ADDENDUM TO SUBMISSION TO SENATE ENQUIRY INTO DAIRY INDUSTRY

28/2/11

Please accept this as an addendum to the submission I put in earlier today.

The processing sector of the dairy industry has already rationalised to two major liquid processors in Queensland. The processors have removed processing capability (the plants able to convert excess milk to cheese, butter, milk powders etc) as they try to align milk production to market milk needs. Malanda is the only commercial cheese and butter plant left in Queensland as the excess milk from Malanda can not be viably freighted to anywhere else for processing.

The problem since deregulation is that the two processors are now competing for market share across Queensland. National Foods services south to Rockhampton (if required), north to Weipa and west to Mt Isa from Malanda, and across the Southeast and South west of Queensland, and north to Rockhampton(if required) from their factories in the Brisbane area. Parmalat services north and west of Rockhampton from their factory in Rockhampton and the balance of Queensland from their plant in Brisbane. There are trucks carrying milk north and trucks carrying milk south passing each other on the roads on a daily basis. We have vendors/franchisees from each processor supplying product to the same businesses on the same street on a regular basis. How productive is this? Where is the cost saving in this situation? What is the greenhouse gas emission caused by this structure? What are the food miles on these products? What effect will the proposed Carbon Tax have on the cost of distribution alone in this situation?

The value of the dairy industry to the local community is calculated in dollar terms by a multiplier effect of the gross money paid to farmers, in the case of the dairy industry this is 3-4. In the Far North with an expected intake of 68 million litres at an expected average price paid of about 48 cents per litre, the value of the industry to the community is $97.9 to 130.5 million.

Another way to value the industry is in the jobs directly in dairying, jobs on the processing side, jobs in distribution of the products and jobs in industries and with contractors that rely on the dairy industry to some degree. We believe there are close to 1 000 jobs directly and indirectly attributable to the dairy industry in the Far North. As an example, before deregulation the two local dairy feed manufacturers contracted 30 000 tonnes per year of locally grown maize, this year the single local feed manufacturer has contracted 5 000 tonnes of maize from local growers.

The indications of price to farmers is downward, if nothing is resolved in the milk price war situation. At the same time, we are seeing indications, and actual evidence, of price rises in costs, including fuel, fertiliser, feed and electricity. With the advent of a Carbon Tax, as is being proposed, we must expect further cost increases while at the same time expecting further reductions to the price we are paid for milk today.

Having been devastated by Cyclone Larry in March 2006, having a drought(in relation to our region), having a very, very wet year and having Cyclone Yasi just a couple of weeks ago, our farmers are looking for some time of consolidation of pricing and weather conditions to allow for consolidation and rebuilding of their businesses and their lives.

Given the weather conditions we have experienced and the pressure upward on costs and the likely downward movement in milk price,it is no wonder that we are seeing increased levels of stress, anxiety and depression in our farmers.

I thank you for taking the time to consider my submission. I hope your deliberations and inquiries will lead to a positive outcome for my industry and the communities we farm in.

Yours sincerely,

James Geraghty