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PORTFOLIO COMMITTEE NO. 4

Long-term sustainability of the dairy industry in New South Wales

Report 48

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4



Portfolio Committee No. 4 - Industry

Long-term sustainability of the dairy industry in New South Wales

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Terms of reference

That, from 10 August 2020, Portfolio Committee No. 4 - Industry inquire into and report on the sustainability of the dairy industry and the role of the Department of Primary Industries and other government agencies in supporting the industry, and in particular:

- (a) the nature of, and relationship within, the value chain between farmers, processors, logistics companies and retailers and their respective influence on price,
- (b) the impact of external influences on the dairy industry, including but not limited to drought, water, energy and price-setting,
- (c) the impact of previous policies, in particular, the deregulation of the dairy industry,
- (d) the role of government in addressing key economic challenges to the industry,
- (e) the appointment, operation and effectiveness of the NSW Government's Fresh Milk and Dairy Advocate, and the Dairy Industry Advisory Panel,
- (f) the operation, effectiveness and outcomes arising from the Commonwealth Government's Mandatory Dairy Code of Conduct, including whether additional protections, legislation or regulation are required in New South Wales to better support dairy farmers, and
- (g) any other related matters.

The terms of reference were self-referred by the committee on 3 December 2019.¹

¹ *Minutes*, NSW Legislative Council, 25 February 2020, p 782.

Committee details

Committee members

Hon Mark Banasiak MLC	Shooters, Fishers and Farmers Party	<i>Chair</i>
Hon Emma Hurst MLC	Animal Justice Party	<i>Deputy Chair</i>
Hon Lou Amato MLC	Liberal Party	
Hon Catherine Cusack MLC	Liberal Party	
Hon Sam Farraway MLC	The Nationals	
Hon Peter Primrose MLC	Australian Labor Party	
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Chair's foreword

The sustainability of the dairy industry in New South Wales, and in fact Australia wide, is of great concern. As we have heard in this inquiry, there are a number of factors that are impacting on the viability and profitability of dairy farming, including the drought and recent bushfires, as well as market and pricing issues. Despite more favourable seasonal conditions over recent months, we are still losing our local, family run dairy farms at a concerning rate and it is difficult for new dairy farmers to enter the industry.

This is the second inquiry conducted by a New South Wales Legislative Council committee into the sustainability of the dairy industry. Many of the concerns raised by stakeholders in the first inquiry conducted in 2018, are much the same in this inquiry, begging the question as to whether recent government actions are making enough of an impact on the viability of the dairy industry.

This report makes a number of recommendations to support the dairy industry in New South Wales. Firstly, since the previous inquiry the Commonwealth Government has implemented the Dairy Industry Code of Conduct. While the code is still in its early days, our impression from the evidence is cautiously positive. This report makes a number of recommendations aimed at further refining the operation of the Dairy Code, including requiring all retailers involved in the dairy milk supply chain to be regulated under the Dairy Code, and including a code of conduct for collective bargaining within the Dairy Code. I believe these actions will enhance the aims of the Dairy Code in bringing about positive and fair negotiations between farmers, milk processors and retailers.

The price of milk, as set by supermarket retailers and by processors at the farmgate, play a significant role in the profitability of dairy farming, despite the findings of the Australian Competition and Consumer Commission. It is an issue that is continually raised by dairy farmers and one that needs closer consideration. This report therefore recommends that other measures such as a dairy floor price and Milk to Feed Price Ratio, as well as the extension of the levy on \$1 per litre milk, should be investigated to improve the dairy milk pricing environment.

It is crucial to the sustainability of the industry that the NSW Government support new dairy farmers entering the dairy farming business. In this regard, the report recommends a dedicated unit be established to do just that, and that additional funding be given for dairy specific traineeships, subsidised university degrees and TAFE programs. Likewise, it is important that dairy farmers be supported in transitioning out of the industry, if they so choose, and in this regard the report recommends that the government consider a government supported transition program.

This report also recommends that the Dairy Advocate urgently finalise and publish the final Dairy Industry Action Plan, so that the initiatives under this plan can get underway to support the industry, and that the NSW Government expedite its work to review and update the *Prevention of Cruelty to Animals Act 1979*.

Finally, many of the actions needed across the dairy industry will need to be led at a national level. However, we strongly encourage the NSW Fresh Milk and Dairy Advocate and the NSW Government to work closely with the Australian Government to bring the changes needed to the industry to fruition. The dairy industry in New South Wales can be sustainable in the long-term, with support and commitment from government and industry stakeholders.

I would like to thank my fellow committee members for their participation in this inquiry. I also thank all stakeholders for providing valuable evidence and assistance to the committee. Finally, I thank the secretariat for their professional support.

I commend this report to the House.

A handwritten signature in black ink, appearing to read 'M Banasiak', written in a cursive style.

The Hon Mark Banasiak MLC
Committee Chair

Recommendations

- Recommendation 1** **40**
 That the NSW Fresh Milk and Dairy Advocate and the Minister for Regional New South Wales, Industry and Trade, urge the Australian Government to require all retailers involved in the dairy milk supply chain to be regulated under the Dairy Industry Code of Conduct.
- Recommendation 2** **40**
 That the NSW Fresh Milk and Dairy Advocate and the Minister for Regional New South Wales, Industry and Trade, urge the Australian Government to develop an effective collective bargaining platform for dairy farmers and include an appropriate code of conduct for collective bargaining within the Dairy Industry Code of Conduct.
- Recommendation 3** **41**
 That the NSW Fresh Milk and Dairy Advocate and the NSW Department of Primary Industries:
- investigate the appropriateness of measures such as a dairy floor price and Milk to Feed Price Ratio, as well as the extension of the levy on \$1 per litre milk, to improve the dairy milk pricing environment
 - advocate for the Australian Government to implement any such measures should they be of benefit to the dairy industry.
- Recommendation 4** **42**
 That the NSW Government expedite its work to review and update the *Prevention of Cruelty to Animals Act 1979*.
- Recommendation 5** **42**
 That the NSW Government undertake preliminary work to understand the costs, demand and practicalities for developing a government supported transition program for dairy farmers wanting to transition out of the industry.
- Recommendation 6** **42**
 That the NSW Department of Primary Industries establish a dedicated unit to provide advice and support to new dairy farmers entering the industry.
- Recommendation 7** **43**
 That the NSW Government:
- allocate additional funding for dairy specific traineeships, subsidised university degrees and TAFE programs
 - partner with the dairy industry to deliver these programs and to ensure dairy specific education programs are fit for purpose.
- Recommendation 8** **43**
 That the NSW Fresh Milk and Dairy Advocate as a priority finalise and publish the final Dairy Industry Action Plan.

Conduct of inquiry

The terms of reference for the inquiry were self-referred by the committee on 3 December 2019.

The committee received 81 submissions and 1 supplementary submission.

The committee held two public hearings at Parliament House in Sydney.

Inquiry related documents are available on the committee's website, including submissions, hearing transcripts, tabled documents and answers to questions on notice.

Chapter 1 Overview

This report provides an update on the long-term sustainability of the dairy industry in New South Wales since the Legislative Council's Portfolio Committee No. 5 – Industry and Transport considered the sustainability of the industry in 2018. The report begins in this chapter with an overview of the findings and recommendations from the 2018 inquiry and then outlines the key developments and initiatives established since that time to support the industry. It then provides a current snapshot of the New South Wales dairy industry. The committee does not go into detail in this report regarding the dairy value chain in New South Wales or the makeup of the domestic and international dairy market, as this was explored in detail in chapter 1 of the 2018 report.

Previous inquiry into the New South Wales dairy industry

- 1.1** In 2018, the Legislative Council's Portfolio Committee No. 5 – Industry and Transport, conducted an inquiry into the sustainability of the dairy industry and the role of the Department of Primary Industries and other government agencies in supporting the industry (hereafter, the 2018 inquiry). The committee received 25 submissions from key industry groups and held four public hearings; two in Sydney and one each in Moss Vale and Taree. The committee also conducted a site visit to a dairy farm in the Upper Lansdowne area.²
- 1.2** The committee tabled its report in December 2018, and found that:
- a retail price of \$1 per litre for drinking milk has removed considerable value from the value chain and has contributed to the financial pressure on New South Wales dairy farmers
 - there is a power imbalance between New South Wales dairy farmers and processors that impacts significantly on the viability of dairy farming businesses
 - analysis done as part of the Dairy Farm Monitor Project, shows that 2017-18 was the worst year for net farm income in New South Wales since 2011-12
 - the farmgate price for raw milk currently being paid to New South Wales dairy framers is inadequate to cover their cost of production and allow for a reasonable profit margin, irrespective of drought conditions.³
- 1.3** The committee also made 10 recommendations to the NSW Government, the majority of which called for action as a matter of urgency. Most notably, the committee recommended that the NSW Government:
- implement measures to improve dairy farmers' ability to negotiate a fair price for their milk supply
 - implement an assistance package, in addition to any existing drought measures, to provide financial support to New South Wales dairy farmers

² Portfolio Committee No. 5 – Industry and Transport, NSW Legislative Council, *Sustainability of the dairy industry in New South Wales*, p v.

³ Portfolio Committee No. 5 – Industry and Transport, NSW Legislative Council, *Sustainability of the dairy industry in New South Wales*, p viii.

- work with the Commonwealth and industry bodies to implement the mandatory Dairy Industry Code of Conduct
- update the 2016 NSW Dairy Industry Strategic Action Plan, in consultation with dairy farmers and industry representatives
- establish and fund an independent NSW Commissioner for Dairy.⁴

1.4 In its response to the report, received in February 2019, the NSW Government supported in principle most of the recommendations made by the committee. In particular, the NSW Government committed to:

- convening a roundtable meeting with industry and retailers to discuss options relating to levies or charges that would benefit the New South Wales dairy industry without creating market distortion
- working with the Commonwealth and industry to implement the mandatory Dairy Industry Code of Conduct once approved by the Commonwealth Parliament
- increasing dairy farmers' awareness of the existing measures in New South Wales that allow and facilitate collective bargaining with processors for their milk supply
- contributing to the development of the national Australian Dairy Plan, which was due to be finalised in 2019, and aligning the NSW Dairy Industry Strategic Action Plan with this national plan
- raising the matter of an independent NSW Commissioner for Dairy at the national level through the Agricultural Ministers Forum to ensure a national approach
- promoting the Farm Innovation Fund to assist dairy farmers with drought preparedness.⁵

1.5 The NSW Government also noted in its response to the committee's report its continued efforts in alleviating financial pressures on farmers through the Emergency Drought Relief Package, in providing independent advice directly to farmers, including the outcomes of research and development programs, and in adopting a collaborative co-investment model to work with industry and partners for research and development programs.⁶

Key developments and initiatives since the 2018 inquiry

1.6 A number of key initiatives have been established since the 2018 inquiry to support the New South Wales dairy industry, including the appointment of the NSW Fresh Milk and Dairy Advocate (hereafter, the Dairy Advocate) and the Dairy Industry Advisory Panel, the implementation of the national Dairy Industry Code of Conduct (hereafter, the Dairy Code),

⁴ Portfolio Committee No. 5 – Industry and Transport, NSW Legislative Council, *Sustainability of the dairy industry in New South Wales*, pp viii-ix.

⁵ Correspondence from the Hon Niall Blair MLC, Minister for Primary Industries, Regional Water and Trade and Industry, to the Clerk of the Parliaments, providing government response to the inquiry into the sustainability of the dairy industry in New South Wales, 22 February 2019.

⁶ Correspondence from the Hon Niall Blair MLC, Minister for Primary Industries, Regional Water and Trade and Industry, to the Clerk of the Parliaments, providing government response to the inquiry into the sustainability of the dairy industry in New South Wales, 22 February 2019.

and development of the draft NSW Dairy Industry Action Plan. In addition, a recent Senate committee report has considered the performance of the Australian dairy industry. These developments are considered in turn below.

NSW Fresh Milk and Dairy Advocate

1.7 In September 2019, Mr Ian Zandstra was appointed as the Dairy Advocate, in response to requests from the New South Wales dairy industry for such a role to be established.⁷ The Dairy Advocate's role is to gather industry input and feedback on the delivery of key NSW Government initiatives to support the dairy industry. The Dairy Advocate is also responsible for:

- collaborating and supporting the NSW Agriculture Commissioner and Australian Competition and Consumer Commission Dairy Specialist to bring processors, retailers and farmers together to discuss issues affecting the industry, and explore possible solutions
- acting as the Chair of the NSW Dairy Industry Advisory Panel, to develop a NSW Dairy Industry Action Plan with recommendations for industry and government
- supporting implementation of the mandatory Dairy Code and evaluating its effectiveness
- gathering information regarding dairy related matters and their impacts on New South Wales industry participants to inform decision making
- representing the NSW Government at industry, regional and community meetings to provide information and identify issues to inform decision making.⁸

1.8 The NSW Government advised that since Mr Zandstra was appointed to the role he has undertaken a number of actions:

Following his appointment, the Advocate has regularly met with dairy farmers and industry stakeholders, assisted in recruiting for a key position within the NSW DPI [Department of Primary Industries] Dairy Business Advisory Unit, joined the ACCC's Dairy Industry Consultative Committee and provided advice and assistance regarding bushfire recovery in the NSW dairy industry. He has also met with the Minister for Agriculture and Western New South Wales and the Parliamentary Secretary for Agriculture on numerous occasions.⁹

1.9 The NSW Government also advised that Mr Zandstra and the NSW Dairy Industry Advisory Panel are currently developing a draft action plan for the dairy industry in New South Wales, which is expected to recommend actions to underpin a successful future for the industry.¹⁰ The action plan is discussed further below.

1.10 Stakeholder's views on the independence of the Dairy Advocate are discussed in chapter 2.

⁷ Submission 69, NSW Government, p 12.

⁸ Answers to questions on notice, NSW Department of Primary Industries, 5 March 2021, p 1.

⁹ Submission 69, NSW Government, p 13.

¹⁰ Submission 69, NSW Government, p 13.

NSW Dairy Industry Advisory Panel

- 1.11** In November 2019, following an expression of interest and selection process, members of the NSW Dairy Industry Advisory Panel were appointed. The panel represents a cross-section of the supply chain and geographical extent of the New South Wales dairy industry, including representatives from dairy farmers and processors, industry service providers, researchers and peak bodies.¹¹
- 1.12** The NSW Dairy Industry Advisory Panel is an independent panel that provides advice to the Dairy Advocate on developing a NSW Dairy Industry Action Plan and NSW Dairy Research and Development Investment Plan, and on the implementation and evaluation of the Dairy Code in New South Wales.¹²
- 1.13** The NSW Dairy Industry Advisory Panel has met every month since January 2020 to identify key issues to be addressed in the NSW Dairy Industry Action Plan, including key research and development priorities. The panel has also discussed ongoing bushfire recovery efforts and seasonal conditions affecting dairy across the state.¹³

Dairy Industry Code of Conduct

- 1.14** The Australian Government's Dairy Code came into effect on 1 January 2020. The Dairy Code is a mandatory industry code regulating the conduct of dairy farmers and milk processors in their dealings with one another. It aims to improve the clarity and transparency of these supply chain relationships by:
- establishing an obligation on dairy farmers and processors to act in good faith
 - outlining a set of minimum disclosure requirements and protections that must be included in all milk supply agreements regulated by the Dairy Code, including specifying a minimum price paid for milk
 - providing a right to certain dispute resolution processes, including mediation.¹⁴
- 1.15** All milk supply agreements created, varied or renewed after the 1 January 2020 are subject to the Dairy Code and it applies to all dealings between a dairy farmer and any corporation that purchases milk directly from them, including supermarkets, milk brokers, and co-operatives. The Dairy Code may also apply to collective bargaining arrangements in some circumstances.¹⁵
- 1.16** Under the Dairy Code, processors must publish for the next financial year the standard forms of milk supply agreements and reports on disputes on their website before 2.00 pm on 1 June

¹¹ Submission 69, NSW Government, p 12.

¹² NSW Department of Primary Industries, *NSW Fresh Milk and Dairy Advocate*, <<https://www.dpi.nsw.gov.au/animals-and-livestock/dairy/advocate>>

¹³ Submission 69, NSW Government, p 13; NSW Department of Primary Industries, *NSW Fresh Milk and Dairy Advocate*, <<https://www.dpi.nsw.gov.au/animals-and-livestock/dairy/advocate>>

¹⁴ Submission 69, NSW Government, p 13; Australian Competition and Consumer Commission, *Dairy Code of Conduct*, <<https://www.accc.gov.au/business/industry-codes/dairy-code-of-conduct>>

¹⁵ Australian Competition and Consumer Commission, *Dairy Code of Conduct*, <<https://www.accc.gov.au/business/industry-codes/dairy-code-of-conduct>>

each year. Processors must also ensure that their milk supply agreements are a single document, written in plain English, or include a plain English overview.¹⁶

- 1.17** The ACCC is responsible for investigating alleged breaches of the Dairy Code. The Code contains a number of penalty provisions, including court action, financial penalties and infringement notices.¹⁷
- 1.18** The NSW Government indicated that early evidence suggests that the Dairy Code is leading to improved transparency in pricing. It also advised that a review of the impact and operation of the Dairy Code will be undertaken in both 2021 and 2023.¹⁸
- 1.19** Further to this, in August 2020 the ACCC conducted an inquiry into markets for the supply of perishable agricultural goods. As part of this inquiry, the ACCC examined the existence and nature of bargaining power imbalances, and whether they cause market failure or result in harm in relation to perishable agricultural goods, including dairy products. It also reviewed the introduction of the Dairy Code, concluding that this 'has brought positive change to the industry', with an increase in transparency of prices and contracting arrangements. The ACCC also advised that the Dairy Code has reduced barriers to dairy farmers switching between processors and is encouraging competition. However, the ACCC noted that the effectiveness of the Dairy Code will become fully known once the industry has adjusted to the new regulatory arrangements.¹⁹
- 1.20** Feedback on the implementation of the Dairy Code is discussed further in chapter 2.

NSW Dairy Industry Action Plan

- 1.21** As mentioned earlier, one of the responsibilities of the Dairy Advocate, in collaboration with members of the NSW Dairy Industry Advisory Panel, is to develop a NSW Dairy Industry Action Plan.
- 1.22** As at the time of writing, a draft of the NSW Dairy Industry Action Plan had been developed and had been released for public consultation, with feedback closing on 24 December 2020.²⁰
- 1.23** The draft NSW Dairy Industry Action Plan aimed to set the foundations for a successful and profitable future for the dairy industry in New South Wales. It identified 29 recommended actions for government and industry organisations across four key themes, namely:

¹⁶ Australian Competition and Consumer Commission, *Dairy Code of Conduct*, <<https://www.accc.gov.au/business/industry-codes/dairy-code-of-conduct>>

¹⁷ Australian Competition and Consumer Commission, *Dairy Code of Conduct*, <<https://www.accc.gov.au/business/industry-codes/dairy-code-of-conduct>>

¹⁸ Submission 69, NSW Government, p 13.

¹⁹ Australian Competition and Consumer Commission, *Perishable agricultural goods inquiry* (November 2020), p xii.

²⁰ NSW Department of Primary Industries, *NSW Fresh Milk and Dairy Advocate*, <<https://www.dpi.nsw.gov.au/animals-and-livestock/dairy/advocate>>

- facilitating improvements in productivity and industry profitability through a collaborative approach to, and increased investment in, dairy research, development and extension that is tailored to New South Wales
- renewing producer confidence in the New South Wales dairy industry, to increase supply chain collaboration, transparency and profitability, while maintaining community trust and support
- improving profitability in an evolving market and changing climate by enhancing farmer, employee and service provider skills, improving capacity to plan and manage dairy businesses, and increasing ability to manage risks
- supporting investment in future growth and profitability by providing support for tomorrow's farmers, taking a targeted approach to critical infrastructure, and addressing regulatory constraints or uncertainties.²¹

1.24 Attached as an appendix to the draft plan is a Situation Analysis of the New South Wales dairy industry. It provides an industry profile and analysis of the 2020 New South Wales dairy market to inform the NSW Dairy Industry Action Plan. It included examination of a range of key dairy parameters and trends, including supply and demand, farm and herd dynamics, and the supply chain, and also explored a range of industry influences such as farmgate and retail price, imports and exports, and farm and processor financial performance.²²

1.25 Closely aligned to the NSW Dairy Industry Action Plan is the Australian Dairy Plan, which was released in September 2020. The Australian Dairy Plan is a new industry-led plan aimed at delivering increased profitability, confidence and unity across the industry. The NSW Dairy Industry Action Plan, although independent of the Australian Dairy Plan, will complement the national plan to drive greater benefit from their recommendations and actions and avoid duplication.²³

2021 Senate inquiry

1.26 At a Commonwealth level, the Senate's Rural and Regional Affairs and Transport References Committee undertook an inquiry into the performance of Australia's dairy industry and the profitability of Australian dairy farmers since deregulation in 2000. The committee tabled its report in March 2021 and made 14 recommendations. Most notably it recommended that:

- Dairy Australia increase its research, development and extension activities into tropical and subtropical dairy regions
- the Food and Grocery Code of Conduct be made mandatory under the *Competition and Consumer Act 2010* (Cth)

²¹ NSW Fresh Milk and Dairy Advocate, *Draft NSW Dairy Industry Action Plan* (October 2020), p 5.

²² NSW Department of Primary Industries, *The NSW Dairy Industry, Situation Analysis* (October 2020), p 6.

²³ Dairy Plan and Dairy Reform, *Australian Dairy Plan* (2020), <<https://www.dairyplan.com.au/>>; NSW Fresh Milk and Dairy Advocate, *Draft NSW Dairy Industry Action Plan* (October 2020), p 2.

- the government investigate price discrepancies between exclusive and non-exclusive milk supply contracts, processors circumventing collective bargaining groups, and the fairness of pricing for multiyear contracts
- the government maintain a single authoritative measure of the cost of production of milk for the eight regional milk districts
- the ACCC be tasked with investigating a mandatory minimum farmgate price for milk in each dairy region
- the government consult with industry stakeholders to investigate a retail sales levy that would increase returns to dairy farmers.²⁴

1.27 This committee has considered very similar issues as did the Senate committee in its report, and these are discussed in reference to New South Wales dairy farmers in chapter 2.

Market snapshot of the New South Wales dairy industry

1.28 The NSW Government provided the committee with an update on the conditions of the dairy industry in New South Wales since the 2018 inquiry.

1.29 In its submission to this inquiry, received in October 2020, the NSW Government advised that since the 2018 inquiry, 'difficult trading conditions have persisted for many dairy farmers even as seasonal conditions have begun to improve in a number of dairy regions across the state'. It indicated that the dairy industry has continued to face challenges as a result of prolonged drought conditions, leading to a 'reduced quantity of raw milk being produced in NSW than in previous years'. The NSW Government also advised that this reduced supply of milk has 'contributed to an increase in farmgate price', noting however that 'this has not necessarily translated to improved industry profitability, with increased input costs eroding farmer margins'.²⁵

1.30 In terms of external factors impacting on the industry, the NSW Government advised that these are similar to those considered in the 2018 inquiry:

The external factors affecting the NSW dairy industry remain similar to those outlined in the NSW Government's submission to the previous inquiry. Global prices and local supply levels – influenced by climatic conditions – continue to be the main drivers of farmgate prices.²⁶

1.31 The NSW Government also provided a snapshot of the current production statistics and trends for the dairy industry in New South Wales, as at 2 October 2020. Of particular note are the statistics detailed below.

²⁴ Rural and Regional Affairs and Transport References Committee, The Senate, *Performance of Australia's dairy industry and the profitability of Australian dairy farmers since deregulation in 2000* (March 2021), pp vii–viii.

²⁵ Submission 69, NSW Government, p 2.

²⁶ Submission 69, NSW Government, p 2.

- In 2019-20, New South Wales milk production was just under 1.05 billion litres. This was a reduction of approximately 3.6 per cent on 2018-19 levels, attributed to worsening drought conditions over the year.
- Analysis of the data collected during the NSW Dairy Farm Monitor Project reveals that 2018-19 was the worst year for farm business profit since the start of the project in 2011-12.
- In 2018-19, the proportion of New South Wales raw milk used for domestic consumption was just over 80 per cent, and the proportion exported just under 20 per cent.
- Over the past decade, the number of registered dairy farms has declined by 32 per cent, with the largest year-on-year decline occurring between 2017-18 and 2018-19. This has been consistent with broader trends in global agriculture.
- Average herd sizes have increased to significantly offset the reduction in the number of dairy farms. In 2018-19, the average herd size in New South Wales was 283 cows, up 35 per cent from 2009-10.
- The average farmgate price of milk in New South Wales in 2018-19 was 54.7 cents per litre. This was an increase on 2017-18 prices.
- The average price for regular drinking milk sold by supermarkets in Australia was approximately \$1.40 per litre in 2018-19.²⁷
- Drought conditions have led to an overall decline in raw milk production, with the volume of raw milk produced between 2017-18 and 2018-19 declining from pre-drought levels.
- The declining supply of raw milk due to drought has increased competition between processors, leading to an increase in farmgate prices, and an eventual rise in retail prices. However, this has not translated to improved profitability for all dairy farms, with the impact of drought conditions increasing input costs.²⁸

1.32 At the committee's hearing held in February 2021, the NSW Government provided a more positive outlook for the New South Wales dairy industry.

1.33 Mr Scott Hansen, Director General, NSW Department of Primary Industries, reflected on 2018 and particularly the industry's rapidly escalating input costs at that time, impacting on profitability. He indicated that from 2018 into 2019 'things only got worse'. However, Mr Hansen told the committee that over the course of 2020 'we have seen seasonal conditions improve, which, in response to that we have seen production start to improve, and we have seen the value of livestock significantly improve'.²⁹

1.34 Further, Mr Hansen said that even since the committee's first hearing held in November 2020, seasonal conditions have improved, both in terms of pricing and production volumes.³⁰ Mr

²⁷ This figure does not include milk sold through other (higher price) sales channels and was collected prior to the round of retail price increases announced by supermarkets in July 2019. Submission 69, NSW Government, p 8.

²⁸ Submission 69, NSW Government, pp 3-10.

²⁹ Evidence, Mr Scott Hansen, Director General, NSW Department of Primary Industries, 3 February 2021, pp 2-3.

³⁰ Evidence, Mr Hansen, 3 February 2021, p 3.

