

Issue

The loss of market power and inability of farmers to extract sustainable returns out of the market place.

Background

- Following deregulation in 2000 the dairy industry has had no ability to influence the farmgate price for milk.
- Deregulation of the retail market also permitted supermarkets to enter the retail market for the sale of fresh milk. This has led to a large degree of competition between processors to secure contracts for the generic labeled milk. Processors have effectively driven down the farmgate price of milk to ensure they are able to supply high levels of low priced milk to satisfy the generic branded milk labels.
- Supermarkets dominate the retail market with over 70% of the whole milk market sold under a generic supermarket label. Over 50% of all milk sold is under generic supermarket labels.
- The NSW dairy industry is highly dependent on the fresh milk market with 50% of NSW milk produced being used in drinking milk.
- The Dairy Committee of the Association has been active on a number of fronts including:
 - participation in workshops with Woolworths
 - lobbying the Federal government for an inquiry into the milk processing sector
 - Communicating with processors
 - Supporting the formation of collective bargaining groups and supporting farmers with negotiation training.

Where to from here

- A more transparent processing and retail sector to understand the efficiencies and global competitiveness of milk processing companies and supermarkets.

What the Association is seeking

- Greater negotiation power and skills be made available for dairy farmers.
- A greater realisation from the processing and retail sector on the cost of production for dairy farms and the sustainability of the industry.
- More information available to farmers on the costs of processing.
- Improved incentives for year round production of fresh milk for a growing population base.