

REPORT ON PROCEEDINGS BEFORE

PORTFOLIO COMMITTEE NO. 4 - INDUSTRY

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

CORRECTED

At Jubilee Room, Parliament House, Sydney on Wednesday, 4 November 2020

The Committee met at 11:15 am

PRESENT

The Hon. Mark Banasiak (Chair)

The Hon. Lou Amato

The Hon. Catherine Cusack

The Hon. Sam Farraway

The Hon. Emma Hurst (Deputy Chair)

The Hon. Peter Primrose

The Hon. Mick Veitch

The CHAIR: Welcome to the first hearing of the Portfolio Committee No. 4 - Industry inquiry into the long-term sustainability of the dairy industry in New South Wales. Before I commence, I acknowledge the Gadigal people, who are the traditional custodians of this land. I also pay my respect to the Elders past, present and emerging of the Eora nation, and extend that respect to other Aboriginal people present. Today we will be hearing from a number of key stakeholders, including Dairy Connect, Dairy Farmers Milk Co-operative, NSW Farmers, Dairy NSW, Dairy Australia, Vegan NSW, Vegan Australia, Animal Liberation and, finally, Mrs Jackie Norman. While we have many witnesses with us in person, some will be appearing via videoconference today. I thank everyone for making the time to give evidence to this inquiry.

Before we commence I will make some brief comments about the procedures for today's hearing. Today's hearing is being broadcast live via the Parliament's website. A transcript will be placed on the Committee's website when it becomes available. In accordance with the broadcasting guidelines, media representatives are reminded that they must take responsibility for what they publish about the Committee's proceedings. The guidelines for the broadcast of proceedings are available from the secretariat.

While parliamentary privilege applied to witnesses giving evidence today, it does not apply to what witnesses say outside of their evidence at the hearing. Therefore, I urge witnesses to be careful about comments you may make to the media or to others after you complete your evidence. All witnesses have a right to procedural fairness according to the procedural fairness resolution adopted by the House in 2018. These rules have been provided to witnesses and are available from the secretariat. If witnesses are unable to answer a question today and want more time to respond they can take a question on notice.

Written answers to questions taken on notice are to be provided within 21 days. If a witness wishes to hand up documents they should do so through the Committee staff. In terms of the audibility of the hearing today, I remind both Committee members and witnesses to speak into the microphone. As we have a number of witnesses in person and via videoconference, it may be helpful to identify who questions are directed to and who is speaking. For those with hearing difficulties who are present in the room today, please note that the room is fitted with induction loops compatible with hearing aid systems that have telecoil receivers.

SHAUGHN MORGAN, Chief Executive Officer, Dairy Connect, sworn and examined

GRAHAM FORBES, Farmers' Group President, Dairy Connect, before the Committee via videoconference, sworn and examined

The CHAIR: I now welcome our first witnesses. Mr Forbes, do you wish to make an opening statement? I will then throw back to Mr Morgan if he wants to add anything.

Mr FORBES: Thank you for having us here this morning. We appreciate being able to present to the Committee today. Dairy Connect is an industry membership body representing the value chain of the Australian dairy industry within New South Wales. For example, we comprise dairy farmers, processors, vendors and other industry stakeholders. We also work cooperatively and collaboratively with other agricultural and dairy bodies—such as NSW Farmers, Dairy NSW, Murray Dairy, Subtropical Dairy et cetera—to ensure that the best outcome is obtained for the dairy industry in New South Wales specifically and Australia in general.

Dairy Connect has been involved in major industry discussions since our inception. Recently we have assisted with the dairy symposium in 2016 that was convened in Melbourne with Barnaby Joyce and David Gillespie. We also assisted following the collapse of Murray Goulburn and their clawback, followed by the similar clawback by Fonterra, which caused severe loss of trust between farmers and their processors. The mandatory code may start the process of trust being restored, but it will take time and cultural change. The mandatory code was first raised by Dairy Connect in August 2016. We have been instrumental with other bodies in its formation and development and the Australian Competition and Consumer Commission [ACCC] consultative committee. Currently the ACCC has a perishable foods inquiry. Should that code be extended to other commodities and, also, to the supermarkets we would say that could be beneficial in doing so.

Dollar-a-litre milk was first raised by Dairy Connect—the 10c per litre levy—in August 2016 when we commenced discussions with Woolworths. This levy is vital to the sustainability of the industry, and it is important that that levy continues. Woolworths did it first and the others followed. Dairy Connect has been advocating for truth in labelling with plant-based drinks. With the ongoing debate re: truth in labelling the Government has a duty to ensure truth in labelling. We are concerned at the amount of time this is taking, given that the Europeans are well down the track of legislation in that regard.

Since deregulation, the number of farms has been diminishing in New South Wales. Now we are well under 600 farms and we are still losing farms every month. The drought in the last three years has had major consequences for the dairy industry, as well as the bushfires last year in the south and the north of the State. Fodder costs went through the roof. Energy costs continue to be uncontrolled and continue to be high. We are concerned about the impacts within the energy industry, including the closure of coal-fired plants in the Hunter Valley.

Dairy Connect is currently involved with the restructure of the dairy industry and is actively involved with advocacy groups to streamline advocacy into a more effective structure for the fresh milk States of New South Wales and Queensland. We have supported the concepts raised by the Australian Dairy Plan process. The NSW Fresh Milk and Dairy Advocate has not achieved the lofty aims that we had hoped for, advocated for and lobbied for. It needs to be independent of Government and should be a statutory position with its own secretariat, and not merely a business unit. A budget needs to be allocated to the role to undertake its task. It needs to bring together the value chain to achieve cultural change. The future needs to remain viable and sustainable. It can only be done by your support to Government. Thank you.

The CHAIR: Mr Forbes, that sounded like a prepared statement. Would you be prepared to email that through to the Committee secretariat and Hansard so we can get your words exactly right for the record?

Mr FORBES: Yes, I would be happy to do that.

The CHAIR: Mr Morgan, would you like to add anything before we throw to questions?

Mr MORGAN: Thank you, Mr Chair. I will be very brief. I endorse the remarks of the president of the Dairy Connect farmers' group, Graham Forbes, who had made a number of statements. We would also like to refer back to the submission that we have made; obviously we continue to stand by those comments. I have also been given some information by Professor Ian Lean, who just asked me to raise—and this was not in our submission—the increase in trade protectionist policy worldwide, but particularly in the United States and the European Union. This follows a 30-plus year process of resistance to free trade. Further, there is uncertainty with the Chinese command economy, where policy can turn on or off trade.

The only protection against this that makes sense for a sustainable export market is for farmers to receive a fair price for milk that reflects costs of production and a margin for some profit for milk sold for use within Australia. Professor Lean went on to indicate to me that banking needs to be more flexible. Farmers are disadvantaged against other nations in having limited options to borrow against livestock. This reduces effective equity position and makes expansion using borrowed capital more difficult. The practice of some banks to encourage borrowing using overdraft while continuing to pay principal and interest vastly disadvantages farmers and advantages banks. This situation requires discussion and possible monitoring of the banks.

The Hon. MICK VEITCH: Last time I was up at Graham Forbes' place it did not look too good. What is it looking like today, Graham?

Mr FORBES: We have seen a dramatic change in the season since last January and we have had very favourable seasonal conditions. We have had a couple of goes at making silage and hay and quite successfully. We are just busy now trying to sow some summer crops so that we can replenish our vital reserve fully. Certainly we have seen in our part of the world a very nice recovery from what it was and the tragic situation that was unfolding in December and January last year.

The Hon. MICK VEITCH: When I was up there you were really concerned about the current state of the dairy industry, but more importantly if it will survive beyond the current generation. I think I had the same conversation with Mr Morgan. There is a real risk, with a number of factors at play, that we may not have a dairy industry. Do you still have the same concerns?

Mr FORBES: One of the real concerns we have is that for farmers to be able to invest in the industry they have got to have confidence with the industry and be giving long-term signals, particularly from the processors, to invest into the industry. They are very major inputs farmers have to do. Any new dairies are around a \$2 million investment for the dairy facility alone. Farmers are not getting that signal, as yet, longer term from those processors. While milk prices have firmed up quite strongly in the last 12 months, farmers need that confidence from the processors and an industry overall direction that they are going to be able to invest with confidence and get satisfactory returns from the industry. At the moment we are still seeing farmers continuing to do what they do or making decisions to exit the industry.

The Hon. MICK VEITCH: There are a lot of things at play there at once, so it is quite a complex issue really. In your submission and in your opening comments you spoke about the Government's current Agriculture Commissioner and how it is structured within the department. I gather from the submission and your opening comments that you are not happy with that arrangement. The arrangement we took to the State election obviously has not been implemented, but if you wanted to improve the current Commissioner's role, what would need to happen?

Mr FORBES: I think, as I eluded to in my opening comments, we are looking for that position to be basically independent from government and at the moment it is basically a statutory position within the Department of Primary Industries [DPI]. It needs to have its own financial budget that it can work with and have some flexibility, and it needs to be able to go out there and basically advocate for the industry independently. Shaughn may like to lead on from that.

Mr MORGAN: Thank you, Graham. The Fresh Milk and Dairy Advocate that the Government has appointed, and who has been in the role for a number of months now, is not what we had been advocating for prior to the last State election. Indeed we had been approaching both the Government and the Opposition in terms of how best that dairy could be represented within New South Wales at the current time. We advocated very strongly that it needed to be independent of government. We advocated very strongly that it should have its own budget. We advocated very strongly that we should be able to see it bring together the value chain and that they would be able to look at issues as a whole, with issues being addressed and solutions being found and advice being given to the Government as a consequence. The current situation as it is now is more of an advisory committee and that has actually been specified by the DPI itself. That in itself is fine, but if we are looking at the dairy industry at the current time, it is vitally necessary that there is someone or some entity that is able to provide independent advice to government based upon their recollections and information that they obtain from those within the dairy value chain.

Niall Blair, when he was the Minister, indicated in his media release—that he put out on 14 March 2019—that it was intended for the dairy advocate to "establish and coordinate a fresh milk crisis task force with both industry and government to identify immediate and necessary actions for the sector". He did that because he realised that the industry was going through a very difficult stage because of drought, increasing fodder costs, skyrocketing energy costs, and the necessity for the dairy farmer to try and find a farm-gate price that was at least

above the cost of production. Those circumstances have not changed. We still are in that position within New South Wales. We, as a fresh milk State, are in an invidious position. If we are not able to sustain the industry into the future then we will be in a position where we may be importing milk from overseas, and I can assure you that I do not believe that anyone would want to see that occur.

If nothing else, COVID-19 has shown so clearly the importance of food security and the way we have been able to ensure that we have been able to provide agricultural produce—fresh nutritious milk in the case of dairy farmers—24/7 in the supermarket for their customers, and we want to be able to continue to do so into the future. Graham mentioned that we are looking at trying to ensure that the fresh milk States of New South Wales and Queensland can find unity of purpose. I believe that an advocate appointed independent of government should be the conduit to ensure that such can be achieved. I will leave my remarks there, Mr Chairman.

The Hon. MICK VEITCH: In your opening comments you finished with talking about the issue around banks and finance for the sector. What is the current situation with regard to dairy farmers obtaining finance and the relationship with the banks?

Mr MORGAN: I will take that on notice, Mr Veitch, only because the information was provided to me by Professor Lean and he was unfortunately not able to attend today, but it is vitally important from his discussion with me that farmers have the opportunity to engage the banks in a frank and robust manner. There is a situation similar to that of the processors—and this is not just related to dairy farmers; I think this can be extended to the farming sector generally—that banks are in a position of influence and as such, in some instances, farmers need to take what is given rather than being able to negotiate appropriately. Having said that, I will go back and find further information. I will write to the Chairman and provide that information. If I can take that on notice, I am happy to do so.

The CHAIR: In your submission you obviously talk about the number of inquiries and submissions to those inquiries you have put, and you make a comment that some recommendations have been adopted by the Government but others, you feel, have just been paid lip service. If this Committee was to press the issue in terms of ones that had not been taken on genuinely, what would they be? Which ones do you think have been paid lip service?

Mr MORGAN: Obviously I have discussed the Fresh Milk and Dairy Advocate. That is one that I believe should have been strongly supported. Other areas would relate to research, development and extension. It is important that bodies such as the University of Sydney and others are provided with money that allows them to go out and ensure the latest innovation is provided to them. There is a concern that there is a reduction in the amount of money being made available for such research, and from a dairy perspective it is vitally important, given the animal welfare issues, that we are able to give the best information and advanced information and technology that is possible, and that can only be done with government support as well as through our research and development corporation, Dairy Australia—need to be able to be given sufficient funds to be able to do so.

That would be another area where I feel that it has not been able to be properly addressed. The last committee handed down a report that I believe had 10 recommendations and four findings. I am happy to go through those 10 recommendations and respond back to the Committee, going through each of them and giving our view about how they have been either ignored, implemented or, as you indicated, merely paid lip service.

The Hon. LOU AMATO: Which inquiry was that one? Was that the Legislative Council inquiry?

Mr MORGAN: Indeed, it was the one that was chaired by former member Mr Brown and that was the one that was reported in December 2018, if my memory serves me correctly.

The Hon. LOU AMATO: You also mention here about the Australian Competition and Consumer Commission [ACCC] inquiry into the competitiveness of prices, trading practices and the supply chain in the Australian dairy industry that reported back in 2018. Can you just let the Committee know what the outcomes were, what the recommendations were, which funds were adopted and whether or not you feel that they are acting in a fair way to the dairy industry?

Mr MORGAN: Which committee report are you referring to?

The Hon. LOU AMATO: The ACCC inquiry into the competitiveness of prices and trading practices. It was reported back in 2018. You can take it on notice if you do not have it here.

Mr MORGAN: What resulted from that inquiry has been a very beneficial part to the Australian dairy industry. It recommended the implementation of a mandatory dairy code to restore trust, balance and openness between the dairy farmer and their processor. As a consequence of that recommendation, the Federal Government

has, through their respective Federal Ministers for agriculture—Bridget McKenzie, David Littleproud, Barnaby Joyce—have slowly implemented it to where it is now. It is actually being implemented and it has now been in operation for 10 months.

The Hon. LOU AMATO: Is it helpful?

Mr MORGAN: It is extremely helpful. Having said that, it will take time for it to take effect. It will require a cultural change, as Mr Forbes mentioned in his opening statement, for the industry, and that does take time. It cannot be seen to be any different to what it might have been last year at the current time but it is intended to try to improve the relationship, such as acting in good faith, plain English contracts, milk supply agreements, ensuring that the relationship between the dairy farmer and their processor is one of fairness and one that remains equal. That was something that had been lost as a consequence of the collapse of Murray Goulburn in 2016 and their decision to do clawback—money that had already been paid to dairy farmers and then they were told they had to give it back to Murray Goulburn.

That caused enormous problems for their co-op members at the time, and that was followed by Fonterra. The mandatory code is intended to try to fix that issue and, indeed, it provides you can no longer have retrospective step-downs, and that, I think, is extremely important. So, as you can probably gather, Dairy Connect is strongly of the view that the mandatory dairy code still needs time to be bedded, but it has been greatly received by industry players, both farmers, processors and, indeed, supermarkets.

The Hon. LOU AMATO: Does it also address the price of milk for the farmers or was it an issue addressed?

Mr MORGAN: The ACCC has a slightly different view to what we would probably say is required for safeguarding the interest of dairy farmers. The ACCC—as in its name, it is about competition and consumer—believes—

The Hon. LOU AMATO: That is why I am asking the question.

Mr MORGAN: They do not believe that \$1 a litre milk, for instance, was as detrimental as we considered it to be. Having said that, as Mr Forbes mentioned also, our discussions that commenced with Woolworths more than 18 months ago resulted in their decision by their board to remove \$1 a litre milk and increase it by 10c. That had a perception issue that was extremely beneficial for the industry; it allowed them for the first time to see generic-branded, home-branded milk increase from a price that had been set in 2010 and had not been increased since then. As to how that could be sustainable in terms of a farm gate price and the value chain being able to be supported for both profit to the processor as well as profit to the supermarket—and we accept in a free market that you need to ensure profit down the whole value chain—the person that was being screwed the most—

The Hon. LOU AMATO: Was the farmer.

Mr MORGAN: —was the farmer. But I am also happy to take that question on notice. There were other recommendations, but that was the main one and that was the one that I think has the most benefit, and it was also intended for the dairy advocate, as was in the opposition paper, to be the conduit between New South Wales and the Federal Government to ensure the proper implementation of the mandatory dairy code in New South Wales. I also believe that the Fresh Milk and Dairy Advocate could have become a template for other States to have utilised in terms of representing—and I am a dairy organisation, so I am really only interested in dairy farmers—the dairy industry. Regrettably, in my view, and that of Dairy Connect, that has not eventuated.

The Hon. LOU AMATO: So there is no defined agreement of a price the farmers get. So that still has not come into effect.

Mr MORGAN: The mandatory code only sets the minimum price; it is a price that the processor cannot go below. It does not, and it was never intended to, set a farm gate price. In a free market that still is between the dairy farmer and their processor, and that is for negotiation between them or, in some instances, a collective bargaining group or other such type organisation. In some instances the price that is being paid at the current time is fair, in other instances it still is not above the cost of production.

The Hon. LOU AMATO: Particularly in times of drought.

The Hon. SAM FARRAWAY: That is based not necessarily on geography but on external conditions to the dairy farmer, whether it is water supply, whether it is drought, whether it is weather.

Mr MORGAN: That is part, but it is also about competition and the number of processors that a dairy farmer can actually—

The Hon. SAM FARRAWAY: So it is based on geography as well, depending on how many processors are in that region, or lack of processors.

Mr MORGAN: Indeed, and we have seen that at the current time in northern New South Wales and Queensland in relation to the Lion sale and what would occur there if, for instance, Saputo was to purchase it. Mr Forbes, would you like to add anything to that?

Mr FORBES: Certainly, thank you. Certainly competition has been somewhat restricted. Whilst we have a number of players we have seen a number of the processors not in the marketplace and whilst it can be seen that there is quite a number of players there, if they are not actively in the marketplace farmers do not have anywhere to go, and we saw, particularly with the holding up of the Lion sale, some farmers caught up in that, getting quite a low milk price, and whilst there are other processors active they are not prepared to take those farmers on. It is quite a confusing situation because basically we are still very short of help in New South Wales and Queensland to provide the fresh milk for the domestic market.

The Hon. LOU AMATO: So if we were to lose all of our farms, where would our milk come from?

Mr MORGAN: Overseas. Our closest neighbour is New Zealand and they do have a government-sponsored co-op called Fonterra, who have a subsidiary company in Australia. I am not referring just to them, but that would be the situation. I am aware that you have Dairy NSW appearing before you later today. In their submission they provide excellent statistics in terms of the number of farms in New South Wales from where it was to where it is now, as well as in terms of milk production, all of which is continuing to decrease and, as Mr Forbes indicated, we are losing farmers monthly from New South Wales.

The Hon. LOU AMATO: Very sad.

Mr MORGAN: One figure that I have, for instance, in 2005 we had over 1,000 registered farms in New South Wales. According to the Dairy NSW submission, we are now at 534 farms.

The Hon. LOU AMATO: We have lost half of them.

Mr MORGAN: With a resulting consequence that flows through in relation, as New South Wales is a fresh milk State, to the availability of fresh, nutritious milk to the customer at the supermarket.

The Hon. LOU AMATO: The local economies, towns, everything.

Mr MORGAN: It impacts greatly, particularly in terms of trades and contractors, it flows through. A lot of these farms are no longer being sold as an ongoing dairy farm, they are actually going to other enterprises, such as beef. That again has a flow-on effect. Something the drought has unfortunately occurred for our industry is that many of the dairy farmers have had to sell their breeding stock, for instance, at prices that I would say were fair but when they now need to go back and purchase breed stock the price is going to be astronomical and the banks need to be reminded of the need for them to support the agricultural sector and provide sufficient funds to enable farmers to be able to go and buy breeding stock. They may be partly what Professor Lean was referring to when he spoke with me.

The Hon. EMMA HURST: In regard to the 534 farmers left, have you found that there has been growth in large-scale intensive farms? Is it the smaller operators who are being pushed out? You also mentioned that a lot of farmers who were exiting the dairy industry were going on to beef production. Are there also a lot of farmers who are removing themselves from agriculture altogether?

Mr MORGAN: Graham, do you want me to talk to that or do you want to start?

Mr FORBES: No, I will reply to that. We have seen an across-the-board exit of dairy farms. Not only have we seen small farms go out but also we have seen farms go out with up to 1,000 cows. We have a couple of those farms that are up in the 1,000 cow numbers at the moment that are looking at exiting the industry or changing their position. We have seen one major free stall operation increase in the Central West, backed by the Perich and Moxey family as well as Chinese interests. But that is basically the only one that has increased significantly as a free stall operation.

The Hon. EMMA HURST: You do not really have any information about what they are actually moving out to?

