

Senate Inquiry Food Production

Introduction

My name is Russell Holland. I farm in the Heytesbury Settlement with my wife Sheila and son Ken and daughter in law Glenda, milking 300 cows.

Price Drops and Its Effects

All dairy companies have thrown their supplier share holders to the wolves after telling them at the start of the year that their committed milk price to us, the dairy farmers, was as stated on their letter dated 27 June 2008. (Attached).

Farmers made business decisions and bought machinery, land, and forward buying of hay and grain, based on dairy companies prices and now have had the rug pulled out from under them. The 35-40% price-drop for the last 5 months of this year alone will equate to \$100,000-\$150,000 to our business. Many farmers will be in catastrophic financial trouble and will have to get out of dairying, especially those with cow debt and land debt.

Future Price

When the announcement at July 1 for 2009-10 year there will again be a further drop in price, brought about by the claimed present issues, and also the passing onto us, their increased costs brought about by Environment Trading Scheme (E.T.S). Further down the track when we are dragged into the E.T.S at what total cost, no one claims to know, or will tell us. My public company is still seeking 120 million dollars for a joint venture with National Foods based on a debt equity arrangement. Their equity has dropped, caused by a drop in their share value, from \$5 plus, to \$2.80. Blind Freddy can see that the milk prices will service the debt. On the international scene with the E.U subsidising their farmers once again, and America following, the unlevel playing field for Australian dairy farmers will continue for a long period of time in the future. Hence lower commodity prices.

Cost of Production

In early 2004, Dairy Australia commissioned and payed for a report "Dairy 2004 situation and outlook" from Steve Spencer of Ridge Partners and overseen by Robert Poole of Australian dairy farmers, also Chris Phillips of Dairy Australia. On page 60 of this report it shows the cost of production in Victoria at 22-26 CPL in 2004. The cost of production does not include the cost of finance. The cost of production now in 2009 would be 29-33 CPL.

Conclusion

If this nation wants a healthy exporting dairy industry then the Government must support us, the same way as they have supported the Car Industry, Kodac, Rag Trade, and anyone they are pouring money into.

FARMERS ARE NOT GOING TO WORK FOR NOTHING

R.G Holland
Dairy Farmer

June 2004

2.8 The costs of producing milk

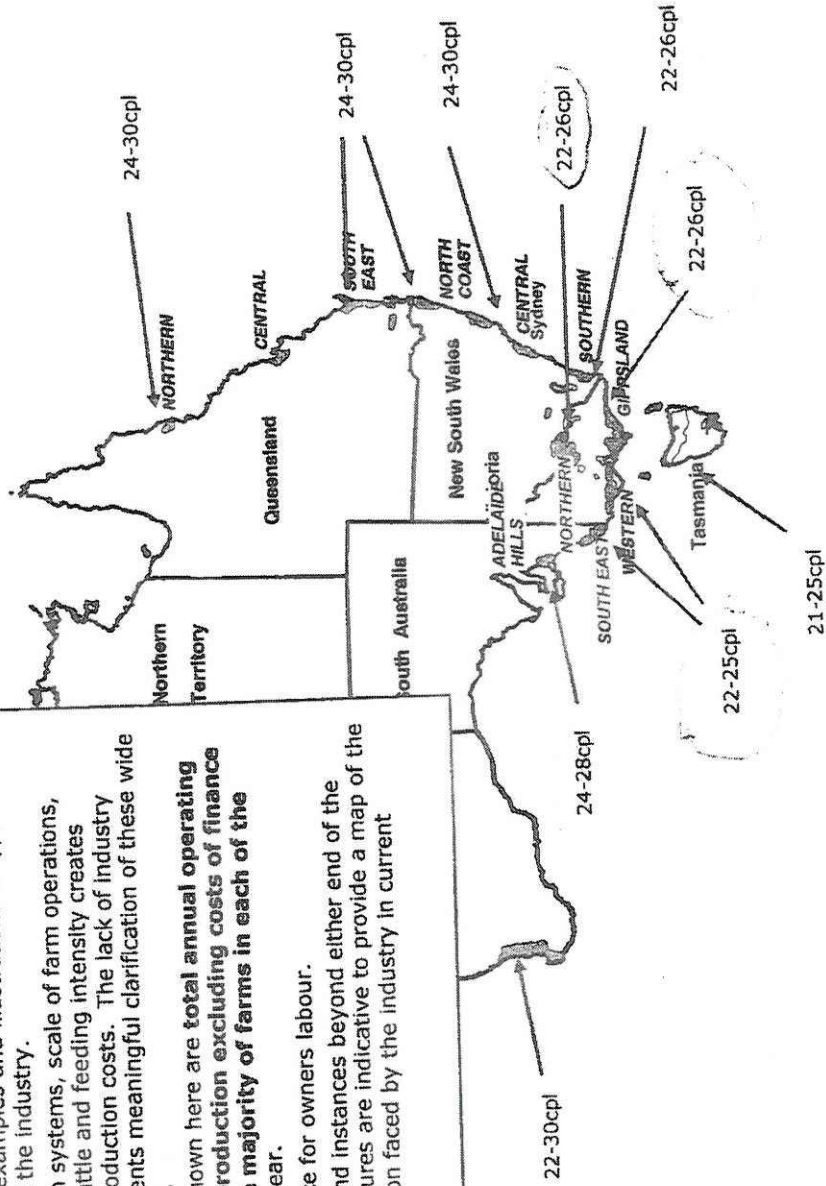
This study has canvassed examples and illustrations of typical costs of production from around the industry.

