Submission No 20

INQUIRY INTO SUSTAINABILITY OF THE DAIRY INDUSTRY IN NEW SOUTH WALES

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Inquiry into sustainability of the dairy industry in NSW

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NSW GOVERNMENT

Contents

Executive Summary

The NSW Government is committed to working with dairy farmers to support a strong, sustainable and productive dairy industry in both the short and long term.

With a gross value of production of around $549 million, the NSW dairy industry is of vital importance to NSW and our regional economies. There are approximately 660 dairy farmers in NSW, which is the second largest dairy producer in Australia behind Victoria.

Compared to the rest of Australia, the majority of NSW dairy farmers receive above national average farm gate prices for their milk. Drier climatic conditions have led to a greater reliance on supplementary feeding and irrigation, and consequently higher cost of production. As the NSW industry is based largely on the production of milk for domestic consumption, and milk is a perishable commodity, processors are incentivised to maintain local production rather than source milk from interstate.

The Australian Competition and Consumer Commission (ACCC) Dairy Inquiry final report (published April 2018) concluded that Australian farm gate milk prices were predominantly influenced by international prices[1]. As Australia is a major exporter of dairy products, both dairy farmers and milk processors are price takers in the international market. This means that farmers and processors have little ability to raise the price of milk without reducing their competitiveness and consequently sales.

The ACCC also found that domestic retail milk prices are not the main influence on farm gate milk prices. The retail price premium associated with certain brands of milk is not passed onto dairy farmers but is instead absorbed by higher retail and processor margins. Moreover, the supermarkets use $1 per litre milk as a "loss leader" to draw customers into their stores and absorb the cost through a lower margin.

The NSW Government recognises that current drought conditions place dairy farmers under considerable pressure. As milk prices are predominantly determined by international prices and NSW dairy farmers already receive a farm gate price premium compared to southern states, any NSW Government intervention that impacts upon prices must be considered carefully.

NSW Government is working with industry to: open and maintain access to as many global customers as possible; raise productivity and sustainability through investment in Research and Development (R&D); create new products and pathways to get products to customers; improve and promote the industry's food safety credentials and to monitor and respond to disease and health issues; continue to reduce red tape and lower costs such as energy prices; and building drought preparedness and resilience.

From an R&D perspective, NSW Department of Primary Industries (DPI) is focused on three strategic priorities for the NSW dairy industry: innovative industry development; a business management culture; and dairy industry sustainability. These priorities have been developed in concert with the sector via the NSW Dairy Industry Strategic Action Plan. Through the Elizabeth Macarthur Agricultural Institute, DPI also conducts research and diagnostics for high impact

[1] Australian Competition and Consumer Commission, Dairy Inquiry final report, 30 April 2018, https://www.accc.gov.au/system/files/1395_Dairy%20inquiry%20final%20report.pdf

existing and emerging diseases of plants and animals, and provides local and national disease advice.

The NSW Government is also seeking to mitigate the costs of doing business in the short term through its Emergency Drought Relief Package. The package includes a range of fee waivers, loans and subsidies to support primary producers during the current drought.

In the long term, the measures that reduce costs of production or improve on-farm productivity will create better outcomes for dairy farmers than unilateral Government intervention in the milk market.

A number of key economic challenges to the industry, such as ensuring fair trading between retailers, processors and farmers, requires a national approach and needs to be led by industry. We acknowledge that the ACCC has made a number of recommendations to improve transparency and allocation in the dairy industry and that the Commonwealth has started formal consultations across Australian dairy farming regions on a mandatory code of conduct.

The NSW Government is committed to standing side by side with the State's dairy industry and will continue to work with industry and the Commonwealth to improve outcomes for dairy farmers.

Overview of the NSW Dairy Industry

NSW is unique in the Australian dairy industry given its diverse geographical spread and associated environmental conditions.

Production is spread across 10 Local Land Services (LLS) regions with more than 50 per cent of NSW milk produced in the South East and Murray LLS regions.[2] According to Dairy Australia, there were 661 registered dairy farms in NSW in 2016-17 compared with over 800 farms in 2010-11. The number of dairy farms is decreasing year on year and each period of low profit has seen the rate of exit accelerate.

NSW is the second largest dairy producing state in Australia, with an annual production of 1.1 billion litres in 2017-18. This is a 0.9 per cent increase over the previous year.[3] The gross value of NSW dairy production was $549 million in 2016-17.[4] NSW is a much smaller dairy producing state than Victoria which produced 5.9 billion litres in 2017-18.[5]

The majority of Australian milk production is consumed domestically, primarily as drinking milk, cheese, yoghurt and butter. In NSW, approximately 75 percent of milk produced is for domestic consumption (see Figure 1). A large proportion of milk from the southern regions (South East and Murray LLS regions) is used for manufacturing whilst the northern regions (North Coast and Hunter LLS regions) are more focused on the supply of fresh milk markets.[6]

Figure 1: Use of Australian milk by State (2016-17)

Source: Dairy Australia, Australian Dairy Industry in Focus 2017.