Mr MORGAN: In some instances they are just exiting and selling the farms to neighbours or other farms who come in and do not wish to continue the dairy farming enterprise. That is when it then transfers over to another commodity area. In some instances they are just growing fodder. But the problem that we have—and Graham mentioned—is yes, the larger farms are continuing to be maintained but the bulk of dairy farms in Australia have tended to be smaller, 300 cows, normally family owned and generational. It is those that we are beginning to lose. But as I mentioned, you have Dairy NSW coming before you later today and it will be able to give you further information in relation to the statistics because its submission is very good in that regard.

The Hon. PETER PRIMROSE: Yes. To either witness, I am just following up on your issue of price that you mentioned previously. About halfway down page 9 in your submission it states, "The recently proposed concept of a dairy floor price might be difficult to embed into a free market trade framework." Could you define for the Committee a dairy floor price? Who would set it?

Mr MORGAN: As you may be aware, there was discussion before the last Federal election about the concept of a dairy floor price. The then Opposition Federal shadow Minister for Agriculture, Joel Fitzgibbon, had indicated that he would move for it to be referred to the ACCC for further inquiry and report back. Regrettably that did not occur. Dairy Connect is of the view that there should be an opportunity to examine such opportunities as a dairy floor price. We acknowledge that re-regulation of the industry is unlikely to ever occur again but the dairy mandatory code is in a small way a form of regulation to ensure appropriate transparency and the restoration of trust.

In some ways the dairy floor price could do likewise. It could provide an amount that would be slightly above the cost of production and ensure that the dairy farmer was able to survive and continue to provide for his family and ensure the continuity of their dairy farming enterprise. So from our point of view, we are open to the concept, as we would be with anything, that would be in some manner able to enhance and ensure the sustainability of the dairy industry in New South Wales and indeed Australia as per the dairy floor price as suggested by the Federal Opposition and current Federal Opposition.

The Hon. PETER PRIMROSE: Is there an example of where that exists in other jurisdictions?

Mr MORGAN: I am not aware, but I will take that on notice and come back to you. Graham might be aware of it. I am not sure.

Mr FORBES: I think in Canada certainly there is a price support system still operating there.

The Hon. SAM FARRAWAY: Mr Morgan or Mr Forbes, excuse my ignorance because I only became a member of this Committee earlier this year and was not a part of the previous inquiry. This inquiry is a bit like everything else: It is quite a complex issue. I want to tie in from where the Hon. Peter Primrose left off. Obviously we were talking about the dairy floor price. We have the mandatory code and now that sets the minimum price. As to what you said in an earlier answer, that can be disproportionate, depending on external factors of geography factors about processors. In many areas setting the minimum price has worked but not everywhere—is that fair to say—or it has assisted the industry?

Mr MORGAN: Graham?

Mr FORBES: I think that covers it fairly well. In some cases the minimum price has been very effective, especially in the shorter term contracts over the one-year contracts. But there is still some discussion within the industry of longer term contracts and the minimum pricing that is put there and not giving farmers enough confidence in that minimum price whereas the ones on the shorter term arrangements basically reflect the announced price that the processor is going to pay during that year.

The Hon. SAM FARRAWAY: Just as a follow-up, under the code—and I ask this question because I do not know—is there a mechanism or a trigger for the minimum price to be reviewed or is there a time frame of when it is reviewed? You discussed earlier that obviously the floor price or the farm gate price had not changed from 2010, so you obviously have a code now that sets a minimum price as some sort of benchmark for the sustainability at some time in the industry. Is there a point or a trigger as to when that is reviewed?

Mr MORGAN: Graham will answer. But just for clarity, that 2010 price was for home brand milk which was imposed by Coles and Woolworths. It is not actually setting it. Whilst Coles and Woolworths now do have a relationship with some dairy farmers for niche brands, or their home brand, that was a different issue. I will just indicate that the code, whilst it indicates a minimum price must be provided for in milk supply agreements, that minimum price is still determined by each of the processors themselves. And they still, as they did this year, normally wait for each other to determine where that price might sit and then if somebody comes in higher, as occurred this year, that price by another processor will increase in terms of the minimum price.

The Hon. SAM FARRAWAY: Is that why there are some producers who are disadvantaged because geographically there is a processor that has gone in on a lower benchmark minimum price to other processors?

Mr MORGAN: There are a large number of reasons as to why but that is one of them. Graham may expand upon that a little bit.

Mr FORBES: Yes. It is a very complex issue in regard to the pricing and how it is arranged. We could probably get back to the Committee if we were required but there are a lot of issues and it is extremely complex, and the industry basically is still working through that process, seeing that supply agreements are only in their first six months of having a mandatory code.

The Hon. SAM FARRAWAY: No, that is fair. One of the terms of reference that was identified in your submission is obviously the role of the Government in addressing key economic challenges in the industry. I am not a dairy expert, I am the first to say that, but when I walk into a supermarket traditionally I try to buy Dairy Farmers, although it is dearer, because I know if I buy a litre of Dairy Farmers milk that is my contribution to the industry to try and support the retail price, and hopefully that flows backwards. Some of the key economic challenges are the biggest challenges for the industry, because Australian agriculture—and the dairy industry is a part of that in New South Wales—knows how to refine the industry, they do know how to do the right thing by the industry, so I look at the economics of this as the biggest challenge.

A lot of this is associated in and around a jurisdiction that we in New South Wales cannot really effectively do much about. From what I am learning in this inquiry, the New South Wales Government must take a stance in its dialogue with the Federal Government on where the industry goes moving forward. We have spoken about the code, but to your previous answer and from your industry's point of view, I take it that you are looking for a Fresh Milk and Dairy Advocate that is independent of the Government, is that correct? These are the things that you are looking at, as an organisation, that the State Government actually has some jurisdiction over and that we can do something about. There is the Fresh Milk and Dairy Advocate and you spoke about research, is that correct?

Mr MORGAN: There is more to that in terms of the advocate, and I will refer you to our submission at page 10, where we highlight some of the areas that we believe the position of an advocate should actually have. It extends to, say, name and shame if someone is not following proper process. There are opportunities that the State Government can do in terms of a persuasive manner. As you would be aware, the ministerial councils are a great opportunity for the Ministers when they come together to be able to talk about issues of common interest and purpose. It is at that time that New South Wales Ministers, particularly those with responsibility in regional and rural New South Wales, are able to ensure that they put forward mechanisms that can safeguard the interests of—in the case of Dairy Connect—dairy farmers.

The advocate, as you mentioned, could have a large number of component parts, including for instance reporting back to the Parliament once a year as to the state of the dairy industry in New South Wales as a fresh milk State. It could have the opportunity to bring together the industry players in the value chain, including supermarkets, to be able to find common purpose on issues that need to be addressed collectively and collaboratively and then communicate as the conduit to the Government through the Parliamentary Secretary for Agriculture, the Minister or the relevant Minister as determined from time to time.

The Hon. SAM FARRAWAY: In your submission, and you have spoken a lot about it today, there was a very fair quote that New South Wales is the fresh milk focus industry in New South Wales. How does that compare to other States like Victoria and Queensland in particular, and should New South Wales be looking to diversify the industry? I understand that obviously in Victoria it is a lot more powder and they do a lot more exports around powdered milk. Just from Dairy Connect's point of view?

Mr FORBES: Due to the contraction of the industry, many years ago it was quite a major supplier of processed commodity, being powdered milk and butter, but since the deregulation in particular our industry contracted back specifically to the fresh milk industry, with the exception of some farms along the Murray River and in the Bega Valley. Basically all of the other milk is going into fresh dairy products and fresh milk. It has been a dramatic reduction. Queensland was producing 180 per cent more milk in the year 2000 with deregulation than what it produces now. Around half of the amount of milk in Queensland is being imported out of New South Wales and Victoria. There are huge transport costs and ongoing rationalisation is going on in the industry. Unfortunately we have seen with processors, every time we think milk is short, what happens is they bring more milk in from other sources and shut down those processing facilities. Basically whilst we did have those processing facilities, those processors have shut them down over the past 20 years.

The Hon. SAM FARRAWAY: I have one final question. Mr Morgan might be easier, although it does not matter. I understand your advocacy for the Fresh Milk and Dairy Advocate. I understand you spoke about research earlier and I think you said you believe there was a reduction in research. I do not know if there has or has not been, but other than that, from your organisation's point of view, what else do you think is reasonably achievable for the New South Wales Government to be able to do to assist the New South Wales dairy industry and the sustainability of that industry when it is so heavily focused around the Federal jurisdiction?

Mr MORGAN: Prior to deregulation, the Milk Marketing Board provided campaigns that could be run in terms of ensuring the visibility of dairy farm produce to the customer in the supermarket. I understood it was to be moved forward as a commitment at the last State election, via the former Minister, that they would be running some sort of marketing campaign. We stand by that, and indeed that is in our submission. We believe, whether it be a "fair milk" logo campaign, as they have done in Queensland, for instance, or whether they do a more broad marketing campaign, I think it is important that something like that can be achieved. I am also aware that the education Minister in New South Wales has successfully found funding for school milk, for instance, in a limited capacity. Dairy Connect has been advocating for quite some time that it should be restored across all the school system for health reasons and for the nutritional value that dairy milk is able to provide. We have come out publicly in relation to that.

There is also the opportunity for the State Government to look into milk testing, calibration and sampling. That is an important component part of how the farmgate price can be increased. At the moment there appears to be no national standards. It is self-regulating and that causes difficulties, in terms of fat and protein, which is an important component part of working out the farmgate price. If there is no consistency of approach, then different tankers or processors approach it in a different manner. There was a consistent approach and government oversight prior to deregulation I believe through the Milk Marketing Board of the NSW Food Authority. But, having said that, it could easily be done again. I believe that it could be encouraged by the current Minister with his Federal colleague for a national standard to be set that is not just applicable in New South Wales, but we could go it alone and set the standard.

As with corporations law, we could put it out there and others could adopt it. I believe that is another instance where the Government is able to provide support. There are other commitments which the Government has made and which it is continuing to make in relation to drought support. That has been greatly received, not just by the dairy industry, but by agriculture generally. Of course we acknowledge that. That is an important part of what we have been advocating for with the NSW Farmers Association and other advocacy groups over a long period of time, jointly or singularly. Mr Forbes, you might like to expand upon or add to some other parts of what I have spoken about.

Mr FORBES: Thanks, Mr Morgan. Certainly we have strongly advocated for an improvement in the regulation of the testing facilities done by the processors regarding milk tankers in particular, and we have also been strong advocates of the school milk program. Thank you.

The CHAIR: I have one final question before we call it. You talk about bringing the supermarkets into the code. How have they received that suggestion?

Mr MORGAN: Whilst I have not had discussions with the supermarkets, I think their response would probably be fairly obvious. They would be saying that the Food and Grocery Code, which the ACCC also has oversight of, is sufficient. We would go so far as to say that, given the current ACCC inquiry into perishable foods, the opportunity to bring supermarkets into the mandatory dairy code is available to them. I believe it would be in the interests of the industry if the ACCC was to recommend that to the Federal Government when it reports back later this month.

The CHAIR: Mr Morgan and Mr Forbes, that concludes our time with you. Thank you very much for your time. We could have had another 45 minutes. You have taken some questions on notice. You will have 21 days to get back to us. The Committee secretariat will be in touch.

(The witnesses withdrew.)

(Luncheon adjournment)

MARK KEBBELL, Executive Officer, Dairy Farmers Milk Co-operative, before the Committee via videoconference, sworn and examined

TONY BURNETT, Northern Regional Manager, Dairy Farmers Milk Co-operative, before the Committee via videoconference, sworn and examined

The CHAIR: Welcome back to the second session of our first day of hearing into the long-term sustainability of the dairy industry in New South Wales. Would either of you like to make a short opening statement?

Mr KEBBELL: Yes, we would, thank you. We will both briefly cover a couple of quick points from our submission if we could.

The CHAIR: Yes.

Mr KEBBELL: Thank you, Chair, Deputy Chair and Committee. My name is Mark Kebbell and I am Executive Officer of Dairy Farmers Milk Co-operative [DFMC]. DFMC is a farmer-run, farmer-owned milk supply cooperative, functioning largely as a collective bargaining group. We represent some 230 dairy farming families, uniquely from as far north as the Atherton Tablelands to the Fleurieu Peninsula in South Australia, and cover most of the key dairy regions in between. We pool approximately 200 million litres for our processing partner Lion Dairy & Drinks. Our current New South Wales supply region consists of farmers from the Central West, South Coast, Sydney Basin and the Hunter Valley, supplying approximately 70 million litres from 38 farms. Interestingly in the 2009-10 financial year DFMC supplied 400 million litres from close to 350 farms across New South Wales.

In this opening statement I will summarise our position on collective bargaining groups and our northern regional manager, Tony Burnett, will then discuss generic home brand milk and the publishing of farm gate milk pricing. The balance of power in the relationship between processor and farmer clearly lies with the processor. Individual farmers are unlikely to have the resources, financial or otherwise, to seriously challenge the premise of a processor's price or terms and conditions. In our opinion an effective collective bargaining mechanism is fundamental to the dairy market being fair to everyone. We have been successful for three main reasons. Firstly, we are well funded and resourced. Secondly, our partner, Lion Dairy & Drinks, is contractually bound to deal with DFMC through our milk supply agreement. Lastly, in the event of a dispute, including as to price, the dispute can be resolved by a binding independent expert determination.

Sadly, in the absence of the above qualities bargaining groups are mostly ignored by processors and have little impact in the marketplace. Without a compulsory obligation for processors to negotiate with groups, collective bargaining arrangements are entirely dependent upon the goodwill of the processor with whom the group is negotiating. The problem is that a processor may or may not choose to deal with a collective bargaining group. This means that the processor still has all the power in the relationship. If they think the group is a threat or has some real power or negotiating expertise, they simply say they are not interested in dealing with the group and deal with the individual farmers directly. We have proposed a detailed code with key elements for successful collective bargaining and presented this in our submission. I will now hand to Tony to talk to our other points.

Mr BURNETT: Thank you, Mark. Good afternoon, Chair, Deputy Chair and Committee members. As mentioned, I am Tony Burnett, Northern Regional Manager for DFMC, covering New South Wales and Queensland. Generic home brand milk or retailer own brand milk has suffocated the dairy industry for nearly 10 years. The retail sell point does not represent the true value of the product or the total cost of the entire supply chain. A milk processor's ability to price and sell branded milk at a higher cost is compromised when a consumer makes a choice to buy generic milk over branded. Money is lost somewhere in the supply chain that simply cannot be replaced.

The major retailers have the ability to loss lead in the northern States on products like milk and make it up from the other 20,000 or more products sold in store. With the cost of production higher for New South Wales dairy farmers than, for example, Victorian dairy farmers, the supermarket strategy of national pricing artificially constrains or caps the pricing of the processors with branded and white milk products. With margins incredibly tight or negative, processors are less able to pay farmers fairly. We need a profitable supply chain for sustainability and that clearly includes processors.

Generic milk now saturates the market. Many coffee shops, restaurants and school canteens use Coles and Woolworths as a wholesaler as it is cheaper to buy milk from the two majors than to have a branded product delivered by a small business like a franchised distributor or vendor. Shelf space, restocking and reordering policy

is all dictate to volume of the generic milk that is sold in comparison to branded milk. Is this an abuse of market power, dumping and loss leading? DFMC's view is the test for dumping and loss leading needs to be carried out on at least a State by State basis and if not, within a regional basis within the State. The national test is crippling the dairy industry in this State.

My second point is around farm gate milk pricing and the fact farmers find it very difficult to compare pricing between processors. DFMC believes the current practice of minimum price announcements within the mandatory code needs to be more closely reflective of what is paid as a weighted average by that processor. In addition to a minimum price announcement DFMC recommends competing processors within a region quote net farm gate prices based on a set of theoretical model farms within that region, the region to be in line with the current Dairy Australia subregions and farm sizes to be based on that relevant range of farm sizes within that region. This will allow farmers within that region to gain further insight into the competitive nature of the farm gate milk price market. Thank you. I am happy to take questions.

The CHAIR: Thank you both. Given that both your statements seem to be read from a typed document, would you be able to email them through to the Committee secretariat just so we can get your exact commentary right for the record?

Mr KEBBELL: Yes.

Mr BURNETT: Yes, I am happy to do that.

The CHAIR: Excellent. I will now throw to the room for questions from people.

The Hon. MICK VEITCH: Just a couple of questions arising from your submission, if I could. Can I just explore multi-year pricing and the issues you raise there around the unintended consequence that arises from the implementation of the mandatory code of conduct around multi-year pricing? Either one of you, if you could articulate to the Committee what your concerns are—essentially, what are the pros and cons of multi-year pricing?

Mr KEBBELL: Are you happy to talk to that, Tony? And I can add to it.

Mr BURNETT: Yes. You go first, Mark, and I will add a bit.

Mr KEBBELL: The mandatory code has made it mandatory that any processor offering a multi-year price must offer a minimum price for any of the following years. So a three-year contract not only must be priced in year one but in two and three as well. If that minimum price is glib—that is to say a long way from the market—but meets the code, we would argue it is not meeting the spirit of the code. Equally it places the processor in a position of relatively high risk. If they are to pick an international commodity market three years out to meet the code, it is inherently complex.

The code also offers the ability to talk to a pricing mechanism. Given there are not any truly visible and benchmarked mechanisms that you can refer to in the Australian market, that too is difficult. It has proved to be an unintended consequence of the code's introduction that there are not many offered. We are currently negotiating with our partner, Lion, about how that might look for perhaps 18 month contracts from 1 January but it is inherently complex. The market apart from one has largely avoided the issue to date.

The Hon. MICK VEITCH: Is there an optimal number of years for a multi-year contract or is that more region specific?

Mr KEBBELL: Mr Burnett is probably better to answer this. Yes, it is region specific. Just to overlay perhaps Mr Burnett more accurate commentary on the specifics of it, the market changes clearly over time. It was not long ago where there was, in fact, an oversupply in New South Wales and farmers were paid what was known as tier two pricing for milk above a certain volume. Now they are in the fortunate position, you could argue, that the processing industry needs their milk and more so they pay, to some extent, a premium and most processors will take all of their milk. But these things go in cycles and so some years ago the certainty of offtake was a very important thing for farmers. When I say some years ago I mean five or six, so not so long ago. Mr Burnett, can you add to that around New South Wales and subregions?

Mr BURNETT: Yes. Thank you for your question, Mr Veitch. If we look at New South Wales as a State, we have processors like Bega in the south who very much play in that commodity space with large-scale cheese production right through to processors like Norco who are very much a short shelf life processor. Bega playing on the commodity market would find it very, very difficult to lock in their supply and price for any period of time. Where Norco, as we have seen with the code, have gone out for a longer period of time. It depends on the product mix, and what those contracts look like within the product mix with the large retailers, if those processors

can lock in milk supply for a period of time. Different horses for courses across the State. That is why we see different lengths of contracts.

The Hon. MICK VEITCH: Okay, thank you. Your submission talks in quite a degree of detail about collective bargaining groups [CBG] and what is required for a successful collective bargaining arrangement. I want to explore how often CBGs are in place? Are there many CBGs in place? What are the difficulties that you are encountering as a collective bargaining group? I am trying to explore what the Government's role in supporting you in locking in a successful collective bargaining arrangement.

Mr KEBBELL: I can start on that if you would like, Mr Veitch. In our submission we do go through some key elements. We have indeed proposed to the ACCC a code for a collective bargaining section of what could be the mandatory code. There is some detail in our submission. Essentially, collective bargaining groups, we should know how many there are because to collectively bargain you need the ACCC to authorise your getting together the potential cartel activity, so those lists, the actual numbers are there, those that are authorised, as a matter of public record. That said, many of them are, in effect, dormant or have been for some years. For the reasons I rearticulated in my opening statement, if a processor chooses not to deal with a collective bargaining group the discussions are over.

It can be a unilateral decision. Our arrangement has been successful because we have an overarching milk supply agreement with Lion that initially was set for 10 years. It has been rolled once and it finishes in 2022. We have a horizon where they too have a horizon where they have worked with us and must negotiate. If there were to be a dispute, an expert makes a determination. It is not a mediated outcome. It is an expert saying, "These facts are right" or "These facts are wrong" and "This is our price call." The overarching agreement is really important and some sort of framework in the code to guide those arrangements is super important. So too is the process of contributing in some way to the collective bargaining group running themselves, if you like.

Acknowledging that there is some money saved by buying the milk in any sort of volume, so in our arrangement determine an aggregation fee. We contract the farmers, we negotiate with the farms, we recruit, retain, advise. All those sorts of things are costs therefore not borne by Lion, so they contribute to our running costs, which means that we can dedicate people, we can get support, we can build models, we can spend time to genuinely understand the markets and put ourselves on a level footing at least with our negotiating partner on what world markets are doing, what competitors are doing, what capacity constraints they are facing, what the market is determining. All the things that ordinarily would give a processor a leg-up, if you like, against an ill-informed or less informed individual farmer.

Just to double back to the beginning there, we have put forward some key elements, worked with our lawyers and based on international precedent, so it is not a made up glibly thought out set of elements. We were very hopeful initially that they might be made to form part of the mandatory code. We are happy to share a success story. If it works for us it can work for others. Does that help?

The Hon. MICK VEITCH: Yes, it does. So, what would you envisage is the Government's role in supporting that to take place?