Zandstra, the Dairy Advocate, also suggested that the industry is on a good trajectory and dairy farmers are feeling more positive:

We had some very tough years of performance for those two or three years. We are bouncing back now very much so in terms of farming. Prices have picked up, homegrown feed is available, we are getting good seasons and fodder is readily available and grain has not come back a lot yet, but the terms of trade in that sense are very favourable and farmers are positive. So it is a good sign. Too much of a test one might say; farmers did leave. We cannot expect things to be perfectly stable in any business all the time but the farmers have got through it and the mood is very positive.³¹

³¹ Evidence, Mr Ian Zandstra, NSW Fresh Milk and Dairy Advocate, 3 February 2021, p 3.

Chapter 2 Key issues

This chapter considers the key issues impacting the long-term sustainability of the dairy industry in New South Wales. In particular, it outlines the views of stakeholders on the effectiveness of the NSW Fresh Milk and Dairy Advocate and the national Dairy Industry Code of Conduct. It then considers current market and pricing issues affecting the dairy industry and the impacts of drought and the recent bushfires on dairy farming. It then explores animal welfare and environmental concerns. Finally, the chapter turns to the future of dairy farming in New South Wales and the role government can play in supporting the industry.

Effectiveness of the NSW Fresh Milk and Dairy Advocate role

- 2.1** During the Legislative Council's 2018 inquiry into the sustainability of the dairy industry in New South Wales (hereafter, 2018 inquiry) industry stakeholders called for an independent advocate to represent the dairy industry. In addressing these calls, the committee recommended that the NSW Government immediately establish and fund an independent NSW Commissioner for Dairy.³² As noted in chapter 1, the NSW Fresh Milk and Dairy Advocate (hereafter, Dairy Advocate) role was established and Mr Ian Zandstra was appointed to the role in September 2019.³³
- 2.2** A number of stakeholders to this inquiry reflected on the role of the Dairy Advocate since the appointment. They advised this committee that they support the role of the Dairy Advocate, however concerns were raised about the independence of the role and clarity of its mandate.
- 2.3** Mr Shaughn Morgan, Chief Executive Officer, Dairy Connect, stated that the current position was not what they had been advocating for, which was that the role be independent of government, have its own budget, have the ability to bring together the value chain and be able to look at issues as a whole, and put forward solutions to these issues. He said that currently it is more of an advisory committee role and that 'it is vitally necessary that there is someone or some entity that is able to provide independent advice to government based upon their recollections and information that they obtain from those within the dairy value chain'.³⁴
- 2.4** Mr Graham Forbes, Farmers' Group President, Dairy Connect, was also of the view that the Dairy Advocate is not fully independent and called for the role to be created as a statutory position with its own budget:

The NSW Fresh Milk and Dairy Advocate has not achieved the lofty aims that we had hoped for, advocated for and lobbied for. It needs to be independent of Government and should be a statutory position with its own secretariat, and not merely a business unit. A budget needs to be allocated to the role to undertake its task. It needs to bring together the value chain to achieve cultural change.³⁵

³² Portfolio Committee No. 5 – Industry and Transport, NSW Legislative Council, *Sustainability of the dairy industry in New South Wales*, pp 54-55.

³³ Submission 69, NSW Government, p 12.

³⁴ Evidence, Mr Shaughn Morgan, Chief Executive Officer, Dairy Connect, 4 November 2020, p 3.

³⁵ Evidence, Mr Graham Forbes, Farmers' Group President, Dairy Connect, 4 November 2020, p 2.

- 2.5** Likewise, Mr James Neal, Chairperson, Dairy NSW, also agreed that the Dairy Advocate role could be made more independent, if possible.³⁶
- 2.6** Another issue raised by stakeholders was clarity around the role of the Dairy Advocate. Mr Colin Thompson, Chair of the NSW Farmers Dairy Committee, supported the role but suggested that the position needed to be more clearly defined. He said that 'there are many parts of the industry that do not fully understand the role of the advocate' and that government should ensure that industry understands its mandate.³⁷
- 2.7** NSW Farmers went on to suggest that a formal engagement plan be created to 'enhance the flow of issues and information, and provide more defined focus as to the needs of industry'. It also noted that 'this engagement plan would also address communication strategies and ensure resources from the department support outreach to industry'. NSW Farmers welcomed the opportunity to work with the Dairy Advocate on such a plan, commenting 'there is great benefit in this being a collaborative activity, delivering a consistent message to industry'.³⁸
- 2.8** When questioned on the independence of the Dairy Advocate role, Mr Ian Zandstra, the Dairy Advocate, indicated that he is independent by nature and does not think he has been hindered in any way in undertaking his role under the current structure. He said that the alternative would be to set up a statutory body with relevant powers, however he was of the view that this would duplicate the role of the Australian Competition and Consumer Commission (hereafter, ACCC) and did not support this:
- The alternative is a further structure than just the word independence, and that is a statutory body most strongly funded with certain powers to call processors in the room and name and shame, and all those things. That is just not on. The ACCC is like that. They have got a very dedicated role in competition and consumer interests, one might say, but a statutory funding of industry for us. No, I am not one for that.³⁹
- 2.9** Further, Mr Scott Hansen, Director General, NSW Department of Primary Industries, said that 'the term independent was really interpreted as meaning it could not be an employee of the department', clarifying that Mr Zandstra is a contractor. Mr Hansen added that Mr Zandstra 'has a 37-year track record in the dairy industry, [and] those who know him and have been involved in any of the meetings or forums know he takes a very independent view in terms of bringing his experience in industry to the discussions and helping stakeholders out'.⁴⁰

Dairy Industry Code of Conduct

- 2.10** As mentioned in chapter 1, the Australian Government's Dairy Industry Code of Conduct (hereafter, the Dairy Code) came into effect on 1 January 2020. The Dairy Code brings about a

³⁶ Evidence, Mr James Neal, Chairperson, Dairy NSW, 4 November 2020, p 28.

³⁷ Evidence, Mr Colin Thompson, Chair of the NSW Farmers Dairy Committee, 4 November 2020, p 20.

³⁸ Submission 79, NSW Farmers, p 24.

³⁹ Evidence, Mr Ian Zandstra, NSW Fresh Milk and Dairy Advocate, 3 February 2021, pp 5-6.

⁴⁰ Evidence, Mr Scott Hansen, Director General, NSW Department of Primary Industries, 3 February 2021, p 6.

number of changes to the dairy industry with the aim of improving clarity and transparency of the supply chain relationships.⁴¹

- 2.11** Stakeholders were positive about the implementation of the Dairy Code, however highlighted a number of areas of the code that could be further refined, including in relation to retailers being included under the code, minimum pricing, ensuring that multiyear pricing agreements can be offered, and effective enforcement of the Dairy Code by the ACCC. Stakeholders views on these issues are discussed in this section in turn.

Exclusion of retailers

- 2.12** Currently, the Dairy Code only applies to retailers, such as supermarkets, if they purchase milk directly from farmers.⁴² Stakeholders were concerned that because retailers predominantly purchase milk from processors rather than from farmers, they are not obligated to adhere to the Dairy Code, despite playing a key role in milk pricing.
- 2.13** NSW Farmers expressed its disappointment that the retail sector is effectively excluded from the remit of the Dairy Code. It indicated that this is the 'greatest weakness' of the Dairy Code, given that the greatest impact on the profitability of New South Wales dairy farmers 'remains the detrimental pricing behaviours of the retail sector'.⁴³
- 2.14** NSW Farmers went on to explain that the decision by retailers to introduce \$1 per litre milk in 2011 (discussed further from paragraph 2.51) has impacted the price of milk for over eight consecutive years, and ultimately it is dairy farmers most significantly impacted by this decline in profitability. It said that retailers 'have continually ignored pleas from industry for an increase in price' and that the 'omission of the retail sector from the Dairy Code has made it an ineffective instrument to offer farmers the protection they need from the irrational pricing practices of the major supermarkets'.⁴⁴
- 2.15** Given this, NSW Farmers called for the retail sector to be brought under the Dairy Code 'to ensure both farmers and processors protections within the dairy supply chain'. It commented that 'this will be key to ensuring the long-term sustainability of the Australian dairy industry, driving profitability back into all levels of the supply chain'.⁴⁵
- 2.16** Dairy Connect also recommended that consideration be given to extending the Dairy Code to the relationship between retailers and processors. Dairy Connect said that this would ensure that 'the entire supply chain could be overseen, reviewed and supervised by an independent overseer/regulator, being the ACCC'.⁴⁶

⁴¹ Submission 69, NSW Government, p 13.

⁴² Australian Competition and Consumer Commission, *Application of the Dairy Code and exemptions*, <<https://www.accc.gov.au/business/industry-codes/dairy-code-of-conduct/application-of-the-dairy-code-and-exemptions>>

⁴³ Submission 79, NSW Farmers, p 26.

⁴⁴ Submission 79, NSW Farmers, p 26.

⁴⁵ Submission 79, NSW Farmers, p 27.

⁴⁶ Submission 78, Dairy Connect Limited, p 5.

- 2.17** When asked if it is intended that retailers will eventually be included under the Dairy Code, Mr Marcus Bezzi, Executive General Manger, Specialised Enforcement and Advocacy, ACCC, advised that any supermarket with a direct relationship with a farmer is already covered under the Dairy Code and that they are particularly focused on the Food and Grocery Code being made mandatory for supermarkets. Mr Bezzi explained that currently the Food and Grocery Code is a voluntary code, commenting that 'it really does not have the sort of robust sanctions framework that we think is appropriate'.⁴⁷

Minimum pricing

- 2.18** Under the Dairy Code, the minimum price, which is the lowest price payable under an agreement for milk supplied during a period, is to be specified by processors for all milk supply agreements, including milk supply agreements entered into between co-operatives and co-operative members.⁴⁸ These milk supply agreements, detailing the minimum price, are then published by processors before 2.00 pm on 1 June each year.⁴⁹
- 2.19** Stakeholders highlighted that the intention of the Dairy Code was not to set a farmgate price, but to improve the relationship between farmers and processors.
- 2.20** Mr Morgan told the committee that it was never the intention of the Dairy Code to set a farmgate price as it is a free market and one in which negotiations still need to occur between the dairy farmer and processor. He stated that 'in some instances the price that is being paid at the current time is fair, in other instances it still is not above the cost of production' (discussed further from paragraph 2.64).⁵⁰
- 2.21** Likewise, Mr Thompson told the committee that the aim of the Dairy Code was not to address issues around pricing but improve the relationship between the farmer and processor when negotiating price:

The code was never about improving the price; it was about improving the contractual arrangements between the processor and the farmer. We are not really aware of any major issues that there have been in New South Wales that farmers are concerned about. It is still up to the farmers and the processors to negotiate the best price and the code is helping.⁵¹

- 2.22** Other stakeholders highlighted that despite the publication of minimum pricing, farmers still found it difficult to compare prices between processors.

⁴⁷ Evidence, Mr Marcus Bezzi, Executive General Manger, Specialised Enforcement and Advocacy, Australian Competition and Consumer Commission, 3 February 2021, p 19.

⁴⁸ Australian Competition and Consumer Commission, *Minimum price under the Dairy Code*, <<https://www.accc.gov.au/business/industry-codes/dairy-code-of-conduct/minimum-price-under-the-dairy-code>>

⁴⁹ Australian Competition and Consumer Commission, *Publishing obligations under the Dairy Code*, <<https://www.accc.gov.au/business/industry-codes/dairy-code-of-conduct/publishing-obligations-under-the-dairy-code>>

⁵⁰ Evidence, Mr Morgan, 4 November 2020, p 5.

⁵¹ Evidence, Mr Thompson, 4 November 2020, p 21.

- 2.23** NSW Farmers advised that the requirement to publish minimum pricing under the Dairy Code has largely been praised by dairy farmers 'as it affords them the opportunity to compare prices offered between various processors'. However, NSW Farmers said that it still remains difficult for farmers to accurately compare the prices on offer, as processors are only required to post their minimum prices online, and are not required to provide inclusions and exclusions that differ among processors.⁵²
- 2.24** NSW Farmers explained that the difficulty is that processors have 'a range of quality parameters such as Bulk Milk Cell Count, fat and protein that impact the final price'. NSW Farmers therefore recommended that 'the terms of the Code be amended to require processors to post their full pricing structure online on 1 June annually, to deliver full transparency and the ability to compare contract price terms between processors accurately'.⁵³
- 2.25** Along similar lines, the Dairy Farmers Milk Co-operative said that although the Dairy Code 'has improved the visibility and transparency of (minimum) farm-gate milk pricing it is still difficult for individual dairy farmers to accurately interpret how their particular production characteristics will fare under the pricing and terms of another processor'. It also indicated that individual farmers are unlikely to have the resources to 'seriously challenge the processor's price or terms and conditions'.⁵⁴
- 2.26** In this regard, Mr Tony Burnett, Northern Regional Manager, Dairy Farmers Milk Co-operative, suggested that 'the current practice of minimum price announcements within the mandatory code needs to be more closely reflective of what is paid as a weighted average by that processor'.⁵⁵
- 2.27** Ms Gabrielle Ford, General Manager, Advocacy, International and Agriculture Branch, ACCC, highlighted that the real benefit in the publishing of minimum prices each year is that it increases transparency and encourages processors to adjust their prices to reflect competition in the market. Ms Ford advised that following the first publication in June 2020, some processors revised their prices upwards, some of which were increased quite significantly.⁵⁶

Multiyear pricing agreements

- 2.28** A related issue raised by the Dairy Farmers Milk Co-operative was the decline in multiyear pricing agreements being offered by processors, given under the Dairy Code they are required to publicly provide their minimum pricing for the year ahead.
- 2.29** The Dairy Farmers Milk Co-operative advised that 'an unintended consequence of the implementation of [the] mandatory code of conduct is the reduction of multiyear contracts offered in some regions'. It said that 'a majority of processors appear to have reduced or abolished their commitment to agreements greater than a one-year period', and that there

⁵² Submission 79, NSW Farmers, p 27.

⁵³ Submission 79, NSW Farmers, p 27.

⁵⁴ Submission 74, Dairy Farmers Milk Co-operative Limited, p 2.

⁵⁵ Evidence, Mr Tony Burnett, Northern Regional Manager, Dairy Farmers Milk Co-operative, 4 November 2020, p 11.

⁵⁶ Evidence, Ms Gabrielle Ford, General Manager, Advocacy, International and Agriculture Branch, ACCC, 3 February 2021, p 21.

appears to be confusion 'between a step down falling below the minimum price and a year to year price change due to market conditions'.⁵⁷

- 2.30** Mr Mark Kebbell, Executive Officer, Dairy Farmers Milk Co-operative, further explained that under the Dairy Code any processor offering a multiyear price must offer a minimum price for any of the following years and that this places the processor in a position of relatively high risk, as it is 'inherently complex' to pick an international commodity market years in advance. He said that the Dairy Code does offer the ability to include a pricing mechanism, but that without any 'truly visible and benchmarked mechanisms that you can refer to in the Australian market, that too is difficult'. Mr Kebbell stated that this issue is complex and one that the market has largely avoided addressing to date.⁵⁸

Enforcement of the Dairy Code

- 2.31** As mentioned in chapter 1, the ACCC is responsible for investigating alleged breaches of the Dairy Code. The Dairy Code contains a number of penalty provisions, and not complying with a penalty provision could result in the ACCC taking court action seeking financial penalty for the breach, or issuing an infringement notice.⁵⁹
- 2.32** The ACCC appeared at one of the committee's public hearings and provided evidence on their role in enforcing the requirements under the Dairy Code.
- 2.33** In general terms, Mr Bezzi said that the ACCC had 'a small amount of potential non-compliance that we looked at closely in relation to publication and timely publication', noting that one of the key measures under the Dairy Code is that processors publish their milk supply agreements and minimum pricing at the same time each year to ensure a level playing field. Mr Bezzi also indicated that there have been some issues regarding the requirement to publish disputes, and that this issue is being looked at further.⁶⁰
- 2.34** Other stakeholders reflected on the level of compliance amongst processors with the Dairy Code. For example, Mr Thompson told the committee that there has been some issues around non-compliance with the Dairy Code, but 'generally speaking most processors have tried to comply with the code'.⁶¹ Along similar lines, Mr Zandstra highlighted that the Dairy Code has been a big change for dairy farmers and processors, and although there have been some instances of non-compliance, most have been adhering to the code.⁶²
- 2.35** Overall, Ms Ford highlighted that they have observed positive changes across the industry as a result of the Dairy Code, however it was still too early to give a proper assessment of the

⁵⁷ Submission 74, Dairy Farmers Milk Co-operative Limited, p 8.

⁵⁸ Evidence, Mr Mark Kebbell, Executive Officer, Dairy Farmers Milk Co-operative, 4 November 2020, p 11.

⁵⁹ Australian Competition and Consumer Commission, *Enforcement of the Dairy Code*, <<https://www.accc.gov.au/business/industry-codes/dairy-code-of-conduct/enforcement-of-the-dairy-code>>

⁶⁰ Evidence, Mr Bezzi, 3 February 2021, p 18.

⁶¹ Evidence, Mr Thompson, 4 November 2020, p 21.

⁶² Evidence, Mr Zandstra, 3 February 2021, p 4.

effectiveness of the Dairy Code and whether it has achieved its goal of mitigating power imbalances in the industry.⁶³

- 2.36** In terms of reviewing the effectiveness of the Dairy Code, Mr Bezzi told the committee that the Dairy Code 'is very much a work in progress' and will be subject to at least two reviews by the Commonwealth Department of Agriculture, with the first able to be commenced any time after 1 January 2021. Mr Bezzi commented that 'we very strongly support the idea of a review to just see what has happened and how the code has played out in the market', particularly around how the Dairy Code has changed the purchase of milk and how this has improved the relationship between farmers and processors.⁶⁴

Market and pricing issues

- 2.37** This section begins with concerns relating to the current dairy market, in particular the continuing power imbalance in the milk supply chain between farmers, processors and retailers and the proposal to create a better policy environment to promote collective bargaining arrangements. It then considers the ongoing impacts of generic home brand milk pricing by supermarkets, and the high input costs resulting in dairy farming not being profitable.
- 2.38** Concerns relating to retail milk prices, the farmer and processor power imbalance and the cost of production in milk versus the farmgate price were all raised in the 2018 inquiry. As noted in chapter 1, some of the recommendations from the 2018 inquiry were aimed at addressing these concerns, however, it was evident in this inquiry that these issues are still impacting the dairy industry in New South Wales.

Farmer, processor and retailer relationships

- 2.39** In the 2018 inquiry, the committee found that there was a power imbalance between New South Wales dairy farmers and processors that impacts significantly on the viability of dairy farming businesses. Stakeholders told this committee that the power imbalance in the market supply chain still remains, with the processor and retailer having the upper hand and farmers who are at the beginning of the supply chain losing out.
- 2.40** NSW Farmers explained that there are four distinct relationships in the dairy supply chain: dairy farmer – processor; dairy farmer – retailer; processor – retailer; and retailer – consumer. It said that 'each of these relationships is subject to power imbalances between participants' and that 'by virtue of their position at the beginning of the supply chain, farmers have limited opportunity to resist pressures and risk applied by the processor and retailer'.⁶⁵
- 2.41** NSW Farmers outlined a number of factors that create a clear market power imbalance in the dairy supply chain, including:

⁶³ Evidence, Ms Ford, 3 February 2021, pp 18-19.

⁶⁴ Evidence, Mr Bezzi, 3 February 2021, pp 17 and 22.

⁶⁵ Submission 79, NSW Farmers, p 8.

- the impact of deregulation on the dairy industry, where processors reset their businesses to an open competitive market model, and manufacturing had to adapt to higher costs of milk, alongside retailers engaging in various strategies to drive pricing
- limited competition between processors as the market for the supply of raw milk is geographically restricted by the ability to viably transport milk for processing, with the southern parts of New South Wales having more processors and generating better competition than the central milk pool, which encompasses most of New South Wales
- the control of the end market by only a few retailers who have the power and ability to squeeze margins from the rest of the supply chain, particularly in establishing \$1 per litre milk (discussed further from paragraph 2.51)
- the aggressive pricing of generic home brand dairy products by supermarkets to the benefit of the consumer, which shifts profit margins to alternate products ultimately deceiving the consumer and triggering market failure
- the importation of cheap dairy products from subsidised or lower cost of production countries, which devalues dairy products across the entire milk supply chain.⁶⁶

2.42 Dairy Connect also highlighted that the actions of Murray Goulburn and Fonterra in 2016, where they retrospectively reduced milk prices already supplied under contract, eroded the trust between the dairy farmer and the processor. Dairy Connect submitted that 'dairy farmers are in an invidious position at the bottom of the supply chain and any light that can be shone on attitudes and activities within the supply chain are most welcome and indeed needed'.⁶⁷

2.43 Further, Dairy Connect advised that while it is not advocating for re-regulation of the dairy industry, it urged government to 'consider some form of regulatory intervention so as to address the imbalance in market power between dairy farmers and processors as well as between processors and supermarkets'. It did however note that the introduction of the Dairy Code will benefit these relationships on many levels, including providing 'a platform that is transparent, balanced and fair', thus ensuring robust discussion in negotiating milk supply agreements. Dairy Connect added that 'it is hoped that one of the effects of the Code will be the dairy farmer moving from being "price taker" to "price negotiators"'.⁶⁸

2.44 Ms Ford from the ACCC was also of the view that the bargaining relationship between farmers and processors was being improved through the Dairy Code, by arming farmers with better information and removing barriers to their options for supplying processors.⁶⁹

Collective bargaining arrangements

2.45 Some stakeholders suggested that collective bargaining arrangements are the solution to bringing a fairer balance into the farmer and processor relationship. However, concerns were raised that there is no obligation on processors to negotiate with collective bargaining groups and that this could diminish the benefits of such an arrangement.

⁶⁶ Submission 79, NSW Farmers, pp 8-11.

⁶⁷ Submission 78, Dairy Connect Limited, pp 4-5.

⁶⁸ Submission 78, Dairy Connect Limited, pp 5-6 and 9.

⁶⁹ Evidence, Ms Ford, 3 February 2021, p 20.

- 2.46** A key voice advocating for collective bargaining arrangements was the Dairy Farmers Milk Co-operative, which has been operating as an effective collective bargaining group for the last 11 years. The Dairy Farmers Milk Co-operative advised that there are a number of emerging entities operating as collective bargaining groups in the dairy industry today, including various formal co-operatives, incorporated associations and informal groupings. It noted that these groups provide farmers a 'seat at the table' and can also provide processors with a more efficient way to negotiate as it allows bargaining with a single entity for larger volumes of milk.⁷⁰
- 2.47** However, the Dairy Farmers Milk Co-operative indicated that 'collective bargaining groups for the most part have been ineffective in improving the bargaining position of farmers' as 'the playing field is decidedly still in favour of the processor'.⁷¹ Mr Kebbell explained this point, commenting that without a requirement for processors to negotiate with collective bargaining groups they still hold the power in the relationship:
- Without a compulsory obligation for processors to negotiate with groups, collective bargaining arrangements are entirely dependent upon the goodwill of the processor with whom the group is negotiating. The problem is that a processor may or may not choose to deal with a collective bargaining group. This means that the processor still has all the power in the relationship. If they think the group is a threat or has some real power or negotiating expertise, they simply say they are not interested in dealing with the group and deal with the individual farmers directly.⁷²
- 2.48** The Dairy Farmers Milk Co-operative suggested that the success of any collective bargaining arrangement requires three key components: the group must be well funded and resourced; the processor must be bound to deal with the group; and, in the event of a dispute, the dispute can be resolved by binding independent expert determination. To enable this to occur the Dairy Farmers Milk Co-operative recommended that the NSW Government establish an effective collective bargaining platform and develop an appropriate code of conduct for the dairy industry. Key components for such a code were detailed further in the Dairy Farmers Milk Co-operative submission.⁷³
- 2.49** Enabling a positive policy environment for collective bargaining arrangements and co-operatives within the dairy industry was also recommended by the Business Council of Co-operatives and Mutuals.⁷⁴ Emeritus Professor of Business and Labour History at the University of Sydney Business School, Mr Greg Patmore, was also supportive of government policy recognising the valuable role co-operatives play in the dairy industry.⁷⁵
- 2.50** In the 2018 inquiry, the committee recommended that the NSW Government urgently and actively pursue, through relevant state and national forums, further measures that facilitate the ability of dairy farmers to collectively bargain with processors for their milk supply, including through the implementation of a collective bargaining code as part of the Dairy Code.⁷⁶ This

⁷⁰ Submission 74, Dairy Farmers Milk Co-operative, pp 2-3.

⁷¹ Submission 74, Dairy Farmers Milk Co-operative, p 2.

⁷² Evidence, Mr Kebbell, 4 November 2020, p 10.

⁷³ Submission 74, Dairy Farmers Milk Co-operative, p 4.

⁷⁴ Submission 80, Business Council of Co-operatives and Mutuals, p 2.

⁷⁵ Submission 81, Emeritus Professor Greg Patmore, p 8.

⁷⁶ Portfolio Committee No. 5 – Industry and Transport, NSW Legislative Council, *Sustainability of the dairy industry in New South Wales*, p viii.

was supported in principle by the NSW Government which advised that this would need to be led at a national level, as processors do not operate solely within state boundaries. However, the government did commit to increasing dairy farmer awareness of the existing mechanisms that allow and facilitate collective bargaining.⁷⁷

Generic home brand milk pricing

2.51 In 2011, major supermarkets in Australia reduced the retail price of generic home brand milk to \$1 per litre, impacting the value supply chain.⁷⁸ The ongoing impacts of generic home brand milk pricing was a key issue discussed in the 2018 inquiry, with the committee finding that the retail price of \$1 per litre milk had removed considerable value from the value chain and had contributed to financial pressure on New South Wales dairy farmers.⁷⁹ Evidence to this inquiry highlighted that generic home brand milk pricing is still having a significant impact on the dairy industry in New South Wales.