The diversity of production systems, scale of farm operations, quality and condition of cattle and feeding intensity creates significant variations in production costs. The lack of industry information systems prevents meaningful clarification of these wide ranges at a regional level.

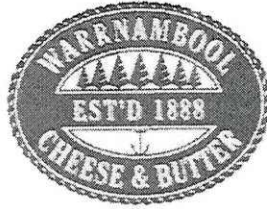
The costs of production shown here are **total annual operating costs per litre of milk production excluding costs of finance that would apply to the majority of farms in each of the regions** for the 2003-4 year.

Cost includes an allowance for owners labour.

There will be examples and instances beyond either end of the ranges provided – the figures are indicative to provide a map of the relative costs of production faced by the industry in current conditions.



Source: Ridge Partners



27th June 2008

Appendix – Season 2008/09 Milk Prices

2008/09 Milk Price Table

Our committed milk prices for premium quality milk supplied during the period 1 July 2008 to 30 June 2009 are outlined below.

1. Monthly Prices	Victoria		South Australia	
	\$ per kg butterfat	\$ per kg protein	\$ per kg butterfat	\$ per kg protein
July	3.76	9.40	3.76	9.40
August	3.50	8.75	3.50	8.75
September	3.36	8.40	3.36	8.40
October	3.36	8.40	3.36	8.40
November	3.36	8.40	3.36	8.40
December	3.36	8.40	3.36	8.40
January	3.52	8.80	3.52	8.80
February	3.76	9.40	4.46	11.15
March	4.46	11.15	4.46	11.15
April	4.46	11.15	4.46	11.15
May	4.46	11.15	3.96	9.90
June	3.96	9.90	3.76	9.40
2. Volume charge	2.8 cents per litre 2.6 cents per litre B double access			
3. Collection charge	\$7.50 first collection / \$20 second daily collection			
4. Productivity payment	See 4. below			
5. Milk growth incentive	See 5. below			
6. 10 day payment option	See 6. below			
7. Quality adjustments	<ul style="list-style-type: none"> • Premium – 100% • Standard – 3% reduction of premium • Sub standard 50% reduction to standard. 			
8. Quality Awards	Premium all year for all milk tests and if:- <ul style="list-style-type: none"> • BMCC less than 300,000 all year - \$500 • BMCC less than 200,000 all year - \$2,000 • BMCC less than 100,000 all year - \$5,000 			
9. Interest Free Advances	\$125 per cow for fodder, grain, pellets and fertiliser. See further details in 9. below.			
10. Quality Standards	Remain unchanged – see 10. below.			