Mr KEBBELL: At a State level it is interesting and I am not fully across how that might dovetail into, for example, the mandatory code which I know is part of the terms of reference. Certainly, that was our hope. We met more than once with the agency on this specific question and, whilst they acknowledge our model is successful and the thoughts were well received, it did not make its way into the code. So, whether that is its natural home or parallel, it would be difficult if any regulation or legislation was deployed in one State and not another, I suspect.

The Hon. PETER PRIMROSE: I would just like to ask about a specific topic mentioned on page 7 of your submission indicating that one of your requests would be a clearly defined water policy for food producing industries. In particular, the last sentence states that you believe:

... there is a need for water policy and pricing to reflect the nature of the water use, what is produced with that water and what price that commodity commands.

I was wondering if I could get you to please elucidate on that.

Mr BURNETT: I am happy to talk to that.

Mr KEBBELL: Terrific.

Mr BURNETT: That comment comes from what we have seen over the last couple of years with the drought, particularly in the Murray-Darling Basin where we have seen water being priced to commodities that may be non-food producing commodities. We are seeing farms that are dairy producers—and I might add that we

do not have a lot of farms in the Riverina, so this was more of an industry comment. We are seeing dairy farms in a lot of areas being priced out of the water market. We believe that there needs to be some sort of government intervention at times so that water can be priced so dairy farmers can affordably buy that water where they need to—in times of drought, particularly.

The CHAIR: You spoke about school tuck shops or canteens and their inability or unwillingness to buy from small or discrete suppliers. One of the issues with government procurement—particularly with the Department of Education—is they can take up to 45 days to pay a vendor. The only people who can cope with that cash flow issue is the large supermarkets. Would you support the procurement processes being changed to reduce that payment term from 45 days to something probably a little more reasonable that a smaller supplier would be able to cope with?

Mr BURNETT: Yes, definitely.

The CHAIR: You said in your opening statement that you believe the test for dumping, loss leading and abuse of market power needs to be carried out State by State. If you believe that, do you think that the ACCC, as the national competition watchdog, is actually the best mechanism for that? Does it need to go to something at a State level or, as you said, a regional level to look at this?

Mr KEBBELL: It is hard to know where the powers lie to ensure that the information is correct. In response to the first big ACCC inquiry, I think in 2018, they determined that supermarkets were not loss leading or dumping. On a national level, I am sure they could make the numbers stack up to demonstrate that. For example, in a state like Victoria, which is the largest dairy-producing state, milk is the cheapest. It is arguably the closest, on average, to the processing facility, so the inbound logistics are the cheapest. Similarly, it is a very small State with a high population, so the outbound logistics are relatively cheap compared to New South Wales, for example. The generic milk at \$1.20—I do believe the processors can make some money at that level and the supply chain is sustainable.

In New South Wales—and it is more accentuated as you go north—the milk is dearer at the farm gate, the inbound logistics distances increase and, similarly, the outbound logistics increase. So a \$1.20 litre of milk at Moree is a very, very tough product to compete against. If you are running a branded milk operation from processing facilities in Sydney, you have God's own problem trying to get the milk out there competitively. In those regions and, therefore, for most of that State, it is loss leading. The danger is that the processors will not take the milk out there any longer. That is the issue. Where the governance and oversight of that comes in, I do not know. We are not experts in the application of competition law. But it feels like the national market is not the appropriate level, if you like, to make those assertions.

The CHAIR: In your submission you talk about critical industry clusters. This is really interesting to me. What does that look like at a ground level? Can you elaborate and describe what that would look like? Also, you gave some suggested locations: Manning, Hunter, Kangaroo, Bega Valley, Shoalhaven, Forbes and Cowra. What is needed in those regions to create these critical industry clusters and make them successful?

Mr BURNETT: I will talk to that, if you would like. The theory behind the critical industry clusters is very similar to what is already available to, say, the mining and thoroughbred industries. Specifically within those historical dairy regions like the Bega Valley, the Manning and Kangaroo Valley, our suggestion would be for things like tax incentives for new operations. For farmers that are perhaps expanding their business to become more competitive, there may be things like stamp duty concessions within those regions. That is the thinking behind those critical industry clusters—things like making planning streamlined for larger investments.

The CHAIR: Your submission and many other submissions talk about the need for more specific training. You have spoken about almost a streaming management. What is the traditional path into the dairy industry? What training is provided? Assuming that many would inherit from their family, what are the training requirements and what training is available? Quite a few submissions talk about the need to improve training, but where is it at at the moment?

Mr BURNETT: There has been a reduction in funding for training facilities like TAFE. We have seen training facilities like Tocal ag college. In recent years—as in the last 12 or 18 months—they were really turning that facility around and I would think that that should become a great hub for dairy industry training. We have got agricultural colleges like Hurlstone that are probably lacking a little bit of direction. There was talk of them moving their dairy facility to another government site in western Sydney; I think that has now been taken off the table. But across the industry, there is a need for dairy businesses to have staff coming through that are highly skilled.

The dairy industry is moving very quickly to being a more intensive industry, and I do not necessarily mean that from a production point of view but from a business point of view. Farmers are required to be more than jacks-of-all-trades these days. Specific roles within farms are needed. We see a lack of the next generation coming through and part of that is because we do not have adequate training as such. I know that there is a research, development & extension [RD&E] proposal that has been put to the Government at the moment. DFMC is highly supportive of that proposal and we would encourage the Government to adopt that. That speaks a lot to training the next generation, and also research, development and extension.

The CHAIR: So you would support some of these management capabilities being built into the industry curriculum frameworks that are run at TAFE? You would have students coming through and being able to divert into a management stream or go into research and development and going into the technology side of things. You would support those things being included as maybe being mandatory components?

Mr BURNETT: Yes, we would support an increase from the current level.

The CHAIR: On the multi-year pricing, you said that a majority of processors appear to have reduced or abolished their commitment to agreements greater than one-year periods. Would you support an idea where they could not just keep rolling people over onto one-year agreements, so that after three years they would be obligated to offer the farmer a multi-year agreement?

Mr BURNETT: I think under the mandatory code that they cannot do that now. That was probably one change that we have seen in the last 12 months under the mandatory code that they have to negotiate with farmers each year. Whether or not a processor wants to offer multi-year contracts or not is probably more aligned with their own markets and their products. It would be very hard for a processor who might only have a six-month contract, for instance, left with a supermarket for them to offer a multi-year contract for a big proportion of their business.

The CHAIR: One final question from me; it is about the good faith negotiation clause. It seems like a bit of a subjective legal term. You obviously have success with your collective bargaining agreements, but how easy or hard or difficult would it be for a farmer negotiating with a processor to be able to prove or disprove that concept of good faith?

Mr KEBBELL: It is an interesting one. When we talk to our lawyers and to the ACCC, because we too had the same view early on that it is a very soft phrase and apparently ill-defined, but the code gives some good examples in sub-text, if you like. We are led to believe that in legal parlance or in legal precedence, in the legal world it actually is quite well defined. I guess it is true of a lot of legal terms, you do not need to know whether you are on the right side of the law or not, in good faith, if you feel right you probably are. I agree, we agreed but we are given comfort by the ACCC and by our own lawyers that it is a term that is meaningful and can be decided.

The CHAIR: Lastly, I know it is early days with the code and the agreements, are you aware of any agreements that have been reviewed by the ACC? Because that was part of the code, that the ACCC would have the ability to review those agreements. Are you aware of any that have been reviewed?

Mr KEBBELL: We understand something like 100 have been reviewed. Yes, and part of that review was did processors meet their time line commitments, so I am going to say two o'clock on 1 June, or whatever it was, being later than that was on the wrong side of the code, and then the content in terms of pricing et cetera, all the commitments. Whether they have only publicly prosecuted, is that the right word for the ACCC, one processor—is that right Tony?

Mr BURNETT: Yes, it is all I am aware of.

Mr KEBBELL: Publicly I think that is the case, but there might be some questions going on in the background that we are clearly not privy to. In the main I think the industry put a lot of time and effort and spent a lot of money getting me a contract construct right Shane could write, and I think therefore in the main the industry has, the processing side, has met the mark.

The Hon. LOU AMATO: With previous inquiries, particularly with the ACCC, were generic brands mentioned and what was the outcome? Obviously that has had a big impact on farmers. Could you tell us a bit more about it and what the outcomes were and where we are today?

Mr KEBBELL: As I touched on earlier, the ACCC's first inquiry I think in 2018, I have it nearby, I could check, but they determined that the supermarkets, the big guys, were not loss-leading and in breach of any of those market rules. As I have just argued or illustrated, on a regional basis that clearly cannot be the case, it just cannot be done, you cannot produce a litre of milk, process it and get it to a regional town for the price that it

retails at. Overall, the ACCC gave them a pass mark. I do not know if they endorsed their actions, but they said it was not a breach. It really comes down to the commercial elements, the proportion of milk that is sold as generic home brand milk is so great, and it is so relatively cheap that not only have processors lost quantity of milk, so litres of milk, but also they have lost margin. The white milk sector itself is now far less profitable and in some regions loss making because of generic milk.

The Hon. LOU AMATO: Has it been addressed in any other inquiries? Were different recommendations made in other inquiries? The ACCC deals with pricing, but was it raised in other inquiries and were there recommendations from them?

Mr BURNETT: It was certainly raised in the Federal Senate inquiry recently, but I think we are yet to see the handing down of any recommendations from the Senate. That was in the last two months.

The Hon. LOU AMATO: Do you know when the recommendations are coming out?

Mr BURNETT: I would have to take that one on notice, but I think it is later this month.

The Hon. LOU AMATO: Regarding subsidies, other countries get different subsidies, the government supports different farmers, are there any subsidies that the Government could make to help farmers?

Mr KEBBELL: It is a complex question because subsidies inherently then start affecting other trade arrangements, so export, the China topic, for example, is very hot right now and contentions for barley and some subsidies, there are a couple of the other commodities around, the same thing, or subsidising input. They are inherently complex questions. Adjacent inputs also seem to get pulled into these fracas on trade. I think the industry moved to deregulation in 2000 and in the main the industry is supportive of that and can see some of the upside of it in a market-led price determination. That said, there have been a number of farmer groups looking to have some sort of cost production and floor price. Our view is that is inherently arguably wrong because the notion of cost production is different for every farm. Any action that supported inefficient farming or farming that is not progressively getting better and better is probably not a good thing for the industry and its sustainability, it would be arguably falsely sustained. In the main we are not supportive of that. We are supportive of a profitable supply chain that can make some money and pay the farmers consequently.

The Hon. LOU AMATO: You need a price guarantee then? That is also going to vary depending on the regions.

Mr KEBBELL: The price guarantee, as I said, that guarantee needs to be based on something and if it is a floor price that is above what the market would ordinarily pay, then that has some real difficulties.

The Hon. LOU AMATO: I come from a different industry. I remember years ago when the big players came in—back in the days of my father—they came up with a guaranteed price for the little players. Mind you, there are just about no little players left now. That is another consequence.

Mr BURNETT: I might make a comment. I think what farmers would like to see is the price of the products that they make, so in this State it is a lot more white milk and flavoured milk, then it is cheese and powders, when their cost of production goes up they would like to see some mechanism that would move up so that their margin is not squeezed as much as it is. We saw in the recent drought that cost of production on some farms went up 20c a litre. That went up for a long period of time. We saw farmers leave the industry because they could not afford to stay in it. Now, if we had a mechanism that the price moved—and there is a mechanism in the United States. They call it a feed-to-milk price ratio. We did not put it in our submission, but I think it is something that we could look at as an industry. It would be worth having a look at some stage. That ratio is then used to set milk prices on a monthly basis in the United States. That could be one option. But your other question around—

Mr KEBBELL: I will just add to that, Tony. What that would support is wholesale price increases so that, if a processor had to pay more, they could with legitimacy seek a similar price increase at a wholesale level from the retailers. This is not to put more burden on one link in the chain but rather to have a price that did reflect—right now we have still got some drought levies, for example, on milk. That is, the supermarkets through industry and consumer pressure felt the need to top up their price. But that is completely arbitrary. Its coming on or coming off is arbitrary and the distribution of the money is inequitable. As Tony talked about, that mechanism became something that the whole chain could look to and recognise. Consumers would be happy to pay 4c more when feed, grain, water, electricity prices or whatever—if the index moves. It is not about supporting just one link in the chain.

The CHAIR: Would you be able to provide on notice some information on the ratio formula that the US uses to create that fluctuating index?

Mr BURNETT: Yes, sure.

The CHAIR: Thank you very much, gentleman. There were probably a couple of questions you did take on notice, including the last one. The Committee secretariat will be in contact with those details and you will have 21 days to respond. Thank you once again for joining us online and giving us your insights.

(The witnesses withdrew.)

COLIN THOMPSON, Chair, NSW Farmers Dairy Committee, before the Committee via teleconference, affirmed and examined

JODIE DEAN, Policy Director, Agricultural Industries, NSW Farmers, before the Committee via teleconference, affirmed and examined

The CHAIR: Thank you. Would either of you like to make a short opening statement?

Mr THOMPSON: Yes, I would. NSW Farmers welcomes the opportunity to provide our dairy farmers members' insights to this inquiry, which considers the long-term sustainability of the dairy industry in New South Wales. NSW Farmers is the largest State farming organisation in Australia and represents the interests of all primary producers. Our dairy members are being represented through our dairy committee. New South Wales is the second largest dairy-producing State in Australia. The landscape of the New South Wales dairy industry has shifted dramatically over the last few decades. Deregulation has had sizable impact since its peak production—1.27 billion litres of milk per year—in 2002. Australia's total milk production has shrunk to 8.7 billion litres. The number of dairy farmers has also shrunk considerably since 2000. Years ago New South Wales had 1,725 registered dairy farms. Today around 550 remain in the State.

While historically a reduction in farms has meant that those that remain grow in size and production, it is no longer the case. Farms are leaving industry quicker and those that are remaining can increase [audio malfunction]. There are many factors behind farm exits from industry. But the overwhelming reason is that dairies have become financially unviable. This is profoundly influenced by the pricing models of fresh milk production introduced in 2011, when major retailers dropped their price. One litre of home brand milk went from \$1.30 to \$1 a litre. There was only slight relief last year when the major retailers finally increased their retail price with fresh milk now retailing at \$1.20 a litre. I welcome 10c of this litre is in the form of temporary drought levies and the funds flow on to a limited number of dairy farmers. All farmers are not necessarily seeing the flow-on of profit and it does not change the fundamental reality in the current market. Milk and other dairy items have been grossly undervalued in both the producer and consumer.

Dairy farmers pay input costs. Fees, water costs and favourable seasonal conditions in the past months make farmers cautiously optimistic. [Audio malfunction] Dairy farming input costs are significant with considerable infrastructure costs to establish sheds, milk cooling facilities, irrigation and feed storage facilities and also the ongoing cost pressures in relation to core resources of energy, water and adequate skilled labour. Energy costs alone can equate to almost 20 per cent of a farm's operating costs. The pressures placed on farmers have led to lower farm investment after 300 years of confidence. Even the most efficient farms struggle to stay profitable, which I can attest to on a personal level. In 2000 my wife, my family and I relocated to Cowra to a greenfields site and built a 320 cow free stall dairy facility there producing around four to five million litres of milk annually. This is a stark increase on the roughly 700,000 litres we produced on our former dairy near Bega on the South Coast.

We have adopted the very latest in dairy technology and methods. We have increased individual cow production to around double the national average. But, even with this highly efficient system, I have grave concerns as I see production costs increasing at an alarming rate while milk prices are artificially supported through needless and senseless retail discounting. With the mass farmer exodus from industry, the long-term outlook for New South Wales dairy is not positive. Cooperation between industry and the Government can lead to meaningful change that will place the industry on healthier trajectory. Australian dairy products are highly regarded and trusted around the world. Our dairy farmers are renowned for our efficient production systems, the industry's clean green image and food safety that is second to none. Export opportunities continue to grow. But production declines mean these opportunities may not be realised by New South Wales.

The New South Wales Government has an ongoing role in supporting the New South Wales dairy industry with target investments and policies to support the industry's recovery and help it revive. For the dairy industry to thrive, fundamental change to Australia's competition framework is necessary. Deregulation has resulted in the gradual erosion of value in the dairy supply chain. We need to work with Government at both State and Federal levels to have changes progressed. The recently appointed New South Wales agricultural commissioner provides the ideal conduit between industry and Government to advocate for this. The agricultural commissioner role needs to be legislated and its remit to include competition. It can also play a critical role in improving the planning, energy and water frameworks and support the profitable dairy farmers. An enhanced

planning framework that includes legislated right to farm would enable farmers, particularly those in peri-urban locations, greater certainty.

We also need proactive measures around energy and water. High energy costs facing dairy farmers are a rare focus of several government initiatives, but a more affordable, reliable and sustainable energy sector is needed for the long-term future of the dairy industry. Water access is also a perennial issue for New South Wales producers. Changes around harvestable rights on the eastern seaboard are crucial for farmers are crucial for farmers to increase their water access. The New South Wales dairy industry is still valuable. Though we have faced many challenges over recent years, dairy has the potential to grow and become even more valuable. Opportunities for New South Wales dairy are ever expanding on a global scale. Wherever the future of New South Wales dairy lies, we know that drastic change is needed to ensure that farmers can continue to run their operations productively and sustainably.

The CHAIR: Thank you. Ms Dean, do you have anything else to add?

Ms DEAN: Not at this point, thank you.

The CHAIR: Mr Thompson, given that that was a prepared statement, are you able to email that statement to the Committee secretariat so we can get your words exactly right?

Mr THOMPSON: I will do.

The CHAIR: Thank you. I will pass to members for questions. Mr Veitch is jumping out of his chair.

The Hon. MICK VEITCH: I am happy to open the batting. Mr Thompson, one of the comments you made in your opening statement related to Coles and Woolworths and the subsidies that they are providing back to dairy farmers as part of their drought initiative, I suppose you would call it. I think a lot of consumers would be of a view that those subsidies are going to all dairy farmers. But based on your comments, am I accurate to conclude that is not the case, that you have a "have and have not" arrangement?

Mr THOMPSON: That is exactly right. Those subsidies go to the processor who supplies the milk that the subsidies were calculated on and that is then distributed on. For example, I think there are around 450 farmers across Australia that benefit from the Woolworths subsidies.

The Hon. MICK VEITCH: Are the subsidies tied or are they essentially provided back to the dairy farmers who—these are my words—would be lucky enough to secure those subsidies? Or can they be used for anything?

Mr THOMPSON: No, it just becomes part of the supplier's income for that month. But they are tied to the milk that was sold to Woolworths or whichever retailer that contributed to the sale.

The Hon. MICK VEITCH: Okay. That arises from the issues around the drought. Can I just move on to the drought in general terms? Now that it is pretty much out of the way—I come from Tumut, and some of the countryside is looking the best it has been for a very long time—are there lessons arising from the drought for the dairy sector and how Government provided or rolled out is assistance that we can build into a framework that will make a much more proactive response the next time there is a drought?

Mr THOMPSON: I think there are lessons that we need to learn in every drought. We certainly appreciated the assistance that the Government has provided, in the form of drought subsidies and loans and so forth. But I guess one of the difficult things is that farmers seem to spend the good years recovering from the last drought rather than preparing for the next drought. Any initiative that helps us to prepare for droughts would be of benefit, particularly in, say, food storage and water issues. They are the kind of issues that can help us survive and be sustainable through droughts. In particular, we mentioned the harvestable rights on the eastern seaboard. Now, we know that there were some communities and whole towns that came very close to running completely out of water during the last drought. Many farmers did run right out of water. Harvestable rights is an issue that must be addressed by the New South Wales Government to allow farmers to capture some of that water that would normally run straight into the ocean.

The Hon. MICK VEITCH: I have just got one more line of questioning before I hand over to other members. Earlier today we heard—I think it was from Dairy Connect—about issues arising from obtaining finance and the relationship with banks for some dairy farmers. I gather it is a current issue arising post drought. Are you aware of any issues for dairy farmers in their relationship with banks at the moment?

Mr THOMPSON: I am not aware [audio malfunction] of issues relating to [audio malfunction] banks. [Audio malfunction] I feel sympathetic and helpful [audio malfunction]. I guess the issue that does come up quite

regularly is the approval of drought assistance loans [audio malfunction] the time it takes for those loans to be approved and the security involved when they are approved or the conditions that they are approved in. They are issues that have been raised.

The Hon. MICK VEITCH: Mr Thompson, I missed the first-third of that most recent response because you dropped out. Are you able to repeat it for everyone?

Mr THOMPSON: Sorry, the first-third [inaudible]?

The Hon. MICK VEITCH: The first-third of your last response. You dropped out. I did not hear what you were saying.

Mr THOMPSON: Can you hear me now?

The Hon. MICK VEITCH: Yes.

Mr THOMPSON: In relation to the loans, I am not aware of farmers having difficulty with their banks. That is not an issue that has come up. But farmers have complained a little bit about accessing the drought loans and the time taken to get those loans approved, and also the security required to get that approval.

The Hon. MICK VEITCH: Thank you.