2.52 Mr Burnett told the committee that generic home brand milk has impacted the dairy industry for the last ten years, as the retail price of this milk does not meet the cost of production:

Generic home brand milk or retailer own brand milk has suffocated the dairy industry for nearly 10 years. The retail sell point does not represent the true value of the product or the total cost of the entire supply chain. A milk processor's ability to price and sell branded milk at a higher cost is compromised when a consumer makes a choice to buy generic milk over branded. Money is lost somewhere in the supply chain that simply cannot be replaced.⁸⁰

2.53 Mr Burnett said that generic home brand milk 'now saturates the market', highlighting that 'many coffee shops, restaurants and school canteens use Coles and Woolworths as a wholesaler as it is cheaper to buy milk from the two majors than to have a branded product delivered by a small business like a franchised distributor or vendor'. He also noted that shelf space, restocking and reordering policies in retailers are dictated by the volume of generic home brand milk that is sold in comparison to branded milk.⁸¹

2.54 NSW Farmers also highlighted the impact of the introduction of \$1 per litre milk in 2011, observing that this 'reduced the price of private label milk by 25 per cent overnight, and forced branded milk processors to do the same to remain competitive'. NSW Farmers commented that over the years since then the price of generic home brand milk has 'stripped the profitability of the NSW dairy industry'. It added that it is dairy farmers who have been significantly impacted by this decline in profitability, given their position at the end of the supply chain, and that it has led to many dairy farmers leaving the industry (discussed further from paragraph 2.114).⁸²

⁷⁷ Correspondence from the Hon Niall Blair MLC, Minister for Primary Industries, Regional Water and Trade and Industry, to the Clerk of the Parliaments, providing government response to the inquiry into the sustainability of the dairy industry in New South Wales, 22 February 2019.

⁷⁸ Australian Competition and Consumer Commission, *Dairy inquiry, Final report* (April 2018), p xii.

⁷⁹ Portfolio Committee No. 5 – Industry and Transport, NSW Legislative Council, *Sustainability of the dairy industry in New South Wales*, p viii.

⁸⁰ Evidence, Mr Burnett, 4 November 2020, p 10.

⁸¹ Evidence, Mr Burnett, 4 November 2020, pp 10-11.

⁸² Submission 79, NSW Farmers, p 26.

- 2.55** Along similar lines, Mr Neal told the committee that when supermarkets are holding the price of generic home brand milk at \$1 per litre over several years it means profitability is going to deteriorate along the supply chain. He said that in the meantime the cost of producing milk has increased and wages have increased, with farmers having nowhere to pass these costs on to. Mr Neal stated that this is the 'big difficulty' as 'we do not have a level playing field across the supply chain and so we have big players like those supermarkets who are dominating that [and] it is causing a market failure'.⁸³
- 2.56** As noted in the 2018 inquiry, the ACCC's conclusion that there was no evidence to suggest that 'supermarket pricing, including \$1 per litre milk, has a direct impact on farmgate prices',⁸⁴ is contested by stakeholders, particularly farmers and dairy industry groups.⁸⁵
- 2.57** In any case, in 2018 the major supermarkets introduced a drought-specific measure which raised the price of generic home brand milk by 10 cents per litre. In June 2020, this levy was further extended to 30 June 2021.⁸⁶
- 2.58** One of those major supermarkets, Woolworths, advised that collecting 10 cents per litre on its own brand 2 litre and 3 litre fresh milk has provided \$60 million to more than 450 dairy farmers.⁸⁷
- 2.59** Some stakeholders commented on the benefits of the increase in the price of generic home branded milk and sought to see this continue. For example, Mr Morgan told the committee that the 10 cents levy 'was extremely beneficial for the industry' as 'it allowed them for the first time to see generic-branded, home-branded milk increase from a price that had been set in 2010 and had not been increased since then'.⁸⁸ Similarly, Mr Forbes stated that the 'levy is vital to the sustainability of the industry, and it is important that that levy continues'.⁸⁹
- 2.60** Others questioned whether farmers were really reaping the benefits from the increase. For example, Mr Thompson said that the price increase of \$1 per litre milk provided only 'slight relief', and that although welcomed by the industry, funds from the temporary drought levies were flowing only to a limited number of dairy farmers. He stated: 'All farmers are not necessarily seeing the flow-on of profit and it does not change the fundamental reality in the current market. Milk and other dairy items have been grossly undervalued in both the producer and consumer'.⁹⁰

⁸³ Evidence, Mr Neal, 4 November 2020, p 28.

⁸⁴ Australian Competition and Consumer Commission, *Dairy inquiry, Final report* (April 2018), p xiii; Portfolio Committee No. 5 – Industry and Transport, NSW Legislative Council, *Sustainability of the dairy industry in New South Wales*, pp 12-14 and 17-19.

⁸⁵ Evidence, Mr Thompson, 4 November 2020, p 21; Evidence, Ms Jodie Dean, Policy Director, Agricultural Industries, NSW Farmers, 4 November 2020, p 21; Evidence, Mr Morgan, 4 November 2020, p 5; Evidence, Mr Kebbell, 4 November 2020, pp 14-15.

⁸⁶ Submission 76, Woolworths Group Limited, p 1.

⁸⁷ Submission 76, Woolworths Group Limited, p 1.

⁸⁸ Evidence, Mr Morgan, 4 November 2020, p 5.

⁸⁹ Evidence, Mr Forbes, 4 November 2020, p 2.

⁹⁰ Evidence, Mr Thompson, 4 November 2020, p 17.

- 2.61** The ACCC was questioned on how it was ensuring that funds from milk labelled as drought relief milk is going to farmers. In response, Ms Ford advised that the ACCC does not have an ongoing role in this regard, but that 'retailers do have an obligation under the consumer protection laws to be truthful about the nature of the representations they make about how farmers benefit from pricing and the drought relief representation'.⁹¹
- 2.62** Mr Bezzi added that if a company is making claims that are found to be untrue, the ACCC can take action. He said that 'dairy farmers and others are very good at bringing those sorts of claims to our attention if they are at all dubious'.⁹²
- 2.63** Of note, in the report of the 2018 inquiry the committee recommended that the NSW Government work with retailers to consider expanding mechanisms such as the drought relief levy, to ensure that the retail price of milk takes into account ongoing increases in the cost of production and to ensure that the levy is returned to farmers in full.⁹³ This was supported in principle by the NSW Government, however it noted that additional levies or charges, in isolation to other states, can lead to adverse outcomes and market distortion and advised that this was best driven at a national level.⁹⁴

Cost of production versus profitability

- 2.64** Looking beyond the impact of generic home brand milk pricing on the industry, stakeholders reported that the cost of producing fresh milk has continued to increase, however the farmgate price has not, making it extremely difficult for dairy farmers to make a profit.
- 2.65** Dairy NSW, Murray Dairy, Subtropical Dairy and Dairy Australia stated that 'in recent years, rising input costs, combined with unprecedented market and climate volatility, have undermined profitability'. These groups explained that 'generally, profitability is closely linked with milk price, but widespread drought conditions over the past two years has significantly inflated the cost of production for NSW dairy farmers, resulting in lower profit'. Further, they noted that 'farm input costs (water, feed, labour and energy) are increasing at a faster rate than the price received for farm outputs and at a faster rate than productivity gains'.⁹⁵
- 2.66** Ms Ford informed the committee that some of the key findings from its 2020 inquiry into perishable agricultural goods pointed to 'the very challenging environmental conditions in recent years [which] have increased dairy producers' costs of production considerably'. She advised that 'in the most recent 2018-19 season, average farmgate prices did not increase in line with the cost of production and farmers overall out of pocket costs declined', however, noted that 'profitability does differ between different farms and different times, with some being more profitable than others'.⁹⁶

⁹¹ Evidence, Ms Ford, 3 February 2021, p 20.

⁹² Evidence, Mr Bezzi, 3 February 2021, p 20.

⁹³ Portfolio Committee No. 5 – Industry and Transport, NSW Legislative Council, *Sustainability of the dairy industry in New South Wales*, p viii.

⁹⁴ Correspondence from the Hon Niall Blair MLC, Minister for Primary Industries, Regional Water and Trade and Industry, to the Clerk of the Parliaments, providing government response to the inquiry into the sustainability of the dairy industry in New South Wales, 22 February 2019.

⁹⁵ Submission 77, Dairy NSW, Murray Dairy, Subtropical Dairy and Dairy Australia, pp 9 and 11.

⁹⁶ Evidence, Ms Ford, 3 February 2021, p 18.

2.67 Dairy Connect, NSW Farmers and Mr Lyndon Barry, a primary production beef producer, all highlighted that the input costs of dairy farming has continued to increase, but the farmgate milk price has remained unchanged.⁹⁷ Dairy Connect went on to list the pressures dairy farmers face in relation to input costs, including:

- the increasing costs and availability of feed/fodder and water due to the onset of the drought
- the high cost of energy which significantly impacts input costs, as well as overly complex and detailed energy agreements which include anti-competitive clauses, and complex invoicing
- the Consumer Price Index rate and inflation continually outpacing the farmgate price paid to dairy farmers
- difficulties in being able to hire new staff or retain existing employees, particularly with the impact of COVID-19 on the workforce.⁹⁸

2.68 In regards to these impacts on input costs, Mr Morgan and Mr Barry cautioned that if the Australian dairy industry cannot be sustained there is a risk of moving towards milk being imported from overseas, where it can be produced more cheaply. Mr Morgan stated that 'I can assure you that I do not believe that anyone would want to see that occur'.⁹⁹

2.69 In stark contrast, Mr Zandstra reported that the price for fresh milk is currently very strong and has increased over the last couple of years:

The prices are very, very strong. They are world-leading actually, which is a great thing because we are in an area where the milk pool has declined; where milk is needed; where there is a very strong market for white milk; and a very strong market in Queensland for our milk which the Queenslanders cannot meet. I think the levers that determine milk price are working fairly well and we have certainly had probably a 10 to 15 per cent increase over these last of the drought years ... The prices are strong and I could always argue that we need more but I think we are very fortunate that at this testing time in the industry a price increase has come along.¹⁰⁰

2.70 Mr Hansen further clarified that at the end of the 2020 financial year 'the farms from the northern region of New South Wales saw a 16.7 per cent increase in farmgate price and in southern New South Wales saw a 14.1 per cent increase in farmgate price'.¹⁰¹

2.71 In terms of assisting farmers with reducing input costs, Mr Hansen advised that there are significant opportunities to reduce input costs within the business systems of dairying, and that the department has a number of projects underway to assist dairy farmers across the state. Mr Hansen used energy costs as an example, informing the committee that they are looking at 'not only on-farm power generation but peer-to-peer trading of that generated power, to look at how

⁹⁷ Submission 78, Dairy Connect Limited, p 7; Submission 79, NSW Farmers, p 13; Submission 57, Mr Lyndon Barry, p 1.

⁹⁸ Submission 78, Dairy Connect Limited, pp 7-9.

⁹⁹ Evidence, Mr Morgan, 4 November 2020, p 4; Submission 57, Mr Lyndon Barry, p 3.

¹⁰⁰ Evidence, Mr Zandstra, 3 February 2021, p 3.

¹⁰¹ Evidence, Mr Hansen, 3 February 2021, p 4.

you assist the bottom-line profitability loss while at the same time providing environmental benefits and outcomes'.¹⁰²

- 2.72** Dairy NSW, Murray Dairy, Subtropical Dairy and Dairy Australia reported that the way for farmers to adjust to ever shrinking margins is through improving productivity. These groups suggested that this could be achieved through programs that focus 'in simple terms on getting more for less', such as 'better herd genetics, higher quality and higher yielding pasture and feed base options, better feed conversion and healthier animals'. Dairy Australia advised that it offers regional programs that aim to translate these innovations into farm practices and continues to embark on research to examine what has driven productivity decline and the connection to profitability more closely.¹⁰³

Dairy floor price

- 2.73** Some stakeholders suggested that one way to solve the issue of input costs not being covered by farmgate milk pricing is the introduction of a dairy floor price.
- 2.74** Mr Morgan explained that a dairy floor price 'could provide an amount that would be slightly above the cost of production and ensure that the dairy farmer was able to survive and continue to provide for his family and ensure the continuity of their dairy farming enterprise'. He said that there were discussions before the last Federal election about the concept of a dairy floor price and an indication that this concept would be referred to the ACCC for inquiry and report, however this has not occurred. Mr Morgan was of the view that introducing a dairy floor price should be examined to enhance and ensure the sustainability of the dairy industry.¹⁰⁴
- 2.75** Further, Dairy Connect advised that a dairy floor price is used in Canada, where the Canadian Dairy Commission consults with industry stakeholders and conducts an annual national study on the cost of producing milk at the farm to set what is termed in Canada as the 'support price'. This support price is set for butter and skim milk powder, which is then used by regional boards to determine minimum prices for raw or industrial milk. Dairy Connect also advised that in the European Union, there is no dairy floor price but instead dairy producers are supported with a range of measures and subsidies. Dairy Connect highlighted that 'the Australian dairy farmer competes with dairy producers from similar economies (Canada, EU) that enjoy a far greater degree of subsidies and support'.¹⁰⁵
- 2.76** Other stakeholders supported the establishment of a minimum dairy floor price, including the United Workers Union, Mr Barry, and Mr Patrick Clarke.¹⁰⁶ Mr Barry in particular noted that 'a farmer driven floor price ratified by government will save the industry'.¹⁰⁷

¹⁰² Evidence, Mr Hansen, 3 February 2021, p 11.

¹⁰³ Submission 77, Dairy NSW, Murray Dairy, Subtropical Dairy and Dairy Australia, pp 12-13.

¹⁰⁴ Evidence, Mr Morgan, 4 November 2020, p 7.

¹⁰⁵ Answers to questions on notice, Dairy Connect Limited, 2 February 2021, pp 5-6.

¹⁰⁶ Submission 67, United Workers Union, p 6; Submission 57, Mr Lyndon Barry, p 3; Submission 59, Mr Patrick Clarke, p 1.

¹⁰⁷ Submission 57, Mr Lyndon Barry, p 3.

2.77 However, Mr Kebbell cautioned against the introduction of a dairy floor price, noting that the Dairy Farmers Milk Co-operative is not supportive of this concept as input costs are different for every farm:

... [T]here have been a number of farmer groups looking to have some sort of cost production and floor price. Our view is that is inherently arguably wrong because the notion of cost production is different for every farm. Any action that supported inefficient farming or farming that is not progressively getting better and better is probably not a good thing for the industry and its sustainability, it would be arguably falsely sustained. In the main we are not supportive of that. We are supportive of a profitable supply chain that can make some money and pay the farmers consequently.¹⁰⁸

2.78 Further, Mr Burnett from Dairy Farmers Milk Co-operative suggested that what farmers would like to see is a mechanism whereby prices increase when the cost of production increases. Mr Burnett pointed to the United States where such a mechanism exists, called the Milk to Feed Price Ratio.¹⁰⁹ Dairy Farmers Milk Co-operative explained that the Milk to Feed Price Ratio is the milk price divided by the feed index, which is the cost of a representative feed. It suggested that a region by region index could be developed for the Australian dairy industry which could incorporate the price on a specified grade of grain and fertiliser export, as well as the price for water, electricity and labour.¹¹⁰

Impacts of drought and bushfires on dairy farming

2.79 The committee received evidence on the significant impact the recent drought and bushfires have had on dairy farming in New South Wales.

2.80 The NSW Government advised that the New South Wales dairy industry has continued to face challenges as a result of prolonged drought conditions. It said that this has 'resulted in a reduced quantity of raw milk being produced in NSW than in previous years', and that although this has contributed to an increase in farmgate price, it has not translated to industry profitability, due to increased input costs (as discussed above).¹¹¹

2.81 Mr Zandstra told the committee that the drought was a cost shock to dairy farmers that was not possible to be planned for. He said that homegrown feed was quickly used up and feed became difficult and costly to purchase, with grains becoming costly and fodder difficult to obtain. Mr Zandstra commented that 'we had some very tough years of performance for those two or three years' and 'farmers were de-scaling and wondered what their future would be'. However, Mr Zandstra reported that farmers are starting to recover from the drought and conditions are looking more positive.¹¹²

2.82 Further, the NSW Government reported that as 'dairy industry production levels begin to increase as farmers recover from drought, a decline in farmgate price is expected as supply increase and export prices remain muted'. It noted that the Australian Bureau of Agricultural

¹⁰⁸ Evidence, Mr Kebbell, 4 November 2021, p 15.

¹⁰⁹ Evidence, Mr Burnett, 4 November 2020, p 15.

¹¹⁰ Answers to questions on notice, Dairy Farmers Milk Co-operative, 14 December 2020, p 1.

¹¹¹ Submission 69, NSW Government, p 2.

¹¹² Evidence, Mr Zandstra, 3 February 2021, p 3.

and Resource Economics and Sciences is 'forecasting overall Australian farmgate prices to decline by 8.6 per cent in 2020-21'.¹¹³

2.83 In supporting dairy farmers with drought recovery and bushfire assistance, the NSW Government informed the committee that it has:

- invested a further \$310 million in emergency drought relief in the 2020-21 financial year, on top of close to \$4 billion of total drought support and water security
- approved 1,066 applications from dairy farmers to access Emergency Drought Transport Subsidies, since June 2018, with a total value of approximately \$34.7 million
- provided 60 dairy farmers with access to Farm Innovation Fund Loans to assist their drought preparedness, with a total value of approximately \$10.6 million
- provided a further 53 dairy farmers with Drought Assistance Fund Loans, with a total value of just over \$2.5 million
- provided support to dairy farmers affected by the 2019-20 bushfires with special disaster grants up to \$75,000 and special disaster loans up to \$500,000
- developed a \$140 million Bushfire Industry Recovery Package, including a supply chain recovery grants program which has to date provided \$11.4 million in assistance to 68 dairy farms
- provided sector recovery grants of up to \$10 million for projects under the Bushfire Industry Recovery Package to support medium to long-term job retention and creation, build industry sustainability, increase value-added production, support supply-chain efficiencies or expand markets.¹¹⁴

2.84 Mr Hansen also advised that the department had heard directly from farmers about what did and did not work in surviving the drought, and their learnings and lessons. He said that these stories and lessons have been documented in a handbook to provide to future farmers coming into the next drought, to ensure that farmers 'do not have to relearn mistakes and can actually learn from successful examples elsewhere'.¹¹⁵

2.85 Other stakeholders also commented on the impacts that the recent drought and bushfires have had on the dairy industry, and although they welcomed the support from government they noted that there is a long road ahead for the dairy industry to recover.

2.86 Mr Forbes told the committee that 'the drought in the last three years has had major consequences for the dairy industry, as well as the bushfires last year in the south and the north of the state'.¹¹⁶

2.87 Likewise, NSW Farmers said that 'the prolonged period of drought experienced by NSW dairy farmers in recent years has had a crippling effect on individual farm businesses and the state of the industry in general'. It suggested that although good rains have been received over many

¹¹³ Submission 69, NSW Government, p 10.

¹¹⁴ Submission 69, NSW Government, pp 10-11.

¹¹⁵ Evidence, Mr Hansen, 3 February 2021, p 12.

¹¹⁶ Evidence, Mr Forbes, 4 November 2020, p 2.

dairy regions, it has not been universal, 'leaving many still struggling with drought conditions, and the remainder only beginning to recover from its financial and operating impacts'.¹¹⁷

- 2.88** Mr Morgan and Mr Thompson both acknowledged the support for drought recovery and bushfire assistance provided by the NSW Government. Mr Morgan indicated that this 'has been greatly received, not just by the dairy industry, but by agriculture generally'.¹¹⁸ Mr Thompson however commented that many 'farmers seem to spend the good years recovering from the last drought rather than preparing for the next drought', and suggested that any initiative that helps farmers to prepare for droughts would be of benefit, particularly in the areas of food storage and water issues.¹¹⁹
- 2.89** In this regard, Mr Neal commented that the drought 'has thrown into stark relief the effects of climate change on the agriculture industry in New South Wales', adding that 'partnerships with government along with other industry stakeholders will be critical in driving profitability and sustainability in the pressing time frame that is required to secure a resilient food supply and resilient rural New South Wales communities'.¹²⁰
- 2.90** In relation to the mental health impacts due to the drought and bushfires, Mr Thompson highlighted that during 'the long three-year drought, dairy farmers were under considerable stress'. He said that he was not aware of any specific programs to assist dairy farmers specifically with mental health, but that this 'certainly is something that should be looked at'.¹²¹ Dairy NSW, Murray Dairy, Subtropical Dairy and Dairy Australia also commented on the mental health of dairy farmers, noting that it takes a toll on farmers' physical and mental health in 'managing this constant bombardment of challenges'.¹²²
- 2.91** The committee heard that the NSW Government is very much aware of the issues surrounding the mental health of farmers and advised that there have been targeted and deliberate attempts to ensure that there are resources, campaigns and encouragement for those workers. Mr Hansen commented that it is difficult for farmers to remain optimistic and hopeful when facing nothing but ongoing drought, and that 'the mental health impacts of those are concerning to all'.¹²³ In addressing this, Ms Kate Lorimer-Ward, Deputy Director General Agriculture, NSW Department of Primary Industries, advised that they have implemented some initiatives to facilitate better access to programs by farmers, such as the Rural Adversity Mental Health Program, run through NSW Health.¹²⁴

¹¹⁷ Submission 79, NSW Farmers, p 17.

¹¹⁸ Evidence, Mr Morgan, 4 November 2021, p 9.

¹¹⁹ Evidence, Mr Thompson, 4 November 2020, p 18.

¹²⁰ Evidence, Mr Neal, 4 November 2020, p 24.

¹²¹ Evidence, Mr Thompson, 4 November 2020, p 23.

¹²² Submission 77, Dairy NSW, Murray Dairy, Subtropical Dairy and Dairy Australia, p 9.

¹²³ Evidence, Mr Hansen, 3 February 2021, p 8.

¹²⁴ Evidence, Ms Kate Lorimer-Ward, Deputy Director General Agriculture, NSW Department of Primary Industries, 3 February 2021, p 8.

Animal welfare and environmental concerns

2.92 In the course of the inquiry, the committee heard from a number of groups and submission authors concerned about animal welfare within the dairy industry and the impact of the dairy industry on the environment. This section outlines these concerns.

Animal welfare concerns

2.93 The treatment of cows within the dairy industry was a focus of a number of written submissions and discussed by several witnesses who gave evidence at the hearings. Animal welfare was identified as important to both the consumer of dairy and the sustainability of the dairy industry.¹²⁵

2.94 A number of inquiry participants expressed significant concerns in relation to the welfare and suffering of dairy cows.¹²⁶ Vegan Australia, a key voice in this area, argued that these concerns are having an impact on the dairy industry:

The Australian public is very concerned about animal welfare and the suffering intrinsic in the dairy industry is causing consumers to shift to the many alternatives to animal dairy products. This concern is growing and further contributing to the unsustainability of the dairy industry.¹²⁷

2.95 Vegan Australia also contended that 'the competitiveness of the dairy industry is predicated on the use and suffering of animals', and that in recent decades dairy cows 'have been selectively bred to double their milk production and ensure increased profitability to the farmer at the expense of the wellbeing of the cow'.¹²⁸

2.96 Specific practices noted by stakeholders that raise animal welfare concerns are set out below.

- Practices around artificial insemination, calving induction, the removal of calves from their mothers shortly after birth, and the slaughter of bobby calves (calves not required for milk production).¹²⁹ In particular, Vegan Australia noted that 'most of the male calves born into the dairy industry are considered wastage' and are killed within days of birth.¹³⁰

¹²⁵ Submission 31, Mr Leonard Fitzpatrick, p 1; Submission 71, Vegan NSW, pp 3-4; Submission 73, Vegan Australia, pp 1-3; Evidence, Mr Neal, 4 November 2020, p 25; Evidence, Dr Sergio (Yani) Garcia, Professor of Dairy Science, member of the NSW Dairy Industry Advisory Panel, and Director, Dairy Research Foundation, University of Sydney, 3 February 2021, p 7.

¹²⁶ Submission 1, Mr Karl Augustine, p 1; Submission 31, Mr Leonard Fitzpatrick, p 1; Submission 42, Ms Samantha Marr, p 1; Submission 56, Refarm'd, p 1; Submission 63, Sonakshi and Emma, pp 10-12; Submission 65, Ms Jan Kendall, p 2; Submission 70, Ms Susie Hearder, p 1; Submission 71, Vegan NSW, pp 3-4; Submission 73, Vegan Australia, pp 1-3.

¹²⁷ Submission 73, Vegan Australia, p 2.

¹²⁸ Submission 73, Vegan Australia, p 2.

¹²⁹ Submission 1, Mr Karl Augustine, p 1; Submission 42, Miss Samantha Marr, p 1; Submission 55, Ms Catherine Blasonato, pp 3-4; Submission 56, Refarm'd, p 1; Submission 63, Sonakshi and Emma, p 10; Submission 65, Ms Jan Kendall, p 2; Submission 68, Animal Liberation, p 45; Submission 71, Vegan NSW, pp 3-4; Submission 73, Vegan Australia, p 2; Evidence Mrs Jackie Norman, 4 November 2020, p 42.

¹³⁰ Submission 73, Vegan Australia, p 2.

- Dairy cows can suffer from painful health conditions as a result of being constantly milked, such as mastitis and lameness.¹³¹
- Mrs Jackie Norman, a former dairy farmer, said that in her experience 'a dairy cow had the most wretched, miserable life of any animal I had ever encountered'.¹³²
- Procedures such as tail docking, disbudding and dehorning, which Vegan Australia characterised as 'mutilation practices'.¹³³
- The difficulties faced by farmers during times of drought and bushfires to be able to feed and care for their animals.¹³⁴
- In the view of Vegan Australia, 'the repeated cycle of pregnancy, birth, separation from their calves and milking places an extreme physical and emotional burden on the cows, who are usually considered "spent" (that is, no longer economically viable) and killed at just seven or eight years old'.¹³⁵

2.97 Vegan NSW agreed with these concerns, noting that 'the Australian community is becoming increasingly aware of what they consider unacceptable animal "welfare" standards of the dairy industry'.¹³⁶

2.98 In relation to the animal welfare concerns raised in this inquiry, Mr Zandstra emphasised that animal welfare is very important to dairy farmers, both from the perspective of working with dairy cows and in terms of the sustainability of the industry:

Obviously animal welfare is always an issue to a person who loves cows, handles cows and depends on livestock ... but the issue ... is an important one because there is more public awareness of animal welfare in the community. There is a sense of historic—and I would not argue against it—of things being not as they should be, and that is fairly true of the bobby calf issue you raise ... so it is a live issue. It is an issue in which the industry wants to be seen in a favourable light. I am still pleased it has been brought up, because the better we look into accommodating this, the better it is for our overall image. If that is a part of sustainability, looking after cows is a big factor in the sustainability of the dairy business.¹³⁷

2.99 In regards to some of the specific procedures raised by animal welfare advocates, Mr David Nation, Managing Director, Dairy Australia, reported that 'we have industry goals for all of those measures: to phase out tail docking, to phase-out routine calving induction and to set targets for pain relief when disbudding horns'.¹³⁸ Further, Mr Nation made reference to the

¹³¹ Submission 42, Miss Samantha Marr, p 1; Submission 63, Sonakshi and Emma, p 12; Submission 65, Ms Jan Kendall, p 2; Submission 68, Animal Liberation, p 46; Submission 73, Vegan Australia, p 2; Evidence, Mrs Norman, 4 November 2020, p 44.

