

APPENDIX 4

REVISED RE-STRUCTURE PACKAGE

**Minister for Agriculture, Fisheries and Forestry - Media Release
28 September 99**

ADIC Letter to Committee Chairman, 28 September 99

ADIC Media Release, 28 September 99

ADIC Letter to Dairy Farmers



HON WARREN TRUSS MP
MINISTER FOR AGRICULTURE, FISHERIES AND FORESTRY

M E D I A R E L E A S E

28 SEPTEMBER 1999
AFFA99/48WT

DAIRY INDUSTRY RESTRUCTURE PACKAGE

The Federal Government has agreed to assist dairy farmers to make the transition to a deregulated environment if State governments and the dairy industry go ahead with market deregulation on 1 July 2000, the date nominated by the industry.

The Minister for Agriculture, Fisheries and Forestry, Warren Truss, said that the Government had been approached by the dairy industry for support for a transition package. The Federal Government is prepared to implement a \$1.8 billion structural adjustment package for the dairy industry, should all States decide to make deregulation legislative changes from 1 July, 2000.

The dairy industry proposals represent the single biggest deregulation of any Australian rural sector. The Victorian State Government and the Victorian dairy industry have indicated their intention to deregulate.

As the Victorian industry represents 63 per cent of the Australian production their decision will bring considerable pressure on the regulation of other State markets. Dairy farmers are concerned that even if some States do not deregulate, the flow of milk across borders will undermine existing regulation.

"In order to smooth the move to a deregulated industry, the Australian Dairy Industry Council has developed a major package to facilitate adjustment," Mr Truss said.

"The package will be funded through a levy of 11 cents a litre on all retail milk sales. This levy is unlikely to have any impact on retail prices as farm gate prices are expected to fall after deregulation by at least this amount. The Australian Competition and Consumer Commission will be resourced to monitor milk prices during deregulation."

Mr Truss said the package would assist restructure of the industry by helping farmers improve their efficiency and competitiveness after deregulation. Exit payments of up to \$45,000 will also be available for farmers who choose to leave dairying. These payments will apply under similar terms and conditions to the Government's Farm Family Restart Scheme.

Farmers will need to undertake their own business viability assessment, in consultation with an independent financial agent, in order to receive the dairy adjustment package. Individual producer entitlements would be based on 1998-99 milk deliveries at the rate of 46.23 cents a litre for market milk and 8.96 cents a litre for manufacturing milk.

"By industry request, the payments are to be paid quarterly over eight years. The Government is satisfied that the package meets Australia's international trade obligations," Mr Truss said.

"The Federal Government has agreed to facilitate this package at the request of the dairy industry. The Government is not forcing deregulation, but is responding to the dairy industry's need for adjustment assistance should all States decide to remove their farm gate arrangements.

"The knowledge that this package is available will assist dairy industry leaders to reach satisfactory arrangements with State Government's for the long term viability of their industry."

Further inquiries:

Minister's office: Andrew Hall (02) 6277 7520 or 0419 996 766

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Australian Dairy Industry Council Inc.

28th September, 1999

The Hon Senator John Woodley
Chairman
Senate Rural & Regional Affairs & Transport
References Committee
CANBERRA ACT 2600

Dear Senator Woodley,

Re: **Dairy Industry Restructure Package**

The Federal Cabinet has considered the dairy industry's proposed restructure package.

The Minister for Agriculture, Fisheries And Forestry, the Hon. Warren Truss has advised me that, whilst a number of details still need to be finalised, Federal Cabinet agreed to the following :-

- From 1 July 2000, the financial restructuring package will be available to all eligible dairy farmers.
- Subject to finalisation of agreed guidelines, restructure entitlements will be paid to eligible dairy farmers on the basis of 46.23 cents per litre for market milk and 8.96 cents per litre for manufacturing milk produced in the base year of 1998-99. In New South Wales, Queensland and Western Australia there needs to be adjustments made for quota traded in the period up to 30 June 2000.
- Restructure entitlements will be paid quarterly, in equal instalments, starting from 1 July 2000 for eight years. The quarterly payments will be treated as assessable income in the year they are paid.

The Australian Dairy Industry Council (ADIC) will negotiate with government for payments to be consistent with current state-based payment systems.

Where restructure entitlements exceed \$350,000, farmers will have to demonstrate that a minimum 70 per cent of income is earned from dairy.

- Farmers who elect to exit agriculture will have the option of receiving \$45,000 tax-free (subject to the Family Farm Restart Scheme asset test) or taking their entitlement which will be treated as assessable income.