Supplying the drinking milk market means that farmers generally need to supply year-round, with relatively even production across the year. In areas where lower rainfall results in slower or

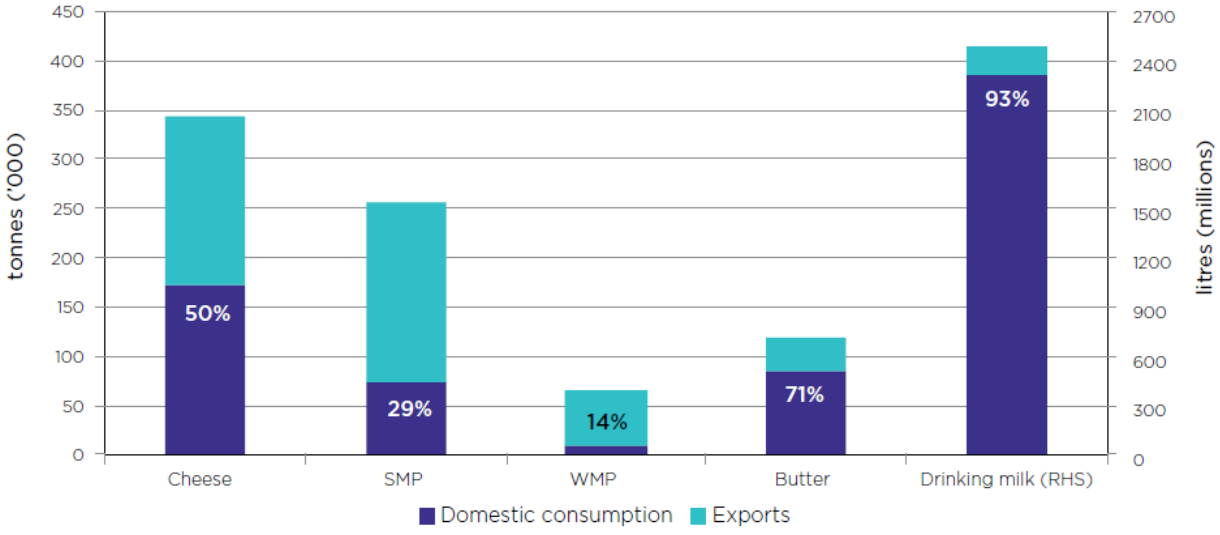
[2] NSW Dairy Industry Strategic Action Plan, January 2016, https://www.dpi.nsw.gov.au/__data/assets/pdf_file/0003/681681/NSW-dairy-industry-strategic-action-plan-2016.pdf
[3] Dairy Australia 2018, Milk Production Report, https://www.dairyaustralia.com.au/industry/production-and-sales/latest-production-and-sales-statistics
[4] Australian Bureau of Statistics 7503.0 - Value of Agricultural Commodities Produced, Australia, 2016-17 21 May 2018, http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/7503.0Main+Features12016-17?OpenDocument
[5] Dairy Australia 2018, Milk production Report, https://www.dairyaustralia.com.au/industry/production-and-sales/latest-production-and-sales-statistics
[6] NSW Dairy Industry Strategic Action Plan, January 2016, https://www.dpi.nsw.gov.au/__data/assets/pdf_file/0003/681681/NSW-dairy-industry-strategic-action-plan-2016.pdf

inconsistent pasture growth, there is a much greater reliance on supplementary feeding and irrigation. NSW farmers therefore tend to be more reliant on purchased feed to maintain milk production than southern states during times of pasture shortages. They also have a higher labour requirement throughout the year.[7]

Australia is the fourth largest exporter of dairy products (six percent of global dairy trade), despite only producing two percent of the world's milk.[8] The share of total production exported has ranged from 30 to 60 percent since the dairy industry was deregulated in 2000. Milk powders and cheese account for the majority of exported dairy products (see Figure 2).

In recent years, Australia has exported around 30 to 40 percent of its milk, with the combination of a declining milk production base and a larger domestic market resulting in less milk available for export. In 2017- 18, NSW exported approximately 25 percent of its milk.

Figure 2: Share of production consumed by major product (2016-17)



Note: drinking milk includes fresh and long life milk and is referred to on the right hand axis.

Source: ACCC estimate using ABS data.

Note: skim milk powder (SMP); whole milk powder (WMP).[9]

The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) reports that as at 2016-17 dairy farms had the lowest farm business profit of all broadacre industries reported, for the last three years. They also had the lowest rate of return on capital (excluding capital appreciation) for the last three years and the lowest rate of return including capital appreciation.