¹³² Submission 62, Mrs Jackie Norman, p 4.

¹³³ Submission 65, Ms Jan Kendall, p 2; Submission 68, Animal Liberation, p 45; Submission 73, Vegan Australia, p 3.

¹³⁴ Submission 71, Vegan NSW, p 4.

¹³⁵ Submission 73, Vegan Australia, p 2.

¹³⁶ Submission 71, Vegan NSW, p 3.

¹³⁷ Evidence, Mr Zandstra, 3 February 2021, pp 6-7.

¹³⁸ Evidence, Mr David Nation, Managing Director, Dairy Australia, 4 November 2020, p 25.

Australian Dairy Sustainability Report 2019 and how consumers are 'taking a greater interest in what they are consuming: the background to what the product is and how it is being farmed'. He said that people 'want to satisfy themselves that it is being farmed the right way and produced the right way', and that the 'dairy industry is taking that greater interest of consumers seriously'.¹³⁹

- 2.100** When asked about the phasing out of practices of tail docking and calving induction and the setting of targets for the use of pain relief when debudding, Mr Hansen told the committee that a review of the *Prevention of Cruelty to Animals Act 1979* (POCTAA) is currently 'in process', adding:

Details such as pain relief for debudding would be covered in some of the codes that would form part of the framework that would sit under POCTAA and under the regulations. Dairy Australia has already developed a series of animal welfare codes and requirements it believes are minimum standards required for the dairy industry ... if the industry is taking it seriously, then we know customers and the community are taking it seriously.¹⁴⁰

- 2.101** When further asked if a review of these practices would be part of the POCTAA review process, Mr Hansen clarified:

No. At the moment we are still at that stage of talking about what does prevention of mean, what does the overlying legislation need to look like, hence the discussion papers and the discussions we have been having with industry. We are not at that stage of having the detailed discussions around individual practices.¹⁴¹

Environmental impacts

- 2.102** Numerous stakeholders expressed concerns in this inquiry over the environmental impact the dairy industry has on land, water and the climate. Vegan Australia highlighted these impacts, stating:

The dairy industry damages the environment in a number of ways, including by land clearing, greenhouse gas emissions and water use. These all impact biodiversity negatively and increase the risk of species extinction.¹⁴²

- 2.103** The dairy industry was described by Vegan NSW as a contributor to 'land degradation, loss of biodiversity, loss of habitat and destruction of ecologically important areas such as wetlands and forests via grazing and fertiliser and pesticide runoff into waterways'.¹⁴³ Likewise, Vegan Australia referred to dairy farming as 'a highly inefficient use of fertile land', noting that 'dairy farms are commonly located in previously wooded areas that have been cleared of native vegetation and animals to allow for grazing'.¹⁴⁴

¹³⁹ Evidence, Mr Nation, 4 November 2020, p 25.

¹⁴⁰ Evidence, Mr Hansen, 3 February 2021, p 7.

¹⁴¹ Evidence, Mr Hansen, 3 February 2021, p 7.

¹⁴² Submission 73, Vegan Australia, p 4.

¹⁴³ Submission 71, Vegan NSW, p 5.

¹⁴⁴ Submission 73, Vegan Australia, p 4.

- 2.104** A number of submissions raised issues with excessive water usage within the dairy industry, particularly around the amount of water required to produce milk, clean the dairy farms, hydrate the cows and for irrigation to produce grass and feed.¹⁴⁵ Vegan Australia cited statistics from the National Water Commission that 43 per cent of agricultural water is used for pasture and hay production for grazing animals in the meat and dairy industry, with dairy farming using 19 per cent of agricultural water consumption.¹⁴⁶
- 2.105** Likewise, numerous submissions argued that the dairy sector also undeniably contributes to global warming through greenhouse gas emissions and 'a mix of harmful gases are produced from different processes on the farm'.¹⁴⁷ In giving evidence, Mr Greg McFarlane, Director, Vegan Australia, maintained that 'animal agriculture in general is a high contributor to greenhouse gases'.¹⁴⁸
- 2.106** Vegan Australia argued that these environmental issues are having an impact on consumer behaviour:
- Consumers are becoming aware of the damage caused to the environment by the dairy industry and are shifting to alternatives to dairy products. This is contributing to the unsustainability of the dairy industry.¹⁴⁹
- 2.107** Following on, the committee heard calls for the transition of the dairy industry to plant-based farming, including from Vegan Australia which proposed that 'the long term solution to the dairy crisis is to transition the industry to other forms of agriculture and other uses of the land' (this will be discussed later in the chapter).¹⁵⁰ However, Vegan Australia acknowledged that it had not modelled the costs associated with such a transition.¹⁵¹
- 2.108** Turning to the perspective of the dairy industry on environmental issues, multiple industry stakeholders drew the committee's attention to the substantial reliance of dairy farming on natural resources such as land and water. The committee heard that droughts, bushfires, more variable rainfall events, storms and land degradation in recent years have amplified the reliance of the dairy industry on natural resources, with competition for these resources increasing.¹⁵²

¹⁴⁵ Submission 42, Miss Samantha Marr, p 1; Submission 63, Sonakshi and Emma, p 5; Submission 65, Ms Jan Kendall, p 10; Submission 70, Ms Susie Hearder, pp 1-2; Submission 71, Vegan NSW, p 3; Submission 73, Vegan Australia, pp 6-7.

¹⁴⁶ Submission 73, Vegan Australia, p 7.

¹⁴⁷ Submission 1, Mr Karl Augustine, p 1; Submission 31, Mr Leonard Fitzpatrick, p 1; Submission 63, Sonakshi and Emma, p 6; Submission 65, Ms Jan Kendall, p 10; Submission 70, Ms Susie Hearder, p 3; Submission 71, Vegan NSW, p 3; Submission 73, Vegan Australia, p 4.

¹⁴⁸ Evidence, Mr Greg McFarlane, Director, Vegan Australia, 4 November 2020, p 32.

¹⁴⁹ Submission 73, Vegan Australia, p 7.

¹⁵⁰ Submission 73, Vegan Australia, p 9.

¹⁵¹ Answers to questions on notice, Vegan Australia, 2 December 2020, p 4; Evidence, Mr McFarlane, 4 November 2020, p 39.

¹⁵² Evidence, Mr Thompson, 4 November 2020, pp 18 and 22; Evidence, Mr Forbes, 4 November 2020, p 2; Evidence, Dr Garcia, 3 February 2021, p 10; Submission 55, Ms Catherine Blasonato, p 1; Submission 68, Animal Liberation, p 24; Submission 70, Ms Susie Hearder, p 2.

- 2.109** For example, NSW Farmers highlighted the pressure dairy farmers are facing with 'increasing prices and greater competition for water resources', and called on the government 'to ensure dairy farmers can access affordable and reliable water resources'.¹⁵³
- 2.110** Similarly, Mr Burnett told the committee 'we are seeing dairy farms in a lot of areas being priced out of the water market'. He said that 'we believe that there needs to be some sort of government intervention at times so that water can be priced so dairy farmers can affordably buy that water where they need to—in times of drought, particularly'.¹⁵⁴
- 2.111** The effect of climate change and subsequent environmental impact on the sustainability of the dairy industry was described by Dairy NSW as having a negative effect on dairy productivity, with Dairy NSW telling the committee:
- Long-practiced farming systems will have to adapt if not completely transform, requiring the skills of the farmer to increase accordingly. New ideas and innovations will need to be embedded. Climate risk will need to be actively managed in business decisions and on farm in areas such as pasture growth, runoff into dams, viability of shade trees, managing feed, heat stress, pests, weeds, diseases and reproduction.¹⁵⁵
- 2.112** Further, the effects of climate change on the dairy industry workforce were raised by the United Workers Union, the representative body of workers across Australia's agricultural and food processing industries. They expressed their concern 'about the effects rising temperatures and more frequent extreme weather events can have on future employment' and put forward the recommendation 'that this inquiry acknowledges climate change as a threat to the long-term sustainability of the dairy industry'.¹⁵⁶

The future of dairy farming

- 2.113** This chapter now turns to the future of dairy farming in New South Wales. Stakeholders highlighted the continual decline of dairy farms across the industry, due to deregulation, input costs not matching profit, and the hardship caused by the drought and bushfires. Many questioned what the future of dairy farming holds and called for government to better support current and future dairy farmers, particularly in regards to financial support, workforce capabilities, training, and research, development and extension.

Decline in the number of dairy farms

- 2.114** The committee heard that the number of dairy farms has continued to decline over the last decade since deregulation of the dairy industry in 2000.
- 2.115** Dairy Connect highlighted that there were over 3,000 registered dairy farms in New South Wales in 2000, but that the number now sits at approximately 530 registered dairy farms.¹⁵⁷ Mr Forbes

¹⁵³ Submission 79, NSW Farmers, p 14.

¹⁵⁴ Evidence, Mr Burnett, 4 November 2020, p 13.

¹⁵⁵ Submission 77, Dairy NSW, Murray Dairy, Subtropical Dairy and Dairy Australia, p 16.

¹⁵⁶ Submission 67, United Workers Union, pp 3-4.

¹⁵⁷ Submission 78, Dairy Connect Limited, p 13.

reported that 'we are still losing farms every month',¹⁵⁸ with Dairy NSW, Murray Dairy, Subtropical Dairy and Dairy Australia estimating that over 40 dairy farms closed following the bushfires of last summer.¹⁵⁹

- 2.116** The NSW Government also commented on the declining trend in dairy farms. Mr Hansen informed the committee that 'the steady decline in the number of dairy farms across the country has been a long-term trend now for well over a decade'. He said that 'the dairy farm numbers are getting smaller, their herd sizes are increasing and the amount of milk being produced in total has been relatively stable, if you take out the bumps and shocks of drought years, at just over a billion litres'. Mr Hansen added that 'since 2013 the average number of milking cows per farm has gone from 309 up to 384 at the end of 2020 ... but the actual cows per hectare has actually stayed stable at 1.2', commenting that this shows that an increase in farm size and an increase in herd are going hand in hand.¹⁶⁰

Supporting future generations of dairy farmers

- 2.117** Many stakeholders were concerned about the future of dairy farming in New South Wales and the lack of will from the younger generation to enter the dairy farming business.

- 2.118** Mrs Norman, a former dairy farmer, reflected on her own experience as a young person in the industry and the increasing difficult nature of the work involved in running a dairy farm:

When I first began farming, I was a fresh-faced 19-year-old ... the hours were so long and the work was so intense that there wasn't time to make proper meals ... Bear in mind, too, that this was still in the 'golden era' of dairy farming. Today there is even more stress. Farming has become more and more intensive, operations are much larger and with that comes yet more pressure ... Milking cows is no longer the desirable industry it used to be.¹⁶¹

- 2.119** Mr Neal, a fifth-generation farmer, said that it is difficult to show young people a vision of how dairy farming is a successful industry. He explained that young people see how hard their parents are working on a dairy farm for little return, with money tied up in assets and debt which consequently creates a lot of stress, adding: '... we need the young people to be in the industry, but we have got to provide a vision of how this is a successful industry'.¹⁶²

- 2.120** Mr Barry, a primary production beef producer, said that the 'real risk is the age of the Australian farmer, the young either do not or cannot afford to enter the industry'.¹⁶³

- 2.121** Other stakeholders noted the financial challenges involved in starting up a dairy farm and that this was a barrier to the younger generation entering the industry. For example, Mr Neal explained that the capital requirements needed to enter the dairy industry are making it difficult for the younger generation of dairy farmers. He said that banks generally want a large deposit,

¹⁵⁸ Evidence, Mr Forbes, 4 November 2020, p 2.

¹⁵⁹ Submission 77, Dairy NSW, Murray Dairy, Subtropical Dairy and Dairy Australia, p 9.

¹⁶⁰ Evidence, Mr Hansen, 3 February 2021, p 6.

¹⁶¹ Submission 62, Mrs Jackie Norman, pp 1-2.

¹⁶² Evidence, Mr Neal, 4 November 2020, p 29.

¹⁶³ Submission 57, Mr Lyndon Barry, p 1.

and with young people not having a lot of assets to start with this creates a barrier. Mr Neal commented that 'unless you are going to inherit the farm and you have got that backing behind you, getting into dairying is very difficult'.¹⁶⁴

- 2.122** Along similar lines, Mr Forbes advised that there are 'very major inputs' for farmers to invest in the industry, noting that it costs around \$2 million of investment for a dairy facility alone. He said that 'one of the real concerns we have is that for farmers to be able to invest in the industry they have got to have confidence with the industry and be given long-term signals, particularly from the processors, to invest into the industry'. Mr Forbes said that currently farmers are not getting those signals from processors.¹⁶⁵
- 2.123** In relation to the training available for people wanting to enter dairy farming, stakeholders highlighted the importance of a skilled workforce and called on the government to create more opportunities in this space.
- 2.124** Dairy NSW, Murray Dairy, Subtropical Dairy, Dairy Australia, Dairy Farmers Milk Co-operative and NSW Farmers all highlighted that the industry is facing a shortage in a skilled and capable workforce.¹⁶⁶
- 2.125** The Dairy Farmers Milk Co-operative said that this is 'partly due to the negative dialogue within the industry, partly due to the low profitability in the farm and processing sector and partly due to the low level of education and training programs, specifically focusing on Dairying as a career path'. It called for a major injection in funding for traineeships, subsidised university dairy specific degrees and specific dairy TAFE programs.¹⁶⁷
- 2.126** Mr Burnett told the committee that 'across the industry, there is a need for dairy businesses to have staff coming through that are highly skilled', however he noted that 'there has been a reduction in funding for training facilities like TAFE'. He said that the lack of adequate training has impacted the next generation of dairy farmers coming through and encouraged the government to support further research, development and extension proposals (discussed further below).¹⁶⁸
- 2.127** Likewise, Mr Thompson commented that it would be very useful for the dairy industry if the government improved 'the upskilling and training of not just new employers but existing farmers'. He added that government should create opportunities for farmers to be fully aware of the latest technologies and improvements available, promote dairy as a career and an opportunity for employment, and provide TAFE courses and additional training for those entering the industry.¹⁶⁹
- 2.128** NSW Farmers also noted that 'attracting new talent is a key objective for the dairy industry as well as ensuring there are adequate programs available for the development of a highly skilled

¹⁶⁴ Evidence, Mr Neal, 4 November 2020, p 29.

¹⁶⁵ Evidence, Mr Forbes, 4 November 2020, p 3.

¹⁶⁶ Submission 77, Dairy NSW, Murray Dairy, Subtropical Dairy and Dairy Australia, pp 14-15; Submission 74, Dairy Farmers Milk Co-operative Limited, pp 6-7; Submission 79, NSW Farmers, p 17.

¹⁶⁷ Submission 74, Dairy Farmers Milk Co-operative Limited, pp 6-7.

¹⁶⁸ Evidence, Mr Burnett, 4 November 2020, pp 13-14.

¹⁶⁹ Evidence, Mr Thompson, 4 November 2020, p 23.

workforce that helps build industry capability'. Like others, NSW Farmers recommended that 'the NSW Government invest in programs that support the dairy industry in attracting and retaining workers who have skills necessary for working on a dairy farm'.¹⁷⁰

2.129 Dairy NSW, Murray Dairy, Subtropical Dairy and Dairy Australia also identified a capable workforce 'as key to future dairy industry productivity and growth in the Australian Dairy Plan', noting that 'the challenges in workforce attraction and retention observed over the last two decades do not appear to be easing'. These groups highlighted that 'there is an ongoing need, now more pressing than ever, for government to partner more effectively with the dairy industry to ensure the education sector is fit for purpose and embedding dairy-relevant skills development and career pathways into its programs'.¹⁷¹

2.130 In terms of the government supporting future generations of dairy farmers financially and in training opportunities, Mr Hansen advised that under the Young Farmer Business Program the NSW Government has been supporting young farmers wanting to buy into the dairy industry, for example by coaching them to put together a business plan to take to the bank.¹⁷²

2.131 However, Mr Zandstra was of the view that more can be done in this space, commenting that there is a lack of confidence in dairy which has impacted on the transitioning of dairy farms onto the next generation:

Currently there is not a strong culture of transitioning dairy farm operations or ownership to new farmers or the next generation. There has been a lack of confidence in dairy which is now being turned around by an improved economic environment. The Government has a need to develop communication and extension policies to instil confidence in the industry's future and promote programs and models that facilitate farm transition.¹⁷³

2.132 Further, Mr Zandstra suggested that an entity be established that can provide support and advice to young farmers wanting to enter the industry. Mr Zandstra added that 'there are as many young farmers entering the industry there as there are farmers who have left', however he noted that these young farmers are not buying dairy farms but starting up on farms which have ceased dairying. Mr Zandstra spoke of the need for an active focus on supporting dairy farmers entering the industry, 'for the sake of the industry and for the health of ... having young farmers on the ground producing milk'.¹⁷⁴

2.133 In relation to training opportunities, the NSW Government informed the committee that the recently upgraded Tocal Agricultural College runs the NSW Dairy Farm Training Program with about 25-30 trainees each year. These trainees are employed on dairy farms and the NSW Government fully subsidises their training program, to enable dairy farmers to access skilled labour whilst easing the financial burden of training costs.¹⁷⁵

¹⁷⁰ Submission 79, NSW Farmers, p 17.

¹⁷¹ Submission 77, Dairy NSW, Murray Dairy, Subtropical Dairy and Dairy Australia, pp 14 -15.

¹⁷² Evidence, Mr Hansen, 3 February 2021, p 9.

¹⁷³ Answers to questions on notice, Mr Ian Zandstra, Fresh Milk and Dairy Advocate, 22 March 2021, p 1.

¹⁷⁴ Evidence, Mr Zandstra, 3 February 2021, p 13.

¹⁷⁵ Submission 69, NSW Government, p 12.

Proposal for transition

2.134 In contrast to the above, a number of industry critics suggested that the best way to support struggling dairy farmers was to assist farmers looking to opt-out of the industry to transition into forms of plant agriculture. Vegan Australia suggested there are advantages for farmers to transition out of the dairy industry:

... [W]e heard from most of the speakers today about how hard dairying is. It is a hard job. They make little money at the moment. I think it would be beneficial to the farmers. We have also heard people talking about the mental health issues of people in dairying, the workers and the farmers. That would be one benefit if they could move into some sort of plant farming. It would also have environmental benefits.¹⁷⁶

2.135 Mrs Norman, a former dairy farmer, echoed these views:

We know that mental health is a big problem in dairy farming and I think if we can help them transition to something else; something more peaceful and less stressful—you know, not being tied to a cow shed or having cows trying to kick you or trying to meet some kind of production goal—then I think it would be a lot healthier all round.¹⁷⁷

2.136 It was noted that in the United States (US) and Europe, transition projects to assist dairy farmers to transition into other industries have already been set up. For example:

- US non-dairy brand Miyoko's Creamery and Farm Sanctuary have partnered to help California dairy farms transition to plant-based operations.
- US plant based yogurt maker Halsa Foods is helping New York dairy farmers convert to grow organic oats.
- The Rancher Advocacy Program in the US assists farming families wanting to transition from animal agriculture to a financially stable, compassionate, environmentally-friendly way of life while preserving their culture and history.
- Refarm'd is an organisation in Europe that is assisting dairy farmers to move into plant agriculture, including oat crops for oat milks.¹⁷⁸

2.137 Refarm'd, who made a submission to the inquiry, gave more detail about their work assisting dairy farmers to transition from producing cow's milk to plant-based milk:

In a constantly changing market, the dairy industry is also struggling more and more. Farmers especially, those at the end of the chain, are those who are most affected by it. They don't have a say on the price they sell the milk and often sell for less than production costs. Land and equipment are getting more and more expensive at the same time, leaving farmers in a constant struggle to make it work each month. It is a failing industry, that profits from the exploitation of non-human and human beings. I believe to help our farmers we need to help them get out of this system. And that's what we are trying to do at Refarm'd. We help them, without investment or major risks taking

¹⁷⁶ Evidence, Mr McFarlane, 4 November 2021, p 32.

¹⁷⁷ Evidence, Mrs Norman, 4 November 2021, p 44.

¹⁷⁸ Answers to questions on notice, Vegan Australia, 14 December 2020, pp 1-3.

from their side, to make a smooth shift into a booming market that is the plant milk industry.¹⁷⁹

- 2.138** Vegan Australia argued that land currently used for dairy in New South Wales could also be repurposed for producing plant milks, as well other forms of agriculture:

... [T]here is a lot of overlap between the lands that dairy farmers use and the land that is arable and could be used for crops or other plant foods ... For example, the Northern Rivers used to be a very large dairy industry. It was forested, I think, a hundred or more years ago with amazing rainforests and red cedar. That was all chopped down. Then it became dairy. Now people are using that land to grow macadamia trees and some of them are actually processing the macadamia nuts onsite and making macadamia milk. There would be other uses, including vegetable and fruit tree growing. Outside of traditional agriculture, we could re-use land like that for re-growing the natural environment and the rainforests that were in that area to allow for species that are on the brink of extinction to come back. We could use it for carbon farming in both growing trees and also forms of biochar or in-ground carbon capture.¹⁸⁰

- 2.139** Industry critics agreed that such a transition should be led and funded by the government. For example, Vegan NSW stated:

We urge the New South Wales Government to act now to assist all those in the dairy and associated industries to prepare for and adapt to the changing social landscape. In doing so, the Government would be supporting the industry to transition in a dignified way and contributing to eliminating the unnecessary harm this industry causes to animals and our environment.¹⁸¹

- 2.140** Vegan Australia expressed similar views:

In transitioning the industry, there is a role for governments to help with new industry innovation, research, employment training in other forms of agriculture and other assistance. To this end, Vegan Australia proposes a transition out of the dairy industry over ten years. To achieve this, government assistance should be given to current dairy farmers who wish to transition to plant-based agriculture. Such a move would allow Australia to produce more food, and potentially allow farmers to increase the profitability of their land.¹⁸²

- 2.141** Mrs Norman agreed, noting 'that is something that we really need to support farmers on because there are farmers who would like to make a transition to farm something else'.¹⁸³

Research, development and extension

- 2.142** In the 2018 inquiry, the committee considered that ongoing research, development and extension services were crucial to the ability of the New South Wales dairy industry to survive. It recommended that the NSW Government promote its Farm Innovation Fund, reinstate its

¹⁷⁹ Submission 56, Refarm'd, p 1.

¹⁸⁰ Evidence, Mr McFarlane, 4 November 2021, p 32.

¹⁸¹ Evidence, Ms Michelle Gravalin, Chief Executive Officer, Vegan NSW, 4 November 2021, p 32.

¹⁸² Submission 73, Vegan Australia, pp 10-11.

¹⁸³ Evidence, Mrs Norman, 4 November 2021, p 42.

historic role in providing independent advice directly to farmers on the extension of research and development initiatives, and increase funding for research and development projects.¹⁸⁴

2.143 The NSW Government provided an update to this committee on the actions the NSW Department of Primary Industries has taken in this space since that time, including:

- the creation of a Dairy Business Advisory Unit in the department, to deliver tools, services and resources that develop and enhance dairy farmer business skills and knowledge
- providing extension support to dairy farmers through Local Land Services, with assistance from the department
- the creation and appointment of two new dedicated dairy roles in the department, including Leader Dairy and Development Officer Dairy Farm Business Management
- working with the Dairy Research Foundation and industry stakeholders to develop a proposed five-year Research, Development and Extension program, with the aim of addressing the underperformance of dairy farm businesses, managing production risk and driving adaptation to increase resilience, developing new market opportunities and building community trust.¹⁸⁵

2.144 Further, Mr Zandstra commented that the coordination of funding in research, development and extension in New South Wales was now occurring as part of the new Research, Development and Extension Plan. He advised that this has been a result of the government investing \$6 million, 'which is cornerstone investment to support collaborative investment and projects with other dairy industry stakeholders such as Dairy Australia, Dairy Research Foundation and Sydney University'.¹⁸⁶

2.145 However, stakeholders called for further funding and expansion of research, development and extension programs.

2.146 Mr Morgan highlighted the importance of research bodies, such as the University of Sydney, being provided with funding to ensure they can research the latest innovations in the dairy industry. He raised concerns 'that there is a reduction in the amount of money being made available for such research, and from a dairy perspective it is vitally important'.¹⁸⁷

2.147 Dairy NSW, Murray Dairy, Subtropical Dairy and Dairy Australia said that 'there is an urgent need to rapidly expand research, development and extension programs that address key profit drivers'. In particular, these groups suggested programs be developed that address 'farm business management skills, access to skills and capabilities and farm system adaptation to climate change'. The committee heard that developing a more proactive, prepared and positive business culture within the dairy industry is a key focus of Dairy NSW, Murray Dairy, Subtropical Dairy and Dairy Australia, with their submission detailing a number of programs they are offering to farmers to equip them with the business side of farming.¹⁸⁸

¹⁸⁴ Portfolio Committee No. 5 – Industry and Transport, NSW Legislative Council, *Sustainability of the dairy industry in New South Wales*, pp 60-61.

¹⁸⁵ Submission 69, NSW Government, p 11.

¹⁸⁶ Answers to questions on notice, Mr Zandstra, 22 March 2021, p 1.

¹⁸⁷ Evidence, Mr Morgan, 4 November 2020, p 4.

¹⁸⁸ Submission 77, Dairy NSW, Murray Dairy, Subtropical Dairy and Dairy Australia, pp 13-14 and 17.

