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Submission to the Parliamentary Inquiry into the Saving Australian Dairy Bill

The Dairy Industry and the Market

There are serious issues affecting the Australian domestic dairy industry. I appreciate Senator Hanson bringing attention to this issue with her Saving Australian Dairy Bill.

The market dominance of a small number of processors and supermarkets (including an effective duopoly between Coles and Woolworths) gives farmers limited options to seek a better deal. The perishability of fresh milk reduces the bargaining power of farmers, as they cannot hold stock waiting for higher prices. This has enabled retailers to significantly push down prices for fresh milk in the store and, by extension, the farm gate price for farmers.¹ Low milk prices are good for consumers with their daily grocery costs in the short term, particularly people on low incomes. However, this comes at a cost for farmers and even the long-term “viability and sustainability of the domestic dairy industry.”² The farm gate price can often be below the cost of producing the milk. The nadir of the industry and the “milk wars” came with the \$1 litre no brand milk (from around 2011-2017). Low priced milk creates misperception about the real value of milk. It hides the costs of producing that milk and bringing it to the consumers table. Some farmers report receiving some 47-53c when they need upwards of 70c to meet production costs, not including the costs of investment and providing a living wage for themselves.³

Therefore, there are concerns with the state of the domestic dairy industry and the wellbeing of farmers. Retailers have been increasingly squeezing margins from the rest of the industry, ending with the farm gate price. Many farmers have mental health problems from the strain of keeping their farms going (including some farmers suiciding). Cheap milk also indicates to some farmers

¹ ACCC 2018, xii; Senate 2017, 48.

² Senate 2017, 48.

³ NSW 2018, 33.

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that their work is not valued by the community.⁴ 98% of Australia's 6,000 dairy farms are family owned.⁵ However, many farmers are concerned with passing on such a tough and unprofitable industry to their children. Farmers need to have confidence that their work is valued by the community and that there is hope for the future of the industry. As one farmer said, "there has to be a reason that we are able to get up in the morning and go to work."⁶ They should not be expected to work hard for miserable remuneration on undervalued milk. The structural problems in the industry have been exacerbated by extreme weather conditions causing property damage and raising costs of production. The increasing severity and occurrence of extreme weather events (such as drought, bushfires and flooding) under climate change will place greater pressure on Australian agriculture. It will become increasingly important for the government to support farmers to adapt to and endure these conditions.

Research and Development

The government has a role in promoting innovation and technological development. This includes the NSW government's Farm Innovation Fund, which enables farmers to get "new technologies, new equipment, or new drought mitigation ... technologies."⁷ There could be additional funding for water infrastructure to improve efficiency and productivity. This could be part of the Murray Darling Basin Plan (which is also currently undergoing an inquiry). The increasing costs of production can prohibit farmers from making necessary investments in new technology or drought preparations themselves. It is also essential that there are extension services so that the benefits of such research or infrastructure are made known to and utilised by farmers.⁸ Research and infrastructure improvements could be funded by a levy on milk sales, though there are concerns to this approach.⁹

Transparency and Consumer Information

There also needs to be more attention on supermarket prices and consumer information.

⁴ ACCC 2018, xiii.

⁵ Senate 2017, 7.

⁶ NSW 2018, 37.

⁷ NSW 2018 57.

⁸ NSW 2018, 57-59.

⁹ NSW 2018, 58.

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Consumers have expectations that fresh milk will be high quality and low priced. There is also a feedback loop with supermarket prices keeping prices low, with consumers coming to expect what the supermarkets provide to them. However, while consumers may seem to want cheaper prices, they would likely be affirmative if asked, "Do you think the price of milk should be what sustains a sustainable industry and enables farmers to farm sustainable long term?"¹⁰ More information and transparency about different milk brands and the farm gate prices would help consumers make decisions. Many products have labels such as Heart Foundation tick or the 5-star health rating. These give important information to consumers about whether the product meets certain standards. This could be replicated with a label or information on agricultural products (such as a "Farmer's tick" or displaying the farm gate price).

As seen in the recent bush fire relief campaigns, such as "Buy from the Bush," many Australians want to support farmers. However, it can be hard to know which milk brands support farmers (or what fair remuneration would be). The retailer Harris Farm Markets wanted to display the farm gate price of their milk products (to prove they are ethically sourced), but were reportedly prohibited by processors from doing so.¹¹ Supermarkets could impose a drought levy on milk products and publicise that on packaging. Woolworths "Farmer's Own" brand is reportedly leading to better remuneration for farmers.¹² Supposing the money properly flows onto farmers, consumers would likely be willing pay more to support drought relief and similar products. Coles reportedly failed to pass a 10c drought levy on milk to farmers until this was exposed. Having more transparency would make it easier for consumers to support farmers. Consumer advocacy could pressure companies to provide a fairer deal for farmers. Speaking as an urban Melbournian who loves a daily banana smoothie, I would be happy to pay a proper price for milk that reflects the value of having a healthy and fair domestic dairy industry.

Conclusion

There is great value in having Australian owned, locally produced milk that is not being reflected

¹⁰ Senate 2017, 47.

¹¹ Senate 2017, 44-45.

¹² NSW 2018, 28-29.

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in the current treatment of farmers. The state of the domestic dairy industry is concerning. The government should consider all possible options for supporting farmers and promoting a more resilient and fairer dairy industry. I have outlined some ideas above. This includes some of the recommendations from previous inquiries into the dairy industry. The government setting a floor price or imposing a levy may not necessarily be the answer. Whether the government pursues any specific proposals in Senator Hanson's bill, supporting the dairy industry is an important issue that deserves parliamentary attention.

Thank you for considering my submission.

Kind Regards,

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