

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

Organisation: United Workers Union

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Submission to New South Wales Legislative Council Inquiry into the long-term sustainability of the dairy industry in New South Wales

Submitted by the United Workers Union September 2020

The United Workers Union (UWU) is one of Australia's largest unions, representing 150,000 workers in 45 industries across all states and territories. We represent over 4500 workers in the dairy industry, including 1,000 in NSW. We are a party to enterprise agreements with many industry employers and our members have a vital interest in the industry's long-term sustainability.

In regional areas, unionised dairy jobs are often the best work available, providing above award pay and conditions. The contribution of workers in food processing industries is vital to many regional economies, particularly given the low wages paid on farms. Secure, ongoing employment provided by the dairy industry makes an important contribution to the cohesiveness of regional communities, where much work is low-paid and seasonal.

UWU members are stakeholders in this essential industry. The terms of free trade agreements signed by Australia in recent decades have privileged our agricultural industries. Consumption of dairy products in East Asia continues to grow steadily from a high base¹. It is vital to our economic well-being that the benefits of growing exports are shared equitably across the Australian community. Ensuring that dairy jobs are secure, well paid and unionised requires the industry remain strong and productive.

¹Madeleine Swan, 17/2/2020, 'Aus dairy's flow-on effect'

<https://bluenotes.anz.com/posts/2020/02/agribusiness-dairy-outlook-2020-2030>

As the organisation representing the workers who keep the industry ticking over, the UWU made recommendations to the National Dairy Plan. While the recently released plan is welcome and has focused attention on the importance of the industry, some crucial issues are addressed only in general terms or not at all. This inquiry is thus a welcome opportunity to address matters vital to dairy's future. The UWU thanks the committee for holding this inquiry and submits the following recommendations for your consideration.

1. Processors to be required to maintain or sell plants

The four biggest processors in the Australian dairy industry, Fonterra and Saputo, Lactalis and Lion are foreign owned. Foreign investment can be seen as a vote of confidence in the local industry; that there are sound prospects for growth in domestic and export markets. Foreign ownership however also presents challenges to Australia's interests.

Traditionally, most dairy processing plants were owned by farmers' co-operatives and as such were closely integrated with local communities. Foreign corporations cannot be expected to have a similar commitment to the regions where their plants are located, yet they should not be able to conduct their affairs without consideration of the local impact.

The recent experience of the closure of Fonterra's Dennington plant in Victoria is a case in point. The company – actually a successful modern example of cooperative ownership from New Zealand – closed the plant last October, putting 65 skilled process workers out of a job in the small town. Despite genuine interest from other dairy companies in buying the plant, Fonterra decreed it would only sell outside the industry. After being closed for six months, the plant was bought by an animal feed manufacturer.

There was the real possibility for the site to remain in use as a dairy processing plant, with continuity of work for the staff. The UWU believes there is a place for legislation requiring operators of plants in dairy, and other essential industries, to be required to sell freely on the market plants they do not seek

to continue operating rather than keep them in reserve and sell selectively to reduce competition.

Given the high levels of concentration and foreign ownership in the industry, a repeat of events at Dennington is likely in NSW and this inquiry should support laws aimed at requiring unwanted plants to be sold to other operators if the interest exists.

Recommendation 1

In the event a dairy processing company wants to close down a plant, they should be required to sell the factory to another dairy company, if demand exists, to ensure retention of local jobs and consistent demand for milk.

2. Climate change as a threat to the sustainability of the dairy industry

Drought and bushfires in the past several years have heightened awareness of the threat climate change poses to Australia's agricultural industries. The United Workers Union represents workers across Australia's agricultural and food processing industries, and we are concerned about the effects rising temperatures and more frequent extreme weather events can have on future employment.

The addition of the National Farmers Federation to the Australian Climate Roundtable last year was a positive sign that a broad cross-section of Australian society understands the threat to our future prosperity and, particularly agricultural industries, presented by climate change. In keeping with the principles endorsed by the roundtable we recommend this inquiry reassert the need to:

- support Australia's commitment to the Paris Climate Accords objective of limiting increases in global temperatures to 1.5 degrees above pre-industrial levels
- endorse that Australia ultimately reduce emissions of greenhouse gasses to zero or below
- prevent unnecessary loss of competitiveness by Australia's trade

exposed industries and net increases in global emissions that might otherwise occur due to the uneven international application of climate policies

- manage a fair and successful transition of workers and communities that are especially vulnerable to economic shocks or physical risks as a result of climate change, climate policy or the transition to clean energy.