- 2.148** NSW Farmers also called for government to 'invest in targeted dairy research into NSW farming systems that addresses climate variability and other resources management challenges'. NSW Farmers added that 'the effective extension of this research will be vital in ensuring uptake and on farm practice change that will increase the viability and profitability of dairy farms in NSW'.¹⁸⁹
- 2.149** In terms of extension services in particular, Mr Neal advised that previously there were 12 dairy offices across New South Wales with dairy specialists supporting the industry, however following a restructure of the government department this was collapsed into more generalist roles. Mr Neal stated that dairying is complex and there is a need for officers who are experienced in these roles.¹⁹⁰
- 2.150** Further, Mr Paul van Wel, Regional Manager, Dairy NSW, highlighted that it is important for those extension services to be available to 'make sure that research gets embedded on farm in actual practice change'. He said that 'essentially, Dairy Australia, through the levy, is filling a lot of that gap in New South Wales'.¹⁹¹ Mr Neal reflected on other states, such as Victoria, that provide significant investment in this area of the dairy industry.¹⁹²
- 2.151** In this regard, Dairy NSW, Murray Dairy, Subtropical Dairy and Dairy Australia recommended 'that the NSW Government reignites support for specialist, independent, dairy-focused extension expertise within the NSW Department of Primary Industries, to work with Dairy NSW, Subtropical Dairy and Murray Dairy to respond to a lack of skilled service providers of 1:1 dairy farm system and farm business management advice'.¹⁹³
- 2.152** Mr Zandstra also spoke with the committee about the update of extension services and trying to get education and information out to dairy farmers. He said that currently these services are not getting out to farmers and that there was a need for discussion groups and meeting groups to be held with the industry. Mr Zandstra clarified that 'the service offer is tremendous' and 'Dairy Australia cannot be criticised', however the uptake is just not there. He suggested that the people on the ground providing extensions should organise discussion groups with farmers to more effectively get that information out to the industry.¹⁹⁴
- 2.153** Mr Hansen added that 'our ambition and our hope is that the six people we now have in our dairy outreach team' are now in a position to start creating 'the opportunity for more rapid uptake of some of the tools and some of the information'. He commented that 'it is being created faster than it ever has in history; it is just getting it to the right people at the right time for them to do something with it'.¹⁹⁵

¹⁸⁹ Submission 79, NSW Farmers, p 21.

¹⁹⁰ Evidence, Mr Neal, 4 November 2020, p 30.

¹⁹¹ Evidence, Mr Paul van Wel, Regional Manager, Dairy NSW, 4 November 2020, p 30.

¹⁹² Evidence, Mr Neal, 4 November 2020, p 30.

¹⁹³ Submission 77, Dairy NSW, Murray Dairy, Subtropical Dairy and Dairy Australia, p 4.

¹⁹⁴ Evidence, Mr Zandstra, 3 February 2021, pp 12 and 14.

¹⁹⁵ Evidence, Mr Hansen, 3 February 2021, p 15.

Committee comment

- 2.154** It is clear to the committee that many of the issues considered in the 2018 inquiry are still impacting on the New South Wales dairy industry today. This is despite the previous committee making a number of recommendations aimed at addressing these issues, and support of most of these by the NSW Government.
- 2.155** It is pleasing to see that since the 2018 inquiry the Australian Government has implemented the Dairy Industry Code of Conduct. We agree with stakeholders that at this point in time it is too early to see the full impact the Dairy Industry Code of Conduct is having on the industry, however early signs look positive. The committee notes the recommendations from stakeholders that retailers should be brought under the Dairy Industry Code of Conduct and we agree with this proposal, given the power imbalances between retailers, processors and farmers and the impacts supermarket pricing has on the supply chain. The committee recognises that this would need to be led at a national level and believes that the NSW Fresh Milk and Dairy Advocate can play a role in this regard.
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Recommendation 1

That the NSW Fresh Milk and Dairy Advocate and the Minister for Regional New South Wales, Industry and Trade, urge the Australian Government to require all retailers involved in the dairy milk supply chain to be regulated under the Dairy Industry Code of Conduct.

- 2.156** The committee notes the recommendation made in the 2018 inquiry for the NSW Government to pursue further measures that facilitate the ability of dairy farmers to collectively bargain with processors for their milk supply, including through the implementation of a collective bargaining code as part of the Dairy Industry Code of Conduct. The NSW Government supported this recommendation in principle, noting that it would need to be led at a national level. However, further evidence to this inquiry on this issue seems to indicate that changes have not yet been made to the policy environment to support collective bargaining arrangements. Since then, both the NSW Fresh Milk and Dairy Advocate has been appointed and the Dairy Industry Code of Conduct has been implemented, and so we recommend that this is an opportune time for the government to take further action on this issue.
-

Recommendation 2

That the NSW Fresh Milk and Dairy Advocate and the Minister for Regional New South Wales, Industry and Trade, urge the Australian Government to develop an effective collective bargaining platform for dairy farmers and include an appropriate code of conduct for collective bargaining within the Dairy Industry Code of Conduct.

- 2.157** The price of dairy products, as stipulated by the retailer or the processor when determining the farmgate price, has a significant impact on the viability of the dairy industry. As we heard, the demand for milk by the consumer is still high, however current pricing practices are forcing dairy farmers to exit the industry as it is not profitable. We do not want to end up in a position where we are importing most of our dairy products.
-

- 2.158** The committee acknowledges that the pricing of milk products is complex and influenced by many different factors, not only at a state level, but nationally and worldwide. We note some of the suggestions put forward by stakeholders in relation to measures such as a dairy floor price, as used in Canada, or the Milk to Feed Price Ratio, as used in the United States, as well as the extension of the levy on \$1 per litre milk. We believe it is worth the government exploring these options further with the aim of both supporting farmers and keeping the dairy industry viable and sustainable in the long-term.

Recommendation 3

That the NSW Fresh Milk and Dairy Advocate and the NSW Department of Primary Industries:

- investigate the appropriateness of measures such as a dairy floor price and Milk to Feed Price Ratio, as well as the extension of the levy on \$1 per litre milk, to improve the dairy milk pricing environment
- advocate for the Australian Government to implement any such measures should they be of benefit to the dairy industry.

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- 2.159** The committee acknowledges the significant and devastating impact drought and the recent bushfires have had on the New South Wales dairy industry. We agree with stakeholders that recovery from both of these environmental impacts is difficult and will take some time. We are encouraged by the level of drought and bushfire related support that the government is providing to dairy farmers. The committee also believes that the handbook collating farmers' learnings from the drought to prepare future farmers for when the next drought inevitably comes, is a great initiative. We commend the department for coordinating this.
- 2.160** The committee notes evidence received about the negative impacts of the dairy industry on the environment. The committee also notes the concerns of stakeholders relating to the welfare of dairy cows. Both industry and animal welfare stakeholders noted consumer concern over the treatment of animals in the dairy industry, including male bobby calves and practices such as tail docking, disbudding and dehorning. Concern about animals and the environment were identified by some witnesses as being a cause of declining consumer support for the dairy industry.
- 2.161** As we heard, the government is aware of these animal welfare issues and will be considering these at some point as part of the review of the *Prevention of Cruelty to Animals Act 1979*, although individual practices within the dairy industry are not being examined at this stage in the process. Dairy industry groups also gave evidence that they are considering animal welfare related issues, particularly as part of the industry goals under the *Australian Dairy Sustainability Report 2019*.
- 2.162** Given that both industry and animal welfare stakeholders recognised that animal welfare affects the dairy industry, the committee believes the government's review into the *Prevention of Cruelty to Animals Act 1979* should be expedited.

Recommendation 4

That the NSW Government expedite its work to review and update the *Prevention of Cruelty to Animals Act 1979*.

- 2.163** The committee received evidence that in New South Wales there is a continual decline in the number of dairy farms. It seems that deregulation of the industry in 2000 has contributed to the smaller, often family run dairy farms exiting the industry and a shift towards larger dairy farms. Market pricing issues and the impacts of drought and bushfires has also contributed further to the decline in the number of dairy farms. With this occurring and fewer young farmers entering the industry we may find ourselves with insufficient dairy farms in New South Wales to supply the demand for milk.
- 2.164** The committee also notes that some stakeholders suggested there should be government supported strategies to assist farmers who would like to transition out of the dairy industry. The committee recognises that such proposals are at early stages and that further research, development and cost modelling would need to occur.
-

Recommendation 5

That the NSW Government undertake preliminary work to understand the costs, demand and practicalities for developing a government supported transition program for dairy farmers wanting to transition out of the industry.

- 2.165** Further, the committee believes that supporting the future generation of dairy farmers is key to addressing the issue of declining dairy farms. We consider that there are two areas in which the government can further support new dairy farmers entering the industry; through financial support and advice, and by investing in further training and development opportunities. The committee notes the suggestion by Mr Zandstra for a dedicated unit to be established to provide advice and support to dairy farmers entering the industry and we agree with this proposal. The committee therefore makes this recommendation, alongside a recommendation to allocate additional funding for dairy specific traineeships, subsidised university degrees and TAFE programs, and to partner with the dairy industry to deliver these programs and ensure education programs are fit for purpose.
-

Recommendation 6

That the NSW Department of Primary Industries establish a dedicated unit to provide advice and support to new dairy farmers entering the industry.

Recommendation 7

That the NSW Government:

- allocate additional funding for dairy specific traineeships, subsidised university degrees and TAFE programs
 - partner with the dairy industry to deliver these programs and to ensure dairy specific education programs are fit for purpose.
-

2.166 The committee notes the calls from stakeholders for the expansion of research, development and extension services across the New South Wales dairy industry, both in this inquiry and in the 2018 inquiry. We acknowledge that the draft NSW Dairy Industry Action Plan commits to facilitating improvements in productivity and industry profitability through a collaborative approach to, and increased investment in, dairy research, development and extension that is tailored to New South Wales. We also note the \$6 million investment by government to support this collaborative investment across the New South Wales dairy industry and therefore do not make any recommendations in this regard.

2.167 We do however, urge the speedy finalisation and publication of the final Dairy Industry Action Plan. The committee recognises that many of the issues considered during this inquiry are also stipulated in the Dairy Industry Action Plan and proposed solutions put forward by the NSW Fresh Milk and Dairy Advocate. We note that a draft was released towards the end of 2020 and given we are now into the second quarter of 2021, we would like to see the final plan released as soon as possible.

Recommendation 8

That the NSW Fresh Milk and Dairy Advocate as a priority finalise and publish the final Dairy Industry Action Plan.

Appendix 1 Submissions

No.	Author
1	Mr Karl Augustine
2	Name suppressed
3	Gemma Skelton
4	Ms Biljana Ruzic
5	Rev Keven Gray
6	Ashleigh Humphreys
7	Mrs Jacki Jacka
8	Name suppressed
9	Name suppressed
10	Mrs Avtar Kaur
11	Mrs Pat Daykin
12	Name suppressed
13	Ms Erin Zumot
14	Ms Sarah Davis
15	Ms Fiona Galloway
16	Name suppressed
17	Miss Miriam Cooper
18	Ms Aleksandra Jamieson
19	Mr Robert McCormick
20	Mrs Jessica Carey-Bunning
21	Name suppressed
22	Name suppressed
23	Mr George Grevelis
24	Ms Pamela Hall
25	Mr Matthew Stellino
26	Name suppressed
27	Ms Carolyn Cooper
28	Mr Bryan Russell-Keely
29	Ms Teresa Kiernan
30	Mr Ross Nimmo
31	Mr Leonard Fitzpatrick
32	Miss Kiralee Derriman

No.	Author
33	Name suppressed
34	Miss Naomi Vanderweg
35	Miss Sharon Kwee
36	Confidential
37	Ms Kayllah Pinto-Andrews
38	Mr Jeremy Aronstam
39	Name suppressed
40	Name suppressed
41	Name suppressed
42	Miss Samantha Marr
43	Dr Asha Persson
44	Name suppressed
45	Mr Timmy Mavin
46	Mrs Margaret Watson
47	Name suppressed
48	Ms Pamela Duffy
49	Miss Letitia Wilson Saad
50	Mr Don Pezzano
51	Amelia Slaytor
52	Name suppressed
53	Ms Kim Komesarook
54	Ms Kathryn Heintz
55	Ms Catherine Blasonato
56	Refarm'd
57	Mr Lyndon Barry
58	Mr Michael Andrews
59	Mr Patrick Clarke
60	Mrs Tygalily Keeley
61	Name suppressed
61a	Name suppressed
62	Mrs Jackie Norman
63	Sonakshi and Emma
64	Dr Mike Joy
65	Jan Kendall
66	Name suppressed

No.	Author
67	United Workers Union
68	Animal Liberation
69	NSW Government
70	Ms Susie Harder
71	Vegan NSW
72	Agriculture Fairness Alliance
73	Vegan Australia
74	Dairy Farmers Milk Co-Operative Limited
75	Name suppressed
76	Woolworths Group Limited
77	Dairy NSW, Murray Dairy, Subtropical Dairy and Dairy Australia
78	Dairy Connect Limited
79	NSW Farmers
80	Business Council of Co-Operatives and Mutuals
81	Professor Greg Patmore

Appendix 2 Witnesses at hearings

Date	Name	Position and Organisation
Wednesday, 4 November 2020 Jubilee Room, Parliament House, Sydney	Mr Shaughn Morgan	Chief Executive Officer, Dairy Connect
	Mr Graham Forbes	Farmers' Group President, Dairy Connect
	Mr Mark Kebbell	Executive Officer, Dairy Farmers Milk Co-operative
	Mr Tony Burnett	Regional Manager Northern, Dairy Farmers Milk Co-operative
	Mr Colin Thompson	Chair of the NSW Farmers Dairy Committee
	Ms Jodie Dean	Policy Director – Agricultural Industries, NSW Farmers
	Mr James Neal	Chairperson, Dairy NSW
	Mr Paul van Wel	Regional Manager, Dairy NSW
	Mr David Nation	Managing Director, Dairy Australia
	Ms Michelle Gravolin	Chief Executive Officer, Vegan NSW
Mr Greg McFarlane	Director, Vegan Australia	
Mr Alex Vince	Campaign Director, Animal Liberation	
Mrs Jackie Norman	Former dairy farmer	
Wednesday, 3 February 2021 Macquarie Room, Parliament House, Sydney	Mr Scott Hansen	Director General, NSW Department of Primary Industries
	Ms Kate Lorimer-Ward	Deputy Director General Agriculture, NSW Department of Primary industries

Date	Name	Position and Organisation
	Mr Alexander Russell	Director Intensive Livestock, NSW Department of Primary Industries
	Mr Ian Zandstra	NSW Fresh Milk and Dairy Advocate
	Mr Sergio (Yani) Garcia	Professor of Dairy Science, Member of the NSW Dairy Industry Advisory Panel, University of Sydney and Director Dairy Research Foundation
	Mr Marcus Bezzi	Executive General Manager, Specialised Enforcement & Advocacy, Australian Competition and Consumer Commission
	Ms Gabrielle Ford	General Manager, Advocacy, International and Agriculture Branch, Australian Competition and Consumer Commission

Appendix 3 Minutes

Minutes no. 16

Tuesday 3 December 2019

Portfolio Committee No.4 – Industry

Macquarie Room, Parliament House, Sydney at 9.04 am

1. Members present

Mr Banasiak, *Chair*

Ms Hurst, *Deputy Chair (for the inquiry into exotic animals and cetaceans, until 9.21 am)*

Mr Amato

Mr Field (*substituting for Ms Hurst for the coal seam gas activities inquiry*)

Mr Khan

Mr Primrose

Mr Searle

Mrs Ward (*substituting for Ms Cusack, from 9.32 am*)

2. Apologies

Ms Boyd

3. Previous minutes

Resolved on the motion of Mr Khan: That draft minutes nos. 11 and 15 be confirmed.

4. Correspondence

The committee noted the following items of correspondence:

Received

- 30 October 2019 – Email from Government Whip to secretariat, advising that Mr Farraway will be substituting for Mr Khan at the hearing on 11 November 2019
- 6 November 2019 – Email from Mr Richard Hodge, Policy Advisor, Office of Minister Matt Kean to secretariat confirming previous verbal advice that the Minister is unable to attend the hearing on 11 November 2019
- 6 November 2019 – Email from Ms Georgina Williams, Ministerial contact for Deputy Premier Barilaro to secretariat, confirming that no departmental witnesses will be attending the hearing on 11 November 2019
- 12 November 2019 – Email from Government Whip to secretariat, advising that Mrs Ward will be substituting for Ms Cusack at the hearing on 3 December 2019
- 13 November 2019 – Email from Mr Mahmoud El-Hussein, Acting director, Government Services, Department of Planning, Industry and Environment, to the secretariat, advising that Mr Betts is unable to attend the hearing of the inquiry into the NSW Chief Scientist's recommendations of coal seam gas activities in New South Wales on 3 December 2019.
- 14 November 2019 – Email from Mr Mahmoud El-Hussein, Acting director, Government Services, Department of Planning, Industry and Environment, to the secretariat, advising that Mr Laurie and Mr Wright are unable to attend the hearing of the inquiry into the NSW Chief Scientist's recommendations of coal seam gas activities in New South Wales on 3 December 2019.
- 26 November 2019 – Letter from Mr Banasiak, Mr Veitch, and Mr Primrose requesting a meeting of Portfolio Committee No. 4 to consider a proposed self-reference into the long-term sustainability of the dairy industry
- 18 November 2019 – Letter from Dr Jo Dorning to committee, forwarding the report *The Welfare of Wild Animals in Travelling Circuses*, co-authored with Stephen Harris and Heather Pickett

5. Inquiry into the use of exotic animals in circuses and the exhibition of cetaceans in New South Wales

5.1 Submissions

Resolved on the motion of Mr Khan: That the committee authorise the publication of submission nos. 1, 1a, 5, 6, 6a, 8-10, 12, 14, 15, 17-19, 21, 22, 25-30, 32-37, 39, 43, 45, 46, 49, 51, 52, 54-57, 60-62, 66, 68-72, 74, 75, 78-83, 83a, 84-91, 93-97, 99-102, 104-106, 109, 110, 114-120, 122-124, 126, 129, 131, 132, 138, 141, 145-148, 150-154, 157-159, 163, 164, 166, 167, 169, 171-180, 183-185.

5.2 Partially confidential submissions

Resolved on the motion of Mr Khan: That the committee authorise the publication of submission nos. 2-4, 7, 11, 13, 16, 20, 23, 24, 31, 38, 40-42, 44, 47, 48, 48a, 50, 58, 59, 63-65, 67, 73, 76-77, 77a, 92, 98, 103, 107, 108, 112, 113, 121, 125, 127, 128, 130, 133-137, 139, 140, 142-144, 149, 155, 156, 160-162, 165, 168, 170, 181, 182, with the exception of identifying and/or sensitive information which are to remain confidential, as per the request of the author.

5.3 Pro formas

Resolved on the motion of Mr Searle: That a sample of each pro forma be published on the inquiry website, including the number of responses to each pro forma, and that all individual pro forma responses be kept confidential.

5.4 Summary report from online questionnaire

Resolved on the motion of Mr Searle: That the summary report from the online questionnaire be circulated to members via email and then published, unless members raise a concern with the document.

5.5 Site visits

Resolved on the motion of Ms Hurst: That the committee conduct a site visit to the Dolphin Marine Conservation Park in Coffs Harbour on 23 March 2020.

6. Inquiry into the long-term sustainability of the dairy industry in New South Wales - Consideration of terms of reference

The Chair tabled a letter proposing the following self-reference:

That, on completion of the inquiry into the exhibition of exotic animals in circuses and exhibition of cetaceans in New South Wales, Portfolio Committee No. 4 - Industry inquire into and report on the long-term sustainability of the dairy industry and the role of the Department of Primary Industries and other government agencies in supporting the industry, and in particular:

- (a) the nature of, and relationship within, the value chain between farmers, processors, logistics companies and retailers and their respective influence on price
- (b) the impact of external influences on the dairy industry, including but not limited to drought, water, energy and price-setting
- (c) the impact of previous policies, in particular, the deregulation of the dairy industry
- (d) the role of government in addressing key economic challenges to the industry
- (e) the appointment, operation and effectiveness of the NSW Government's Fresh Milk and Dairy Advocate, and the Dairy Industry Advisory Panel
- (f) the operation, effectiveness and outcomes arising from the Commonwealth Government's Mandatory Dairy Code of Conduct, including whether additional protections, legislation or regulation are required in New South Wales to better support dairy farmers, and
- (g) any other related matters.

Ms Hurst proposed to amend the terms of reference to include animal welfare.

The committee deferred consideration of the amendment.

Mr Searle moved: That the:

- committee adopt the terms of reference
- inquiry not be publicised by the secretariat (on an inquiry webpage or via a media release) until it's commencement after the inquiry into the exhibition of exotic animals in circuses and exhibition of cetaceans in New South Wales is finalised.

Question put.

The committee divided.

Ayes: Mr Banasiak, Mr Amato, Mr Khan, Mr Primrose, Mr Searle.

Noes: Ms Hurst.

Question resolved in the affirmative.

7. Election of Deputy Chair for duration of hearing

The Chair called for nominations for Deputy Chair.

Mr Searle moved: That Mr Primrose be elected Deputy Chair for the duration of the hearing today.

There being no further nominations, the Chair declared Mr Primrose elected Deputy Chair for the duration of today's hearing.

8. Inquiry into the implementation of the Chief Scientist recommendations for Coal Seam Gas Activities

8.1 Re-opening submissions

Resolved on the motion of Mr Searle: That the committee re-open submissions to the inquiry for a further 7 days, from Monday 11 until Monday 18 November 2019.

8.2 Public submissions

The committee noted that the following submissions were published by the committee clerk under the authorisation of the resolution appointing the committee: submission nos. 1, 3-7, 9-12, 14-28.

8.3 Partially confidential submissions

Resolved on the motion of Mr Searle: That the committee keep the following information confidential, as per the request of the author: names and/or identifying and sensitive information in submissions nos. 2, 8 and 29.

Resolved on the motion of Mr Searle: That the committee change the publication status of submission no. 13 from public to name suppressed, at the request of the author, and keep confidential their name and other identifying information .

Resolved on the motion of Mr Searle: That the committee keep the following information confidential, as per the request of the author: names and/or identifying and sensitive information in submissions no. 15.

8.4 Timeframe for answers to questions on notice and supplementary questions

Resolved on the motion of Mr Searle: That:

- members provide any supplementary questions to the secretariat within 1 day of receiving the transcript of evidence
- witnesses be required to provide answers to questions on notice/supplementary questions within 7 days.

8.5 Public Hearing

Resolved, on the motion of Mr Searle: That the timing of questioning for today's hearing be left in the hands of the Chair.

Witnesses, the public and the media were admitted.

The Chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witnesses were sworn and examined:

- Mr Michael Wright, Deputy Secretary, Resources and Geoscience, Department of Planning, Industry and Environment
- Mr Kevin Ruming, Director Strategic Resource Assessment & Advice, Division of Resources and Geoscience
- Mr James McTavish, NSW Regional Town Water Supply Coordinator
- Ms Tracy Mackey, Chief Executive Officer, Environment Protection Authority
- Mr Jim Bentley, Deputy Secretary, Water
- Mr Mitchell Isaacs, Director, Office of the Deputy Secretary and Strategic Relations (Water).

The evidence concluded and the witnesses withdrew.

The public and media withdrew.
The public hearing concluded at 11.23 am.

9. Revised inquiry timeline

Resolved, on the motion of Mr Searle: That the committee adopt the following revised inquiry timeline:

- Half day hearing (1pm – 5pm) – Tuesday 4 February 2020
- Report to members – Wednesday 18 / Thursday 19 February 2020
- Report deliberative – Thursday 20 February 2020
- Report tabling – Friday 28 February 2020.

10. Adjournment

The committee adjourned at 11.42 am, until Tuesday 4 February 2020 (*public hearing CSG activities*)

Emma Rogerson
Committee Clerk

Minutes no. 21

Tuesday 17 March 2020
Portfolio Committee No. 4 - Industry
Jubilee Room, Parliament House, Sydney, at 9.15 am

1. Members present

Mr Banasiak, *Chair*
Ms Hurst, *Deputy Chair*
Ms Cusack
Mr Khan
Mr Mallard (*substituting for Mr Amato, until 2.47 pm*)
Mr Primrose
Mr Veitch
Mr Field (*participating*)
Mr Shoebridge (*participating from 10.29 am to 10.54 am*)

2. Correspondence

The committee noted the following items of correspondence:

Received:

- 26 February 2020 – Email from Ms Georgina Williams, Parliamentary Liaison Advisor, Office of Hon John Barilaro MP, Deputy Premier and Minister for Regional NSW, Industry and Trade, to the secretariat, advising that the Deputy Premier will be available for the morning session only for the Budget Estimates hearing on 17 March 2020
- 2 March 2020 – Email from Ms Neusa Soares, Executive Assistant, Natural Resources Commission, to the secretariat, advising that the Acting Commissioner and Mr Bryce Wilde, Executive Director would appear as witnesses at the Budget Estimates hearing on 10 March 2020
- 12 March 2020 – Email from Mr Tim Owen, Director, Ministerial Liaison Office, Department of Planning, Industry and Environment, to the secretariat, advising that Mr Michael Wright requests to appear at the hearing on 17 March 2020 via teleconference.

Sent:

- 28 February 2020 – Letter from the secretariat, to Dr Neil Byron, Acting Commissioner, Natural Resources Commission, inviting him to appear at the Water, Property and Housing hearing on 10 March 2020

- 6 March 2020 – Email from the secretariat, to Ms Jodie Bain, Executive Officer, Office of the Hon Andrew Marshall MP, Minister for Agriculture and Western NSW, attaching transcript of evidence with questions on notice highlighted, supplementary questions and instructions on how to correct the transcript and return answers to questions.

3. Conduct of the inquiry into the use of exotic animals in circuses and the exhibition of cetaceans in New South Wales

The committee considered revising the inquiry timeline in light of the developing COVID-19 situation. The committee is currently conducting the inquiry according to the following timeline:

- conduct site visits on 23 March and in May 2020
- conduct public hearings on 3 April and 27 April 2020
- report by 27 June 2020.

