



BAROSSA MID-NORTH CO-OPERATIVE DAIRYMEN LIMITED

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SUBMISSION TO THE SENATE INQUIRY **INVESTIGATING PRICING AND COMPETITION IN THE AUSTRALIAN DAIRY INDUSTRY**

We represent a group of 22 dairy farming businesses from the Barossa and Mid-North regions of South Australia that supply milk to National Foods Limited and also Murray Goulburn. We are a Co-operative that gives each farmer a sense of belonging and mutual support, also to speak to milk companies and to share and address industry concerns. Our farmer members have declined from 75 only 15 years ago to 22 today. A further decline in farms could threaten the industry in our region.

At a recent meeting, members described the hardship experienced because of the recent drought and the ever increasing costs of production. Many farmers really see the core problem being the farm gate price which is unviable and the inability to pass on our rising costs. With our costs of production in the vicinity of 36 cents per litre and with opening prices quoted as 28cpl for MG suppliers and 31cpl for National Foods. National Foods suppliers are greatly concerned as they are being paid only 20cpl for over contracted milk. This is based on last year's milk supply. This really halts any potential growth for our region in the industry. Licensed dairy farms in SA are likely to fall below 300 State wide this financial year. We see this as a huge concern for the support industries to dairy as they all need a critical mass to survive. The retail market covers their rising costs by passing it on to the consumer. We have no way of recovering our costs.

Many of our members employ labour to help with the intensive nature of their businesses and this therefore flows on to the local economy which is also under threat.

We understand that this enquiry was instigated because of the unviable farm gate returns to farmers in Tasmania. Senators should note that there are also other regions in mainland Australia receiving unviable returns including the members of the Barossa Mid -North Co-operative. The attitude of the companies appears to be that of "If you can't stand the heat, get out of the kitchen" but these same companies always generate a profit.

In South Australia with the acquisition of Dairy Farmers by National Foods we have yet to see another milk company take up competition on the domestic market. Is this a failing of the ACCC ruling?

The press reports on a similar situation re dairy farmers in Europe and the US. Their government's are sympathetic to the plight of their farmers and are providing assistance in various forms. It is interesting to note in NZ where dairy is approx. 25% of GDP the recovery in global pricing has already been passed on to some extent to dairy businesses. Is this because of closer government and financial market scrutiny?

The Australian government is giving support to the car and banking industries and likewise we ask that our Government give help to maintain our dairy industry in the regions as mentioned above. This could be in the form of direct support to top up the farm gate price to a viable level. The restructure package and milk levy brought in at the time of deregulation certainly was a great help to farmers and was instrumental in retaining a viable dairy industry. It was the consumers that funded the package.

We note Aus Aid is currently at 3.7b. The inclusion of dairy product, i.e. Skim milk powder could give the government an opportunity to underpin the industry without it being seen as a subsidy.

We see the senate inquiry as an opportunity to ensure that all facets of the food chain from primary producer through to the consumer are transparent and acknowledge the risks and work load of each part of that chain and that they are remunerated in a fair and equitable way.

Yours faithfully,

BAROSSA MID-NORTH CO-OPERATIVE DAIRYMEN LIMITED

AP KOCH, Chairperson

KJ SLAPE, Vice Chairperson

JR NIETSCHKE, Board Member

GD ZWECK, Board Member

NK MASTERMAN, Board Member