



Australian Government

Australian Government response to the
Senate Economics References Committee report:

Australia's Dairy Industry: Rebuilding trust and a fair market for farmers

JUNE 2021

INTRODUCTION

On 14 September 2016, the Senate referred an inquiry into the Australian dairy industry to the Senate Economics References Committee for inquiry and report, in order to establish a fair, long term solution to Australia's dairy crisis, with particular reference to fresh milk security and:

- a. the legality of retrospective elements of milk contracts
- b. the behaviour of Murray Goulburn; and
- c. any other related matters.

On 17 August 2017, the Committee released its report. The Australian Government thanks the Committee for the time and effort put into the inquiry into the dairy industry and all those dairy forum and representative organisations who contributed to the inquiry. The government has considered the report and provides its response to the Committee's twelve recommendations.

Significant activity has taken place in the dairy industry since the release of the Committee's report. These include the sale of Murray Goulburn to Saputo and the appointment of KPMG to undertake the solvent winding down of the Group. Additionally, the ACCC had instituted proceedings in the Federal Court against Murray Goulburn alleging it engaged in unconscionable conduct and made false or misleading representations in contravention of Australian Consumer Law, resulting in significant financial penalties.

From 2016-18, the ACCC held an inquiry into the competitiveness of prices, trading practices and the supply chain in the Australian dairy industry. On 30 April 2018, the ACCC released its Dairy Inquiry Final Report including a key recommendation for government to introduce a mandatory code of conduct for the dairy industry.

The government introduced the Dairy Industry Code of Conduct (the Code) which came into effect on 1 January 2020, following three rounds of industry consultation. The code is a mandatory industry code under section 51AE of the *Competition and Consumer Act 2010* and includes mandatory requirements about the conduct of business relationships between farmers and processors. The code provides clear pathways for lower cost dispute resolution to support farmers and processors address contractual issues in a fair and transparent manner.

In line with feedback received from the dairy industry, the code prohibits:

- retrospective pricing step downs
- unilateral prospective step-downs except in exceptional circumstances
- unilateral changes to agreements except in narrowly defined circumstances
- processors withholding loyalty payments from farmers who are changing processor, and
- exclusive supply arrangements where the conditions would be to the detriment of dairy farmers.

On 7 October 2020, the government announced its Ag2030 plan to support the Australian agricultural industry to grow to \$100 billion by 2030. Through Ag2030, the government is working to ensure Australian agricultural producers receive maximum returns for their hard work and are supported by vibrant rural and regional communities. The Ag2030 plan sets seven themes for action: Trade and Exports; Innovation and Research; Biosecurity; Supply Chains; Stewardship; Human Capital; and Water and Infrastructure.

A crucial initiative under the Supply Chain priority of the Ag2030 plan is the ACCC inquiry into perishable agricultural goods, to consider whether there are market imbalances in domestic fresh food supply chains. This inquiry also examined whether the Dairy Industry Code of Conduct should be extended across the entire domestic supply chain to include retailers and their dealings with processors. The government initiated this inquiry in response to ongoing concerns expressed by farmers across dairy, horticulture and other perishable commodities that unfair treatment by retailers continues to be evident. The ACCC provided its report on this inquiry to the Treasurer on 27 November 2020. The government continues to consider the findings and recommendations of the report.

Government assistance to dairy industry

The Australian Government is driving a more profitable, resilient and sustainable dairy sector. In addition to implementing the Dairy Industry Code of Conduct on 1 January 2020 and announcing the Perishable Agricultural Goods Inquiry, the Government has also committed:

- \$14.78 million to 2024-25 towards dairy export projects to identify the regulatory hurdles for domestic dairy manufacturers to become exporters, align food safety regulations and work towards reduced regulatory intervention through improved data collection.
- \$10 million to assist dairy farmers to upgrade or invest in energy efficient equipment to reduce their energy costs.
- \$8.1 million in the 2019-20 MYEFO in additional funding to the ACCC Agriculture Unit to boost its examination of competition and unfair trading issues. This included the creation of a specialist role with specific responsibility for dairy.
- \$4.75 million in the Kids to Farms program to help educate children about agriculture through activities such as farm visits, virtual technology 'in-class' experiences and developing information resources for classrooms.
- \$3 million in grants to support farmer groups to set up farm cooperatives and other collective business models.
- \$1.5 million total to Dairy Australia and Australian Dairy Farmers to increase business resilience, risk planning and financial and legal literacy for farmers, as well as investigate ways to provide farmers with more say over how they sell their milk.
- Assistance is also available through:
 - the \$5 billion Future Drought Fund to provide ongoing and sustainable funding to help build drought preparedness, resilience, and to help with recovery efforts
 - the Farm Household Allowance, which supports farmers and their partners in financial hardship, regardless of the cause
 - the Rural Financial Counselling Service, which provides free financial counselling to farmers and small related businesses in, or at risk of, financial hardship
 - the Regional Investment Corporation, which administers the delivery of farm business concessional drought and investment loans and national water infrastructure loans.

