Rice Growers Association of Australia: Submission on the WaterNSW Rural Valleys Pricing Review 2025-26

RICEGROWERS' ASSOC. of Australia Inc.

serving rice growers since 1930

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Executive Summary

This position paper outlines the Ricegrowers' Association of Australia's (RGA) analysis and feedback regarding the WaterNSW Rural Valleys Pricing Review, with a particular focus on the impact of proposed changes on irrigation farmers and, specifically, rice growers.

Rice growers in New South Wales predominantly hold General Security Entitlements (GSE), a highly variable product. Water is a critical input for rice production, and in southern NSW, irrigated farming is the only viable method for growing rice. The size and value of the rice crop depend not only on the allocation amount against the GSE, but also on the timing of such allocations.

As with most broadacre cropping, rice growers are price takers with little ability to pass on increased production costs. Significant price hikes can have a substantial impact on a farm's gross margin. Farmers consider a range of factors when deciding which crops to plant, with input costs—including water delivery—being a primary consideration.

The RGA acknowledges IPART for taking additional time to review WaterNSW's 2024 pricing proposal and appreciates the two online workshops conducted for consultation. However, it is noted that summaries of these workshops will not be published before the submission deadline.

About the RGA

The Rice Growers Association of Australia (RGA) has represented rice growers across the nation since 1930. As the peak body, RGA supports voluntary members by addressing issues affecting the viability of their businesses and communities, while also advocating for policies that encourage sustainable, profitable, and viable rice farming.

On average, Australia produces enough rice annually to feed 20 million people. Almost all of Australia's rice is grown in the Murray and Murrumbidgee Valleys of southern NSW (the 'Riverina'), with RGA headquarters and production facilities based in Leeton and Deniliquin. Like most irrigated agriculture, rice production provides high-paid employment opportunities in remote NSW regions.

The RGA is a member of several key industry groups, including the National Farmers Federation, National Irrigators' Council, NSW Irrigators' Council, Plant Health Australia, and the Associations Forum.

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WaterNSW Rural Bulk Water Services

WaterNSW is responsible for maintaining and operating rural water infrastructure throughout NSW, including dams and weirs, and managing the capture, storage, and distribution of water for the environment, agriculture, industry, and communities.

Since the construction of the main regulating structures, the focus in NSW has shifted from irrigation and navigation toward environment and sustainability. However, pricing principles have not kept pace, with a continued reliance on water users for WaterNSW's financial sustainability.

During the IPART-hosted online workshops, WaterNSW highlighted its non-commercial functions, such as public recreation, land management, water quality monitoring, scientific programs, and educational obligations - examples of non-commercial activities that do not contribute financially to WaterNSW on a cost recovery basis

While there may be a shrinking customer base, the total number of entitlements on issue remains unchanged, and WaterNSW charges are applied against these entitlements. Consequently, fewer customers are responsible for a greater share of costs through consolidated entitlements, which intensifies the impact on customers and underscores the importance of WaterNSW recovering only efficient costs.

Impactor Pays Counterfactual

The RGA recognises that the impactor pays principle aligns with the National Water Initiative's objectives but notes that NSW is the only state to adopt this specific approach. The RGA contends that the counterfactual adopted by IPART is overly simplistic, overlooking other cost drivers in the current operating environment. The economic thinking around this was first agreed in 1994 as part of national economic reforms at the time. It is now widely accepted these reforms are imperfect and, in many situations, have had perverse outcomes, in some cases requiring Government intervention, either directly in the market or re-regulate the market to some degree.

The prevailing notion that "those who create the need for a cost to be incurred are allocated the efficient cost" is not being applied equitably. Many of WaterNSW's non-commercial functions, which are largely funded by water users, stem from government policy or community expectations, not solely from water use.
Furthermore, the idea of "a world without high consumptive use of water resources" as a starting point is unrealistic, as the dams and weirs would still

provide services to the environment, public safety, and recreation, and are not proposed for removal should bulk water users disappear.

