

**Submission from R & C Bignell, Stroud dairies, Bream Creek, Tas for the Senate Select Committee – Agriculture and Related Industries Inquiry into Dairy issues – Devonport 6 October**

Stroud Dairies welcomes the Senate Select Committee Inquiry into dairy issues and wishes to highlight its regretful experiences with National Foods.

**Background:**

- Stroud Dairies was established over 50 years ago with 12 cows, by John and Kay Bignell
- Now sons Richard and Charles run the operation milking 500 cows
- The farm supports the family John and his wife, the sons and their wives and 5, soon to be 6 children
- For the full 50 years Stroud Dairies has supplied National Foods Limited (originally Bakers Milk)
- For at least 20 years, verbally and via increased pricing National Foods has continually encouraged us to produce more milk due to a shortage over winter months
- As a result our calving patterns have been adjusted to ensure our highest production over winter to take advantage of the higher prices and to meet National Foods requirements
- This pricing pattern (higher winter prices) and encouragement has remained consistent enough for us to feel confident (even during the worst drought in our history) to **invest** significant funds into new and improved infrastructure, including a new sixty head rotary dairy and a 2000 megalitre dam.
- Our plan was to increase herd numbers, thereby increasing milk production
- We had a contracted volume of 2.935 million litres and with our new infrastructure and increased herd expected to supply approximately 4 million litres
- During 5 years of drought we never lost faith it would break, and it did. This year since the beginning of June we have seen more than 30 inches of rain and our dams are overflowing
- **What we didn't expect was for National Foods to halve milk prices**

**Our concerns:**

- **Our confidence now may seem optimistic, National Foods is under no obligation to accept our production (they can also fine us for under production) BUT National Foods has know for years that this is the arrangement and they have NEVER taken this action with us before**
- We have invested close to \$3 million on the new dairy, dam, pipeline and irrigator.

We repeat we took this action on the basis of past arrangement, increased production and similar milk prices

- National Foods has now let us down
- Our production was proceeding very well through May / June until we received National Foods pricing news. You just can't turn production off and we have lost \$200,000 in 2 months
- For the months September to (and including) December 2009, we have been/are being paid 20 cents per litre. Given that the current cost of production to us is 39.8 cents per litre, this pricing makes Stroud Dairies unsustainable.
- In addition to this, from July this year, National Foods introduced production quotas, whereby our production was capped at 2.93 million litres. Anything above the quota will be paid at a spot price. This cap was based on production during the 2008-2009 financial year, which was when we were operating from a dairy half the size. In our new dairy and with projected herd numbers, we were aiming to produce up to 4 million litres per annum.

**What we want:**

- Is for National Foods to sit down with us and negotiate a reasonable price for our milk set on revised production output
- If National Foods can justify their claims that the pathetic price offer is due to the Global Financial Crisis and we doubt it very much, we would consider a milk price closer to our costs.

We look forward to presenting our case to the Inquiry.

Signed

**Richard Bignell**

**Charles Bignell**