

Dissenting Report by Coalition Senators

1.1 Coalition Senators strongly support the Australian dairy industry and our hard working dairy farmers. Coalition Senators appreciate the contributions of all those farmers who have participated in this inquiry.

1.2 Government members of the committee acknowledge that the Australian Government has responded to what was an industry-generated crisis (created by the decisions of Murray Goulburn and Fonterra to reduce the farm gate milk prices) by providing assistance to dairy farmers which has helped them to manage through a period of low farm-gate milk prices.

1.3 Coalition Senators support committee recommendations 1, 2, 3, 5, 7, 9 and 10, and support the intention behind recommendation 4, recognising it is a matter for industry to determine whether or not to support that recommendation.

1.4 Recognising the range of measures being implemented by the Australian Government to support the dairy industry (notably, a Dairy Support Package, directing the Australian Competition and Consumer Commission to undertake a market inquiry into the dairy industry, and holding an industry symposium which has resulted in national dairy farmer representatives and dairy processors working collaboratively together to establish a voluntary code of practice for contractual arrangements between dairy farmers and processors in Australia), Coalition Senators do not support recommendations 6, 8, 11 and 12.

Government Dairy Support Package

1.5 As reported at paragraph 5.55 of the Majority Report of the Committee, on 25 May 2016 the Australian Government announced a Dairy Support Package, valued up to \$579 million, to support dairy farmers affected by the Murray Goulburn and Fonterra decisions. Under this package almost \$129 million in Dairy Recovery Concessional Loans have been approved (as at 30 June 2017) to support 228 dairy farmers.

1.6 The Dairy Support Package provided \$900,000 for Dairy Australia to provide additional 'Tactics for Tight Times' support to dairy farmers, more staff to process applications for the Farm Household Allowance, access to Department of Human Services (DHS) Mobile Service Centres in key dairy regions and a new DHS Dairy Liaison Officer to provide advice and support to dairy farmers on the range of support measures available for them.

1.7 The package also included an additional \$905,000 to ensure there were adequate Rural Financial Counsellors available to support dairy farmers impacted by retrospective farm-gate milk price cuts. These counsellors can support farmers with their applications for support measures such as the concessional loans program and Farm Household Allowance.

1.8 Government members of the committee also note the \$20 million upgrade of the Macalister Irrigation District in Gippsland Victoria, and the \$2 million

establishment of a Dairy Price Commodity Index, both initiatives of the current Australian Government.

1.9 Coalition Senators commend the Australian Government on the support provided to dairy farmers and note that in 2009 when the farm-gate dairy price was even lower than in 2016, the then-Labor government did not provide assistance to the dairy industry in south-eastern Australia.

1.10 Coalition Senators have formed the view that an independent review of the Dairy Support Package is not necessary, nor is it preferable to the range of existing accountability measures that are in place. The Australian National Audit Office can audit the delivery of the Dairy Support Package and both the Department of Agriculture and Water Resources, and Dairy Australia, are able to be examined by Senators at Senate Estimates.

Dairy Industry Awareness Campaign

1.11 Coalition Senators support the intention of recommendation 4 of the Majority Report of the Committee. There may be merit to the idea of dairy industry representative organisations working with retailers on campaigns to promote the importance of the dairy industry to the wider community. However, Coalition Senators believe this is a matter appropriately to be considered and prioritised by the dairy industry representative organisations themselves. Coalition Senators recognise Australian dairy farmers pay \$35 million in levies per year to Dairy Australia for research and development and promotion, including for raising awareness of the importance of dairy as part of a balanced diet.

Small Business Access to Justice

1.12 Government members of the committee remain sceptical about the *Competition and Consumer Amendment (Small Business Access to Justice) Bill 2017*. Government members are of the view that the mechanisms contemplated by the Bill could result in costly litigation getting tied up on the courts, and change the role and function of the Australian Small Business and Family Enterprise Ombudsman. The action the Government has taken to date such, such as amending section 46 to strengthen protections for small business, should be provided sufficient opportunity to be tested.

Dairy Commodity Price Index

1.13 Coalition Senators do not support recommendation 11 which proposes the government not continue development of a Dairy Commodity Price Index. During the 2016 election the Coalition Government committed \$2 million to establish a dairy commodity price index. This commitment was welcomed by dairy industry representatives.

1.14 Government members of the committee note that the relevant department has acted on this commitment, consulting with dairy farmer representatives, dairy processors, Dairy Australia and a range of industry service providers on the potential development of an index. The Department of Agriculture and Water Resources has

undertaken an expression of interest process for the development of the index and is currently assessing the applications received.

1.15 The peak national dairy farmer representative organisation, Australian Dairy Farmers (ADF), has been supportive of and is engaging positively with the Australian Government on the development of the dairy price commodity index. The ADF on 23 September 2016 made the following statement in support of the index:

By establishing a commodity milk price index tool there will be greater transparency to allow farmers to make their own assessments on milk price forecasts. Farmers will be able to better balance risk along the dairy supply chain, especially when it comes to managing the effects of world milk prices.

New Zealand already has a milk price index and it works quite well, as they have over 90 per cent exports, and can set themselves against the world market.

In Australia we have a 65 per cent domestic market and a different export commodity mix which should deliver a higher price for Australian farmers than the New Zealand price in a low commodity market as we are in now. Therefore, Australia needs to have an independent commodity index rather than use New Zealand's due to our different export commodity mix.

ADF has had extensive discussions with government on the proposed index and we are looking forward to help shaping this important tool. It's vital we get this right so all farmers have the ability to use the global information to assist them when they negotiate supply contracts with processors.¹

Independent Review of the Dairy Services Levy and Dairy Australia

1.16 Coalition Senators appreciate the range of genuine concerns raised by dairy farmers throughout this inquiry in relation to the dairy service levy, the role and services provided to industry by Dairy Australia and broader issues regarding industry structures.

1.17 Government members of the committee are of the view that an independent review of the dairy service levy and Dairy Australia is not necessary. If Australia's dairy farmers and dairy farmer representative organisations believe the recent industry challenges merit reconsideration of industry structures, the dairy service levy and of the industry services body, there is adequate scope for Dairy Australia to initiate and fund such an independent assessment.

1.18 Coalition Senators recognise that there already exists a requirement under the funding agreement between Dairy Australia and the Commonwealth for an independent performance review to be undertaken every five years, prior to entering into new statutory funding agreements. The government and Dairy Australia have worked collaboratively to develop the terms of reference for the review, and extensive

1 Australian Dairy Farmers, *The Difference is in the Detail*, 23 September 2016, <http://www.australiandairyfarmers.com.au/media-corner/the-difference-is-in-the-detail> (accessed 17 August 2017).

stakeholder consultation is included in the process. Dairy Australia's latest independent review of performance was conducted in March 2017.

1.19 Coalition Senators recommend the Department of Agriculture and Water Resources consider the issues raised in submissions to this inquiry to inform industry consultation and development of terms of reference for the next performance review of Dairy Australia.

Senator Jane Hume
Deputy Chair

Senator the Hon Ian Macdonald
Senator for Queensland