

# Giving deregulation a bad name

View from the ridge



Agricultural analyst  
PETER LEE

A CYNIC once remarked that the 95pc of crooked lawyers gave the other 5pc a bad name.

A fine joke but a bit unfair on a profession that had bad press ever since Shakespeare quoted King Henry as saying "let's kill all the lawyers".

WA is suffering yet another political bloodletting as it ponders just how many crooked politicians are giving the remainder a bad name, with government claiming the problem was caused by that dynamic duo, Burke and Gill, when the cause appears really to be a surfeit of incompetent ministers.

But the problems of the dairy industry have resurfaced in the media, showing deregulation of that particular industry has given deregulation a bad name.

The dairy industry has always been a special case that rejoiced in breaking all the laws of marketing without seeming to commit sins that were supposed to follow from such evil behaviour.

The first marketing law broken by the industry was to have quotas to restrict production, but on the other hand, they had rules to ensure that the quota was filled, even in bad times, and they also had a profitable destination for all of the over-quota milk.

But perhaps the biggest marketing sin of all was to have the authority to set the price of its product AND to use the cost of production as one of the criterion for that exercise, putting them beyond the pale of good honest marketers.

On reflection, perhaps the greatest sin committed by the dairy industry's marketing system was that it worked.

Farmers had a good, profitable industry, while consumers were guaranteed supplies of quality milk 365 days a year, without the hassles of seasonal price variations, but especially because it was delivered at a lower price than most countries enjoyed.

A gentlemen's agreement saw each state's farmers confine their sales to consumers in their own states; but the pressures it placed on farmers in the big dairy state of Victoria saw the system broken down, with the Federal Government supplying millions of dollars to facilitate the ongoing restructure.

When I spoke to one of the industry's elder statesmen, Sir Don Eckersley, recently and said deregulation stopped the Victorians from taking over completely, his response was short and succinct.

"Don't worry about the Victorians, it has given the industry to Coles and Woolworths," Sir Eckersley said.

The statement has proved accurate — not that it needed the proof — by the current actions of that duopoly in bringing milk in from other states at great expense, rather than increasing local supplies by raising the price.

They probably rationalise their actions by claiming that the extra cost is only incurred on the small amount imported, while a price increase for the local farmers would increase the price on every litre bought.

The market power enjoyed by these two retailers is also the root cause why consumers in WA continue to oppose the deregulation of retail shopping hours, without really refuting the desirability of such a change.

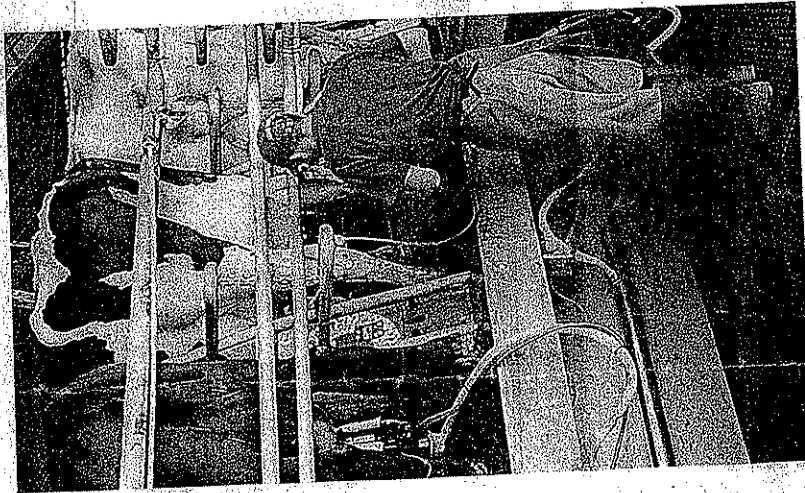
All governments have anti-monopoly

legislation, but none of it seems to work, maybe because the task of deciding just when a large player becomes a predatory player is very hard to pick.

Consumers are the notional winners out of the Coles/Woolies dominance, but it is also the consumers who are standing in the way of total deregulation because they fear that it would result in a total war on the smaller retailers.

Market dominance is also behind the reluctance or refusal of big retailers to support consumers' call for proper labelling laws, presumably because consumers would then insist on buying local produce and refuse to buy the lower-priced Chinese or Thai fish and vegetables.

Perhaps when the anti-monopoly laws are fixed and some protection afforded producers, the dairy industry may then be able to become profitable and cease to embarrass the deregulators.



Farm Weekly Section 2

March 8 2007

#37

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**From:** .....  
**Sent:** .....  
**To:** .....  
**Cc:** .....  
**Subject:** .....  
**Importance:** .....

### Creamed off by milk companies

- Maxine Frith  
April 13, 2008

DAIRY farmers have accused the big milk companies of misleading consumers by adding a "watery by-product" to supplies to help maximise profits.

A substance called permeate, a waste product of dairy production created by removing all the fat and then concentrating the material that is left, can make up to 12 per cent of some milk brands in supermarkets.

NSW farmers say permeate costs less for processors to buy than milk, so the two can be mixed to produce a cheaper product.

The farmers claim they are suffering a drop in earnings because processors do not have to buy as much milk from them. Processors, including National Foods, use permeate to top up milk in the cheaper generic and home brands and the popular Pura range of milk products.

Dairy Australia, the peak industry body, and National Foods, one of the main processors, admitted permeate was added but denied it was done to increase profits. National Foods distributes Pura milk.

Both organisations said permeate was used to standardise levels of fat and protein to meet strict regulations on the make-up of dairy products.

The accusations were contained in a submission by the Kiama Milk Supplier Collective to the grocery price inquiry being held by the Australian Competition and Consumer Commission. The allegations were first reported in industry publication *Retail World's* electronic newsletter.

Geoffrey Quinn, a consultant to the Kiama collective, said consumers were being misled. "I think they have a right to know their milk may contain permeate. It reduces the cost for the processor but the farmer still gets the same low price for his milk.

"Dairy farmers are being squeezed but the processors are making bigger profits and customers don't even know it is happening."

A NSW dairy farmer, who did not wish to be named out of concern for his contract with a milk processor, said: "I know it is going on because people in the processing industry have told me it is.

"My kids can't drink Pura milk because they say it is far too watery.

"If you go into a supermarket and buy milk, you are expecting to get milk but some of the cheapest brands may be up to 12 per cent permeate."

Dairy Farmers Group, one of the two main processors in NSW, declined to comment and referred queries to the industry body Dairy Australia.

A Dairy Australia spokeswoman said: "Fat and protein levels are very strictly regulated for milk but they can vary from farm to farm and at different times of the year. Permeate is only added to standardise milk so that it meets those regulations."

Julian Caples, spokesman for National Foods, said: "If it says milk on the bottle, what you are getting is milk. There is no way it is being watered down."

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*Source: The Sun-Herald*

# Commodity Prices at a Glance



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*Approximate prices*

GRAIN (\$t)	F'mtle Cash Prices	Previous Week
Lupins	258.00	259.00
Barley (Milling)	315.00	325.00
Canola	495.00	555.00
Field Peas	333.00	331.00
Chickpeas	POA	POA
Faba Beans	POA	POA
Wheat	284.00	297.00

See Farm Weekly (Section 2) Pages 37-39

WOOL (c/kg)	This Sale	Last Sale
18 m	—	—
19 m	1006	1002
20 m	790	781
21 m	749	741
22 m	733	713
23 m	—	707
24 m	—	—

AWEX eastern indicator c/kg: 789  
AWEX western indicator c/kg: 749  
See Wool pages start 37

CATTLE (c/kg)		
Yearlings (c/kg)	180	180
Steers (c/kg)	165	165
Cows (c/kg)	120	120

See Farm Weekly Market pages start 45

SHEEP (c/kg)		
Lambs (c/kg)	N/A	385
Mutton (c/kg)	N/A	135
Wethers (\$ head)	N/A	58

See Farm Weekly Market pages start 45

AUS \$ (USc) 66.44

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## news

# Trying to crack the Chinese

By TRAVIS KING

FARMERS have called for more Federal Government support in trying to crack the potentially lucrative China market.

A recent forum organised by the Australian China Business Council (ACBC) agriculture committee highlighted the frustration exporters of primary produce face when trying to ship products overseas. High hopes are being placed in the next round of Free Trade Agreement (FTA) talks set to take place this month between the Federal and Chinese governments.

Sue Daubney, with her husband Peter, runs the Bannister Downs dairy at Northcliffe.

Four years ago the couple took up the challenge of processing their own milk and in January this year decided to look into export markets.

Eleven months later, Mrs Daubney said they are no closer to getting milk into China.

"Export is a good opportunity to strengthen what we are doing and continue our growth," she said.

"I took five litres of our milk to China in June and visited five different cities.

"From what I saw we certainly have a product that will compete on price and because we produce in a clean, green climate what we have is becoming more attractive by the minute.

"The demand is there, but actually putting all the protocols in place to start exporting has been a long and frustrating process.

"We have customers from China ringing every week wanting our milk and that is what is so frustrating.

"The facility is ready to go, we do not need any help on the marketing side of it, but actually becoming export ready is the challenge.

"AQIS must approve your facility and an inspector has to travel from the eastern states and we have to actually get that quality assurance completely correct and they have already told us on that we won't pass on the first inspection, no matter what.

"If we had a spare \$20,000 we could employ an experienced consultant and it would probably be done in a month, but we are a small family company and don't have the funds for that.

"Getting the product to China is no problem.

"We can milk this morning and the milk can arrive in Hong Kong 9am tomorrow morning and be on the shelf by 10am.

"The only hurdle we have at the moment is the paperwork."

Western Range Wines wine producer Marilyn Corderoy said she was in a similar position to the Daubneys four years ago.

"We had cracked a number of export markets including Poland, Japan, France and Russia, but China had alluded us," Ms Corderoy said.

"We spent a lot of time and energy trying to make relationships.

"In the end we forgot about trying to work at a Federal level to export to China, and concentrated on a WA level.

"Our biggest breakthrough, however, came when we established a relationship with a Chinese family who were importers.

"That relationship paved the way for us to sell our wine into China.

"My advice is to get to know what their market is, work with your industry association and develop relationships in China."

WA Agriculture Minister Terry Redman said he was aware of some of the frustrations producers faced in trying to develop their products.

"This Government is committed to improving the approvals process," Mr Redman said.

"That applies to a raft of state developments and private investment.

"I was only talking last week in Parliament about some of the issues pastoral areas face in regard to getting certain approvals to have diversified operations on their pastoral leases.

"We need to improve that process and, while there has to be checks and balances in place, we also don't want a

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THE BEST  
ANGUS HEIFERS**

See pages 22 & 23

# market

long time frame to make things happen being a barrier to investment.

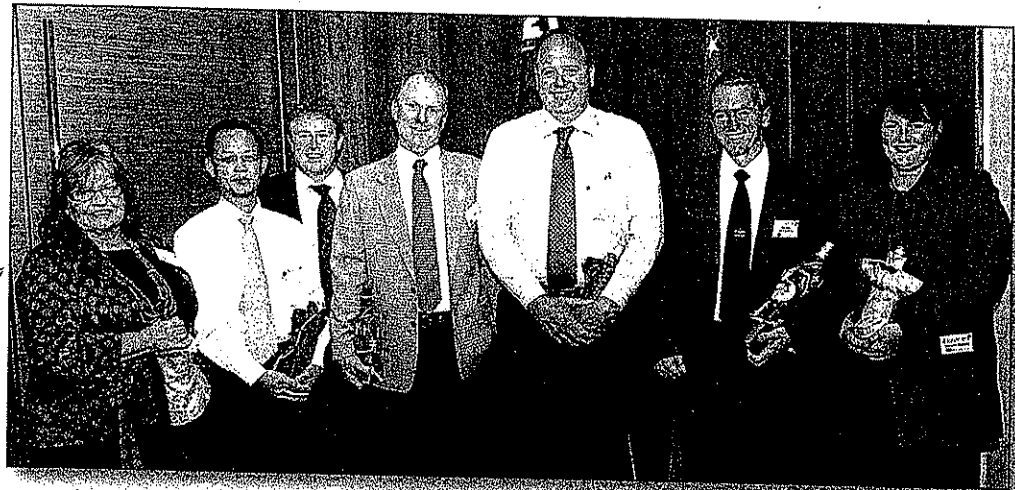
"From an agrifood perspective I think there are merits in Government making available precincts and sites where Government actually deals with all the approvals process and makes the site available and actually set it up for private investment to come in.

"The decision making processes to get to that point are still being determined but I think there are opportunities there and roles we can play."

Mr Redman said the value of China as an export market for WA should not be underestimated.

"In terms of agrifood exports China is one of WA's most important markets and is valued at over \$700 million on average per annum," he said.

"Some of the trade barriers that exist, including Chinese tariffs, quotas and technical trade barriers are certainly restricting



Western Range Wines Marilyn Corderoy (left), Xia Zhen, Challenge Dairy Co-operative, Australian China Business Council president Duncan Calder, WA Live Exporters Association chairman John Edwards, Red Meat Action Group committee member Mike Introvigne, WA Agriculture Minister Terry Redman and Suzanne Daubney, Bannister Downs Farm, Northcliffe, all spoke of the challenges faced by businesses trying to break into the Chinese market.

some exports from WA, however there is clearly an opportunity to address some of these issues under the China-Australia FTA with key WA products such as wool, wheat and meat exports likely to benefit from this.

"While I understand that market access issues are to be

discussed in the next round progress on negotiations to date has remained slow.

"Let's hope that progress can be made soon, but in the meantime the WA Government will continue to lobby the Federal Government on priorities for our local

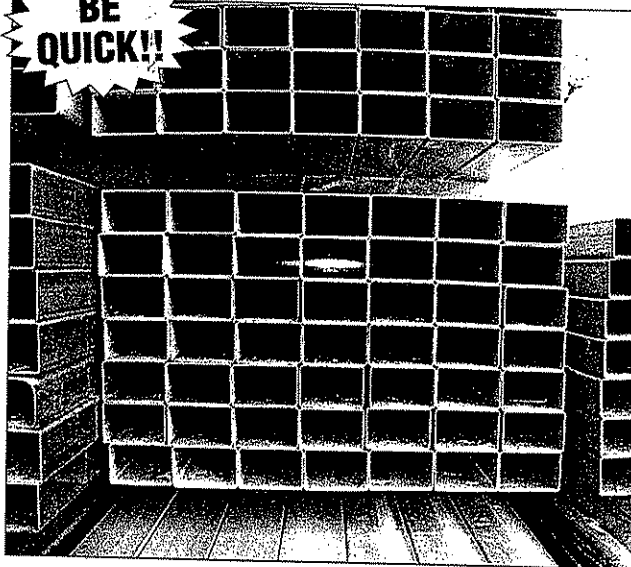
agrifood industry.

Australian China Business Council past president Desmond Williams said now was a good time to penetrate the Chinese market.

"Because of that more effort is required to make that process easier," Mr Williams said.

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Colortube	100x50x2.0x5500	\$600 inc GST	44	1
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52 SATURDAY, JANUARY 3, 2009

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THE WEST AUSTRALIAN

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Back to me pls

# Secrecy surrounds tainted milk trial

BEIJING

The trial of the alleged perpetrators of China's tainted milk scandal is shrouded in so much secrecy it is hard to say whether justice is being done.

On Wednesday, the most significant defendant, Tian Wenhua, chairwoman of the now-bankrupt Sanlu Group, admitted that her company had delayed for months reporting that their baby formula contained the additive melamine, which causes kidney stones. The tainted formula killed at least six babies and made about 300,000 others sick.

China has made a big show of the trial, allowing video of the trial, but the public has only seen snippets and all but a few carefully screened journalists from Government-owned media have been excluded.

Privately owned Chinese news outlets have had to station dozens of reporters behind police lines, trying to interview people as they come in and out. "This is a case that the whole country is watching, actually all the world," Zhang Chen, senior editor for an online news service, said.

Without an opportunity to actually hear the testimony, it is impossible to know much of what has been said during the court proceedings.

It is not known if allegations have been aired that Health Ministry officials from Shijiazhuang and surrounding Hebei province were part of a cover-up, took bribes and did not inspect the product.

Parents of children affected by the milk and their lawyers have been banned from the Shijiazhuang court.

"There is no transparency in the process — they are behaving like there is something to hide," Teng Biao, a Beijing lawyer who has been trying to bring a lawsuit on behalf of 111 parents, said. "They are completely excluding the victims."

Courts throughout China had refused even to hear the parents'



Accused: Tian Wenhua, left, and three other former executives of Sanlu Group, Wang Yuliang, Hang Zhiqi and Wu Jusheng, go on trial. Picture: Reuters

lawsuits and lawyers who had tried to file them had been threatened with being disbarred, Mr Teng said.

The Government is pressing parents to accept a \$227 million settlement from a consortium of dairies that was announced this week.

Mother Li Yanfang, 28, said the Government's settlement was inadequate and confusing. She said she was called to an office in Shijiazhuang, where she lives, and asked to sign a letter in which she would forfeit her right to further claims in return for

\$425 and a promise of free medical treatment for her 17-month-old daughter. She refused.

"We're not going to sign away our rights for so little money," Mrs Li said. "However, poor families in rural areas may have to take the offer."

Three babies in Mrs Li's apartment compound have the same kidney problems as a result of drinking Sanlu baby formula, which was heavily marketed as a quality local brand. The company's headquarters are in Shijiazhuang.

China's top product quality supervisor resigned in September after the milk scandal broke, as did several Shijiazhuang officials, including the city's Communist Party secretary.

But no Government officials have been arrested in the case.

Among the 17 people who have stood trial are other Sanlu employees and various small-town businessmen who sold melamine under the name of "protein powder" to dairy farmers, to be added to watered-down milk to make it appear more nutritious.

The official press has reported that some could face the death penalty.

"These criminal suspects may have committed serious crimes but they are not the only ones," Mr Teng said. "The higher Government officials abused their power and should be prosecuted as well."

• New Zealand dairy giant Fonterra rejected claims that Ms Tian, former head of its Chinese joint venture, had pleaded guilty to the charges related to the tainted milk scandal, reports in New Zealand said yesterday.

# UWA agriculture moves up in the world

12/01/2009 3:38:00 PM

A series of innovative projects and initiatives have placed the Institute of Agriculture at The University of Western Australia at the forefront of national and international agricultural education and research.

IOA director, Professor Kadambot Siddique, said plant based food, fibre and industrial raw materials were essential for human survival against the backdrop of escalating input costs and climate change.

Recognising this has led to the development, earlier this year, of the International Centre for Plant Breeding, Education and Research (ICPBER) at UWA within the Faculty of Natural and Agricultural Sciences

Professor Siddique said the Centre addressed the emerging global need for training first class scientists in genetics, biotechnology and plant breeding.

"We are directly addressing the deteriorating supply and demand balance for major staple food crops, while being aware that the loss of training capacity for plant breeding, at a time of increasing demand for plant breeders, is a threat to world food security," he said.

"By offering undergraduate and postgraduate programs and the use of first class facilities, the IOA is proactively addressing these issues."

Professor Siddique said part of the impetus for ICPBER was existing IOA international collaborative projects with countries such as Iraq, Oman and East Timor and organisations such as ICARDA in Syria and ICRISAT in India.

"We also recently commenced a collaborative project with Lanzhou University in west China to investigate sustainability of agricultural systems on the Loess Plateau," he said.

Another initiative that will showcase IOA research talent is the drive by UWA within four years to secure a place in the world's top 100 universities, as defined by China's Shanghai Jiao Tong University rankings.

UWA is currently ranked 127 in the world.

Addressing an audience of 30, mostly agricultural scientists, at the Centre for Legumes in Mediterranean Agriculture (CLIMA), part of the IOA, Professor Alistar Robertson, UWA's Pro Vice Chancellor of Research Initiatives, recently outlined a strategy to achieve this.

"UWA's research on 'Plants, Animals, Agriculture and Environment', one of the three main strategic research output areas for UWA, will be greatly enhanced by the recent organisational initiatives in the IOA and with a focus on high quality, high impact research in agriculture and other strategic outcome areas, UWA can achieve its target of top 100.

"In addition, UWA will foster better internal linkages on our Crawley campus with the Australian Research Centre of Excellence in Plant Energy Biology, the new ICPBER and the Cooperative Research Centre for Future Farm Industries to achieve better research outputs," he said.

Professor Robertson said indicators for the Shanghai Jiao Tong university rankings included the number of Nobel Prize winners, the number of highly cited researchers, the number of papers published in premier journals, such as 'Science' and 'Nature' and the total number of citations by an institution's researchers.

## Comments

No comments yet. Be the first to comment below.

## Post A Comment

# Dairy farmers waiting on more price drops

BY TRAVIS KING

20/01/2009 8:34:00 PM

WA milk producers are yet to hear if other milk processors will drop their farmgate prices following Fonterra's announcement last week it was cutting its price by 20pc.

The other major players in WA's milk supply include Challenge Dairy, Harvey Fresh and National Foods.

WAFarmers dairy section senior vice president Phil Depiazzi said he expected the others to drop their prices, but he hoped the falls were not as large as Fonterra's.

Mr Depiazzi supplies Challenge.

He said the company has not yet told him if it will cut its prices.

"Fonterra are a New Zealand-based company and they seem to be paying a certain price in New Zealand, another price in the eastern states and a different one for WA," Mr Depiazzi said.

"They dropped the price in the east by 32pc and somehow arrived at the 20pc figure for the WA decrease."

Mr Depiazzi said processors led the positive outlook that was in the industry, making the situation even more disappointing.

"For the first time in a long time producers felt they were going to receive a fair price," he said.

"The industry has taken a lot of knocks in the last eight years and everyone was thinking that things had finally turned around.

"The four companies were aggressively targeting summer milk supply and offering a very good price, and on the strength of that producers went out and bought more cows and more feed to run those cows.

"All of a sudden one company has pulled that price and we now wonder what the others will do."

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## Comments

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## Post A Comment



AMR Mail Wednesday January 21, 2009

# Dairy milk prices a strain: WAFarmers

WHILE the Western Australian Farmers Federation (Inc) has expressed concern at the long-term impact of proposed reduced farmgate milk prices on the State's dairy industry, local farmer Bob Biddulph says it is not all doom and gloom.

WA's largest dairy processor, Fonterra Australia Pty Ltd, last week distributed letters to its farm suppliers advising of a 20 per cent reduction in farmgate dairy prices, and other dairy processors are similarly understood to be reviewing their pricings.

However, Cowaramup's Bob Biddulph, who milks 600 cows, said the price drop had to be put in perspective.

"If a big company sneezes we catch cold," he said.

He said small dairies would be more price sensitive, but the price of fuel and grain has come down quite rapidly, which helps everyone out.

"When the dust finally settles I don't think we're in much of a difficult situation," he said.

"It's a worldwide thing, we're not immune to any level.

"I don't think we're worse off than last year."

WAFarmers Dairy Section senior vice president Phil Depiazzi said any move to noticeably reduce farmgate milk prices was concerning and would place significant

strain on the WA dairy industry.

"Dairy producers have only just started to receive worthwhile returns for the first time since deregulation, nine years ago, and now the promise of these returns is failing to materialise," he said.

"This adversely affects budgeting for the 2009/10 year and places significant strain on the dairy industry.

"Moves by processors to reduce prices by these levels is a result of processors and supermarkets manipulating supply and demand to suit their own purposes and serves to only further pull the rug out from under local dairy farmers.

"There is simply no justification for such significant reductions in farmgate prices.

"Prices need to be kept at current levels to ensure the viability of the West Australian dairy industry."

Mr Depiazzi said the WA dairy industry needs long-term signals from processors as to the ongoing value of their product, as production changes can take anywhere from two to five years to implement.

"At this pivotal time, the WA dairy industry is calling upon consumers to show their support for local farmers by purchasing WA produced milk and not cheaper, lower quality imported products," he said.

# EU, US reintroduce damaging dairy subsidies

PETER J AUSTIN

21/01/2009 8:13:00 AM

With world dairy prices in free-fall administrators in the European Union and United States have reverted to export subsidy programs in a bid to offer some protection to their beleaguered dairy industries.

But just how that will help world markets remains a mystery since it gives those with export product the ability to undercut prevailing market rates to guarantee sales preference, helping chase prices down even further.

New Zealand and Australia which together account for about 40pc of world export volumes can only be losers in this process since neither operate with the benefit of government underwriting.

A feature of the world market in the past few years has been the absence of significant stockpiles of dairy commodities in the EU and US and that has helped drive prices up as surging world demand had to be met from current production.

European Union Commissioner for Agriculture Mariann Fischer-Boel announced at the Green Week conference in Germany last week that export refunds for milk were to resume.

Farm lobby groups across Europe have been pressuring the Commission to reintroduce refunds for dairy products to help offset falling prices in internal dairy markets.