Recommendation 1:

The committee recommends that the Australian Competition and Consumer Commission (ACCC), as part of its inquiry into the Australian dairy industry, evaluate the extent to which the code of conduct will reduce power imbalances between farmers and processors, and recommend improvements to the code that may better achieve this outcome. Any outcomes from the ACCC inquiry should be incorporated in the proposed review of the code after its first year of operation.

The government notes the recommendation.

The government notes the recommendation refers to the voluntary industry code, launched by the peak industry body for the Australian dairy industry, the Australian Dairy Industry Council (ADIC) in June 2017 to help ensure greater transparency and fairness in milk supply and pricing.

In December 2019 the Government introduced the mandatory Dairy Industry Code of Conduct in response to the ACCC Dairy Inquiry Final Report which concluded that the introduction of a mandatory dairy code of conduct could help address power imbalances in the dairy industry between farmers and processors by improving the quality of information and price signals, enable fairer allocation of risk, and remove restrictions on farmers' ability to switch processors.

Through its inquiry the ACCC considered the effectiveness of the voluntary code and reported that it had a positive impact on some contract terms offered by some processors to some farmers for the 2017–18 dairy season. In particular, processors that signed on to the code made improvements to contract terms for setting and varying prices, exclusivity supply clauses and loyalty and other bonus payments. However, the ACCC found that the non-enforceability of the voluntary code was an inherent weakness which could not be addressed by industry alone.

The Australian Dairy Industry Council commenced a review of the voluntary industry code to address the findings of the ACCC's dairy inquiry, which was released in April 2018. During the process of completing this review - and in light of the ACCC's findings and recommendations – the peak body for dairy farmers, the Australian Dairy Farmers (ADF) changed its position on the best approach to implement the code and requested that it transition to a mandatory code of conduct.

The mandatory Dairy Industry Code of Conduct came into effect on 1 January 2020 and includes requirements about the conduct of business relationships between dairy farmers and processors. All farmers and processors are bound by the requirements of the code with some exceptions for small businesses. The code replaces ADIC's voluntary code and seeks to address market failures that were not sufficiently addressed in provisions of the *Competition and Consumer Act 2010* (CCA).

The ACCC's perishable goods inquiry report, released on 10 December 2020, made some initial observations on the mandatory Dairy Industry Code of Conduct. In particular, the ACCC identified a number of positive developments in terms of the operation of the Dairy Code including evidence of competition among processors on raw milk prices after prices were announced on 1 June 2020; and increased transparency as farmers were able to access price information a sufficient period ahead of needing to make a decision about which processor to supply.

Recommendation 2:

The committee recommends that the ACCC consider how collective bargaining in the dairy industry could be strengthened to enable these provisions to be more widely used and to assist in addressing the power imbalance.

The government notes the recommendation.

The government supports the intent of this recommendation and notes that changes to the *Competition and Consumer Act 2010* (CCA) from November 2017, made it easier for small businesses to lodge a notification to obtain legal protection from competition laws to collectively bargain with a customer or supplier. More generally, it is a matter for the ACCC to determine whether or not to allow collective bargaining should businesses request to do so.

The CCA generally requires businesses to act independently of their competitors when making decisions about pricing, which firms they do business with, and the terms and conditions of doing business. Competitors who act collectively in these areas are at risk of breaching the competition provisions of the CCA. However, as noted in the Senate report, businesses can seek ACCC approval to provide protection from legal action under the CCA. Approval is not automatic, and the ACCC assesses each application to decide if the public benefit outweighs the public detriment.

In the dairy industry, dairy farmers have been collectively bargaining with milk processors since 2001. The first authorisation was to one group of farmers, followed by ACCC authorisation to Australian Dairy Farmers (ADF) in 2002 to apply broadly to dairy farmers collectively negotiating with dairy processors. In 2011, the ACCC granted a 10-year renewal to ADF to collectively bargain with milk processors. This authorisation enables dairy farmers to form and register collective bargaining groups under ADF's existing authorisation without having to separately apply to the ACCC.

