

Deputy Premier  
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Committee Secretary  
Economic References Committee  
Department of the Senate  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Dear Committee Secretary

Thank you for the opportunity to provide input into the Senate Economics References Committee inquiry into the establishment of a fair, long term solution to Australia's dairy crisis, with a particular reference to fresh milk security and:

- a) the legality of retrospective elements of milk contracts;
- b) the behaviour of Murray Goulburn; and
- c) any other related matters.

Dairy is a key part the Tasmanian Government's AgriVision to grow the value our agriculture sector tenfold to \$10 billion by 2050 and is integral to our *Sustainable AgriFood Plan 2016-18*. Accordingly the Tasmania Government is working closely with our dairy industry stakeholders and farmers to respond to recent market pricing and seasonal events.

The Tasmanian dairy industry is worth almost \$600 million, when packed and processed, and is the state's most significant agricultural industry. It supports 430 farms and an estimated 1400 jobs. Most of Tasmania's milk production is processed into milk powders, cheeses, yoghurt and butter, with around 5 per cent sold as fresh milk.

The Tasmanian dairy industry is competitive and efficient. It has been going through a period of growth over the last five years as processor demand and processing capacity has increased. Its success has been based on improved production, productivity and building on the state's advantages of:

- highly efficient pasture based production;
- the largest dairy herds in Australia;
- processing capacity and expertise;
- safe, clean and sustainable production; and
- a cohesive, efficient and well-organised industry.

Despite strong growth in recent years, the industry has experienced serious difficulties over the last 12 months. The decisions by Murray Goulburn and Fonterra in May this year to retrospectively cut milk

prices towards the end of the milk season has severely impacted those in the industry. The price cuts came at a particularly difficult time for Tasmanian dairy farmers and has put additional pressure on many farmer's cash-flow, given that most had incurred higher herd and feed costs during a very dry summer and autumn. The impact on many farm businesses has been further compounded by serious floods in June.

In May 2016 I wrote to the Australian Competition and Consumer Commission and the Australian Securities and Investment Commission expressing my concerns over the impact of the processor's milk price cuts on farmer sustainability. I requested that each organisation carefully investigate the price cuts and surrounding circumstances to ensure that all relevant laws and regulations have been upheld. I understand that both organisations are investigating the matter.

Given investigations already underway and that the terms and conditions of milk supply contracts are variable across businesses, it would not be appropriate for me to speculate further on the matter at this time. I trust that the once the appropriate regulatory bodies have investigated they will take any necessary action.

However, I reiterate the serious impact of the recent price cuts combined with seasonal conditions (drought then floods) on many Tasmanian dairy farmers. The Tasmanian Government's response has been coordinated with the local industry-led Dairy Taskforce and includes:

- Social and financial support to dairy farmers through the DairyTas led Farm Based Feed Budgeting Sessions and Taking Stock Farm Business Review;
- The Department of State Growth's Skill Response Unit has been providing advice to those in need including affected employees and farm workers;
- Small grants through the Rural Business Tasmania's Rural Relief Fund are available to support farm households; and
- Support to the Rural Alive and Well outreach service, which focuses on mental health support.

The Tasmanian and Australian governments have also introduced a number of measures to financially support Tasmanian farmers during this difficult time including:

- Additional support through the Rural Financial Counselling Service;
- Dairy Recovery Concessional Loan Scheme;
- Drought Recovery Concessional Loans Scheme; and
- Flood Recovery Loan Scheme, clean up grants.

It is hoped that these programs will enable our farmers to maintain sustainable businesses in readiness for improved market and seasonal conditions. We continue to monitor the situation in conjunction with industry stakeholders.

Looking to the future, our shared focus with dairy industry stakeholders in Tasmania is on encouraging consumers to buy more dairy products to add value in the supply chain, and in supporting farmers to become more competitive by for example, increasing farm productivity and decreasing costs of production. I note public statements from the Tasmanian Farmers and Graziers Association's Dairy Council that they do not want the industry re-regulated and believe there are better options than for example, adding a tax on milk, particularly in Tasmania where only a small amount of the state's dairy production is consumed as milk and the potential for perverse outcomes by punishing consumers.

The \$7.6 million research, development and extension (RD&E) partnership with the Tasmanian Institute of Agriculture (TIA) and Dairy Australia announced in April 2016 will help drive Tasmanian dairy farm profitability and sustainability over the next five years. This is on top of the significant annual Dairy Centre RD&E program already funded through the TIA (which is a joint venture of the Tasmania Government and University of Tasmania).

For any further information please contact \_\_\_\_\_, Deputy Secretary AgriGrowth, Department of Primary Industries, Parks, Water and the Environment via email: \_\_\_\_\_

Yours sincerely

 Jeremy Rockliff MP  
**Deputy Premier**  
**Minister for Primary Industries and Water**