

**Submission  
No 80**

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

**Organisation:** Business Council of Co-Operatives and Mutuals

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**BUSINESS COUNCIL**  
OF CO-OPERATIVES AND MUTUALS

# The long-term sustainability of the dairy industry in New South Wales

Submission to the NSW Parliament Portfolio Committee No. 4 -  
Industry

Via: [portfoliocommittee4@parliament.nsw.gov.au](mailto:portfoliocommittee4@parliament.nsw.gov.au)

13 October 2020

Dear Committee,

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to make a submission to the inquiry into the long-term sustainability of the dairy industry in New South Wales.

The BCCM is the national peak body for co-operative and mutual enterprises (CMEs) in Australia. It is a member driven and funded organisation representing CMEs operating in all industries including agriculture, banking, insurance, mobility, housing, retail, wholesale, health and community services. There are more than 2,000 co-operatives and mutuals in Australia. The top 100 CMEs have a combined turnover of more than \$31bn (National Mutual Economy Report 2019).

BCCM believes that the (lack of) sustainability of the dairy industry correlates with the trend to corporatisation. Farmers are now less shielded from market volatility, less capable of collaborating to share the costs of dealing with emerging challenges like climate events, and less likely to get a share of the benefits of new value-adding or diversification activities in the industry. If farmers can't operate sustainably, they will exit the industry. The notable exception is Norco Co-operative, which is enjoying impressive growth and has served its members well through the recent environmental, health and economic crises that have hit Australia.

BCCM made a submission in 2018 to the predecessor to this inquiry, which is attached. We emphasised in that submission how co-operatives, because they are jointly owned by farmers, improve the sustainability of dairy farming and the dairy industry by delivering value back to farmers (whether through market access, increased bargaining power, or sharing the profits of value-adding activities). The way co-operative ownership achieves this in agricultural industries is outlined in more detail in our new report, *Co-operative Farming: Blueprint for future proofing Aussie farmers.*

We stand by the fundamental point that co-operative ownership matters for a sustainable dairy industry and take this opportunity to provide some additional comments to the Committee on the impact of recent crises, and on the policy environment for co-operative ownership.

### **The impact of recent crises on co-operatives and their members**

Since the predecessor inquiry, many regional areas of New South Wales continued to suffer from drought. Bushfires and now COVID-19 have also had a significant economic impact.

Farmer-owned co-operatives have been resilient in the face of these challenges, doing everything possible to keep their members in business.

Norco Co-operative, for example, is paying a Drought Recovery bonus over FY20-21 and in FY19-20 secured additional proceeds from Coles for their house brand milk that was passed on to members.

The New South Wales Government can support co-operatives as part of the COVID-19 economic recovery. Because co-ops are owned by local farmers, there is no leakage of value out of the regional economy: all economic benefit goes to local farmers and the community.

### Recent policy developments for farmer-owned co-operatives

Co-operative ownership can underpin sustainable agricultural industries, including dairy, but requires an enabling policy environment where it is easy for farmers to form and grow their co-operatives.

Since the predecessor inquiry, there have been some important policy developments in respect of the operation of co-operatives:

- In 2020, Queensland has followed all other jurisdictions and adopted the nationally-harmonised Co-operatives National Law (CNL). This removes red tape for co-ops that operate in more than one state or territory, including a number of dairy co-operatives.
- In 2019, ASIC advised BCCM that it has no role in the regulation of co-operative capital raising. This removed questions about dual regulation of co-operative capital raising that discouraged co-operatives from exploring certain forms of capital raising.
- BCCM has been funded by the Commonwealth Government to deliver the 18-month Co-operative Farming program through 2020 and early 2021. The program is educating farmers, fishers and foresters on starting and growing their co-operatives.

While these are positive developments, further policy reform is needed to make it easier to form and grow farmer-owned co-ops. In consultation with farmer-owned co-operatives in all commodity sectors, BCCM has produced Co-operative Farming: Blueprint for future proofing Aussie farmers. It makes recommendations on policy measures that can enable the growth of farmer-owned co-ops, with the benefits this brings for farm sustainability, for industry development, for regional communities and for state and national economies. These recommendations are:

- 1. Adopt a positive policy environment for co-operative ownership in agriculture**
  - Government should promote a regime of regional Australian ownership of business, in particular food production, processing and manufacture
- 2. Make strategic reforms to the business environment**
  - Federal legislation
  - State legislation
  - Adopt a long-term supportive competition regime for the establishment of new co-operative businesses across agriculture
  - Facilitate full utilisation of existing government tax policy and Government programs
  - Demutualisation legislation reform

- Support education and training for professional advisors, lawyers and accountants
- 3. Support a practical range of capital investment opportunities**
  - Business support to take advantage of a range of capital investment options
  - Facilitate more capital investment opportunities for new and existing co-operative businesses

We would be pleased to provide further information on any matters raised in this submission.

Yours sincerely,

Melina Morrison  
Chief Executive Officer

**Contact:**  
Anthony Taylor  
Policy Adviser