production from below the Barmah Choke in Victoria into the NSW Riverina, increasing transport costs by $1.4 million to $3.6 million (excluding current fuel crisis).

The company has warned it is difficult to ask for capital investment when the threat of unstable water availability and pricing remained unknown.

Almonds, Grapes, citrus face a climate crunch

Water recovery poses a significant sovereign food risk to sustaining production through climate and other shocks. The 189.6 GL purchased towards the 450 GL at 25 February 2026 has left fixed plantings below the Barmah Choke – nuts, grapes, citrus, stonefruit and olives – almost 500 GL short of their water needs under the dry scenario currently forecast for 2026-27, even if fixed plantings got all the water allocated.

MRSG – email: murrayrsg@gmail.com Phone Chair Geoff Moar 0412193799