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27 September 2023

Committee Secretary
Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Secretariat

Re: Fonterra Australia submission to the Senate Inquiry on the Water Amendment (Restoring our Rivers) Bill 2023

Fonterra Australia welcomes the opportunity to contribute to the Water Amendment (Restoring our Rivers) Bill 2023.

Fonterra Australia is a \$2.3 billion business, collecting 1.4 billion litres of milk from Victoria, South Australia and Tasmania that is processed at Fonterra's five primary manufacturing sites in Victoria and Tasmania into dairy foods for consumers across the country. Generations of Australians have grown up with and love Fonterra's brands, including Perfect Italiano, produced from Fonterra's Stanhope site in Northern Victoria.

Water security is crucial for the future of dairy farming in Northern Victoria, with many dairy farmers reliant on irrigation to grow pasture for feed. Many dairy farmers in the region draw water from the Murray Darling Basin, either from owned or leased water entitlements.

Fonterra Australia is working with our Northern Victorian farmers on programs that assist with water efficiency and provide certainty for farmers. We also have comprehensive water saving programs in place at our Stanhope manufacturing site. These steps do not however replace the water security provided by irrigation from the Murray Darling Basin to provide consistent volumes of water throughout the season.

Fonterra Australia also supports the submissions provided by the National Farmers Federation (NFF) and the Australian Dairy Industry Council (ADIC).

We are pleased to provide this brief submission to complement those received by the NFF and the ADIC and welcome the opportunity to discuss further.

Kind regards

Matt Watt
Director, Farm Source
Fonterra Australia

Fonterra Australia submission to the Senate Inquiry on the Water Amendment (Restoring our Rivers) Bill 2023

Fonterra Australia in Northern Victoria

Fonterra Australia is one of the largest dairy processors in Australia, processing around 17% of the national milk pool. We collect fresh milk from around 600 Australia dairy farmers located in Victoria, South Australia and Tasmania, which is processed into high-quality dairy products, 75% of which remains in the Australian domestic market.

Fonterra Australia's flagship cheese manufacturing site is in Stanhope, in Northern Victoria. Australians have been enjoying great tasting dairy foods from our Stanhope operations for more than a century. First established in the 1920s, today the factory is a vital part of our Australian business, producing Australia's favourite culinary cheese, Perfect Italiano, which can be found in 48% of all Australian households.

Our Stanhope site receives fresh milk more than 100 dairy farms located along the banks of the Murray and Goulburn Rivers and catchment, and represents around 20% of the milk produced in Northern Victoria.

The Stanhope site has supported the Australian dairy market for more than 100 years. It is now home to around 350 permanent and contracted employees, whose expert craft turns local, high-quality milk into dairy foods that people love, including cheddar, parmesan, ricotta, romano, gouda and mozzarella. It also produces anhydrous milk fat, ghee, whey and milk powders. Our Stanhope site feeds millions of Australians every year.

The importance of Northern Victoria to Australia's dairy industry is enshrined in history. The first Chairman of the Stanhope and District Dairy Co-operative was a Stanhope farmer, who went on to be the 18th Prime Minister of Australia, Sir John McEwen.

The importance of the Murray Darling Basin to dairy farmers and producers in Northern Victoria

Fonterra's Stanhope site is integral to domestic cheese production for Australia. As Victoria is Australia's largest dairy producing state, it is vital that processing plants are located close to dairy farmers, due to the perishable nature of milk.

Irrigation in the Southern Basin catchment allows dairy farmers to produce consistent milk volumes year-round and utilise their assets appropriately. Irrigation allows farmers to have consistent volumes of water to meet their essential needs, including growing grass, feeding their cattle, undertaking appropriate cleaning and so on. The irrigation consistency throughout the year allows for a consistent milk supply.

The impacts of inconsistent supply are far reaching – for the farmer, for the producer, for the consumer, and for the local and national economy. Current modelling indicates that for every dollar that a dairy farm loses due to less milk production, there is another \$1 to \$2 additional lost value for the local economy.

There is an economic and social benefit for procuring dairy milk supply in local farming regions. This keeps the cost of manufacture at reasonable levels and understands the highly perishable nature of dairy which must be processed within hours of collection. If milk were to be transported to Stanhope from other dairy producing regions in Victoria or from interstate, this adds unnecessary costs and complexity to the highly perishable product and will also have a demonstrable effect on local jobs and the economy.

Every litre of milk that we are unable to procure from the local region would add between 5 to 9 cents per litre of cost to the supply chain. We are concerned that the removal of the 1500GL cap on water buybacks as proposed would have a dramatic impact on the irrigation requirements of the region, and will make the impact of further buybacks to the consumptive pool unquantifiable. We support maintaining the existing

1500GL cap on water recover as this will allow the Basin Plan to be delivered without the need for more water recovery.

We are also concerned that the removal of the social and economic test would have a negative impact on food production, causing food inflation, which would affect the broader Australian population.

Environmental sustainability focus

Fonterra Australia understands that every drop of water is precious, just as every drop of milk is precious. At our production sites, we are committed to utilising water effectively and efficiently, and ensuring that wastewater is converted into a valuable resource.

For example, at Stanhope, wastewater is irrigated onto pasture to grow crops that become hay and silage for dairy cows. In a circular system, the dairy cows produce the milk that goes to the factories, where the wastewater is generated and then goes back on paddocks to grow more crops. The Stanhope Bakers Farm, south of the town, is set up with flood irrigation bays. The wastewater irrigation scheme is complemented by an environmental monitoring program that includes soil sampling on-farm, wastewater testing and checks for salinity, pH and any presence of algae. At the Stanhope Bakers Farm site alone, we can irrigate around 800 megalitres of combined channel water and wastewater across 285 hectares in any given season. We understand the importance of water as a precious resource.

Concerns with the proposed Bill

It is our overriding view that if the proposed Bill were to be implemented, there would be:

1. Reduction in available water for agriculture irrigation, which would have a significantly negative impact on communities in Northern Victoria.
2. Lower employment in agriculture and manufacturing in Northern Victoria.
3. An increase in the cost of production of dairy products, which would lead to higher costs for Australian consumers.

Fonterra Australia remains clear on our view that:

1. We oppose the removal of the 1500GL cap on water buybacks. We support maintaining the existing 1500GL cap on water recover as this will allow the Basin Plan to be delivered without the need for more water recovery.
2. There is a need to maintain the current requirement that prevents water buybacks from being used to deliver the 450GL.
3. There is a need to maintain the current requirement that the 450GL is conditional on improved or neutral social and economic outcomes, irrespective of recovery measure – a standard that was agreed to by the Murray Darling Basin Ministerial Council in 2018.

Fonterra Australia invites members of the Senate Inquiry to visit the Northern Victorian dairy farming region to directly consult with dairy farmers and their families that will be impacted by the proposed changes. Members of the Senate Inquiry are also invited to visit our operations in Stanhope to have a first hand view of dairy production, the processes required to deliver high-quality dairy products, and to meet with employees and members of the local community who will be negatively impacted by these proposed changes.