

**Submission  
No 12**

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

**Organisation:** RH Boyd & Son Pty Ltd

**Date Received:** 5 November 2018

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ABN 61 000 576 796

**TO : NSW PARLIAMENT : LEGISLATIVE COUNCIL  
PORTFOLIO COMMITTEE NO. 5 – INDUSTRY AND TRANSPORT  
INQUIRY INTO THE SUSTAINABILITY OF THE DAIRY INDUSTRY IN NSW.**

**Submission by : RH Boyd & Son Pty Ltd  
David + Sue + Richard + Lucy Boyd  
Dairy farmers from Terara in the Shoalhaven (10 minutes east of Nowra)  
south coast of NSW  
LGA : Shoalhaven City Council  
State Seat : South Coast  
Federal Seat : Gilmore**

Firstly thank you to the Committee who have initiated this Inquiry into the sustainability of the dairy industry in NSW. We thank you for making the effort to listen to the minority group of dairy farmers in NSW who supply so much to people's weekly diets

***THERE IS A CRISIS IN THE NSW DAIRY INDUSTRY WHICH  
PRECEDED THIS DROUGHT AND BEEN EXACERBATED BY THIS  
DROUGHT.***

## **KEY ISSUES :**

- **DROUGHT :**

Our Dairy business is at the forefront and has been impacted in a major way in this recent drought which has been 2-fold in 2018 ( in both inland NSW where our hay, grain + stock pellets are sourced and here on the South Coast where we have been impacted by low rainfall and thus less pasture growth and feed for our milking cows.)

Our incoming additional hay/grain/pellets prices have doubled or more in most cases AND our freight costs to bring hay from western Victoria have been a financial killer.

All our current price increases have been handed on to us for grain, hay and increased freight. However we have NO-ONE to pass our price increases on to as we are at the bottom of the supply chain. We are having to sell large numbers of milking cows in order to stay viable. But we are still behind financially.

- **LOW FARM-GATE MILK PRICES RESULTING FROM DEREGULATION OF THE DAIRY INDUSTRY:**

Due to low milk prices since deregulation we have no reserves of funds to put away or surplus silage stocks put away for dry periods like we have just experienced throughout 2018.

Farmers have become more efficient to try and make up for lower margins since deregulation. However there is no fat left in the system on most dairy farms. We cannot be any more efficient.

It is a higher cost of production to produce milk 365 days of the year (which we do) compared to seasonal calving patterns in Victoria.

Since 2011 we have had basically the same prices (cents per litre) up a little and then down and then up a little. ... basically no increase. However all our running costs like power, animal feed, fertiliser, fuel, staff superannuation rates have increased.

Yet it is such a difficult issue for the big 2 supermarkets to agree to raise the price to the processors to pass on a price rise to the farmers who produce the milk. **THIS IS SUCH A GREY GREY AREA** with the farmer the ultimate loser.

Consumers pay out large dollars for cigarettes, alcohol and junk food. Retailers are ok with these prices on these goods. However it is seen as **TOO DIFFICULT** for them to acknowledge that dairy farmers are receiving unfair prices for their milk.

The supermarkets say the processors can pass on the price rises. The processors (Our processor Parmalat) say it is not easy to ask the supermarkets for a rise.

**SO WHO DO WE BELIEVE??** The Supermarket or the Processor?

**THIS IS WHY IT IS NECESSARY FOR GOVT TO STEP IN AND STEP UP AND ASSIST WITH THE LIVELIHOODS AND INVESTMENTS OF DAIRY FARMERS ACROSS THE STATE.**

Dairy products have been devalued. Yet dairy products are a **HIGH-COST** product to produce. Fresh Liquid milk is not a commodity.

Before Coles dropped the price of milk on Australia Day 2011, consumers had no problem paying the price of milk at that time.

Consumers did not ask for milk prices to be slashed in 2011.

Why did the supermarkets and processors do this??

Is the answer **MARKETING ?**

- **DEREGULATION HAS FAILED THE NSW DAIRY FARMER .**

**DAIRY FARMERS** who : produce the milk by breeding, rearing, caring for their cows and calves, run the dairy plant and machinery, care for our land by using best practice methods, employ and train staff etc. to produce high quality milk 365 days of the year **ARE NOT HAPPY.**

We farmers are the most vulnerable in the supply chain due to milk from cows being a Daily Perishable Product. It is Liquid and must be refrigerated, hence we are very vulnerable and have little bargaining power.

Dairy farmers cannot store liquid milk (like hay, grain or cotton farmers or wool growers and wait to negotiate a better price.)

Fresh liquid milk is not a commodity like wheat, hay, cotton, rice wool etc. Fresh liquid milk is different.