When reviewing the Water Charge Rules in 2012, the ACCC recommended that new regulations imposing significant costs should not disadvantage existing water users, a view the RGA shares. For example, IPART's stance that dam existence triggers regulatory requirements for WaterNSW to construct and operate fishways—costs borne by water users—is disputed by the RGA, which asserts that such requirements arise from government regulation.

Under the NSW Fish Passage Strategy, the aim is to improve planning and investment while reducing financial pressure on water industry participants and weir asset owners, who have ongoing legislative obligations under the Fisheries Management Act 1994.

This principle also applies to infrastructure built under government programs like the Living Murray Program or the Basin Plan, where construction costs are government-funded but ongoing operating and maintenance costs fall to water users.

Additionally, WaterNSW faces significant costs outside its control, such as Land Tax, WAMC charges, and new operating licence obligations—all resulting from government decisions, not consumptive water use.

The vision to utilise of our water resources for the national interest saw Government invest taxes in the infrastructure like dams and weirs on behalf of all citizens and to maximise the national interest it required private investment to ensure benefits for all. To then attempt to shift an unreasonable share of the cost to those utilising the water resources risks sub-optimal outcomes beyond the intent of the National Water Initiative principles.

It must be accepted that the water market is unlike any other market in that supply is limited and cannot be increased, which sees extreme variability in pricing that significantly impacts production and distorts the efficient use of the water resource as users attempt to manage resource insecurity and price volatility. To further affect the market with greater than reasonable costs will undoubtedly further impact production, the viability of water users' businesses and the national interest by risking structural change in both the diversity and value creation beyond the farm gate. It is already acknowledged that we have lost value adding capacity as a result of volatility in supply.

The rice industry has seen the majority processor, SunRice, receive on average 40% of the rice it did just 25 years ago. The company has closed a number of mills while investing in new international supply chains and milling capacity to continue to supply markets. There is a real risk that further rationalisation of a vertically integrated industry, that is a model for Australian agriculture, is likely to occur with increased water costs.

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This conflicts with national imperatives to build our sovereign capacity to manufacture and thereby enhance our national security through domestic capacity.

In inland NSW regulated valleys, irrigation water users use on average 25% of the water that flows in our rivers despite 100% of water passing through infrastructure, which is managed on behalf of society as a whole.

The benefit to society from water utilisation is around 2.8 times the farm gate value of production so in terms of the impactor pays principle it is obvious that society as a whole is both directly and indirectly impacting from the utilisation of our water resources.

Cost Shares

Reflecting the concerns about the simplistic impactor pays approach, the RGA welcomes consideration of cost share ratios.

Many river management services are both caused by and beneficial to a wide range of interests, but water users provide the bulk of funding. For example, a primary function of river operations in the NSW Murray system is to coordinate and manage the delivery of South Australian Entitlement Flows under the Murray Darling Agreement, now enshrined in the Commonwealth Water Act 2007.

In the Murrumbidgee, Planned Environmental Water is a core requirement of the Water Sharing Plan, necessitating river management in line with these requirements. While these services benefit various stakeholders—such as the environment, recreational users, and downstream communities—water users fund 95% of delivery and operations, maintenance, and asset management.

The RGA recommends amending cost shares to better reflect shared and public benefits, particularly in highly regulated systems where infrastructure supports ongoing management of baseflows in a modern working river system.

At a minimum, the RGA suggests that water user cost share ratios, which increased from 50% to 80% for certain services (water quality and monitoring, environmental planning and protection, dam safety and compliance, and flood operations) in 2021, revert to 50%. This acknowledges that these services are required regardless of the presence of consumptive water users.

The RGA has collaborated with the NSW Irrigators' Council to identify a fairer cost share arrangement and supports their submission on cost share ratios.

Pricing and Other Issues

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The RGA appreciates IPART's recognition that some WaterNSW proposals would represent substantial changes from the status quo and therefore warrant thorough analysis.

While the RGA provides high-level feedback on the main themes, it suggests that fundamental changes to pricing structures and forecasting require a longer timeframe and additional information from WaterNSW before acceptance. As such, the RGA recommends not pursuing these changes as part of this determination. A shorter determination period than the usual five years may be appropriate, provided it allows sufficient stability for water users and communities.

