



Queensland Dairyfarmers' Organisation Limited ABN: 90 090 629 066

**Submission to the
Senate Standing Committee on
Rural and Regional Affairs and Transport
Inquiry into Agriculture Levies**

Introduction

The Queensland Dairyfarmers' Organisation (QDO), has, for more than 70 years, been representing the interests of Queensland dairy farmers and welcomes the opportunity to make a submission to the Inquiry into Agriculture Levies on behalf of Queensland dairy farmers.

The QDO is a Member of Australian Dairy Farmers' Ltd (ADF) and through the ADF, to the Australian Dairy Industry Council (ADIC). The ADIC is the dairy industry organisation which brings farmers (ADF) and dairy manufacturers/processors (Australian Dairy Products Federation – ADPF) together to develop, wherever possible, joint and united policy positions and strategies for the advancement of the Australian dairy industry.

The ADF and the ADPF are Group B members of the dairy industry's levy funded organisation, Dairy Australia. Group A members of Dairy Australia are all Australian dairy farmers. This structure was developed by the ADIC and accepted by Government prior to the formation of Dairy Australia more than a decade ago.

Therefore, dairy farmers have a strong and significant role in the strategic directions and prioritisation of operational activities of Dairy Australia as well as the level of levy collections and the oversight of the levy expenditure.

The ADIC will be making a submission to the Inquiry which the QDO fully supports.

Importance of Levies

Agriculture in general and dairy farming in particular is overwhelmingly undertaken by small businesses and overwhelmingly by a family business.

Dairy farming in Australia has delivered significant productivity gains to the Australian economy over the past decades with ABARE measuring an average total factor productivity growth of 1.6% per year since 1978-79 through to 2010-11.

We all know that productivity growth arises from the application of improved practices, improved systems and the application of new technology. Improved dairy farming systems and practices can only be developed through strong research, development and extension efforts.

For dairy farming, most of the research, development and extension work during the last century was undertaken by State Departments of Agriculture and the Commonwealth through CSIRO.

However, over the past 4 decades, the budget contributions to agriculture at both a State and Federal level have declined significantly.

Agriculture responded to the reduced funding by Government by developing, with the assistance of the Commonwealth Government, a system of compulsory farmer levies which has been matched by the Commonwealth with the matching contribution limited to 0.5% of the gross value of production of the commodity.

Through this mechanism, a large number of small businesses can collectively invest the often significant sums of funds necessary to undertake the research and development work essential to improving their farming operations. All dairy farmers have free access to the outcomes of the research, development and extension activities funded by the levy and all dairy farmers have grown their businesses as a result of the levy.

There is absolutely no way a small business could find the funding resources to undertake all the necessary research and development needed to improve their businesses without the levy system which has been in place for several decades.

Indeed, there is a strong case for other parts of the Australian economy, which are primarily characterised by small businesses, to introduce a similar levy arrangement to agriculture to assist those small business enterprises improve their business productivity.

It is also important that the levy is compulsory as the research, development and extension work which is funded by the levy is freely available to all dairy farmers – there would be a severe ‘free-rider’ effect if the levy was voluntary and would almost certainly lead to a breakdown of the dairy industry research, development and extension efforts.

QDO and Farmer Engagement in the Dairy Levy Funded System in Australia

QDO and dairy farmers in Queensland have several points where they can contribute to industry levy funded directions and operations and they range from a national and State level through to regional and local engagement.

As mentioned previously, ADF and ADPF have a major role in setting the strategic directions and operational priorities of Dairy Australia. To ensure dairy farmer input into these activities ADF has a number of Policy Advisory Groups (PAGS) and other advisory bodies to consider policy and operational issues in a diverse range of industry needs, including Trade, Animal Health and Welfare, Genetic Improvement and Farming Systems to name a few. Each of these groups has representation from QDO either directly or indirectly.

The ADF/ADIC advisory groups primarily deal with the issues of national significance. However, there is a broad and diverse range of dairy farming production systems and environments in Australia which require a more local research, development and extension effort.

Queensland and Northern NSW dairy farmers operate in a sub-tropical to tropical environment which has significantly different needs to the temperate dairy farming in other parts of Australia.

As a consequence, the Sub-tropical Dairy Program Ltd was formed more than 20 years ago to develop strategies and prioritise sub-tropical dairy research, development and extension in Queensland and Northern NSW. It was the first of what is now eight regional development program structures which have a regional strategic and prioritisation role for the levy funded operations of Dairy Australia.

The Board of Sub-Tropical Dairy Program Ltd is made up of dairy farmers and research and development professionals and its members are dairy farmers in the various sub-regions of Queensland and Northern NSW. In addition the QDO has a direct input into the development of its strategies and priorities.

Sub-tropical Dairy Program Ltd receives some funding from Dairy Australia for its operations. It achieves a leverage of about \$7 for each \$1 of Dairy Australia's dairy farmer levy provided for the research, development and extension programs it manages.

Through Sub-tropical Dairy Program Ltd there are strong working relationships with both the Queensland and NSW Agriculture Departments to maximise value and efficiencies for research efforts in this part of the world.

These national and regional advisory groups work with Dairy Australia and, where appropriate, ADPF, to develop strategic directions and operational priorities for the use of the levy funds.

There are also a wide range of other avenues for dairy farmers to have a direct and indirect say in how Dairy Australia operates to maximise value for the levy funds contributed by dairy farmers. These include farmer surveys of a range of ongoing and on-off issues from time to time as well as through attendance at field days where there is direct contact between dairy farmers and technical and extension staff of Dairy Australia.

Levy Poll

When Dairy Australia was being set up, industry wanted to ensure there were regular opportunities for dairy farmers to consider the operations of Dairy Australia in a more formal way. Consequently, Dairy Australia is required to undertake a poll of all dairy farmers in Australia at least every 5 years to give the opportunity for the rate of the levy to be considered by dairy farmers. The polls which have been held through this process have involved an industry group to make recommendations to farmers and provided a choice of whether the levy should continue and a choice of the rate the levy should be applied.

The results of the most recent poll showed Queensland dairy farmers were amongst the highest supporters of the levy which is a strong indication that the structures which are in place to include Queensland dairy farmers in the strategic and operational activities of Sub-tropical Dairy Program and Dairy Australia is well understood and appreciated.