EU export refunds for dairy products were discontinued in June 2007 when dairy commodity prices soared.

They will be reintroduced for butter and skimmed milk powder (SMP) and all other dairy products including whole milk powder and cheese that were eligible in the past.

The subsidies will be available, commencing this week and intervention buying of butter and skimmed milk powder will also be kept open longer than usual to absorb more product.

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## Comments

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The underlying message here which none of our bookworms will be able to see is that the free market cannot be relied on to feed the world. The hallmark of the unfettered free market is the boom/bust cycle. With food production bust means famine. Our modern academics deny it, but the principal driver for the establishment of the Wheat Board 60 years ago was the need to guarantee supply. Broken farmers cannot plant next year's crop. It would be the same purpose that is driving these new subsidies. Low returns to farmers will not produce sufficient food for next year. When this problem arose for us in the mid 1980s not only did the Hawke government refuse to defend Australian agriculture, but the NFF said "we don't want subsidies! We want the free market to prevail". For nigh on 25 years the NFF has maintained that policy in the face of failure, thereby hugely shrinking agriculture's share of the Gross National Product and the number of Australians living outside the metropolitan areas. This is why the NFF has been in recent times desperately seeking other means of support. Now they must chuck their economic rationalism and develop some sound, rational economic policies to rebuild a strong agricultural sector. Economic rationalism is not rational economics.

Posted by **Ted O'Brien** on 22/01/2009 6:32:47 AM

What are our politicians going to do - as usual nothing - why not start looking after Australia's interest and not their own.

Posted by **Genazzano** on 22/01/2009 6:55:45 AM

## Post A Comment

Why have dairy processors in WA dropped a price for price  
to when the majority of milk is sold on the global market?  
Farm Weekly 22/1/09

# Dairymen poised for further price drops

By TRAVIS KING

WA dairy producers are yet to hear if other milk processors will drop their farmgate prices following Fonterra's announcement last week it was cutting its price by 20pc.

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Mr Depiazzi said most producers will stick with the industry, although it may be the final straw for smaller dairy farms.



WAFarmers dairy section senior vice-president Phil Depiazzi

"A number of smaller producers left Fonterra and went to Harvey Fresh because they were not happy with the prices on offer," he said.

"If Harvey Fresh decide to drop their prices also, then these smaller guys could leave the industry."

Dardanup dairy farmer Danny

Harris said the bottom line was that Fonterra did not export milk product out of WA and so wondered how the global situation affected prices paid in WA.

"Surely the local market determines what price we receive and I am sure that supermarket prices haven't dropped 20pc and they probably won't either," he said.

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# Dairy bail-out plea debated

By **GEOFF STRONG**  
and **MARC MONCRIEF**

IN AN industry crying out for government help, Allan Osborne is an optimist. Over the recent decades, where small dairy farmers like him were told to get big or get out, he did neither — nor did he get into debt.

The 90 cows he milks each day at Swan Marsh, west of Colac, have provided five prized milk-quality awards that, since 1999, he has attached with pride to the outside of his old concrete milking shed.

Yet last year, which he calls a good season, the university-educated farmer earned only \$35,000 to \$40,000, after costs.

"Dairying is a great job as long as you don't treat it as a career, rather as a lifestyle," Mr Osborne says.

Still, he disagrees with the calls for a government bail-out, saying it will not help in the long run and will just make Australia-

lian dairy farms inefficient and subsidy-dependant like those in the United States and Europe.

What he'd prefer governments to do is help the industry develop new markets overseas.

This puts him at odds with many of his industry colleagues, who are demanding government help for their industry, buffeted as the global financial crisis slashes milk prices around the world.

United Dairyfarmers of Victoria president Doug Chant said the farm-gate price of milk would fall by about 30 per cent from February to June, threatening farmers across the state.

Mr Chant said dairy farmers now received about \$350 million in federal assistance, but there were no programs tailored to help the industry through the financial crisis. He said it was an outrage that car makers based overseas would benefit from

more than \$6 billion in crisis assistance, but Australian dairy farmers had not received a zac.

"We have no protection at all in the dairy industry," he said. "There's no subsidy or package to help the dairy industry at all."

Federal Agriculture Minister Tony Burke said the Rudd Government had invested more than \$840 million to help farmers in 2008, including \$18.3 million given to Dairy Australia Limited for research and development.

He said the Government would continue to support farmers this year as the drought and global financial situation affected their livelihoods.

Mr Osborne said: "There is no quick fix", as a "flat" domestic market indicated per-capita consumption of dairy products in Australia had declined.



Dairy farmer Allan Osborne milks 90 cows at Swan Marsh, west of Colac.

PICTURE: PETER EDWARDS

Weekly Times 28/1/09

INSIDE

**RECORD  
PRICE IS  
NO FURPHY**

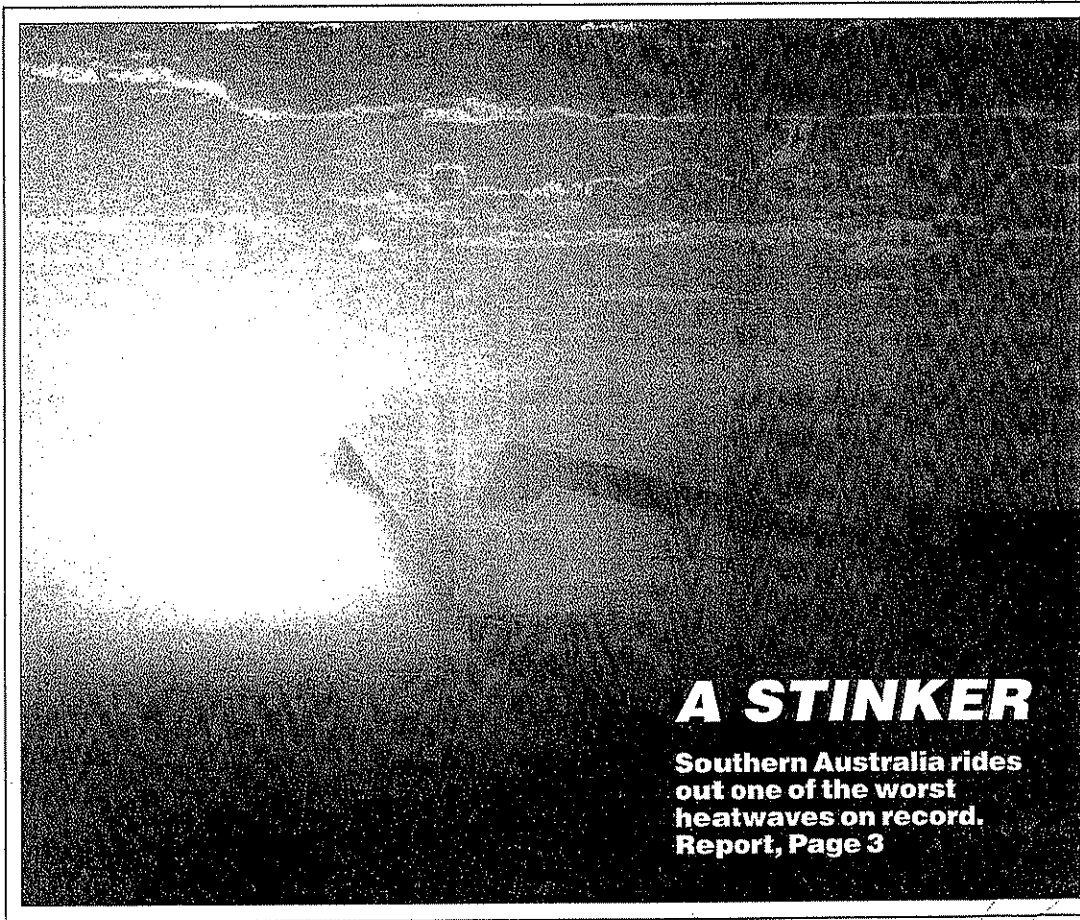
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**AWB  
DUMPS  
SHAREHOLDERS**

PAGE 7

Giants slug it out in price duel

# DAIRY WAR



## A STINKER

Southern Australia rides out one of the worst heatwaves on record. Report, Page 3

By SIMONE SMITH and PETER HUNT

THE global slump in dairy prices has spilled on to the domestic market.

Dairy giants Fonterra and Murray Goulburn have started a pricing war as they battle to clear stockpiles and undercut each other.

Local dairy processors told *The Weekly Times* Murray Goulburn had dumped 900 tonnes of pizza cheese on to the local market in the past fortnight.

"They've sold it at a \$1.30 a kilogram discount," one processor said.

Murray Goulburn has in turn been undercut by Fonterra.

Another industry source said Fonterra had undercut Murray Goulburn by \$500 a tonne on a domestic cheese contract.

Both companies are being forced to stockpile produce as international demand for dairy dries up.

Fonterra Australia spokesman Brad Voss confirmed rumours the company was leasing more warehouse space in Melbourne to stockpile New Zealand produce.

However, Mr Voss failed to explain why the company was storing NZ dairy produce in Australia.

Last month the *New Zealand Herald* reported property specialists were scrambling to find Fonterra 7ha of warehouse space in Auckland.

At the time, a NZ Fonterra spokesman said the company had a policy of not revealing its inventory.

However, rumours continue that Fonterra has stockpiled more than 600,000 tonnes of its dairy products, rather than offload them at unviable prices.

- Continued Page 5
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**NATS SHELVE LIB MERGER PLANS - PAGE 3**

DAIRY CRISIS

# Producers brace for

## Further milk cuts leave a sour taste

By SIMONE SMITH

E outlook for dairy farmers continues to sour, with three major processors and manufacturers to slash their base price from next week.

Warnambool Cheese and Butter suppliers will receive a cut of 30-32 per cent for milk supplied from February 1.

In a letter to suppliers, company managing director Neil Kearney told farmers their price will be reduced by \$1.30/kg for butterfat and \$3.25/kg for protein.

This represents a seasonal cut of 12 per cent on last year's opening price.

Monthly prices for Victorian suppliers range from \$6.15/kg for protein and \$2.46 for butterfat in February, to \$3.16/kg butterfat and \$7.90/kg protein from March to May.

Mr Kearney said the industry situation was different when companies announced their opening price last year. "Whilst

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prices on a historical basis are still pretty good, having to change mid-season was an incredible shock," he said.

"I don't think any processing company is happy this occurred."

Tatura Milk Industries followed suit. Chairman Barry Irvin told suppliers the price for the next five months will drop by an average 34 per cent.

Representing a 12 per cent drop in prices across the entire season, the latest reductions mean the base price of milk supplied from next month will be \$1.28/kg lower for butterfat and \$3.20/kg less for protein.

United Dairy Power also announced last week it would cut prices, from the beginning of next month, by 10-20 per cent. However, suppliers in the Corryong area could go as low as 28c/litre.

"Unfortunately they have taken a larger hit with the added 7c/litre collection (charge)," managing director Tony Esposito said.

He anticipated the UDP average milk price from next week would be down to 40c a litre from 50c a litre, averaging about 45c a litre across the season.

UDP suppliers, Charles and Carolyn Smith, Anders, Kyabram, estimated their milk price will be lower than 40 cents a litre.

Mr Smith said he understood UDP had been caught out by the milk price drop but the cut came too soon to allow him to budget.

Mr Esposito said the decision to change payments was due to the financial crisis. Raising cash was harder and costly, and he did not want associated costs passed onto farmers.

Meanwhile, Mr Esposito denied rumours that UDP was closing.



Out to pasture: more price cuts have caused further pain for dairy farmers.

### DAIRY FARMERS HAVE THEIR SAY ON EU SUBSIDIES



Robb

**Lindsey Robb, Simpson.**  
"If they are going to do that to us we can't keep lying down letting them dictate to us."

"It is very hard to compete when someone else is being propped up and we are not."

**Marcus Flanagan, Finlay.**  
"For years the global market has been getting rid of these subsidies, but in one foul swoop it has put the industry back 15 years."

"It is hard after having three tough years of drought. Personally, it presents another challenge. There is no good complaining, we will focus on all the things we can control and do them the best we can."



Flanagan



Cochrane

**Tom Cochrane, Kangawarra Ilawarras, Nowra.**  
"We are happy we signed our (white milk) contract for 18 months, we feel very fortunate."

"(About the EU's decision) I suppose I am concerned as much as any other dairy farmer."

**Wayne Williams, South Purrumbete.**  
"The Government wants to do something or there is not going to be a dairy industry — simple."

"It is not good for young people entering into the industry, there is no incentive."



Williams



Scott

**Peter Scott, Cobrico.**  
"We have seen it all before. From our business perspective there is not a lot we can really do about what is happening overseas, we should control the things we can."

"Dairying has been good to me and it will improve again."

**Adrian Dee, Cohuna.**  
"It highlights how different farmers are regarded in Australia compared to the EU."

"I can't understand why our politicians think we play on a level field."

"In Europe they are prepared to bank on their farmers — they can't afford to have that loss of production."



Dee



Lang

"There are a lot of people in Europe who can remember not having food and not having milk — they keep their farmers on the land."

**Phil Lang, Tatura.**  
"Yes it will keep pressing prices for a while, the EU produce a very big amount, I can't see a recovery for us in the near future."

"It doesn't raise my blood pressure too much — it is something we have to deal with, there is nothing we can do about it."

**Leigh Prout, Kerang.**  
"We have to grin and bare it, there is not a lot we can do about it."

"If the Government put tariffs,



Prout

I don't think it would help us, it would be robbing Peter to pay Paul."

**Lisa Brazier, Wellstrand Holsteins, Western Australia.**  
"I am looking forward to the Australian Government developing a policy which will ensure our industry is sustainable in world market prices."

**Michael Perkins, Latrobe, Tasmania.**  
"I fail to see how we can compete with our products on a world stage when the EU insist on subsidising their farmers in such a high level, it seems unreasonable that we have to do that."



Brazier

"We have been asked to play on a level playing field that is not level."

**Ross Soares, Larpent.**  
"It is an absolute disgrace, I think it is about time Australian dairy farmers all got together and formed a powerful political lobby group. The dairy industry employs more people than the car industry alone."

**Don Gilmore, Ingleston Holsteins, Pyramid Hill.**  
"They (the EU) have always done it, what's changed?"

"They (EU) have every right to protect themselves, it is up to someone overseas with the money to free it up so we can sell our product."



Perkins



Soares



Gilmore

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# Opinion

Reeling from tough times, dairy farmers make a plea to:

# Level the playing field



There is an overwhelming case in favour of government assistance to dairy farmers in the face of the subsidies paid to our competitors, says IAN COBBLEDICK

THE front page of last week's *Weekly Times* and the accompanying report on the European Union's reintroduction of milk export subsidies is distressing.

It is just another below-the-belt punch for an industry fighting to establish some consistent rules for all competitors' benefit.

After all the recent spin from our trade ministers about agreements and wins in the international trade arena, it seems the EU heavyweights make up their own rules.

What does it mean for farmers? In northern Victoria and the Riverina it's just another massive blow to add to the barrage we've encountered in the past 10 years.

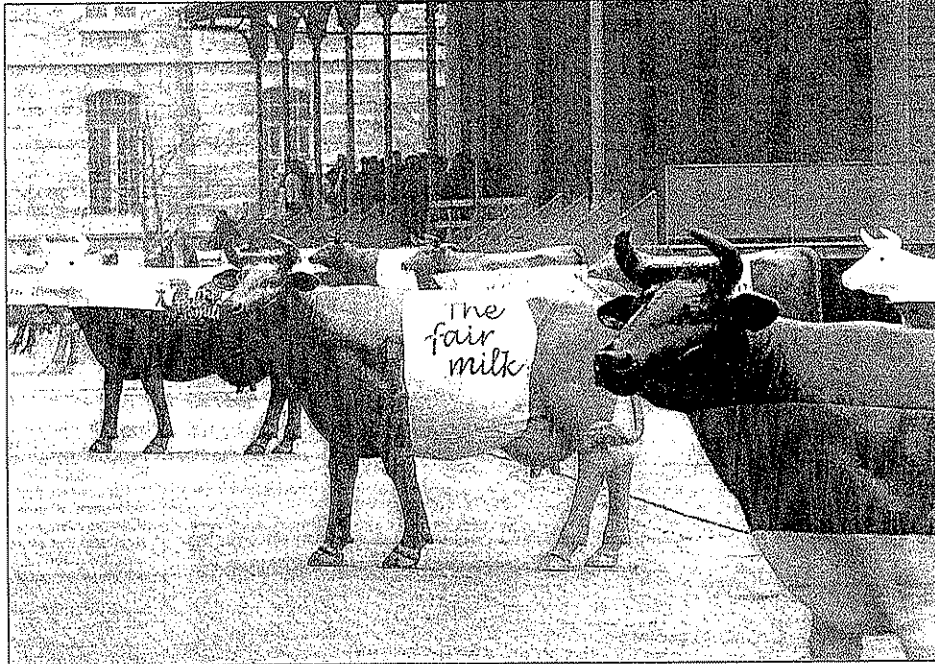
Is there a case for government assistance for the dairy industry? Absolutely.

In the past 10 years the paradigms of dairying in northern Victoria and the Riverina that we once knew have been shattered.

The knowledge that there is a constant supply of drought proofing irrigation water as a reliable and risk-negating resource has been shattered.

The weather changed, so too did access to water.

Government reforms to water with the establishment of tradeable markets for permanent and temporary water were



Below the belt: the Australian dairy industry is reeling from the European Union's decision to reintroduce milk export subsidies.

There is a critical need to increase the skills of Department of Primary Industries extension staff to understand more about running a dairy business.

Discussing grass and mastitis management, while important, is small talk compared to the questions all farmers in northern Victoria are asking.

Every day dairy farmers receive emails from water brokers on behalf of Federal Water Minister Penny Wong to purchase permanent water.

The option to sell water and cows and as such Victoria's wealth generating assets, is very tempting and only two phone calls away.

Dairy farmers in northern Victoria are suffering a kind of "decision fatigue" from all the big decisions they must make to cope with the constant change they are confronted by.

There is an overwhelming case in favour of government support for farmers when they're in competition with an opponent the size of the EU who is not interested in fair play.

The Victorian community and economy deserve nothing less.

Governments need to take a leaf out of their farmers' book and show some faith and courage and back those that are climbing off the dusty ground to face the blows, however low and hard, to continue the fight that benefits the whole community.

• Ian Cobbledick is a Nathalia dairy farmer and former chairman of Murray Dairy

introduced. The rule of thumb that the size of your business was determined by the size of your landholding and its water attached were thrown out the window.

Farmers — in particular dairy farmers — used and participated in those markets to make them the mature markets that they are today.

In this time property rights for water have been unbundled, and water registers have been established.

Farmers now make decisions that involve large amounts of money on their land-water mix, remembering that the rain that flows through the detheridge wheel must be paid for, delivered or not.

State and federal governments, who are responsible for many of the changes of the last 10 years, have a responsibility to ensure that the community is robust, resilient and innovative so that it can adapt to the changes and challenges presented.

Farmers in Northern Victoria participated in programs sponsored by industry and government, and as a rule they took on board the advice they were given.

However, the knowledge that the opening committed milk price was a sound basis to prepare a budget on has again been shattered.

Dairy farmers took on board what used to be good advice to

lock in inputs and now see their budget outcomes next month turn from profit to loss.

Comments circulating around from government agencies that farmers just have to adapt and can no longer be supported are ridiculous.

Farmers are making decisions and adapting at a pace never before seen. Take my word for it; there are no more "inefficient" farmers left.

There are 11 milk plants in northern Victoria and four in both the state's east and west.

Of the 11 northern plants, the Murray Goulburn Co-operative owns four. These plants were located in the region because of its stable and predictable supply, which is still the case today.

Apart from MG, Bega and Warrnambool Cheese and Butter Factory, all the other major milk manufacturing companies return their profit offshore.

To retain the maximum amount of money in the Australian community from dairy exports, it is essential MG operates as efficiently as possible to extract the most value from the marketplace.

Exceptional Circumstances aid and irrigation grants are due to expire on March 31.

There is still no word from the Federal Government on the future of these programs.

The Government needs to announce an extension, and it needs to do so quickly.

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DAIRY CRISIS

# more tariff pain

By PETER HUNT

AUSTRALIAN dairy farmers are under attack after the European Commission launched a barrage of export subsidies on to the world market last week, ranging from \$400 to \$1000 a tonne.

EU exporters can claim the money back on produce they export to the world, a move Australian and New Zealand dairy analysts say undermines any hope of a milk-price recovery.

But it's only the first in what Australia's trade and agriculture ministers fear could be a volley of subsidies from the EU and other developed nations.

Federal Trade Minister Simon Crean and Agriculture Minister Tony Burke have written to EU Agriculture Commissioner Mariann Fischer Boel and EU Trade Commissioner Catherine Ashton warning of the devastating effect export subsidies will have on the depressed global dairy market.

"Export subsidies will likely drive international dairy prices even lower and... prolong the current downturn," the Australian ministers said.

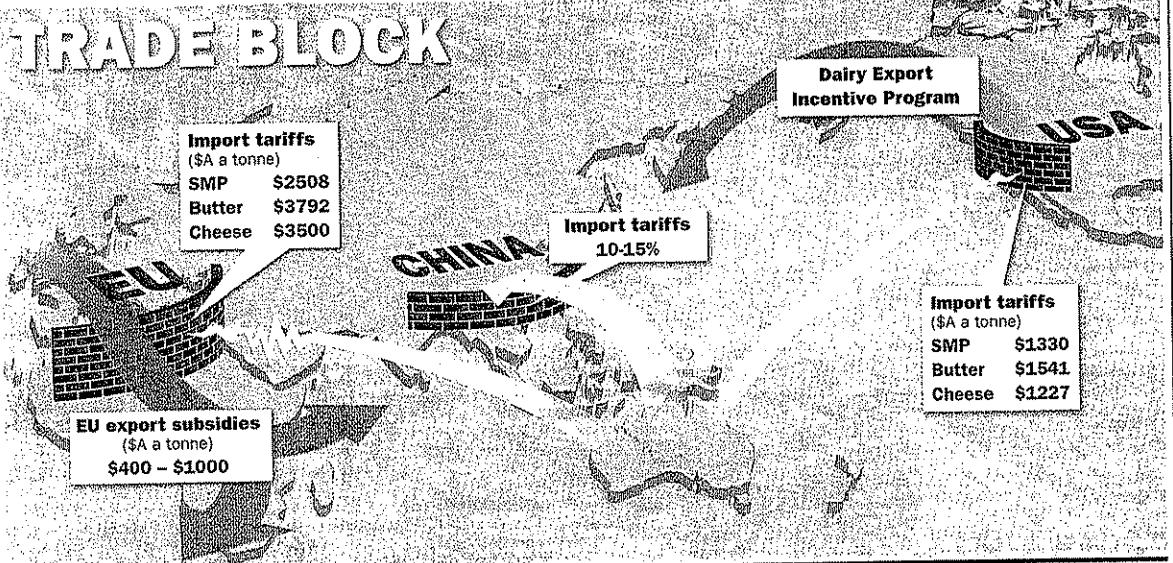
"Not only will it impact on dairy producers in countries such as Australia and including many developing countries which trade at world prices, it may also trigger the re-introduction of similar subsidies in other major dairy producing countries."

Australian Dairy Farmers president Allan Burgess said he feared the US would follow the EU's lead and bolster its support measures, further distorting the global marketplace.

"We know US farmers are asking for more dairy produce to be sold to the (government-run) Commodity Credit Corporation and under the Dairy Export Incentive Program," Mr Burgess said.

Earlier this month, the US National Milk Producers Association wrote to their Department of Agriculture calling for more subsidies.

In a letter dated January 9 to then USDA secretary Ed Schafer, the NMPA president Jerry Kozac said: "I write to you on behalf of tens of thousands of struggling dairy producers across this country to offer



*'Let's be clear. I am the EU Agriculture Commissioner and my first duty is to support European farmers.'*

- Mariann Fischer Boel, Page 16

## All out dairy war

• From Page 1

International dairy prices went to free-fall in October-November, with skim milk powder falling below \$US1700 a tonne on the spot market, equivalent to about 24 cents a litre.

Murray Goulburn chairman Ian MacAulay said the co-operative was also stockpiling produce in response to lack of global demand, due to the financial crisis.

"It's a bit above normal, but under control," Mr MacAulay said.

Previously, Murray Goulburn managing director Stephen O'Rourke had told *The Weekly Times* many international customers simply didn't have the money needed to buy dairy produce.

The crisis has forced Murray Goulburn, Fonterra and other dairy processors to cut farm-gate milk prices by 30-40 per cent, starting next week.

However, some Australian



Ian MacAulay

dairy farmers have been insulated from the crisis, enjoying the benefits of liquid-milk contracts. "I feel a little bit safer, but it is still a worry with some of the clauses," Dairy Farmers South Purrumbete supplier Wayne Williams said.

