



**Submission to:**

**Senate inquiry into competition and pricing in the Australian dairy industry.**

Our family has been involved in the dairy industry since the late-1800's. For nearly 100 years we supplied the market milk sector of which 52 years was during the operation of the Milk Board as contract suppliers prior to their phasing out and over the past 28 years have been a supplier to Tatura Milk Industries Limited, Victoria. Hence we have experienced both the liquid and manufactured milk sectors. We have seen and endured many changes throughout our time and despair at the picture which has been evolving over recent years and the current disastrous circumstances for dairy farmers. Throughout this long history we have seen the development of many agencies and authorities vested with the responsibility of overseeing and shaping our industry such as the Australian Dairy Produce Board, the Milk Board, United Dairyfarmers of Victoria, Australian Dairy Industry Council, Dairy Australia and Victorian Dairy Industry Authority. Under the latter all dairy farmers received a share of the liquid milk market.

At the time of deregulation of the Australian industry, farmers were paid to leave the industry and paid a compensation based on their production levels at a certain date. At that time, an opportunity presented for farmers to control their destiny to some extent, by advocating for change to ensure domestically consumed product was paid at a different rate to product sold on the export market. Such change had the potential to stabilize our industry from fluctuations and leave the industry with potential to have some control over a component of our production. Unfortunately this did not occur and within a very short period of time the industry is in a disastrous situation.

Our industry is currently at the crossroad. Farmers are leaving in unprecedented numbers, often never to return, due to poor returns which are significantly below the cost of production. Not all of these farmers were poor operators but could simply no longer endure the constant erosion of farm incomes. The consequences for individuals, families, communities and the 'bigger picture' are enormous. A long term vision for dairying is long overdue and it is time we regained control to ensure an adequate and sustainable pricing structure. We are proposing action with potential to create stability and a more equitable financial return for current and future generations within this industry as follows:-

- product consumed within Australia should have a pricing system completely separate from that product supplied to overseas markets.
- all farmers would have a component of their production allocated to receive a minimum return based on domestic returns.
- the production over and above that amount would be priced based on the overseas market rate and would fluctuate up and down depending on market factors.
- Dairy Australia could be assigned as the controlling body of this mechanism.
- a compulsory levy on dairy farmers could be applied to cover the cost of this structure with Dairy Australia, therefore this system would not be dependent on

Government support for its operation, but would be there for the sole purpose of overseeing the levy and ensuring our industry remains economically viable.

- a minimum pricing structure would apply to all liquid and manufactured dairy products consumed within Australia. This would be determined by Dairy Australia.

A structure to control domestic product would require support by cooperatives and the broader industry and would no doubt be met with some opposition. It would however, provide a move toward a more financially balanced return to our hard working dairy farmers whose investment in their properties and the industry is substantial. The trend toward deregulation has been applied across many sectors over recent years yet it has clearly not been a positive one for Victoria's dairy farmers. We must reconsider the structure of the industry and be bold and creative in our determination to seek an appropriate outcome.

#### Conclusion.

- We are deeply concerned that the Australian dairy industry is fragmented and lacking a solid and innovative vision to take us into the future.

- It is not acceptable for our farmers to receive a return below the cost of production yet our farmers are no longer politically significant and hold little potential to play a major influencing role where it is needed.

- We do not believe in subsidies and our proposal is aimed at our industry taking control to ensure its viability.

- The present structure of the marketing of liquid and manufactured milk products places excessive and inappropriate control in the hands of supermarkets and some individual companies who are less concerned with the viability of their suppliers.

- A lack of stability and 'Peaks and troughs' have become an accepted part of our dairy industry. We depend on farmers coming out of the trough and then begin to 'talk up' the industry and rely on forthcoming better times and 'short memories' to see us through. Surely this cannot be good business practice and is not sustainable for the farmer and the communities which revolve around this industry.

- A healthy agricultural sector with returns which reflects the cost of production and the commitment and dedication to producing our Nation's food, has wide ranging benefits including food security, production of high quality food, an investment in our environment and the application of sound land management practices.

- Healthy rural communities are reflected in the buoyancy of this Nation.

- There is nothing more fundamental to us all than the need for food. There is nothing more critical to the provision of food than the producer – the farmer.

Prior to this Inquiry, our genuine concern for the current state of our dairy industry caused us to write to various authorities expressing our concern. We were disillusioned with the response and are alarmed this may reflect the lack of vision our industry is experiencing and the failing recognition of the important role played by our farmers. We appeal to this Senate Inquiry to ensure these issues are addressed and in doing so, support

Australia's farmers towards a healthy, prosperous and viable future with its benefits to the broader community and our entire Nation.

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