DPI has collected annual farm performance data from approximately 32 farms across the state for the last seven years as part of the Dairy Farm Monitor Project (DFMP). Analysis reveals that 2017-18 was the worst year during this period for farm business profit (see Figure 3).

[7] NSW Dairy Industry Overview 2015, https://www.dpi.nsw.gov.au/__data/assets/pdf_file/0005/519260/dairy-industry-overview-2015.pdf

[8] Dairy Australia, International Market Overview, https://www.dairyaustralia.com.au/industry/exports-and-trade/international-market-overview

[9] Australian Competition and Consumer Commission, Dairy Inquiry final report, 30 April 2018, https://www.accc.gov.au/system/files/1395_Dairy%20inquiry%20final%20report.pdf

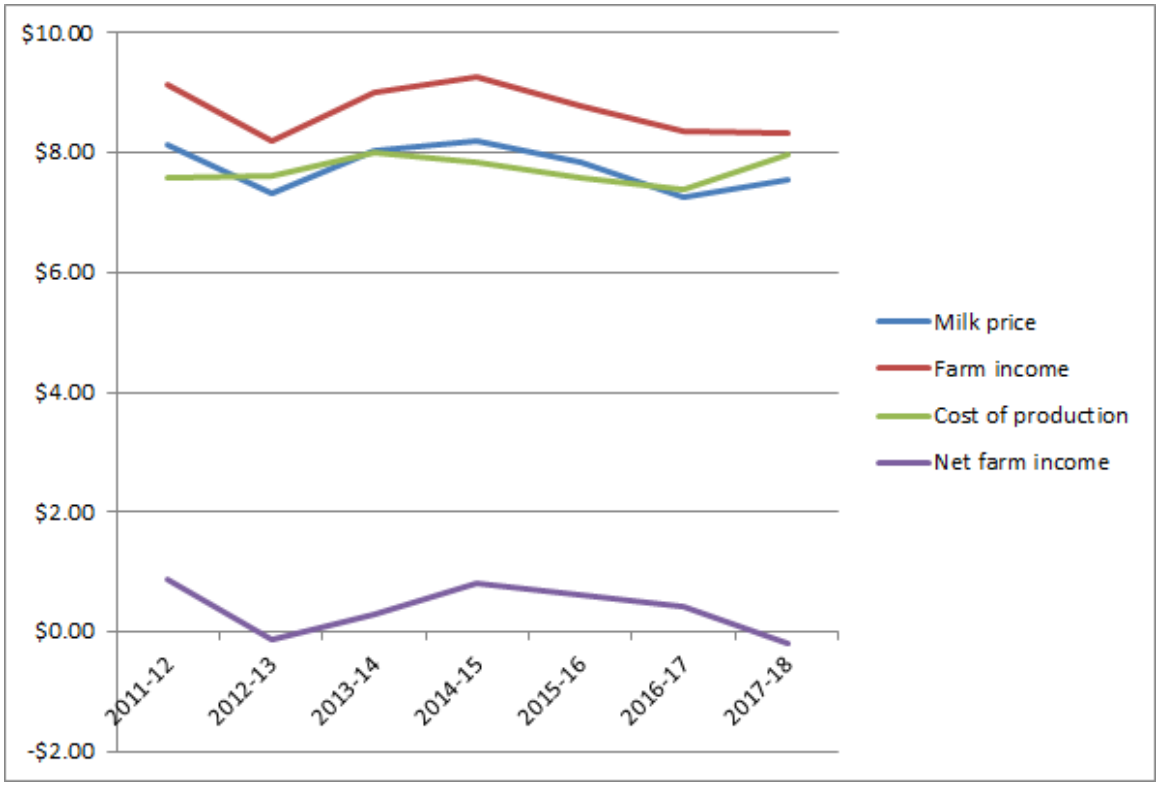
A comparison of DFMP results from all regions reveals that dairy farm business performance in NSW was worse than in any other state. The downturn in profit is largely due to an increase in purchased feed costs, with the drought and higher grain and fodder prices having a major impact.

The NSW Government introduced the Emergency Drought Relief Package to help alleviate financial pressures on dairy producers. The package includes drought transport subsidies which have been increased from 25 to 50 per cent of the full cost of freight up to a maximum of $5 per kilometre (+GST) and 1,500 kilometres per journey. The drought transport subsidy can be applied to the transport of fodder, water for stock and livestock to pasture, slaughter or sale.

Since 30 July 2018, 127 NSW dairy farmers (approximately 20 percent of industry) have applied for Emergency Drought Relief Transport Subsidies. Of the applicants, 67 have received grants totalling $901,000 to date, with the average amount received per farmer around $13,000. The majority of dairy farmers that received support have been located in the South East, North Coast and Hunter Local Land Service regions.

