

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

Name: Name suppressed

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Partially
Confidential

Agriculture and particular the dairy industry are facing massive pressure from the cost price squeeze. Milk production in NSW and Australia have both dropped, and it is mainly due to the low price. Milk production in Australia around 2000 was nearly 10.85 billion litres, currently it is 8.80 billion litres per annum. A reduction of 20%.

All farmers are price takers, because they have a perishable product, it is a take it or leave it option, as in this is the price that milk companies/ cooperatives are offering, so either sign the supply agreement or stop milking cows and shut down your business, there was no negotiating on milk price. Farmers are the eternal optimists and it is reasoned that the price will be better next year, however the average of farmers is increasing, so unless something is done to increase price it will be catastrophic to the whole dairy industry.

It has been very hard, with companies and co-operatives signing us up on agreements for 5 years on a price for 1 year ahead. A line that stated that they "could drop the price by a maximum of 10% year on year". We hoped like hell this wouldn't happen. It gives very little long term security to farmers

I look at NZ, who has a free trade agreement with Australia, and exports greater than 80% of milk produced. N.Z. have a liquid milk market that delivers an excellent price per litre in the shops and supermarket. How does it happen?

With the dollar a litre milk scheme introduced by supermarkets it effectively devalued the price for milk. It also destroyed and shrunk manufacturers bands share of the liquid milk market. I would like to see that the market power of super markets checked by some form of regulation to the amount of market share that the supermarket can control with their home brands.

What I struggle with, is labour can be regulated, which is a large expense in a farming business and there is no security around milk price. Since 2000 and dairy deregulation there was an initial decrease from around 55c/l to 30c/l. Manufacturer's went for market share and to do that they dropped milk price to the supermarkets. To do this they dropped milk price to farmers. Prior to deregulation there was a benchmarking scheme for dairy businesses run by the factory. The factories used this information to do drop milk price to the cost of production.

Market milk should be linked to increases in award wage rates, as families need this income for their livelihood.

A milk price index was being developed, which would have been great as it would have shown a reference price to farmers. However the manufacturers dominated the terms of reference, and became an ineffective tool to help farmers achieve a higher milk price.

It is hard to see if there is going to be any change due to the code of conduct, as most farmers have changed their existing contracts, and it has only been introduced.

If Australia values food security it needs to take action and ensure that there is a sustainable milk price paid to farmers to maintain current production levels, or the decline in farm numbers and milk production will continue.

Regards