"Our price shouldn't change (too much). We supply the liquid milk market (and) by rights, our price should not go down."

Bega Cheese suppliers have also been insulated from the crisis with their company

chairman Barry Irvin saying milk prices would not be cut in February.

He said Bega suppliers were, to some degree, insulated from the global downturn because they sold 80 per cent of their produce on the domestic market.

In contrast, Bega, which also owns 70 per cent of Tatura Milk, has been quick to cut its northern Victorian subsidiary's milk prices.

Mr Irvin said Tatura was more exposed because it exported 80 per cent of its production.

The widening gap between Tatura and Bega farm-gate milk prices seems to have been accepted by Tatura suppliers, such as Kialla farmer Trevor Zanders.

"Well, I suppose the two companies are still separate entities in a lot of ways and I assume the Bega company is financially very very sound," Mr Zanders said.

some ways that the USDA could help".

The NMPA called for the CCC's floor-price scheme to be expanded and the sale of more US dairy produce as "aid" to the world's poor via the Dairy Export Incentive Program.

The EU's decision follows Commissioner Fischer Boel's announcement on January 19 that subsidies were needed because "our exporters are no longer able to compete".

But rather than winding back EU milk production, the Commissioner has forged ahead with exporting a subsidised surplus.

The EU supplies a third of the world's dairy exports but blocks imports, using some of the world's highest trade barriers.

Australian dairy processors

face EU tariffs of \$3792 a tonne on butter, \$2508/tonne on skim milk powder and \$3500/tonne on cheese imports.

These tariffs, on top of the landed price, make it almost impossible for Australian exporters to enter EU markets.

Australia applies no tariffs to European dairy imports.

But the EU is not the only protectionist economy.

Australia has some access to the US via a 35,000-tonne quota, but above-quota imports face tariffs ranging from \$1330 a tonne on skim milk powder to \$2370 a tonne on butter.

Even China imposes import tariffs of 10-15 per cent on Australian dairy imports.

• Level the playing field, Page 17

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24x22x8	\$3080	40x30x8	\$7110	30x30x8	\$5410	40x30x10	\$8110
36x22x8	\$4100	60x30x8	\$9670	48x30x8	\$8590	60x30x10	\$10530
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## **Butler, Linnie (N. Marino, MP)**

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**From:** CoalitionFYI (REPS)  
**Sent:** Wednesday, 28 January 2009 11:59 AM  
**Subject:** EU – US trade war on dairy exports - Truss media release

For your consideration, regards Paul

Paul Chamberlin  
Media Adviser  
Office of Warren Truss  
Leader of The Nationals  
Shadow Minister for Trade, Transport, Regional Development and Local Government  
02 62774482 / 0419 233989

28 January 2009

### **EU – US trade war on dairy exports**

Trade Minister Simon Crean must step in immediately to protect Australia's interests with the threat of a full-blown trade war between the European Union and the United States over dairy exports, the Leader of The Nationals and Shadow Trade Minister, Warren Truss, said today.

"The likely subsidy war over dairy could devastate Australian exports and begin an outbreak of widespread trade protectionism in response to global economic turmoil," Mr Truss said. "The G20 nations which met last year made clear that the erection of new trade barriers will only worsen the world's financial plight, as we saw during the Great Depression.

"Rudd Labor is always talking up its contacts in Europe and in the new Obama Administration. Now is the time to use them.

"Only a couple of months ago Mr Crean was telling everyone that a breakthrough Doha free trade deal was assured. It is now obvious that the Europeans were only ever giving lip service to fair trade – they are recalcitrant subsidisers."

With prices for dairy products slumping after the highs seen in 2007-08, the EU is now offering subsidies of up to 50 percent on its milk powder, butter and cheese exports.

"The EU's move will kill off any hopes of a recovery in world dairy prices, locking in unsustainably low prices for its own farmers and everyone else.

"In Australia, our dairy farmers have had the rungs pulled out from beneath them. They cannot hope to compete at what effectively will be a capped price far lower than today's market price.

"The damage to our exports will be profound, at a time when we can hardly afford to lose more markets.

"The Australian Government is only now waking up to the dangers of the EU's actions and the likely US response. Agriculture Minister Tony Burke looked like a rabbit in the headlights when told media this week that was 'disappointed' by the EU, and then made a bizarre comment linking this trade issue to domestic drought funding. Labor is also buying out water entitlements, threatening future drought assistance and is proposing emission trading scheme taxes on dairy processors.

"Australia is sending its largest ever ministerial contingent to Davos for the World Economic Forum this week. In between the expected photo-ops with celebrities, it is critical that Mr Crean and Deputy Prime Minister Julia Gillard



**Australian**  
**03/02/2009**  
**Page: 13**  
**Editorials**  
**Region: Australia**  
**Circulation: 140000**  
**Type: National**  
**Size: 223.88 sq.cms**  
**MTWTF**

 **THE AUSTRALIAN**

## PROTECTIONISM IS A THREAT TO PROSPERITY

*Without free trade, countries the world over will suffer*

WHY do so many people who want to protect jobs advocate industry protection? There is no better way of destroying people's employment than creating artificial trade barriers between nations that deny consumers in any country the right to buy the best product at the cheapest price. But European Union trade commissioner Catherine Ashton yesterday announced increased protection for dairy farmers by bringing back export subsidies abolished two years ago. As usual, her decision was dressed up in the rhetoric of assisting battling farmers, but what it means is taxpayers all over Europe will pay people to export products that other nations, including Australia, can produce for a lower price. US President Barack Obama's stimulus package does the same sort of thing, requiring taxpayer-funded construction projects to use US-made steel. Perhaps Mr Obama, who has no experience of foreign trade, does not understand the implications, or perhaps he is shoring up support among unionised workers on his party's left. Either way, it is a measure that protects steel workers and punishes taxpayers. At home, Australian Workers' Union secretary Paul Howes wants our infrastructure projects to be built with Australian steel and for "Australians to support Australian-made". It may sound patriotic but it's not. Excluding foreign steel would give other countries a reason to exclude Australian products. And if Mr Howes is worried about steel workers, he should consider those who will lose jobs if our \$170 million US market is shut down. And shut down it will be if there is a global trade war.

One of the most important lessons of the Depression is that once one nation excludes imports, its trading partners invariably retaliate. But not everybody understands this. As re-

ported in Cut and Paste in *The Australian* this morning, US steel union leader Leo Gerard believes that in 2008, as in 1928, free trade is bad for workers everywhere. Like Mr Howes, Mr Gerard has members to protect, but his argument was tried in the Depression, and it failed. In 1929, US Congressman Willis Hawley and Senator Reed Smoot proposed protectionist legislation that hiked hundreds of tariffs when adopted the next year. Other countries responded in kind, excluding US exports. The tit-for-tat exchange was followed by a 66 per cent decline in world trade between 1929 and 1934. Smoot and Hawley did not create the Depression, but their misguided attempt at protecting jobs in their own electorates increased the unemployment queues everywhere.

And now unionists and politicians are pointing us in the same direction. But instead of admitting that protecting the jobs of some workers discriminates against everybody else, it is easier to present protectionism as a necessary correction to the global financial crisis. As Mr Gerard told the BBC last week, greed and corruption in financial markets caused the Depression, and free trade today is another ploy by the "financial deregulators". Nonsense. Governments of exporting nations, especially Australia, have fought for free trade for a generation. It helps efficient farmers and innovative manufacturers all over the world, and has nothing to do with the bad lending practices by US banks. The danger is that the connection will stick, that the "neo-liberal" free market reformers Kevin Rudd denounced at the weekend will come to be seen as synonymous with the advocates of free trade. And if that happens, Australia, as a major trading nation, would be in trouble — including Mr Howes's members.



# Protectionist calls grow louder

**Tracy Sutherland  
and Louise Dodson**

The steel industry and Labor MPs have stepped up pressure on the federal government to ensure Australian businesses are favoured by the \$42 billion stimulus package and additional infrastructure spending.

In the latest push for more protectionist domestic policies in response to the global financial crisis, the Australian Steel Institute has controversially called on the government to give first preference to Australian firms in its stimulus package to protect skills and employment.

In a separate push during yesterday's Labor caucus meeting, MPs questioned Deputy Prime Minister Julia Gillard, who was standing in for Prime Minister Kevin Rudd, on how the stimulus package could be used to revive the Australian manufacturing sector and ensure local companies were used.

Both moves contradict the government's strong stand against a similar "buy American" clause proposed for the US stimulus package and against European plans to implement dairy export subsidies.

ASI, which represents more than 2000 companies including BlueScope and OneSteel, yesterday urged the government to allow Australian steel detailers, designers,

fabricators, manufacturers and distributors a first preference for any government-sponsored or funded work flowing from the package.

"The Australian Jobs First policy would not ban imports, but simply make a preference provision to spend Australian taxpayers' money on saving jobs in Australia," ASI chief executive Don McDonald said.

"This is not an attack on the level-playing-field platform."

Ms Gillard told the caucus that elements of the stimulus package would tend to favour Australian companies, citing as an example the \$2.7 billion program of incentives for ceiling insulation, which she said was manufactured locally.

Speaking after the meeting, Labor senator Doug Cameron said it was important to maximise the involvement of Australian companies to support jobs and stressed that this could be done in a way which was consistent with Australia's international obligations under World Trade Organisation rules.

For instance, Senator Cameron said the government should use the government-funded Industry Capability Network, which comprises business and unions, to promote use of Australian companies.

But Trade Minister Simon Crean yesterday reiterated the government's position that markets had to stay open.

"As a trading nation, one in five local jobs relies on exports," said Mr Crean. "The Australian government does not support programs that may invite retaliatory action from other nations."

The developments coincided with a call by WTO chief Pascal Lamy for vigilance against protectionist policies as the global financial crisis takes hold.

The Australia Workers Union has previously urged the government to introduce local content rules to ensure infrastructure projects used locally produced products – a move endorsed by the Australian Council of Trade Unions.

The Textile, Clothing and Footwear Union has also asked the government to consider freezing import tariffs at their current levels to protect local manufacturers.

But retailers want an immediate tariff cut on imports of clothes, shoes and textiles, which they say will boost sales and protect thousands of sales jobs.

The proposed "Buy American" clause aimed to ban spending on stimulus package projects unless all of the iron, steel and manufactured goods used are made in the US. It has the potential to hurt \$484 million worth of annual Australian steel exports to America.



**Media Release**

Date: Monday 16 February 2009

**SOUTH WEST DAIRY INDUSTRY NEEDS SUPPORT NOT MORE TAXES:**

South West Dairy farmers faced a shocking start to the year with some dairy processors slashing the farm-gate prices to dairy farmers by up 40 percent, a loss of around \$200,000 a year for individual dairy farmers with a 300 cow herd.

This will have a significant impact on our regional economy as 84% of dairy farms are located in the South West carrying 90% of the state's dairy cows.

The dramatic price cuts were a disaster for the industry and Nola Marino and her Coalition colleagues are calling on the Rudd Government to ensure the 11 cents per a litre levy on milk, which is set to expire on the 22 February, is passed back to farmers and consumers.

"I am extremely concerned that the 11c a litre levy which was placed on fresh milk sales in Australia to help the industry adjust to deregulation will be swallowed up by the retail sector and neither the consumers nor the farmers will see any of it." Nola Marino said.

"The export market has been the hardest hit as overseas buyers were struggling to access credit.

Australia's interests must also be defended with the threat of a full-blown trade war between the European Union and the United States over dairy exports. The likely subsidy war over dairy could devastate Australian exports and begin an outbreak of widespread trade protectionism in response to global economic turmoil.

With prices for dairy products slumping after the highs seen in 2007-08, the European Union is now offering subsidies of up to 50 percent on its milk powder, butter and cheese exports. Our dairy farmers in Australia cannot hope to compete at what effectively will be a capped price far lower than today's market price.

The European Commission intends to establish a floor price of \$US2909 a tonne for butter compared to the current global price of \$US1800-\$2000 a tonne, with a similar premium on milk powders. European dairy traders will also be able to apply for an "export refund" from the commission to cover the shortfall between the domestic intervention price and what they receive in the global market for butter, cheese and milk powders. Analysts fear that given the EU supplies a third of the world's dairy exports, the global price will now be capped at the EU domestic price minus the export subsidy.'



**Media Release**

Date: Monday 16 February 2009

Page 2

The damage to our exports will be intense, at a time when we can hardly afford to lose more markets. If the subsidies become entrenched, Australia should seek relief and compensation for our loss of exports through the World Trade Organisation's dispute process.

"Yet the Rudd Government is set to compound the current problems facing the industry by scrapping a critical 40 percent rebate on AQIS export certification costs, worth at least \$35 million a year nationally. The dairy industry will also be particularly hard hit by the Rudd Government's Emissions Trading Scheme that is proposing ETS taxes on dairy processors and initial estimates show the ETS will cost the individual dairy farmers upwards of \$12,000 a year." said Nola Marino.

"Also last year the Rudd Government cut more \$1 billion in rural and regional program spending, targeted drought funding and cut back infrastructure spending. With 249 dairy farms in the Forrest electorate, producing around 300 million litres of milk annually, will have a significant multiplier effect in our South West economy.

The Rudd Government bailed out the automotive industry and the banks and it has attempted to bail out the retail sector as part of its proposed \$42 economic stimulus package. But it has so far ignored the dairy sector, which nationally generally \$11.5 billion wholesale last year.

"Regional Australia is wondering when the Rudd Government will start supporting our home grown industries and jobs." said Nola Marino.

Nola Marino said Australia needs a strong dairy industry, which in recent years has added billions of dollars to the Nations export earnings and supports thousands of jobs and businesses. The dairy industry is a vital component in the Australian economy.

Ends

# Dairy recovery hopes

By DAVID MCKENZIE

AUSTRALIA'S dairy farmers have a bright future despite the present slump in prices, according to the NAB.

In its latest commodities wrap, the bank said a return to subsidies in the European Union was having a short-term impact on dairy prices and that this would slow their recovery. However, NAB said the medium-term outlook for the industry was strong.

There was a distinct possibility dairy prices could return to their pre-2006 levels, NAB's agribusiness chief for southern and Western Australia, Neil Findlay, said.

International dairy prices had fallen significantly in the past 18 months, down nearly 60 per cent from their peaks of November



Neil Findlay

2007 in US dollar terms, Mr Findlay said.

Domestically, farm-gate milk prices were expected to fall 19 per cent in 2008-09 compared with the previous year, he said.

HAVE YOUR SAY  
weeklytimesnow.com.au



While the global financial crisis was having an impact by cutting world demand for dairy products, it was the EU's actions that were really bad news for the Australian industry, he said.

By re-instating export subsidies, dairy products that might otherwise have been destined for the European market would instead be directed to export markets.

It would also distort price signals reaching European processors, and keep less efficient producers in business.

Mr Findlay said domestic dairy production was expected to grow at a rate of 1-2 per cent a year,

although this remained highly reliant on seasonal conditions, certainty of water access and stable feed costs.

The medium-term outlook for the industry was positive, although growth would be slowed by Europe's protectionist policies.

NAB's Rural Commodity Index declined 4 per cent in February this year, on the back of weaker global demand that placed downward pressure on global grain and dairy prices.

The index in Australian dollar terms is forecast to fall 3 per cent this financial year and a further 9 per cent next year as the weaker global economic outlook constrains the recovery in demand for rural commodities.

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# Farmers 'hang in there'

By SIMONE SMITH

DAIRY farmers supplying the export market can expect between 24 and 29 cents a litre for the start of next season.

The opening price estimate was included in Dairy Australia's *Situation and Outlook* report released yesterday.

Come July, farmers should expect an opening price of \$3.50-\$4kg milk solids, based on current international market conditions.

"Below average levels of committed sales in the lead up to July would put pressure on exporting manufacturers to open conservatively," the report said.

"Firms have to balance the impact of lower milk flows on



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toria president Doug Chant said the opening price would "certainly make it difficult for many farmers".

"Farmers have been saying they will hang in there until Christmas," he said.

"(But) they need a little bit more hope between now and Christmas."

Mr Chant said the low levels of committed sales in the next few months endorsed what the UDV had been saying about the need to open additional export markets in an attempt to boost the farm gate milk price.

"With the low Australian

dollar we should be exploring every opportunity to expand into other countries than what we normally sell into," he said.

"(We could, for example) use dairy produce as food aid rather than giving cash all the time."

Mr Chant said dairy farmers had survived on a similar opening price four years ago, but this time "it will come down to the season."

Simpson Murray Goulburn suppliers Stu and Clare Modra said 29c a litre was "probably not so bad".

However, the lower side of the estimate would make things tough, Mr Modra said.

"At the top end of the scale, above 26c a litre is break-even," he said.

"I try to be a little optimistic about it. Ideally I don't want to farm for the next three years just to break-even."

Fonterra supplier Don Spokes, of Castisle River, said the higher end of Dairy Australia's opening price estimate was "not so bad".

But if it was lower than the top price, many people would leave the industry, he said.

Mr Spokes said the conservative opening price would make it hard for people who have just entered the industry.

A Fonterra spokesman declined to comment on Dairy Australia's price predictions.

Murray Goulburn chairman Ian Macaulay was unavailable for comment.

## Survey spotlight on dairy fears

By DAVID MCKENZIE and SIMONE SMITH

DAIRY farmer confidence has plummeted as crisis meetings were held across northern Victoria this week.

A national dairy farmer survey, released yesterday in conjunction with Dairy Australia's latest *Situation and Outlook* report, found a sharp drop in the number of dairy farmers positive about their industry.

Only 66 per cent of 1000 dairy farmers surveyed had a positive outlook, down from a peak of 78 per cent a year ago.

The survey found 76 per cent of the industry had suffered a cut in their milk price this year.

Dairy Australia's manager of strategy and knowledge, Joanne Bills, said this number was higher than she had expected, based on last year's survey and it signalled supplier movement between companies.

When asked about the milk price step-down, 28 per cent said they would decrease feed and 25 per cent said they would cut their herd size.

The survey coincided with crisis meetings at Kerang, Rochester, Oxley, Finley and Katamatite organised by Murray Dairy at which farmers aired their concerns with Dairy Australia representatives.

It also coincided with the release of Rabobank Australia's latest farm confidence survey which found Victorian farmers were the nation's most pessimistic as rural Australia becomes increasingly gloom about the economy.

Rabobank Australia said farmer confidence had slumped nationally to a two-year low amid growing concerns about the global downturn.

More than half of Victorian farmers — the highest proportion of all states — think the rural economy will worsen over the year, with barely one in 10 expecting a recovery soon.

• Kiwis hit tough times, Page 18

## FARMERS VOICE

What impact is the dairy price slump having on you?



Paul Taylor, Koroop

This year we had no options, so we've been on the back foot ever since and only managing with the milk price as it was (before it was cut). There's only the hardcore farmers left now.



Grant Davies, Swan Hill

It needs to rain very soon. We can irrigate now so we're giving it our best shot, but Mother Nature needs to kick in.



Paul Gill, Macorna

We'll just wait and see what happens with the rain and water allocations. We'll probably decide around August if we can keep going.



Tracey Hollingworth, Kerang

It has to rain and there has to be an allocation of more than 70 per cent. If not, I won't bother doing the budget. The end of May will be crunch time for us.



Shawn Hollingworth, Kerang

We need water — from rain or irrigation — because it won't be viable to buy feed next year. Crunch time will be July 1.



Andrew Leahy, Murrabit

The irrigation outlook and whether there's water or rain to grow grain in dryland areas, that's the make or break for me.



John Archard, Murrabit

The problem now is that costs are so high and they're uncontrolled because we're not feeding. If it was pasture-based we could survive on a lower milk price.



Vanessa Wight, Cohuna

We need 30 per cent more than the February to June price just to cover our costs. One option for us is to leave (dairying) now and try to get back in later.

Weekly Times 1/4/2009

## Milk money is running dry

By SANDRA GODWIN

IT COULD have been any dairy discussion group meeting across Victoria.

A dozen Murray Goulburn suppliers sitting on an assortment of mismatched chairs in a corrugated iron shed with flies darting in the open door and a commercial fan humming away in the background.

But the topic wasn't cow nutrition, grazing management or milk harvesting.

It was far more crucial.

They had driven an hour or more to tell Steve Coats, Dairy Australia's farm productivity and delivery manager, and Dairy Australia directors Geoff Akers and Peter Nankervis the painful truth

about the financial damage their businesses had suffered from seven years of drought and recent savage cuts to milk prices.

They also spoke of the likely effects of the Federal Government's ad hoc water buy-up on their own farms and the communities they live in.

The future they described was one of uncertainty, punctuated with "ifs" and "buts", and each time the phrase "on a knife edge" was used, grim faces nodded in agreement.

According to them, northern Victoria is on the verge of losing its lifeblood, with more than 200 dairy farmers poised to sell their herds and flee the industry, hoping the Government will buy their water.

But with water traders expecting the buy-up to be oversubscribed and sellers names put into a ballot, not even that method of exit is assured.

The meeting heard each dairy cow was worth an estimated \$1400 a year to the local economy, which would be shattered if the saleyards were flooded with 30,000 head.

Kerang farmers Shawn and Tracey Hollingworth, who hosted the meeting, monitor, review, revise and crunch the numbers constantly.

After preparing a budget based on the opening price of \$4.3c a litre, they bought 200 cows at \$1500 in September.

The February price cut to 46.4c a litre left them with a \$380,000

black hole, forcing them to sell 150 head at \$500 and ask for time to pay their feed bills.

"We sit here now and we don't know if we should stay or go," Mr Hollingworth said. "We could lose everything."

He was critical of the lack of support from the Government, which had thrown money at the car and construction industries to help them beat the global financial crisis, but not a cent to agriculture — unlike governments in the US and Europe.

In typical Australian style though, the sombre mood lifted when one farmer sarcastically remarked: "You can't drink oil and you can't eat cars".

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**Bank of Queensland managing director David Liddy has raised concerns about competitiveness.**

Photo: GLENN HUNT

# BoQ boss fears Big Four bias

**Vesna Poljak**

Bank of Queensland managing director David Liddy has criticised the state of competition in the banking sector, saying a "massive distortion" has been created by the federal government's pursuit of stability over competition.

Mr Liddy described the government guarantee on funding as "totally anti-competitive" because the regional lender paid 80 basis points more than a bank with a AA credit rating for access to its funding. Bank of Queensland is rated BBB+ by Standard & Poor's.

"There's never been that variance in our ability to raise funds in the marketplace," Mr Liddy told *The Australian Financial Review* after last week reporting a first-half normalised cash profit up 29 per cent to \$84.2 million. "That

has created a massive distortion and I think that needs to be addressed and addressed quickly," he said, suggesting a common fee for all banks.

"But I think the government is more interested in stability of the Big Four rather than competition, that's my point."

Mr Liddy also said he had not been approached by the government as part of its recent agreement with banks to offer temporary mortgage relief to newly unemployed mortgage holders.

Under the deal, the Big Four will postpone home-loan repayments for up to 12 months for people who lose their jobs, with interest capitalised into the mortgage. The pact was discussed between the banks and Treasurer Wayne Swan.

"I read in the paper about the arrangement the government had made with the Big Four banks

about people who had lost their job and their housing. Well, we weren't approached. I think that's bad," Mr Liddy said.

He acknowledged the importance of a stable banking system and its ties to the health of the economy. "But in terms of competition, we don't want an oligopoly, we don't want a Woolworths and Coles situation in Australian financial services. We want people to have choice."

Mr Liddy said Australian Competition and Consumer Commission chairman Graeme Samuel would "probably support" his perspective.

Bendigo and Adelaide Bank's outgoing chief executive, Rob Hunt, also said recently that he faced major competitive disadvantages, including the government's wholesale funding guarantee.

*Speedie  
Supermarket*





**Media Release**

Date: 7 April 2009

**South West Agriculture Future Under Threat**

Axing Land and Water Australia and slashing the Rural Industry Research and Development Corporation (RIRDC) budget, as well as the flawed Carbon Pollution Reduction Scheme (CPRS) proves the government has no idea about agriculture, natural resource management and climate change policy.

"At last review, the gross value of agriculture production in Australia was \$38.5 billion, in 06/07 the value of cattle and calves slaughtered in the South West totalled \$105.4 million. Agriculture and forestry take up 63 per cent of Australia's landmass and, together with fisheries, these industries support jobs for 33% of Australian's living in rural and regional areas," Nola Marino MP says.

"Senator Colbeck, Shadow Parliamentary Secretary for Agriculture, Fisheries and Forestry, has had discussions with the Dairy Industry and their calculations estimate the flawed CPRS will cost individual dairy farmers, on average between \$6000 - \$8000 per farm, and between \$20 and \$30 per beast being slaughtered in the beef industry. Those significant extra costs will go back to farmers, they can't pass it forward. This is a serious concern for farmers in the South West," says Ms Marino.