NSW dairy farmers have also accessed $6.6 million in Farm Innovation Fund loans. To date, 32 farmers have received approximately $167,000 per farmer to assist drought preparedness.

Figure 3: Average NSW DFMP farm performance ($/kg milk solids)



Source: Dairy Farm Monitor Project

Response to the Portfolio Committee Terms of Reference

Terms of Reference

The long-term sustainability of the dairy industry and the role of the Department of Primary Industries and other government agencies in supporting the industry, and in particular:

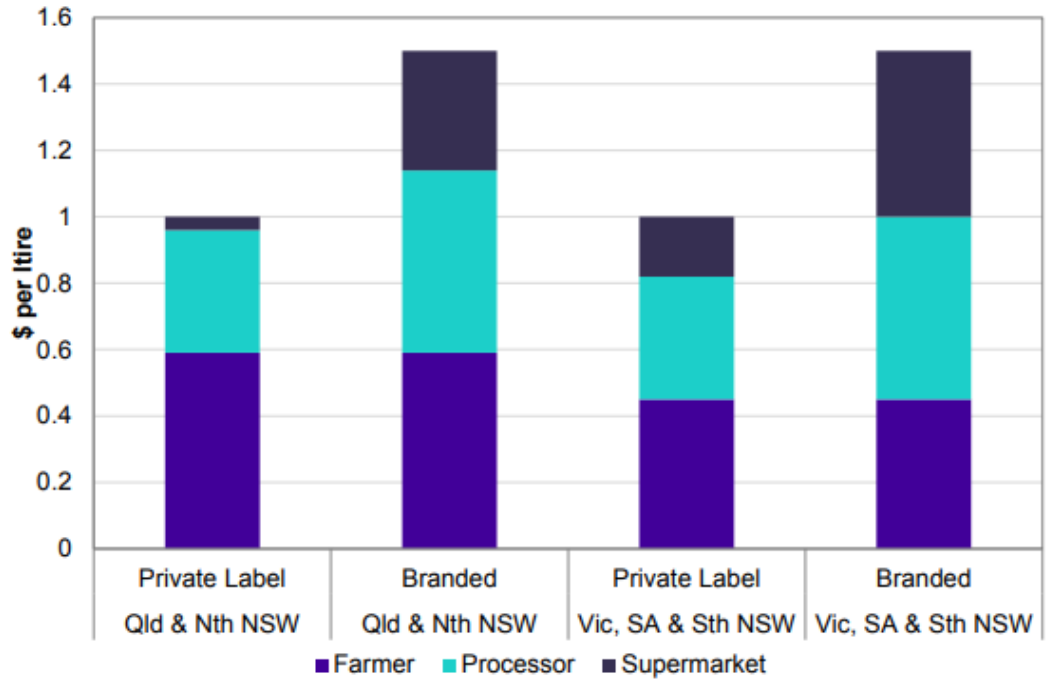
(a) The nature of, and relationship within, the value chain between farmers, processors, logistics companies and retailers and their respective influence on price;

In April 2018, the ACCC released the final report from an inquiry into the Australian dairy industry. The report identified market failures resulting from the strong market power imbalance and information asymmetries associated with farmer-processor relationships.

However, the ACCC and the Productivity Commission have both concluded that the retail price of milk is not significantly influencing the farm gate price. Instead, the major influences on farm gate price are a combination of domestic oversupply and international prices for dairy products.

The ACCC identified that the main impact of $1 retail price of milk is on processor and retailer margins, with the "loss of value" incurred by these companies passed on to consumers through lower retail prices. The ACCC also found that even when the retail sales price is higher (i.e. for branded products), the farm gate price does not change (see Figure 4). This supports the Productivity Commission's analysis that farm gate prices are determined by global prices, not local prices.

Figure 4: Distribution of retail price between industry participants in the value chain.



Source: ACCC Dairy Industry report (2017)

(b) The impact of external influences on the dairy industry, including but not limited to drought, water, energy, and price-setting;

The international market

Australia's dairy farmers participate in an international dairy market and a deregulated domestic market. As a result, the dairy industry operates in an environment where international prices are the major factor determining the price received by farmers for their milk. The Productivity Commission report from 2014 "Relative Costs of Doing Business in Australia: Dairy Product Manufacturing" found:

"The integration of the Australian dairy manufacturing industry into world markets means that domestic product prices — and, by consequence, raw milk prices — are strongly influenced by international prices. In turn, developments in world dairy markets directly bear on the costs and competitiveness of Australia's dairy product manufacturing industry, and on the prices paid to dairy farmers... The Australian dairy industry is highly dependent on world markets, with a large proportion of Australian dairy output exported (in various forms)."

Domestic oversupply

All of Queensland production, and a very high proportion of NSW production, is used for domestic drinking milk as supply is much closer to local demand. Drinking milk is a perishable product and therefore there are limits to the distance it can be transported before costs make it unviable. Dairy processors must offer a price that encourages sufficient supply to meet local drinking milk demand.

