

**Submission
No 9**

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

Name: Mr Peter Graham

Date Received: 5 November 2018

This is my submission to the Inquiry into the sustainability of the dairy industry in New South Wales.

I am a 5th generation Northern Rivers dairy farmer currently dairying on the banks of the Richmond River at Codrington with my family, milking 250 cows year round and currently employing one staff member.

I find the word sustainability a little weak when calling for this submission "it should be Viability or Survival at the least".

This industry has been in financial decline since the 1st of July 2000, when \$600 million was transferred from the farm gate to the retail sector with the tick of a pen. Within 3 months our farm gate price had dropped from around 46 cents a litre to 23cents, taking 8 years to get back to 46 cents a litre. With fertilizer hitting \$1200 per ton more than double its normal price, and grain prices were still high after the 2007 drought.

Then on the 26th of January 2011 Coles started it's \$1 per litre "Down Down" campaign and set a new industry low with Woolworths and Aldi following soon after, transferring almost another \$600 million from farm gate price directly to the consumer annually.

" Tell me, what other industry has had this type of economic devaluation and survived."

It is my belief that 20% of dairy farmers could have been facing financial stress in 2011 before this campaign started. In 2015 the industry in Northern NSW and SE Queensland was paying 55 to 56 cents per litre and it has been stable ever since. Our electricity prices have doubled, wages keep rising along with super and work cover costs. Diesel and all of our running costs are rising beyond inflation, yet the dairy industry doesn't talk inflation, it talks efficiency. It is commonly spoken that the top 20% of Australian Dairy farmers are among the best in the world and yet they too are struggling to make ends meet, and more so now as costs of drought continue to impact agriculture.

It is way beyond time for our industry to have a major over haul, in my opinion the dairy industry is like many other big businesses, "top heavy". The industry needs its representative groups disbanded and start again with one body representing both farmers and processors with one voice for the whole industry domestic and export. To date our voice has been broken by self interest and the lack of visionary thinking.

I believe that all contracts between processors and supermarkets should be created around the region it belongs to, as is the contacts between farmers and processors. We know that the processors pay farmers regionally according to production costs, so to should supermarket contracts be based regionally.

Another point is that all contracts between farmers and processors need to have their own rise and fall clause. This should be based on a common input cost at a given point, as that common input cost moves up so too does the milk price and the reverse will need to apply back to that base price.

I find it appalling that industry groups have allowed this once thriving industry to decline from almost 13 billion litres nationally a decade ago to 8.8 billion litres today, and still in decline with forecasts predicting 8 billion by June 2019.

The best thing this government has done to address some of the key economic challenges for the industry was when the Coalition changed the Farm Investment Loan from a environment beneficial outcome to a farm business enhancing outcome.

The Farm Innovation Fund is the best mechanism a farmer has for infrastructural improvements at an affordable rate of interest and payment term.

I feel the program is let down because there is a lack of expertise in engaging with farmers to encourage opportunities to develop growth on farm.

In closing I would like to thank the NSW government for taking the initiative in supporting our dairy industry.

With Regards

Peter Graham