"*The Australian* newspaper reported findings this week that average beef farmers' profits would fall \$36,000 a year if agriculture were covered by emissions trading at \$25 a tonne of carbon, dairy farmers would lose \$23,000 and sheep farmers \$14,000," says Ms Marino.

"What the Government has done by pushing the scheme out to a start date is effectively given parliament the time it needs and that it should have taken in the first place to get this legislation right.

The agriculture industry in the South West was estimated to bring in a total of \$550.2 million in 06/07 which is why I am working hard to make certain the flaws in the CPRS are examined and corrected so that local South West businesses and employees are not at risk," said Nola Marino MP.

Ends

# Opinion

Crackpot solutions are a lot of hot air

# It's no time to veg out



Democrat Senator Andrew Bartlett's push to turn us all vegetarian to help fix global warming is up there with all the other internet hoaxes, writes XAVIER DUFF

**W**HAT if your child handed you a school assignment on the historic 1969 moon landing, claiming it was a hoax perpetrated by NASA to convince the Russians that the US was winning the Cold War?

Chances are it would happen, if the teacher told the kids to do their assignment using only the internet.

If you Google "man landing on the moon" it is just as likely to throw up the hoax theory as fact.

On the internet every crackpot, crank and conspiracy theorist with a home computer and too much time on their hands can have equal billing with university professors and Nobel laureates.

Don't get me wrong, Google is great. But I'm waiting for the day when each entry comes with a flashing cuckoo icon beside it to help me sort the smart from the smart alec.

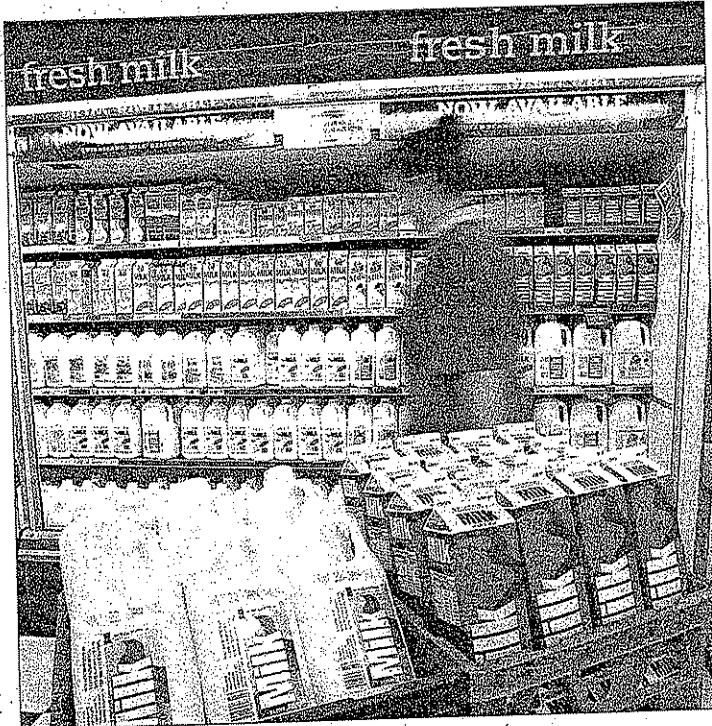
If the internet is incredibly efficient at spreading information, the flipside is that it is incredibly efficient at spreading misinformation.

Even legitimate facts, which appear in their millions on the net, can be selectively quoted to suit any argument.

Take the current debate over global warming.

Ask your child for 500 words on how to fix it using the internet and they are just as likely to give you just three — "become a vegetarian".

That's the online solution, not from a crackpot but a Queensland senator. OK, the



Full cream: Dairy and meat products earn Australia \$9 billion in exports a year.

two are not mutually exclusive — but you would hope for better from a university-educated politician.

Democrat Senator Andrew Bartlett, released a statement just prior to Earth Hour, arguing that turning vegetarian would be more help than turning the lights off, in cutting greenhouse emissions.

Sheep and cattle are walking methane factories, so unless we stop eating meat and dairy products we will fry, the former animal-rights activist argues.

Using information from the quite legitimate Federal Government's State of the Environment website, Senator Bartlett claims methane-burping ruminants create more greenhouse gas than transport.

True. But if he had actually quoted the figures, you would

learn that all of agriculture combined contributes only 18 per cent of Australia's total greenhouse emissions — about 3 per cent more than transport.

The lion's share of emissions, at 49 per cent, is from power generation. This is not to say agriculture should be let off the hook, but suggesting that if we all just lived on mung beans and lentil burgers we will fix global warming is nonsense.

**F** or a start, what does he suggest we replace the \$9 billion or so in export income earned by meat and dairy?

Senator Bartlett's call ignores the fact that a huge proportion of the beef cattle graze on land that is unsuitable for cropping or horticulture.

What does he suggest happen to that land?

If Senator Bartlett were to Google "kangaroos and climate change" he would find a pretty compelling scientific argument that farming kangaroos would be the perfect solution to reducing agriculture's greenhouse emissions.

They are in harmony with our climate and land, the meat is lean and highly nutritious and best of all, they don't produce methane. But as an animal-rights activist would he endorse it? Unlikely.

If Senator Bartlett has his way we would end up living off tasteless, boring, processed vegetarian wafers made from soybeans and lentils.

You don't need the internet to know what that will do to our methane emissions. Pshaw.

• Xavier Duff is a senior reporter with *The Weekly Times*

# Land of milk and money



Claims that people can save the environment by going without dairy or meat for a day are ridiculous, writes DOUG CHANT

**I**T IS a case of "here we go again" with ill-informed comments from high-profile people.

Remember last year's comments from Victorian of the Year Phillip Wollen? He was speaking on behalf of Animal Liberation Victoria, whose members like to lay under fibreglass cows in the middle of Melbourne to pass the time.

Democrat Senator Andrew Bartlett is a former president of Animal Liberation Queensland.

As I said then, perhaps these people need to get out on a farm and get a better understanding of what the dairy industry does.

Senator Bartlett talks about saving the environment. It is in a farmer's best interest and always has been, to look after the environment.

The last drought has truly shown farmers' preparedness to put the wellbeing of their animals and their land ahead of their own wellbeing.

I know of many over the last year who have dipped into their superannuation savings to help pay for fodder for their cattle, while they struggle to put food on their own table.

These are the people Senator Bartlett is criticising.

If Senator Bartlett had done the smallest amount of research, he would have found the *Australian Farm Institute's* publication of October last year, exploring whether "less meat means less heat".

The research conducted for this report concluded that it's unclear whether the actual net greenhouse emissions arising from agriculture might be all that different in the longer term, especially if the switch to more

plant consumption by human meat croplands had to expand.

There's another important point that Senator Bartlett missed. Dairy cows are producing a value-added product, a product that is a major contributor to Victoria's economy and dietary needs. The value adding can be demonstrated by simple mathematics.

Approximately 100,000 jobs are created through the production of dairy products across Australian dairy farms, manufacturing and related organisations.

The Victorian dairy industry alone employs up to 50,000 people along the production chain.

Many of these jobs are in regional communities.

**T**he regional economic multiplier for dairy is about 2.5. This means every dollar that dairy producers and manufacturers earn, generates a further \$2.50 in income in down stream industries in dairy production regions.

Australian dairy exports are worth \$2.7 billion dollars in trade income.

These figures don't even take into account the importance of the basic dairy product itself, which is one of the five essential food groups needed for a balanced diet.

Senator Bartlett has completely ignored the health benefits, economic and social importance of dairy.

• Doug Chant is president of the United Dairyfarmers of Victoria

## FARM SHEDS SHED SALE INDUSTRIAL

### FARM SHEDS - OPEN FRONT (Prices include GST)

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18x9x3.6m	\$11,366	18x12x4.5m	\$14,149	24x15x4.2m	\$25,830	30x18x4.5m	\$36,435
18x9x4.5m	\$12,599	18x12x4.5m	\$15,484	24x15x4.8m	\$26,659	30x18x6.0m	\$40,207
24x9x4.5m	\$15,482	24x12x4.5m	\$18,207	30x15x4.8m	\$31,551	36x18x4.8m	\$43,337
30x9x4.2m	\$18,329	30x12x4.5m	\$22,859	36x15x4.8m	\$36,323	36x18x6.0m	\$46,299

Roof formed section frame, wind category 3 - 41m/s, Zinc Roof & Walls, Guttering, Downpipes & Trimmings, Ex-yard

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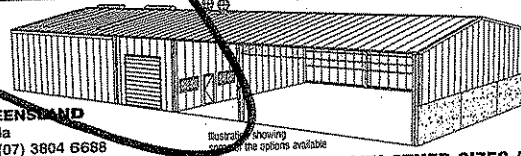
6x9x3.6m	\$16,012	24x12x4.8m	\$28,182	24x18x4.8m	\$38,735	42x21x6.0m	\$75,937
18x9x4.2m	\$17,585	18x15x4.2m	\$25,706	30x18x5.4m	\$48,725	30x24x6.0m	\$66,304
24x9x4.2m	\$22,251	24x15x4.2m	\$31,498	30x18x4.8m	\$52,923	36x24x4.8m	\$70,790
12x12x4.2m	\$15,968	24x15x4.8m	\$33,742	24x18x4.8m	\$45,524	36x30x6.0m	\$98,437
18x12x4.8m	\$22,551	30x15x4.8m	\$40,073	30x21x6.0m	\$58,547	60x36x7.5m	\$190,587

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# Ice cream brand's sale better for WA

By HELENA BOGLE

WA's most famous ice cream brand will be moving to the eastern states but some of the state's dairy farmers believe this could be a positive step for the dairy industry.

Capel dairy farmer Greg Chapman said Fonterra's decision last week to sell the Peters brand and cut Balcatta factory jobs will only make the WA dairy industry stronger.

"This is a good thing for WA," Mr Chapman said.

"Fonterra has not really done anything positive for the WA dairy industry except 'rape and pillage'.

"And they've taken away valuable brands."

Mr Chapman, who was a Fonterra supplier, said people are losing faith in the company.

"There's not a lot of loyalty left because of the behaviour of Fonterra," he said.

The Peters ice cream brand has been sold to Nestlé, a move which has put 140 jobs on the line at the factory.

Premium ice cream brand Connoisseur has also been bought by Nestlé and Bulla will take on the Cadbury ice cream range.

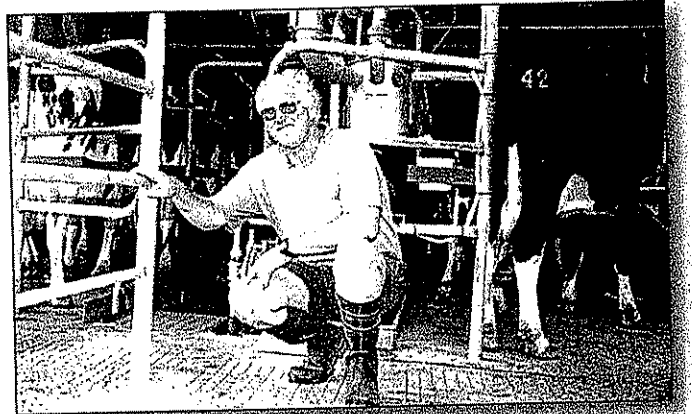
Fonterra Australia-New Zealand managing director John Doumani said the decision made good business sense.

"Given Nestlé own the Peters brand in all states except WA, they are the logical new owners," Mr Doumani said.

"Nestlé has the required scale, synergies and expertise to invest in both the Peters and Connoisseur brands to continue to position them as strong leadership brands in the ice cream category."

The decision shocked many WA dairy farmers who have lost confidence in Fonterra.

Dardanup dairy farmer and



□ Capel dairy farmer Greg Chapman said Fonterra's decision to sell the Peters brand will only make the WA dairy industry stronger

Fonterra supplier Danny Harris was angered by the announcement.

"I am really disappointed in the loss of the iconic Peters brand," Mr Harris said.

"Fonterra has never come to terms with the fresh produce that is coming out of WA.

"They've allowed the Balcatta factory to become a lame dog."

He said there would not be any immediate impacts on WA dairy farmers but there will be a problem if an over supply of milk continued.

"Nothing will happen overnight, but Fonterra will have to find somewhere to put this 10 million litres of milk that is still being produced," he said.

In a recent statement, opposition agriculture spokesman Mick Murray said the Government must clarify Fonterra's intentions so workers at the Balcatta and Brunswick Junction factories know where they stood.

"Rumours that Fonterra will put these two milk processing facilities on the market has

created uncertainty for the Fonterra workforce and for the dairy industry," Mr Murray said.

"It is time for the Barnett Government to speak up on this issue.

"They must front Fonterra and confirm or deny this speculation."

Mr Murray said it would be disastrous for WA's dairy industry if the worst case scenario became a reality.

"Our dairy industry is already under pressure and it does not need ongoing instability as a result of the Barnett Government's inaction," he said.

Mr Doumani said Fonterra's WA dairy farmers would not be affected by the Peter's announcement.

"We collect over 130 million litres of milk in Western Australia annually and our growing Brownes brand portfolio will continue to acquire this secure supply of fresh high quality milk to produce its market leading, innovative products," he said.

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# Peters loss 'a massive blow'

Rebecca Turner

WA Farmers dairy section head Peter Evans says the loss of dairy processing from WA is a huge blow to the industry.

Peters ice-cream will no longer be produced in WA and 140 jobs will go at Fonterra's Balcatta factory after the company announced last week that it would sell its ice-cream division.

The Balcatta factory is the exclusive producer of Peters ice-cream sold in WA and for all Connoisseur and Cadbury ice-creams in Australia.

About 320 workers will remain at the \$35 million Balcatta plant to handle its Brownes dairy products, but a



WA's dairy industry has been set back.

Fonterra spokeswoman said the company could not guarantee the remaining jobs.

Fonterra said it was doing a "strategic review" and would not consider

changing Brownes' milk production in the State until it was completed.

Mr Evans said that while only about 10 million litres of WA milk a year were used by Fonterra's Balcatta site for the production of ice-cream, it was the loss of opportunity to expand the production of both the innovative Peters and Brownes brands using WA milk that was of great concern to the industry.

"It is my understanding both white and flavoured milk will continue to be processed at Balcatta, however if there is an opportunity for expansion in ice-cream production WA dairy farmers won't be the ones to benefit from such a situation," he said.

"This is disappointing for WA

dairy farmers because our cost of production is very competitive when compared with other States and therefore it makes no sense to us to relocate this business elsewhere."

Mr Evans said that following the long history of ice-cream being produced in WA, witnessing manufacturing facilities being taken out of the State was a real concern for the industry.

He said because Fonterra was a huge dairy conglomerate focused on commodities, the decision to sell both businesses would probably create a better outcome for the Connoisseur and Cadbury brands which targeted niche markets.

It was just unfortunate for WA

milk producers that the decision would cause a loss of innovative opportunities.

Mr Evans said Fonterra had made a public assurance that their milk contracts with WA dairy farms would remain in place.

Fonterra Australia New Zealand managing director John Doumani assured Fonterra's WA farmers that the sale of its Australian ice-cream brands would have no impact on milk supply arrangements.

"We collect more than 130 million litres of milk in WA annually and our growing Brownes brand portfolio will continue to require this secure supply of fresh high-quality milk," he said.

# Growers urged to test flystrike clip

A fresh alternative for controlling flystrike is on the market in time for the 2009 lambing season.

Leader Products has been licensed by Australian Wool Innovation (AWI) to produce the Anti-flystrike Clip, which is available through Leader Products and accredited contractors.

"AWI is committed to delivering viable flystrike control alternatives to woolgrowers," AWI chief executive Brenda McGahan said.

"AWI has fast-tracked the research and development program since 2004 to ensure woolgrowers have a range of op-



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Australian  
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Page: 8  
General News  
Region: Australia  
Circulation: 137000  
Type: National  
Size: 196.66 sq.cms  
MTWTF

# Cotton gin jobs dry up in water sale

Asa Wahlquist  
Rural writer

THE federal Government's \$303 million Twynam water rights purchase is set to close at least one cotton gin, cost 56 jobs and remove \$2.5 million from bush economies.

The head of Australia's oldest cotton company, Richard Haire, said his Queensland Cotton Corporation had suffered "collateral damage" from the Twynam agriculture company's sale last week of 240 gigalitres of water.

Queensland Cotton purchased three NSW cotton gins, or mills, from Twynam three years ago: in the Gwydir Valley at Collarenebri, at Warren in the Macquarie Valley, and at Mungindi in the Macintyre Valley. Mr Haire said Twynam's water sale meant the

\$20 million cotton gin at Collarenebri was no longer viable. "In a normal season we would run at about six permanent employees and about 24 seasonal employees," he said.



Haire

"The season runs for about four months, the seasonal employees earn pretty reasonable money so that is virtually their entire year's income. That is 30 positions that are going to be removed from what is a fairly

small community."

Mr Haire said half the cotton processed at the Warren gin comes from Twynam properties.

"We will be doing everything we can to keep it open, but there is no doubt that this decision will certainly shorten the season," he said.

He said his company's annual spend in the local community from the Collarenebri mill is significant.

"Things like contractors, suppliers, specialist expertise, fuel, we spend around about one million bucks a year. That is a lot of money to a place like Moree or Collarenebri."

Mr Haire first learned about the water sale from an employee, who heard it announced on ABC radio.

"There was no consultation. We are yet to be formally advised by anyone from the Department of Water, and our interests and the interests of the employees out there were never considered as part of the negotiations."

Mr Haire argues the Government needs to understand the impact the sale of such a large volume of water will have on rural employment and small towns.

"There is no documented plan, there is no system for the Government's approach to this water buyback, it just seems to be entirely arbitrary," he said.

He believes the Government's approach to the water buyback

will jeopardise future investment in irrigated agriculture.

"The political and legal risk associated with investing in irrigated agriculture in Australia has suddenly become huge. Capital investment in irrigated agriculture in Australia is going to evaporate," he said.

Cotton Australia estimates every 270 million litres of water generates one full-time job. On those figures, nearly 900 jobs would be lost as a result of the Twynam sale.

National Farmers' Federation president David Crombie said they support the water buyback from willing sellers.

"But in this case, the sheer magnitude of the purchase, obviously there will be an impact on local business and communities," Mr Crombie said.

He asked the Government if any studies had been done on the impact on the regional community. He said the NFF had not received a response.

"It just seems to us there has been very little impact work down around what is a very, very major purchase," Mr Crombie said.

"A lot of these regional towns are pretty fragile, and if you pull a major player out it can have a devastating effect on small regional communities.

"Suddenly you don't have the critical mass to sustain a lot of the businesses that are there."



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18/6/09

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Australian Dairy Farmers president Allan Burgess says the industry is disturbed about subsidised exports going into Asia.

# US 'bonus' milk for Asia angers Aussies

Australian dairy farmers have reacted angrily after the US targeted Asia, with its first dairy export subsidies. Marketing giant DairyAmerica Inc. has won two of the first three allocations under the US Dairy Export Incentive Program covering more than 7000 tonnes of milk powder exports destined for Asia and former Soviet Union countries.

DairyAmerica will get an average subsidy, or "bonus", of about \$A144 a tonne for 6550 tonnes, and about \$A165 a tonne for a further 648 tonnes.

Australian Dairy Farmers president Allan Burgess said the industry was very disturbed about subsidised exports going into Asia, a key destination for Australian exports.

"The allocations bring into reality what we've been outraged about in relation to the US' reintroduction of export subsidies," Mr Burgess said.

"We don't know exactly where in Asia the subsidised exports will go, but it's a fair bet we'll be in those markets."

He said that the US domestic price for milk powder was already below the world price, so the subsidies

could allow exporters to undercut the world price. "We're very concerned, the US subsidies for skim milk powder are almost certainly going to put a dampener on prices for Australian farmers," he said.

A spokesman for Federal Trade Minister Simon Crean said the Minister had raised the issue in strong terms with US Trade Representative Ron Kirk last week and called for an immediate end to the US subsidy war with the EU.

The US recently flagged it would subsidise up to 68,000 tonnes of milk powder in 2008-09, along with smaller amounts of butterfat and cheese, in response to the EU's move to reintroduce export subsidies earlier in the year.

Under world trade rules, it can spend up to \$A150 million on subsidies annually.

Exporters can bid for subsidies based on export contracts finalised before July.

US butter exporters can also apply for subsidies of about \$A560 a tonne, while anhydrous milkfat, butter oil and ghee can attract about \$A810 a tonne.

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## Disaster foretold for dairy

Rebecca Turner

The Australian dairy industry was on the verge of financial collapse this season, according to the latest Australian Bureau of Agricultural and Resource Economics (ABARE) figures. And the decision by milk companies to hedge its bets with low and short-term milk prices is only adding to farmer woes.

Describing the disaster facing more than half of those in the market as a "one in a 35-year step down in milk price", ABARE said the number of farms losing money would almost double, from 38 per cent to 62 per cent. For those remaining in the black, average revenue was forecast to tumble from \$74,000 to a miserable \$6000.

Last week, Fonterra announced its WA farm gate price, saying prices would remain where they were for the rest of the year. Fonterra Brands WA general manager Tim Cusack said a set price for the rest of the year

would "provide farmers with certainty as they plan". Mr Cusack said Fonterra had also given its WA suppliers an indicative milk price for the first half of 2010, along with a commitment to confirm the price by September 14 this year.

"In addition to providing a competitive price for milk solids in the State, we have adjusted our growth incentive to encourage our WA producers to grow their milk flow during the second half of the season," he said. "This incentive structure recognises the cost to farmers of producing milk during the summer months in WA."

Countryman understands Challenge Dairy will release its milk price this week but the company would not comment further.

Boyanup dairy farmer Victor Rodwell said Fonterra's decision to hold milk prices over winter as a result of economic uncertainty meant most farmers would not be milking more cows than necessary.

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# Farms chief warns on ETS

By **DARREN GRAY**  
RURAL AFFAIRS REPORTER

AUSTRALIA'S dairy and fibre industries will be "drastically hit" from the first day of an emissions trading scheme and will face higher production costs, the new president of the Victorian Farmers Federation has warned.

In his first public speech as president, Andrew Broad warned the scheme would hurt Australian agriculture even if agriculture was not included, and would limit agricultural export opportunities.

"The world needs our agricultural output," he said. "Increasing Australian farmers' cost of production will reduce our ability to meet these needs, as well as drastically reduce our ability to invest in sound on-farm environmental projects.

"Even though agriculture is technically excluded until 2015, food and fibre industries will be

drastically hit from day one. The dairy and red meat sectors will initially be hit the hardest, which is significant given their increasing role in global exports."

The Federal Government has said it will decide in 2013 whether or not agriculture will be included in the scheme, and that if it is, it will be included in 2015 at the earliest.

But Mr Broad said the pain would start for agriculture as soon as the scheme was introduced. He also said a "poorly drafted" scheme was the "greatest threat" to the global environment.

"A poorly drafted (emissions trading scheme) will drive increased demand in countries that do not have the capacity to achieve the level of environmental management that Australia enjoys," he said.

"It is export demand for soybean and beef that is causing the major destruction of the Amazon rainforest.

"It is palm oil that is driving the destruction of the Malaysian rainforest. These are substitute products for canola oil and red meat grown in Australia."

In his speech to the Rural Press Club, Mr Broad, 33, criticised other government policies, including the Victorian Government's north-south pipeline and plans to expand Melbourne's urban growth boundary by 41,000 hectares.

"If we push Melbourne further out into the surrounding countryside ... we create additional problems with transport, water supplies and environmental impacts," he said.