In relation to the public hearings on 3 and 27 April, the committee noted that the Parliament's Influenza Pandemic Plan. Currently the Parliament is at Response phase – Action (Initial). That action phase recommends discouraging face to face meetings and group gatherings, and implementing social distancing measures (see page 13). It is also possible that the Parliament may soon move to the Response phase – Action (Targeted). That action phase recommends further limiting of face to face meetings and group gatherings and allocation of resourcing to critical areas (see page 14).

In view of this, the committee also considered whether it wishes to proceed with the public hearings on 3 and 27 April or whether it wishes to postpone them and review this towards the end of April.

Resolved on the motion of Mr Veitch: That the committee adopt the following revised timeline for the administration of the inquiry:

- Site visit to Dolphin Marine Park to be postponed until a later stage
- Public hearings on 3 and 27 April to be postponed until a later stage
- Report deliberative in December 2020
- Table report in December 2020.

4. Conduct of the inquiry into the long-term sustainability of the dairy industry in New South Wales

The committee considered revising the inquiry timeline. The committee previously resolved to commence the inquiry after the inquiry into the exhibition of exotic animals in circuses and exhibition of cetaceans in New South Wales is finalised, anticipating that this would occur by 27 June 2020.

Resolved on the motion of Mr Veitch: That the committee adopt the following revised timeline for the administration of the inquiry:

- Commencement: conduct of inquiry to commence 1 July 2020.
- Submission closing date: Sunday 6 September 2020
- Hearings and Site visits: to be determined following the review of submissions.

5. Inquiry into Budget Estimates 2019-2020 – further hearings

5.1 Order for examination of portfolios

The committee noted that Mr Jim Betts, Secretary, Department of Planning, Industry and Environment, will be an apology for the hearing.

Resolved on the motion of Mr Khan: That

- with no government questions, the portfolios of Regional New South Wales, Industry and Trade will be examined from 9.30 am to 12.00 pm, and from 1.00 pm to 4.00 pm, with both sessions reserved for questioning by the Opposition and cross bench
- the Deputy Premier be excused from the public hearing from 11.00 am to 11.30 am.

5.2 Public hearing: Regional New South Wales, Industry and Trade

Witnesses, the public and the media were admitted.

The Hon John Barilaro MP, Deputy Premier and Minister for Regional New South Wales, Industry and Trade, was admitted.

The Chair made an opening statement regarding the broadcasting of proceedings and other matters. The Chair noted that members of Parliament swear an oath to their office, and therefore do not need to be sworn prior to giving evidence before a committee.

The Chair also reminded the following witnesses that they did not need to be sworn, as they had been sworn at another Budget Estimates hearing for the same committee:

- Mr Gary Barnes, Coordinator General, Regions, Industry, Agriculture and Resources, Department of Planning, Industry and Environment
- Mr Scott Hansen, Director General, Primary Industries, Department of Planning, Industry and Environment
- Mr Chris Hanger, Executive Director, Regional NSW, Department of Planning, Industry and Environment
- Ms Kylie Bell, Executive Director, Trade and Investment, NSW Treasury
- Mr Anthony Keon, Executive Director, NSW Resources Regulator
- Mr Nick Roberts, Chief Executive Officer, Forestry Corporation of NSW.

The following witnesses were sworn:

- Ms Rebecca Fox, Deputy Secretary, Regional NSW, Department of Planning, Industry and Environment
- Ms Margaret Prendergast, Executive Director, Disaster Recovery Office, Department of Communities and Justice
- Mr Mick Willing APM, NSW State Recovery Coordinator
- Mr Alex King, Executive Director, Resources Policy, Planning and Programs.

The Chair declared the proposed expenditure for the portfolios of Regional New South Wales, Industry and Trade open for examination.

The Deputy Premier and departmental witnesses were examined by the committee.

The Deputy Premier was excused at 10.56 am.

The Deputy Premier returned at 11.40 am.

The Deputy Premier withdrew at 12.10 pm.

The evidence concluded and the witnesses withdrew.

The public hearing concluded at 3.18 pm.

The public and media withdrew.

6. Adjournment

The committee adjourned at 3.18 pm, *sine die*.

Rebecca Main/Rhia Victorino
Committee Clerk

Minutes no. 23

Thursday 18 June 2020

Portfolio Committee No. 4 – Industry

Room 1136, Parliament House, Sydney at 1.35 pm

1. Members present

Mr Banasiak, *Chair*

Mr Amato

Ms Cusack

Mr Farraway

Mr Field (substituting for Ms Hurst for the water bills inquiry, until 1.52 pm)

Mr Primrose

Mr Veitch

2. Apologies

Ms Hurst

3. Correspondence

The Committee noted the following items of correspondence:

Received

- 17 June 2020 – Email from the Office of the Hon. Emma Hurst MLC, to the secretariat, advising that Mr Justin Field MLC will substitute for the duration of the inquiry into the Constitution Amendment (Water Accountability and Transparency) Bill 2020 and Water Management Amendment (Transparency of Water Rights) Bill 2020.

4. Inquiry into Constitution Amendment (Water Accountability and Transparency) Bill 2020, Water Management Amendment (Transparency of Water Rights) Bill 2020 and Water Management Amendment (Water Allocations - Drought Information) Bill 2020

The committee noted the referral on 16 June 2020 of the following terms of reference:

That:

- (a) the provisions of the Constitution Amendment (Water Accountability and Transparency) Bill 2020 be referred to Portfolio Committee No. 4 – Industry for inquiry and report,
- (b) the Constitution Amendment (Water Accountability and Transparency) Bill 2020 be referred to the committee upon receipt of the message from the Legislative Assembly,
- (c) the Water Management Amendment (Transparency of Water Rights) Bill 2020 be referred to Portfolio Committee No. 4 – Industry for inquiry and report,
- (d) the committee report by Friday 31 July 2020, and
- (e) on the report being tabled a motion may be moved immediately for the first reading and printing of the Constitution Amendment (Water Accountability and Transparency) Bill 2020.

The committee noted the referral on 17 June 2020 of the following terms of reference: That the Water Management Amendment (Water Allocations—Drought Information) Bill 2020 be referred to Portfolio Committee No. 4 – Industry for inquiry and report by Friday 31 July 2020.

Resolved, on the motion of Mr Veitch: That all three bills be examined concurrently with one report, and that the terms of reference be incorporated into one, as follows:

1. That Portfolio Committee No. 4 – Industry inquire and report on:

- (a) the provisions of the Constitution Amendment (Water Accountability and Transparency) Bill 2020,
- (b) the Water Management Amendment (Transparency of Water Rights) Bill 2020, and
- (c) the Water Management Amendment (Water Allocations—Drought Information) Bill 2020.

2. That the committee report by Friday 31 July 2020.

4.1 Proposed timeline

Resolved, on the motion of Ms Cusack: That the committee adopt the following timeline for the administration of the inquiry:

- Sunday 5 July 2020 – closing date for submissions and online questionnaire (2 weeks)
- Monday 13 July and Tuesday 14 July – 2 hearings
- Friday 24 July – circulation of chair's draft report (Note: this will allow less than seven days to consider the chair's draft report, in variance to the sessional order)
- Wednesday 29 July – report deliberative
- Friday 31 July – report tabled.

4.2 Physically distanced hearing

Resolved, on the motion of Mr Faraway: That the committee hold a physically distanced hearing.

4.3 Submissions, online questionnaire and proformas

Resolved, on the motion of Mr Veitch:

- That the committee accept submissions from nominated stakeholders and organisations/experts in the field who apply to make a submission and are approved by the chair.
- That the committee not issue an open call for submissions through the website.
- That the committee not accept any proformas.
- That the committee conduct an online questionnaire to close on the same date as submissions.
- That the wording for the website be as follows:

Submissions

- Individuals are invited to submit their comments on the bill/s here [hyperlink to online questionnaire]. This is a new way for individuals to participate in inquiries and it means we will no longer accept proformas.
- If you are an organisation or have specialist knowledge in the field and you would like to make a more detailed submission, please contact the secretariat before [submission closing date].

4.4 Online questionnaire and summary report

Resolved, on the motion of Mr Veitch: That the questions for the online questionnaire be as follows:

- What is your position on the Constitution Amendment (Water Accountability and Transparency) Bill 2020? Select one of these options: support, oppose, neutral/undecided
- What is your position on the Water Management Amendment (Transparency of Water Rights) Bill 2020? Select one of these options: support, oppose, neutral/undecided
- What is your position on the Water Management Amendment (Water Allocations—Drought Information) Bill 2020? Select one of these options: support, oppose, neutral/undecided
- In relation to the previous question, please explain your position on the bill/s (500 word text box)
- Do you have any other comments on the bill/s? (250 word text box)

Resolved, on the motion of Mr Veitch: That the secretariat prepare a summary report of responses to the online questionnaire for publication on the website and use in the report, and that:

- the committee agree to publication of the report via email, unless a member raises any concerns
- individual responses be kept confidential on tabling.

4.5 Submission invitations

Resolved, on the motion of Mr Faraway: That the following stakeholders be invited to make a submission, and members be given 24 hours to nominate additional stakeholders:

- Political parties represented in the NSW Parliament, independent members of NSW Parliament
- Minister for Water, Hon Melinda Pavey MP
- Former Water Ministers Blair, Humphries and Hodgkinson
- Department of Planning, Industry and Environment – Water
- Murray Darling Basin Authority
- National Resources Access Regulator
- Farmer/irrigator bodies – NSW Farmers' Association, NSW Irrigators Council, Namoi Water, Gwydir Valley Irrigators' Association, Border Rivers Food and Fibre, Southern Riverina Irrigators, Speak up 4 Water
- Environmental groups – Environmental Defenders Office, Inland Rivers Network, Australian Floodplain Association
- Clerks of NSW Legislative Assembly and Legislative Council
- Independent Commission Against Corruption
- Parliamentary Ethics Advisor.

4.6 Witness list

Resolved, on the motion of Mr Faraway: That the following stakeholders be invited to appear as witnesses, with consideration given to additional witnesses from among the stakeholders nominated by members:

- Political parties represented in the NSW Parliament
- Minister for Water, Hon Melinda Pavey MP
- Former Water Ministers Blair, Humphries and Hodgkinson
- Department of Planning, Industry and Environment – Water
- NSW Farmers' Association
- NSW Irrigators Council
- Speak up 4 Water.

4.7 Questions on notice and supplementary questions

Resolved, on the motion of Ms Cusack: That there be no questions taken on notice at the public hearing or supplementary questions from members.

4.8 Advertising

Resolved, on the motion of Ms Cusack: That in addition to the inquiry being advertised via social media, stakeholder emails and a media release distributed to all media outlets in New South Wales, the secretariat investigate the costs of advertising the inquiry in regional newspapers and advise the committee.

Mr Field left the meeting.

5. Inquiry into the provisions of the Prevention of Cruelty to Animals Amendment (Restrictions on Stock Animals Procedures) Bill 2019

5.1 Terms of reference

The committee noted the referral on 17 June 2020 of the following terms of reference:

That the provisions of the Prevention of Cruelty to Animals Amendment (Restrictions on Stock Animals Procedures) Bill 2019 be referred to Portfolio Committee No 4 – Industry for inquiry and report by 31 July 2020.

The committee also noted that on Thursday 18 June 2020, the House extended the reporting date to the last sitting day in September 2020.

5.2 Proposed timeline

Resolved, on the motion of Mr Veitch: That the committee adopt the following timeline for the administration of the inquiry:

- Submissions – closing 31 July (6 weeks)
- Hearings – 1 day hearing in August TBC

5.3 Physically distanced hearing

Resolved, on the motion of Mr Veitch: That the committee hold a physically distanced hearing.

5.4 Submissions, online questionnaire and proformas

Resolved, on the motion of Ms Cusack:

- That the committee accept submissions from nominated stakeholders and organisations/experts in the field who apply to make a submission and are approved by the chair.
- That the committee not issue an open call for submissions through the website.
- That the committee not accept any proformas.
- That the committee conduct an online questionnaire to close on the same date as submissions.
- That the wording for the website be as follows:

Submissions

- Individuals are invited to submit their comments on the bill/s here [hyperlink to online questionnaire]. This is a new way for individuals to participate in inquiries and it means we will no longer accept proformas.
- If you are an organisation or have specialist knowledge in the field and you would like to make a more detailed submission, please contact the secretariat before [submission closing date].

5.5 Online questionnaire and summary report

Resolved, on the motion of Mr Veitch: That the questions for the online questionnaire be as follows:

- What is your position on the Prevention of Cruelty to Animals Amendment (Restrictions on Stock Animals Procedures) Bill 2019? Select one of these options: support, oppose, neutral/undecided
- In relation to the previous question, please explain your position on the bill (500 word text box)
- Do you have any other comments on the bill? (250 word text box)

Resolved, on the motion of Mr Veitch: That the secretariat prepare a summary report of responses to the online questionnaire for publication on the website and use in the report, and that:

- the committee agree to publication of the report via email, unless a member raises any concerns
- individual responses be kept confidential on tabling.

5.6 Submission invitations

Resolved, on the motion of Mr Farraway: That the secretariat circulate to members the Chair's proposed list of stakeholders to be invited to make submissions to provide members with the opportunity to amend the list or nominate additional stakeholders, and that the committee agree to the stakeholder list by email, unless a meeting of the committee is required to resolve any disagreement.

5.7 Questions on notice and supplementary questions

Resolved, on the motion of Mr Veitch: That there be no questions taken on notice at the public hearing or supplementary questions from members.

5.8 Advertising

Resolved, on the motion of Mr Farraway: That in addition to the inquiry being advertised via social media, stakeholder emails and a media release distributed to all media outlets in New South Wales, the secretariat investigate the costs of advertising the inquiry in regional newspapers and advise the committee.

6. Inquiries into the Exhibition of Exotic Animals and the Dairy Industry

Resolved, on the motion of Mr Veitch: That:

- the 23 July and potentially August 2020 hearings for the Inquiry into the Exhibition of Exotic Animals Inquiry be delayed

- the Inquiry into the Dairy Industry not be placed on the website until 10 August 2020 and the online submission portal be opened on this date.

7. Adjournment

The committee adjourned at 1.57 pm until Monday 13 July 2020.

Madeleine Foley
Committee Clerk

Minutes no. 26

Wednesday 29 July 2020

Portfolio Committee No. 4 - Industry

Preston Stanley Room, Parliament House, 10.05 am

1. Members present

Mr Banasiak, *Chair*
Ms Cusack (*via Webex*)
Mr Farraway
Mr Field (*via Webex*)
Mr Khan
Mr Primrose
Mr Veitch

2. Previous minutes

Resolved, on the motion of Mr Khan: That draft minutes nos. 24 and 25 be confirmed.

3. Electronic participation

Resolved, on the motion of Mr Primrose: That the draft minutes for meeting no. 26 be circulated to members electronically and be confirmed by members 24 hours after receipt of the draft minutes by agreement via email.

4. Inquiry into the long-term sustainability of the dairy industry in New South Wales

4.1 Closing date for submissions

Resolved, on the motion of Mr Veitch: That the closing date for submissions be 2 October 2020.

4.2 Stakeholder list

Resolved, on the motion of Mr Veitch: That the secretariat circulate to members the Chairs' proposed list of stakeholders to provide them with the opportunity to amend the list or nominate additional stakeholders, and that the committee agree to the stakeholder list by email, unless a meeting of the committee is required to resolve any disagreement.

4.3 Advertising

The committee noted that all inquiries are advertised via Twitter, Facebook, stakeholder letters and a media release distributed to all media outlets in New South Wales.

5. Inquiry into the Constitution Amendment (Water Accountability and Transparency) Bill 2020, Water Management Amendment (Transparency of Water Rights) Bill 2020 and Water Management Amendment (Water Allocations—Drought Information) Bill 2020

5.1 Consideration of Chair's draft report

The Chair submitted his draft report entitled *Constitution Amendment (Water Accountability and Transparency) Bill 2020, Water Management Amendment (Transparency of Water Rights) Bill 2020 and Water Management Amendment*

(Water Allocations—Drought Information) Bill 2020, which, having been previously circulated, was taken as being read.

Resolved, on the motion of Mr Field: That the following new paragraph be inserted after paragraph 2.15:
'Asked what the NSW Government would do without the provisions of the bill in place should a worse drought occur (using the example of Dubbo's water supply needs), the Minister offered alternative measures:

"We suspend water sharing plans completely if we are at risk. We can build extra infrastructure, which is what we have done on Burrendong Dam so we have got a deeper outlet to be able to get water. We deal with council and council has taken some of Dubbo's recycled water to put on pasture and property. Some of the farmers have given back to Dubbo city council water that was good for drinking, and they've swapped those around. They are some of the measures we can take into account in an emergency situation, which we've done." [FOOTNOTE: Evidence, Hon Melinda Pavey MP, Minister for Water, Property and Housing, 14 July 2020, p 39.]

Resolved, on the motion Mr Field: That the following new paragraph be inserted after paragraph 2.20:
'Some evidence presented to the committee supported drought of record as an appropriate measure. The Environmental Defenders Office submission indicated that "good water governance and risk management require drought reserves to be based on best available evidence regarding lowest inflows." [FOOTNOTE: Submission 6, Environmental Defenders Office, p 2.]

Mr Bill Johnson gave evidence to the committee cynically responding to the 2014 changes to the drought of record:

"The drought of record was appropriate until there was a worse one and all of a sudden it was no longer appropriate to use it. In essence we are running our rivers based on our memories of a wetter time and those times have been past for 20 years. If we continue doing that, the events that we have had in the last 10 years will keep recurring. You cannot escape your responsibility of tomorrow by evading it today. It will come eventually." [FOOTNOTE: Evidence, Mr Bill Johnson, Director, Slattery and Johnson, 13 July 2020, p 29.]

Resolved, on the motion of Mr Field: That the following new paragraph be inserted after paragraph 2.20:
'Mr Logan from Tamworth City Council supported the bill and gave evidence at the hearing that council had requested the NSW Water Minister update the relevant water sharing plan to update the drought of record, effectively implementing the measures in the bill in the Peel Valley. Under questioning, Mr Logan confirmed that the NSW Government had not agreed to making those changes. Mr Logan explained the consequences of that decision:

"this decision means that, according to the Government, the inflow into Chaffey over the last three years or lack thereof never happened, it will not happen again and if it did then applying exactly the same rules would somehow see a different result. I do not believe any of these arguments can be reasonably sustained and, what happens if there is a worse level of inflow for the city of Tamworth?" [FOOTNOTE: Evidence, Mr Bruce Logan, Director—Water and Waste, Tamworth Regional Council, 14 July 2020, p 15.]

Resolved, on the motion of Mr Field: That the following new paragraph be inserted after paragraph 2.20:
'Other stakeholders acknowledged that a drought of record provision exists within current water sharing plans even if they didn't support the provision of the bill to consider more recent droughts. The NSW Department of Planning, Industry and Environment acknowledged that 2014 bill changes did not remove drought of record provisions but backdated them.

Mr Isaacs from the Department of Planning, Industry and Environment indicated that:

"Prior to the amendments in 2014 the water sharing plans required the calculation for the purpose of setting available water determinations to be "the worst period of low inflows" from historical "flow information held by the department". The addition to the water sharing plans made in 2014 was to add "when this plan commenced" at the end of that statement". [FOOTNOTE: Evidence, Mr Mitchell Isaacs, Director, Office of the Deputy and Strategic Relations, Department of Planning, Industry and Environment, 14 July 2020, p 28.]

Under questioning, the Southern Riverina Irrigators and Rice Growers Association of Australia acknowledged current water sharing plans included drought of record provisions but indicated that alternative arrangements were also in place in southern valleys to address town water security needs.'

[FOOTNOTE: Evidence, Ms Rachel Kelly, Policy Manager, Ricegrowers' Association of Australia, 14 July 2020, pp 3-4; Evidence, Mr Darcy Hare, Vice Chair, Southern Riverina Irrigators, 14 July 2020, p 21.]

Resolved, on the motion of Mr Veitch: That paragraph 2.22 be amended by inserting at the end: 'Witnesses were unable to quantify the impact for each valley'.

Resolved, on the motion of Mr Field: That the following new paragraph be inserted after paragraph 2.23: 'It is unfortunate that the Department failed to provide the Lachlan Valley case study despite requests from the committee'.

Resolved, on the motion of Mr Field: That the following new paragraph be inserted after paragraph 2.27:

'However, the Department and Minister acknowledged that the regional water strategies would be advisory only and any changes would need to be made through amendments to water sharing plans.

Minister Pavey indicated, in regard to the regional water strategies, that: "They will sit as another important piece of information that will give us historical context and future context around water. Water sharing plans can be amended. If we do get data and information that points to changes that need to be made we will take those under advisement and consideration, as we would do."

[FOOTNOTE: Evidence, Hon Melinda Pavey MP, Minister for Water, Property and Housing, 14 July 2020, p 30.]

Resolved, on the motion of Mr Veitch: That the following new committee comment be inserted after paragraph 2.27:

'Committee comment

No evidence was provided to the committee as to how often a region comes close to the drought of record, without exceeding it. While testimony was given by Mr Jim Cush of the NSW Irrigators' Council that "[t]he drought of record ... is a one-in-a-hundred-year event, very similar to this coronavirus that we are suffering at the moment", the committee was not informed of how frequently a certain valley or region came close to the drought of record during any given time span. For example in a period such as 100 years it may well be that a region was within 10 per cent of the drought of record on 15 or 20 occasions. During events like these 15 or 20 instances it would be crucial for that valley to be holding sufficient water for critical human need as they went through these extreme droughts that went close, but did not exceed, the drought of record.' [FOOTNOTE: Evidence, Mr Jim Cush, Chair, NSW Irrigators' Council, 13 July 2020, p 18.]

Resolved, on the motion of Mr Veitch: That the following new committee comment be inserted after paragraph 2.27:

'Committee comment

The Department of Planning, Industry and Environment did not table evidence that gives effect to this statement noted in 2.21. When asked for any such modelling the Department was unable to be precise about its whereabouts or accessibility. When directly asked by the committee to provide a copy of the 2014 modelling of the Lachlan River, a report that allegedly already exists, both the Minister and the CEO of NSW Water Sector were unable to provide any such copy during their 75 minute testimony, however at the end of the hearing Minister Pavey did say that she would provide a copy. Such a copy has not been forthcoming.

Written evidence and testimony were given by various stakeholders that they had not seen, could not access and did not have a copy of the alleged 2014 Lachlan River modelling of impacts of using up to date records of drought. [FOOTNOTE: Submission 19, NSW Irrigators' Council, p 8; Evidence, Cr John Medcalf, Mayor, Lachlan Shire Council, 14 July 2020, p 14.]

The existence of a Lachlan River modelling study remains uncertain. It may well not exist. The current legislation in New South Wales is underpinned by this alleged document that remains unsighted.

Therefore it remains unclear on what grounds the Department of Planning, Industry and Environment would claim to have struck "the appropriate balance" referred to in 2.21. It also remains unclear on what grounds Minister Humphries, in his 2014 amendment, claimed that updating drought of record data would have an impact on water availability for irrigators. And finally, it remains unclear on what grounds Minister Pavey declared to the committee, in her testimony, that the impact of using up to date drought of record

information would result in "5 per cent less general security water" [FOOTNOTE: Evidence, Hon Melinda Pavey MP, Minister for Water, Property and Housing, 14 July 2020, p 31.]

Resolved, on the motion of Mr Veitch: That paragraph 2.30 be amended by omitting 'significantly' before 'impact general security water license holders'.

Resolved, on the motion of Mr Veitch: That the following new paragraph be inserted after paragraph 2.30: 'Witnesses were unable to quantify the likelihood or otherwise of these concerns'.

Resolved, on the motion of Mr Veitch: That paragraph 2.31 be amended by inserting at the end: 'The Department was unable to quantify the precise impact on general security licence holders'.

Mr Veitch moved: That paragraph 2.32 be amended by inserting at the end: 'The committee was provided with no evidence however that supported this claim'.

Question put.

The committee divided.

Ayes: Mr Field, Mr Primrose, Mr Veitch.

Noes: Mr Banasiak, Ms Cusack, Mr Farraway, Mr Khan.

Question resolved in the negative.

Resolved, on the motion of Mr Field: That the following new paragraph be inserted after paragraph 2.33: 'However, it was noted by stakeholders that in the southern valleys alternative strategies to ensure security of town water supplies had already been put in place that effectively take into account the worst drought of record and have already reduced general security allocations.'

The submission from the Southern Riverina Irrigators indicates:

"Allocation determinations and a tiered approach go above and beyond millennium drought factors which are already included in the Murray Rivers resource assessments. These minimum inflow determinations were introduced in 2007 and have delivered 100 percent allocation to conveyance, critical human needs all the way from Dartmouth to Lake Alexandrina before allocations move off zero." [FOOTNOTE: Submission 4, Southern Riverina Irrigators, p 8.]

Mr Field moved: That the following paragraph 2.39 be omitted: 'The committee notes the reasoning put forward by a number of stakeholders as to why they view the bill as a blanket proposal or one-size-fits-all approach, without consideration of the unique characteristics of valleys across the state and the differences in water management in the Northern and Southern basins' and the following new paragraph be inserted instead:

'The committee notes that it remains unclear how the drought of record arrangements introduced in 2014 impacted town water security or altered general security water allocations in the recent drought as no modelling seems to be available.'

Question put.

The committee divided.

Ayes: Mr Banasiak, Mr Field, Mr Primrose, Mr Veitch.

Noes: Ms Cusack, Mr Farraway, Mr Khan.

Question resolved in the affirmative.

Resolved, on the motion of Mr Field: That the following paragraph 2.41 be omitted: 'The committee acknowledges that the government is currently conducting modelling work as part of its regional water strategies. This process will go some way in identifying what is the most appropriate measure for the determination of water allocations in each region', and the following new paragraph be inserted instead:

'The committee acknowledges that the government is currently conducting historical modelling work as part of its regional water strategies. This process may go some way in identifying what are alternative

measures for considering the impact of climate change in the determination of water allocations in each region.'

Resolved, on the motion of Mr Field: That paragraph 2.42 be amended by:

- a) omitting 'also' after 'The committee'
- b) omitting 'the inclusion of the' before 'drought of record in water sharing plans' and
- c) inserting instead 'using the most up to date'.

Resolved, on the motion of Mr Field: That the following new paragraph be inserted after paragraph 2.42:

'Committee comment

The committee also recognises the concerns of some stakeholders who consider using out of date drought data as problematic.'