Dairy production in NSW and Queensland is also typically higher cost than in Victoria and Tasmania, primarily due to climatic conditions. In areas where lower rainfall results in slower or inconsistent pasture growth, there is a much greater reliance on supplementary feeding and irrigation. Therefore the price offered to local dairy farmers needs to be higher to provide an incentive to keep producing. In 2016-17 the NSW farmgate milk price was 49 cents per litre, compared to 40.9 cents per litre across Australia.[10]

The ACCC report highlighted that "Competition between processors is generally strongest when local raw milk supply is insufficient to meet local demand… in these circumstances, if processors wish to maintain factory throughput they must win supply from rivals in the region, encourage increased raw milk production, or transport raw milk from other regions".

However, there is a point at which the local farm gate price will be too high and processors can source milk from further away for a cheaper price. The ACCC noted that "declining farmgate milk prices in Victoria over the last three years, combined with steady farmgate prices in northern NSW and Queensland, have raised the incentive for processors to transport raw milk north."

Drought and Water

The NSW Government acknowledges that the dairy industry currently faces extremely challenging drought conditions across the state.

The majority of NSW dairy production is focused on the fresh milk market who require milk volumes throughout the year. This requires farmers to smooth out production, which results in an increased reliance on fodder as opposed to pasture. The increased cost of fodder due to the recent extended dry conditions has increased production costs, cutting into already low margins.

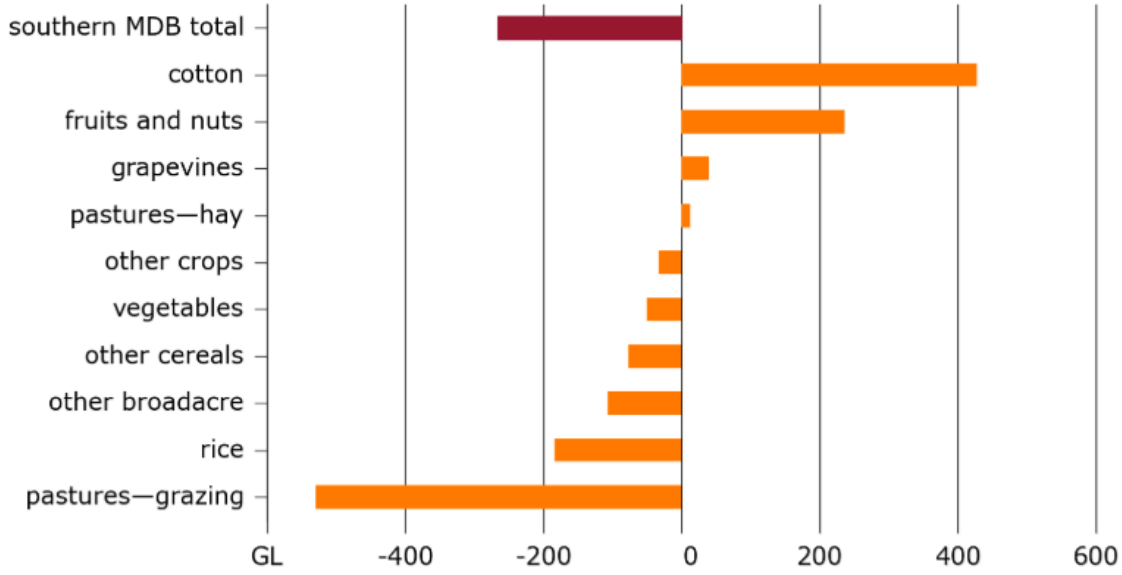
[10] Dairy Australia, Farmgate milk price, https://www.dairyaustralia.com.au/industry/prices/farmgate-milk-price

Milk production has declined due to drought impacts upon productivity.[11] Some processors have recently responded by announcing temporary price increases for their suppliers. Whilst these increases are presented as drought support, they also reflect processor concerns about future supply.

The industry's increased reliance on fodder instead of pasture has resulted in dairy farmers increasingly having to compete with industries that can achieve a higher return per megalitre of water, and are therefore more able to pay higher prices.

Rapid growth in plantings of cotton and almonds in recent years, in particular in southern irrigation areas, have also increased competition for water in these regions (see Figure 5).

Figure 5 Modelled change in irrigated activity water demand 2003 to 2007 ABARES water trade model



Note: Modelled results for $100 per megalitre water price

Source: ABARES, Australian Water Markets Report 2016-17

Energy

The greater reliance on fodder has also seen increased consumption of energy in dairy farms, due to higher reliance on irrigation and fodder conservation. Energy costs account for 13 percent of dairy gross value of production, compared with 16 percent for chicken meat, 9 percent for grains, 7 percent for beef, 6 percent for sheep production and 9 percent for agriculture overall.[12]

Price-setting

Although a range of factors influence milk prices, global influences explain much of the variation in milk prices from season to season. The retail price of milk does not significantly influence farm gate prices. Milk processors, like other farmers, are price takers in the global market.