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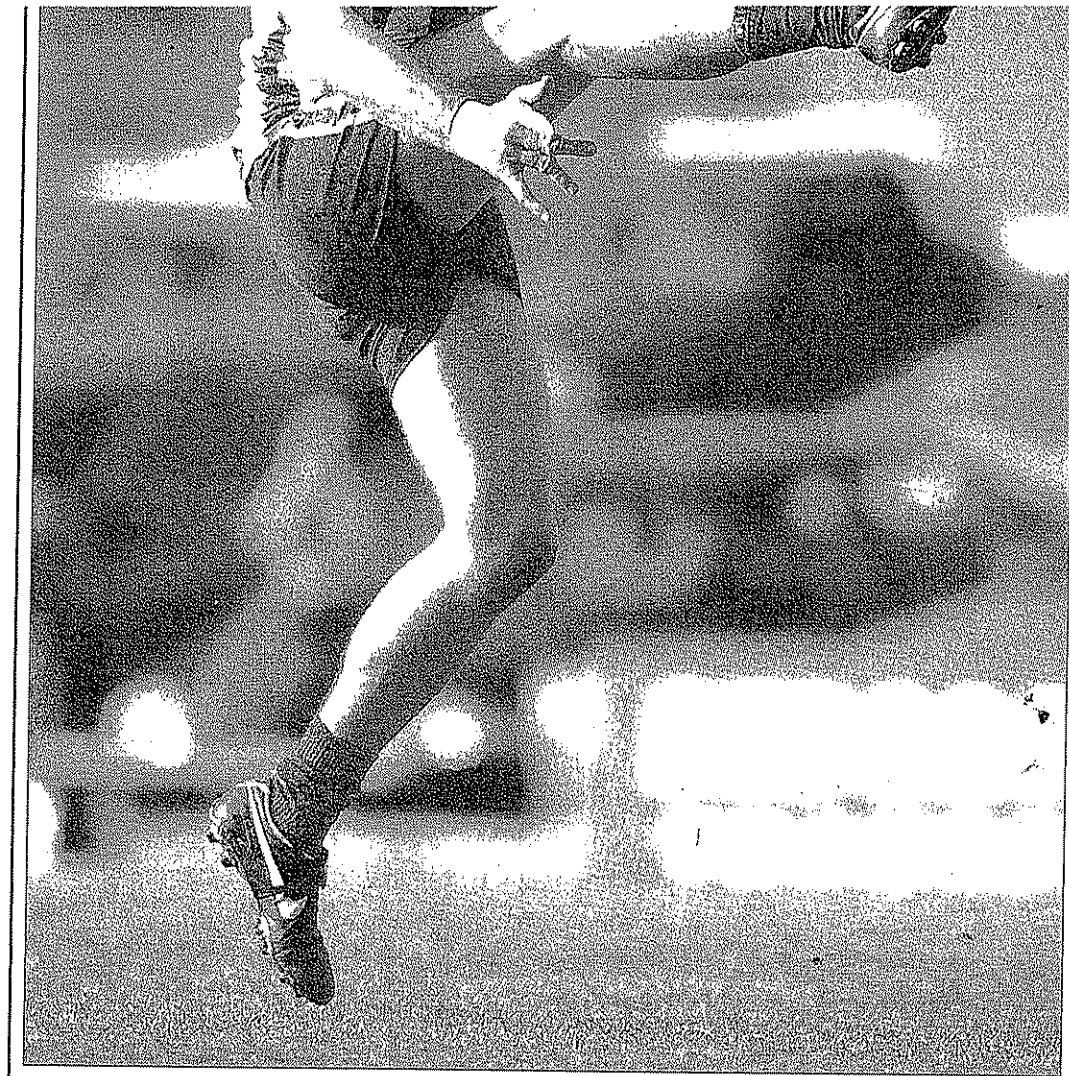
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**Roo roost:** former North Melbourne star Corey McKernan shows he's still got the goods as he slots one of his five goals in his debut match for Heyfield in the North Gippsland league.

Football, starts Page 33

Picture: YURI KOUZMIN

# No cream in new season

## • From Page 1

Many went to work this morning not knowing what they will be paid.

The traditional opening price deadline — the last week of June — has passed and at time of press yesterday, milk producers were yet to hear anything from the major processors.

Following the shock mid-season price cut, which slashed farm-gate milk prices by as much as 40 per cent from February, as well as the continuing drought, this year's opening price announcement carries a huge weight.

Dairy farmers are sick of being in limbo — they want to know now.

“It is time the companies bite the bullet and announce an opening price,” UDV president Chris Griffin said.

“I can't see any reason why

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they are not announcing now. They should have done all their sums by now.

“Dairy farmers would like to know what they are being paid for the milk they are producing when they are producing it.”

The question mark hovering over the value of each litre of milk flowing into the vat is unwelcome for farmers.

For the past five years, they have known the crucial opening price in the last week of June, and excuses about the Australian dollar delaying prices are wearing thin.

Katunga dairy farmer Daryl Hoey said he couldn't see why milk companies were holding off on their announcement and

blaming the Australian dollar, especially because it had stabilised during the past fortnight.

“It is pretty unreasonable to expect farmers to supply milk next season without knowing what price they will be delivered,” he said.

“Farmers out there are under a fair bit of stress ... they need to do their budgets to know where they sit.”

Mr Hoey said the delay in announcing an opening price had many farmers wondering if it was a tactic by the processors to prevent farmers switching milk companies.

Murray Goulburn, widely acknowledged as the industry price-setter, is yet to break its silence about next season.

MG's announcement has traditionally been followed by opening price letters from other milk companies.

“Opening price will happen when it happens,” co-operative chairman Ian MacAulay said.

“It's only marginally later ... we want to make sure we get the best possible price to the farmers.”

He would not go into the details of what had been holding-up the announcement, but said Murray Goulburn “intend it to be soon”.

Fonterra also declined to elaborate on opening price queries.

Its only comment was that: “We will be releasing our price as soon as possible.”

More opening price announcements are expected in the coming days.

• For daily updates, check [weeklytimesnow.com.au](http://weeklytimesnow.com.au)

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Weekly Times  
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## New season milk price takes a dive

# NO CRRBAM

By SIMONE SMITH

DAIRY farmers will be paid just 28c a litre of milk this year.

Tatura Milk Industries yesterday announced it would pay its 300 suppliers \$3.80 a kilogram of milk solids, or 28c a litre, next season.

This is down a staggering 33 per cent on last season's opening price of 42c a litre.

However, major players Murray Goulburn and Fonterra remain si-

lent, refusing to reveal when they would release their prices.

Chairman Barry Irvin said the decision to release its price to those farming in northern Victoria first was due to the "uncertainty" around pricing and weather.

In a letter suppliers were due to receive from yesterday, Mr Irvin said the price had taken into account the massive decline in world markets for dairy products and the US and Australian dollar exchange rate volatility. However, he was aware

this price was not sustainable.

"The board understands the significant impact of this 28c a litre opening price on farm businesses and recognises this price will not sustain dairy farming operations if the climatic conditions experienced in recent times continue," he said.

"There is an expectation that there will be opportunity for price increases throughout the season through market price strengthening and ongoing business improvements at Tatura Milk Industries."

The opening price includes unchanged seasonal incentives, quality premium, and productivity payments from last year.

"Loyalty payments (step-ups) are expected to be made as and when the situation improves," he said.

In its "seasonal pricing" payment system, July's butterfat price will be \$3.01/kg and protein \$7.48/kg.

This price drops to \$2.13/kg butterfat and \$5.37/kg protein from

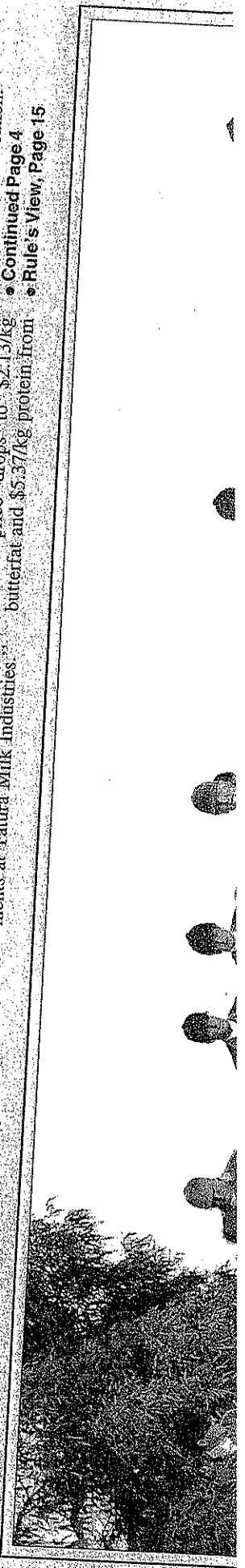
September, before an increase to \$2.32/kg and \$5.81/kg protein in January.

Prices continue to rise up to the July 2009 price by the end of the season.

Mr Irvin said Bega Cheese would discuss its opening milk prices at a board meeting on Friday.

Meanwhile, for suppliers of other milk companies, anxiousness is boiling over into frustration.

Continued Page 4  
Rule's View, Page 15



## News

## Tough it out, says dairy boss

Rebecca Turner

Warrnambool Cheese & Butter chief executive John McLean did not mince words about volatile milk prices at DairyLive last week.

"This situation won't go away in five minutes; we must face up to the realities of life, there are no guarantees out there," Mr McLean said.

"We have seen this happen before; dairy farmers are very resilient and will be there to bounce back once the market comes up.

"My advice to young farmers who haven't seen this before is: tighten your belt, do the best you can, everyone in the industry is committed to get prices back as soon as they can."

Mr McLean said the effect of the global economic crisis was now being seen in consumer behaviour in Australia with people switching from branded dairy products to generic as well as swinging away from restaurants and eating out more at fast food outlets.

On a bright note, he said there were opportunities to grow farmers' share of the consumer dollar.

"Dairy really has a niche market; its convenience, taste and health benefits all make it a wonderful product to work with," he said.

"Companies are continuing to be innovative in terms of packaging and marketing dairy.

"We are seeing more research being performed to extract lactose from dairy to use in nutraceuticals; investment in this area is one advantage Australia has over countries such as New Zealand and Brazil."

Fonterra chief executive, Andrew Ferrier, said his company's outlook was for 20 years of steady growth driven by consumers switching to healthier foods and global population growth.

## Honour for Fonterra

Fonterra Co-operative Group is the world's number one milk processor, according to a new report.

Global industry research group, International Farm Comparison Network (IFCN) benchmarked 600 milk processors in more than 70 countries and put Fonterra ahead of Dairy Farmers of America, Nestlé, Dean Foods and FrieslandCampina.

Fonterra chief executive, Andrew

# Heavy hitters

Rebecca Turner

WA farmers had a front row seat at a global video conference in Bunbury last week, with European and US dairy heavyweights as part of DairyLive.

DairyLive is an industry initiative, with Federal Government backing, which is using the latest live streaming technology. The purpose is to provide international perspectives and local market analysis to farmers on changes in dairy market trends.

Speaking at the conference was Kraft's director of Dairy Procurement Mike McCully.

Illinois-based Mr McCully said the international dairy market was in new territory, with crashing demand and rising supply, which had caused low prices.

"Both the EU and US export subsidies in all reality haven't affected the US market," Mr McCully said.

"US export subsidies were a six-week deal. What is of more interest to our dairy farmers is what will happen after June 30.

"The US Government doesn't have a lot of extra money at the moment and there has been no news yet on reallocation of this subsidy."

Mr McCully said the outlook for dairy prices came down to demand and until this recovered, it was unlikely a rise in milk prices would occur soon.

"What happens with the global economy is an unknown, your guess is as good as mine," he said.

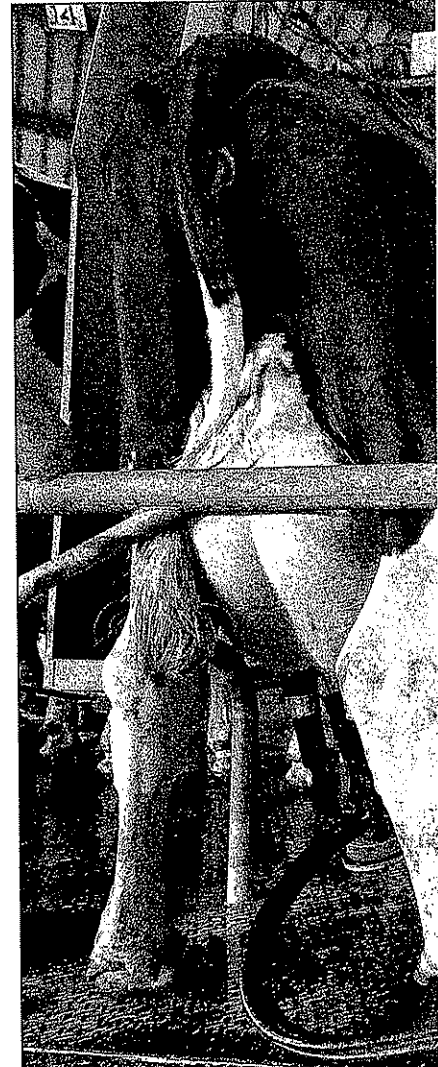
Mr McCully did not see the US becoming a major player in export markets.

"The US has only become a minor player in the world dairy trade in the last two years," Mr McCully said.

"It will be a long-term battle to convince US farmers to change their mindset to export more dairy and commit to long-term contracts."

He said the biggest threat to export markets he could foresee was Brazil.

"Brazil is export-focused and has a fair amount of experience in low cost dairy production," Mr McCully said.



The Australian dairy industry is well placed to

"I can see Brazil developing as a major dairy exporter in the next five to 10 years.

"The US has an interest in exporting into the EU market.

"We have a five to 10-year window to establish ourselves as a world player in dairy exports, if we don't do this low-production countries such as Brazil will fill this market.

"The US dairy industry is a grain-based high cost production system and therefore is unlikely to be com-

# WA herds clear

WA dairy exports remain internationally competitive, following negative results for enzootic bovine leucosis (EBL) testing.

National Dairy Industry EBL Eradication Program WA representative, Peter Evans, said the results from testing of all the State's herds had

Cattle Industry Compensation Fund.

"While EBL is not a risk to human health, the Monitored Free status will help us retain WA's market access by matching the EBL-free status of other major exporting countries," Mr Evans said.

# Farm milk price cut hurts

KATE MURNANE

SOUTH West dairy farmers are seething after major milk processors announce reduced farmgate milk prices, at a time when the industry remains volatile in the economic downturn.

Dardanup dairy farmer John Giummelli, who supplies milk to Harvey Fresh, said he would be hit by a reduction of close to 10 cents per litre.

"It's (the new price) basically

nudging 40 cents per litre," he said.

Mr Giummelli said all the major processors had reduced farmgate prices from July 1 which would put immense pressure on farmers' profit margins.

"I'm running out of belts to tighten," he said.

Mr Giummelli said the drop in the export market dictated the prices dairy farmers were receiving and successive

price cuts were limiting farmers' ability to keep farms to a high standard.

"The level of farm preservation is starting to slip away," Mr Giummelli said.

Dairy consultant Glenys Hough said any price cut was a problem as production costs had not been reduced.

"We still have significant costs," Dr Hough said.

"That margin is getting squeezed even tighter."

South West dairy farmer Phil Depiazzi supplies milk to Challenge Dairy and said he would be paid 30 cents per litre from July 1, which is a reduction of seven cents per litre from 2008.

"It's very disappointing," he said.

"Nobody expected it to come this far back."

Mr Depiazzi said dairy farmers would have to "knuckle down" and produce milk as cheaply as they could by growing and utilising as much grass as possible.

"We will just have to ride it out," he said.

Challenge Dairy and Harvey Fresh did not return calls to the *South Western Times* and a spokesman from National Foods said farmgate milk prices were between producers and processors.

## Beautiful Bessy is favourite

It is constant tail wagging for lucky golden retriever Bessy after being voted the overall winner in the South Western Times and Henderson Photographics Favourite Pet Quest Competition 2009, winning a \$600 jumbo pet photographic package from Henderson Photographics.

The 16-month-old canine was rewarded for the skilful ability of attending to put on her own seat belt



## Ferguson funding reduced

FERGUSON Valley Marketing and Promotions Inc had its funding cut in this year's Dardanup Shire Council budget.

The organisation that promotes and markets the popular tourist destination received a reduced allocation of \$20,000, down from \$30,000 in the previous budget.

Ferguson Valley Marketing and Promotions president Nick Bennet ex-

**IN BRIEF**

**MILK SOURS**



**Samuel address**

AUSTRALIAN Competition and Consumer Commission chairman Graeme Samuel (above) will address a Rural Press Club of Victoria breakfast at the Hilton on the Park Hotel in Melbourne on July 17. For bookings, phone (03) 9696 5899.

**Wheat export nod**

WHEAT Exports Australia has announced that Greentree Farming Exports Pty Ltd will be the first farming-based company to export bulk wheat under the Wheat Export Accreditation Scheme. Greentree Farming Exports, which is chaired by one of Australia's largest wheat growers, Ron Greentree, will market wheat grown on its own properties in northern NSW.

**Gunns share snare**

TASMANIAN woodchipper Gunns last week acquired a 17.9 per cent stake in forestry company Forest Enterprises Australia, paying 10c per share. Gunns said last week it would fund the acquisition of the shares via a placement of 5.7 million Gunns shares and a cash payment of \$1.58 million. FEA's share price rose almost 16 per cent on the news, closing on the ASX on Monday at 14.5c.

**AWB mediation**

AWB Ltd and litigation specialist IMF (Australia) will continue mediation next month over a \$50 million payout from the Oil for Food scandal. AWB announced to the Australian Stock Exchange last week that the mediation would continue on August 21. The statement said the announcement should be taken to "mean no more than that the parties propose to discuss settlement in good faith".

**ABB profit revision**

GRAIN marketer and bulk handling ABB yesterday announced a profit downgrade due to slow demand for Asian malt and Australian rural inputs. In a statement to the Australian Stock Exchange, ABB said the new earnings guidance was for an underlying net profit after tax of \$43-\$53 million, down from an earlier guidance of \$53-\$63 million. Managing director Michael Iwaniw said the outlook was still equivalent to last year's earnings.

**'Writing on the wall' for dairying**

By SIMONE SMITH

THE maths was simple for Bruce Hill.

As a Murray Goulburn supplier, his revenue will be down 42 per cent on last year.

This year's opening price equates to about 29.25c a litre for his Jersey operation, a far cry from the 42c a litre at the beginning of last year.

The new price prompted immediate cuts at his Campedown operation.

"As of today (Friday) I no longer have an employee, it was not sustainable to hold on to him at the moment," Mr Hill said.

However, the slashing did not stop there. Mr Hill cut his 300-strong herd down to 240 a fortnight ago.

He said the writing was on the wall for the opening price and he wanted to sell while "he could still get a reasonable price".

Although he was prepared for a low price, it still did not take the shock out of last week's announcement.

Feeling "disillusioned", Mr Hill said he had even questioned his future in the dairy industry.

"I have another business I operate, but if nobody will be farming or if they haven't got any money to pay there is no point going into that business either," he said.



To the bone: Murray Goulburn supplier Bruce Hill has questioned his involvement in the dairy industry.

Mr Hill said it was up to industry representatives to lobby for assistance.

"Unless they want to see the total demise of the Victorian dairy industry the powers that be have got to take notice," he said.

Mr Hill said at this stage "buying in hay was not going to be an option" and he had

even considering cutting grain out of his herd's diet.

He acknowledged that just feeding the milkers grass would have a negative effect on production but said there might not be a choice.

"It has been tight the last six months... how long is a piece of string? How tight can you make the belt?"

By SIMONE SMITH

SCORES of northern Victorian dairy farmers could lose up to \$500,000 this financial year, based on opening season prices announced last week.

Industry sources say that is the sort of loss facing average-sized suppliers, whose cost of production is about 35 cents a litre, but who will only receive 26-34.5 cents a litre this season.

Not since the 2002-03 season has the dairy industry battled with prices this low.

Back then, the closing milk price was about \$3.37/kg/MS or 25c a litre.

While these figures are only opening prices, the news that dairy farmers could face a year milking for between 26c and 34.5c a litre has prompted mixed feelings.

Last week Tatura Milk Industries, with 28c a litre, were first-off the blocks and dairy giant Murray Goulburn followed two days later with an opening price of 26-27c. The rest of the industry spilled prices over the next few days.

Murray Goulburn Fish Creek supplier Graeme Nicolli had budgeted on \$4/kg/MS closing price this season.

For him, the opening price equated to about \$3.50/kg/MS. Hopeful of step-ups, he is confident of falling within range.

"The opening milk price roughly falls in with what we budgeted for," he said.

"We will be proceeding along with the budgets we prepared before opening milk price and hopefully get a couple of step-ups."

Fonterra suppliers learnt of their fate on Friday — \$3.60/kg/MS is what they have to budget on for this year.

Woolsthorpe supplier, Linda Roache said she was not shocked by the announcement.



Graeme Nicolli

"That's the scenario I budgeted on and I've got it. Now we just have to live with it" she said.

"There were no surprises there. They were very upfront with their information, which was really appreciated."

"We have to understand that opening price is just that and closing price should be higher."

Leaving was not an option for Mrs Roache. However, she said it was now "overwhelmingly clear how tough it would be" and she questioned the value of food production in Australia.

Warrnambool Cheese and Butter suppliers should expect an average of about 28c a litre or \$3.78/kg/MS, while United Dairy Power opened the season at 34.5c a litre.

Kyabram company Australian Consolidated Milk opened at about 33.5c a litre.

Bega Cheese's 60 suppliers scattered throughout Victoria and into southeast South Australia, who supply the export market, will receive an opening price of 28c a litre.

The remainder of Bega Cheese's suppliers throughout NSW, supplying Bega brand products and the liquid milk market, will receive 38c a litre.

Effective from next month, the new season Parmalat yearly average price equates to 34c a litre or \$4.57/kg/MS.

**REACTION TO THE NEW PRICE OUT IN THE FIELD**



<p><b>Shane Spinner</b> Shane Spinner, Berrigan "From a regional point of view, if you rely on irrigation, this is bad for everyone. The more farmers that are forced out also means more water lost and that puts every farmer at risk of being the last one to carry the entire irrigation network."</p>	<p><b>Geoff Horrocks</b> Geoff Horrocks, Nathalia "Anything under 35c a litre just means you are eating into your equity to provide milk. It is as simple as that." Jeff Johnston, Mulwala. "We want to be like anybody else, make a living, have money in the bank instead of putting so much pressure on the family and instead of just trying to scrape by."</p>	<p><b>Jeff Johnston</b> Jeff Johnston, Mulwala. "We want to be like anybody else, make a living, have money in the bank instead of putting so much pressure on the family and instead of just trying to scrape by."</p>	<p><b>Darryl Lyons</b> Darryl Lyons, Ilwara. "We can't really do much about it... especially when most factories are the same. It would be different if one was 35c (a litre) and the other one was 28c (a litre), but they are all around the same."</p>	<p><b>John Rea</b> John Rea, Allansford. "The 28c Warrnambool Cheese and Butter offered, everything considered, I reckon it is a great price. I am really happy with it, it could have been a lot worse."</p>	<p><b>Leighton Hart</b> Leighton Hart, Deans Marsh. "The price is really low but, at the moment, I think it is all the dairy companies can offer with the uncertainty in the market. I don't think they are holding anything back."</p>
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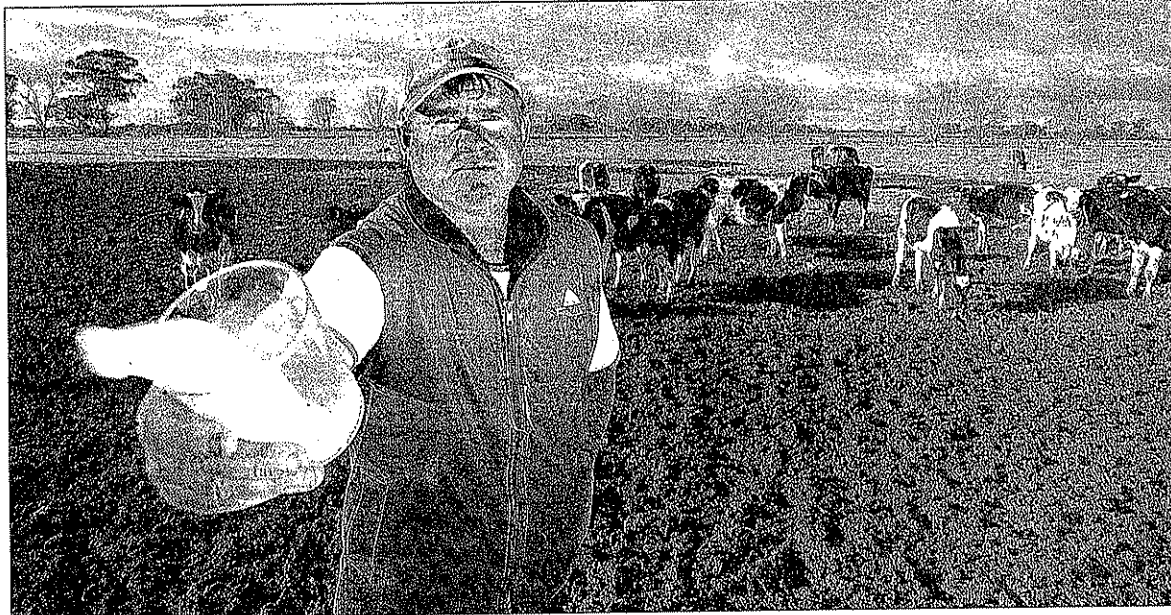
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MILK SOURS

# \$500,000 in north



Changes ahead: Strathmerton dairy farmer Greg Brooks says plunging milk prices mean a \$350,000 loss for his operation.