Dairy Farmers are vulnerable because the milk they produce cannot be stored on farm to negotiate a higher price at a different time.

This is why deregulation has failed the dairy farmer. We are sure that this was not the intention when the Federal Government introduced Dairy Deregulation in 2000.

The Supermarkets are happy - OK NO PROBLEM.

The Processors are happy - OK NO PROBLEM. Or are they scared to speak up due to the possibility of losing shelf space on the fridge shelves in the supermarkets??

Is this called market power?

Processors and Supermarkets have benefitted at the FARMERS EXPENSE.

Basically SUPERMARKETS HAVE BEEN ABLE TO REGULATE-CONTROL the price of fresh liquid milk since Deregulation. Is this what the Fed Govt. wanted ?

However dairy farmers have never worked so hard to lose so much money so quickly at the present time.

Are the Supermarkets more powerful than our Federal + State Governments when it comes to these issues? IS THAT OKAY FOR THIS TO BE THE CASE??

If dairy farmers had been paid a fair and equitable price for their milk over the longer term there would be little need for the government to provide mental health support workers to counsel us.

If dairy farmers had been paid a fair and equitable price for their milk over the longer term there would not be as much need for drought support.

## **NSW DROUGHT ASSISTANCE : (RAA)**

- We were grateful when the NSW State Govt. introduced the freight subsidies for fodder transport for drought feed through the RAA.
- However the total cap of \$30,000 over 18 months is a drop in the ocean for what we have paid out from Jan – Oct 2018 for freight of hay to our milking cows when we had no feed in the Shoalhaven due to drought. We have paid out more than 10 times \$30,000 in freight for hay in the last 10 months. This is because the hay has had to come a long way from western Victoria.
- The \$30,000 freight subsidy is a good amount for some farmers but for larger suppliers like us, who employ 35 fte staff and produce a large quantity of milk the freight has been a financial killer (as well as the cost of the hay) and the

difficulty of logistically getting it freighted such long distances with driver hours and trailer availabilities etc.

- However the farm gate milk prices we continue to receive do not reflect these high input prices.
- 2 weeks ago we received our first Drought Levy payment from Woolworths (their Drought Fund Milk initiative) paid to us through our processor Parmalat. It was gratefully received but not enough.

## **RECOMMENDATIONS :**

**We need this Inquiry to act on the information they receive from these NSW dairy farmers who are on the verge of financial collapse due to long term low milk prices.**

- We need to have Government Intervention in the dairy value chain so that farmers are given a higher long term price for the liquid milk which we produce 365 days of the year.
- Despite there being 2 x Federal ACCC Inquiries into the dairy industry in recent years, the findings have always been favourable to the Retailers and the Processors. The dairy farmers' concerns and realities re: our lack of power and continued low pricing did not seem to be understood by the ACCC Inquiries. Even though we and many other farmers all sent in submissions.
- The cost of running 2 x ACCC Inquiries by the Federal Govt. and for there to be no outcome supporting farmers' positions is beyond belief. But then the ACCC is really about the consumers, not the farmers.
- We need Govt. to legislate for a minimum retail price for milk in NSW for the next 2 years to enable our NSW dairy farmers to be sustainable in the long term. It would give time for the restructure of dairy pricing so it is a fair playing field.
- We are sure that NSW consumers would like to support local state dairy farmers rather than having their milk trucked all the way from Victoria or eventually imported from New Zealand, due to lack of NSW dairy farmers surviving this current crisis.
- We would also like to encourage the NSW Govt. to drop Payroll tax for all employers including rural dairy businesses like ours.
- We would appreciate if the Freight Subsidy amount of \$30,000 could be increased. Not just our farm business, but many other dairy businesses on the South Coast and other sections of the State would benefit from an increase in the Freight Subsidy levy.
- The possibility of broadening the number of Regos that farmers pay (farm Cond Regos for farm machinery such as tractors, side by side gators, telehandlers etc.) to also be allowed to be exempt from registration fees. It would be much appreciated if this could occur.
- The waiving of our annual LLS fees is much appreciated but is a drop in the ocean in terms of the level of assistance required by the dairy producers of NSW. But it was a good start.

- We can't change what HAS OCCURRED, but with Govt. intervention we could save our NSW dairy industry going forward into the future if Govt. took action to protect farmers who produce FRESH DAILY MILK.
- We thank you for your time and interest to ENGAGE with we dairy farmers, EXAMINE the issues and INFORM yourselves of the issues which are causing our NSW Dairy farmers to be in financial crisis.

David + Sue Boyd  
RH BOYD & SON PTY LTD