Price Control

Most rice growers are GSE holders, making them particularly vulnerable to climate variability. When water allocations are high, rice is planted; during drier cycles with low allocations, farmers may choose other crops or utilise the temporary trade market instead.

WaterNSW is recommending a shift to a revenue cap model, allowing flexible annual pricing to recover revenue requirements. While this model may benefit WaterNSW, it would expose GSE holders to significant year-on-year price fluctuations, reducing certainty and stability. This model would also impose the highest cost pressures on water users during dry years, when they are least able to absorb additional costs.

During the IPART workshop on 17/11/2025, the question was raised about whether affordability influences farm behaviour or crop selection. The RGA affirms that price is a significant factor for rice growers.

In the Riverina, irrigation is essential for rice cultivation. In dry years, when water allocations are low, farmers reassess whether rice is the best option in their rotation, especially as temporary water prices tend to rise during these times.

WaterNSW argues that it is largely a fixed cost business, and that a price cap model leads to over- or under-recovery in different years. They posit that a revenue cap model is fairer, as it reduces the likelihood of over-recovery. The RGA contends that when WaterNSW over-recovers, the excess should be set aside to offset potential future under-recovery, providing users with more stability.

Given the lack of meaningful impact analysis on price versus revenue cap, the RGA does not support moving to a revenue cap model at this time. Similarly, any review of demand forecasting requires further consultation with stakeholders to fully understand pricing impacts. The RGA is aware that WaterNSW is developing a new forecasting model and seeks more detail on its design and factors.

Pricing Structures

Currently, WaterNSW applies fixed and variable fees at the valley level, including a high security entitlement premium and Irrigation Corporation and Districts (ICD) rebates.

Given rice growers' dependence on highly variable water availability, the RGA does not support increasing the ratio of fixed charges for GSE holders.

The RGA supports retaining ICD rebates, recognising the efficiencies WaterNSW realises by servicing a single large customer rather than multiple individuals within an ICD network. The increasing compliance costs faced by ICDs—such as reporting and regulatory requirements—further justify maintaining these rebates.

There is consideration of applying 100% fixed charges to licenced environmental water holders. This could provide more certainty for WaterNSW and address the impact of government water buybacks on remaining irrigators. While the Commonwealth Environmental Water Holder has noted potential market impacts, such impacts are unlikely since the CEWH seldom trades water back to the consumptive pool. Government purchases could be managed at the start of the financial year.

WaterNSW also proposes moving from valley-based pricing to a regional model, grouping valleys into North and South regions and combining coastal with inland valleys. The RGA does not support this shift without a detailed assessment of impacts and a comprehensive review of true valley-based costs. While regional pricing may simplify administration for WaterNSW, the RGA believes harmonising pricing across diverse valleys would not deliver fair or efficient pricing. This is particularly true given there are different regulatory requirements between valleys, different infrastructure and different management regimes.

MDBA and BRC Charges

The RGA has longstanding concerns regarding the transparency of Murray-Darling Basin Authority (MDBA) charges and the transfer of funds between government agencies.

NSW funds the MDBA for River Murray Operations and joint programs, with the WaterNSW component recouped from water users in the NSW Murray and Murrumbidgee valleys. As WaterNSW manages many river operations on behalf of the MDBA, there are concerns that water users are paying MDBA fees for activities already performed by WaterNSW.

The RGA appreciates that IPART has previously raised transparency concerns about MDBA charges and recognises the limited scope to restrict these charges. However, IPART should consider whether the cost share ratios for MDBA charges are fair and reasonable in the context of the current determination.

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Conclusion

The RGA supports the NSW Irrigators' Council's previous submissions addressing state-wide concerns about the WaterNSW rural water price application. In this submission, the RGA has focused on key issues specific to rice growers.

The RGA remains available to provide further information about the rice industry in NSW, which supports family farmers, harvest and transport contractors, agronomists, and staff and management at the three rice mills in the southern Riverina.

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