Picture: YURI KOUZMIN

## No cream in this game

By SIMONE SMITH

GREG and Jodi Brooks had to wait until Friday to hear the news of their opening milk price.

And, just as expected, the new price of 33c a litre was 12c a litre down on where they finished last year.

The Brooks family, with children Bailey, 5, Sarah, 4, Caitlyn, 3, and Nicholas, 6 months, have been supplying Australian Consolidated Milk for one year.

While they are the first to admit their Strathmerton operation would not take as large a hit as other farmers because of a higher opening price, Mr Brooks said the difference would still equate to a loss of \$350,000 and was something the young, highly geared family could not afford.

"We were hopeful for a couple of more cents," Mr Brooks said.

"We are in a little bit better position than others, but haven't got much room, equity wise, to move."

Milking up to 360 mostly Holsteins, decisions now for the family are a "bit of trade-off" between looking for ways to cut costs while servicing the same debt with possibly less money.

A solution would be to bump-up production using grass. "Milk more (and) grow more feed on farm, but that depends on the season," he said.

However, a whole system shake-up will not be on the cards, rather the family will opt to find efficiencies in their current business.

"We know the system we are doing and we are comfortable with that, I would be loathed to suddenly change from a system, what we have done for a long period of time," he said.

# Farmers plea for Govt help

From Page 1

Another strategy included discussions with banks in a bid to ensure they supported the dairy industry and recognised it has a long future and that this was just a "glitch", Mr Broad said.

Dairy industry leaders contacted by *The Weekly Times* this week stopped short of calling for direct government assistance.

However, it is believed the industry plans to make a formal plea to government within weeks.

Australian Milk Producers Association president, Mulwala farmer John Cartwright, said it was crucial for farmers to remain in the industry, however, recently announced prices were not sustainable.

"We believe large numbers of farms will close, unable to cope with the situation," he said.

### Should the Government help out the dairy industry?

HAVE YOUR SAY [weeklytimesnow.com.au](http://weeklytimesnow.com.au)

"We are calling for a deficiency payment support or a floor price to be put in place.

"American farmers have such a scheme for these times and we should be able to implement similar."

Australian Dairy Farmers president Allan Burgess has predicted there will be no recovery in dairy returns for at least a year, with US subsidies starting to cause major problems.

In a gloomy assessment, Mr Burgess told *The Weekly Times* that the slump in prices could see a substantial shake-out of dairy farmers in the southern Murray Darling Basin.

"These farmers have been hit

by drought for seven years and have lost a lot of equity, making it difficult for them to deal with the current situation," Mr Burgess said.

"We're going to see some major change, there's no doubt about that."

Some dairy farmers in the state's north are expected to give up their battle with drought and call it quits.

Others will wait it out until spring, looking to the heavens for some hip-pocket relief.

Tongala Parmalat supplier Peter Costello said the real concern this year would be feed, because with the lower milk price he could not afford to buy

in cereal hay as he did last year. "The June rainfall has been good — another three to four months of that and we will be looking good," he said.

"If we don't (receive rain) it is going to be disastrous for the dairy industry, I think."

Rochester Murray Goulburn supplier David Haitsma will also hang in to see what the season has in store, despite being unhappy with the milk price announcement.

"The thing that makes us and breaks us up here is what the spring is going to do," he said.

On top of the milk price announcements, Goulburn Murray Water confirmed last week that applications for inclusion in its water-trading ballot had increased "substantially compared to the past two years".

Murray Goulburn chairman Ian MacAulay stopped short of calling for government aid.

But, he said, the Government

"needs to take into account what is happening in dairy communities and what is happening on dairy farms".

"We can't expect any more out of the marketplace; that is where we had to pitch our price, unfortunately," Mr MacAulay said.

Federal Agriculture Minister Tony Burke was overseas and unavailable for comment.

A spokesman for Victorian Agriculture Minister Joe Helpel said the Victorian Government would continue "to stand by and support Victoria's dairy farmers" but did not pledge any aid other than with research.

UDV president Chris Griffin, who was due to meet Mr Helpel yesterday, said very few farmers were operating at a profit.

Mr Griffin said he was drumming up support from other states for a joint approach to the Federal Government, but he would not elaborate further.

## GARAGES

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20x14x8	\$2130	30x25x8	\$3940	24x20x9	\$3000	36x20x10	\$4260	48x22x12	\$6660	36x20x8	\$3560	40x30x12	\$1860
24x16x8	\$2570	36x25x8	\$4420	30x20x9	\$3660	40x20x10	\$4710	36x25x12	\$5940	40x20x10	\$4110	60x30x12	\$13210
20x18x8	\$2470	40x25x8	\$4880	36x22x9	\$4320	30x22x10	\$4110	40x25x12	\$6500	48x22x10	\$4940	60x30x14	\$14100
20x20x8	\$2570	48x25x8	\$6520	40x22x9	\$4760	48x22x10	\$5700	60x30x12	\$10770	60x25x10	\$6650	60x30x14	\$17520
24x20x8	\$2850	60x25x8	\$6820	36x25x9	\$4710	36x25x10	\$5080	40x20x14	\$7480	30x30x10	\$5600	60x30x16	\$21800
48x20x8	\$3800	30x30x8	\$5760	40x25x9	\$5180	40x25x10	\$5660	48x22x14	\$7810	40x25x12	\$6000	40x40x12	\$13080
24x22x8	\$3490	36x30x8	\$6320	60x25x9	\$7010	60x25x10	\$7600	36x25x14	\$6650	72x30x12	\$11220	60x40x14	\$16370
48x22x8	\$3030	40x30x8	\$7030	30x30x9	\$6100	40x30x10	\$7720	60x25x14	\$9880	60x25x14	\$6540	60x40x14	\$22680
66x22x8	\$4030	60x30x8	\$9240	48x30x9	\$8200	60x30x10	\$10080	48x30x14	\$10720	60x30x14	\$11480	100x40x14	\$27910

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60x30x12	\$13210	60x30x14	\$14100	60x30x16	\$17520	60x30x18	\$21800	60x40x12	\$13080	60x40x14	\$16370	60x40x16	\$20910
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60x40x18	\$25640	60x50x12	\$21810	60x50x14	\$28750	60x50x16	\$35490	60x50x18	\$43280	60x60x20	\$51670	100x60x20	\$59790

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# Opinion

It's time the Government stepped in to sure-up the dairy industry

# We've been milked



The Australian dairy industry is at risk of imploding unless farmers can be guaranteed a price above their cost of production, says JOHN CARTWRIGHT

AS the suppliers of milk to the Australian public, we are working long hours every day, regardless of weather, so that our fellow Aussies and the world can enjoy the highest quality dairy products.

Unlike our fellow Australians though, we can be expected to produce our milk with no idea what we will be paid for it.

We can be expected to produce it for less than the cost of production, with no allowance made for our labour.

And even opening prices can't be relied on any more, with our budgets blown as money is snatched away with as little as a day's notice.

Would our fellow Australians cop that? We think not.

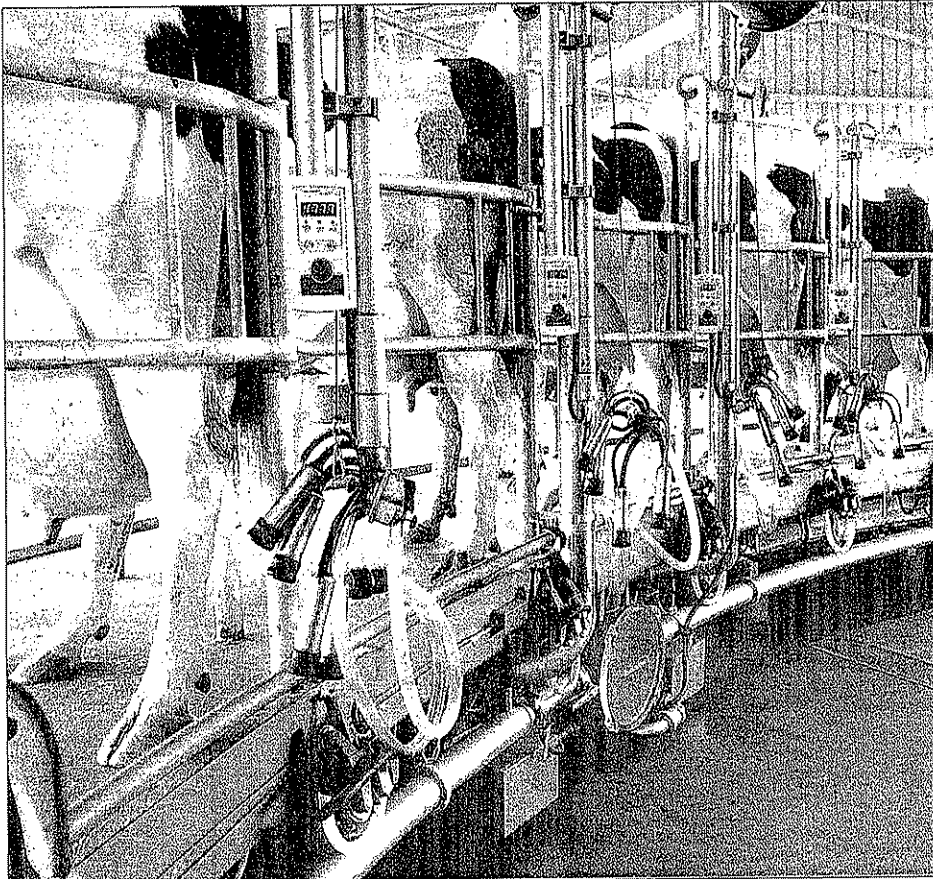
Yet dairy farmers are expected to. And cop it from all angles.

When wages or fuel goes up, we wear everyone's increases, but can't pass them on.

We pay levies with no say in their expenditure and for what benefit?

During tough times, our supposed leaders and peak bodies hold talkfests to tell us we are resilient, we must face this new challenge, we must become more efficient.

Well, we've been there, done that. Costs have been cut and belts tightened so much we can barely breathe! But what of everyone post farmgate?



Herd it all before: the dairy industry can no longer stand by and watch farmers' livelihoods sucked dry.

no funds for purchases, repairs or to pay accounts.

If significant numbers of farmers exit the industry then that must impact upon processing plants with losses of milk, leading to rationalisation and further costs of transporting milk around the country, further reducing returns to farmers.

We cannot just sit and watch this happen.

The Australian Milk Producers Association believes that we need government assistance, and we need it quickly.

We are calling for a deficiency payment support or a floor price to be put in place.

American farmers have such a scheme for these times and we should be able to implement something similar.

Of course it would require total support of all in our industry and the challenge is getting everyone on board.

Farmers need to say that enough is enough, to everyone post farmgate.

We deserve better. We work hard and need to reap some rewards for our efforts.

Surely demanding a price that at least covers our cost of production with a bit left over to sustain our families is a fair and reasonable request.

The height of madness is expecting the same people to do the same thing and get a different outcome.

We are told the long-term future looks bright.

This will only happen if big changes are made now.

More of the same is not an option. Enough is enough.

John Cartwright is president of the Australian Milk Producers Association

With milk prices announced for 2009-10, the reality of what we were expecting has emerged.

The full impact of a deregulated market with no price support is out for all to see and mainly brought about by the export market sector that was not long ago touted by our leaders as the future of our industry.

As farmers analyse the new season's figures, we are finding they are far from a sustainable price.

Hardest hit will be those still in drought, those lacking water and younger farmers with significant debt levels.

Also feeling the pinch will be farmers, buoyed by higher returns

of a year ago with the promise of some above average years, who invested heavily in expanding their businesses with costly capital acquisitions and works.

Many are saying these prices will not cover fodder bills and debt will be unmanageable.

We believe large numbers of farms will close, unable to cope

with the situation.

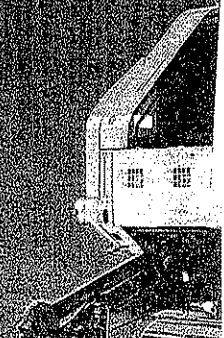
There will be much stress and anxiety within families, the social breakdown will be terrible and children will be sadly exposed to the household trying to deal with the heart-wrenching decisions that will have to be made.

Our service providers will be another casualty as farmers have

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Week 14 of 100  
8/1/09

# WEEK 14 OF 100 MILK PRICES



Not sustainable: Strathmerton dairy farmer Greg Brooks says this season's milk prices will hit the industry hard

By SIMONE SMITH  
and DAVID MCKENZIE

THE dairy industry is bracing for a mass farmer exodus as the release of crippling low opening milk prices intensifies calls for government support.

Scores of dairy farmers, particularly those in drought-ravaged northern Victoria, say the opening prices announced by the nation's key milk companies over the past week will not keep them in the industry.

Market leader Murray Goulburn last week announced it would pay farmers just 26-27c a litre.

Rival Fonterra will pay about 27-28c a litre.

The furore over the prices prompted Victorian Farmers Federation president Andrew Broad to call on Federal and state governments to intervene to prevent farmers going bankrupt.

"If the milk price stays at this current level and we run into a very tough spring, particularly north of the range and even south of the range, we will have a very difficult time in the industry," Mr Broad said.

"The Government should be looking hard at the dairy industry to see if there is something they can do to ensure not only dairy farmers but communities that rely on dairy processors can see their way through this and have a future."

Mr Broad suggested a professional advice grant, which he said would help farmers plan.

Continued Page 5

## Burke on subsidy mission

Australia's objection to a US decision to reintroduce dairy export subsidies was high on Agriculture Minister Tony Burke's agenda this week when he travelled to Washington DC.

Travelling with representatives from Meat and Livestock Australia and Australian Dairy Farmers, Mr Burke lodged Australia's objection to the US government's decision to reintroduce dairy subsidies, which followed a similar decision by the European Union.

He also met US officials to discuss trade market access, food security and climate change, including the recent passage of the US Climate Change Bill through the House of Representatives.

In addition, he discussed the US administration's views on farm policy and the 2008 US Farm Bill.

The US is Australia's third biggest agricultural market behind China and Japan.



Agriculture Minister Tony Burke.

# Milk price pressure woes

Rebecca Turner

Australian dairy farmers claim suppliers and consumers do not understand how dire the new season's milk prices are.

Manufacturers in the East are only paying farmers about 26 to 28 cents a litre — less than half last year's price and well below the break-even point for farmers.

Co-operative milk processor Murray Goulburn has announced its lowest milk price to farmers in more than a decade.

The company, which provides dairy products mainly for export, will pay farmers 26 cents per litre.

The move follows Tatura Milk's 28 cents per litre payment announced last week.

Murray Goulburn chairman Ian MacAulay said he expected production to drop around the world because of the low prices, but was confident farmers could expect a lift.

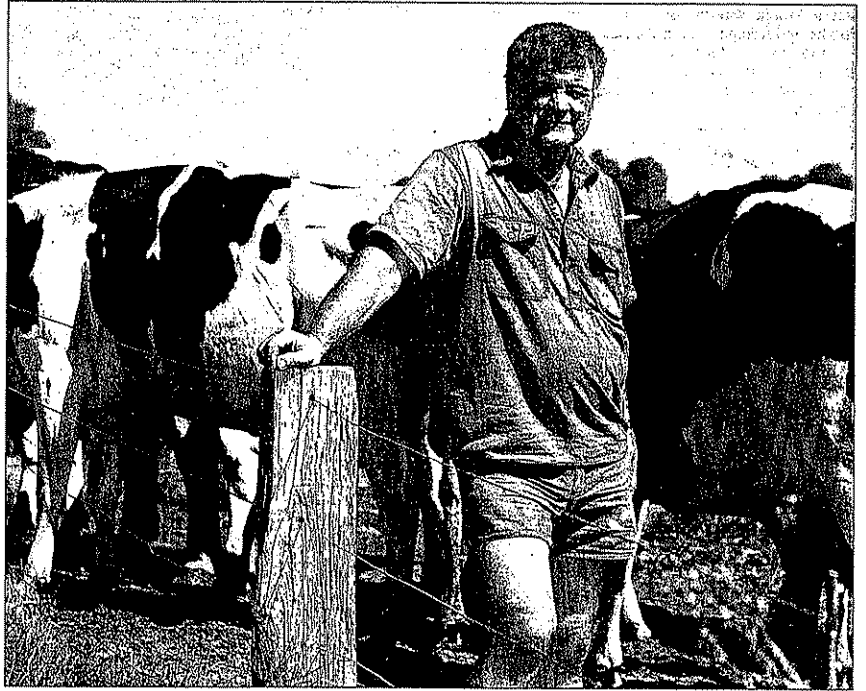
In WA, South-West producers are receiving better prices, however, producers are still feeling the pinch of reduced returns compared to 2008, with all major processors reducing farmgate prices from July 1.

Greenbushes dairy farmer Tony Pratico said this time last year milk processors were fighting for milk supply and paying between 52-60 cents per litre; 12 months later, the same milk companies have announced prices between 32-40 cents per litre.

"Harvey Fresh is 4 cents in front of the competition at 40 cents a litre. It claims this decision is going to cost the company \$4 million, which is simply not true," Mr Pratico said.

"Supermarket milk prices continue to increase, you never see discounted milk below \$1.99 for 2 litres — and what has happened to the 11 cent levy that was removed at the start of the year?

"Someone is getting that money — it's not farmers and it's not consumers. Consumers are in no better position than farmers, there is no negotia-



Dardanup dairy farmer John Giumelli is concerned about the recent cut in dairy prices.

tion on the price they pay for milk and when they walk in the store they either pay the price or walk out without milk."

Mr Pratico said as far as he could see, Harvey Fresh was not losing \$4 million by announcing a milk price of 40 cents per litre. Instead, he said it was gaining \$12 million on last year's prices if supermarkets were passing on the 11 cent saving they claimed they were.

He said consumers needed to be asking supermarkets more questions, such as where did their milk come

from. In addition, he said if milk was imported, it should be identified to consumers.

Dardanup dairy farmer John Giumelli, who supplies milk to Harvey Fresh, said the downward pressure on prices was unsustainable and would slash farm profit margins.

Phil Depiazzi, who supplies milk to Challenge Dairy, said he would be paid 30 cents per litre, which was a reduction of about 7 cents from last season.

Victorian dairy farmers are receiving milk prices under 30 cents a litre.

These farmers do not produce milk all-year round, although those that do are being paid a higher price.

Mr Pratico said this season's prices would not see more producers leave the industry.

"There are already people saying they are not going to stay," he said. "Processors should take notice of this — Challenge Dairy certainly dictates the centre floor, but this year's price is far too low.

"Twelve months ago, Challenge set its price at 52 cents a litre, with other processors offering a higher price."

UWA builds...



# More dairy cattle breeders bound for China

By HELENA BOGLE

THE Federal Government has announced another step forward in Australian agricultural trade with China, with the signing of an agreement set to further expand dairy cattle exports.

Agriculture, Fisheries and Forestry Minister Tony Burke announced recently that Australian and Chinese quarantine authorities had signed a new export protocol for breeding dairy cattle from Australia.

The new protocol eases quarantine restrictions by eliminating the need for Australian cattle to be tested for bovine tuberculosis and recognising the Australian bluetongue virus zoning system.

China has also ended a ban on the export of Australian dairy cattle from within 100km of the nearest bovine ephemeral fever occurrence in the previous two years.

The agreement means dairy breeding cattle destined for China can now be sourced from more regions, particularly within northern Victoria and southern NSW.

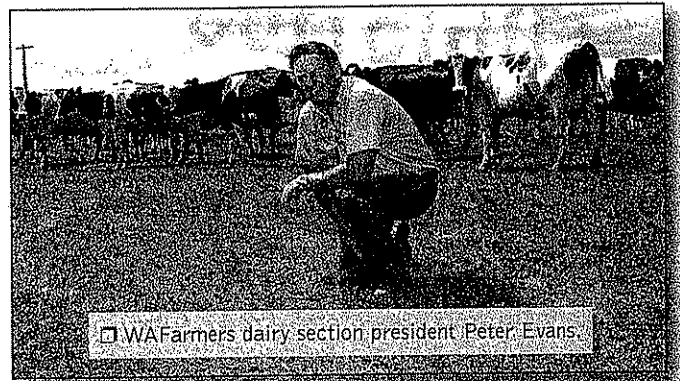
It follows extensive discussions to resolve these issues with Chinese authorities and further expand this valuable export industry.

WAFarmers dairy section president Peter Evans said increasing Australian exports was a positive step for the dairy industry and will allow more diversification for dairy farmers.

"It gives farmers another option and income stream," Mr Evans said.

"It can be used in conjunction with sexed semen to get more heifers on the ground.

"China is the market and this is just continuing the export market that's been around for 30 or 40 years."



WAFarmers dairy section president Peter Evans

In 2008, China was Australia's second most important market for dairy breeding cattle, with exports close to \$24 million.

Mr Burke said the Government would continue working hard to expand trade opportunities and support Australian jobs.

"Agricultural trade is good for the economy and good for jobs across rural and regional areas, particularly as the global

recession continues," Mr Burke said.

"We already export around two thirds of our agricultural produce and want to see that grow further.

"Our farmers are particularly skilled at developing niche markets and targeting counter-seasonal markets, for example, supplying mangoes to China during their winter."

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# Domestic milk market remains important

By KANE CHATFIELD

WITH around 55 per cent of Australia's milk production consumed locally, the domestic market remains invaluable to dairy farmers going forward, according to Victorian-based Warrnambool Cheese and Butter Factory chief executive John McLean.

WA's local market consumes approximately 90pc of the state's produce. Mr McLean said in a live interview at the Dairy Live industry forum that the industry was fortunate the domestic demand has held up

given the global financial situation.

"If we were in this situation 10 years ago, the fall of commodity prices would have been reflected very quickly on the domestic market," he said.

"But because we have long term contractual arrangements with the major players in the supermarket business, we haven't seen an impact at this stage.

"The longer this drop in commodity prices lasts, that is the real risk."

Mr McLean said the disappointing part is that he

has seen this happen to the industry in the past.

"Usually when commodity prices come down, exchange rates come down with them but the situation here is commodity prices have crashed and exchange rates haven't done us any favours," he said.

Mr McLean said dairy farmers have proven to be the most resilient people going around and they will survive and bounce back when things turn around.

"I think we have to face up to reality, the situation we find ourselves in is not going away in five minutes, it's a matter of tightening your belts and doing your best; I'm sure everyone in the industry is committed to getting returns up as soon as possible," he said.

"Hopefully in the second half of this financial year, the indicators that some of us have announced will start to reflect back into prices and get the confidence back."

Mr McLean said in many instances the Australian dairy industry has led the way in innovation and he encourages companies to continue to be

innovative with packaging and brand opportunities.

"This will be vitally important for returns to our farmers going forward," he said.

"Dairy has a niche in regards to nutrition, health benefits, convenience and taste, it ticks all the right boxes.


"I think we will look back in 15 years and be surprised of what we can get out of milk generally."

Mr McLean said he would like to look at the future optimistically rather than pursuing government strategies to remove volatility out of farm gate milk pricing.

"We have come off a very good price and crashed dramatically, lets hope we can get back on our feet quickly rather spending a lot of time chasing governments," he said.

"I think if you start talking quotas and some sort of false floor price, we have been down that path and it's a risky way to go."

Mr McLean said like drought relief, if the situation is prolonged, hardship relief could be an option.

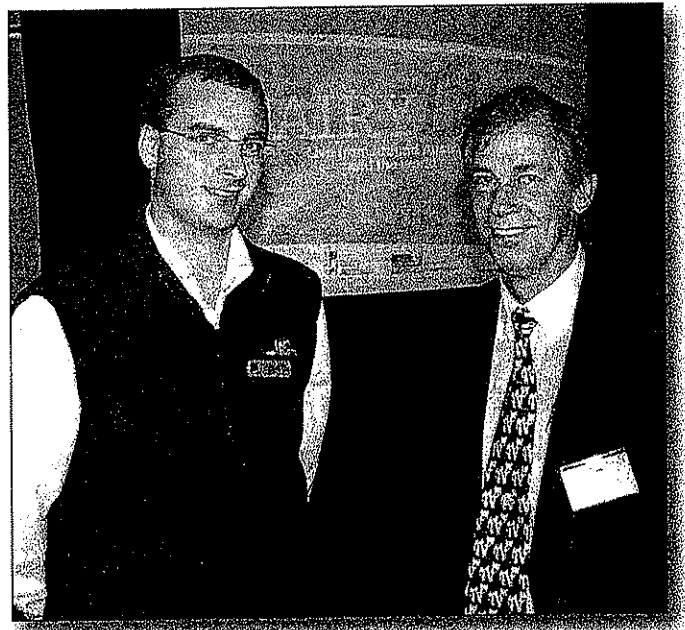


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	50x50x2.5x8mtr	\$72.86	
	75x75x2.0x8mtr		\$81.18
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□ NAB agribusiness manager Chris Ormodel (left), Bunbury, and Challenge Dairy director and XCheque co-principal Jon Hauser, at Bunbury for the Dairy Live forum.