The CHAIR: Just before I throw some questions at you, Mr Thompson, if we do run into connection issues you can turn your video off. That sometimes helps with the audibility and coming through. Ms Hurst, do you wish to ask some questions and I will come back?

The Hon. EMMA HURST: Mr Thompson, you say in your submission that the dairy industry faces growing competition from plant-based beverages. Can you talk a little bit about this? Has there been a massive growth in plant-based alternatives?

Mr THOMPSON: I do not think their growth has been massive; it is certainly there. But what is concerning us and the real issue here is truth in labelling. Some of these alternative products are called "milk" when, in fact, they are not milk. That is of grave concern to the industry that these products are being sold as milk, and clearly they are not milk and they do not do the same things as milk. Certainly nutritionally they are very different to milk. We are very clear on our requirements there that we do need legislation that supports truth in labelling.

The Hon. EMMA HURST: As I understand it, the only research that I could find in this space in Australia was that conducted by Food Frontier and it was more around plant-based meats. The research that it did found that Australians are not being misled by plant-based products or the labelling. Why do you feel that milk would be different to that research?

Mr THOMPSON: Clearly the consumers are being misled by labelling. If a product is branded "milk" when it does not come from the mammary glands of a mammal it is not milk. It is as simple as that. That is the misleading part—

The Hon. EMMA HURST: But is there any research to suggest that people are thinking that this is not coming from a plant? Obviously soy milk has been around for a very long time. Have you actually seen any research that people are getting genuinely confused between breastmilk and soy milk?

Mr THOMPSON: Absolutely. There has been research done on that and it is not just related to Australia, it is a worldwide phenomenon where there has been evidence particularly of infants that have suffered malnutrition because of being fed what has supposedly been milk and clearly it is not milk. You cannot replace milk.

The Hon. EMMA HURST: Could I get you to give us some of the Australian evidence of consumer confusion on notice? Would you support research to find out how much consumer confusion actually exists in this space?

Mr THOMPSON: Yes, we are certainly happy to take that on notice and provide that evidence. I think we would support that. We have no reason not to support that research being done.

The Hon. EMMA HURST: In your submission you also suggest that dairy products should automatically receive a minimum three-star rating regardless of any evidence. Is that not a bit inconsistent with your position on truth in labelling?

Mr THOMPSON: I might ask Ms Dean to answer that question.

Ms DEAN: Certainly. Our recommendation is that dairy products receive a minimum three-star health rating. There was no reference that we did not want there to be research in regards to that. Our points within our submission related to the fact that many Australians are receiving below the required daily calcium recommendations. Dairy products are part of the healthy food triangle—the five food groups—and therefore in an effort to increase calcium intake and dairy intake by consumer, a minimum three-star rating would support that uptake by consumers and, in turn, support the dairy industry.

The Hon. EMMA HURST: Why do you think the dairy industry has not been able to get a three-star rating the way other products do?

Ms DEAN: I believe some dairy products have but I am not sure if it is across the board. I do not have particular expertise or insights into that at this point.

The CHAIR: Would you support a similar sort of campaign in the style that we have seen with the fruit and vegetable campaign that recommends people eat five serves of fruit and vegetables per day? Is that how you envisage some sort of campaign to bump up the consumption of dairy?

Ms DEAN: Certainly. I think positive marketing from the industry is an ongoing requirement to both support the health and wellbeing of the Australian population and to support our dairy industry. Obviously the dairy industry through Dairy Australia does undertake marketing activities. How they could be developed and enhanced is a matter of ongoing discussion by that entity, no doubt.

The CHAIR: Switching to the dairy advocate, you say that you welcome the opportunity to work collaboratively with the advocate, particularly dealing with your idea of an engagement and communication plan. Have you actually met with the dairy advocate?

Mr THOMPSON: Yes we have met with the dairy advocate and I communicate regularly with Ian Zandstra. We are planning on meeting in the next week or two to discuss its industry plan. So, yes, we do regularly communicate and meet.

The CHAIR: Has the dairy advocate been receptive to the idea of a communication and engagement plan?

Mr THOMPSON: Yes, he has. I guess it is a little early to draw a conclusion as to the full benefits of the advocate at this point, given that it has only been in place for 12 months. We strongly support the position. We do feel that the position probably needs to be clearer defined. There are many parts of the industry that do not fully understand the role of the advocate—some see it as a third [inaudible] body in New South Wales. I believe that the Government has an opportunity there to ensure that the industry understands the role of the advocate.

The CHAIR: You have made some fairly strong commentary about the need to strengthen the Agriculture Commissioner. How do you see that role interacting with the dairy advocate? Do you see that sitting above the dairy advocate or do you see them working together at the same level? Given that you have said that you want to strengthen the dairy advocate role as well, I am just trying to get a picture of where each one sits and how each one complements or bounces off the other.

Mr THOMPSON: I think that we would like to see the commissioner legislated. We would like to see the commissioner concentrate on issues such as competition reform with both the State and the Federal governments. I think it is important that we have the advocate there to listen to farmers as well and that the industry has a conduit to the Government. That is the role we see the advocate playing and the information can flow both ways. We do support both roles.

Ms DEAN: I fully support the comments made by Mr Thompson to date. Obviously the Agriculture Commissioner has an all-industry role covering all of the commodities. Some of the key issues around the announcement of that position originally were around land use, planning and right to farm. We know there is a current focus as well on competition. As we have said, that focus on competition is imperative to the dairy industry. Given the breadth of the scope of that role, the dairy advocate can play an integral role, as Mr Thompson said, in engaging with the dairy community and feeding up the issues specific to dairy across New South Wales that could be taken into consideration in those broader issues by the Agriculture Commissioner.

The CHAIR: You have made some fairly critical comments of the Australian Competition and Consumer Commission [ACCC] regarding the \$1-per-litre private label milk. It ruled that it did not have any adverse impact on dairy farmers. Do you have confidence in the ACCC in being that competition watchdog in the dairy industry, given that ruling?

Mr THOMPSON: The ACCC is an organisation that we need to continue to work with. Yes, the entire industry is united in the belief that they did get that wrong and that the \$1-a-litre milk campaign certainly did have an impact on the industry. New South Wales bore the brunt of that impact. You are probably familiar with the graph that the ACCC used to explain why they believe that the dollar-a-litre milk did not have an impact on the industry and the graph clearly shows that whether the milk is branded or unbranded, the price to the farmer is the same. That is true, but that price is a combination of both prices. So if one went up then the average price goes up. If one goes down, the average price goes down. So they took an average price and said that it was not affected; when they put the two products side by side, there was no impact. That conclusion was not true.

The CHAIR: At the end of your submission you call for the forced divestiture of the supermarket duopoly. How do you propose that be achieved?

Mr THOMPSON: I will give that to Ms Dean.

Ms DEAN: No doubt, with great difficulty, and obviously that is a matter for the likes of the ACCC and at a Federal level, but certainly, as we have alluded to throughout our submission, the power of the retailers in setting prices and the impacts on pricing right down the supply chain continues to be the core issue for dairy farmers in New South Wales providing into a liquid milk market. It is an issue that fundamentally needs to be addressed.

The Hon. SAM FARRAWAY: My question is to either of you but probably Mr Thompson. The subsidies that are being collected by the major supermarkets by the levy are then being distributed to the processors where they buy the milk from. Is that correct?

Mr THOMPSON: That is correct.

The Hon. SAM FARRAWAY: You did mention, I think, in an earlier answer that it was essentially a drought levy that was still in place. Have the major supermarkets given NSW Farmers or any farmers in the sector an indication of when that levy would come off?

Mr THOMPSON: They have confirmed that the levy will continue until the end of this financial year, not beyond that.

The Hon. SAM FARRAWAY: Right, so 30 June 2021?

Mr THOMPSON: That is right.

The Hon. SAM FARRAWAY: I just wanted to ask about the mandatory code. We did hear from another dairy organisation earlier, and I note that you do have it in your submission that it is only, in my terms, early days, but since putting the submission in do you have any further comment to make around whether it is helpful, whether it is working, whether it is working better in certain areas than others and, in particular, probably in and around the processors and the minimum price that is set as part of the code?

Mr THOMPSON: We did strongly support the mandatory code from the outset. While there have been a few issues that have arisen since the introduction of the code, generally speaking the industry has accepted it as part and parcel of contractual arrangements between farmers and processors. Obviously, the code did address some key issues that were instrumental in the code coming into existence in the first place, but we do have the opportunity to refine and, I suppose, improve on the code. But essentially at this point we feel that the code is working reasonably well. There are quite a few issues, I suppose, of non-compliance and so forth but, generally speaking, most processors have tried to comply with the code.

The Hon. SAM FARRAWAY: Are there any particular areas across New South Wales where the code and relationship is not working? Without trying to single out an entity or anything, are there issues in and around certain parts of the State with geography that certain farmers in the industry are not doing as well, even with the code, than others?

Mr THOMPSON: The code has never really been about price, so it is true there are some parts of the industry and farmers do not receive their prices, they are not sufficient. The code was never about improving the price; it was about improving the contractual arrangements between the processor and the farmer. We are not really aware of any major issues that there have been in New South Wales that farmers are concerned about. It is still up to the farmers and the processors to negotiate the best price and the code is helping.

The Hon. SAM FARRAWAY: Excellent. In your recommendations you talk about the State Government should be developing a State policy that recognises the right to farm, obviously, more around the use of infrastructure planning and regional development. Can you elaborate on that any more? Is this a separate issue

to the legislation that passed the Parliament last year with the right to farm legislation? This is obviously going further in what you are suggesting in more around planning.

Mr THOMPSON: Yes, there are still planning issues that the Government needs to address, particularly as dairy farming intensifies and there are new systems that farmers are developing. I can talk from experience now: we went through a process when we relocated to Cowra; it took seven years of negotiations and three court appearances before we had our approval to develop our dairy farm. Things have improved a little since that time, but there are certainly some planning issues that the Government needs to address to get a unified and clear process for development. Ms Dean might be able to elaborate on that.

Ms DEAN: Certainly, thank you. I guess it does extend further than the legislation in the past year to planning more broadly. As Mr Thompson has alluded to, it can be extremely difficult to get approvals for agricultural developments and that is impeding the ability of the farmers to be nimble and drive efficiency and profitability of their farms. That is a key area that we hope the Agriculture Commissioner will continue to focus on. I guess for the dairy industry a large number of producers are along coastal areas traditionally and there is increased peri-urban spread in those areas and therefore the impacts of that organisation around them and what some of the planning boards and local government apply in residential-type planning conditions to what has traditionally been agricultural land continues to impact intensive industries like dairy farming.

The Hon. SAM FARRAWAY: Mr Thompson, in one of your answers, I think earlier to the Hon. Mick Veitch, you spoke about drought and weather conditions and water security and you mentioned dairy farmers not having access to harvestable water rights and the water having to essentially be pushed out or discharged back to the ocean. Can you just expand on that, some of the challenges that dairy farmers are facing in that space, especially—

The Hon. MICK VEITCH: The coastal dairy farmers.

The Hon. SAM FARRAWAY: —the coastal dairy farmers?

Mr THOMPSON: Yes, sure. Coastal dairy farmers do not have the river systems, I suppose, that we have in the inland dairy areas. A lot of coastal dairy farmers depend on and sometimes their only water supply is what they are able to capture from their own farm, and currently they are only allowed to capture 10 per cent of the rainfall on their property. Simply, that is not enough. When there are prolonged drought periods such as we have had last year and the two years preceding that, for farm storage the water was simply not great enough; it was not so much that there was no rainfall but the storage simply was not big enough to capture the rain when it did fall. So we see that as a really important issue that must be addressed, that this water simply runs out into the ocean and is dumped and it applies no benefit to anything. Farmers being allowed to have more of the water that falls on their own property to augment their own water supply is certainly an important issue.

The Hon. SAM FARRAWAY: A final question. Just quickly going back through NSW Farmers' recommendations to this inquiry, obviously we have spoken about some of the planning issues and you have highlighted the importance of the dairy advocate and the Agriculture Commissioner, but it would be fair to say that there are quite a few recommendations here that really are outside the New South Wales Government's jurisdiction in the labelling requirements for the use of milk, as we have discussed earlier, the review and improvements of the country labelling reforms, the minimum three-star health rating. It is fair to say that obviously there are points here that the New South Wales Government certainly can look at but there are also quite a few recommendations here that are simply outside our jurisdiction.

Mr THOMPSON: Certainly that may be the case, and, I guess, competition laws would be another one to add to your list there. But what we are kind of seeking from the New South Wales Government is support on these issues, particularly in competition laws. We think that that is something that the Agriculture Commissioner could take to the Federal Government in support of the New South Wales industry.

Ms DEAN: Just further to that, if I may, we do appreciate that some of it is outside the scope of the New South Wales Government and we certainly have not missed an opportunity to provide similar and more detailed feedback on those issues at a Federal level, such as through the recent ACCC perishable goods inquiry and to the country of origin labelling review a couple of months ago.

The CHAIR: Mr Veitch?

The Hon. MICK VEITCH: I just want to change the focus a little bit of this question, and it is more to do with the health and wellbeing of our dairy farmers, so a three-pronged question: one is around mental health and what is actually being rolled out around mental health services for dairy farmers; secondly, the general health of dairy farmers and if they are looking after their health; and the last one that comes from that is something like

Q fever, which is prevalent in a number of industries, and people being screened for whether it be leptospirosis or Q fever or anthrax. The type of screening that is taking place, are people presenting to GPs and seeking that assistance?

Mr THOMPSON: Yes, thank you. Firstly, I am actually not aware of any program to assist specifically dairy farmers around the mental health issue. Certainly it is something that should be looked at. The other thing that the dairy industry has is the same all other industries have, I suppose, particularly in living the long three-year drought, dairy farmers were under considerable stress. Dairy farming is something that has to happen regardless of the weather conditions or the price of beef or anything else. It is a seven-days-a-week, every-day-of-the-year job. We have to provide feed and care and milk our animals regardless of the conditions. Some of those conditions were extremely prolonged and difficult to go through, definitely in some areas. So that is certainly an issue.

The industry is also facing a labour shortage or a labour issue that also contributes to a farmer's stress through the COVID. That is probably one of the biggest effects of COVID on the dairy industry is labour and the now it is clearly the lack of backpackers and those kinds of options that are used a lot on dairy farms for many of the jobs on dairy farms. That labour shortage is certainly increasing the stress and workload on dairy farmers. As to the Q fever I might let Jodie address that one. It is something that has been very important to the New South Wales farmers.

Ms DEAN: Thank you. Yes, as you know NSW Farmers is a continually strong advocate for issues around Q fever actively promoting that along with the New South Wales Government. We have been very pleased to see some research funds provided for Q fever research nationally. In recent months both testing of a vaccine on adolescents to hopefully protecting a greater proportion of rural communities that are interacting with livestock and also the beginning of developing a new Q fever vaccine that will hopefully reduce both the cost and the level of testing required which we hope will enhance uptake of vaccinations by the farming community and those working with livestock.

The Hon. MICK VEITCH: I will fess up. I live with Q fever. I have got Q fever so I have a fair bit of detail about the downsides of living with it. When people present to their local GP, often the local GPs do not undertake the blood tests for Q fever so I think there is a fair degree of under-reporting. As a part of the program, I think NSW Farmers ran this out during the last State campaign, you wanted an awareness program for GPs right across New South Wales, not just in the regions, to screen for Q fever and undertake the blood tests. Do you still want that sort of program?

Ms DEAN: Yes, I am sure NSW Farmers is still very supportive of any activities that can improve awareness between the medical community and the community at large.

The Hon. MICK VEITCH: Mr Thompson, is there much of an awareness of Q fever amongst dairy farmers?

Mr THOMPSON: There is a greater awareness these days. For example, one of the questions most farmers will ask a new employee is if they have been vaccinated or exposed to Q fever. Most farmers now are told to ensure that any new employees are vaccinated against Q fever at their own expense.

The CHAIR: One final question, on page 17 you talk about the workforce and you recommend that the New South Wales Government invest in programs that support the dairy industry in attracting and retaining workers. Is this a blank canvas in terms of programs that do not exist and we need to invent something or perhaps, on notice, would you provide the Committee with some programs or things that you would suggest go into these programs or things that you consider best practice that should be included?

Mr THOMPSON: Yes, I will take that on notice and provide that information. Essentially the workforce, what the Government would look at and improve is the upskilling and training of not just new employers but existing farmers. And any opportunity to ensure that farmers are fully aware of the latest technologies and improvements that are available but also to I guess promote dairy as a career and an opportunity for employment and also for backpackers as we have spoken about before and to provide TAFE courses and additional training for those employers would be certainly useful for the industry. I am happy to take that on notice as well.

The CHAIR: That concludes our session.

(The witnesses withdrew.)

JAMES NEAL, Chair, Dairy NSW, affirmed and examined

PAUL VAN WEL, Regional Manager, Dairy NSW, sworn and examined

DAVID NATION, Managing Director, Dairy Australia, before the Committee via videoconference, sworn and examined

The CHAIR: Would you like to give a short opening statement?

Mr NEAL: Yes, I will. My name is James Neal. I am a fifth generation dairy farmer on the family dairy farm in Taree, New South Wales. I am here in the role of Chair of Dairy NSW, a position I took up just recently. It is important that I acknowledge that dairy farming across New South Wales represents three catchments of regional development programs. I therefore am here also to represent research and extension work from Murray Dairy and Subtropical Dairy. We also have David Nation here as well who is the managing director of Dairy Australia. He is also here today to speak on national research development and extension investments and priorities and the work of the other national services bodies as it relates to dairy farming in New South Wales.

We know you have already heard today from NSW Farmers and Dairy Connect, the peak bodies representing dairy farmers across New South Wales, providing policy, advocacy and representation at the State level, as well as through national structures in the case of NSW Farmers. It is important to be clear about how our roles differ in scope to those. Dairy Australia is the industry-owned national services body funded by farmer-paid levies calculated on the kilogram of fat and protein of all milk produced in Australia. The Australian Government matches expenditure on the industry's research and development activities that meet established criteria. Dairy Australia [DA] also attracts funding at project level from State governments, universities, research organisations and other industries that support agriculture.

DA provides core funding to the regional development programs, of which there are three here in New South Wales. Dairy NSW is one of the eight regional development programs. Each of the three regional development programs that operate in the State of New South Wales has their own board and works to identify and develop priorities for ongoing research and development, education and extension relevant to their particular region. In doing so, they work hard to ensure regional and national policies are linked and fully integrated so that research and extension work is prioritised for regional benefit. On the key focus areas, as you would be aware, Dairy NSW and Dairy Australia, in consultation with Murray Dairy and Subtropical Dairy, have made this submission to the inquiry.

Our submission focuses on three areas which we think are key to ensuring the sustainability and profitability of the dairy industry in New South Wales for years to come. One area includes managing business risk. In recent years, rising input costs combined with unprecedented market and climate volatility have undermined profitability, but demand for dairy products remains strong. Domestic demand continues to grow and the outlook for exports is also very positive, as is the investment climate for agriculture in general. A significant challenge for the dairy industry is to meet this growth and demand for dairy products through a proportionate increase in the industry's capacity to supply. This can be achieved by closely managing costs of production, improving productivity and maintaining leading-edge farm business management skills.

The next big issue is a capable workforce. The dairy industry has long recognised that people are a fundamental driver of farming and business success. Being able to attract the right people, manage them effectively and provide sustained career and wealth creation opportunities is essential for the long-term viability of our industry. The big challenge is adapting to climate change. Australian dairy farmer systems need to thrive in a warmer and more unpredictable climate. Drought, which we had recently, has thrown into stark relief the effects of climate change on the agriculture industry in New South Wales. These priority areas reflect the basis of a series of key investments by Dairy NSW and Dairy Australia. However, we cannot achieve what is needed alone. Partnerships with government along with other industry stakeholders will be critical in driving profitability and sustainability in the pressing time frame that is required to secure a resilient food supply and resilient rural New South Wales communities.

We make two recommendations to the Portfolio Committee. First, that the New South Wales Government nominates the dairy consortium proposal for the New South Wales Bushfire Industry Recovery Package – Sector Development Grants. This proposal aims through 10 key projects to accelerate farm recovery and build business resilience through enhancing productivity in the dairy system, underpinned by enhanced capability of its people. This includes the Our Farm, Our Plan business management program and the Dairy Passport people management program, along with programs focused on herd and feed-based efficiency in the changing climate. Our second

recommendation is that the New South Wales Government reignite support for specialist, independent, dairy-focused extension expertise within the New South Wales Department of Primary Industries [DPI] to work with Dairy NSW, Subtropical Dairy and Murray Dairy to respond to a lack of skilled service providers of one-on-one dairy farm systems and farm business management advice. Thank you for inviting us here. I welcome any questions.

The Hon. EMMA HURST: In the *Australian Dairy Industry Sustainability Report 2019*, one of the industry's four sustainability commitments is to provide the best care for animals. Can I ask why you see this as important to the sustainability of the industry?