As part of the terms of reference of its Dairy Inquiry, the ACCC considered the role of collective bargaining and its effectiveness in the industry. The ACCC Final Report 2018, while not disregarding collective bargaining as an option in the future, did not consider this measure was a broad remedy to address imbalances of bargaining power between processors and farmers in the dairy industry. It instead recommended the implementation of a mandatory code of conduct for the dairy industry, which was progressed by government and took effect on 1 January 2020. The code improves the balance in bargaining power between dairy farmers and processors and replaced the previous voluntary industry code.

Recommendation 3:

The committee recommends that any review of the code of conduct for contractual relationships be undertaken by an independent party that can objectively assess whether the code is working as intended and consider if a mandatory code would be more appropriate.

The government notes the recommendation.

The government notes the voluntary industry dairy code of conduct was launched by the peak industry body for the Australian dairy industry, the ADIC in June 2017. ADIC reviewed the voluntary industry code after twelve months of operation and sought to address the findings of the ACCC's Dairy Inquiry, which was released in April 2018. During the process of completing

this review – and in light of the ACCC’s findings and recommendations – the peak dairy farmer body, Australian Dairy Farmers – changed its position on the best approach to implement the code and requested that it transition to a mandatory code of conduct.

On 13 December 2019, the government announced the mandatory Dairy Industry Code of Conduct. The Code came into effect on 1 January 2020 and includes mandatory requirements about the conduct of business relationships between dairy farmers and processors.

To support education and compliance of the Code, the ACCC established the Dairy Consultative Committee as a forum for dairy industry representatives to discuss issues related to the implementation of the Code. The establishment of the Committee was part of the Australian Government’s injection of \$8.1 million in the 2019-20 Mid-Year Economic and Fiscal Outlook in additional funding to the ACCC Agriculture Unit to boost its examination of competition and unfair trading issues. The ACCC has also established a Dairy Specialist role in its Agriculture Unit to provide additional expertise and to raise industry awareness about the Code.

On 22 October 2020, the ACCC announced it would introduce a class exemption in early 2021 that will provide immediate legal protection for small businesses to engage in collective bargaining. The class exemption will apply to a business with an aggregated turnover of less than \$10 million in the financial year preceding when it joins a collective bargaining group. This class exemption will remove the need for these businesses to seek authorisation or lodge a notification, meaning that they could access the exemption without delay or additional cost and realise the benefits of collective bargaining. The ACCC will engage directly with agricultural industry associations in 2021 to explain how the class exemption for collective bargaining may be beneficial and how businesses can access the regime.

Recommendation 4:

The committee recommends that representative organisations of the dairy industry, together with retailers, develop an education campaign to promote awareness about the dairy industry so consumers can make informed choices when purchasing dairy products.

The government notes the recommendation.

The government supports the intent of this recommendation, recognising that it is a matter for industry to determine whether or not to implement the recommendation.

The government further notes that Dairy Australia, as part of its research, development and extension work for the benefit of Australian dairy farmers, promotes the advantages of dairy through a number of campaigns and partnerships.

In particular, the *Dairy Matters* campaign, uses ads across TV, cinema, websites and social media to highlight the dairy industry’s values, standards and commitments. This campaign also answers consumer questions on the healthiness of dairy foods, animal welfare, and environmental and social concerns.

In particular, the Dairy Matters campaign was launched in 2019, across TV, cinema, websites and social media to highlight the dairy industry’s values, standards and commitments. This campaign also answers consumer questions on the healthiness of dairy foods, animal welfare, and environmental and social concerns.

Dairy Australia reports positive results from the campaign. Of the 30 per cent of the key audience who saw the campaign:

- 89 per cent agreed it is 'important to support the Australian dairy industry'
- 78 per cent agreed they 'feel more supportive towards industry'
- 69 per cent agreed they 'would pay attention to Dairy Australia material' "

Annual consumer research undertaken by Dairy Australia has shown improvements in trust and perception since the development on the new strategy in 2018:

- Overall consumer trust in the industry has shifted from 68% in 2018 to 74% in 2020
- Changemaker trust in the industry has shifted from 71% in 2018 to 80% in 2020

Additionally, the Australian Government has delivered the new \$4.75 million Kids to Farms program to help educate children about agriculture through activities such as farm visits, virtual technology 'in-class' experiences and developing information resources for classrooms. Kids to Farms aims to increase understanding of where and how food and fibre is produced and importance of farming to Australia's way of life. The program will run over three years from 2019-20 to 2021-22, concluding on 30 June 2022.