# Farmers to be hit after US extends subsidies

**Brad Horington**  
Washington correspondent

THE Rudd government has accused the US of undermining a pledge by G20 nations not to slide back to trade protection, after a decision to extend subsidies to dairy exports for a further 12 months.

Agriculture Minister Tony Burke said yesterday he was bitterly disappointed after negotiations with senior officials including his US counterpart Tom Vilsack had failed.

The US decision, made in retaliation after Europe's own protectionist moves, will hurt Australian farmers as up to 68,000 tonnes of dry milk exports receive subsidies to markets including Australia's trading partners in Asia.

Speaking after talks here, Mr Burke said US farmers faced nothing unique that made them deserving of subsidies, and Australian farmers would be penalised despite being highly competitive.

"The EU pressed the button first; the US has now followed," Mr Burke said.

The US had signalled in May it planned to extend subsidies, and the decision was confirmed for a further 12 months this week.

Mr Burke said Australia was the third-largest exporter of dairy, but trade protection made it much tougher for farmers competing for growing markets, especially in Asia.

The concern for the Australian government remains that the US could extend subsidies to other commodity exports, reversing previous undertakings on free trade. It is also worried that the US decision could trigger further retaliatory action on trade by other countries.

The US is portraying its decision as consistent with commitments given in the Uruguay trade round.

Australian Dairy Farmers president Allan Burgess said local farmers had made productivity gains, but were hit hard by the recent trend back to protection.

Mr Burgess, who accompanied Mr Burke, said: "There is no place for inward-looking protectionism at a time when global jobs and the global food supply depend on free agricultural trade."

Asked about US priorities, Mr Burke said it was clear legislators were focused first on getting a health care bill through congress, then legislation on climate change. Trade, he said, was "down the order of priorities".

# US delivers relief for struggling dairy producers

3/08/2009 3:21:00 PM

While struggling Australian dairy farmers have been told in no uncertain terms that they can expect no cash assistance from the Government, the US administration has wasted no time in jumping in to help its farmers.

US Agriculture Secretary Vilsack has announced that the Obama Administration is taking immediate action to support struggling dairy farmers by increasing the amount paid for dairy products through the Dairy Product Price Support Program (DPPSP).

US Department of Agriculture estimates show that these increases, which will be in place from August 2009 through October 2009, will increase dairy farmers' revenue by \$US243 million.

"The price increase announced today will provide immediate relief to dairy farmers around the country and keep many on the farm while they weather one of the worst dairy crises in decades," Vilsack said.

The increase will raise the price paid for non-fat dry milk from 80 cents/lb. to 92 cents; the price paid for cheddar blocks from \$1.13/lb. to \$1.31/lb; and the price of cheddar barrels from \$1.10/lb. to \$1.28/lb.

This increase in the support price will have an immediate effect upon dairy farmers' bottom line.

Temporarily raising the price of these dairy products increases the price that dairy farmers receive for their milk.

The increase will result in the government purchase of an additional 150 million pounds of non-fat dry milk and an additional 75 million pounds of cheese.

Feedstuffs, USA

Source: <http://www.feedstuffs.com>

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10 ♦ SOUTH WESTERN TIMES

# Legislation a 'tax grab'

LAUREN PEDEN

THE South West beef industry's competitive edge will be slashed if the proposed Carbon Reduction Scheme legislation goes ahead, according to South West beef producer and Red Meat Action Group member Gary Buller.

Mr Buller said the beef industry depended on overseas exports and tapering with production costs would not keep them competitive in the global market.

At a forum held in Capel yesterday, farmers from across the region were encouraged to share their concerns with Forrest MHR Nola Marino and Opposition spokesman for Federal Emissions Trading Design Andrew Robb.

Mr Buller said the proposed legislation was a hoax and a tax grab that the farming community would not back in its current form.

"You will find that the farming industry is very conservative but when we get our backs up and realise we are being taken for a ride we will get up and fight," he said.

Mrs Marino said the region's dairy and beef farmers would carry the majority of the costs.

"There are also concerns that tree

planting to offset emissions will encroach on the availability of land to grow food into the future," Mrs Marino said.

Mr Robb said dairy farmers could see costs of up to \$10,000 per farm without the capacity to pass it on.

"I suppose you will get a greater effect on beef properties and the greatest concern is their ability to compete and remain profitable," he said.

He said the Australian legislation was proposing a decision be made in 2013 to phase agriculture into the scheme by 2015, or an equivalent measure be introduced.

"If the Government does not defer the vote so we can see what is happening in the United States, we will vote against it next week," he said.

But Conservation Council director Piers Vestegen said the agricultural industry would benefit from the opportunities carbon management could provide.

"To reduce direct emissions from livestock would mean modifying the feed and types of pasture. Livestock are grazing," he said.

"Farmers can also convert some of their land into tree plantations to lock carbon out of the atmosphere and in some cases create renewable energy crops."

## Workshop for ageing farmers

August 31 between 10.30am and



# Wineries put wares on show

WINERIES in the South West made a big impression at the Good Food and Wine Show at the Perth Convention and Exhibition Centre last weekend.

More than 21,000 people attended the three-day event to sample the wares from some of Australia's best wine and food purveyors.

There was a strong presence of South West wineries including Cape Vale, St Aiden's Wines, Brookhampton Estate, Wovenfield and Willowridge Estate, each with different view on this year's event.

Capel Vale marketing manager Scott Grievé said the response they had to their wines was positive, but sales were not as strong as previous years due to the recession.

"I think people are tightening their purse strings and not splurging on luxuries such as wine as much as the used to," Mr Grievé said.

Brookhampton Estate i Donnybrook launched their new Kiss and Tell, to an appreciative public.

Owner Ann Taylor said this year sales eclipsed all previous years as she was amazed at the popularity of their stylish new wine.

"Kiss and Tell was definitely our biggest success and even though it was targeted towards young women, I was really quite amazed to see the blokes enjoying it too," Mrs Taylor said.

Wovenfield's Rienne Buck said numbers were down on previous years possibly due to the recession, and she believed there needed to be some major changes to the show format.

"There needs to be more food integrated with wine so they can be integrated with wine dishes," Ms B

The Australian Financial Review  
www.afr.com • Thursday 10 September 2009

## COMPANIES 17

# Dairy giant ponders NZ imports

Sue Mitchell

Goodman Fielder is considering importing dairy products from across the Tasman to expand its Australian dairy portfolio after missing out on assets in the previous round of industry consolidation.

Goodman Fielder chief executive Peter Margin is keen to build a scale dairy business to mirror that in New Zealand, where Goodman is the second-largest dairy foods processor after Fonterra.

Goodman missed out last year when Dairy Farmers was sold to National Foods for \$910 million and has passed up the chance to buy assets cast off by Fonterra and National Foods this year.

Mr Margin ran National Foods before joining Goodman Fielder at the time of its 2005 float. He has played down the likelihood of acquiring dairy assets in Australia

### KEY POINTS

- Goodman Fielder wants to build up the Australian dairy business.
- It also wants to sell its fats and oils business, which analysts say is worth about \$200 million.

to add to the Copperpot business bought in 2007. However, he believes there are opportunities to grow organically.

"It's unlikely it would be an acquisitive dairy business we would look at," he told *The Australian Financial Review*. "I think out of consolidation, opportunities open up."

"We have terrific capabilities out of our New Zealand business at the moment: good assets and good product design.

"We're still reviewing what the

opportunities might be in Australia for extending that into this market, but we haven't made a call on that at this point."

Goodman could send yogurt, cheese and possibly long-life milk across the Tasman, emulating other food companies that take advantage of low-cost production to transport products from New Zealand to Australia. Dairy has been a disappointment for Goodman, despite the high level of industry expertise within the group. Mr Margin was National Foods managing director from 2003 to 2005, taking the reins from Max Ould, who is now Goodman's chairman.

Goodman bought NZ Dairy Foods for about \$815 million at the time of the float, but then wrote down the value of the business by \$170 million in 2008 after a series of disappointing results exacerbated by record-high milk prices.

However, the NZ dairy business was a stronger performer in the second half of 2009, benefiting from lower milk prices, improved product and margin mix and product rationalisation.

Goodman shares have risen strongly since last month's profit results, buoyed by an improving commodity price outlook and speculation that it is closer to selling its underperforming commercial fats and oils business.

The stock has risen from \$1.395 in August to a \$1.65 close yesterday, the highest since November.

The fats and oils business has been on the market since March, and Goodman expects to complete a sale before its November annual meeting, assuming it receives a satisfactory price from bidders now undertaking due diligence.

Analysts believe the business will fetch about \$200 million.

### Danks approves buy-out

Hardware distributor Danks issued its target statement, recommending shareholders accept a \$13.50 a share offer from Woolworths and Lowe's.

The cash offer provided tangible value at a time of "considerable market uncertainty". No superior offer has emerged and the Danks family intends to sell its 49.87 per cent stake.

Sue Mitchell

### Sandilands suspended

Austereo Group has suspended Kyle Sandilands, host of the breakfast program on its Sydney station 2Day, for the second time in less than six weeks, this time over his comment that comedian Magda Szubanski would lose weight in a concentration camp. The 2Day breakfast program pulls \$4.5 million of ad revenue a year, a third of the station's total ad revenue.

Neil Shoobridge

### Carsales.com floats

Online car advertising company Carsales.com confirmed yesterday it had raised \$163.6 million from its initial public offering. Just under 46.4 million existing shares and 360,000 new shares will list today, with an issue price of \$3.50.

Carsales.com has 232 million shares on issue, 49.2 per cent are owned by PBL Media.

Neil Shoobridge

### Sino Gas lists next week

Sino Gas & Energy is expected to list on the Australian Stock Exchange next Tuesday after raising \$7.9 million in its initial public offering. Sino, which has unconventional gas projects in China, is the first new oil and gas listing in 18



## Lynas case a rare dilemma for FIRB

Beijing is keen to access more of Australia's rare earth mineral deposits, writes Luke Forrester.

One of the key marketing points Lynas used in presentations to potential investors before it was forced to look to China for funds was that the company would be the first fully integrated non-Chinese



# Steel council to foster innovation

**Louise Dodson and Mark Skulley**

The federal government has moved to boost the prospects of Australian business winning a greater share of multibillion-dollar resource projects after complaints that the local steel industry has been frozen out of projects in favour of Asian suppliers.

Industry Minister Kim Carr will establish a special council of senior steel-sector representatives today to boost the competitiveness of the local industry, which said it had been "designed out" of the massive Gorgon development in Western Australia.

Senator Carr is concerned that some local companies did not even bid for work on the Gorgon project and that the steel industry faces particular challenges because the global financial crisis has created a more competitive international environment.

The innovation council will be headed by Industry Department head Mark Paterson and include BlueScope Steel chief executive Paul O'Malley, OneSteel chief executive Geoff Plummer and Steel Institute CEO Don McDonald.

Other members are University of Wollongong vice-chancellor Gerard Sutton, CSIRO group executive Steve Morton, Australian Nuclear Science and Technology Organisation's Lyndon Edwards, Australian Workers' Union national secretary Paul Howes and Australian Manufacturing Workers' Union national president Julius Roe.

The government's approach to strengthening the competitiveness of about 100 fabricators in particular and

other steel industry suppliers reflected lessons learned from the US-led \$300 billion Joint Strike Fighter program, Senator Carr told *The Australian Financial Review*.

The lessons include how to identify business opportunities, assist companies in bidding and promote research and development.

Earlier this week, Senator Carr told the Senate that local suppliers benefited from the government's broader stimulus package and that 70 per cent of that spending was "going into infrastructure".

He said the Gorgon project would ultimately use about \$33 billion worth of goods and services and that most of the \$2 billion in contracts already awarded had gone to local companies.

The Gorgon joint venture was working with the government to identify local suppliers for this project in a "great example" of the government's new \$19 million local participation package.

"The government cannot compel project proponents to use local products or local companies to bid for work. That is why the government is investing heavily to boost Australian industry capabilities and to match those capabilities with opportunities," Senator Carr said.

But the *AFR* reported earlier this week the domestic industry had missed out on supplying more than \$70 billion in major development projects, including Gorgon, because global supply chains often design out Australian suppliers by using foreign standards.

with Jo Clarke

Optima DI

► **SENATE INQUIRY**

# Heat on milk prices



Senator Colbeck

By **DAVID MCKENZIE**

A SENATE inquiry will investigate milk prices being paid to dairy farmers around Australia.

The Senates Economics Reference Committee has been directed to look at milk price contracts and the nature of the milk market around Australia, which many dairy farmers see as severely tilted against them.

Liberal Senator Richard Colbeck and Labor Senator Kerry O'Brien jointly sponsored the move, which has just

Is your milk price unfair?  
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been passed by the Senate. "Dairy farmers are under enormous financial pressure due to massive and unsustainable cuts in milk prices," Senator Colbeck said.

"Dairy farmers, as price takers, are at the mercy of a small number of large milk

processing companies.

"Many farmers are now being forced to take prices which don't make up for the cost of producing the milk.

"This inquiry will look at these on-going price and market issues in the dairy sector and look to make recommendations to help farmers avoid exposure to unfair markets or unfair contracts.

"I am confident this inquiry will deliver findings that can contribute to making Australia's \$4.6 billion dairy indus-

try more sustainable."

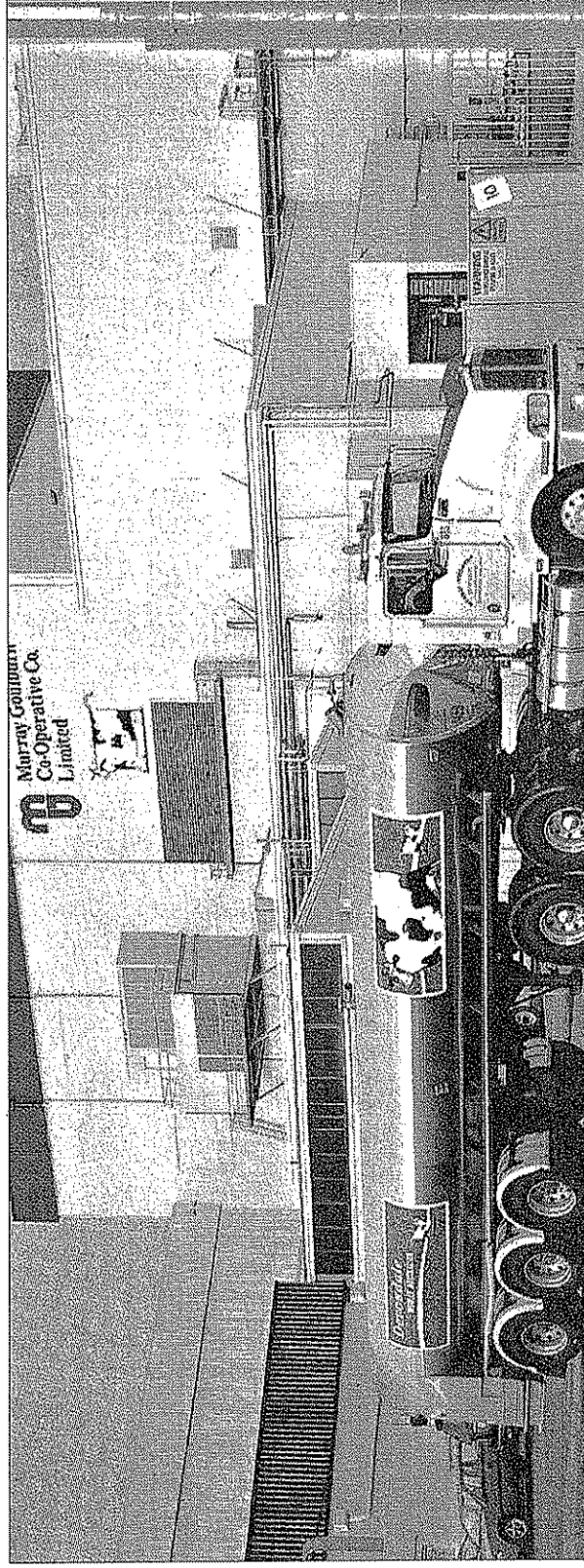
The inquiry will investigate circumstances of the varying prices being paid to dairy farmers in different Australian states, including the effects of reduced prices paid by processors, the concentration of ownership of milk-processing facilities, the consolidation of ownership in the market and manufacturing of supermarket concentration of supermarket supply contracts and whether any changes are needed to competition laws.

Senator Colbeck said a separate inquiry into food production by the Senate committee on agriculture and related industries would also be visiting Tasmania shortly to hear evidence from Tasmania's dairy farmers who had been hard-hit by the price cut from National Foods.

"The plight of Tasmania's dairy farmers contracted to National Foods needs to be resolved immediately, and this inquiry has the ability to expedite this situation," he said.

## Maffra unites during crisis

The dairy town of Maffra is holding up in the face of the milk price slump, SIMONE SMITH reports





# Organic label 'useless'

By LESLIE WHITE

CRITICS have dismissed the new Australian standard for organic and biodynamic food products as "useless" — unless it becomes law.

The new standard was released late last week after months of work by stakeholders and Standards Australia following disquiet about the many different organic standards.

But the new yardstick is no silver bullet for prosecuting fake organics — the Australian Competition and Consumer Commission has said the new standard was not mandatory and would be used for "guidance".

Standards Australia said consumers could soon be confident goods were "truly organic", but Biological Farmers of Australia standards committee convener Andrew Monk said shoppers "will not see any changes in the marketplace".

"Consumers will need to continue to read labels and marketing claims," Dr Monk said.

Debate over the status of the most controversial feed additive — methionine, which cannot be created from biological sources — appears to have ended after it was not included in the list of approved feed additives.

Other additives, labelled "amino acid isolates" by their supporters and "synthetics" by their critics, could be phased out over the next two years.

Dr Monk said the phase-out was "contingent on what happens overseas ... and here with



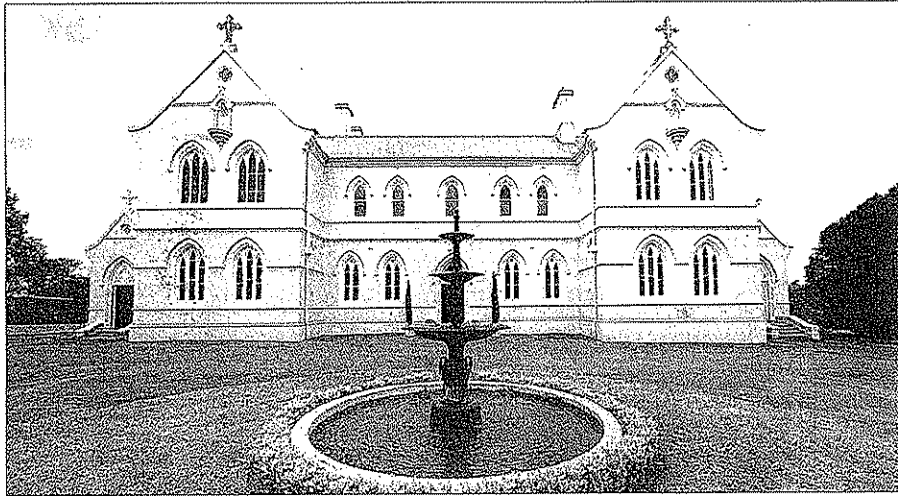
Should the organic standard be compulsory? HAVE YOUR SAY weeklytimesnow.com.au

drought". Organic producer Ivy Inwood said the work had been worth it if the new standard became law. She said consumers needed to be able to trust labels without having to read packaging in detail.

Standards Australia chief executive John Tucker said the decision to develop the Australian Standard came about "because of the growing use of unsubstantiated claims on product labels".

"Consumers are currently faced with up to eight different organic certification schemes," he said.

A spokeswoman for the ACCC said the new standard could provide the basis for a prosecution if the producer had claimed to comply with it specifically when they did not.



Good as gold: Patrick's, at Koroit, is a former convent that has been converted into a bed and breakfast. Picture: ZOE PHILLIPS

## Cheers to a convent convert

By CIMARA PEARCE

LAST week it was an old hospital that had been turned into a makeshift pub.

This week it's a former convent that has been transformed into a boutique hotel.

It appears to be history with

a twist on the Victorian property market at the moment, with the second converted historical property up for sale.

The *Weekly Times* last week reported that the "pub" featured in the recent VB beer television advertisement was up for sale, and was actually

the old Kyneton District Hospital.

Now, a former 32-room Irish convent has hit the market as a boutique hotel complete with manager's residence and five gothic-style guest rooms with ensuites.

Owners Kim and Craig

Fraser bought Patrick's, at Koroit, six years ago with the vision of converting it into a business.

After extensive renovations the convent was transformed into Patrick's Hotel.

• Faithfully restored convent, Page 43

## Milk powder up again

By SIMONE SMITH

A MODEST price increase of 5.7 per cent has consolidated the huge improvements seen recently for whole milk powder on Fonterra's online auction site *globalDairyTrade*.

The average price was \$US3022 a tonne, \$US164 higher than last month for 24,400 tonnes of Australian and New Zealand product.

Prices ranged from

\$US2825 to \$US3905 a tonne.

Dairy Australia's trade and strategy industry analyst Norman Repacholi said it was "good" result.

He said buyers still wanted the product and were happy to pay about \$US3000 a tonne.

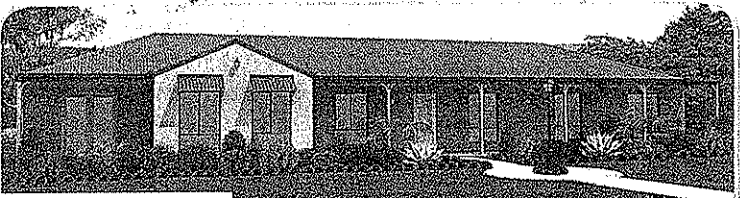
But New Zealand product sold up to \$US225 a tonne more than the Australian product.

Because the *globalDairyTrade* cus-

tomers are likely to be traditionally Fonterra customers, their infrastructure and delivery pipelines are set up to buy product from New Zealand, Mr Repacholi said.

Fonterra spokesman James Molan said it was only the third trading event where Australian product had been sold and as customers became used to the new system he said he expected price differences to lessen.

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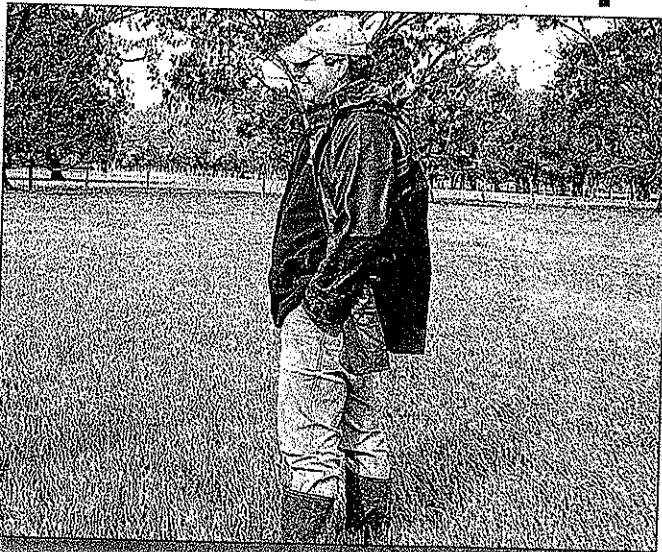
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# Low milk prices to push out dairy farmers



**VICTOR** Rodwell, Rodwell Farms, Boyanup, takes a glass half full approach to his business, and aims to control everything that's within his power.

He said while the 10pc of WA dairy farmers considering leaving the industry didn't look much on paper, it was a lot in terms of the size of the WA dairy industry.

"With what you have to do to stay in business, some people are really reviewing

things," he said.

Mr Rodwell said it was understandable that 42pc of WA producers surveyed were negative about their business.

"I'd say it was a case of the last 12 months, we were looking at higher prices and a lot of people got confident and invested on that, but it was taken away with the price drop, and it took a lot of confidence away from people," he said.

By EMMA ROBINS

LOW milk prices have severely dented WA dairy producer's confidence in the industry, with 42 per cent of WA producers surveyed feeling negative about their business, according to a Dairy Australia survey.

While there are signs of a recovery in progress, Dairy Australia has identified that the strong Australian dollar is expected to remain a major threat to the improvement of farmgate prices across the nation.

Three hundred and forty farmers who participated in the March National Dairy Farmer survey were re-contacted and asked about their attitudes to the industry in September by Dairy Australia.

