

22 February 2010

Committee Secretary
Senate Economics References Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Australian Dairy Farmers Limited
Level 2, Swann House
22 William Street
Melbourne Victoria 3000

Phone +61 3 8621 4200
Fax +61 3 8621 4280

www.australiandairyfarmers.com.au

ABN 76 060 549 653

Dear Committee Secretary

**Reference: Competition and Pricing in the Australian Dairy Industry
Hearing, Monday, 18 January 2010**

I refer to the appearance of Australian Dairy Farmers Limited before the Senate Economics References Committee on 18 January 2010.

At that hearing, representatives undertook to provide additional information to the Committee. Correspondence was provided on 29 January 2010, which outlined information on 16 Collective Bargaining Groups and details of national regulatory frameworks and attempts at national harmonization. This correspondence is provided at Attachment 1.

ADF has found it extremely difficult to provide the Committee with details of the costs of variance between different state regulatory arrangements. Although there is anecdotal information, this issue was also confronted by the Productivity Commission in its enquiry – Annual Review of Regulatory Burdens on Business : Primary Sector, Productivity Commission Research Report, 5 November 2007. The Commission commented that quantitative evidence was not forthcoming, but it did provide a list of “unnecessary burdens which can be removed without delay” (p xxi).

Since ADF’s appearance before the inquiry, an additional example of the lack of a national approach has come to our attention. We understand that there is a dispute between state road authorities regarding permissible widths for the carriage of fodder. A great deal of fodder is moved across state borders and this is just another example of unnecessary additional cost incurred by the agricultural sector and dairy in particular.

We thank the Committee for its time and interest in our industry and look forward to the final report.

Yours sincerely



Adrian Scott
Chief Executive Officer

Attachment 1: Copy of correspondence dated 29 January 2010.

Committee Secretary
 Senate Economics Committee
 Department of the Senate
 PO Box 6100
 Parliament House
 Canberra ACT 2600
 Australia



Australian Dairy Farmers Limited
 Level 2, Swann House
 22 William Street
 Melbourne Victoria 3000

Phone +61 3 8621 4200
 Fax +61 3 8621 4280

www.australiandairyfarmers.com.au

ABN 76 080 549 653

29 January 2010

Dear Committee Secretary,

Re: Questions on Notice, Competition and Pricing in the Australian Dairy Industry Hearing

At the Senate Inquiry hearing on 18 January I undertook to provide additional information to support your findings into competition and pricing in the Australian dairy industry. I have attached reports with more fulsome information for the committees' background, but for convenience have also summarized the following. I note that this response is provided on behalf of Mr Chris Griffin, President of the United Dairyfarmers of Victoria as well as Australian Dairy Farmers Limited.

Collective Bargaining Groups

ADF is aware of 16 Collective Bargaining Groups (CBGs) operating at present – 15 fall under the auspice of the ADF ACCC authorisation and one other (The 'Premium' CBG operating in Queensland. Premium was established as a test case to demonstrate the value of CBGs prior to the ACCC ADF authorisation being granted.)

Around 530 farmers are members of ADF-authorized CBGs at present. The Senate Inquiry specifically asked about Victorian CBGs. Victorian details as well as other states are tabulated below.

CBG Name	State	Established	Number of Members
South West Milk Suppliers District	VIC	2005	17
Sustainable Dairy Alliance	VIC	2003	61
Upper Murray Quality Milk	VIC	2007	13
Premium Suppliers	VIC	2005	27
Bona Vista	VIC	2005	6
Fleurieu Dairyfarmers	SA	2005	32
Barossa MidNorth	SA	2005	37
Central Dairy	NSW	2003	18
Mid Coast	NSW	2004	
Hastings Suppliers CBG	NSW	2009	18
Southern CBG	NSW	2005	25
Sunmilk	NSW	2003	39
Progressive Dairies	QLD	2005	83
King Island	TAS	2008	12
Tasmanian Suppliers	TAS	2006	78
WA CBG	WA	2002	83

The question of quantifying the value of CBGs in terms of price per litre was discussed at the hearing. While it is apparent that in markets where CBGs operate the milk price tends to be higher than

otherwise, it is not only the operation of CBGs that differentiates these markets. Usually these farmers supply milk for the domestic drinking milk and short shelf-life product markets which entails a slightly more expensive supply cycle (as contracts include a relatively flat year-round supply of milk).

A further complicating factor in distilling exact figures to supply to the committee is that CBGs are not required to report their negotiation results to ADF. These matters tend to remain private between the company and the CBG. Notwithstanding the other factors at work in the market, it is the understanding of ADF that the consistent trend of a higher price per litre of milk in areas where CBGs operate is in some part attributable to the successful operation of farmers negotiating collectively. It is important to note that collective bargaining extends beyond price, also including transport arrangements, milk quality and supply arrangements. ADF considers that the goal of collective bargaining is to achieve benefits for both farmers and they companies they supply.

National Regulatory Frameworks

At the senate hearing I undertook to provide further information on areas that the dairy industry is pushing for national harmonization to streamline red tape across states / organisations and ultimately bring cost and time savings to farm businesses. ADF considers that the dairy industry would benefit from nationally-consistent regulatory frameworks that are outcomes focused, science-based, proportionate to risk and apply the minimum level of regulation to achieve effective outcomes.

ADF, in our own right and through ADIC is currently working within Government processes in the following areas:

Areas of dairy industry input for National Regulatory Framework:

- Australian Animal Welfare Standards & Guidelines for Livestock Transport
- Australian Animal Welfare Standards & Guidelines for Cattle
- Extensive Industries Biosecurity Plans under EADRA Agreement
- Dairy Primary Production & Processing Standard
- Dairy Primary Production & Processing Standard (for Raw Milk Products)
- Meat Primary Production & Processing Standards
- Agricultural & Veterinary Chemical National Framework
- Food Labelling Review
- Murray Darling Basin

Areas of co-regulation:

- Adoption of NLIS in Dairy Calf Supply Chain
- Review of management of antibiotic residues
- Development of Dairy BJD Assurance Score
- Review of TSE requirements for SRM removal
- Review of AUSVETPLAN Disease Strategy Foot and Mouth Disease

Conclusion

In closing I thank the committee for its interest in, and commitment to, achieving a fair milk price for Australian dairy farmers. This letter, read jointly with our initial submission to the inquiry, sets out the ways in which we are striving to achieve this goal as an industry. National alignment of regulatory frameworks, combined with a robust collective bargaining provision under the ACCC authorisation and the funding towards training in negotiation skills for CBG members, are critical to enable farmers to operate confidently and fairly in the market. We urge Government to continue with national harmonization and to preserve the ACCC authorisation and funding towards training as essential underpinnings of a deregulated marketplace.

Yours sincerely



Wesley Judd
President