MILK MATTERS

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The ADIC is also proposing to establish facilities in the private sector, totally independent of government, to enable individual farmers to apply for provision of a single up-front amount. The private sector facilities are yet to be negotiated and the details will be provided to you as soon as they are available. Taking account of the estimated financing costs, the value of this package to farmers, in up-front terms, will be approximately \$1.25 billion.

The Federal Cabinet has agreed to implement legislation that will collect a levy of 11 cents per litre on retail sales of all drinking milk - including UHT and flavoured milk - for eight years, to fund the package.

The provision of the restructure package is subject to all State governments agreeing to remove farmgate pricing and supply arrangements as of 30th June, 2000, when the Domestic Market Support (DMS) Scheme ends.

The Minister and I will hold a joint press conference to announce Cabinet's decision.

The State Dairy Farmer Organisation's Presidents will contact their relevant State Ministers but I thought you would like to know the Cabinet decision as soon as it was available.

I have included, for your information, a copy of a letter that will be sent to every dairyfarmer within the next few days. Most State dairy farmer organisations are also planning public meetings to talk to their members about this package.

I will contact you as soon as possible to discuss the dairy industry's restructure package in more detail.

Yours sincerely,



P.D. ROWLEY, CMG
Chairman, ADIC

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Australian Dairy Industry Council Inc.

28 September 1999

Press Release

Dairy Industry Welcomes Restructure Package

Dairy industry leaders across Australia today welcomed Federal Cabinet's decision to approve a restructure package to help farmers adjust to a deregulated marketplace next year.

Federal Cabinet has conditionally approved the establishment of a multi million-dollar restructure package to manage the impact of deregulation on Australia's 13,500 dairy farmers. The decision is dependent on all State Governments legislating to remove dairy regulations from 30 June, 2000.

"This is an important decision for dairy farmers," said Australian Dairy Industry Council (ADIC) Chairman, Pat Rowley. "The industry had submitted to the government that commercial pressures meant deregulation was inevitable and would be to the ultimate benefit of farmers and the economy. The industry had continually argued that a restructure package was essential for fair and equitable transition to a deregulated environment."

The ADIC is sending a letter to all dairy farmers outlining the restructure package announced today. The basic details are:

- From 1 July 2000, the financial restructuring package will be available to all eligible dairy farmers.
- Subject to finalisation of agreed guidelines, restructure entitlements will be paid to eligible dairy farmers on the basis of 46.23 cents per litre for market milk and 8.96 cents per litre for manufacturing milk produced in the base year of 1998-99. In New South Wales, Queensland and Western Australia there needs to be adjustments made for quota traded in the period up to 30 June 2000.
- Restructure entitlements will be paid quarterly, in equal installments, starting from 1 July 2000 for eight years. The quarterly payments will be treated as assessable income in the year they are paid.

The Australian Dairy Industry Council (ADIC) will negotiate with government for payments to be consistent with current state-based payment systems.

Where restructure entitlements exceed \$350,000, farmers will have to demonstrate that a minimum 70 per cent of income is earned from dairy.

- Farmers who elect to exit agriculture will have the option of receiving \$45,000 tax-free (subject to the Family Farm Restart Scheme asset test) or taking their entitlement which will be treated as assessable income.

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The ADIC is also proposing to establish facilities in the private sector, totally independent of government, to enable individual farmers to apply for provision of a single up-front amount. The private sector facilities are yet to be negotiated and the details will be provided to all farmers as soon as they are available. Taking account of estimated financing costs, the value of this package to farmers, in up-front terms, will be approximately \$1.25 billion.

The Federal Government has agreed to implement legislation that will collect a levy of 11 cents per litre on retail sales of all drinking milk – including UHT and flavoured milk – for eight years to fund the package.

Mr Rowley said: "The package is the result of several months of tough negotiations between the dairy industry and the Federal Government. It will give dairy farmers the opportunity to restructure their businesses to operate in a deregulated environment. It will enable them to make decisions about farm growth and productivity, debt retirement, or their future in dairy farming.

"The industry welcomes the Federal Government's recognition of the need to manage the transition to a deregulated environment without exposing efficient producers to risk simply because the rules have changed. The package will allow dairy farmers some breathing space to adjust to the new environment.

"By supporting this package Minister Truss and the Federal Cabinet are acknowledging the industry now employs 60,000 people and is a major contributor to the well being of the Australian economy."