Mr NEAL: Animal welfare is of key importance to the dairy industry. As dairy farmers and as pet owners as well, we love our animals. They are a key feature of a dairy farm. Without cows, we cannot get any milk. They are so important to dairy farmers. This is the thing that I would like to highlight, because we are talking about profitability. The ex-Premier of Victoria said that one of the big things about dairy farming is that there is not really a return for the effort that is done in dairy farming. That is the thing, we are not doing it for the money; we love our animals. The average return on assets in the dairy industry varies between 0.7 per cent and 2.7 per cent. On the other hand, if you look at the supermarkets, and they have talked about the supermarkets quite a bit today, their return on assets is somewhere between 15 per cent and 25 per cent if you go to their annual reports. That highlights that there is a market failure in the dairy industry. There is an unfair advantage. Two supermarkets, which NSW Farmers has talked about in its submission, control 67 per cent of the market.

The Hon. EMMA HURST: You have also actually recognised in that report that Australian consumers are increasingly becoming concerned about the treatment of animals. With the potential that sales and profitability might be affected by people being concerned about the treatment of animals, what sort of animal welfare issues do you think need to be addressed?

Mr NEAL: On what basis are we talking about?

The Hon. EMMA HURST: I can go through some examples if that would be easier. Based on the report, I think one of them was a commitment to phase-out routine calving induction by 2022.

Mr NEAL: Mr Nation, did you want to speak?

The Hon. EMMA HURST: I am happy for anyone to answer this.

Mr NATION: I am happy to speak to some of these welfare issues, because in fairness they are in the interests of all Australian dairy farmers, and New South Wales included, obviously. The point being made in the sustainability report is that consumers are taking a greater interest in what they are consuming: the background to what that product is and how it is being farmed. They want to satisfy themselves that it is being farmed the right way and produced the right way. The dairy industry is taking that greater interest of consumers seriously. The sustainability report is one of our prime methods of speaking directly to consumers about what we understand is top of mind in consumers' interests. They are not just hollow words, but real measures, real targets and a real sense of openness in how we are progressing against those targets.

The Hon. EMMA HURST: The report also talked about tail docking and providing pain relief when disbudding horns. Would this also have a phase-out period in the same way as routine calving induction?

Mr NATION: Yes, we have industry goals for all of those measures: to phase-out tail docking, to phase-out routine calving induction and to set targets for use of pain relief when disbudding horns.

The Hon. EMMA HURST: How did you decide which aspects of animal welfare were going to be focused on in regards to the sustainability of the industry?

Mr NATION: One of our main methods of doing this is Australian Dairy Farmers, who is the peak national farmer representative organisation—of which NSW Farmers, for example, who you just heard from, is a member—has policy advisory groups and they meet regularly. There is an animal welfare policy advisory group. They bring together farmers from all over the country and consider and recommend industry policy for adoption. That provides the lead signal for the industry to organisations like Dairy Australia and Dairy NSW. Then we actively work to implement programs that achieve industry targets.

The Hon. EMMA HURST: We have also received some evidence through submissions to this inquiry that there are dairy farmers who are struggling right now to actually leave the industry. They have already made the decision to get out. We have heard that the number of farmers has significantly reduced. I think it was 2,000 to 500 or something like that. Are there any programs currently in place to support dairy farmers who are looking to leave the industry?

Mr NATION: I am happy to speak to that one as well, if you like—or Paul.

The Hon. EMMA HURST: Yes, that is fine.

Mr NATION: We have an industry program called Stepping Up and Stepping Back, Stepping Up obviously for people who are trying to either enter the dairy industry or expand their dairy operations and Stepping Back for those people who are at the end of their business life as dairy farmers and looking to either reduce the size of their farm or to exit farming, and give them a really holistic perspective of what options are available, both to step up and to step back, and to support farmers through making what can be some really difficult decisions for them, particularly when it comes around to family businesses and family farms et cetera.

The Hon. EMMA HURST: Is Stepping Back a program that is set up or is it something that is sent to them in paper form? What does that look like?

Mr NATION: Mr Van Wel, do you want to talk about how that is rolled out in New South Wales?

Mr VAN WEL: Yes. That is one of our extension programs. It has been developed by Dairy Australia and then each of the regional development programs, of which Dairy NSW is one, will run programs that choose from the programs available based on the need for our region. So we actually have a Stepping Up, Stepping Back program again scheduled. One of the silver linings on our current situation is that a lot of our programs have been moved to an online version, which has real advantage for a geographically diverse dairy industry like New South Wales has. Whereas we want to run a Stepping Up, Stepping Back program in the Central West of the State—that is very difficult for a farmer from Taree or Bega to get to. So being able to run some of these programs online has been a real advantage as well. But, yes, that is a program we would run based on need.

The Hon. EMMA HURST: As far as content, if someone wanted to move into a different form of agriculture is that a kind of a stepping program that would help them to be able to do that?

Mr VAN WEL: Yes, it is about guiding the decision process for that person to make sure that they have factored in what they need to so that it is an active choice and it is a considered decision through that process.

The Hon. EMMA HURST: On notice could I get a bit more information about that program, just an overview of how it runs and the course content? That would be fantastic.

Mr VAN WEL: Absolutely.

The Hon. EMMA HURST: Thank you.

Mr VAN WEL: Just to your earlier question too, if I may, I can leave this behind—I have actually got the sustainability report 2019 printed off.

The Hon. EMMA HURST: Yes, if we could table that, that would be—

Mr VAN WEL: And it is also available online but I could leave that if you like.

The Hon. EMMA HURST: Thank you. The secretariat will take it.

The CHAIR: Just a few questions from me. Would you be able to provide a bit more detail about the Our Farm, Our Plan business management? I had a quick look on the website to try to get an understanding of it and from what I could see it was that you take people through a series of strengths, weaknesses, opportunities and threats or SWOT analyses for different aspects of their farming enterprise, whether it is people, their stock, environment or whatever. What else is involved? Because to get further information I had to sign up.

Mr VAN WEL: I am happy to talk to that. This is a relatively new program. We are just about to complete our second one in New South Wales. We did a pilot in Jamberoo in, I think, late last year or early this year and we have just run one in Bega which was actually online. Our Farm, Our Plan is a part of a commitment about trying to increase the number of farms that actually have a documented plan from currently approximately 12 per cent, I believe—and correct me on any of this I am wrong, Mr Nation—to significantly improve the number of farms that have a documented plan.

It takes them through a facilitated, guided process so ideally it is a couple of days face to face where we are talking eight to 12 farms represented, which obviously may be more than that in terms of the number of people that are attending, hopefully. A facilitator will lead them through a process of identifying and building a plan on a page, essentially. Part of the extension process for this, which is from learnings around the adoption of research, is that after the joint and the group learning they then go through a process of individual farm consultancy. So that facilitator will then actually visit that farm, supported by our extension staff at times, to help ensure that that plan comes to life, help them through the process. Some of these planning processes are not all that familiar, so to help

guide them through the process as well as help make sure that that plan starts to get implemented and it has an ongoing follow-up process that occurs.

The CHAIR: Excellent. Just switching to the dairy services levy, can you give us some detail about how much is collected annually? Given that it is based on milk production, fat content, et cetera, it might fluctuate from year to year, given the successive seasons, but would you be able to provide, even on notice, some figures on that?

Mr NEAL: Mr Nation, you are best placed.

Mr NATION: I can happily provide detail on that. It is all set out in Dairy Australia's annual report. But in terms of detail, nationally around \$30 million of service levy is collected. New South Wales is about 10 per cent on volume so that is around \$3 million of levy collected from New South Wales farmers each year. The Federal Government matches all use of that levy for eligible research, development and extension activities up to a cap. We fully utilise that opportunity and that results in around \$20 million of matched Federal Government funding against that \$30 million of levies. So it gives you a broad sense of the levies collected.

The CHAIR: Who decides how that is spent, given that the Government matches? Does the Government put any caveats or conditions on how that must be spent, given that they are matching 50 per cent?

Mr NATION: We have a funding agreement with the Commonwealth Government. It talks about what we have to comply with. In broad terms we have to comply with the national rural research and development priorities set out by the Federal Government. We have to be really clear that we only use the funds for eligible activities. What they also require is a strong governance in their organisation in terms of a skills-based board. And then the way that the rural research and development corporation system typically works is through each organisation having an agreed strategic plan. What the Federal Government looks for is clear lines of consultation with the industry when putting together a strategic plan, and then putting together an alternative operating plan that speaks to how we are delivering that strategic plan. The Government sets out clear guidance and then looks to ensure that the organisation is well governed and looks to ensure that there has been suitable consultation in putting together a strategic plan.

The CHAIR: You spoke about allowable activities. On notice, would you be able to provide what they determine to be allowable activities that you can spend the money on?

Mr NATION: Yes. One of the things that is well-defined is that the levy cannot be used for agri-political activities, for example, so that defines what that is. We can happily provide on notice that guidance.

The CHAIR: One final question on the levy; you gave the example that New South Wales makes up 10 per cent, so essentially you accrue \$3 million from New South Wales. Does that translate to reinvesting back in New South Wales in research or other activities and they get \$3 million worth or is it just based on what projects are ongoing at the moment? How is that distributed throughout the States?

Mr NATION: The levy is used for a lot of activities that are done on a national basis and then also addresses regional research and development needs and particularly regional extension needs. We have an arrangement with each of our eight regional development programs, which Dairy NSW is one, that make sure that Dairy NSW is funded to address the footprint that the range of New South Wales farmers for Dairy NSW to cover for extension purposes, like I say, a significant part of that. We do not take a pot of money and then divide it across six States. We take a pool of money and we do a significant amount of work that is of national relevance, be it marketing, be it trade, be it sustainability we covered previously, be it research projects of national importance. A vast majority of the work that we do is of national importance rather than region-specific importance, and then we also make sure that the regional needs are also invested in.

The CHAIR: I have one final question regarding the Fresh Milk and Dairy Advocate. Has your association met with the dairy advocate and what would you like to see the dairy advocate doing in the next 18 months to two years in the role?

Mr NEAL: In terms of the dairy advocate, it has only been in existence for a short time, so it is really hard to give a lot of feedback. In that short time that they have had, all of the State organisations, New South Wales Dairy Connect and the dairy advocate, everyone is very collaborative because ultimately everyone has got the same goal. We need to improve the profitability of the dairy industry and so, basically, the dairy advocate has been quick on the go and they have come up with a document that has only been released about a week ago. It lists a number of objectives and projects. Part of it is the sector grant that I alluded to as one of the key things that we would like to see. The big thing as was highlighted in the last NSW Farmers discussion is there is a lot of things that are beyond the scope of the New South Wales Government, but the sector grant and more extension to

help farmers make it better because ultimately what we want to see is embedded practice change. The best way to do that is extension and good extension projects such as the advocate has helped develop to help farmers practice change and improve their profitability.

The big difficulty for the dairy industry is that we have had this position where costs are rising and ultimately costs are increasing. But when you have the supermarkets holding the price at a dollar a litre for eight years it means our profitability is going to deteriorate because clearly the costs are going up, wages are going up 2 to 3 per cent every year. Who does the farmer pass those costs on to? That is the big difficulty. We do not have a level playing field across the supply chain and so we have big players like those supermarkets who are dominating that. It is causing a market failure. A good example is bananas when we had the big cyclones in Queensland. When they became short of bananas, bananas went up in price. We had a massive drought, production dropped, and only at the end when supply was starting to get really short the supermarkets decided they would end the dollar a litre of milk. But over that time basically even if we just based on inflation it should have been at least at \$1.20 not taking into it anything else. That is the big problem that farmers have got to do. We also look at productivity increases over the past 10 years. The productivity increases have decreased over time.

The dairy industry has been a very big innovator. Dairy Australia provides heaps of the research and development and allows farmers to innovate. At some point when you are getting very low price increases because—the difficulty would be in New South Wales because we are a fresh milk market we have got to produce milk every day for the consumer and so it is a higher cost system compared to someone that does seasonal production and milks their cows when they have the feed. It is just higher cost if you have to keep a flat production curve and that is what some people do not quite understand. All of these things change how we look at the industry. From the dairy advocate point of view, it is a valuable initiative. As some of the other advocacy organisations raised, there are some things that we can fine tune on; make it more independent, possibly. I cannot argue with it. That is what I will comment. There are some good initiatives that they have put out and it is only in the short term so I cannot make any other comments.

The CHAIR: Referring to the cost of production and how we manage that better for farmer profitability, you were in the room when NSW Farmers talked about the US model of a ratio or a formula that probably means a fairer deal for farmers. What is your opinion on that? Have you seen the US model?

Mr NEAL: I have not seen it so I do not know how it works.

Mr VAN WEL: No, I am not familiar with that one. I know that Dairy Australia has done some work for Australian Dairy Farmers on a range of different proposals at one stage. I am not familiar that that was part of it.

The CHAIR: Mr Nation, do you have anything to add?

Mr NATION: It is clearly a vexed topic. Different countries have used different ways. It is remarkable how different countries use different approaches to support their agricultural industries and there in particular. I would not necessarily call the US approach a direct market support mechanism, but on the other hand I also agree with the sentiments of NSW Farmers that we need to better understand how the US supports its dairy farmers and what we can actually learn from that and what is of value in Australia. Again, it is not about the direct market support but the US, for example, has a range of sophisticated mechanisms where dairy farmers genuinely have a sense that the government is doing more to support that part of the supply chain.

The Hon. MICK VEITCH: Mr van Wel, you said ADF. It might help Hansard if you can tell us what that stands for.

Mr VAN WEL: Australian Dairy Farmers.

The Hon. PETER PRIMROSE: Have you heard anything about your application for the sector development grant and whether you have been successful?

Mr VAN WEL: I might jump in on that—only some brief comments, but I do not have complete clarity. I understand there may be some funding being available, but it is not clear to us at this stage. We are supporters of the grant but we are not the primary lead on it, so we would welcome some clarity on exactly what the position was. Within the submission we were asking for \$10 million. The thing that I have particularly been encouraged by in that application is it was just such a cross-industry support for the grant application. There was support from Dairy NSW, Dairy Australia, NSW Farmers, Dairy Connect, a number of large dairy farm organisations and the University of Sydney through its Dairy Research Foundation. I have often understood that the Government is looking for some clarity from the industry at times and to speak with one voice, and that to me is a great example

of the industry saying, "Look, this is something that we would really like you to support." The dairy advocate is also supporting that proposal.

The Hon. PETER PRIMROSE: How important would that \$10 million dollars be for the consortium to overcome what I read from just one sentence in the next paragraph here, which reads:

The dairy industry has achieved little in the way of productivity gains over the past decade and this is being further seriously eroded by climate change.

How important is that \$10 million to overcome those productivity issues?

Mr VAN WEL: It is critical, which is demonstrated by the fact that the signatory organisations have also put their hand in their pocket, both in kind and cash contributions, to stump up just a bit over the other \$10 million that we are seeking. So it is actually project funding of \$20 million to run these projects. They are very much aligned to what we have outlined in our submission. It includes the things that I think we have consistently heard today around that farm business skill set and the need for capable people within the industry. There is preparedness for climate risk and the business risk associated with that. There are animal welfare projects involved in that as well and maintaining the appropriate care across a range of potential systems. Of all the things we could have potentially come to the inquiry asking for, we were very select in saying that we see that \$10 million as really critical as one of the steps. As I say, the other one would be to continue to invest in extension in New South Wales.

The Hon. PETER PRIMROSE: We might come back to that in another forum.

The Hon. LOU AMATO: To carry on from the Hon. Peter Primrose, you mentioned investment, particularly in qualifications. I have noticed we have gone from a thousand-odd farms to now about 500, so we have lost half already. Most of the farms are owned by generation after generation. Are young people still entering the farms, or are they leaving because they fear losing those opportunities? If we lose those opportunities, obviously we will lose those skills.

Mr NEAL: As a fifth-generation farmer, the difficulty we have is that the low profitability of farms is a catch 22, if you know what I mean. What happens is the young people see how hard their parents are working for little return and thinking, "Okay." The thing is, a lot of farmers have a lot of money tied up in assets and debt. Consequently, it creates a lot of stress. If the returns are not there—it gets back to what I was saying about John Brumby. For all the effort farmers do, if you do not get a return it makes it very difficult to justify, if you know what I mean. Young people see that. That is the thing with what we are trying to do. The capability of the work force, like Paul said and David has also mentioned, is we need the young people to be in the industry, but we have got to provide a vision of how this is a successful industry.

The Hon. LOU AMATO: And also the opportunities.

Mr NEAL: That is true. As you have mentioned, because of the capital requirements it is hard for the younger people to get into the industry. We have come up with some proposals where they can get low-interest loans and things like that. When you are dealing with the banks, they want a fairly big deposit. That is a limitation for young people to get in because young people do not have a lot of assets to start with. Unless you are going to inherit the farm and you have got that backing behind you, getting into dairying is very difficult. There are processes you can start with as an employee, then a share farmer. So there are processes that you can do it, but it is difficult unless we fix up the profitability. Sadly, as was discussed, the profitability of the industry is directly related to the milk price a lot of the time.

The Hon. LOU AMATO: With your generic brands, the two main supermarkets—I think it was 67 per cent they hold of market share. Wesfarmers owns quite a few subsidiaries. Do the others also have shares or subsidiaries in the processors?

Mr NEAL: This is where it gets a bit confusing.

The Hon. LOU AMATO: I understand the legalities, but sometimes it is funny how you can get through the legal loopholes.

Mr NEAL: That is true. What I was trying to say is I am getting a bit far away from—that is more of an advocacy issue. My remit is research, development and extension. While I try and report what is actually occurring, I really have to leave the advocacy side to NSW Farmers and Dairy Connect. In our submission we have talked about profitability and where we can see the relationships and what has happened over time. That is the thing: The profitability has been relatively low in New South Wales. I have talked about that before. The average ranges from 0.7 per cent to 2.7 per cent. It is relatively low compared to what the supermarkets are

achieving at 15 per cent to 25 per cent. That shows you the market failure there. But I have to try to keep to my remit, otherwise I will be in trouble.

The Hon. MICK VEITCH: When you talk about extension, are you talking about the traditional extension services that were predominantly provided by what was then the Department of Primary Industries [DPI] or Department of Agriculture? Is that what you are talking about, or have you got a new vision about what extension services that are being delivered could look like into the future?

Mr NEAL: In the old days, which is not very long—they have had a bit of a restructure; we went to the Local Land Services kind of system—there were about 12 dairy officers in New South Wales. We do not really have those specialist dairy officers any more. What happened is we got generalists that kind of do a bit of agronomy, a bit of dairy, so you do not have those specialists. Dairying is complex.

The Hon. MICK VEITCH: Are you saying you would prefer to have, or there is a need for, those specialist dairy extension officers?

Mr NEAL: Yes, there is a need, because dairying is complex. Farmers are constantly evaluating a range of marginal responses and trying to get it right. The value of DPI staff is it is independent, if you know what I mean. The other thing that happens is young people go into the department, get trained up in extension and then go out consulting later on. That is generally the trend. If you do not have any extension people, young people getting trained up in the department, because they give them the good skills, if there are no dairy extension positions there, then later on in life we are not going to have any good extension people either. Because some of the best extension people you have were trained up in the department, if you know what I mean. And that was a valuable resource. The problem is when they went to that Local Land Services system, in Taree in my local area we had a dairy officer, we had a research agronomist, a district agronomist and a beef officer. Now we have only got one.

The Hon. MICK VEITCH: And they are responsible for all of that?

Mr NEAL: Yes. And that is the problem, the resources are dramatically decreased. If we want the kind of practice change, you have to have people there who are specialised in those skills overseeing the complexity of dairying. You cannot expect a generalist, who has to be over a number of different industries, to be able to sort all that out. Do you have anything to add, Paul?

Mr VAN WEL: Yes, just that the need for extension in terms of embedding practice change just constantly comes up. Essentially Dairy Australia, through the levy, is filling a lot of that gap in New South Wales. In other States, such as Victoria for example, there is significant investment in dairy within the State from the State Government there. There are some great examples of support from the State Government. The recent fires is an excellent example where not only was support available, but it was available quickly and LLS in the Bega area employed someone specifically who had dairy knowledge, which was a fantastic initiative. It meant that we had people on the ground during the fires who could give specific dairy advice when that area was affected. We have some people within DPI at present, one of our former staff in fact, supporting the farm business development, but they are few on the ground. I think that is our point, to really have the practice change and run things like this sector grant proposal and do the research. We then need people to be able to make sure that research gets embedded on farm in actual practice change.

The Hon. MICK VEITCH: Have you raised these issues with the advocate?

Mr NEAL: We have had many discussions with Dairy Connect. Because of that sector grant, when you go to look at the sector grant it has a lot of those extension things in it. That is why a lot of this extension kind of stuff is captured in there. The dairy industry has to be collaborative, because we have limited resources and we have got to use those as efficiently as possible. That is the value of that kind of role, it is basically everyone gives them the feedback and they have come up with that proposal, with other people as well.

The CHAIR: Thank you, gentlemen, both present and online. It has been very insightful. If you have taken any questions on notice the Committee secretariat will be in contact and you will have 21 days to respond.

(The witnesses withdrew.)

(Short adjournment)

MICHELLE GRAVOLIN, Chief Executive Officer, Vegan NSW, affirmed and examined

GREG McFARLANE, Director, Vegan Australia, affirmed and examined

ALEX VINCE, Campaign Director, Animal Liberation, before the Committee via teleconference, affirmed and examined

The CHAIR: Mr Vince, would you like to give a short opening statement?

