

Dear Sir or Madam,

We wish to make a submission to the Senate Inquiry – The impacts of supermarket price decisions on the dairy industry.

We have finally purchased our own dairy farm in September, 2010 after nearly twenty years working within the industry. Michael grew up on a farm in the Goulburn Valley, Victoria and I grew up on a farm in the Hunter Valley of NSW. We are both third generation Australian dairy farmers. I have also studied Agriculture at the University of Sydney.

Our involvement in the dairy industry expands across several regions, having share-farmed in Jindivick, Victoria and also Undera, Victoria before drought and milk price forced us to reduce our investment in stock and machinery and undertake management positions in Mooroopna, Victoria and Wallalong, NSW. We chose to invest in this industry, with significant family backing, because we are passionate about this industry. We specifically chose to pay a premium for land on the mid-north coast of NSW as we consider milk to be an essential item in the diet of all Australians and wish to supply the fresh milk market. This market is independent of the Victorian industry where production is driven by access to the volatile export market.

We are deeply concerned about the next round of tenders to supermarkets. This market directly affects the price we, as primary producers, are offered by processors. Milk is an essential dietary item for the vast majority of the population. Milk is a nutritious product and should be paid a premium accordingly. Certainly more valuable and versatile than spring water or coke, despite the pricing signals present that indicates contrary to this! Consumers often willingly pay a premium to support local, Australian farmers. We feel processors are caught in a ridiculous tender war to supermarkets where each processor feels intense pressure to undercut another to maintain a market for their product.

Milk consumption within Australia has remained static for the last 30 years in the vicinity of 98 – 104 litres per head. Decreasing the price of each litre of milk to the consumer to stimulate consumption therefore lacks credibility. Why should our industry suffer reduced financial returns and render many producers unviable to enable supermarkets a greater share of the consumer pocket? Producers within the dairy industry continue production in spite of the contrary natural disasters that befall us – drought, flooding rain, fire. Milk prices to the consumer should reflect the considerable risks that often are required to continue production within this environment.

Having just purchased our own farm and undertaken significant debt, we cannot continue in this industry should our income decrease on a scale similar to that endured following deregulation of this industry. The recent supermarket price decisions could easily send this industry back to that time, or close to it. It should be noted that deregulation ended the production of many dairy farms within New South Wales, across most regions that were previously considered “dairying regions” due to the continued unviable returns to farmers. It has taken 10 years following deregulation for the price to the producer to return to that prior to deregulation. If only the costs of production had remained stationary during that time!

I do not think many people enter a primary industry expecting to become excessively rich financially. Supermarket dominance of markets within Australia ensures excessive financial gain is unattainable.

People within the dairy industry are often passionate about animals and the environment and put considerable effort into producing a product to the highest standard, consistently, year round. A reasonable return on investment and time enables producers to remain within the dairy industry and continue to maintain their land and benefit their local economy, environment and community.

Of great concern is the direction of Australia's dairy industry at present. We are both considered "young" within the industry, being in our mid-thirties. And we are young. But we do not know all that many within the industry that are much younger than us. Who will provide food for Australia if our youth do not enter the dairy industry, often because financial returns are considered unattractive? Importing our food staples is folly, especially considering a changing global environment and the considerable exposure to international production standards or otherwise. Global food shortage is becoming a reality that threatens the fortunate Australian population. Reducing returns to the producer jeopardises our dairy industry future and will ultimately increase Australians exposure to the global food market and risk a shortage of this valuable foodstuff. Recent natural disasters have highlighted the support farmers require from their communities if consumers wish to have the privilege of a fresh product every day of the year?

Thank you for your time,

Regards,

Paula and Michael Gray