

Submission to the Senate Economics Committee

Background

This submission is put forward on behalf of Riverina Regional Dairy Network Committee which covers the area of Wakool in the West, Murray River in the South, Jerilderie in the North and Berrigan in the East. The main towns included in this region are Finley, Deniliquin, Wakool, Tocumwal and Berrigan with a total population of 15000.

The dairy industry supports 550 jobs directly and many more indirectly in service jobs to the industry and manufacturing

The region supports 100 dairy farms producing 207 million litres of milk in the 07/08 yearⁱ which is approximately 22% of NSW annual production.

In farm gate value of this milk was \$100 million dollars of which approximately \$66 millionⁱⁱ is spent within the local economy.

- a) The economic effect of the announced price reductions from the 08/09 financial year to 09/10 financial year has so far and will continue to have a severe impact on our region's economy with farm closures already commenced due to the price decrease and the continuation of drought and low water allocations.

At a recent meeting of Dairy farmers with our local State MP farmers told real situations of their income decreasing by up to \$1 million dollars and many around the \$400,000 dollar mark for the 09/10 financial year.

The Southern Riverina farmers will see an average decrease of \$400,000 in revenue at the farm gate.

This is a major decrease in income in which input prices have not adjusted at the same rate.

The financial decrease will see a flow on effect through businesses in the local towns with one business in Finley quoting 76%ⁱⁱⁱ of clients outside the normal terms of trade.

The downturn in the dairy industry has been magnified to the local economy due to low water allocations and no alternative industries still operating Eg the Rice Industry.

The price decrease is having huge effects on farmer's cash flow and ability to pay bills on time or in full. Some farms cannot borrow any more working capital due to an already eroded balance sheet and as their cows and farms have lost capital value over the last 6 months are in a situation of despair.

This is after farmers were given a very positive outlook on the dairy industry and milk prices by Dairy Australia, Milk processors, Industry commentators and the media for the 12 months previous to December 2008.

- b) The Southern Riverina has a wide range of processors to supply including Fonterra, Nationals, United Dairy Power, Murray Goulburn and Parmalat.
- c) As above
- d) As above
- e) As above

- f) The other issues the farmers of the Southern Riverina are facing are the uncertainty of the water sharing plans within the Lower Murray Darling Basin. This includes water buy backs, extraction cap reductions, on farm water efficiency programs etc.

This is affecting farmer's confidence and ability to plan for the long term with any confidence.

Another issue facing the dairy industry is the Carbon Trading Scheme (CTS). While dairy may not be initially included the fact that dairy processors are not exempt includes the dairy farmers by default as any extra cost incurred by the processors will be passed back to the farmer.

Dairy farms will also see an increase in energy costs. Duncan Gay (NSW Shadow Minister for Energy) suggested that power costs would rise by 2-300%.

So the Dairy Industry will not be exempt from the CTS.

Thanks for your time on this important issue of the Dairy Industry.

Regards

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ⁱ Latest statistics from Dairy Australia 2007/08

ⁱⁱ NSW Farmers Blighty branch Farm Survey 2009

ⁱⁱⁱ NSW Farmers Blighty branch Business Survey 2009