The survey showed 95pc of dairy producers across Australia have had their prices significantly reduced in 2009.

Compared to no respondents considering leaving the industry in March, 10pc of WA dairy producers expect to leave the dairy industry within three years.

Confidence in the dairy industry has dropped from 72pc to 62pc in WA respondents.

It appears however, that WA farmers are holding up better than most dairy producers in other states with South Australia in particular, the least confident in the industry.

Thirty two per cent of SA respondents to the survey expect to leave the industry within three years, up 27pc on March's survey, mainly due to long term low contract prices.

Attitudes towards the industry's future are more

optimistic in WA, with 55pc of respondents feeling positive about the future of the local industry.

WA dairy producers confidence in their own businesses was the lowest in the nation, with 42pc of producers surveyed feeling negative about their business.

Thirty seven per cent are expecting their herd production to be greater in three years time, which was down 5pc.

Dairy Australia's current forecast milk production is for nine billion litres for 2009-10, a drop of 4pc on 2008-09 results.

A full year price of \$4-\$4.30 per kilogram of milk solids in southern regions has been predicted by Dairy Australia using current commodity market price and exchange rate settings.

Dairy Australia's manager of strategy Jo Bills said the survey was released as most respondents were dealing the seasonal September lull in cash flow and a volatile start to spring.

Dairy Australia managing director Mike Ginnivan said Dairy Australia market surveys had shown increases in demand for several months.

"We are seeing increased demand in key Australian dairy markets such as the Middle East and South East Asia, so there are good signs of ongoing recovery for dairy prices," Mr Ginnivan said.

"This has been supported by the global dairy trade results for whole milk powder (WMP) which indicate sustained demand from buyers into next year at higher prices."

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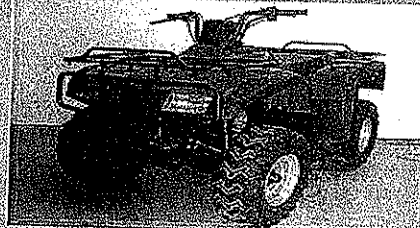
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The world must abandon subsidised agriculture if it is to meet the challenges of the future, says BARRY IRWIN

THE global financial crisis has realigned dairy markets and this has had a devastating effect on the profits of Australian dairy companies.

Between the 2007-08 and the past financial year, Australian dairy companies went from record profits and revenues to losses.

Across the world, while executives are pondering lost profits and business restructures, politicians are returning to the failed market levers of subsidy and protection and farmers are accusing all and sundry of not caring, the customer is getting on with life, subtly changing their buying patterns.

Many artificial levers used in the past few decades have not had the desired outcome.

In protected and subsidised agriculture, the fall in farm numbers has not been dissimilar to those more exposed to the free markets.

Business rationalisation has occurred in both markets.

Yet, in a time of pressure, the call goes out for more subsidies and protection, to preserve something that was changing anyway.

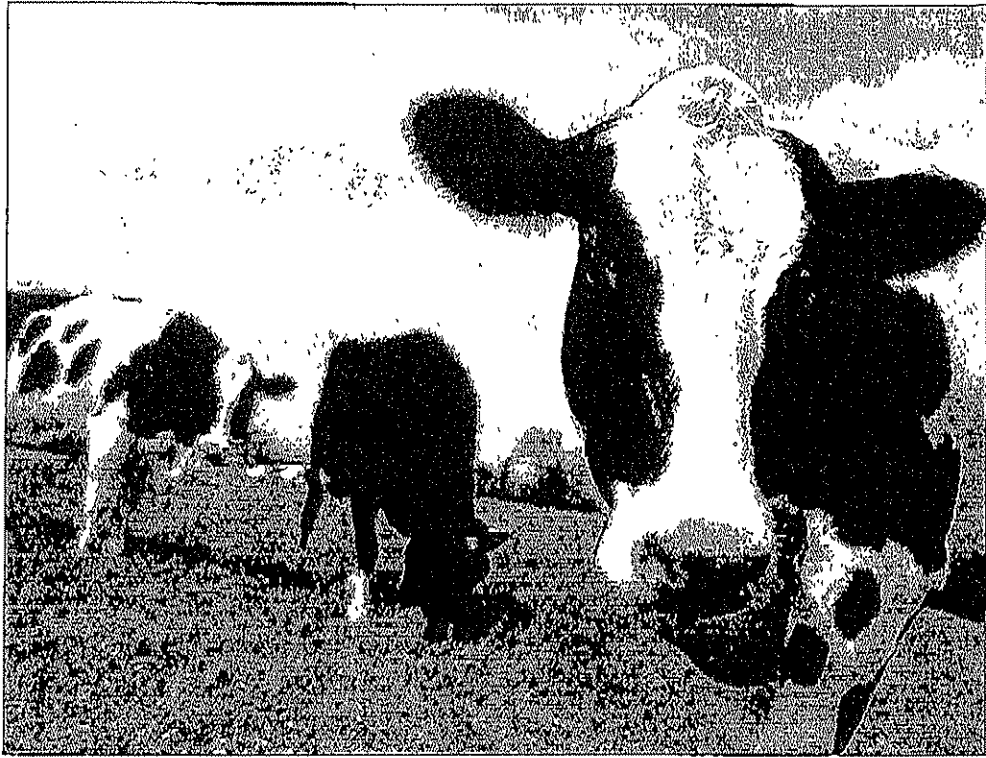
The more you build protections, the more people will waste time and resources working out how to get around them.

The more you subsidise, the more people will exploit them.

The more you try and tell the next generation how the world should be, the more they will try to create a different one.

The overwhelming scientific opinion is that no matter what happens from now on, we will see a rise in sea levels, increase in water stress in some countries, decline in air quality, increase in migration and changes in agricultural production systems and locations.

The conversation we need to



Survival fight: dairy farmers the world over are battling to survive the commodity downturn.

# Dairying's wake-up call

be having with 20-year-old, next-generation farmers and dairy executives is how we can plan for what the market and environment have in store for us.

We must prepare our next generation for a world that will expect us to have the capacity to change.

In terms of dairy farming, I think our conversations are happening too late in the lives of the next generation.

The production of milk remains very much a family business and, in many cases, the fabric of a community, but the challenges are great.

I believe all the external business pressures of dairy farming are less a threat to businesses than poor succession planning. The conversation and planning has to start at 20, not 40.

With rationalisation of the Australian dairy industry, who

wins and who loses is driven not by external factors such as climate, markets and subsidies but by emotive reactions to competition, and ill-conceived strategies. Those who have won have been open-minded, considered and challenging, to themselves and others.

If we are not careful in the pursuit of subsidy and protection and abandon the strategy that eliminates them I would say that all those people predicting doom for the dairy industry will be proved right.

Do I think the industry needs to be having a global conversation? I do.

We need to leave our respective villages and continue to build and prepare for the things we know and the things we don't know.

We need to expect competition to be more intense from

not only dairy but non-dairy. We have to stay the course on strategies that include corporate responsibility and the protection of values and culture.

We need to provide leadership that is steeped in governance, ethics and unshakeable goals.

We are an industry steeped in the values and principles of the co-operative movement and its concepts of preserving value for the next generation's benefit.

We must ensure that what we hand on to the next generation is an industry that doesn't require subsidies and protection to survive and that is dynamic and invigorating.

• Barry Irwin is chairman of Bega Cheese and Tatura Milk Industries. This is an edited text of an address to the International Dairy Federation in Berlin last month

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Dairy submission

# Woolies to squeeze suppliers for lower prices

**Retail**  
Sue Mitchell

Woolworths is preparing to put the hard word on suppliers who raised prices when the Australian dollar fell and commodity prices rose but have failed to adjust prices as the dollar reaches 14-month highs.

Woolworths chief executive Michael Luscombe said the retailer would approach vendors, seeking price reductions in a move likely to further slow the rate of food price inflation, already at a two-year low.

"Some vendors have reduced prices but the majority have not,"

Mr Luscombe told *The Australian Financial Review*.

"If cost prices went up purely on the basis that the dollar went down, it's only appropriate we ask, now that the dollar has gone back up, is there a good reason why you can't adjust prices back down again."

"It's our responsibility as the agent of the customer to do that," he said. Woolworths has also been ploughing cost savings into lower prices to retain a competitive edge against Coles and other rivals.

"Our game plan is to have sell inflation below cost inflation," Mr Luscombe said. Other retailers are likely to emulate Woolworths' strat-

egy, putting pressure on suppliers' margins that are only now starting to recover after weak demand, currency volatility and rising input costs squeezed margins in 2008 and 2009.

"The focus of our buyers is always about achieving the best possible price for the consumer," Franklins finance director Romi Perlov said. "If there is pricing pressure that's been brought to bear by the major supermarket chains, I'm sure our buyers would be negotiating in a similar fashion," he said.

Prices for dairy products, meat and fruit and vegetables have fallen significantly over the last quarter due to improved seasonal conditions and

falling global values for commodities such as milk and wheat.

However, prices for dry groceries and many processed foods have remained stable or continue to rise, albeit more slowly than in fiscal 2009.

Food price inflation slowed to 2.1 per cent in Woolworths supermarkets in the September quarter, compared with 4 per cent in the June quarter and 4.8 per cent in the December quarter last year.

While falling prices are good for consumers, they are emerging as an issue for grocery retailers already facing an uncertain spending environment as interest rates rise, the impact of the government's

fiscal stimulus programs wane, soft commodity prices and the higher Australian dollar remain.

"The lower rate of food inflation is a negative for all in the industry following a period of elevated food inflation," JPMorgan analyst Shaun Cousins said.

"Lower food inflation crimps industry sales, margins and price-earnings ratios," Cit analyst Craig Woolford said. "We expect food inflation to remain below 2 per cent in 2010 as packaged grocery prices fall."

Woolworths shares fell 48¢ to \$29.80 yesterday, taking losses over the past two days to 72¢, while Westfarmers shares rose 23¢ to \$26.45.

# More profit pain to come from currency's strength

Philip Baker

Investors hoping for upbeat commentary from a busy schedule of annual general meetings yesterday were disappointed with companies using the occasion to warn of the negative impact on earnings from a rising Australian dollar.

Hot on the heels of recent warnings from CSL and Pacific Brands, Foster's chief executive Ian Johnston said yesterday that, while the company's first quarter had been in line with expectations after adjusting for currency movements, the strength of the dollar would be an issue

**KEYPOINTS**

- More companies are expected to be affected by the strong currency.
- Miners with fixed-price contracts will be hurt by the rise in the dollar.
- The Australian dollar's long-term average will rise, economists say.

and hit US93¢ on Tuesday, its highest level in 14 months. It was trading at US92.25¢ in early European trading yesterday and has risen from US60¢ a year ago.

(Given the Reserve Bank of Australia's

will still be a fair amount of volatility," Mr Grace warned.

CSL chairman Elizabeth Alexander warned shareholders at its annual general meeting last Wednesday that further falls in the US dollar against the local unit could shrink the company's profits by more than 16 per cent below guidance of between \$1.16 billion and \$1.26 billion for fiscal 2010.

More than 85 per cent of CSL's revenue comes from offshore, which means the value of its global sales are hurt by a fall in the greenback.

Meanwhile, earnings at Fertiliser

## Aussie battlers

Impact on retailers' 2010 earnings of \$A at US95¢



22.OCT.2009 9:26 NOLA MARINO MP 61 8 9 252444 NO.2538-1 P.

# Dairy reforms lift access to US and EU

NEW reforms to Australia's dairy export system aim to cut red tape and improve market access in the United States and European Union.

Agriculture, Fisheries and Forestry Minister Tony Burke announced the Government had overhauled the allocation system for the US and EU dairy tariff rate quotas earlier this week.

Under tariff rate quotas, certain amounts of Australian dairy products can be exported into the US and the EU at reduced or zero tariffs, giving Australian products a trade access advantage.

They are negotiated through the World Trade Organisation and the Australia-United States Free Trade Agreement.

Mr Burke said dairy farmers were facing global challenges, and working to

improve export markets was another way to help the industry.

"Australian dairy has a strong reputation around the world but our farmers are affected by factors such as the global fall in dairy prices," Mr Burke said.

"By opening up export markets and cutting red-tape, we are helping to support local dairy producers."

WAFarmers dairy section president Peter Evans said he was pleased with the reforms to the export system.

"Anything that removes red tape is good for the industry," he said.

"Red tape is one of the biggest frustrations for producers and exporters.

"We welcome anything that makes trade easier and freer." The reforms will improve

the transparency of quota administration and support small export businesses looking to grow their market share.

The four sets of quota access rules will be replaced by a single set of rules.

The introduction of an annual application process will give exporters more flexibility under the new changes as opposed to the restricted access if they had not used an application for two consecutive years.

The new reforms also set aside a small proportion of quota for small and new exporters while the old system of distributing fixed shares of quota based on

historical entitlements has been scrapped.

Under the new dairy quotas system, exporters will receive a share of quota based on three year rolling averages of export performance.

The new model is based closely on recommendations from the independent 2008 Dairy Quota Review panel.

In 2008 to 2009, Australia exported dairy products worth \$122 million to the US at zero tariffs, including cheese, whole milk powder and butter.

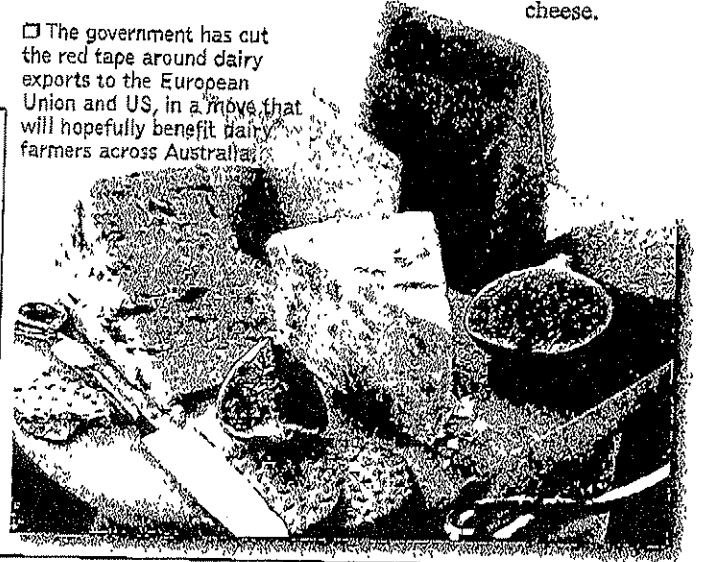
It also exported around \$52m of Australian dairy products to the European Union, including a total of almost 6000 tonnes of cheese.

□ The government has cut the red tape around dairy exports to the European Union and US, in a move that will hopefully benefit dairy farmers across Australia.

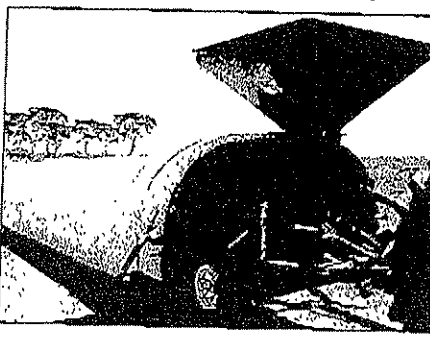
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# Costs crisis driving rationalisation

The Western Australian food manufacturing industry is at a crossroads, with rising costs and a changing retail marketplace threatening the sector's future viability. **Janelle Macri** reports.



## GET bigger or go niche.

That was the message from some of Western Australia's prominent food producers at a recent *WA Business News* food industry boardroom forum.

From rising labour, input and transport costs, to the changing retail environment, WA's food and beverage manufacturers are battling pressures on a number of fronts, forcing some players out of business.

From a producer's perspective, Harvey Industries chief executive Michael Rapattoni said his business, and WA farmers, had done it tough during the past 18 months, with the company facing a number of internal and external pressures.

"Labour is our critical issue. We employ more than 600 people in a town with a population of 2,500 to 3,000 people. We've got three mine sites [competing for labour] within a 40-kilometre radius.

"Labour is big input cost for us. When we look at how competitive we are compared to east coast competitors, we're paying 40, 50, up to 80 or 90 per cent more in labour costs."

Externally, competing with the timber industry over land use and maintaining a consistent supply of quality livestock were the key issues.

"Livestock's an issue," Mr Rapattoni told the forum. "We're on path to promote the industry to grow, and we think it's important to the WA cattle industry that it is grown and it has scalability.

"Our view is that, for us to be more efficient, we need a consistent supply of quality cattle 12 months a year."

Harvey Industries has managed to emerge from a period in administration about 18 months ago, growing its staff from 330 to 650 and recently buying a Fremantle processing facility to free-up bottlenecks.

Mr Rapattoni said the business was focused on becoming efficient and competitive in the state, national and international markets.

"We've been working really hard on the marketing and sales side to develop structured programs," he said.

"It's fair to say we probably enjoy the best meat in Australia, probably in the top five in quality beef in the world. So from our perspective, we need to get out there and educate the consumer and retailer that we have high-quality meat that deserves to be paid a premium for."

Canon Foods managing director and founder Richard Pace said a strategic review of his business two years ago resulted in the decision to downsize his workforce and invest in capital.

"We changed our strategy and focused on products that needed a lot more equipment to be made, rather than labour," he said.

"Our workforce is 10 per cent less than what it was, but we're looking at 18 per cent growth in sales in the last 12 months."

Mr Pace believes the high cost of doing business in WA, and the ability to import cheaper products, will drive more businesses out of the industry.

"What's going to happen in the food industry, as I predict it in the



future, is that basically you've got to get bigger or get smaller," he said.

"Which means companies like us, I see that we will only survive in the future if we invest significantly or we get taken over and become part of a multinational company.

"Locally owned will not be able to survive in this market in two or three years' time."

Ambrosia Quality Foods managing director John Percy also re-structured his business some years ago as a result of the changing operating environment.

"We used to do a lot of major manufacturing, within the constraints of the size of our business and had a lot more staff, but we were doing high volume with low margin. And with the shortage of skilled staff that's just not possible now," Mr Percy said.

"We used to employ 10 butchers at a time, doing value-added beef products, and those people are now not available so you can't do those products. So you move onto other things that you can do."

Mr Percy is now able to employ

students and unskilled staff.

He has also increased his pool of workers by hiring female staff whose husbands have come to the state on 457 visas.

"Really, it's about making a niche business and working on a product range that suits that style of business," Mr Percy said.

On a larger scale, even major national producers are not immune to the unique pressures facing WA businesses.

Ingham Enterprises general manager WA Greig Smith said

### Michael Rapattoni Harvey Industries

"We need to change the way we're doing business to become super efficient and competitive, not only in WA but around Australia so we're competitive on the world stage. Our view is that for us to be more efficient we need a consistent supply of quality cattle 12 months a year."



### Richard Pace Canon Foods

"Our costs of doing business in this state are very high. What's going to happen in the food industry as I predict it in the future is that basically you've got to get bigger or get smaller. You've got to take a niche, or get bigger."



### Fred Holman Vesco Foods

"Labour costs and the cost of goods and services, together, use those goods is only going one way, and that's up. Labour in the last four to five weeks appears to be easing a fraction."



### John Percy Ambrosia Quality Foods

"The majors [supermarket chains] have gone even further, they want to have the same product in every store in Australia and that's made it very difficult for WA manufacturers. Cole's made the decision to have everything made in Sydney and shipped over here."



### Andrea Berteit Food Industry Assn of WA

"Isolation has advantages and disadvantages. There is hardly any support or incentive for businesses to operate here and to grow, whereas a lot of other countries and the eastern states have incentives for businesses to grow in a particular area."



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# in food sector Government support vital



Photo: Jemma Howard

"Labour in the last four to five weeks appears to be easing a fraction," Mr Holman told the forum.

"I think a number of people who've gone chasing gold in the north are finding that it's not all roses up there. What's left at the end of the day is not as much as one would hope on the money that they're basically earning."

But, he said, the costs of doing business were continuing to rise.

"Labour costs and the cost of goods, and the cost of services required to use those goods is only going one way, and that's up," he said.

Food Industry Association of WA chief executive Andrea Bertei told the forum the state government should boost its support for the food and beverage manufacturing sector.

"The food industry is a growth industry worldwide, so it's something we will always need," Ms Bertei said.

"From a political and government point of view we really would like to see that commitment, that there is more incentive for the WA industry and recognise there is a disadvantage based on isolation, the high cost of production, based on labour."

Mr Pace agreed that the government needed to make a greater investment in the food manufacturing industry and recognise its valuable contribution to the state.

"I've been in the industry for 25 years and I've seen the food industry contract in real terms," he said.

"One of our leading companies has put a lot of manufacturing into the eastern states when it was taken over. And that's happening time and time again because it doesn't make sense to value add."

"I'd like the government to look at the industry because it's contracting. This mining boom isn't going to last forever, and the food industry is a very big employer."

THE food-manufacturing sector requires urgent action from government if it is to remain viable in the future, according to industry representatives at the WA Business News forum.

With the state government currently considering a food strategy, the Food Industry Association has proposed a number of initiatives it says will help the industry remain competitive, including more funding and incentives for businesses, and assistance to tackle the labour shortage.

It has also called for the development of food manufacturing precincts to give businesses access to suitably zoned land without the pressure of residential encroachment.

Financial assistance for the industry could involve incentives to make capital investments, such as interest-free loans, according to FIA chief executive Andrea Bertei.

"The incentives for food and beverage businesses are missing, and vision for the future 20 to 50 years out is missing," Ms Bertei said.

But she is unsure whether the government will take any of the industry's recommendations on board.

"We have to do the best job we can to fight for it. I can't make any predictions on whether we have a chance to achieve something substantial or not," Ms Bertei said.

"We hope government listens to what industry is asking for, including financial incentives, for businesses to establish and grow here."

Canon Foods managing director Richard Pace said his business was competing with businesses in other states that received greater government support.

"There are many companies around Australia competing with us that get huge government support to

put in their infrastructure, to put their facilities in place, and basically they use that lack of capital investment at that level to come in and compete with us over here," he said.

Acting director of food industry development at the Department of Agriculture and Food WA, Stuart Clarke, said the strategy was now entirely in the hands of Agriculture Minister Kim Chance.

The process for the development of a WA food strategy began almost eight years ago, with the inclusion of food in the department's name in 2006 to bring specific focus to the industry.

The strategy is expected to address issues and impediments to growth throughout the supply chain, from agricultural production and first-stage packing through to processed product for retail, hospitality and export markets.

his business has also battled a tight labour market, although the situation has eased over the past two months.

"We seem to be able to get a few more people into our plants. On the farming side, it's not the most glamorous industry, so we struggle on that side to get labour," Mr Smith said.

Fred Holman, WA sales manager of Vesco Foods (previously known as Kallis & France Foods), agrees that the labour situation has eased slightly in recent weeks.

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### Greig Smith Inghams

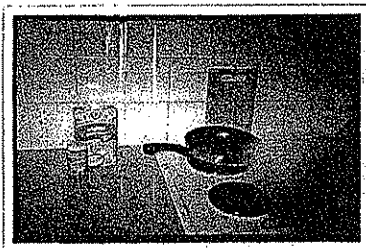
"The labour market here is very tight. It seems to have eased up a little bit over the past two months, we seem to be able to get a few more people into our plants. On the farming side, it's not the most glamorous industry, so we struggle on that side to get labour."

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July 31 edition

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*This is brekkie for the week.*

*I'm a single mum with three kids. At times the money I make barely pays the bills. I took this photo so you could get to know me. Maybe now that you do, you'll want to help me and others like me. (Sonia, 32)*

*This time it's personal.*

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## **Group up and take on the big boys, says Harris Farm**

RICHARD FOX  
29/10/2009 2:59:00 PM

ORCHARDISTS across NSW could bargain for better prices for their fruit if they worked together in a co-operative group, says Harris Farm Markets managing director, David Harris.

Mr Harris, whose Sydney-based retail group is now expanding west, opening stores in Bathurst and Orange, suggests specifically growers in the Central West would be able to secure better prices if they worked as a regional single selling group.

"The major retailers are so strong that it is my recommendation that growers in this district form a community in order to serve the bigger retailers better," he said.

Speaking at the Australian National Field Days as part of a fruit and vine day event, Mr Harris (pictured below) said farmers throughout NSW could follow the lead of Tasmanian cherry growers, who had formed a successful co-operative and negotiated improved deals with major retailers.

He said fruit and vegetable growers needed to be able to negotiate with retailers other than Coles and Woolworths, which often resisted buying ripened goods.

"One of the unfortunate things is that the big two resist ripeness in fruit.

"You, as growers, know you cannot get every product perfectly sized and ripened every time.

"We need consistently good quality produce and, if some of that is riper than others, that is not necessarily a bad thing."

**Read more agribusiness stories in this week's *The Land*.**