Mr VINCE: Yes, I would. Thank you. I would like to begin by acknowledging that I speak to the Committee today from the land of the Dharug people of the Eora nation. On behalf of Animal Liberation I would like to thank the Committee for the invitation to today's hearing and I appreciate the opportunity to provide the following opening statement for the Committee's consideration. Throughout our four-decade long history as Australia's leading animal rights organisation we have witnessed a sea change in attitudes to animals. Awareness of animal issues is rising exponentially. We believe that this is in no small part due to the ease with which consumers can access information they may have otherwise been unable to in the past. A core component of our mission is to provide this information so that Australia can make informed decisions.

Throughout our existence we have seen firsthand that our species is prone to biases in judgment and decision-making. For some time it has been quite clear that the choices we make concerning the diet we take impact upon the environment and these are not trivial or inconsequential. They can lead to significant ecological damage or harm. But the bias makes it difficult to see the scale and severity of such harm when our everyday choices seem insignificant or unimportant. But they are equally as serious to those under our feet as well. The choice of course that we remove the newborn calves' mouths from the mother's teat on day dot, to kill unprofitable sons within days of drawing breath, or add daughters to the dairy cycle, are our bread and daily butter. It is why we exist. But we cannot stand by as those same choices and their ramifications seriously threaten the security, future and welfare of our vulnerable environment and the livelihoods of every living organism depending upon it.

Finally, we believe that reform simply will not and cannot work. We believe that sustainability is important and will only become more compelling in the near future. As the population expands these choices become ever more emerging. Avoiding the consumption of animal products has been recognised as the most direct and impactful way we can reduce harmful impacts on the earth and its increasingly finite resources. We believe we will soon be summoned at a similar inquiry into establishing a secure and a plant-based future and we will welcome an invitation by this Committee with open arms. Thank you.

The CHAIR: Thank you. Mr McFarlane?

Mr McFARLANE: Thank you for allowing me to speak on behalf of Vegan Australia. Times are changing rapidly. For the last decade Vegan Australia has been putting forward a vegan animal rights position to inquiries around Australia. Four years ago Vegan Australia appeared before a hearing of a productivity caps commission inquiry into agriculture. We presented the case that it was time for the animal agriculture industry to be phased out in order to avoid animal suffering, to prevent damage to the environment, and to improve human health. Out of all of the submissions received by that inquiry, Vegan Australia's was the only one that called for the end of animal agriculture.

The current inquiry has about the same number of submissions, but now the majority of these call for an end to the damage and suffering caused by the animal agriculture industry. I mention this to show that the public is increasingly concerned about the negative impacts of animal agriculture, including the dairy industry. The Productivity Commission's report acknowledged that, "There are some Australians who do not consider it appropriate to use animals for commercial purposes." It also acknowledged the movement advocating for animals to be able to live free from human use. Even 10 years ago these ideas were unheard of. Now, the numbers are growing rapidly and this is contributing to the falling demand for animal products, including dairy products.

I read through a number of the submissions to this inquiry. Many of them give excellent explanations of how the dairy industry is unsustainable, environmentally, economically and ethically. They also describe how dairy is an inefficient use of resources and how dairy products can have negative effects on human health. As Dairy Connect says in its submission, dairy farming is resource intensive requiring land for grazing, fodder, water, energy and transport. A common proposal in many submissions was a transition of the dairy industry into other forms of land use. Some of these submissions are even written by dairy farmers who have moved out of the industry. In conclusion, for all the reasons given in our and others' submissions we recommend that we begin to transition dairy farming to plant-based farming and other uses of the land, such as green energy, ecological services, carbon farming and revegetation for biodiversity. The transition should be supported and funded by the

Government and society as a whole. I am happy to answer any questions about Vegan Australia's submission, including on the environmental, economic and health aspects of the dairy industry. Thank you.

The CHAIR: Ms Gravalin?

Ms GRAVOLIN: It is an honour to speak to this Committee. I thank you for your invitation. I acknowledge that I am speaking to you on the lands of the Gadigal people of the Eora nation and extend my respect to their Elders past, present and future. Although dairy is a traditional part of many of the cultures that contribute to New South Wales, the industry is currently under great scrutiny and challenge, as we have heard, as the public increasingly come to recognise the impost on the animals used by the industry as well its impact on our natural environment, resources and climate. Now that it is clear that dairy products are not essential to human health, alternative forms of dairy products are increasingly available and popular. What is the Government's role here? My great-grandfather and his father before him lived on the vast lands of the Wiradjuri people in western New South Wales. They arrived in Cootamundra to help build the railway and made a home in Harden to shoe horses and build carriages. There is no longer much call for carriage makers or blacksmiths. This is but one example of many changes to industry over time.

Vegan NSW is not only concerned about animals. We are also concerned about the people directly affected when industries face declining support and hence viability. We urge the New South Wales Government to act now to assist all those in the dairy and associated industries to prepare for and adapt to the changing social landscape. In doing so, the Government would be supporting the industry to transition in a dignified way and contributing to eliminating the unnecessary harm this industry causes to animals and our environment. I support efforts to ensure nutrition of children such as school breakfast programs, but not when that support is at the cost of providing an unfair advantage to an industry that actually creates the harms that we have described.

The Hon. EMMA HURST: In your submission, Mr McFarlane, you mentioned that the dairy industry exists mostly entirely on land that is also suitable for plant-based agriculture. You propose that this is beneficial for dairy farmers who are looking to transition into something more sustainable and profitable. Can you talk us through what that transformation would look like?

Mr McFARLANE: I think there is a lot of overlap between the lands that dairy farmers use and the land that is arable and could be used for crops or other plant foods. I do not propose that there be a one-for-one transition of a particular farm to a particular plant agriculture. There is a number of different kinds of other uses of land that we could use. For example, the Northern Rivers used to be a very large dairy industry. It was forested, I think, a hundred or more years ago with amazing rainforests and red cedar. That was all chopped down. Then it became dairy. Now people are using that land to grow macadamia trees and some of them are actually processing the macadamia nuts onsite and making macadamia milk. There would be other uses, including vegetable and fruit tree growing. Outside of traditional agriculture, we could re-use land like that for re-growing the natural environment and the rainforests that were in that area to allow for species that are on the brink of extinction to come back. We could use it for carbon farming in both growing trees and also forms of biochar or in-ground carbon capture.

The Hon. EMMA HURST: Your submission also mentions that in the US there are already organisations that are helping dairy farmers to transition into plant-based farming. Are you able to give us a little bit of information about those programs that are already happening in the US?

Mr McFARLANE: Not in detail. I can get back to you on that if you like.

The Hon. EMMA HURST: Could you take that on notice and provide us a bit more information?

Mr McFARLANE: Yes.

The Hon. EMMA HURST: What do you see are the benefits for—say, if there are dairy farmers who are voluntarily wanting to get out of this industry and who would be, as your suggestion, helped to transform into plant-based agriculture, what would be the benefits?

Mr McFARLANE: Well, we heard from most of the speakers today about how hard dairying is. It is a hard job. They make little money at the moment. I think it would be beneficial to the farmers. We have also heard people talking about the mental health issues of people in dairying, the workers and the farmers. That would be one benefit if they could move into some sort of plant farming. It is probably a little bit easier on their bodies and they do not have to get up so early. It would also have environmental benefits. Animal agriculture in general is a high contributor to greenhouse gases. There is a lot of manure run-off and land clearing. In general over 50 per cent of the land in Australia is used by the animal agriculture industry. A lot of that could be regenerated and reforested.

There would be efficiency gains. I think there were some industry comments on the fact that energy use is 20 per cent of the costs on the dairy farm. There are other externalities. They bring in fodder and grain, so that uses land for growing that. For a fairly inefficient way of converting plant products or plants into foods that we can eat—the ratio is pretty low. I do not know the exact figures, but it takes a number of kilograms of grain, feed and fodder to produce a litre of milk. If we use that land to grow plants directly and avoid the environmental and energy costs of dairying, we could provide nutritious foods.

The Hon. EMMA HURST: There were a couple of comments this morning in regard to truth in labelling. This is open to any of the witnesses today. There were concerns that consumers were being confused by the different range of plant milk alternatives and cows milk. Have you seen any evidence of confusion with consumers? Do you have any thoughts around that?

Ms GRAVOLIN: Initially, I was confused and perhaps offended on behalf of consumers about that comment. I think that people are very able to read the difference between milk that begins as breastmilk of a cow, sheep or goat and many of the other forms of milk. I do not think it is incorrectly using the word. I grew up using the words "coconut milk". There has been no confusion in my mind at least and I do not think other people—there has been no objection from the industry about using the words "coconut milk" over many decades that I have ever heard of. I think that it is just a ploy by the industry and is self-serving. It seems to me a way of trying to avoid the issues that are really facing them, which is the criticism that they are receiving in other ways. There was also a comment by the same person that perhaps mothers have mistaken and fed their child plant-based milks instead of dairy milks as an infant and that has led to harm.

First of all, nutrition amongst children is not just held within one group of people; malnutrition is the experience across the population, not just in particular diets. I would also like to say that dairy milk is terribly inadequate for feeding an infant. Most people are well aware that you cannot feed a baby the breastmilk of a cow and feel that that is adequate for a human child and that if they cannot have their own mother's milk then they need a formula—that is very well known as far as I am aware. So I was confused by her comments, to be honest.

The Hon. LOU AMATO: What formula is that?

Ms GRAVOLIN: They need a commercially available and approved formula.

The Hon. LOU AMATO: And that comes from where? Where does that formula come from? It is derived from where?

Ms GRAVOLIN: I am not quite sure what you mean, sorry.

The Hon. LOU AMATO: The formula—

The Hon. EMMA HURST: He means what ingredients are in it.

The Hon. LOU AMATO: Yes, what ingredients in the formula.

Ms GRAVOLIN: There is a range of formulas available. What I am saying is that if a child—

The Hon. EMMA HURST: Some of them are plant-based, Lou.

Ms GRAVOLIN: Some of them are plant-based, some of them are animal-based; breastmilk from animals, some of them are based from plants.

The CHAIR: Can I just jump in on a question about the labelling? Mr McFarlane, in your submission you suggest that certain information should be provided on milk cartons and you go through a long list and you outline animal welfare concerns about what happens during the process of dairy farming. Noting that labelling is a Federal issue, where does this end? Do we start looking at plant-based agriculture like soy and how that causes deforestation and displacement of animals? Do we include those labels on those products? Where do we draw the line in issuing consumer advice about the impact of a product, whether it be animal-based, plant-based, synthetically made, in terms of its impact on the environment?

Mr McFARLANE: I think, environmentally, labelling is a great idea. That should be something that governments should seriously think about, particularly with climate change as it is. In general, you will find that animal products will rate a lot worse as far as environmental concerns than plant products. In general, some have been brought up as maybe a difficulty—almonds and soya have been a couple. I think soy has been unfairly blamed. People often talk about the Amazon and the destruction of the forests there and that soy is grown. Nearly all of that soy goes to the US and is fed to animals; very little of it actually ends up as soy milk for vegans or anyone. But I think we could expand labelling to environmental, to health—there is a proposal which has four

parts to it that has different ways that food can cause harm—because the consumer should have full knowledge of what is going on so that they can make a decision.

The CHAIR: How much do we cram on the label, I guess is my question? My question is, where does it end in terms of putting advice on labels as opposed to allowing the consumer to do their own research rather than having the concept thrust in their face? That was my point.

Mr McFARLANE: We do not do it for medicines, for example. Labelling is there so people can be educated about what that product entails. This proposal with four separate components is just a little circle on the front of the box and each quadrant is a different kind of labelling, and that can be red, green or orange. If it is all green you know that it is good environmentally, it is good healthwise. I forget what the others are.

Ms GRAVOLIN: Animals.

Mr McFARLANE: Animals might be another aspect of that labelling.

The Hon. EMMA HURST: It would be kind of like we have health star ratings and things like that, but actually amalgamating it into one label so that people could see quite quickly. I got a dryer recently and it tells you the energy rating and all the rest of it. So it becomes a symbol. Is that what you are proposing?

Mr McFARLANE: Yes. It is a proposal not just that we have come up with; it is something that has been around for a while now. Then there is off-packaging labelling; you could have a short description on the back and then, say, a URL or a code on the back of the product that then sends you to the website and it gives you the full details. But I do not think we should be hiding anything just because it does not fit the packet.

The CHAIR: Ms Hurst, did you want to jump back in?

The Hon. EMMA HURST: Yes. I have a couple more questions. Something that came up this morning was a push from certain industries to get free milk back into schools. I am wondering if you have a response to that at all.

Ms GRAVOLIN: Yes. I tried to add that in. The nutrition of children is highly important. I do know that school milk turned my mother off dairy milk for life just because it was—

The CHAIR: Left in the sun.

Ms GRAVOLIN: —so terrible. I am not sure that I would be welcoming that back. But for me, the point of that would be about nutrition and I think school breakfast programs and things like that are very worthwhile. Kids need to have eaten and have good nutrition in order to learn effectively and it is a good check and balance in relation to child wellbeing. I think that what that speaker was proposing was not coming from that perspective because they were only trying to address calcium and also that calcium had to come from the breastmilk of animals. Whereas if they were truly concerned about children's wellbeing rather than their industry and the bottom dollar of their industry and trying to shore up their industry in that way, then they would be happy with whatever form of calcium was provided.

Obviously we know that that can be provided from a range of products. It does not need to be the breastmilk of cows that have been treated poorly like we have heard. It should also, in my view, include other nutrients. So I think that that is more of a self-serving argument rather than actually the wellbeing of children, which is what it was purporting. As we know, the *Australian Dietary Guidelines* state that a plant-based diet is nutritionally appropriate throughout the life cycle so long as it is well planned. Like every other diet, as long as it is well planned then it is nutritionally adequate.

The Hon. EMMA HURST: Ms Gravin, in your submission you also argue that rather than propping up the dairy industry the Government should be supporting and allocating water to farmers who are producing products with the most effective water use, such as low-water use crops. Can you expand particularly on the issue of water? Obviously we are a country of drought, so water is a big issue. How much water does the dairy industry use and what sort of crops do you find have much less water use?

Ms GRAVOLIN: I think if we are talking about milk production that oat milk and rice—maybe not rice—I think it is oat milk is much better in its ability and how much water it is using. Obviously this is a really important issue across New South Wales-Queensland, across everywhere. In Australia we are affected by drought. I have been told for decades that it seems to be occurring and it seems to be evidence based and accepted now largely that we do have an increase in drought. We should be focusing on supporting the industries that are living in the past in relation to the assumption of water.

We should cut our quotas to what we have. We should create our industries to suit the environment that we have and make use of it. Instead those industries seem to come back to you guys to ask for additional money and grants and all of those things. We can put that to much better use if we use the land for purposes that are most efficient in our use of water and our other resources. It seems to me that that is common sense. And can I emphasise that I acknowledge that this has been part of our culture, this has been part of our accepted status quo. There is no criticism of those people in those industries or those industries for being part of that but times change. One hundred years ago we did not have very many women in Parliament.

The Hon. EMMA HURST: We still don't.

Ms GRAVOLIN: Well, yes. Two hundred years ago we could not even vote. Times change; we learn, we develop. Our ethical insights change over time. I think that has become more evident as it has become more visible to the public what does happen behind closed doors. It is to animals—it is not acceptable, it is not accepted. I think we need to wake up and realise and grow with the times, like people have before us. One hundred years ago people were starting to move on the issue of women. Now there are still issues around women's equality, the higher levels of domestic violence. And good on you, guys, for supporting activities that actually are trying to tackle that and reduce that. We need to do the same for the environment and we need to do the same for how animals are treated. I am not here to create a problem for any industry. In fact, I think it would be wonderful if we could support those people just to move into another way of operating that is safer and not as harmful to the environment, to the people that are struggling in the industry and to the animals. I think we can encompass all of those things and create a better world.

The Hon. EMMA HURST: Mr Vince, the Committee has received submissions from other industry bodies about the health benefits of dairy but your submission actually questions and highlights some health problems associated with the consumption of dairy. Can you tell us a little bit more about that?

Mr VINCE: Yes, absolutely. I think the dairy industry is kind of our history, as Michelle has just said, but it encompasses primarily the consumption of animals. I think there is clinical and reliable evidence that suggests that the consumption of those products is harmful to ourselves and to the environment and to the animals themselves. In terms of dairy and the consumption of liquids, it is not only seen as something you use to quench your thirst, it is something that is functional and we need to have some sort of quality that we use to thrive. The rising incidences of intolerance—one example is the fact that there are alternatives and those alternatives are, as Michelle has mentioned, helpful and they have been recognised for, I think, perhaps over a decade in the *Australian Dietary Guidelines*.

The Hon. LOU AMATO: Perhaps you could enlighten me on a couple of things of interest. The United States of America Department of Agriculture reports that 90 per cent of soy grain is genetically modified—that has always been a bit of concern of mine—and to be resistant to Monsanto's herbicide Roundup, these Roundup ready crops pose a serious threat to both human health and the health of the environment. Do you know anything more about that?

Mr McFARLANE: As I mentioned, I think most soy is fed to farmed animals.

The Hon. LOU AMATO: But it is also marketed for human consumption.

Mr McFARLANE: Yes.

Ms GRAVOLIN: Is your question about the to date modification of soy and your concern?

The Hon. LOU AMATO: Perhaps you could tell the Committee if you know a bit more about GM crops and what sort of health risks are posed by them? More and more crops are being GM modified. We still do not really know the full effects of human health concerns.

Ms GRAVOLIN: I am not an expert on that but I would support the Committee to seek information and support research on whether that is—

The Hon. LOU AMATO: Yes, if you could find out. I will add another one. The University of California found, according to the Pesticide Action Network, that the United States Department of Agriculture Pesticide Data Program has found residues of nine different pesticides on almonds, five of which are toxic to honey bees, posing yet another threat to the environment. Are you aware of that at all?

Mr McFARLANE: Yes, I have heard things like that, that almonds can be a problem, yes. I imagine that similar sorts of products, artificial fertilisers are added into the feed—

The Hon. LOU AMATO: Yes, it is spliced into the gene of the plants.

Mr McFARLANE: Right, but I do not think that is a problem just for people who only eat plants. I believe that in Australia twice as much grain is fed to farmed animals as humans eat. So those sorts of problems with pesticides and whatever, it is a generic problem, it is not really something that is just about plant eating.

The Hon. LOU AMATO: Another curiosity: For almonds, I am talking about water consumption, it takes 67.5 litres, or 15 gallons of water in the US to produce 16 almonds.

Mr McFARLANE: So that tells us that we need to have signals back to the consumer about what are the harmful effects of different foods and if almonds are really bad, we should avoid them. But in general it is animal foods that are higher in water use than plant foods. I have a little graph here. I don't know if I can show it to you.

The CHAIR: Will you table it on notice?

Mr McFARLANE: Yes.

The CHAIR: Mr Vince, your submission went into greater detail in terms of the supposed health risks of dairy. You cited studies that looked at the consumption of dairy causing cancer. Are you aware of the 2019 meta-analysis that was done that looked at over 153 studies, of which the studies that you cited were included, looking at, collating and reviewing all the results in terms of dairy consumption and cancer?

Mr VINCE: No, I am not aware of it but I will definitely look into it.

The CHAIR: For your benefit, they reviewed 153 studies, 109 showed no evidence of association between dairy consumption and instances of cancer and 13 per cent actually showed a decrease with only 16 per cent showing an increase of cancers with dairy consumption. Does that concern you that perhaps the study you cited sits in the minority, given that if we are making decisions about what is healthy and what is nutritious and potentially what causes disease in humans we should look at the totality of evidence, not necessarily one study?

Mr VINCE: It is concerning to hear that. As I said, I have not had a chance to look at that particular study. Now that you have brought it my attention it is definitely something that I will be looking into. Thank you for that.

The CHAIR: I suggest you also look at the 2017 review of 52 clinical trials about dairy products and whether they were inversely associated with inflammatory markers. Given that information is a common, I guess, indication of modern disease, they found that dairy is actually anti-inflammatory. So it cannot be linked to many of these modern diseases.

Mr VINCE: Yes, I can understand why you were concerned with that. In my time I have done quite a bit of research and I have found that there are quite a lot of contradictions between papers. That is concerning because they are peer reviewed, for the most part, so there is evidence behind each of the claims. There is definitely a case to go and look at both of them side by side to reach a balanced conclusion, which is definitely what I will be doing.

The CHAIR: Yes, I think the problem is that there have been so many studies done about so many different foods causing cancers and then someone comes contradicts it and it is hard to know what is 100 per cent correct. But when you look at the 2019 review, being a meta analysis of 154, it has taken the totality of evidence, it has not just looked at one. I think that is what we should be more looking at in terms of nutrition and advice in terms of the impact of certain foods, whether it be animal or plant based.

Mr VINCE: I understand how [inaudible] but, as we have said, a plant-based diet is healthy and it is an option that is available to people, more so now that there is access and information available. It is not always based on health. That is one part of it. That is one reason that people choose to steer away from those products, but it is also the environment and animals issues as well. If we are going to cover those things in a [inaudible] manner, I think we should cover all of the reasons as well.