[11] Australian Government Milk Price Index, http://agriculture.gov.au/milkpriceindex#murray
[12] Australian Farm Institute, Roundtable Conference 2018

(c) The impact of previous policies, in particular, the deregulation of the dairy industry;

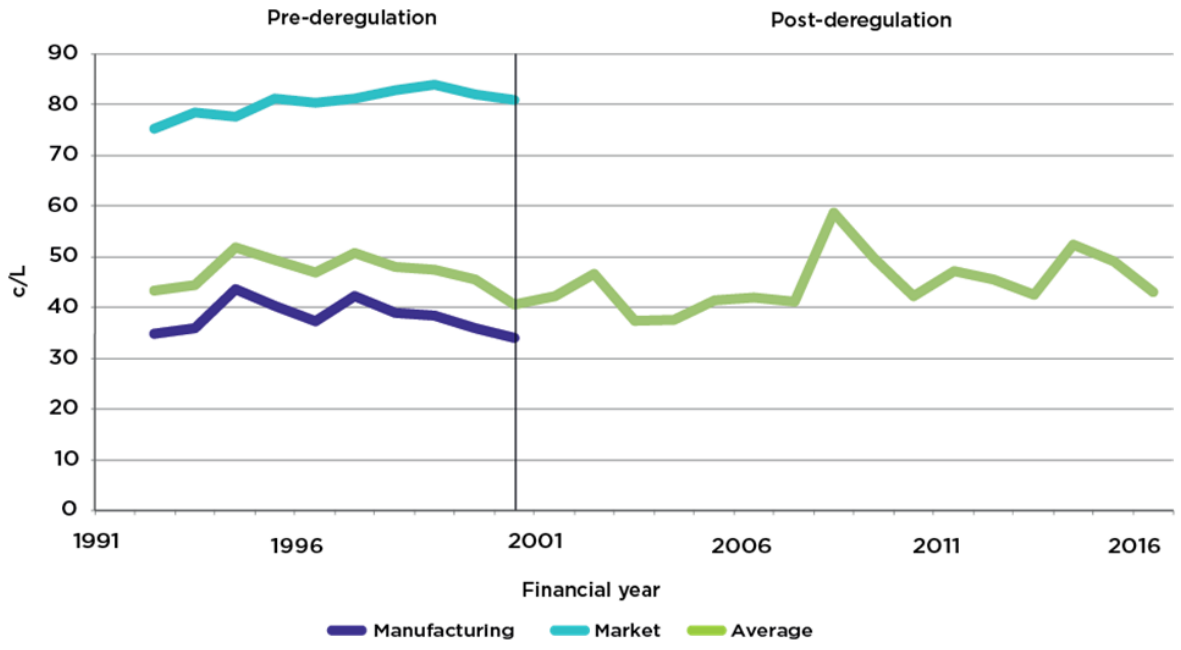
Up until the early 2000s, the states and territories participated in the regulated sourcing and pricing of drinking milk. The Commonwealth Government commenced deregulation of the industry in 2000 with the Dairy Structural Adjustment Program (DSAP) established to help transition the sector over time.[13]

With its conclusion in 2009, $1.7 billion was spent on the DSAP, predominantly funded by a Dairy Adjustment Levy of 11 cents per litre on consumers of products marketed as dairy beverages.[14]

The impact of deregulation at the farm level varied across jurisdictions and was very much dependent on how important drinking milk was to the individual farm enterprise. Australian supermarket prices for plain, reduced fat and low-fat milk decreased by an average of 22 cents, six cents and nine cents per litre respectively across all pack sizes and brands from the June 2000 to December 2000 quarter after deregulation.

A number of farmers took advantage of exit payments offered under the DSAP scheme to leave the industry. The overall impact was a decrease in the number of dairy farms, continuing an industry trend that has been apparent for over three decades. In NSW, between 1999–2000 and 2016–17, dairy farm numbers fell by 62 percent.

Figure 6: Australian average farmgate milk prices, by use, real terms (2016 dollars)



Source: ACCC Dairy Inquiry final report (2018)

[13] NSW Dairy Industry Overview 2015, https://www.dpi.nsw.gov.au/__data/assets/pdf_file/0005/519260/dairy-industry-overview-2015.pdf

[14] Australian Competition and Consumer Commission, Dairy Inquiry final report, 30 April 2018, https://www.accc.gov.au/system/files/1395_Dairy%20inquiry%20final%20report.pdf

Deregulation brought lower and more volatile milk prices to NSW dairy farmers which, coupled with the Millennium Drought, forced farmers to develop more adaptable and resilient farming systems. Current milk pricing in NSW is now closely influenced by supply and demand, international prices and exchange rates.

