

**INQUIRY INTO SUSTAINABILITY OF THE DAIRY  
INDUSTRY IN NEW SOUTH WALES**

**Name:** Name suppressed  
**Date Received:** 4 November 2018

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Partially  
Confidential

Submission  
No 6

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Portfolio Committee No. 5 – Industry and Transport,

Thank you for the opportunity to put together a submission to your committee. Our family has been in the industry over 4 generations and have seen no regulation, regulation, then the current scenario, deregulation. It is quite obvious that the New South Wales Dairy Industry is unsustainable and we have no resilience to the likes of drought or floods due to current pricing structure. The current drought situation has only sped up an exodus in the industry that has been happening slowly since deregulation was announced years ago.

During deregulation, majority of farmers increased herd size and production which absorbed cost production increases. As the years went on some diversified into other areas to cover costs. Introduced outside income (send the partner off to work) to survive.

We will now refer to your terms of reference and speak of our own experience.

Our relationship with our processor is somewhat distant as we supply a local factory, but this milk is notionally transferred to another factory in South-East Queensland. We were the most southern supplier to this processor, but as milk has diminished our processor has gradually drawn more milk from New South Wales to supply their market in Queensland. However, we do see and have contact with their area manager from time to time.

It is very confusing and frustrating how prices are set. There is no transparency from farm to retail. As a farmer, we have no idea how our processor determines their price. We are often told that it is in world price (Victoria price of milk) plus freight cost to our area.

Since the year 2000, our fresh milk price has only increased a “whole” 9%. While a number of our essential input costs such as fuel, electricity, feed, fertiliser and seed have increased an average of 250% over the same period of time. When a drought, flood or other natural disaster occurs we have nowhere to go but to further draw on our overdraft. There is no regard to increase of cost of production to farmers in price setting.

Previous policies such as the deregulation of our industry, has allowed the like of \$1 a litre milk to evolve. There is no watch-dog or accountability. Processors need turnover or throughput through their factories so large contracts are competitively sought, often to the detriment of farmers.

Another important point to consider is prior to deregulation the majority of our processing facilities were operated by farmer owned cooperatives, however, most of these large cooperatives are now currently owned by overseas interests.

***If world price for milk becomes very attractive, will this bring into question whether these businesses will continue to support our domestic market and put further risk to it's supply?***

In the end, farmers are leaving the industry in these areas and processors are transporting or sourcing milk over large distances to keep their factory's operating. This has to, and will have, an impact on the freshness and quality of milk.

***This brings into question the definition of “fresh” milk.***

In the past, we had polices introduced by government to make sure our consumers received a high-quality fresh product, everyday (**QUOTA'S**).

***Who checks and ensures that the consumer receives a wholesome, fresh, quality product, at the retail end of the market?***

The role of the government in terms of addressing the key economic challenges should be to create policies and an environment for businesses to flourish and grow. Currently, the New South Wales Dairy Industry is totally unsustainable and will slowly wither and die without serious policy changes to the Industry.