Resolved, on the motion of Mr Field: That:

- a) the draft report as amended be the report of the committee and that the committee present the report to the House;
- b) the transcripts of evidence, submissions, tabled documents, responses to the online questionnaire and summary report of these responses, and correspondence relating to the inquiry be tabled in the House with the report;
- c) upon tabling, all unpublished attachments to submissions be kept confidential by the committee;
- d) upon tabling, all unpublished transcripts of evidence, submissions, tabled documents, responses to the online questionnaire and summary report of these responses, and correspondence relating to the inquiry, be published by the committee, except for those documents kept confidential by resolution of the committee;
- e) the committee secretariat correct any typographical, grammatical and formatting errors prior to tabling;
- f) the committee secretariat be authorised to update any committee comments where necessary to reflect changes to recommendations or new recommendations resolved by the committee;
- g) dissenting statements be provided to the secretariat by 4.00 pm, Thursday 30 July 2020;
- h) the secretariat is tabling the report at 12 pm, Friday 31 July 2020;
- i) the Chair to advise the secretariat and members if they intend to hold a press conference, and if so, the date and time.

6. Adjournment

The committee adjourned at 10.53 am, until Tuesday 11 August 2020, TBC, Macquarie Room, Parliament House (public hearing - Mulesing inquiry).

Emma Rogerson

Committee Clerk

Minutes no. 30

Monday 21 September 2020

Portfolio Committee No. 4 – Industry

Room 814/815, 10.01am

1. Members

Mr Banasiak, *Chair*

Mr Amato (via teleconference)

Ms Cusack

Mr Farraway

Ms Hurst (until 10.07 am)

Mr Pearson (from 10.07 am)

Mr Primrose
Mr Veitch

2. Draft minutes

Resolved, on the motion of Ms Cusack: That draft minutes no. 27 be confirmed.

3. Correspondence

The committee noted the following items of correspondence:

- 31 August 2020 – Letter from Mr Scott Hansen, Director General, Department of Primary Industries, providing clarification to evidence received during the hearing on 11 August 2020.
- 4 August 2020 – Letter from Dr Joe McGirr MP, Member for Wagga Wagga, to Chair regarding the stakeholder engagement process undertaken as part of the inquiry into the provisions of the Constitution Amendment (Water Accountability and Transparency) Bill 2020, and the provisions of the Water Management Amendment (Transparency of Water Rights) Bill 2020 and the Water Management Amendment (Water Allocations – Drought Information Bill 2020).

Resolved, on the motion of Mr Veitch: That the Chair write to Dr McGirr regarding the stakeholder engagement process for the inquiry into the provisions of the Constitution Amendment (Water Accountability and Transparency) Bill 2020, and the provisions of the Water Management Amendment (Transparency of Water Rights) Bill 2020 and the Water Management Amendment (Water Allocations – Drought Information Bill 2020).

4. Inquiry into the long-term sustainability of the dairy industry in New South Wales

4.1 Submissions relating to animal welfare matters

Resolved, on the motion of Ms Hurst: That the committee treat any submissions by individuals not yet processed that relate solely to animal welfare matters as correspondence rather than being processed as submissions.

5. Inquiry into the provisions of the Prevention of Cruelty to Animals Amendment (Restrictions on Stock Animal Procedures) Bill 2019

5.1 Summary report of online questionnaire

The committee noted that it had previously agreed via email to the publication of the summary report of the responses to the online questionnaire.

5.2 Answers to questions on notice and answers to supplementary questions

Resolved, on the motion of Ms Cusack: That the committee publish the answers to supplementary questions from Dr Peter Morgan, Executive Director, Australian Council of Wool Exporters and Processors, Private Treaty Wool Merchants of Australia.

5.3 Clarification to evidence

Resolved, on the motion of Mr Faraway: That the committee publish the correspondence from Mr Scott Hansen, Director General, Department of Primary Industries dated 31 August 2020 and insert a footnote to the transcript dated 11 August 2020 reflecting his clarification of evidence.

5.4 Consideration of Chair's draft report

The Chair submitted his draft report entitled *Provisions of the Prevention of Cruelty to Animals Amendment (Restrictions on Stock Animal Procedures) Bill 2019*, which, having been previously circulated, was taken as being read.

Resolved, on the motion of Ms Cusack: That paragraph 1.7 be amended by omitting 'the industry in New South Wales' and inserting instead 'six states'.

Resolved, on the motion of Mr Pearson: That the following new paragraphs be inserted after paragraph 2.8:

'Changing attitudes to animal welfare

A number of stakeholders referred to changing attitudes about animal welfare and the risks to the wool industry if it does not adapt to those changes:

- '[In the] 2018 Futureeye report 88 per cent of people expressed concern about painful stock procedures. I know that about 91 per cent wanted regulatory change to support that, so that does suggest that there is this shift ... This is not something that livestock industries have to grapple with. But I would agree that, unless they do, they are really risking their reputation and viability'. [FOOTNOTE: Evidence, Dr Elizabeth Arnott, Chief Veterinarian, RSPCA NSW, 11 August 2020, p 30].
- '[Due to concerns about animal welfare] mulesing is now banned in all major wool-exporting countries – including New Zealand, South Africa, Uruguay and Argentina.' [FOOTNOTE: Submission 8, Humane Society International, p 2].

Several stakeholders spoke of the economic incentive to ceasing mulesing:

- 'Numerous major international clothing brands and retailers such as H&M, Abercrombie & Fitch, Timberland, Adidas, Icebreaker and Helly Hansen have agreed to stop producing clothing with mulesed wool. An increasing number of Australian retailers are following their lead, including David Jones, Country Road Group, Kmart Group, Target, and Myer, who have all announced policies to transition away from or phase out the use of mulesed wool entirely. If Australian wool producers continue to resist this change, they risk losing significant market share as wool buyers go elsewhere.' [FOOTNOTE: Submission 8, Humane Society International, p 2].
- "'Towards a non-mulesed future" by BG Economics ... surveyed 97 producers from across the country, in diverse climates and scale of enterprise. The report includes several informative statistics, including that 84.1% noted increased financial benefits since making the transition, and almost all said that the welfare of their animals had also improved.' [FOOTNOTE: Submission 19, Four Paws Australia, p 2].

Resolved, on the motion of Mr Pearson: That the following new paragraph be inserted after paragraph 2.10:

'The Animal Defenders Office contended that the new Victorian legislative requirement for mandated pain relief is recognition by a state government that the Australian wool industry cannot be relied upon to transition away from mulesing or even away from mulesing without pain relief.' [FOOTNOTE: Submission 21, Animal Defenders Office, p 5].

Resolved, on the motion of Mr Pearson: That the following new paragraph be inserted after paragraph 2.15:

'Given the findings from "*Towards a non-mulesed future*" by BG Economics, they were of the view that it would seem possible for the bill's mulesing deadline to be met or at least a minor amendment to increase the transition period slightly.' [FOOTNOTE: Submission 19, Four Paws Australia, p 2].

Resolved, on the motion of Mr Pearson: That the following new dot point be inserted after 'Stakeholders' comments in this regard included:' in paragraph 2.32:

- 'NSW Young Lawyers summed up the importance of animal sentience in taking a compassionate stance regarding enforcing pain relief, an argument made by many animal welfare organisations: 'The widely accepted scientific concept that animals are sentient beings by virtue of their ability to subjectively feel and perceive the world around them, and by reason of their sentient status, animals have intrinsic value.' [FOOTNOTE: Submission 14, NSW Young Lawyers, p 6].

Resolved, on the motion of Mr Pearson: That the following new paragraph be inserted after paragraph 2.43:

'The Chief Veterinarian of the RSPCA, Dr Arnott dismissed arguments about the potential problems for withholding periods for pain relief medications:

Despite the use of in-feed, intramammary antibiotics, medications to modify ruminants in grain-fed animals, animals still being processed for food have low antibiotic residues, and this is extensively monitored. Producers are well versed in the ideas of withholding periods and export slaughter intervals and on this basis I think that the use of these pain relieving medications—which will often be used on a single basis or very rarely or intermittently—is well within their capability to

manage'. [FOOTNOTE: Evidence, Dr Elizabeth Arnott, Chief Veterinarian, RSPCA NSW, 11 August 2020, p 27].

Resolved, on the motion of Mr Pearson: That the following new paragraph be inserted after paragraph 2.38:

'Legislative framework for animal cruelty

According to the Animal Defenders Office, farmers who fail to provide pain relief for animals undergoing painful procedures are potentially at risk of being charged with animal cruelty offences:

Undertaking procedures without pain relief—the defences in POCTAA par. 24(1)(a) are available only if the procedures do not cause 'unnecessary pain'. Whether pain inflicted on a farmed animal is 'unnecessary' is usually determined with reference to standard industry practices.

It is standard industry practice to undertake the listed procedures without administering pain relief to the animal, thereby causing the animal considerable pain. However, because causing the animal significant pain when undertaking these procedures is standard practice, the pain would be regarded as 'necessary' and would not constitute an animal cruelty offence....(P) pain relief is becoming increasingly affordable and available. A court may therefore view a person's failure to administer pain relief to an animal during and after the listed procedures as causing 'unnecessary' pain, because the pain could easily have been avoided by the use of pain relief. Therefore, whether or not the Bill is passed, farmers are at risk of being charged with animal cruelty for inflicting unnecessary pain on an animal when undertaking the listed procedures without pain relief.' [FOOTNOTE: Submission 21, Animal Defenders Office, p 8].

Mr Pearson moved: That paragraphs 2.48-2.54 of the committee comment be omitted, and the following new committee comments be inserted instead:

'This is a bill which raises fundamental questions about what is in the best interests of sheep and other animals involved in stock procedures. As a committee, it's important that we acknowledge that social attitudes and scientific understanding of the capacity of farmed animals to experience pain, have changed considerably since the mulesing procedure was first introduced in the 1920s. Importantly, there are now affordable and effective analgesics available that can reduce the pain of many routine animal husbandry procedures but there has not been a universal adoption of pain relief for farmed animals in the care of NSW farmers.

What was clear in this inquiry is that many wool producers have been slow or resistant to taking up the selective breeding of smooth bodied sheep, preferring mulesing, a more invasive and physically painful method of control. This is despite selective genetic breeding being a proven solution to flystrike and despite the fact that international and domestic customers are increasingly refusing mulesed wool products and with our major international wool producing competitors having outlawed the practice.

The committee accepts that mulesing is a once-in-a-lifetime procedure that is known to reduce the risk of flystrike, but mulesed sheep are still subject to flystrike in areas such as the wrinkles in the neck and back. It was also submitted that sheep blowflies are becoming resistant to flystrike pesticides. Although mulesing may be a 'one off' procedure, lambs suffer intense pain and stress for a number of days and their wounds can take weeks to heal, with lambs often losing weight and condition during this time, putting their welfare at grave risk.

On the bill's proposal to mandate the administration of pain relief for certain stock procedures, the committee notes that community standards are such that there is a high expectation that farmed animals should be provided with anaesthetics and analgesics when subjected to painful procedures. For this reason, despite and indeed because of stakeholders claims that there is a high take up of pain relief by producers, it is matter of such serious concern that there should be no ambiguity; the failure to provide pain relief is unlawful animal cruelty.

The committee therefore recommends that the Prevention of Cruelty to Animals Amendment (Restrictions on Stock Animal Procedures) Bill 2019 proceed to debate.'

Question put.

The committee divided.

Ayes: Mr Pearson.

Noes: Mr Amato, Mr Banasiak, Ms Cusack, Mr Farraway, Mr Primrose, Mr Veitch.

Question resolved in the negative.

Mr Pearson moved: That Recommendation 1 be omitted, and the following new recommendation be inserted instead:

'Recommendation 1

That the Legislative Council proceed to debate the Prevention of Cruelty to Animals Amendment (Restrictions on Stock Animal Procedures) Bill 2019'.

Question put.

The committee divided.

Ayes: Mr Pearson.

Noes: Mr Amato, Mr Banasiak, Ms Cusack, Mr Farraway, Mr Primrose, Mr Veitch.

Question resolved in the negative.

Resolved, on the motion of Mr Amato: That:

- a) The draft report as amended be the report of the committee and that the committee present the report to the House;
- b) The transcripts of evidence, submissions, tabled documents, answers to questions on notice, answers to supplementary questions, responses to the online questionnaire and summary report of these responses, and correspondence relating to the inquiry be tabled in the House with the report;
- c) Upon tabling, all unpublished attachments to submissions be kept confidential by the committee;
- d) Upon tabling, all unpublished transcripts of evidence, submissions, tabled documents, answers to questions on notice, answers to supplementary questions, responses to the online questionnaire and summary report of these responses, and correspondence relating to the inquiry, be published by the committee, except for those documents kept confidential by resolution of the committee;
- e) The committee secretariat correct any typographical, grammatical and formatting errors prior to tabling;
- f) The committee secretariat be authorised to update any committee comments where necessary to reflect changes to recommendations or new recommendations resolved by the committee;
- g) Dissenting statements be provided to the secretariat by 4.00 pm, Tuesday 22 September 2020;
- h) The Chair is tabling the report in the House on Thursday 24 September 2020.

6. Adjournment

The committee adjourned at 11.04 am, *sine die*.

Laura Ismay

Committee Clerk

Minutes no. 32

Wednesday 4 November 2020

Portfolio Committee No. 4 - Industry

Jubilee Room, Parliament House, Sydney, 11.06 am

1. Members present

Mr Banasiak, *Chair*
 Ms Hurst, *Deputy Chair* (until 2.30 pm, from 3.15 pm)
 Mr Amato (until 4.06 pm)
 Ms Cusack (via videoconference)
 Mr Farraway
 Mr Primrose
 Mr Veitch (until 4.56 pm)

2. Previous minutes

Resolved, on the motion of Mr Amato: That draft minutes no. 30 and 31 be confirmed.

3. Correspondence

The committee noted the following items of correspondence:

Received:

- 11 August to 16 October 2020 – 96 items of correspondence from stakeholders, to committee, relating to animal welfare matters
- 20 October 2020 – Email from Ms Hollie Baillieu, Government Relations & Industry Affairs, Agriculture & Rural/Regional, Woolworths Group, declining the invitation to appear at the hearing on 4 November for the dairy inquiry
- 25 October 2020 – Email from Dr Mike Joy, Senior Researcher, Institute for Governance and Policy Studies, Victoria University, New Zealand, to secretariat, advising that he is not available to appear at the hearing on 4 November for the dairy inquiry
- 29 October 2020 – Email from Ms Vittoria Bon, Government and Industry Relations Manager, Corporate Affairs, Coles, to secretariat, advising that they are unable to attend the hearing on 4 November for the dairy inquiry
- 29 October 2020 – Email from Ms Jenny Burgoyne, United Workers Union, to secretariat, declining the invitation to appear at the hearing on 4 November for the dairy inquiry.

Sent:

- 3 September 2020 – Email from secretariat, to inquiry stakeholders, reminding stakeholders that the closing date for submissions is 2 October 2020 for the dairy inquiry
- 22 September 2020 – Letter from Chair to Dr Joe McGirr MP, Member for Wagga Wagga, responding to query about stakeholder engagement process for water bills inquiry.

4. Inquiry into the long-term sustainability of the dairy industry in NSW**4.1 Public submissions**

The committee noted that the following submissions were published by the committee clerk under the authorisation of the resolution appointing the committee: submission nos. 1, 3-7, 10, 11, 13-15, 17-20, 23-25, 27-32, 34, 35, 37, 38, 42, 43, 45, 46, 48-51, 53-60, 63-65, 67-74, 76-81.

4.2 Name suppressed submissions

The committee noted that the following submissions were partially published by the committee clerk under the authorisation of the resolution appointing the committee: submission nos. 2, 8, 9, 12, 16, 21, 22, 26, 33, 39-41, 44, 47, 52, 61, 61a, 66, 75.

Resolved, on the motion of Mr Veitch: That the committee keep the name of the author confidential, as per the request of the author in submission nos. 2, 8, 9, 12, 16, 21, 22, 26, 33, 39-41, 44, 47, 52, 61, 61a, 66, 75.

4.3 Confidential submission

Resolved, on the motion of Mr Primrose: That the committee keep submission no 36 confidential, as per the request of the author.

4.4 Submission no. 62

The committee noted that the author of submission no. 62, Mrs Jackie Norman, originally requested that her submission be name suppressed. Given Mrs Norman is giving evidence to the committee in public she agreed that her submission and name be made public.

Resolved, on the motion of Mr Veitch: That the committee authorise the publication of submission no. 62, as per the recommendation of the secretariat and agreed to by the submission author.

4.5 Second half day hearing

The committee noted that the date for the second half day hearing will be considered once the next round of Budget Estimates hearings are confirmed, at which time the secretariat will canvass available dates with members.

4.6 Allocation of questioning

Resolved, on the motion of Mr Farraway: That the sequence of questions to be asked at the public hearing on Wednesday 4 November 2020 be determined by the Chair.

4.7 Public hearing

The committee proceeded to take evidence in public.

Witnesses, the public and the media were admitted in person and via video link.

The Chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witnesses were sworn and examined:

- Mr Shaughn Morgan, Chief Executive Officer, Dairy Connect
- Mr Graham Forbes, Farmers' Group President, Dairy Connect (*via teleconference*).

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Mr Mark Kebbell, Executive Officer, Dairy Farmers Milk Co-Operative (*via videoconference*)
- Mr Tony Burnett, Regional Manager Northern, Dairy Farmers Milk Co-Operative (*via videoconference*).

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Mr Colin Thompson, Chair of the NSW Farmers Dairy Committee (*via videoconference*)
- Ms Jodie Dean, Policy Director – Agricultural Industries, NSW Farmers (*via videoconference*).

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Mr James Neal, Chairperson, Dairy NSW
- Mr Paul Van Wel, Regional Manager, Dairy NSW
- Mr David Nation, Managing Director, Dairy Australia (*via videoconference*).

Mr Van Wel tendered the following document:

- Report entitled *Australian Dairy Industry Sustainability Report 2019: Towards our 2030 goals progress summary*.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Mr Michelle Gravalin, Chief Executive Officer, Vegan NSW
- Mr Greg McFarlane, Director, Vegan Australia
- Mr Alex Vince, Campaign Director, Animal Liberation (*via videoconference*).

The evidence concluded and the witnesses withdrew.

The following witness was sworn and examined:

- Mrs Jackie Norman (*via videoconference*).

The evidence concluded and the witness withdrew.

The public and media withdrew.

The public hearing concluded at 5.00 pm.

4.8 After the hearing – tendered documents

Resolved, on the motion of Mr Primrose: That the committee accept and publish the following document tendered during the public hearing:

- Report entitled *Australian Dairy Industry Sustainability Report 2019: Towards our 2030 goals progress summary*, tendered by Mr Paul Van Wel, Regional Manager, Dairy NSW.

5. Adjournment

The committee adjourned at 5.03 pm.

Sarah Dunn

Clerk to the Committee

Minutes no. 34

Wednesday 3 February 2021

Portfolio Committee No. 4 - Industry

Macquarie Room, Parliament House, Sydney at 9.16 am

1. Members present

Mr Banasiak, *Chair*

Ms Hurst, *Deputy Chair*

Mr Amato (*via Webex*)

Ms Cusack (*via Webex from 9.20 am*)

Mr Fang (*substituting for Mr Farraway*)

Mr Primrose

Mr Veitch

2. Apologies

3. Previous minutes

Resolved, on the motion of Ms Hurst: That draft minutes no. 33 be confirmed.

4. Correspondence

The committee noted the following items of correspondence:

Received:

- 9 November 2020 – Email from Mr Shaughn Morgan, Chief Executive Officer, Dairy Connect, to secretariat, requesting a copy of the video footage from their session at the hearing on 4 November 2020 for the dairy inquiry
- 10 November 2020 – Email from Mr Shaughn Morgan, Chief Executive Officer, Dairy Connect, to secretariat, providing a signed copy of the broadcasting guidelines for the dairy inquiry
- 12 November 2020 – Email from Mr Greg McFarlane, Vegan Australia, requesting a copy of the video footage from their session at the hearing on 4 November 2020 for the dairy inquiry and providing a signed copy of the broadcasting guidelines

- 1 December 2020 – Email from Mr Shaughn Morgan, Chief Executive Officer, Dairy Connect, to secretariat, requesting an extension to early January 2021 to provide answers to questions taken on notice from the hearing on 4 November 2020 for the dairy inquiry
- 15 December 2020 – Email from Dr Benjamin Schulz, Marine mammal reproduction biologist, to Chair, providing further comment in relation to the tabled report for the inquiry into the use of exotic animals in circuses and exhibition of cetaceans in NSW
- 13 January 2021 – Email from Ms Judy Greenwell, Executive Assistant, Independent Pricing and Regulatory Tribunal, to secretariat, declining the invitation to appear at the public hearing on 3 February 2021 for the dairy inquiry.

Sent:

- 24 November 2020 – Email from secretariat, to Mr Shaughn Morgan, Chief Executive Officer, Dairy Connect, providing a copy of the video footage from their session at the hearing on 4 November 2020 for the dairy inquiry
- 24 November 2020 – Email from secretariat, to Mr Greg McFarlane, Vegan Australia, providing a copy of the video footage from their session at the hearing on 4 November 2020 for the dairy inquiry
- 2 December 2020 – Email from secretariat, to Mr Shaughn Morgan, Chief Executive Officer, Dairy Connect, advising that the request for an extension to early January 2021 to provide answers to questions on notice has been approved by the Chair.

5. Inquiry into Budget Estimates 2020-2021 – procedural resolutions

The committee noted the Budget Estimates timetable for 2020-2021 agreed to by the House, with hearings commencing at 9.30 am and concluding by 8.30 pm, for Portfolio Committee No. 4:

Date	Portfolio
Friday 26 February 2021	Deputy Premier, Regional New South Wales, Industry and Trade (Barilaro)
Monday 1 March 2021	Water, Property and Housing (Pavey)
Wednesday 3 March 2021	Agriculture and Western New South Wales (Marshall)

5.1 Allocation of question time and total hearing time

Resolved, on the motion of Mr Amato: That with no government questions being asked:

- the Deputy Premier, Regional New South Wales, Industry and Trade portfolios be examined from 9.30 am to 12.30 pm and from 2.00 pm to 5.00 pm, with an additional 15 minutes reserved for government questions,
- the Water, Property and Housing portfolios be examined from 9.30 am to 12.30 pm and from 2.00 pm to 5.00 pm, with an additional 15 minutes reserved for government questions.
- the Agriculture and Western New South Wales portfolios be examined from 9.30 am to 12.30 pm and from 2.00 pm to 5.00 pm, with an additional 15 minutes reserved for government questions.

Resolved, on the motion of Mr Amato: That:

- the Minister and Parliamentary Secretary appear from 9.30 am until 12.30 pm
- departmental staff appear from 9.30 am until 5.15 pm.

5.2 Order for examination of portfolios

Resolved, on the motion of Mr Primrose: That the portfolios of Water, Property and Housing be examined concurrently.

5.3 Witness requests

Resolved, on the motion of Mr Veitch: That the committee provide witness requests to the secretariat by 12 pm, Thursday 4 February 2021.

Resolved, on the motion of Mr Veitch: That the committee invite Mr Michael Johnsen MP, Parliamentary Secretary for Agriculture to appear as a witness at the hearing.

6. Inquiry into the long-term sustainability of the dairy industry in NSW

6.1 Public answers to questions on notice

The committee noted that the following answers to questions on notice were published by the committee clerk under the authorisation of the resolution appointing the committee:

- answers to questions on notice and attachments 1, 2, 3 and 6 from Ms Jackie Norman, received 30 November 2020
- answers to questions on notice and additional information from Mr Greg McFarlane, Vegan Australia, received 2 December 2020
- answers to questions on notice and attachments 1, 2 and 3 from Ms Jodie Dean, NSW Farmers, received 2 December 2020
- answers to questions on notice from Mr Paul van Wel, Dairy NSW/Dairy Australia, received 2 December 2020
- answers to questions on notice from Mr Mark Kebbell, Dairy Farmers Milk Co-Operative, received 4 and 9 December 2020
- answers to questions on notice from Mr Shaughn Morgan, Chief Executive Officer, Dairy Connect, received 22 January 2021.

6.2 Confidential answers to questions on notice

Resolved, on the motion of Mr Veitch: That the committee keep confidential attachments 4 and 5 to the answers to questions taken on notice from Ms Jackie Norman, received 30 November 2020.

6.3 Request for video footage

Resolved, on the motion of Mr Veitch: That the committee provide a video recording of the hearing sessions on 4 November 2020 to the following witnesses, provided that they sign the Broadcasting Guidelines:

- Mr Shaughn Morgan, Chief Executive Officer, Dairy Connect
- Mr Greg McFarlane, Vegan Australia.

6.4 Reporting timeframe

Resolved, on the motion of Mr Veitch: That the committee report as per the following timeframe:

- Report deliberative – Monday 10 May 2021
- Report tabling – Thursday 13 May 2021 (last sitting day in May).

6.5 Allocation of questioning

Resolved, on the motion of Mr Veitch: That the allocation of questions at the hearing on 3 February 2021 be determined by the Chair.

6.6 Public hearing

The committee proceeded to take evidence in public.

Witnesses, the public and the media were admitted in person and via video link.

The Chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witnesses were sworn and examined:

- Mr Scott Hansen, Director General, NSW Department of Primary Industries
- Ms Kate Lorimer-Ward, Deputy Director General Agriculture, NSW Department of Primary industries
- Mr Alexander Russell, Director Intensive Livestock, NSW Department of Primary Industries (*via videoconference*)
- Mr Ian Zandstra, NSW Fresh Milk and Dairy Advocate
- Mr Sergio (Yani) Garcia, Professor of Dairy Science, Member of the NSW Dairy Industry Advisory Panel, University of Sydney and Director Dairy Research Foundation.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Mr Marcus Bezzi, Executive General Manager, Specialised Enforcement & Advocacy, Australian Competition and Consumer Commission (*via videoconference*)
- Mr Gabrielle Ford, General Manager, Advocacy, International and Agriculture Branch, Australian Competition and Consumer Commission (*via videoconference*).

The evidence concluded and the witnesses withdrew.

The public and media withdrew.

The public hearing concluded at 12.03 pm.

7. Other business

8. Adjournment

The committee adjourned at 12.05 pm, until Friday 26 February 2021 (Budget Estimates hearing).