(d) The role of government in addressing key economic challenges to the industry.

Given the prevailing market forces and current price advantage that NSW dairy farmers experience against southern states, the most effective way for the NSW Government to support dairy farmers is by increasing industry productivity and reducing the cost of doing business.

Increasing market access for dairy products

Opening and maintaining access to global customers to increase fresh milk and dairy product exports will help to increase returns for milk and to diversify the customer base for NSW milk.

Fresh dairy milk worth $9.6 million (milk and or cream) was exported in 2017-18, which was on par with 2016-17 and 37 per cent higher than the five-year average. In 2016-17, Singapore was the largest dairy export market for NSW, however, China regained the position as the largest market in 2017-18, followed by Singapore, Hong Kong, Taiwan and Vietnam. In addition to fresh exports NSW also exported $172 million in “processed dairy” such as cheese.

The NSW Government supports the expansion of exports through better marketing and packaging to tell the provenance story of clean, fresh and healthy milk. A cohesive approach is required incorporating trade shows, market research and marketing campaigns and potentially a trade mission program.

Selling bulk milk when changes in world price impact where the milk is sourced from can be challenging (see Table 1). However, packaged milk offers the ability to better sell our health and food safety claims.

Unit: A$	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2016-17 to 2017-18 % change**
World	**4,097,472**	**3,715,336**	**7,697,972**	**9,976,874**	**9,610,327**	**9,585,776**	**0%**
China	328,434	503,746	2,938,351	5,333,319	2,154,024	3,955,418	84%
Singapore	34,685	69,742	46,360	1,672,340	4,739,713	2,743,647	-42%
HK	1,205,628	1,368,477	1,338,493	1,478,947	1,142,164	1,865,535	63%
Taiwan	579,150	371,009	989,099	1,117,122	1,320,144	344,933	-74%
Vietnam	62,036	3,456	-	216,000	50,000	228,722	357%

Table 1: Value of NSW dairy exports (A$)

Source: data from Global Trade Atlas (https://www.gtis.com/gta)

The NSW Government will also continue to work with the Commonwealth and industry to improve market access to countries such as India where increasing demand for dairy is not easily accessed by Australian companies, due to high tariffs and taxes. Dairy demand is increasing in the Malaysia and United Arab Emirates markets where it is difficult to attain self-sufficiency. NSW Government connections could be used to explore options for more direct export to these markets.

The NSW Government may be also able to assist industry, through connections with international food authorities and production consultants, in facilitating the process for export accreditation for dairy processors. This could include helping industry to understand requirements and to simplify the channel to market, which can appear daunting and expensive.

The NSW Government is also working with industry to improve NSW's food safety, by monitoring respond to disease and health issues that would close markets, and to better promote our credentials to international customers.

Food Safety

The NSW Food Authority licenses businesses across the supply chain in the dairy sector. This includes 653 dairy farms, 215 dairy processing factories, 158 farm milk collectors as well as cold food stores. Of the 7,951 food transport vehicles licensed with the NSW Food Authority approximately 4,500 are authorised to transport dairy products.

A NSW Dairy Industry Consultative Committee also meets every six months and provides feedback to the NSW Food Authority and the NSW Minister for Primary Industries on industry issues including the Dairy Food Safety Scheme and management of food safety risks across the NSW dairy industry supply chain. The committee includes representation from across the dairy production, processing and supply chain and is designed to bring expertise and new ideas to enhance strategic focus and issue resolution across the dairy sector.

The NSW Food Authority is constantly working to identify points along the food chain where both red tape and risks around food handling could be reduced. For example, NSW food regulations are actively reviewed and updated to keep pace with changes in the food industry, and to minimise the burden of government regulation. A five year evaluation into the NSW Dairy Food Safety Scheme was completed during 2017-18 and is now available on the Food Authority's website.

Research and Development

NSW DPI has a range of research, industry development and biosecurity programs underway or in planning to support the growth and sustainability of the dairy sector in NSW. This includes projects aimed at helping industry to create new products and pathways introduce products to customers. DPI is focused on three strategic priorities for the NSW dairy industry: innovative industry development; a business management culture; and dairy industry sustainability. Current projects include:

- running the Dairy Farm Monitor Project (DFMP) to provide accurate, reliable information on profitability and productivity, collecting data from 32 farms across NSW. The DFMP provides profitability and productivity data to allow farmers to compare their performance against other farms, and identify areas for improvement;
- development of online training, publications, workshop and other resources to improve farm business management skills;
- a national project to improve the adoption success for robotic milking in Australia called Milking Edge;
- updating the Top Fodder course and delivering it to dairy farmers and their advisors in collaboration with Dairy Australia;

- examining opportunities to increase efficiency of nitrogen fertiliser use to increase productivity of pastures, including examining enhanced efficiency fertiliser formulations;
- research to investigate technologies to better manage nitrogen cycling via animal excreta in order to improve productivity and reduce environmental impacts;
- examining the use of high pressure processing to remove vegetative microorganisms and bacterial spores without the detrimental chemical changes caused by heat;
- exploring the potential to change milk proteins and other characteristics which impact yield and nature of products such as cheese.
- a scoping study to evaluate a novel technology for the early detection of pregnancy in cattle;
- identifying factors affecting cost of production in NSW relative to other regions, and developing projects to help farmers manage costs and improve profit.