The Hon. LOU AMATO: Mr Vince, I have a question for you. Have you heard of carrageenan?

Mr VINCE: No, not particularly.

The Hon. LOU AMATO: It is a red seaweed. They use the extract and as a thickener in soy milk, coconut milk and different food products. Apparently it is a potential carcinogen.

Mr VINCE: I am not aware of that, sorry.

The Hon. SAM FARRAWAY: Firstly, to Vegan NSW, I have gone through your submission and I have a couple of points. Is it fair to say that Vegan NSW's view is that dairy farming should be phased out completely?

Ms GRAVOLIN: Yes.

The Hon. SAM FARRAWAY: I suppose I would ask who and how would you implement that, and who would actually pay for that transition?

Ms GRAVOLIN: It depends on whether the Parliament is concerned about the people within that industry. There has not been a great history of Australian governments supporting industries that are on the decline, if we look at the car, manufacturing and clothing industries. I think that is something that a responsible government would do: it would provide support to those industries that are facing challenge and viability issues, which we have heard throughout the day, and it would support the people within those industries to transition out so that they can have a life and financial wellbeing.

The Hon. SAM FARRAWAY: I say this respectfully. There are almost 8 million people in the State of New South Wales and your organisation, Vegan NSW, represents or engages with about 10,000 people. Would it be fair to say—and I make this assumption, which is why I will pose the question—that your representation is a little bit disproportionate versus the population of New South Wales? The evidence on consumer public sentiment around dairy farming and milk products in general is probably not quite aligned with what you are proposing here.

Ms GRAVOLIN: I think there are a lot of people who are concerned about animal welfare who are perhaps not as informed as others. You have had another whole inquiry about how hidden the animal agriculture industry is, but what we find is that when people become aware of what is happening to animals, they do become very concerned and a lot of people change their lifelong habits. My favourite food was cow's milk. That was something that I ate a lot. I did not drink coffee for six months after I heard what happened, because initially I did not like soy milk, but it was important to me and I have found that it is important to many people.

I was horrified when I heard how animals are treated. I looked back and I could remember instances that I had witnessed in my life on farms and I realised. I think if everyone have that opportunity, and if laws were not actually being developed and implemented to try to stop that public awareness, then the larger population would have a chance to be aware of this and to make an informed choice. At the moment most of those people that you are talking about do not have the opportunity to make an informed choice or decision around this issue.

The Hon. SAM FARRAWAY: I would probably tend to disagree with that, but that is okay. I will move to another topic in your submission. Vegan NSW has proposed, or has commented, that it believes that water allocation for the ag sector in particular in the Murray-Darling Basin system—but let us just say it is water allocation in general—and I quote, "should be allocated to farmers who are producing products with the most effective water usage, such as low water use crops." That is not quite how water licensing works. How far do you want to take that? For me, when I look at a government of any political persuasion in any jurisdiction trying to dictate to water licence holders what crop they will produce in whatever part of the ag industry, do you really think that is government's role? The public and community sentiment, as we just touched on—10,000 people in a population of 8 million in this State—means that it is not as if you are representing a majority. Hearing from industry earlier today, I just do not see enough evidence to back up those claims, nor any major references in your submission.

Ms GRAVOLIN: You have brought up a number of issues. Just going back to representation, this is part of the democratic process, so that we can have a voice in relation to this. You also mentioned how the water allocation system works. I suppose I am not making a comment on how it works; I am making a comment on what we should work towards. The Government, as you know, has a number of different levers that it uses to encourage certain things and to discourage others, and you openly use those levers through the taxation system or through the grants system. I would leave it to you on how you would suggest that, but we have a big problem with climate change and we need to be looking at how we allocate and use water. I think you have at your disposal ways of doing that.

The Hon. SAM FARRAWAY: The point I was making is that it is a very slippery slope if you are going to make any suggestion to a government of any persuasion to start dictating water allocation based on water usage when we have a licensing system in place. There would be severe consequences to the ag sector more broadly, but I get your point. You are absolutely 100 per cent right, this is a democracy and you are well and truly here to have your say.

The Hon. MICK VEITCH: Rice growers have not talked to you? Rice growers have not called you and had conversations?

The Hon. SAM FARRAWAY: I talk to all of them.

The Hon. EMMA HURST: Ms Gravalin, did you have something to add to that?

The Hon. SAM FARRAWAY: You do not want to talk about almond trees, because that is a whole other thing. It is all the same topic.

The Hon. EMMA HURST: Sorry. Ms Gravolin, did you have something to add to that? You looked like you were about to say something.

Ms GRAVOLIN: Yes, but I have lost it. I am sorry. What was I saying?

The Hon. EMMA HURST: Can I ask a follow-up question?

The CHAIR: It will probably have to be the last one.

The Hon. EMMA HURST: The honourable member mentioned that you represent 10,000 people, but some of the other submissions we have received say that the supermarkets are seeing a major shift and a drop in the sale of dairy and an increase in the sale of plant-based milks. I assume that your organisation does not represent all of those consumers, but you represent 10,000 people who specifically wanted to join a vegan representing group in New South Wales, which is quite specific and quite different from perhaps the people that you are talking to.

Ms GRAVOLIN: Yes, I think that we can also look to the trends and what is happening across the population. You know, people are moving away from consuming dairy products for a number of reasons. The way animals are used and abused in the system is one of them. And there is a lot of those people. That is a well-known trend globally and I think the dairy industry is rightfully concerned about that trend.

The CHAIR: Mr Farraway, did you have any other questions? You looked like you were—

The Hon. SAM FARRAWAY: Ms Hurst has put me off track now too. No, I will come back if that is alright.

The CHAIR: Mr Veitch or Mr Primrose?

The Hon. MICK VEITCH: I just have a couple of questions which I will try to explore around transitioning. If there was to be a transitioning of dairy farming into other agricultural pursuits, as has been proposed, I think, by Mr McFarlane but supported by the other panel members—Mr McFarlane, I do not want to misquote you so if I am incorrect, pull me up, but I think in your opening statement you said this transition could be funded via government support but also there would be community support for such a measure. Are you suggesting that the community should also be involved in funding a transition?

Mr McFARLANE: In my view the Government is the community—it represents the community. So society as a whole often acts through the Government as their voice. But just to pre-empt some questions, while we are asking for a transition in the dairy industry or in the animal agriculture industry, we do not want to end up with no animal agriculture in Australia and yet a high demand and so we import all of those things. So we have to balance supply and demand. Part of the role of the Government is to educate people about how to live healthily on a vegan diet, how to encourage, say, the school breakfast programs so that as the animal agriculture industry declines so does demand and by the end of a certain period we live in a vegan world.

The Hon. MICK VEITCH: Do you think there will come a time where the citizens of Australia or New South Wales will not consume animal product or dairy meat at all?

Mr McFARLANE: Yes, I think that is a good goal, the zero goal. It reminds me—

The Hon. MICK VEITCH: So an aspirational target.

Mr McFARLANE: Well, it reminds me there is a current campaign by the people who look after road accidents and I think it is called Towards Zero.

The Hon. MICK VEITCH: Yes, that is right.

Mr McFARLANE: Now are you going to tell me that we will ever have zero deaths on the road? But it is a target and that is similar to what we are saying, that we cannot stop until animals' rights to life, body and freedom have all been respected.

The Hon. MICK VEITCH: If we transition away from dairy farming and we will still have some people consuming dairy it would mean we would have to bring it in from other countries.

Mr McFARLANE: Yes, and that is the thing I am trying to avoid.

The Hon. SAM FARRAWAY: How?

Mr McFARLANE: At the moment the marketing by the meat, dairy and egg industries is pretty big. People see it. They have got Kentucky Fried Chicken all over the place. So they are encouraged to eat animal products. If we can move that encouragement towards animal products—and there are some excellent substitutes for all of those now—then we can, along with the declining animal agriculture industry, have people improving their diet, a healthier diet and less animal products. And that is a goal I think for even the Australian Dietary Guidelines, to eat less meat.

The Hon. MICK VEITCH: I am pretty big on consumer information and people making their own decisions and I think there are a number of ways around labelling that can accommodate the information for consumers to make an informed decision. But having said that, that does not mean that everyone who reads the information is going to subscribe to your view. Clearly Mr Faraway with the same information presented to him will have a different view to you, so at some point in time—if all the dairy industry goes, I guess what I am saying is we are going to have to import milk.

Whilst we have a dairy industry in Australia we—politicians—can at least provide some regulatory reform around ensuring that that milk is produced humanely and ethically for those who wish to consume the dairy product. Whereas if it comes from another country we really cannot exercise—other than maybe some trade arrangements, which the Chinese get a bit annoyed about, for instance. So I think we lose the capacity then to ensure that there is an ethical and humane production process for the supply, for those people who have read the information decided they want a dairy-based diet.

Mr McFARLANE: That is why the vegan movement for the last 70 years has concentrated on trying to reduce demand. They are trying to make more vegans. They are trying to educate people about the reasons why we should avoid harming animals. And that is something we continue to do. This is kind of getting into the production side and trying to help people move out of that and into other areas. This is something fairly new in this movement but I think they can go together towards the sort of world we are looking for.

The Hon. MICK VEITCH: Yes, but again that transition process, most aspirational targets do not have a time frame but they would like to get there eventually. There are other targets where a time frame is put on them. Do you have an idea about how long you think this will take? If you were to transition the dairy industry away, how long will it take?

Mr McFARLANE: In all of our submissions that we have made over the years we put a limit of 10 years because I think there are economic issues, like if the animal industry is phased out then you have got production issues, you have got employment issues, you have got how to use the land. And I believe currently the animal agriculture industry is about 1.5 per cent of the GDP in Australia. So if we went over 10 years we would need to reallocate employment and economic production at about 0.1 per cent per year. And I think that is doable. It needs the economic, political and public will to do that, so I am not saying we start today but once—it is not going to be hard.

The Hon. MICK VEITCH: You may not have this to hand so do not feel like I want you to go away and do this work, but you may. For that to happen you would appreciate, if you want government involvement in the process to fund the transition, there has already been substantial funds or capital expenditure undertaken on those dairy operations to get themselves up and running. To move them out of that you just cannot leave them with the debt, essentially, of that initial expenditure or their ongoing expenditure, their debt levels. Is there any modelling you can point us to where the Committee can look at the funding of this? What are we talking about? Are we talking about \$1 billion over 10 years? Are we talking about \$10 billion over 10 years? When you say "a transition" Opposition and Government members will actually at some stage sit on the Treasury benches and they are going to have to make a financial decision as well as other decisions. The formula for a decision becomes quite big. So I would be keen. Can you point us in the direction of any dollars?

Mr McFARLANE: No, we do not. We have not modelled the cost of that. I guess it would be of the order of 0.1 per cent of GDP per year. It is a bit like saying that if we had started 20 years ago phasing out fossil fuel electricity generation and moved into renewables then by now we would have spent 1 per cent of the GDP every year for 10 years and then we would be at a point where we virtually have free energy. So it is putting that capital in over that period of time and then at the end of it we will end up with a much better world. But I will take that on notice to try to get figures.

The Hon. MICK VEITCH: I am happy. As part of this conversation we have got to respect each other's views about where this goes but for the decision-makers it is pretty important because it is not just us. This is an impact on dairy farmers. It is an impact on the people in New South Wales who with the information in front of them will make a decision to still consume dairy or even animal products. So the decision-makers around the table

here have to come to a position on this and say, "We respect your views and welcome you to be here but also if you can assist in any way." Ms Gravalin, I think you had something you were busting to say.

Ms GRAVOLIN: Yes, I was thinking that if I was in a position to be looking at this I would be looking at all industries that have an impact on climate, do modelling not just on the dairy industry but also looking at the other industries and have a government-wide approach to not providing subsidies to industries that are going to necessarily need to decline to meet our climate targets and starting to boost those other industries. I think that whatever money you put towards—why do we not start by taking away any subsidies that there are now and put that money—It also needs to be about demand-side strategies, not letting the dairy industry capture the school health program, or not providing subsidies to industries or ceasing water allocation, changing the water allocation rules so that any new licences must be things that are in the lesser use of water per product that can be produced.

Dairy is just one part of a big puzzle that we are confronting as a nation, as a State, as a global community and how we are going to address climate change, and how we are going to change our relationship with animals that at the moment is around ownership. We have all the power, we can decide what kinds of harm we can give to them and make it legal to do that. Some of the things that are legally allowed to be done to farm animals you could not do to a dog in Macquarie Street without getting arrested, but we are allowed to do that to farmed animals. Why? There is no logical reason unless you are looking at power and people wanting to make a profit out of the bodies and the harms done to these animals, which we purport to love. I believe that people who eat animals do also have affection and care for animals. I just feel that it could be better. I do not want to receive personally the sort of love and affection that means that someone would eat me.

The CHAIR: Thank you all for your contributions and appearing today, whether in person or online. If you have taken questions on notice, I believe some of you have, the Committee secretariat will be in touch and you will have 21 days to respond. Once again, thank you for attending today.

(The witnesses withdrew.)

JACKIE NORMAN, before the Committee via videoconference, affirmed and examined

The CHAIR: Would you like to start with a short opening statement?

Mrs NORMAN: Sure. Thank you very much for the opportunity to speak today. I am based in New Zealand. I am a freelance writer and author, a vegan cookbook being one of those books. I also work fulltime for a global non-profit organisation called Vegan FTA. Today I am representing around 400,000 people, all of them vegans. I am also a former dairy and beef farmer of 18 years and I have worked and managed farms all over New Zealand. Since 2017, however, I have been using my years of insight and experience to speak out against the industry I was once a part of. To date I have worked with such organisations as SAFE, Free From Harm, SURGE, Refarm'd and Switch4Good, to name just a few. I am very fortunate to have a voice on a global platform and I am committed to using it to inform and educate the public on the realities of the dairy industry. I am not someone who has the wool pulled over my eyes.

The kind of key messages that I am trying to get across from my submission and speaking today is that we need to encourage dairy farmers to find something else. We need them more than ever. We need them, with the pandemic and everything, we need to build resilience through biodiversity and we need them more than ever. We need to empower them but to farm something that is cruelty free and sustainable. Dairy farming is cruel and unsustainable. Taking babies from their mothers and abusing and exploiting their reproductive systems and their bodies is inhumane. We are the only species in the world which consumes milk after weaning, and that is milk of another species. As we have spoken about, humans do not need dairy. Around 65 per cent to 75 per cent of the world is lactose intolerant. And casein, which I heard mentioned before, is comprised of 80 per cent of cows milk and it is actually the most relevant chemical carcinogen that is ever identified. I have actually done a course this year in plant-based nutrition through Cornell University and I have all the statistics that you could possibly want for and information, which I am happy to provide.

My recommendation, after working through 18 years of dairy farming and doing what I do now and learning all about what we need to do for the future, is please learn what not to do from New Zealand. We are shelling out billions of dollars. I know you have had a lot of speakers today saying we need money for this, we need subsidies for that, we are throwing away billions of dollars on subsidies to prop up dairy farming. We are paying out more than what the industry is even earning. My recommendation, learn what not to do from us and if you can I highly recommend reading The Green Protein Report. That is something that I am more than happy to provide. It was developed by the New Zealand Vegan Society, or members of. The Green Protein Report details the state of New Zealand and is an absolute must read. It clearly details what government needs to do to support farmers and create change, not just in New Zealand but globally. It has recommendations and planned strategies for retailers, schools, restaurants, eateries, hospitals and medical practitioners. Growing plants is sustainable. While almonds and soy beans may be controversial, at least they are not abused, forcibly impregnated and they do not have their babies taken from them. Thank you.

The Hon. EMMA HURST: Could I start by asking if you can table The Green Protein Report that you mentioned?

Mrs NORMAN: Absolutely.

The Hon. EMMA HURST: You also mentioned some research around health issues. This is something that has come up a little bit in this last session, questioning some of that research. Can you talk us through some of the research that you have looked at, and are you also happy to table some of those references?

Mrs NORMAN: Absolutely. I am going to see if I can get a bit of help with turning the volume up, sorry. Yes, as mentioned, I did a course this year, I graduated from Cornell University during lockdown, doing a course in plant-based nutrition, and that was a course which was studied by a doctor called T Collin Campbell. He wrote a book, very well known and respected book, called The China Study. That comprises about 60 years of his research into the global effect of animal proteins and how they cause cancer. I have stacks of information I can provide on that. We also did a lot of study with another well known doctor, Caldwell B Esselstyn Junior, into heart disease and how animal proteins cause heart disease. I can send you many transcripts of the things that I learnt during that time, that is fine, it is all available.

The Hon. EMMA HURST: Thank you, that would be fantastic. A couple of these organisations that you mention that you have worked with, Switch4Good and Refarm'd, what are these organisations actually doing on the ground in regards to the dairy industry?

Mrs NORMAN: Switch4Good is actually a collaboration of Olympic athletes who have all switched to a plant-based diet and really their message is to ditch dairy. They have been doing very large work on campaigns encouraging people to get rid of milk and dairy products from their diet and have been showcasing how much better they are doing with their sporting and athletic abilities through not consuming it. It has been proven that animal products do not speed up recovery—and, yes, just really good. I do not know if you have seen the James Cameron documentary, *The Game Changers*, at all. This is another one that is really good to watch. It shows the effects that animal proteins have on the body very well.

The Hon. EMMA HURST: You say in your submission that a lot of dairy farmers feel trapped. What do you mean by that?

Mrs NORMAN: It can be a drudge. I mean, I know. I did it. I lost almost two decades of my life just getting up in the morning and milking cows. But you think that that is all there is to do. You are so intent on the goal and just climbing that farming ladder and meeting those production goals. You think that is the way it has to be. I know farmers who were in debt to the bank for \$4 million before they were 30. That is something that we really need to support farmers on because there are farmers who would like to make a transition to farm something else, but when you are in \$4 million of debt or whatever to the bank, which apparently is small change according to some of the farmers I have spoken to, it is pretty hard to go to your bank manager and say, "You know that \$4 million I borrowed from you to grow my dairy farm? I don't want to do that anymore." What are they supposed to do? How do they make banks listen when they say that they want to grow hemp, oats and that kind of thing? I am not an expert on that at all. That is not something that I have looked into because I am out of the industry. These are the kind of problems that farmers do face. They do feel trapped. It is like, "Yes, I would love to do something else but I can't. Look at this debt that I have amassed. What I do with all these hundreds of cows?"

The Hon. EMMA HURST: We have heard a little bit in the last session about programs overseas that are actually helping farmers to transform out of the dairy industry. What sort of support is being provided and what sort of support do you think would be useful to provide to farmers who wanted to transform out of dairy?

Mrs NORMAN: Again, it is not something that I have really looked into myself, but *The Green Protein Report* that I mentioned and will send through to you has got some excellent ideas. Basically a lot of the—when I became vegan it obviously created a bit of a stir with the farming people that I knew. They would say to me, "Look at these hills. What am I supposed to grow on this?" We definitely need to help farmers with suggestions and actually find out what else they then can then grow because, like you were saying, they do feel trapped and that there is no other way. But once upon a time before we flattened all the earth and put it into pasture other things did grow on there. I am sure that most soils are suitable for growing something. There are organisations such as Kiss the Ground. They talk a lot about regenerative farming. That is a global organisation. They have actually just released a documentary movie about that as well. There is also Refarmed, which I spoke about, which is a another organisation that helps farmers transition. While I write for them about my dairy farming experience, I have not worked with them on that side of things. But there are a lot of good things happening.

The Hon. EMMA HURST: Based on your experience as a dairy farmer, do you think that the industry is sustainable?

Mrs NORMAN: No.

The Hon. EMMA HURST: Why not?

Mrs NORMAN: Public awareness is changing. As I said, you can learn what not to do from New Zealand. It is a shame that Dr Mike Joy cannot be here today because he is the walking oracle on the effects of dairy farming. You know, for example, we have pretty much the highest rate of colorectal cancer in the world. That comes from nitrate in the water that has been leached by the dairy farms into our waterways. We have the highest rate of threatened extinction—I think three-quarters of our native fish are threatened with extinction. You know, they are poisoned. They cannot survive in our waterways. Our waterways are not safe to swim in. In a lot of the country the water is not safe to drink, particularly in areas such as Canterbury and Southland and the Waikato. The heavier farmed the area the worse the water quality is and the more dangerous it is. It has been linked to colorectal cancer.

That is a big concern, but also the public are waking up to animal cruelty. There are more people speaking out. There are activists going out there—who get called militants and all this, but they are just trying to show what happens because it is not right. It is not humane. People do not realise that for a cow to give milk she has to give birth and that baby gets taken away from her and a lot of the time—in New Zealand we kill 1.6 million bobby calves every year. That is so people can have milk in their coffee or ice cream. People are waking up to that kind of thing. It is not something they want to be part of. It is something they do not have to be part of anymore because

there are so many great plant milks. Perhaps if people do not want to have almonds or soy on their conscience, then there are oat milks or hemp milks. There are more products coming out all the time and a lot of companies that are investing in them as well globally.