Recommendation 5:

The committee recommends that dairy processors set opening prices conservatively so that any downward pressure from market forces will not result in retrospective price step-downs that have devastating impacts on dairy farmers.

The government notes the recommendation.

The government supports the intent of the recommendation, noting that it is a matter for individual dairy processors to negotiate their pricing strategy with their dairy farmer suppliers.

The government recognises there is an imbalance in the sharing of risk between farmers and processors, particularly in instances of processors implementing step-downs.

In line with recommendations from the ACCC Dairy Inquiry Final Report and industry consultation feedback, the introduction of the mandatory Dairy Industry Code of Conduct prohibits retrospective step-downs in all circumstances (sections 27 and 39 of the Code).

Prospective step-downs are prohibited except in limited exceptional circumstances (section 28 of the Code) involving an extraordinary event (such as an emergency or change in market conditions). Exceptional circumstances are limited to circumstances which are temporary and must involve an extraordinary event which is the result of causes located outside of Australia, has a highly significant effect on supply, demand or costs in the dairy industry and is not a result of decisions by processors.

The Code places no restrictions or obligations on either processors or farmers with respect to an increase (or 'step-up') in milk price, either retrospective or prospective.

The Code also improves information and pricing transparency by requiring all processors (other than those that meet the Code's definition of a small business entity) that intend to purchase milk during the next financial year to publish standard forms of milk supply agreements on their

website before 2 pm on 1 June (AEST). Section 14 of the Code also provides that a processor must publish a statement justifying the prices offered in each standard form of a milk supply agreement that it publishes on its website.

Requiring processors to publish one or more standard forms of agreement on a set date each year improves farmers' ability to compare prices and conditions across processors.

Recommendation 6:

The committee considers that an independent review of the government's dairy support package be undertaken to determine whether it has been effective in improving outcomes for affected dairy farmers and whether it has delivered value for money.

The government notes the recommendation.

At the time of the Senate inquiry, a dairy support package had been announced by the government on 25 May 2016 to provide support for Australian dairy farmers who had their incomes retrospectively cut by Murray Goulburn and Fonterra.

Key elements of the dairy support package were:

- Dairy Recovery Concessional Loans
- More Rural Financial Counsellors in dairy regions
- Additional support to process claims for Farm Household Allowance (FHA)
- Dairy Industry Liaison Officer
- Mobile service centres redirected to affected dairy regions
- Establishing a commodity milk price index
- Additional support through the Tactics for Tight Times program.

Individual assistance programs are reviewed as appropriate. For example, the commodity milk price index was reviewed and then ceased in May 2019. In addition, new measures are announced where these are warranted.

Since 2016, the government has provided additional support to drive a more profitable, resilient and sustainable dairy sector. Following three rounds of consultation with the dairy industry, the Dairy Industry Code of Conduct came into effect on 1 January 2020 which includes mandatory requirements about the conduct of business relationships between farmers and processors. The Code provides clear pathways for lower cost dispute resolution to support farmers and processors to address contractual issues in a fair and transparent manner.

Additionally, on 26 August 2020, the government announced the ACCC would undertake the Perishable Agricultural Goods Inquiry to consider if there are market imbalances in the domestic fresh food supply chains. This inquiry will also examine whether the Dairy Industry Code of Conduct should be extended across the entire domestic supply chain to include retailers and their dealings with processors.

In addition to implementing the Dairy Industry Code of Conduct and announcing the Perishable Agricultural Goods Inquiry, the Government has also committed:

