

**Submission
No 10**

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

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Submission to Dairy Sustainability Inquiry

My husband, Neville and myself have been farming at Finley in southern NSW since 1985. As a young couple in our early 20's we bought a rundown farm in the irrigation area of Finley with only 40% equity. Back then water was readily available for irrigation but inflation and interest rates were high and cash flow was tight. Since then we have slowly grown the herd from 167 cows to 1300 milking cows. We have developed our farm with the latest irrigation layout and flow capacity, improved the drainage so we can recycle all the water used on our farm, improved pasture species and changed our breeding system to create a fertile cow that fits better with our production system. We have improved our knowledge by attending conferences, doing TAFE courses and being involved in the industry from Murray Dairy Regional Development Program to advocacy with NSW Farmers and Dairy Connect. Our two sons and their families have now joined us in our business along 6 to 8 employees (depending on the time of the year) and support many local businesses in Finley, Deniliquin and Cobram. We have been able to do this because the dairy industry allowed us to make the returns to grow.

We have done financial analysis of our business since 1993. Looking at the year on year analysis figures for the last 25 years there is a trend that shows a continual rise in milk income and expenditure as shown in Figure 1 but the biggest change has been in the volatility of the changes in income and costs. We seem to be spending all our energy on dealing with the next crisis distracting us from being able to plan longer term.

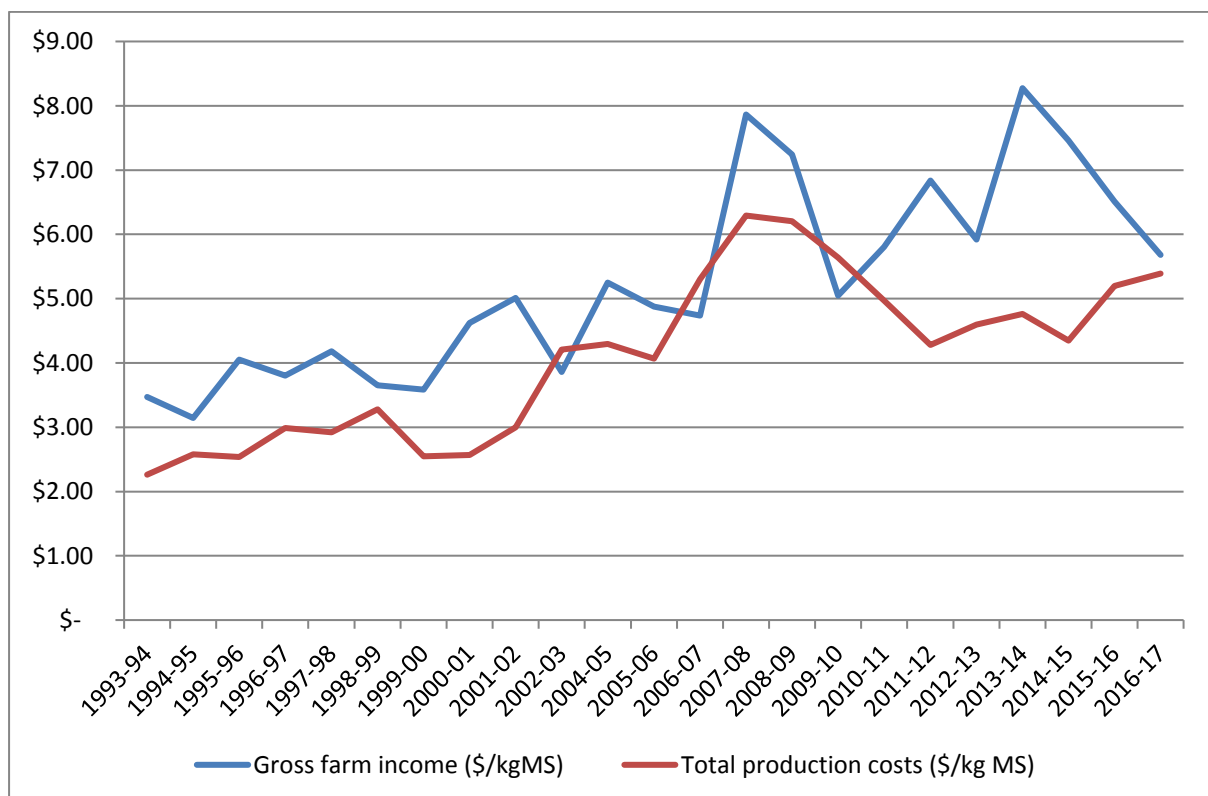


Figure 1

This volatility is very taxing on mental health and well being of farmers. Farmers are tired of fighting to get their books to balance, meet ever increasing red tape especially on employment, EPA, bio-

security, water policy, electricity pricing and the list goes on. Currently of the 14 dairy farms close to us 3 have stopped milking in the last few months and 6 are trying to sell.

As we milk more than 800 cows we are required to register with the EPA and report annually and complete a Incident Management Response Plan which needs to be reviewed annually. We run a grazing system, we don't have a feed pad or barn. The cows come in and get milked then go back to their paddock. We collect all the effluent from the dairy and reuse it when irrigating the pastures. We use a little chemical for spraying channels and spot spraying weeds and store a little fuel for tractors and motorbikes yet we have to complete the same paper work that the large chemical manufacturers do. What is the risk? More time spent doing unproductive work to achieve what?

