

A milk price war is what Northern Dairy Farmers have feared since deregulation. The majority of dairy produce comes out of Victoria and Victorian Dairy Farmers produce for the export market and their production is based on seasonal production. They produce milk when it is cheapest to do so. The rest of the country mostly produces for the fresh milk market which requires milk production all year round to ensure constant supply for consumers. The cost of production to produce all year round is approximately 10 cents per litre extra. Most consumers would not realize this.

Since deregulation there has been no minimum farm gate price for the fresh milk market. Processors tendering for supermarket contracts for the fresh milk market are forced to compete with export prices to retain market share. We are locked into contracts to supply the domestic market to ensure constant supply for consumers and therefore when export markets are higher than the domestic market we can't capitalize on increased returns and then when export prices crash the excess milk undermines domestic prices. If the government doesn't protect farmers who supply this domestic market it doesn't provide enough security to warrant the risk and effort required to supply 365 days of the year. Its only a couple of years ago that farmers in Northern regions were urged to expand and to increase milk supplies to meet the consumer demand due to the continual decline of farmer numbers in this area after deregulation; but they are now faced once again with an uncertain future, but this time probably with a larger debt mainly because they have tried to ensure a constant supply of fresh local milk for consumers in a deregulated market. Deregulation is what the Victorian Government and the Victorian Dairy farmers wanted but it was never in the interests of dairy farmers who supply our fresh milk 365 days of the year. These farmers fought hard against deregulation because they feared that without a regulated farm gate price the supermarkets would control Australia's fresh milk market and today that is what the industry is faced with.

Supermarkets are there to market products to the best of their ability, their main concern is to maximize sales in order to return maximum dividends to their shareholders. They can source product and sell it at cost price to attract consumers to shop there. The lack of leadership from both State and Federal Governments has allowed supermarkets to have complete control over 70-80% of the fresh milk market in Australia. Supermarkets can and they will control our food supply unless the consumer's vote puts pressure on Government to implement policy to protect not just dairy farmers but all agricultural industries. Supermarkets are not to blame for the looming milk price war – the Australian Government both State and Federal is to blame.

State Government Planning has directed that large areas of land be locked up as either State or Regionally significant farmland to ensure future food supplies. Locking up land doesn't ensure that it will be farmed. If existing agricultural industries are vulnerable after many life times of experience and knowledge what hope is there of encouraging future generations to continue in agricultural industries. If farmers get a fair deal there will always be farmland available for future generations. If state and federal government is serious about the future of agriculture they need to protect the farmers and farmers will be in control of ensuring the future of our fresh food supply; not the duopoly of major supermarket giants.

**This senate enquiry needs to address this lack of leadership. If Australian agriculture isn't sustainable the cost to the Australian public and the Australian government will be apparent within this decade.**

Robert and Suzanne Harnett

Dairy Farmers