- \$14.78 million to 2024-25 towards dairy export projects to identify the regulatory hurdles for domestic dairy manufacturers to become exporters, align food safety regulations and work towards reduced regulatory intervention through improved data collection.
- \$10 million to assist dairy farmers to upgrade or invest in energy efficient equipment to reduce their energy costs.
- \$8.1 million in the 2019-20 MYEFO in additional funding to the ACCC Agriculture Unit to boost its examination of competition and unfair trading issues. This included the creation of a specialist role with specific responsibility for dairy.
- \$5.1 million under the Rural Research and Development for profit program towards three projects led by Dairy Australia.
- \$4.75 million in the *Kids to Farms* program to help educate children about agriculture through activities such as farm visits, virtual technology 'in-class' experiences and developing information resources for classrooms.
- \$3 million in grants to support farmer groups to set up farm cooperatives and other collective business models.
- \$1.5 million total to Dairy Australia and Australian Dairy Farmers to increase business resilience, risk planning and financial and legal literacy for farmers, as well as investigate ways to provide farmers with more say over how they sell their milk.
- Assistance is also available through:
 - the \$5 billion Future Drought Fund to provide ongoing and sustainable funding to help build drought preparedness, resilience, and to help with recovery efforts
 - the Farm Household Allowance, which supports farmers and their partners in financial hardship, regardless of the cause
 - the Rural Financial Counselling Service, which provides free financial counselling to farmers and small related businesses in, or at risk of, financial hardship
 - the Regional Investment Corporation, which administers the delivery of farm business concessional drought and investment loans and national water infrastructure loans.

Recommendation 7:

The committee recommends that the ACCC specifically address the issue of unfair contract terms within the dairy industry and provide guidance as to whether milk supply contracts, in-principle, fall under the scope of the unfair contract term laws. Further, the ACCC should provide guidance as to how milk supply agreements and contracts could be developed under a code of conduct for contractual relationships to be compliant with unfair contract laws.

The government notes the recommendation.

The government notes the ACCC Final Report included findings on contracting practices, and that the report identified that in some milk supply contracts, there were potential breaches of the unfair contract term protection provisions under the Australian Consumer Law. For parties

covered by the mandatory Dairy Code of Conduct, a number of these concerns have been addressed through provisions relating to good faith requirements, unilateral changes to agreements, and loyalty payments.

On 6 November 2020, Commonwealth and state and territory consumer affairs ministers agreed to strengthen the existing unfair contract term protections in the Australian Consumer Law. Key reforms include:

- making unfair contract terms unlawful and giving courts the power to impose a civil penalty
- increasing eligibility for the protections by expanding the definition of small business and removing the requirement for a contract to be below a certain threshold
- improving clarity on when the protections apply, including on what is a 'standard form contract'.

These reforms will help reduce the prevalence of unfair contract terms in standard form contracts and improve small business confidence when entering into contracts.

Whether or not a milk supply contract falls within the scope of the UCT laws will depend on the details of that contract and the circumstances of the businesses entering into the contract. General information about the application of the law is available on the ACCC's website (<https://www.accc.gov.au/business/business-rights-protections/unfair-contract-terms>). Businesses or farmer representative bodies should seek legal advice if they have concerns about a contract or any of the terms of that contract.

Recommendation 8:

The committee recommends that the House of Representatives pass the Competition and Consumer Amendment (Small Business Access to Justice) Bill 2017.

The government notes the recommendation.

The measures proposed in the Competition and Consumer Amendment (Small Business Access to Justice) Bill 2017 were enacted through the *Treasury Laws Amendment (2018 Measures No. 5) Act 2019*.

Recommendation 9:

The committee recommends that the government prioritise action to reduce the regulatory burden across the cooperative sector and support programs to facilitate the establishment of new cooperatives.

The government agrees to the recommendation.

The government agrees to this recommendation, noting that \$3 million was committed in 2019 for a Starting Farms Cooperative Program to provide grants to assist farmer groups to establish farm cooperatives and other collaborative business models. The initiative builds on the government's \$15.2 million Farming Together Pilot Program, which was launched in 2016 as part of the government's Agricultural Competitiveness White Paper.

Under the Starting Farm Co-operatives Program, the Government is providing \$2.5 million over two years to the Business Council of Co-operatives and Mutuals to assist farmers, fishers and foresters to learn more about co-operative approaches and their benefits. The measures include provision of an information hotline, workshops, educational material, and financial assistance to fund fees for training courses relevant to establishing co-operative business models.

\$500,000 is also being provided to the Southern Cross University to support the legacy of the Farming Together Pilot Program through a series of case studies and updated learning materials.

Co-operatives and other collaborative business arrangements have potential to hand more control back to farmers while reducing costs and improving production efficiencies. A collaborative model allows farmers to function like a larger body while retaining their own independent business structure. This will enable them to take greater ownership along the supply chain and may boost their bargaining position and deliver increased returns at the farm gate. Increased returns are important to the profitability of Australian farmer, fishers and foresters and to the sustainability of economies in regional communities. In 2018-19 there were over 2,000 co-operative and mutual enterprises in Australia, many of them regionally based.

