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**SENATE INQUIRY** by Terry Toohey

March was dominated by the Senate Economics Committee inquiry into milk price. The Association's submission was one of 151 from across the dairy industry, consumer groups and other organisations highlighting the general public dislike of the price war initiated by Coles and the concern regarding the impact of their policy on farmers.

Our submission stated that the outcome of this retail price war would likely be one of two scenarios if not resolved:

1. If, as Coles claims, there is no impact on the contract price between the processor and the retailer, the Association expects the processor will bear the direct burdens of reduced margins. This will also mean; further loss of sales in the supermarket of the proprietary branded product, degradation in value of well recognised brands, reduction in competitiveness of smaller retail outlets, possible increases in other product lines, increased market share of the respective home brand milk products, and possible reductions in the farm gate price.

2. If the level of generic supermarket brand product sold increases, this will increase the market power and influence of supermarkets when it comes to contract renegotiations. The Association expects that this will result in lower retail/processor prices which will be passed onto farmers forcing many farmers to produce under cost price, driving sections of the dairy industry out of the market. In the long term, the reduced supply will either; force the price of milk up, or cause milk and dairy products to be imported (most likely in powdered form) from cheaper sources internationally.

The Australian market already faces a significant duopoly and pricing mechanisms similar to this will further accentuate the issue. This pricing structure will drive smaller stores who are unable to provide staple products at such economical prices out of the market. This will increase the market share of the supermarkets in a market structure far from perfectly competitive, making the dairy industry more susceptible to price manipulation in the future.

In brief, the Association was, and continues to be, concerned that the retail price is disconnected from the cost of production and therefore will not convey market signals to the consumer, placing the sustainability of not only the dairy industry, but other commodities at stake.

In addition to providing a submission, the Dairy Committee chair and current acting ADF president Adrian Drury, fronted the Senate Committee at a hearing on 8 March.

The Senate Committee released its interim report on 20 April. The Committee have called on the Government to take action on the recommendations provided the inquiry *Milking it for all it's worth* last year. This is a positive step as the current Government have not provided any response. The Association had written to the Minister and requested this last year.

Due to Coles' last minute response to questions from the senate inquiry on the 19th, a further interim report will be released on 10 May. The Association looks forward to reviewing the 10th of May findings and the final report on 1 October 2011. Further information and submissions are available on the Senate Committee webpage.

In the meantime the Committee is working on what can be done to support farmers through the upcoming contract negotiations. Please see over the page for collective bargaining and contract negotiation.

BEGA FLOODS

On 22 March following flooding on the south coast, the Premier announced natural disaster declarations for the Bega, Bombala, Eurobodalla, Kiama, Shellharbour and Shoalhaven City Local Government areas. The Local Government Area of Bland has also subsequently been added to the list. This declaration provides farmers in these areas the opportunity to apply for low interest loans and transport subsidies; however, to date cash grants are not available to these communities.

There has been widespread damage to local communities. Primary producers suffered significant damage, particularly to sheds, machinery, irrigation equipment, stored fodder, and other infrastructure, as a result of the floods. Estimates in the Bega area are that around half of all dairy farmers have been badly affected. Also, the Bega processing plant had to stop on 21 March for 10 days due to the flooding and significant damage to bridges and roads has also been reported.

The Association continues to lobby government to make cash grants available, as per the grants made available to primary producers affected by the November/December floods in NSW. In the mean time, the Rural Assistance Authority suggest that affected farmers get in contact them if a low interest loan is required (phone 1800 678 593). Applications are due before the 30 September.

DAIRY INDUSTRY GROUP STRATEGY

The Department of Primary Industries is reviewing its strategy for delivering research, development, education and extension in NSW with funding sourced from DA and NSW Government. The objectives of this strategy are to develop partnerships between industry and government to provide research, extension and education, retain and maintain extension staff and ensure effective use of resources. The Dairy Committee is involved in these discussions to get the best use of resources to benefit members.

THEILERIASIS

There have been increasing reports of outbreaks of Theileriasis in cattle across coastal and inland NSW. With no treatment methods currently available in Australia the Association is working with industry and the NSW Government to identify possible solutions.

In a meeting on 11 April the following points were agreed to:

1. Test whether the current outbreaks can be cured by vaccine and if successful develop live vaccine.
2. Get registration for Buparvaquone (Butalex) a chemical used for the treatment of tropical Theileria and believed to be effective.
3. Slaughter study – determine location of Theileria in NSW/other states.

POLICY ADVISOR FOR CATTLE, DAIRY AND EXOTIC DISEASE

Cameron Clark joined the Association policy team on 21 March. After completing a degree in Agricultural Science at Sydney University majoring in agronomy, Cameron completed a PhD in dairy cow physiology under the supervision of Prof. Bill Fulkerson. For the last 5 years, Cameron has been working as a scientist at DairyNZ and is now the cattle, dairy and exotic disease senior policy advisor for the Association. He looks forward to working closely with Association members to help grow the business of farming.

DAIRY INDUSTRY CALENDER

Collective bargaining and contract negotiation

The Association plans to hold a series of workshops throughout NSW in May. These events are to provide collective bargaining and contract support for dairy farmer negotiation with processors. To register your interest, and to give feedback on what you would want from the event, please call Cameron Clark on 1300 857 000. This feedback will determine the location and content of the events.

With contract terms approaching expiry producers should give consideration to any actions that need to be taken now to ensure opportunities exist at renegotiation time. Producers should consider any current contractual obligations that may inhibit any future negotiation options.

Dairy Industry AGM

This year the Dairy Committee will be joining with Dairy NSW to hold a joint Members Council and Dairy Section AGM on 5 July, before the Dairy Research Foundation Symposium in Camden on the 6 and 7 July. The meetings on 5 July are open to all dairy farmers as well as any NSW dairy industry stakeholders. At these meetings, regional updates will be provided and feedback will be sought on the future activities of both organisations. The conference theme is "Tailoring technology - a two-day exploration of the new technology options for Australian dairy farms, understanding that one-size doesn't necessarily fit all.