

SENATE ENQUIREY INTO MILK PRICE

To whom it may concern

Please find the opinion and thoughts of a young (25 year old) dairy farmer listed below.

Farm Overview- My wife and I are in a partnership with my parents. We operate a 300 cow dairy farm located at Kyogle (Northern N.S.W). We are the third generation with the fourth running around to operate this farm as a dairy. My grandfather started the dairy 61 years ago with 30 cows on 140acs. Today we milk 300 cows run beef cattle and own 700acs in the area.

The major issues I see our farm /the industry facing in the near future.

- 1) **Major supermarkets selling extremely discounted milk.** Very irresponsible and ridicules. Tell me how a farmer, bulk milk transporter, processor, bottled milk transporter and retailer are going to make a profit out of \$1.00 per litre.
- 2) **Pressure on processors to provide cheaper milk to retailers.** The major retailers will not continue to lose money on selling milk, so the pressure will be on the processors to supply cheaper milk then our farm gate price will drop to compensate for this.
- 3) **Farm gate price.** If our farm gate price does not rise, we will soon be facing operating a business that is losing money. We supply fresh milk every day of the year through droughts, fires and floods, but we can't even get a sustainable milk price that follows some form of a CPI increase each year. We seem to be watching a lot of our costs rise each year by massive amounts **E.g. Electricity, Fuel, Rates, Insurance and machinery costs.** But our price continues to stay the same or we get a price reduction like in the past 12 months.

The transport industry now widely uses a fuel surcharge levy based off a average fuel price then adjusts there freight rates either side of there average this is one option the dairy industry could follow basing it off grain, fertilizer electricity etc. I believe it is not about saying we need a certain price per litre but rather a price that reflects our current cost of production e.g. our costs go up our milk price follows, costs come down milk price comes down.

- 4) **The loss of a Northern Dairy Industry.** If unsustainable returns continue there will be a major breakdown of the northern dairy industry and with the continued growth of SEQ where is the milk going to come from on a daily basis? People say that they can freight it from Victoria but when you look at the timeline and cost involved in getting milk north you would want to have some good preservatives on hand because fresh milk only has a limited shelf life, unless consumers want to purchase long life milk.

Timeline- 48hrs on farm
6hrs on truck to factory
30hrs on a B double Victoria to Brisbane
12hrs to be bottled
12hrs to shop shelf

A possible 4.5 days before the consumer gets a chance to purchase the Fresh milk (I think we should keep the industry going in the area if people want fresh milk delivered daily).

- 5) ***The average age of a dairy farmer.*** I think the average age is around 55 years old with only a handful of the next generation choosing to stay on the farm (why would you for high risk, low returns) if the industry cant create a sustainable milk price with descent returns the industry will collapse over time with no next generation coming through.
- 6) ***Urban encroachment.*** There are a lot of dairies located on the edge of towns that are facing problems associated with urban encroachment and suffer from not being able to expand their business (one of our only means of surviving low milk prices “get bigger or get out”) just another reason why we need a sustainable milk price to either make a good living off of a smaller area with out the need to expand or have the ability to re-locate your business the current price would not support re-investing in the infrastructure needed to operate a modern efficient dairy.

These are just a few points that I believe are the major challenges that face us in the near future. I believe that there is one thing that solves the majority of problems that is creating a sustainable farm gate price that allows for re-investment in our farms to maintain quality infrastructure and provides a competitive return on investment I believe that we do need to create a milk price that represents our cost of production at anyone time. The follow on effects from creating a sustainable future for dairy farming in the northern region would be massive when you look at how many other industries feed off of our dairy businesses and hopefully we would also attract more young people to enter the dairy industry not just as farmers but workers, researches, advisors and other people that offer contract services to our industry

With Thanks

Michael and Rebecca Sneath

Andrew and Jackie Sneath

WILLOWFORD FARMS