

**SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT  
REFERENCES COMMITTEE REPORT**

**‘Deregulation of the Australian Dairy Industry’**

**GOVERNMENT REPOSE**

Farm-gate milk-pricing arrangements were previously regulated at the state level and as such deregulation of market milk arrangements remained a matter for the States. The Federal Government, however, was concerned to ensure that in the event the states decided to deregulate, arrangements were in place which allowed the dairy industry and dairying regions to adjust to a deregulated environment.

It was for this reason that the Federal Government, at the request of the dairy industry, agreed to facilitate a dairy industry adjustment package with a total cost of approximately \$1.78 billion. The package provides structural adjustment payments and exit payments to dairy farmers and funding to dairy regions. It is funded by a Commonwealth levy on sales of drinking milk applied at the retail level and collected at the wholesale level. The *Dairy Industry Adjustment Act 2000*, which provides for the package, received Royal Assent on 3 April 2000.

The Commonwealth’s package provides a substantive response to the industry’s request for support while it adjusts to deregulation, and to the recommendations in the Senate Committee’s Report.