Being a dairy farmer we have tractors and motorbikes that have concessional registration for farm use and going on the roads between properties. We can register our cars online but we have to drive to town every time we need to renew our concessional registrations. We are grateful that we now have legislation that allows us to cart silage in our silage wagons to feed cows on non adjoining properties but this legislation only allows us to put silage in the wagon. We are not allowed to put hay or straw in the wagon. In times of drought or floods this inhibits us being efficient. The rules state that we must carry a copy of the current rules in every vehicle that tows an over width implement but we are never notified when the document is changed to know when to update to the newest version. The silage wagon legislation was recently updated but we couldn't find the new document so called the RMS to find out where to find it. It took them 2 hours to find it. How are we supposed to?

We live close to the Victorian border and often need to cart equipment across the border and some of our contractors are Victorian based. It is really hard trying to keep up with NSW rules let alone Victorian rules as well. Why can't we have simplified rules across the country? The new National Heavy Vehicle rules haven't improved conditions at all, it's just put all the different states rules in one website so they are a little easier to find.

Over the years we have tried to set up our business to cope with the volatility of the seasons and the markets. We store extra feed ready for a bad year. We installed a deep bore to secure our irrigation supply in case there was no irrigation water available through the channel system. We used the bore during the 2002 drought. In 2006 the government calculated that the deep lead water resource was over allocated and reduced our allocation from 1306 to 217 megalitres and because we hadn't used the bore extensively we received no compensation. This wiped \$1m off the value of our property and reduced our ability to cope with the next drought. Other farms who used their bores extensively without consideration for the environment received smaller cuts in their allocation and compensation. Since then the science has been reviewed and it found that there was no need to reduce the allocations so Victorians, who pump out of the same aquifer, have had their water returned but this hasn't happened in NSW. During the drought this year it is really hard to find any bore water to purchase. We can carry over unused water from one year to the next up to 300% but we are only allowed to use 30% of this water during the drought. So we have 600 megs of water sitting there ready to use for the next 2 years but haven't got any more water that we can use this year. We have tried to do the right thing for the environment and to be sustainable and we get hit the hardest.

We used to be very competitive in the world market but the cost of labour and the challenge in finding people who really want to work in the dairy industry are making it really hard to compete. We are really grateful for the Dairy Labour Agreements that has allowed us to employ some well qualified people but it is a lot of work to actually get someone to be approved and meet all the criteria. We recently applied for two Labour Agreement visa's. One took 2 months to approve and the other 10 months. This makes it really hard to plan and to fill in the gaps whilst you wait.

In the Finley area we have many large dairy farms but since the commencement of the Murray Darling Basin Plan the competition for water has increased putting greater pressure on dairy farms to produce feed for their stock. If we have to sell stock it will take 4 years to get a replacement for that cow so reducing your herd in a drought has a very long recovery time. Our farms have been irrigated since the 1950's and an environment has developed around the irrigation. Our farms are home to many birds, aquatic life and reptiles. If we continue to lose irrigation water not only will our towns suffer so will the environment that exists around the irrigation system. During the last drought in 2006 to 08 our local towns really suffered. The only cash flow for the town was from the dairy farmers who had to keep operating to feed and milk their stock. Many trades people left the town and haven't returned making it really hard to get trades. Without the dairy farmers in the region we would have lost even more people from Finley. Being larger than average farms in the area we support many families in the district through our employment. For every 100 cows milked someone is employed and live in the rural community in or around Finley.

Some irrigators have chosen to participate in the buyback which is fair enough, they have received compensation for the water they have sold but this reduction of the pool available to every irrigator has a detrimental effect on their ability to operate their businesses and the flow on effects to the local towns and communities. Less water means less money being spent in country towns. Management of the environmental water and river flows currently resides with the government and has no accountability back to the irrigators. For example recently with the water allocation still on zero it was announced that due to higher than expected losses in the river system irrigators would lose another 10 gegalitres. This water was lost sending environmental water down the river to South Australia but we as irrigators have to wear the cost of their losses.

In many areas of NSW many dairy farmers don't have a choice of who they can supply their milk to making it really difficult to negotiate good terms in their milk supply contract. The proposed Mandatory Code of Conduct will help allow farmers to negotiate fairer terms of supply but won't make much difference to the price paid for the milk. With ever increasing costs especially water, labour and electricity, all critical inputs to our business, it will become harder to get a return on your investment. If we can't consistently earn more than investing in shares we would be better investing in the share market.

We hear lots of negative media about the carbon produced by dairy farms. Recent research presented at the International Dairy Federation World Dairy Summit in Korea in October showed clearly that when you take into account the nutritional value of the products produced from grass based grazing dairy systems they produce half as much carbon to produce the same amount of nutrients as maize grown for dairying. We have to consider the whole nutritional value of the product not just the weight of the product. Protein is essential nutrient to reduce poverty around the world.

We don't feel there is one easy answer to what makes the dairy industry sustainable but all these little things weigh heavily on the morale of dairy farmers. Constantly fighting to be respected takes its toll which reflects back on our young potential farmers. They see their parents and friends struggling with the work load and the stress and find easier options for their employment. Our numbers are not significant to have a strong voice compared to urban populations. Removing stamp duty for young farmers will help them take the first step into farm ownership.

With a little help in reducing red tape, returning the bore water allocations, improving road rules so they are manageable without compromising safety, making government accountable for their management of the MDBP, developing the Mandatory Code of Practice between farmers and processors, reviewing the monopoly of supermarkets and reduce stamp duty so young people can buy into farms will all help make the dairy industry more sustainable. We don't need handouts we just want fair and equitable compensation if something is for the public good.

We need to be respected for the quality nutritious products that we produce that adds value to the Australian economy and welfare of its people. We have the ability to produce the freshest greenest products in the world.

Ruth Kydd