In 2016, NSW DPI worked closely with the dairy sector to develop the NSW Dairy Industry Strategic Action Plan. The Action Plan identified a broad suite of activities for industry and the NSW Government to undertake to build the value of the NSW dairy industry.

The Dairy Industry Fund (DIF) has been established by the NSW Government to fund projects that will contribute to the growth and efficiency of the NSW dairy industry. There are currently five DIF funded projects underway, including:

- the Dairy Progression Framework, which provides a logical and progressive framework to guide NSW dairy youth in navigating the multitude of professional development opportunities presented by industry, for the purpose of leadership development;
- the Tech – KISS Technology that allow farmers and service providers to identify data-capture and labour-saving technologies (e.g. electronic milk, activity meters and ID) matching their actual needs through a in-depth assessment of technology utilisation on NSW dairy farms;
- accelerating adoption of farm business management practices. This includes market research to identify barriers to adoption of industry standard Farm Business Management (FBM); Design and Delivery of FBM programs utilising best practice extension techniques, findings of market research and industry standards;
- the online Farm Business Management Fundamentals that transforms the industry developed “Farm Business Management Fundamentals” (FBMF) short course for dairy farmers into an engaging interactive online course, to enable flexible delivery to all NSW dairy farmers;
- a clinical study to compare the effect of cow's’ milk with soy drink on dental health. Preliminary research suggests soy drink increases risk of tooth decay (Dashper et al, 2012).

The NSW Government also encourages the dairy industry to develop new processing methods and products to expand the market for dairy products. For example, Richmond Dairies, a small processor at Casino has developed a range of frozen products and received financial assistance from the NSW Government in 2014. Their 69% (butter fat) frozen cream product has a shelf life of 18 months and can be reconstituted with water. It is exported to markets in Asia and the Middle East for use in the manufacture of ice cream and liquid milk products. In August, Richmond Dairies announced a 3c/L drought support payment for all of its suppliers.

The NSW Government also provides a number of measures to support dairy farms affected by drought, including drought transport subsidies and cost reduction measures as part of a $500 million Emergency Drought Relief Package. The drought transport subsidy can be applied to the transport of fodder, water for stock, and livestock to pasture, slaughter or sale.

Options to address the key economic challenges facing the dairy industry

R&D will continue to play a critical role in increasing productivity, reducing cost of production and minimising biosecurity risks in the sector. The NSW Government will remain a key player in funding and delivering these key facets of the sector.

Some dairy producers have developed their own brands to value add their products and to increase their share of retail prices. This option has been taken up in the dairy as well as other agricultural sectors.

Given the strong influence of the international market, the key economic challenges to the industry require a national approach. The ACCC made eight recommendations for improved transparency and allocation of risk in the commercial relationship between Australian dairy processors and farmers. Options for Commonwealth intervention include:

- a mandatory Code of Conduct to address the market failures identified;
- farmer to processor supply terms agreements, and free legal advice for farmers to ensure they receive expert advice on contractual terms;
- publishing of prices and contractual terms and simplifying contracts to assist dairy farmers to make informed decisions; and
- establishing an independent body to arbitrate contractual disputes and to handle dispute mediation clauses in contracts.

The Commonwealth has started formal consultations across Australian dairy farming regions on a mandatory code of conduct for the dairy industry. The code will include guidance on dispute resolution and contract agreements to address the imbalance in bargaining power between farmers and processors.

Conclusion

The NSW Government understands the importance of the dairy industry to NSW and is committed to standing side by side with the state's dairy farmers to address the short and long term challenges in the industry, via the delivery of a range of research, development or assistance programs.

As farm gate milk prices are largely determined by international factors and NSW dairy farmers already receive a farm gate price premium compared to other Australian states, any NSW Government intervention in the dairy market must be carefully considered.

A national and industry led approach is needed to address to the key economic challenges facing NSW dairy farmers, such as ensuring fair trading between retailers, processors and farmers.

NSW Government involvement is most effective if it is directed towards opening and maintaining access to the global market, ensuring and promoting food safety, the improvement in farm productivity, sustainability or reducing red tape and the costs of doing business.