

**Submission
No 57**

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

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Submission to:

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Inquiry into the sustainability of the dairy industry and the role of the Department of Primary Industries and other government agencies in supporting the industry in New South Wales.

I, Lyndon BARRY of
the following statement.

hereby submit

I am a primary production beef producer in NSW.

It was obvious that prior to deregulation in 2000, that Dairy farming was predominately a very viable farming enterprise. Yes a bad year was a bad year but on average, making a profit was quite reliable.

Since deregulation, there has been a continuous decline in Australian Dairy to the point that the family owned dairy farm is at risk of disappearing forever. I do not have to quote statistics of farm closures and the tale of economic woe for the dairy farmer but stating that I believe that "Corporate Forces" are certainly behind this decline.

With the vast majority of all Australian farms being family owned, the large corporations can't take over and monopolise agriculture in Australia until they break the farmer. This they are doing successfully. Farming inputs have increased on my records estimate by 300% in the last 20 years yet prices have remained stagnant or fallen. How could any industry survive? My fear is once they have Dairy, Beef producers will be next. A real risk is the age of the Australian farmer, the young either do not or cannot afford to enter the industry. The corporations know their time is now. Unless government intervene, all future farming is at risk.

The below extract reproduced from Farm online succinctly displays part of the problem:

Dr Ian Lean states:

Currently, dairy farmers are feeling the bleeding edge of deregulation and globalisation in agriculture.

While concepts of trading on level playing fields are laudable, the experience of the last 30 years is that protection in Europe and the USA will not be readily dismantled.

We have allowed export milk prices set in corrupted markets to determine the price of whole milk in unsubsidized Australia. - Ian Lean

It is naïve to expect this situation will change in a time frame consistent with maintaining a viable dairy industry in Australia.

Australian milk producers compete locally against subsidised cheese and dairy products from the European Union, US and other places.

We have allowed export milk prices set in corrupted markets to determine the price of whole milk in unsubsidised Australia.

With only 30 per cent of Australia's milk exported, the tail is wagging the dog.

Valuing milk at an export price into the internal markets results in a loss of viability of producers. Since fresh milk market deregulation in 2000 returns to dairy producers in Victoria, South Australia and Tasmania have been essentially zero.

There has been marked volatility, with farmers profiting some years, but making big losses in others.

These outcomes were predictable.

I noted in 2000 a "marked downward pressure on market prices for whole milk through the concentration of purchasing power in supermarket chains.

"The effects of these changes on individual producers are to accelerate trends towards larger farms, high production per cow and more intensive management of cattle.

"Less obvious changes may include rural poverty."

Fast forward to 2019 and many dairy producers have diminished viability with fewer, larger, but less profitable farms.

In 1983, dairy producers in all states had more than 90 per cent equity, except Victoria which had about 88pc.

Now only about 33pc of Victorian farms remain and they average less than 66pc equity.

The impact \$1/litre on producers was discounted by the Australian Consumer Competition Commission (ACCC), but this price has not been indexed in 8 years.

The severe initial effect is much worse.

Further, large contracts offered by supermarket chains to milk processors have led to low tenders, resulting in farmers receiving prices below costs of production.

Dr Ian Lean is an authority in dairy cattle management, medicine and nutrition, and the managing director of research and advisory firm, Scibus, and adjunct professor in veterinary clinical studies at the University of Sydney.

Simply analysed, Australia compete with a subsidised world agricultural dairy market, most large players in the USA and Europe around 20 to 40% on average, yet the hard working Australian farmer still competes. This cannot last though.

I understand the call for allowing the free market to balance and correct the industry but the reality is Australian farmers cannot compete with the subsidised corporate entities globally. It is not a fair playing field. It is a corrupted system.

I agree \$1 dollar milk is perceived as the cause but is only part of the problem.

I believe what is needed now is partial regulation whereby government allows a farmer body driven floor price for whole milk based on production and living costs alone. Ideally, forward pricing would allow some certainty in planning to reflect the natural cycles in cattle production as highly volatile markets put producers at risk if they choose to expand a herd and then milk prices collapse. The Australian farmer has increased farm productivity exponentially in attempts to survive but this is now in the most upper limits and without assistance, only corporate entity will progress.

Yes the consumer will pick up the cost and that is where they cost should lie. The consumer has no issue paying \$4 for a coffee with about a 100mm of frothed milk yet wants to pay \$1 for a litre.

A farmer driven floor price ratified by government will save the industry. If they call this regulation, then so be it. At least it will be fair to all.

Market forces will then set a new price for milk but at least the industry and the farmer will survive.

To continue with the same approaches that clearly failed for 20 years is to ensure a loss of food security, destruction of rural communities and loss of specialised employment skills and opportunity.

If we do not act then all should be prepared to have a foreign inferior product. Our cost of production reflects our lifestyle and dairy can be produced cheaper overseas so if left to be corporatized, fresh Australian farm produce will no longer be needed as the corporations can import it and have more profit.

The Australian will be the loser.

Yours Sincerely.

Lyndon Barry