The dairy and cattle industries are often singled out for their contributions to greenhouse emissions. We suggest the industry does not take the threat posed by ongoing discussion of dairy's carbon footprint lightly. Animal rights lobby groups opposed to the dairy and cattle industries on outright terms, can be expected to weaponise climate change arguments.

Making the dairy industry a leader in use of renewable energy would neutralise this line of attack. State and federal governments can play a major role in supporting the dairy industry to become a leader in use of renewable energy.

The UWU recognises that climate change is a global phenomenon and how it is experienced in Australia will be influenced by myriad factors beyond our nation's control. However, as a wealthy developed country with a history of enlightened involvement in international relations, Australia should take a lead in addressing climate change.

The terms of reference for this inquiry include the impact of external factors, including drought, on the sustainability of the dairy industry. While this is not a place for in-depth consideration of all the issues surrounding climate change and their impact on the dairy industry, any inquiry into the long-term sustainability of the industry must recognise the impact of climate change.

Recommendation 2

That this inquiry acknowledges climate change as a threat to the long-term sustainability of the dairy industry.

Recommendation 3

That this inquiry accepts that climate change presents specific political

challenges to the dairy industry and endorses greater support from the state and federal governments to help the industry transition to being powered by renewable energy.

3. An effective minimum price for milk and enforcement of the mandatory code of conduct

The UWU acknowledges the hardships endured by dairy producers due to practices of industry processors and Australia's supermarket duopoly in recent years. Retrospective price cuts and lowering of prices paid within supermarket supply chains have highlighted the power imbalances that exist in the sector and the willingness of some players to abuse these.

The UWU notes there are some early signs that the transparency and contracting arrangements stipulated by the code are bearing fruit² in the form of higher prices and empowerment of producers. This is not universal however and abuse of market power continues through such practices as demanding exclusivity of supply arrangements³.

The performance of the code should be subject to regular review, and along with all other industry stakeholders, the UWU will be watching the ACCC review of the federal mandatory code with interest. It is curious that this is taking place so soon after the code's introduction and we will watch the Federal Minister's actions with interest. He has engaged in a lot of talk about the practices of the supermarket chains, yet the greatest power to affect pricing in the industry rests with him. If he is not happy with the effect of the code on the farmgate price he can legislate to fix the problem.

² ABC Rural, 'Dairy farmers react to historic milk price announcement as new code of conduct takes effect,' 2/6/20, <https://www.abc.net.au/news/2020-06-02/mixed-response-to-historic-release-of-milk-prices/12310664>

³ ABC Rural 'Dairy Code of Conduct in its current state 'worthless' says Queensland farmer,' 8/5/2020, <https://www.abc.net.au/news/rural/2020-05-08/dairy-code-of-conduct-worthless-says-farmer/12224262>

The UWU supports a minimum farmgate price for milk. We believe there is plenty of money to go around at all levels of the Australian dairy industry and a minimum price can help achieve this.

Recommendation 4

The inquiry endorses the establishment of a minimum farmgate price for milk in New South Wales and encourages close monitoring of the dairy industry mandatory code of conduct and reporting of its effects on the prices received by producers.

4. Guaranteeing of collective bargaining rights for dairy industry employees

The fundamental right of workers to organise and bargain collectively is recognised in the conventions of the International Labour Organisation. Unfortunately, current Australian workplace laws impair Australian workers' rights to organise freely through their unions and reach collective agreements that enshrine their working conditions. For dairy workers in NSW and elsewhere to have organising rights commensurate with the ILO conventions and be able to bargain freely to receive a fair share of the wealth they create, changes to the Fair Work Act are required that:

- prevent employers having expired agreements (EBAs) terminated, placing workers back on minimum award rates of pay
- remove the ability for employers to refuse to bargain as a tactic to delay the reaching of new enterprise agreements
- lift arbitrary restrictions on so-called 'permitted matters' that can be included in enterprise agreements, particularly regulation of an employer's use of labour hire, which can be used under the current law to undercut the wages and conditions agreed to in an EBA
- remove the requirement for postal ballots to authorise industrial action (this is regulatory red tape introduced in the WorkChoices era, at the behest of employers, to hinder workers from exercising their right to take industrial action)
- immediate abolition of the 'four-hour rule', which requires an employer

to deduct four hours pay from an employee who engages in any type of workplace activity related to their employment terms, which could include a five minute meeting after smoko (this is an outrageous violation of Australian workers' right to organise).

Recommendation 5

That the inquiry support changes to the Fair Work Act to guarantee dairy industry workers' rights to organise and bargain collectively.

Yours sincerely,

Susie Allison
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