



*Australian Dairy Industry Council Inc.*

24 July 2009

The Secretary  
Senate Economics Legislation Committee  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

**Australian dairy industry submission into inquiry on Renewable Energy (Electricity)  
Amendment Bill 2009**

On behalf of the Australian dairy industry, the Australian Dairy Industry Council (ADIC) welcomes the opportunity to comment on the Senate Select Committee inquiry into Renewable Energy (electricity).

The ADIC is the national peak policy body for the Australian dairy industry and represents all sectors of industry on issues of national and international importance. Our constituent organisations - Australian Dairy Farmers Limited and the Australian Dairy Products Federation - represent the interests of dairy farmers, manufacturers, processors and traders across Australia. The ADIC's role is to bring together these members to establish and present a unified dairy position on issues that affect the industry's future.

The industry understands the need for increased development of renewable energy sources. However we have significant concerns that the double burden of both the Carbon Pollution Reduction Scheme (CPRS) and the Renewal Energy Target (RET) will place significant further cost increases on the dairy farming families with little environmental benefit. This combined cost burden will further disadvantage an industry already facing very challenging times, in distorted world markets, and further weaken our ability to compete competitively in the international market place.

The Australian dairy industry has a long and successful history of embracing change and a strong track record of working cooperatively to meet new challenges. Understanding that the vagaries and variability's of Australia's climate directly affects our dairy farmers, the industry has recognised this challenge and has made climate change adaptation our priority strategic objective. Through our national service body, Dairy Australia, we are committing millions of dollars to addressing key aspects of adaptation to climate change.

The industry has estimated that the indirect effects of CPRS (costs passed on from dairy manufacturing and farm inputs like electricity) will cost dairy farming families between \$5,000 to \$10,000 per farm per year, from the commencement of CPRS, with little if any environmental benefit.

We estimate that RET will further add to this cost-burden on farming families – by increasing electricity costs to processors and farmers. The cumulative increase has the potential to seriously impact the industry.

We understand that compensation arrangements under RET legislation are proposed for those activities that are classified Emissions Intensive Trade Exposed (EITE) under CPRS. Although dairy processing is highly trade exposed in most products – the main activities do not meet the cut-offs for EITE classification. We believe this is a flaw in the CPRS system that will see less competitive food processing and farming in Australia and lead to carbon leakage. Our major competitors in the world dairy market will provide support for dairy processors and/or exclude farm emissions or will not have an ETS at all.

This flaw in CPRS – if carried across to RET support – will further disadvantage dairy farmers as the costs of trade-exposed dairy processing are passed onto farming families.

We also seek clarification on any assistance measures for RET and their application to farm businesses. As yet the agriculture sector has not been included in CPRS directly and to our knowledge, activities associated with farming have not been formally classified as EITE. If milk production (dairy farming) and also beef or sheep production were assessed, we understand that they would be classified as EITE. Does the current exclusion of agriculture from CPRS penalise farming families when it comes to assistance for increased costs of electricity associated with RET?

The ADIC believes that support for dairy processors under any ETS should be at least the same as that in New Zealand and we have proposed mechanisms for this to be achieved.

ADIC also encourages government to continue to support the dairy industry's research into innovation of renewable energy sources across the supply chain. This type of government initiative will enable dairy farmers and companies to support their own energy consumption and innovative energy generation and decrease their demand on mainstream energy sources of fuel and electricity.

The ADIC would welcome the opportunity to discuss these issues further.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Allan Burgess", with a horizontal line underneath it.

**Allan Burgess**  
Chairman