The government recognises the importance of the co-operative model and its potential contribution to supporting the goal of growing a \$100 billion agricultural sector by 2030.

The government also recognises the importance of removing inefficient or ineffective regulation to reduce costs on individuals, businesses and the wider community. In the October 2020 Budget, the Government reinforced its commitment to a renewed deregulation agenda to ensure regulations are fit-for-purpose and support economic recovery as a key pillar of the JobMaker Plan.

In conjunction with the continued funding to support the Deregulation Taskforce, the Government has committed to a stewardship approach to regulatory policy and established a regulator performance role within the Department of the Prime Minister and Cabinet.

Recommendation 10:

The committee recommends that regulatory agencies, particularly the ACCC and ASIC, review their approach to publicly releasing information about investigations, with a view to providing greater general information about current enforcement activities and relevant issues of public concern.

The government notes the recommendation.

The government recognises the frustration of dairy farmers at the long periods of time between commencement of investigations and the provision of public information about the progress of investigations.

The government considers that individual regulatory agencies are best placed to determine what and how much information should be released to the public regarding ongoing or completed investigations.

The ACCC updates its compliance and enforcement priorities policy annually and releases the document publicly. It has also developed a Media Code of Conduct relating to its enforcement

work to “balance fairness to individuals, companies and businesses involved in ACCC investigation and enforcement action with informing the public about the ACCC’s enforcement work...”

ASIC has outlined its approach to commenting publicly on its regulatory activities in a publicly available information sheet. Both agencies must weigh the potential public benefits of any statements they make against the potential prejudice that may be caused to individuals or businesses under investigation or subject to enforcement action. The agencies themselves are best placed to make this judgement.

Recommendation 11:

The committee considers that the proposed Dairy Commodity Price Index is of limited value and its development should not be continued

The government notes the recommendation.

The Commodity Milk Price Index (CMPI) was launched in July 2018 to deliver greater price transparency and help dairy farmers understand and interpret market signals. In line with the commitment, the CMPI was reviewed after 12 months of operation to determine its effectiveness.

The findings of the review demonstrated that the CMPI did not successfully deliver greater price transparency nor improved market signals for the Australian dairy industry. As a result, operation of the CMPI ceased in May 2019.

Industry has been working on a Milk Value Portal, which has just been released. The portal has been developed by the Australian Dairy Products Federation with support from Dairy Australia. The portal allows dairy farmers to understand the weighted average raw milk value based on aggregated farmgate milk price data from processors.

(<https://milkvalue.com.au/milk-prices/farmgate-milk-value-tool/>)

Recommendation 12:

The committee recommends that an independent review of the Dairy Services Levy and Dairy Australia be undertaken by government to provide assurance to dairy farmers that they are receiving value for money from the Dairy Services Levy and the benefits of the levy are being fairly distributed across farmers in all dairy-producing regions.

The government notes the recommendation.

The government has a statutory funding agreement with the dairy industry services body, Dairy Australia, to ensure appropriate accountability and governance arrangements for its research and development activities. A requirement of this funding agreement is that Dairy Australia undertakes an independent performance review every five years. The government works with Dairy Australia to develop the terms of reference for the review, and extensive stakeholder consultation must be included in the process.

Dairy Australia’s latest independent review of performance was conducted in March 2017. It found that Dairy Australia met all of the obligations of its statutory funding agreement with

government. It also found that corporate governance of the organisation is strong, the board and management are highly competent, and the company's processes are robust. Dairy Australia's next review will be undertaken in 2021 and a report will be provided to government.

All dairy farmers have the opportunity to share in the research, development and extension that Dairy Australia undertakes on their behalf. Decision support tools, research underpinning cattle genetic gains, best practice husbandry, and environmental programs all have national applicability. Additionally, Dairy Australia's Regional Development Programs receive levy funds based on regional milk production. They use these funds for research, development and extension that is best suited to local needs. In doing so, they are able to leverage private and in-kind investment through local buy in. This is a significant benefit of the model.

The government notes that on 17 October 2019, the Senate referred an inquiry into the performance of Australia's dairy industry and the profitability of Australian dairy farmers since deregulation in 2000, to the Rural and Regional Affairs and Transport References Committee for inquiry and report. Amongst other terms of reference, the inquiry will look into the ability of Dairy Australia to act independently and support the best interests of both farmers and processors; and the funding of Dairy Australia and the extent of its consultation and engagement on the expenditure of levies revenue. The government looks forward to receiving the Committee's report and will provide a response in due course.