The Hon. EMMA HURST: We have heard from other witnesses that the Australian dairy industry is struggling to attract workers. Based on your experience, why do you think that is?

Mrs NORMAN: Times have changed a lot, for a start. When I started I was 19 years old and it was a very desirable industry. The money was good and it was something that everybody did. But I think the youth of today are different. They do not want to get up at four or five o'clock in the morning and go and milk cows. They do not want to give up their weekends. They do not want to work such long hours. Like I said in my submission one of my greatest—not greatest but one of my most vivid—memories was eating fish finger sandwiches in the bath because that was all we would get time to eat. We would be working sometimes 18-hour days. Today's young people do not want to do that anymore. I do not know what the money is like these days to get people to milk cows. Back when I did it, it was very good. I guess with the payouts to dairy farmers not being so great either, it is hard to get good reliable workers. As somebody else said, especially with COVID-19, it is harder to get good workers now because most of the people that are willing to do the work come from overseas and that is not an option anymore.

The Hon. EMMA HURST: Have you heard through your more recent work within a variety of organisations that you listed whether there is a growing demand for these plant-based alternatives?

Mrs NORMAN: Absolutely. It is a huge thing. I actually work with quite a lot of high-profile vegans and change-makers around the world. One of them, Matthew Glover—he was a founder of Veganuary and also Million Dollar Vegan. They were an organisation who approached the Pope to go vegan and offered a million dollars for him to do that, but his latest is Veg Capital. That is a new venture. They invest in—it is not just him. I mean, Matthew Glover is one such example, but there are some big companies and influential people that are really putting their money into plant-based milks and other plant-based alternatives. Yes, it is growing hugely. I should have found out how much it was so I could tell you, but it is big. It is not going to go away.

The Hon. EMMA HURST: Is that affecting the sustainability and future of the dairy industry? Is that because people are actually switching their purchases?

Mrs NORMAN: Absolutely. Some 65 to 75 per cent of the world's population is lactose intolerant so people are realising over the years—maybe even sort of 20 years ago there was only soy milk available. It was not that great back then. But things have changed so much. We have so many different milks that are tasty. It is either—if they are lactose intolerant, they realise that there is something else that they can have that is really quite palatable. Instead of dairy yoghurt, there is coconut yoghurt, which is delicious. People do not need it. They have got their conscience, whether it is for animal welfare or doing it for the environment, or just health reasons in all forms as well, not just lactose intolerance but those who know about casein and that kind of thing.

The Hon. EMMA HURST: I think you mentioned that you might be able to give us some data on the increasing demand for plant milks globally. Can you take that on notice?

Mrs NORMAN: Sure.

The Hon. EMMA HURST: That would be fantastic. Can you also talk to us a little bit about the mental health issues and stress that you observed for the people who are working in the dairy industry and your concerns around that?

Mrs NORMAN: Definitely. Like I said, my twenties and thirties were pretty much a blur. I raised two children in that time and my memory is just very blurry. I just remember always working. I was married to a dairy farmer at the time—that is how I got into the industry—and he struggled a lot with depression. The workload was just so huge; the pressure was always on. As somebody else said today, a lot of farms come down from generations and you have got that pressure on you from generations or from previous workers that have been there and done that before you. You have always got that questionable: What are you doing? Why are you not meeting this year's goal? Last season so and so did better than you. What have you done wrong? They have got that pressure all the time. Production is a huge goal. You cannot predict the weather. You could get floods, you could get drought, and so many things are beyond your control and you are just trying to reach that goal, to meet everybody's expectations, to pay your debts if you are the farm owner or to keep other people.

When I got into the industry I was 19 and my boss would come in and he used to beat the cows all the time, and he would come home and literally just start shouting—just throwing chairs around; throwing furniture around. I actually moved out into another property because I could not stand it—it was too upsetting. He would

take out his frustrations on the cows. I know a lot of marriages that have broken up because there is no life. It is funny because you get into farming because you think that you are going to have this great lifestyle being in the great outdoors and all the fresh air and working with animals, but it is really not like that. You do not get a moment to yourself and, as I said in my submission, I worked with people who just never saw their children. I mean, I was lucky. I got out of the industry while my children were still fairly small or at least I went to raising cows and beef animals rather than being tied to a dairy shed. I know parents that did not even get to spend barely an hour of one-on-one time with their kids until they were in their teens. That is not a life.

Like I was saying about the debt that is on so many farmers heads, you have got that and that can be hard to sleep at night. On top of everything, like I said the public is waking up and dairy farms are being painted as the bad guys. You know, they are the ones that abuse animals; they are only in it for the money. I am just saying this. I am not saying that it is my opinion, but this is what people are saying. They think that dairy farmers are coining it. It is all about the money. It is not about the animals; they do not love their animals. So there is a lot of that going around and dairy farmers know that is what people are thinking so they have got that pressure on them as well which makes them very defensive and also aggressive because they want to fight back against that. So there is a lot of stress.

I actually interviewed someone in Canada recently whose name is Justin Reineke and he is a former pig farmer. He got out of the industry and he said the difference in going to work and working with plants all day in a quiet peaceful environment where you are just watching things grow, it is peaceful and so much less stressful compared to when he was working with animals and having to do horrible things like cut off their tails or their teeth when they were piglets—all manner of things that he had to do on that farm. The difference in stress levels is just incredible. His life is different and I am sure there are many other farmers that can testify to that. I mean, certainly when my husband and I got out of the dairy industry we just sort of thought, "What the hell were we doing?" We thought at the time there was no other way. That that was the way to go and we were climbing the ladder. Then once we finally got out we just said, "What happened?" Our 20s were just gone; we did nothing. Our 30s were gone; we did nothing.

We know that mental health is a big problem in dairy farming and I think if we can help them transition to something else; something more peaceful and less stressful—you know, not being tied to a cow shed or having cows trying to kick you or trying to meet some kind of production goal—then I think it would be a lot healthier all round. As I said, I do not have those answers because these farmers that are in debt, I do not know how farmers and banks would negotiate that kind of thing, but I know that it is happening and there are a lot of farmers that are benefiting.

There is one chap who calls himself a big picture consultant, but he is actually a farm consultant and his name is Jono Frew—he is over here in New Zealand. He helps farmers to transition from animal farming to growing plants, and he has actually had farmers in their 60s in tears looking at what they are growing because they never realised that all the time they were covering the ground in nitrogen and basically just killing the soil it was not being very productive. All of a sudden they started regenerating the soil and planting something else and finding carbon in their soil. There were farmers in their 60s who were crying because they had never seen a worm in their soil before. It is wonderful to see these things happening. There are a lot of good things happening. Farmers do not need to be going under this awful stress and this entrapment.

The Hon. EMMA HURST: One of the submissions from a witness earlier today said that there was usually one worker for 100 cows. Having worked in the industry, what is your opinion on the ability to work to actually provide the welfare needs of those cows and everything else that needs to actually be done?

Mrs NORMAN: At the time when I was the busiest, the most cows I milked was around 400 and you are just constantly chasing your tail—you cannot keep up. At that point that was me and my husband and I could manage 220 cows by myself quite easily, but you are never going to keep on top of everything. You are never going to keep on top of animal welfare, every cow that is lame, every cow that has got mastitis—every animal that has got something wrong. You definitely need more workers and obviously, like we said, workers are hard to find, and the bigger the operation then the more workers that you need. As workers you have to live together. We had to live with some horrible workers and it put stress on everybody as well. It is bad enough that you are always working in a high-stress situation, but then when you have to go home and you are all stuck together as well, it is not ideal.

The Hon. EMMA HURST: You were talking about all of these different organisations and people that provide farmers with support to exit the industry. Is there a fair demand for dairy farmers that do want to exit but they just do not know what options and support is available?

Mrs NORMAN: Yes, I believe there is. I could not come up with a statistic off the top of my head, but I am sure I could come up with people that do. There is a vegan activist called Earthling Ed—Ed Winters—and he has an organisation called SURGE in which he is encouraging dairy farmers to transition to something else. I am going to be working with them properly soon, but I could very well find out information along that lines if you wanted me to.

The Hon. EMMA HURST: That would be fantastic, thank you. With all of these programs obviously being done by volunteer groups and charity works, do you see a role in governments anywhere around the world actually providing similar sort of support for transition?

Mrs NORMAN: Absolutely. Yes, definitely. There are a lot of people—full-grown adults—that still do not realise that a cow has to give birth to make milk. It is just something that is not thought of because you buy milk in the supermarket and that kind of thing. There is an overwhelming number of people who just do not put two and two together. I was actually vegetarian the whole time that I was dairy farming and so maybe that was a reason that I did not make the connection with, well, dairy and death—for what you want to call it. I never ate meat because I thought, "Oh, God, I cannot eat an animal that I know" because I did not want it to be killed for meat, but I never made the connection between dairy and how much death it causes for both mothers and their babies. There is no happy ending for anybody. It was only when I went vegan several months later that I actually made the connection, and my mind was just blown. It is like, God, if I worked in the industry for 18 years and I did not make this connection, well, it is no wonder other people out there are not making the connection as well. That is something that we do need to raise awareness of. People do need to know.

People are always very conscious of saying, "Oh, I know where my food comes from", but I think people do not know where their milk really comes from a lot of the time because they do not think about it. So, yes, I think there is definitely a role in government that could just encompass all of these things and educate properly and inform, and also, like you say, provide that support in transitioning. I think that would be brilliant. I think that is what people need from the government far more than subsidies to prop up the industry. They need to put money and support into farming new things that are sustainable.

The Hon. EMMA HURST: You said a lot of people do not know where their milk is coming from. Another discussion that has come up a little bit today is in regards to truth in labelling, but the push was from the dairy industry that other plant-based milks should not be able to use the word "milk". Do you have any thoughts around plant-based products being called "milks"? Do you have any thoughts about truth in labelling on dairy products so that consumers are more aware of what practices go on in the dairy industry?

Mrs NORMAN: Yes, definitely. If you ask me, I wish that milk and meat came with a health warning, I really do. I think it needs to be like cigarettes and actually say, like in the case of casein, it is a proven carcinogen and if people knew that, if there was a sticker on milk bottles that had that or other dairy products, I think that would really wake people up. Even as an ex-smoker myself, I have had the government warnings on the packets and even when I pulled one out of the packet I still kind of like, "Ugh", you know, I did not like the warning on it. So I think people deserve to know really what they are buying, definitely.

In the case of labelling, I think it was Ms Gravalin, who was on before, she was saying that soy milk has been around for years and there has been coconut milk and where does it end? The milk that comes from coconuts that we have been eating for centuries, are we suddenly not allowed to call that coconut milk anymore? I think that it has been around for long enough and I think people are smart enough to work out the difference. Both my children when I was raising them were lactose intolerant, and I did not raise them on soy milk, I raised them on soy formula, and they are six foot five and six foot two, so I do not think it has stunted their growth any.

The Hon. EMMA HURST: I guess that some of the other arguments that come up is that the word "milk" is almost an instruction on how to use the product. Like you would put soy milk on your cereal or hemp milk on your cereal, but you would not put soy juice on your cereal. Do you think that changing the terms could create more consumer confusion?

Mrs NORMAN: Yes, I do. One example was saw black-eyed beans in a store recently and we were a little confused because we were like, "Are black-eyed beans the same as black-eyed peas?" I have been vegan for four years and I did not know. So just something as simple as a pea or a bean, I think people are starting to call things like soy milk soy juice. It does not sound very nice either, to be honest. Maybe we need to do like in England: I think there was an uproar in the UK in Sainsbury's, someone saying they took offence to calling vegan cheese "cheese". They said, "It's not cheese. You can't call it cheese. We need to call it something else." Someone said, "Let's call it 'Garry'". So that has become a thing in England, that vegan cheese is often referred to as "Garry". People are not silly; they work it out.

The Hon. EMMA HURST: Another suggestion that came through today was also about providing free milk to children in schools. Do you have any thoughts around that, about the Government paying for milk to be provided for breakfast in schools?

Mrs NORMAN: I do not think it is a good idea. I think it is a backward step, it really is, because it is not the future, it is not the way that things are going to go. So I think it is probably dead money. It is dead money really in two ways. I was reading the statistics today that there is no evidence that cow's milk does anything for calcium in children. As Ms Gravolin said, we can get calcium from all kinds of places, but I was actually reading today saying that it does not really do much. People talk about calcium, "We have got to have calcium" and that kind of thing. I can source out that information for you as well but they were saying there is nothing to say that cow's milk is of any benefit for children in providing calcium.

I think if anything, rather than "What about calcium?" I would be saying "What about casein?" I would not want my kids having casein. I think maybe it is a person's choice, like in the previous talk somebody was saying it is someone's choice whether they want to have cow's milk or dairy products, and that is absolutely true, but I think definitely if you are going to pay for cow's milk in schools then you have got to provide plant-based options as well. I have got an interview this afternoon with the UK and they are talking all about how Paul McCartney is campaigning for vegan options in schools, to make them mandatory. So I think if you are going to offer one you need to offer the other as well.

The Hon. EMMA HURST: And I think you said you could give us some resources about other alternatives to get calcium. That would be really useful if you could take that on notice. Obviously, dairy farmers have a lot of skills and have quite a wide skillset. How do you think that that would actually benefit these farmers, to move towards plant-based agriculture or regenerative agriculture?

Mrs NORMAN: That is a really good idea actually. It is a really good point because I have often thought before that it is a bit of an insult really to dairy farmers, making out like they cannot do anything else—"We've got to milk cows because that's all we've ever done." Any dairy farmer knows that they are not just someone who milks cows; they are plumbers, they are fencers, they are builders, they are carpenters—they have so many skills, they really are jacks of all trades—and they are good at making things grow. I am not sure about Australia but here in New Zealand we have got hay, we have got silage, but we have also got turnips, we grow maize—there are all kinds of things. Farmers already prove that they have got green fingers. They are great at driving tractors, they are great at handling machinery and fixing things—there are so many things that farmers could bring to other ways of agriculture, for sure.

The Hon. EMMA HURST: Are you aware of any research coming out of New Zealand that might be useful to us here in Australia about the impacts of the dairy industry?

Mrs NORMAN: Definitely, absolutely. I have been working with Dr Mike Joy, who I believe has also made a submission, and his knowledge is astounding. In fact, that was going to be one of my recommendations that I left off accidentally, but, if anything, please take on board what Dr Mike is saying. His knowledge, his research is second to none. Sorry, Jacinda, but if I wanted a Prime Minister for New Zealand I would be picking Dr Mike Joy. So, yes, I can provide all of that.

The Hon. EMMA HURST: That would be wonderful. Just for the benefit of the Committee, and it is unfortunate we could not have Dr Mike Joy here, but are you in a position to be able to give us a bit of a top line on what he is advocating for or what he is kind of highlighting through his work?

Mrs NORMAN: Yes. I know he has got a vision for 2021. His concern is really waterways; our drinking water is not safe. Mike Joy is not vegan—yet—I still need to work on him, and he takes more of an environmental stance really, but the impact that the industry has had in New Zealand on our waterways, on our wildlife, on our bodies, is just astounding.

The Hon. EMMA HURST: Absolutely. You say in your submission that you often thought that "a dairy cow had the most wretched, miserable life of any animal I had ever encountered". Can you tell us a bit more about that statement and where that is coming from?

Mrs NORMAN: Absolutely. It always used to tug at my heart a bit because they just look so sad, so weary, just so over it all. It must be like Groundhog Day for them every day, day in, day out, just trudging along to the shed. A lot of vegans say that cows are only milked until they are five years old and then they are spent and they are got rid of, but that is not the case at all. I worked with many cows that were 10 years old or more. I am actually in the position where I lost a child. Twenty-six years ago I had a baby boy and he died unexpectedly at two days' old, so I know what it is like to lose a child—it does not leave you, it does not get better, you just live

with it. In the case of dairy cows, they have got their calves inside their bodies for nine months, just the way that humans do, and they give birth to them and they nurse them. I knew cows that were 16 years old, which meant that in her lifetime she had had 14 of her babies taken away from her. I know what it is like to lose one, and cows are sentient beings like us—they have nervous systems, they have got feelings.

I watched their behaviour all the time; they have got a hierarchy. When you are milking cows you always know that Dora is going to come in the sixth row because they have got their hierarchy, their pecking order, they have got their best friend. I knew cows that literally saved each other; if one of them was stuck in a ditch or whatever they would stand by the other one until the farmer would be like, "Oh, what's wrong?" and go over, and if it was not for another cow standing over the other, protecting her, we would not know and that cow would drown in the ditch.

But their lives—well, they are not lives, it is just an existence. I know what it was like for me to have a baby die and taken from me and so I cannot imagine what it must be like for those cows all the time. The older the cow gets the more resigned she gets to face "This is how it is." The baby is just going to get taken and there is nothing she can do about it. I thought I was really nice to my cows. I never hit them. I would always chat away with them when I was milking and sing to them. It never once occurred to me then that, you know, I was stealing milk that was meant for their baby. Once the penny dropped, it was pretty hard to live with. I really do believe that cows have one of the most wretched existence there is. Yes, I would do anything to not have them go through that now.

The Hon. EMMA HURST: Thank you for sharing and for being so vulnerable with us today. You have talked a little about the environmental effects in waterways in the dairy industry. Are there other negative impacts of the dairy industry on the environment that you are aware of?

Mrs NORMAN: There are, and I should have them all written down but I was relying on Mike a little bit. Yes, just the soil, we are just constantly nipping the soil with fertiliser all the time and it ends up in the waterways. I am going to have to—what is called—take notice on that one?

The Hon. EMMA HURST: Yes, take it on notice.

Mrs NORMAN: Take it on notice.

The Hon. EMMA HURST: That will be fantastic, thank you.

Mrs NORMAN: I am sorry, I do not have it all up here. I should do.

The Hon. EMMA HURST: No, that is totally understandable. We talked a little bit about this whole idea of transitioning farmers out. I guess you and I have focussed more on farmers who voluntarily are putting up their hand and want that help. How do you see a bigger transition program working or do you think it will be a consumer shift that will drive that and it is the government, charities and other people involved who will actually help the farmers, support them once they are ready?

Mrs NORMAN: Yes, that could be the case. I mean you are looking at either a consumer shift or a partnership, I believe. I think it will get to the stage that if people do not make the transition it is going to happen anyway because that is the way the world is going and they are going to have to do that. It is inevitable, so the sooner that we can encourage people to do that, and I think the sooner that the Government gets on board, yes, be more welcoming and more open to different ways of agriculture. Yes, supporting farmers who are interested, as well as an incentive. You just need a few leaders to get on and do it and show that it works and other people will follow.

The Hon. EMMA HURST: Absolutely. Is there anything else you want to mention to the Committee today that I have not targeted in my questions?

Mrs NORMAN: I don't think so. I think I have taken on notice that you need the extra information but definitely certainly take on board the words of Dr Mike Joy and his research. I will send you through some more information about that from him as well. The Green Protein Report is excellent. It is really thorough and it was by visitors to New Zealand and they spent some time here. I think she was the President of the New Zealand Vegan Society and she was so shocked by the state of our country and what agriculture was doing to it that they compiled this 96-page report. It is extremely thorough on all types of animal agriculture, particularly dairy and its effect on the environment as well. I will send it through to you and it is a global theme, it is not just New Zealand.

The Hon. EMMA HURST: What is the basic conclusion of that report?

Mrs NORMAN: It is not sustainable anywhere. It does not matter where you are. We have got all these billions of people, you know; if we were not growing all our food for animals there would be enough food for people. So I think that is inevitable. I believe, I don't know if the dairy industry will be gone in my lifetime but there are other things you can do. Like I said, dairy farmers are not stuck to milking cows. They have so many skills and it is the time for them to shine. We need to be empowering and encouraging them.

The CHAIR: You mentioned the course you did at Cornell University and you took some elements of a question on notice. What was the name of the course? How long was it? Was it an undergraduate, postgraduate, masters? Was it a short course? What was it?

Mrs NORMAN: It is a certificate in plant-based nutrition.

The CHAIR: A certificate. Does it have a number attached to it? Like in NSW TAFE it is Certificate I, Certificate II, Certificate III? Could you equate it to something?

The Hon. EMMA HURST: She has gone.

The CHAIR: Is it because we ticked over 5.00 p.m.? I will put those questions as a supplementary if we cannot get her back.

The Hon. EMMA HURST: I think it is a United States course she said.

The CHAIR: Yes, I am wondering about an equivalent. Sixty years of research in COVID lockdown is fairly intensive. She spoke about Colin Campbell and some ridiculous number of years of research in six months. It sounded very intensive. I will ask those questions as supplementary.

The Hon. EMMA HURST: Ask her how many hours the course was. That will give you an idea of what it is similar to.

The CHAIR: Sorry about that, Mrs Norman. The broadcast dropped out as it automatically ticked over at 5.00 p.m. I will put those questions to you as a supplementary, given the time. The Committee needs to have a quick deliberative. Thank you for your time. The Committee secretariat will be in touch with you shortly with the questions you have taken on notice and you will have 21 days to respond to them.

Mrs NORMAN: No, problem. Thank you very much very much for the opportunity.

(The witness withdrew.)

The Committee adjourned at 17:02