

Submission
No 19

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

Name: Mr Trevor Middlebrook

Date Received: 8 November 2018

Partially
Confidential

A.T. & B. MIDDLEBROOK Pty. Ltd.

“BOWMAN FARM”

07-11-2018

To the NSW Legislative Council's Portfolio Committee No. 5

I am Trevor Middlebrook, a third generation dairy farmer from Gloucester between the Midnorth Coast and Hunter regions of NSW and currently have two of our children working in the family farming business in preparation to one day take over the farm upon the retirement of my wife and myself.

Over the last two decades I have dedicated every spare minute to understanding the dairy industry and through the board and committee positions that I have held, I have been fortunate enough to develop a wealth of knowledge through my experiences. Whilst on the board of Dairy Farmers Milk Co-operate Ltd (DFMC) I spent 9 years on our Milk Policy Committee, 3 years on the Milk Pricing/Negotiations Committee, redeveloped the Young Farmer Program and was on the Milk Supply Agreement (MSA) working subcommittee before I retired from the Board of Directors. I was elected to the board of Dairy NSW in 2015 for a 3 years term and have been heavily involved in Mid Coast Dairy Advancement Group for many years.

The most worldly experiences that I had were in my time on the DFMC board as we got to see and work with all aspects of the dairy industry because of its purpose built structure as a supply co-operative.

In 2004 DFMC was formed to manage the raw milk into its own processor business “Dairy Farmers” as it prepared itself for a potential sale or listing. This made DFMC the largest collective bargaining group in Australia, if not the southern hemisphere, that managed almost a billion litres of raw milk for processing into the Dairy Farmers brands. One of the strongest components of the DFMC business is the MSA document that enabled DFMC to see, understand and work with the processing and marketing side of Dairy Farmers through its many reports and regular meetings with DFMC. This information was paramount in the final decision making of farm gate milk policies and farm gate milk prices that we would heavily debate and negotiate for months before they were rolled out every year.

My strong understanding of the policies and pricing saw me elevated to the 3 person milk price negotiations committee along with the Chair and Deputy Chair of the board which enabled me to work directly with the CEO's, CFO's, Managing Directors and Directors of Procurements, firstly into Dairy Farmers and then after the Dairy Farmers sale to Kirin Holdings, then National Foods Limited, Lion Nathan Limited and its current name, Lion Dairy & Drinks. I have built good relationships with many of these people and although I would have to argue with them on a regular basis to get the best possible outcome for our farmer members, I got to see and understand the constant market pressures and the corruption and bullying that these people have to endure on a daily basis as these giant retailers constantly abuse their market powers with milk being used as a “Lost Leader” to lure

customers into their stores. In social conversations with some of the executives I mentioned previously, have all expressed their fear of being black listed by the retailers as they are forced to tender at ridiculously low levels to secure their market share. There have been times in the past where a processor has been threatened by a retailer that forth coming contract tenders would not be considered if the processor didn't put in tender for a current contract being tendered. This of course, forces tighter margins for the processor which they in turn force through their bottom line on to the farm gate milk price which results in little to no profits for the farmers to manage debt or invest back into their farms. So the flow on continues down the line to the rural communities with dairy industry suppliers and job opportunities for young people. There was an early estimation that the 2011 Australia Day milk war introduced by Coles would take approximately \$200 Million out of the Australian dairy industry each year while ever the ridiculously low milk price remains. That's \$200M less revenue for rural communities so 7 years on, mixed in with drought and everyone is suffering. Everyone suffers bar Coles, Woolworths and Aldies.

Apart from derogative words and cheap comments, there are many more experiences that I would like to share from my time at DFMC but due to my own contractual agreement to our co-operative, (which I am a royal and very proud member of), I fear that my experience sharing could not only bring our co-operative into disrepute but also threaten the positions of others that I have work with over the years. These contractual clauses are rained down from the retailers and are clouded and gagged by confidentiality signings that force the processors to do the same with some of the farmer supply contracts. The retailers don't want their customers, the general public, to know of their behaviour as the customer seems to be the only entity that these retail giants answer to. The customer that demands a good, reliable and safe product, which is supplied by the farmer. Not the retailers. All the retailer does is pass the goods on. All the work is done by the processors and the farmers and yet the retailer receives the best returns. Why is this so?

At the end of the day, the dairy farmers only want a fair deal. A fair days pay for a fair days work. Dairy farmers love the work that they do and if they didn't there wouldn't be a drop of milk in the country under these conditions. Farmers forced to trade below costs in hope of a turnaround in the industry as we are not able to pass our rising costs through to the consumers.

My fear is the future of the dairy industry. I have put many years into supporting and encouraging young people into the industry and if we can't support young farmers coming into the industry to replace the rapidly aging dairy farming community, there will be on dairy farming industry in the state of NSW. We need a sustainable industry and it can't come from the bottom line as costs are rising and Australian dairy farmers are already some of the most

efficient in the world. It has to come from the consumers and the retailers then hopefully we can have a sustainable industry to be proud of for future generations.

Kind regards,
Trevor Middlebrook.
Concerned dairy farmer.