Sarah Dunn

Clerk to the Committee

Draft minutes no. 39

Monday 10 May 2021

Portfolio Committee No. 4 - Industry

Room 1043, Parliament House, Sydney at 1.04 pm

1. Members present

Mr Banasiak, *Chair*

Ms Hurst, *Deputy Chair*

Mr Amato

Ms Cusack (until 1.54 pm)

Mr Farraway (from 1.05 pm)

Mr Primrose

Mr Veitch

2. Previous minutes

Resolved, on the motion of Mr Veitch: That draft minutes no. 38 be confirmed.

3. Inquiry into Budget Estimates 2020-2021

3.1 Correspondence

The committee noted the following items of correspondence relating to the Budget Estimates inquiry:

Received

- 25 March 2021 – Letter from the Hon Melinda Pavey MP, Minister for Water, Property and Housing to secretariat, clarifying evidence given at the Water, Property and Housing hearing on 1 March 2021
- 29 March 2021 – Letter from Mr Scott Hansen, Director General, NSW Department of Primary Industries to secretariat, clarifying evidence given at the Agriculture and Western New South Wales hearing on 3 March 2021
- 21 April 2021 - Letter from Mr Scott Hansen, Director General, NSW Department of Primary Industries to secretariat, clarifying evidence given at the Deputy Premier, Regional New South Wales, Industry and Trade hearing on 26 February 2021.

Sent

- 3 March 2021 – Email from the secretariat to Hon John Barilaro MP, Deputy Premier, Regional New South Wales, Industry and Trade, attaching transcript of evidence with questions on notice highlighted and supplementary questions
- 4 March 2021 – Email from the secretariat to Hon Melinda Pavey MP, Minister for Water, Property and Housing, attaching transcript of evidence with questions on notice highlighted and supplementary questions
- 8 March 2021 – Email from the secretariat to Hon Adam Marshall MP, Minister for Agriculture and Western New South Wales, attaching transcript of evidence with questions on notice highlighted and supplementary questions
- 29 March 2021 - Email from the secretariat to Ms Bridgette Joyce, Office of Deputy Premier, seeking formal letter from Mr Scott Hansen, Director General, NSW Department of Primary Industries clarifying evidence given at the hearing on 26 February 2021.

3.2 Answers to questions on notice and supplementary questions

The committee noted that the following answers to questions on notice and supplementary questions were published by the committee clerk under the authorisation of the resolution establishing the inquiry:

- answers to questions on notice and supplementary questions from the Hon John Barilaro MP, Deputy Premier, Regional New South Wales, Industry and Trade, received 24 March 2021
- answers to questions on notice and supplementary questions from Hon Melinda Pavey MP, Minister for Water, Property and Housing, received 25 March 2021
- answers to questions on notice and supplementary questions from the Hon Adam Marshall MP, Minister for Agriculture and Western New South Wales, received 29 March 2021.

3.3 Consideration of Chair's draft report

The Chair submitted his draft report entitled '*Budget Estimates 2020-2021*', which, having been previously circulated, was taken as being read.

Resolved on the motion of Ms Hurst: That paragraph 2.2 be amended by inserting the following new bullet point at the end: 'wombat mange issues and research trial at Bendeela Recreation Area'.

Resolved, on the motion of Ms Hurst: That paragraph 2.3 be amended by inserting the following new bullet point at the end: 'regulations surrounding the treatment of exhibited animals'.

Resolved, on the motion of Ms Hurst: That:

- a) The draft report as amended be the report of the committee and that the committee present the report to the House;
- b) The transcripts of evidence, tabled documents, answers to questions on notice and supplementary questions, and correspondence relating to the inquiry be tabled in the House with the report;
- c) Upon tabling, all unpublished transcripts of evidence, tabled documents, answers to questions on notice and supplementary questions, and correspondence relating to the inquiry, be published by the committee, except for those documents kept confidential by resolution of the committee;
- d) The committee secretariat correct any typographical, grammatical and formatting errors prior to tabling;

- e) The report be tabled in the House on Thursday 13 May 2021.

4. Inquiry into the long-term sustainability of the dairy industry of NSW

4.1 Correspondence

The committee noted the following items of correspondence relating to the dairy inquiry:

Received:

- 2 March 2021 – Email from Ms Harriet Skinner, Executive Assistant, Office of the Director General, NSW Department of Primary Industries, to secretariat, seeking an extension to provide answers to questions on notice to 5 March 2021
- 22 April 2021 – Email from Ms Harriet Skinner, Executive Assistant, Office of the Director General, NSW Department of Primary Industries, to secretariat, confirming that the attachments to the answers to questions on notice can be made public.

Sent:

- 3 March 2021 – Email from secretariat, to Ms Harriet Skinner, Executive Assistant, Office of the Director General, NSW Department of Primary Industries, approving the request for an extension to provide answers to questions on notice.

4.2 Answers to questions on notice

The committee noted that the following answers to questions on notice were published by the committee clerk under the authorisation of the resolution appointing the committee:

- answers to questions on notice from Mr Ian Zandstra, NSW Fresh Milk and Dairy Advocate, received 3 March 2021
- answers to questions on notice from Mr Scott Hansen, Director General, NSW Department of Primary Industries, received 5 March 2021.

Resolved, on the motion of Ms Cusack: That the committee publish the attachments to the answers to questions on notice from Mr Scott Hansen, Director General, NSW Department of Primary Industries, received 10 March 2021.

4.3 Consideration of Chair's draft report

The Chair submitted his draft report entitled '*Long-term sustainability of the dairy industry in New South Wales*', which, having been previously circulated, was taken as being read.

Resolved, on the motion of Ms Hurst: That paragraph 2.81 be amended by omitting 'that no one could have planned for' after 'cost shock to dairy farmers' and inserting instead 'that was not possible to be planned for'.

Resolved, on the motion of Ms Hurst: That paragraph 2.94 be amended by inserting after 'Vegan Australia, a key voice in this area,':

'argued that these concerns are having an impact on the dairy industry:

The Australian public is very concerned about animal welfare and the suffering intrinsic in the dairy industry is causing consumers to shift to the many alternatives to animal dairy products. This concern is growing and further contributing to the unsustainability of the dairy industry'.
[FOOTNOTE: Submission 73, Vegan Australia, p 2.]

Vegan Australia also'.

Resolved, on the motion of Ms Hurst: That paragraph 2.95 be amended by inserting the following new bullet point, as bullet point number three:

'Mrs Jackie Norman, an ex-dairy farmer, said that in her experience "a dairy cow had the most wretched, miserable life of any animal I had ever encountered" [FOOTNOTE: Submission 62, Mrs Jackie Norman, p 4].'

Resolved, on the motion of Ms Hurst: That paragraph 2.95, bullet point one, be amended by inserting 'and are killed within days of birth' after 'wastage'.

Resolved, on the motion of Ms Hurst: That paragraph 2.95 be amended by inserting the following new bullet point at the end:

'In the view of Vegan Australia, 'the repeated cycle of pregnancy, birth, separation from their calves and milking places an extreme physical and emotional burden on the cows, who are usually considered "spent" (that is, no longer economically viable) and killed at just seven or eight years old'. [FOOTNOTE: Submission 73, Vegan Australia, p 2.]

Resolved, on the motion of Ms Hurst: That the following new paragraph be inserted after paragraph 2.95:

Vegan NSW agreed with these concerns, noting that 'the Australian community is becoming increasingly aware of what they consider unacceptable animal "welfare" standards of the dairy industry' [FOOTNOTE: Submission 71, Vegan NSW, p 3.]

Resolved, on the motion of Ms Hurst: That paragraph 2.96 be amended by inserting in the quote:

- a) the words 'There is a sense of historic—and I would not argue against it—of things being not as they should be, and that is fairly true of the bobby calf issue you raise' after 'awareness of animal welfare in the community.'
- b) the words 'I am still pleased it has been brought up, because the better we look into accommodating this, the better it is for our overall image' after 'a favourable light.'

Resolved, on the motion of Ms Hurst: That the following new paragraph be inserted after paragraph 2.98:

'When further asked if a review of these practices would be part of the POCTAA review process, Mr Hansen clarified: "No. At the moment we are still at that stage of talking about what does prevention of mean, what does the overlying legislation need to look like, hence the discussion papers and the discussions we have been having with industry. We are not at that stage of having the detailed discussions around individual practices." [FOOTNOTE: Evidence, Mr Scott Hansen, Director General, NSW Department of Primary Industries, 3 February 2021, p 7.]

Resolved, on the motion of Ms Hurst: That paragraph 2.100 be amended by inserting 'such as wetlands and forests via grazing and fertiliser and pesticide runoff into waterways' after 'important areas'.

Resolved, on the motion of Ms Hurst: That the following new paragraph be inserted after paragraph 2.102:

'Vegan Australia argued that these environmental issues are having an impact on consumer behaviour: "Consumers are becoming aware of the damage caused to the environment by the dairy industry and are shifting to alternatives to dairy products. This is contributing to the unsustainability of the dairy industry." [FOOTNOTE: Submission 73, Vegan Australia, p 7.]

Resolved, on the motion of Mr Primrose: That paragraph 2.103 be amended by inserting '(this will be discussed later in the chapter)' after 'other uses of the land'.

Resolved, on the motion of Ms Hurst: That the following new paragraph be inserted after paragraph 2.113:

'Mrs Jackie Norman, a former dairy farmer, reflected on her own experience as a young person in the industry and the increasing difficult nature of the work involved in running a dairy farm: "When I first began farming, I was a fresh-faced 19-year-old...the hours were so long and the work was so intense that there wasn't time to make proper meals...Bear in mind, too, that this was still in the 'golden era' of dairy farming. Today there is even more stress. Farming has become more and more intensive, operations are much larger and with that comes yet more pressure...Milking cows is no longer the desirable industry it used to be". [FOOTNOTE: Submission 62, Mrs Jackie Norman, pp 1-2.]

Resolved, on the motion of Ms Hurst: That the following new heading and new paragraphs be inserted after paragraph 2.128:

'Proposal for transition

In contrast to the above, a number of industry critics suggested that the best way to support struggling dairy farmers was to assist farmers looking to opt-out of the industry to transition into forms of plant agriculture. Vegan Australia suggested there are advantages for farmers to transition out of the dairy industry:

"... [W]e heard from most of the speakers today about how hard dairying is. It is a hard job. They make little money at the moment. I think it would be beneficial to the farmers. We have also heard people talking about the mental health issues of people in dairying, the workers and the farmers. That would be one benefit if they could move into some sort of plant farming. It would also have environmental benefits." [FOOTNOTE: Evidence, Mr Greg McFarlane, Director, Vegan Australia, 4 November 2021, p 32.]

Mrs Jackie Norman, former dairy farmer, echoed these views:

"We know that mental health is a big problem in dairy farming and I think if we can help them transition to something else; something more peaceful and less stressful—you know, not being tied to a cow shed or having cows trying to kick you or trying to meet some kind of production goal—then I think it would be a lot healthier all round." [FOOTNOTE: Evidence, Mrs Jackie Norman, 4 November 2021, p 44.]

It was noted that in the United States and Europe, transition projects to assist dairy farmers to transition into other industries have already been set up. For example:

- US non-dairy brand Miyoko's Creamery and Farm Sanctuary have partnered to help California dairy farms transition to plant-based operations.
- US plant based yogurt maker Halsa Foods is helping New York dairy farmers convert to grow organic oats.
- The Rancher Advocacy Program in the US assists farming families wanting to transition from animal agriculture to a financially stable, compassionate, environmentally-friendly way of life while preserving their culture and history.
- Refarm'd is an organisation in Europe that is assisting dairy farmers to move into plant agriculture, including oat crops for oat milks. [FOOTNOTE: Answers to questions on notice, Vegan Australia, 14 December 2020, pp 1-3.]

Refarm'd, who made a submission to the inquiry, gave more detail about their work assisting dairy farmers to transition from producing cows milk to plant-based milk:

"In a constantly changing market, the dairy industry is also struggling more and more. Farmers especially, those at the end of the chain, are those who are most affected by it. They don't have a say on the price they sell the milk and often sell for less than production costs. Land and equipment are getting more and more expensive at the same time, leaving farmers in a constant struggle to make it work each month. It is a failing industry, that profits from the exploitation of non-human and human beings. I believe to help our farmers we need to help them get out of this system. And that's what we are trying to do at Refarm'd. We help them, without investment or major risks taking from their side, to make a smooth shift into a booming market that is the plant milk industry." [FOOTNOTE: Submission 56, Refarm'd, p 1.]

Vegan Australia argued that land currently used for dairy in New South Wales could also be repurposed for producing plant milks, as well other forms of agriculture:

"... [T]here is a lot of overlap between the lands that dairy farmers use and the land that is arable and could be used for crops or other plant foods...For example, the Northern Rivers used to be a very large dairy industry. It was forested, I think, a hundred or more years ago with amazing rainforests and red cedar. That was all chopped down. Then it became dairy. Now people are using that land to grow macadamia trees and some of them are actually processing the macadamia nuts onsite and making macadamia milk. There would be other uses, including vegetable and fruit tree growing. Outside of traditional agriculture, we could re-use land like that for re-growing the natural environment and the rainforests that were in that area to allow for species that are on the brink of extinction to come back. We could use it for carbon farming in both growing trees and also forms of biochar or in-ground carbon capture." [FOOTNOTE: Evidence, Mr Greg McFarlane, Director, Vegan Australia, 4 November 2021, p 32.]

Industry critics agreed that such a transition should be led and funded by the Government. For example, Vegan NSW stated:

"We urge the New South Wales Government to act now to assist all those in the dairy and associated industries to prepare for and adapt to the changing social landscape. In doing so, the Government would be supporting the industry to transition in a dignified way and contributing to eliminating the unnecessary harm this industry causes to animals and our environment." [FOOTNOTE: Evidence, Ms Michelle Gravolin, Chief Executive Officer, Vegan NSW, 4 November 2021, p 32.]

Vegan Australia expressed similar views:

"In transitioning the industry, there is a role for governments to help with new industry innovation, research, employment training in other forms of agriculture and other assistance. To this end, Vegan Australia proposes a transition out of the dairy industry over ten years. To achieve this, government assistance should be given to current dairy farmers who wish to transition to plant-based agriculture. Such a move would allow Australia to produce more food, and potentially allow farmers to increase the profitability of their land." [FOOTNOTE: Submission 73, Vegan Australia, pp 10-11.]

Mrs Jackie Norman agreed, noting that:

"That is something that we really need to support farmers on because there are farmers who would like to make a transition to farm something else." [FOOTNOTE: Evidence, Mrs Jackie Norman, 4 November 2021, p 42.]

Ms Hurst moved: That paragraphs 2.142 and 2.143 and Recommendation 1 be omitted:

"The committee acknowledges that the dairy industry is complex and heavily influenced by a number of external factors, many of which are outside the control of industry stakeholders. We also acknowledge that it takes time for changes made within any industry to really gain traction. Indeed, it may be too early at this stage to see some of the positive benefits flowing from the changes that have been made within the industry since the 2018 inquiry. With that being said, evidence to this inquiry has shown that more can be done by the government to ensure the long-term sustainability of the dairy industry in New South Wales.

Although the NSW Government, following the 2018 inquiry created and appointed a NSW Fresh Milk and Dairy Advocate, this was not done in line with what the previous committee recommended; that an independent NSW Commissioner for Dairy be established. We note the concerns by stakeholders regarding the independence of this role and although government representatives to this inquiry insisted that Mr Zandstra was working with the utmost independence, we believe that separating this role from government and providing this office with its own budget would ensure that no matter who was in the role it would be working independently.

Recommendation 1

That the NSW Government separate the role of the NSW Fresh Milk and Dairy Advocate from the NSW Department of Primary Industries, into its own statutory office with its own budget, to ensure that it is providing independent advocacy and support services to the New South Wales dairy industry.'

Question put.

The committee divided.

Ayes: Mr Amato, Ms Cusack, Mr Farraway, Ms Hurst.

Noes: Mr Banasiak, Mr Primrose, Mr Veitch.

Question resolved in the affirmative.

Ms Hurst moved: That paragraphs 2.146 and 2.147 and Recommendation 4 be omitted:

"The price of dairy products, as stipulated by the retailer or the processor when determining the farmgate price, has a significant impact on the viability of the dairy industry. As we heard, the demand for milk by the consumer is still high, however current pricing practices are forcing dairy farmers to exit the industry

as it is not profitable. We do not want to end up in a position where we are importing most of our dairy products.

The committee acknowledges that the pricing of milk products is complex and influenced by many different factors, not only at a state level, but nationally and worldwide. We note some of the suggestions put forward by stakeholders in relation to measures such as a dairy floor price, as used in Canada, or the Milk to Feed Price Ratio, as used in the United States, as well as the extension of the levy on \$1 per litre milk. We believe it is worth the government exploring these options further with the aim of both supporting farmers and keeping the dairy industry viable and sustainable in the long-term.

Recommendation 4

That the NSW Fresh Milk and Dairy Advocate and the NSW Department of Primary Industries:

- investigate the appropriateness of measures such as a dairy floor price and Milk to Feed Price Ratio, as well as the extension of the levy on \$1 per litre milk, to improve the dairy milk pricing environment
- advocate for the Australian Government to implement any such measures should they be of benefit to the dairy industry.'

Question put.

The committee divided.

Ayes: Ms Hurst.

Noes: Mr Amato, Mr Banasiak, Ms Cusack, Mr Farraway, Mr Primrose, Mr Veitch.

Question resolved in the negative.

Ms Cusack left the meeting.

Resolved, on the motion of Ms Hurst: That the following new paragraph be inserted after paragraph 2.148:

'The committee notes evidence received about the negative impacts of the dairy industry on the environment.'

Resolved, on the motion of Ms Hurst: That paragraph 2.149 be amended by inserting 'Both industry and animal welfare stakeholders noted consumer concern over the treatment of animals in the dairy industry, including male bobby calves and practices such as tail docking, disbudding and dehorning. Concern about animals and the environment were identified by some witnesses as being a cause of declining consumer support for the dairy industry.' after 'the welfare of dairy cows'.

Resolved, on the motion of Ms Hurst: That paragraph 2.149 be amended by:

- a) inserting 'animal welfare' before 'issues'
- b) inserting 'at some point' before 'as part of the review'
- c) inserting ', although individual practices within the dairy industry are not being examined at this stage in the process' after 'the *Prevention of Cruelty to Animals Act 1979*'.

Resolved, on the motion of Ms Hurst: That the following new paragraph and recommendation be inserted after paragraph 2.149:

'Given that both industry and animal welfare stakeholders recognised that animal welfare affects the dairy industry, the committee believes the Government's review into the *Prevention of Cruelty to Animals Act 1979* should be expedited.'

Recommendation X

That the NSW Government expedite its work to review and update the *Prevention of Cruelty to Animals Act 1979*.'

Resolved, on the motion of Ms Hurst: That paragraph 2.150 be amended by omitting 'It was concerning to hear' and inserting instead 'The committee received evidence' before 'that in New South Wales'.

Ms Hurst moved: That the following new paragraph and committee comment be inserted after paragraph 2.150:

'The committee notes that some stakeholders suggested there should be Government supported strategies to assist farmers who would like to transition to plant agriculture. The committee recognises that such proposals are at early stages and that further research, development and cost modelling would need to occur.'

Recommendation X

That the NSW Government undertake preliminary work to understand the costs, demand and practicalities for developing a Government supported transition program for dairy farmers wanting to transition.'

Mr Veitch moved: That the motion of Ms Hurst be amended by:

- a) omitting 'to transition to plant agriculture' and inserting instead 'to transition out of the dairy industry'
- b) inserting 'out of the industry' after 'for dairy farmers wanting to transition'.

Amendment of Mr Veitch put and passed.

Original question of Ms Hurst, as amended, put and passed.

Ms Hurst moved: That paragraphs 2.151, 2.152 and 2.153 and Recommendations 5, 6 and 7 be omitted:

'The committee believes that supporting the future generation of dairy farmers is key to addressing this issue. We consider that there are two areas in which the government can further support new dairy farmers entering the industry; through financial support and advice, and by investing in further training and development opportunities. The committee notes the suggestion by Mr Zandstra for a dedicated unit to be established to provide advice and support to dairy farmers entering the industry and we agree with this proposal. The committee therefore makes this recommendation, alongside a recommendation to allocate additional funding for dairy specific traineeships, subsidised university degrees and TAFE programs, and to partner with the dairy industry to deliver these programs and ensure education programs are fit for purpose.'

Recommendation 5

That the NSW Department of Primary Industries establish a dedicated unit to provide advice and support to new dairy farmers entering the industry.

Recommendation 6

That the NSW Government:

- allocate additional funding for dairy specific traineeships, subsidised university degrees and TAFE programs
- partner with the dairy industry to deliver these programs and to ensure dairy specific education programs are fit for purpose.

The committee notes the calls from stakeholders for the expansion of research, development and extension services across the New South Wales dairy industry, both in this inquiry and in the 2018 inquiry. We acknowledge that the draft NSW Dairy Industry Action Plan commits to facilitating improvements in productivity and industry profitability through a collaborative approach to, and increased investment in, dairy research, development and extension that is tailored to New South Wales. We also note the \$6 million investment by government to support this collaborative investment across the New South Wales dairy industry and therefore do not make any recommendations in this regard.

We do however, urge the speedy finalisation and publication of the final Dairy Industry Action Plan. The committee recognises that many of the issues considered during this inquiry are also stipulated in the Dairy Industry Action Plan and proposed solutions put forward by the NSW Fresh Milk and Dairy Advocate. We note that a draft was released towards the end of 2020 and given we are now into the second quarter of 2021, we would like to see the final plan released as soon as possible.

Recommendation 7

That the NSW Fresh Milk and Dairy Advocate as a priority finalise and publish the final Dairy Industry Action Plan.'

Question put.

The committee divided.

Ayes: Ms Hurst.

Noes: Mr Amato, Mr Banasiak, Mr Farraway, Mr Primrose, Mr Veitch.

Question resolved in the negative.

Resolved, on the motion of Mr Amato: That:

- a) The draft report as amended be the report of the committee and that the committee present the report to the House;
- b) The transcripts of evidence, submissions, tabled documents, answers to questions on notice and correspondence relating to the inquiry be tabled in the House with the report;
- c) Upon tabling, all unpublished attachments to submissions be kept confidential by the committee;
- d) Upon tabling, all unpublished transcripts of evidence, submissions, tabled documents, answers to questions on notice, and correspondence relating to the inquiry, be published by the committee, except for those documents kept confidential by resolution of the committee;
- e) The committee secretariat correct any typographical, grammatical and formatting errors prior to tabling;
- f) The committee secretariat be authorised to update any committee comments where necessary to reflect changes to recommendations or new recommendations resolved by the committee;
- g) Dissenting statements be provided to the secretariat within 24 hours after receipt of the draft minutes of the meeting;
- h) The report be tabled in the House on Thursday 13 May 2021.

5. Adjournment

The committee adjourned at 2.10 pm, *sine die*.

Sarah Dunn
Clerk to the Committee

Appendix 4 Dissenting statements

The Hon Mick Veitch MLC, Australian Labor Party

The Hon Peter Primrose MLC, Australian Labor Party

Based upon the evidence received, we believe the following committee comment and recommendation should have been included chapter two of the Report:

The committee acknowledges that the dairy industry is complex and heavily influenced by a number of external factors, many of which are outside the control of industry stakeholders. We also acknowledge that it takes time for changes made within any industry to really gain traction. Indeed, it may be too early at this stage to see some of the positive benefits flowing from the changes that have been made within the industry since the 2018 inquiry. With that being said, evidence to this inquiry has shown that more can be done by the government to ensure the long-term sustainability of the dairy industry in New South Wales.

Although the NSW Government, following the 2018 inquiry created and appointed a NSW Fresh Milk and Dairy Advocate, this was not done in line with what the previous committee recommended; that an independent NSW Commissioner for Dairy be established. We note the concerns by stakeholders regarding the independence of this role and although government representatives to this inquiry insisted that Mr Zandstra was working with the utmost independence, we believe that separating this role from government and providing this office with its own budget would ensure that no matter who was in the role it would be working independently.

Recommendation:

That the NSW Government separate the role of the NSW Fresh Milk and Dairy Advocate from the NSW Department of Primary Industries, into its own statutory office with its own budget, to ensure that it is providing independent advocacy and support services to the New South Wales dairy industry.

The Hon Emma Hurst MLC, Animal Justice Party

It is somewhat ironic that an inquiry into ‘the long-term sustainability of the dairy industry in NSW’ has exposed a glaring truth – that the dairy industry is simply not sustainable.

Throughout two days of inquiry hearings, we heard witnesses talk about the serious, inherent problems with the dairy industry. We heard that the number of dairy farms in NSW is steadily declining. We heard that younger workers don’t want to join the industry. We heard that dairy farmers are struggling financially, and their mental health is suffering. We heard that the dairy industry is contributing to the climate crisis through the production of harmful emissions, which in turn, is harming the industry through prolonged droughts.

Most distressingly, we heard about the terrible suffering of animals in this industry, from the repeated cycle of pregnancy, birth and separating of mothers from their calves, to the killing of male bobby calves as ‘wastage’, to the cruel procedures inflicted upon cows without pain relief.

It is astounding to me that, after hearing all this evidence, the other members of this committee still believe the best solution is to prop up the dairy industry with tax-payer dollars. They chose to support recommendations that would actually encourage young people to enter this dying industry, and called on the Government to support the industry through the finalisation of the ‘Dairy Industry Action Plan’.

Continuing to throw public money at the dairy industry is futile, especially when there is a much better solution in front of us.

As we heard during the inquiry, programs are being set up around the world to assist animal agribusinesses, including dairy farms, to transition into sustainable, plant-based agriculture industries.

Of course, this is a long term solution that is not going to be ready overnight. But in the meantime, we shouldn’t be encouraging the Government to set up programs to provide advice and support to new dairy farmers, or allocating funding for dairy specific traineeships, subsidised university degrees and TAFE programs.

Instead, we should be using this tax-payer money to invest in research and development, so that we can figure out the best way for dairy farmers in NSW to make the transition into booming plant-based industries that are going to be profitable and sustainable in the long term.

We should not be encouraging the Government to continue to prop up the dying dairy industry.