Mr Rowley said irrespective of the Victorian election outcome, the majority of Victorian farmers and manufacturers were totally committed to deregulation as being in the industry's best long term interest.

"The Cabinet's decision overcomes the first in a line of hurdles that still need to be cleared. The next major hurdle will be convincing all State governments of the value of the restructure package for dairy farmers in their State, so that they all agree to remove State based market milk supply and price arrangements from 30 June, 2000", Mr Rowley said.

"Deregulation will bring many opportunities, but it will also bring challenges and, for dairy farmers, the financial wherewithal through the restructure package to deal with these challenges is vital.

"While this is only the first step and there are many details still to be clarified, I ask dairy farmers to be patient as we clarify the details of the package. These will be provided as soon as they become available," Mr Rowley said.

Media enquiries: Mr Pat Rowley: Tel: 03 96428044

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Australian Dairy Industry Council Inc.

28th September, 1999

Dear Fellow Dairy Farmer,

Re: Financial restructure package to assist with deregulation

After many months of tough negotiations, I can now report that we have been successful in gaining Federal Government support to help the dairy industry adjust to deregulation after 1 July next year.

The Federal Government has agreed to implement legislation to allow the **establishment of a financial package to help us restructure our farming businesses** when deregulation occurs. The package will only become available to us if all State Governments agree to remove milk supply and pricing regulations on 30 June 2000, when the Domestic Market Support (DMS) Scheme ends.

This is an important decision for dairy farmers. Industry has long recognised the commercial inevitability of deregulation and has continually argued that a restructure package is essential for fair and equitable transition to a deregulated environment.

While the broad principles of the package have been agreed, there are a number of details still to be clarified. I can confirm that the Federal government has agreed that:

- From 1 July 2000, the financial restructuring package will be available to all eligible dairy farmers.
- Subject to finalisation of agreed guidelines, restructure entitlements will be paid to eligible dairy farmers on the basis of 46.23 cents per litre for market milk and 8.96 cents per litre for manufacturing milk produced in the base year of 1998-99. In New South Wales, Queensland and Western Australia there needs to be adjustments made for quota traded in the period up to 30 June 2000.
- Restructure entitlements will be paid quarterly, in equal installments, starting from 1 July 2000 for eight years. The quarterly payments will be treated as assessable income in the year they are paid.

The Australian Dairy Industry Council (ADIC) will negotiate with government for payments to be consistent with current state-based payment systems.

Where restructure entitlements exceed \$350,000, farmers will have to demonstrate that a minimum 70 per cent of income is earned from dairy.

- Farmers who elect to exit agriculture will have the option of receiving \$45,000 tax-free (subject to the Family Farm Restart Scheme asset test) or taking their entitlement which will be treated as assessable income.

The ADIC is also proposing to establish facilities in the private sector, totally independent of government, to enable individual farmers to apply for provision of a single up-front amount. The private sector facilities are yet to be negotiated and the details will be provided to all farmers as soon as they are available. Taking account of estimated financing costs, the value of this package to farmers, in up-front terms, will be approximately \$1.25 billion.

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I need to explain how this package will be funded. The Federal Government has agreed to legislate to collect a levy of 11 cents per litre on retail sales of all drinking milk – including UHT and flavoured milk – for eight years. *This levy should not increase milk prices to consumers as it replaces the present price structure established through existing regulation. The legislation will provide the authority to recover the levy at the retail level, with milk processors acting as the collection agents.*

The significance of achieving this restructure package should not be underestimated. Deregulation will occur next year, irrespective of the Victorian election outcome. The majority of Victorian farmers and manufacturers are totally committed to deregulation as being in the industry's best long term interest. The restructure package will provide each of us with some real and viable options for our future.

Some may decide to leave the industry and the package will help them to do this on their own terms. Some will use the package to reduce farm debt and still others will decide to improve farm efficiency. Whatever the decision, this package gives us real options from which to choose and allows the choice to be our own.

The package is still to be legislated and there are a number of details to be negotiated for inclusion in regulations and guidelines. I will keep you informed as they are finalised, as it is important that your decisions be based on fact.

We will try to ensure that you get speedy access to accurate information, as it becomes available. Mostly, this will come through your state dairy farmer organisation, which you can contact at any time.

Our ability to put our case to government with majority industry support has been a key reason for our success thus far and I would like to acknowledge the ongoing role of our manufacturers and processors in this effort.

Now I ask for your patience as we clarify the fine print of the package and work to deliver the best possible result for all dairy farmers.

Yours sincerely,



Pat Rowley
Chairman