

**AUSTRALIAN MILK PRODUCERS
ASSOCIATION LTD**

Farmers Fighting for Farmers

ABN 091 960 306

**750 Foster Mirboo Rd
/FAX (03) 5664 6527**

PHONE

**STONY CREEK Vic. 3957
dollardazzler@dcsl.net.au**

EMAIL

April 30 2004

Submission

**Senate Select Committee on the Free Trade
Agreement between Australia and the United
States of America**

**The Australian Milk Producers Association
would like to make the following submission on
the effect of the "Free Trade Agreement
between Australia and the United States of
America" as it affects the Australian Dairy
Industry.**

**According to the DFAT (Department of Foreign
Affairs and Trade) web site the overall gain for
Australian Dairy is \$55 million this has to be
R.R.P. and in Australian Dollars**

According to Stephen O'Rourke Managing Director of Murray Goulburn, in an article with Terry McCrann of the Melbourne Sun newspaper he said that dairy farmers receive 70% of the gross returns with the remaining 30% being manufacturing costs

Therefore 70% of \$55 million = \$38.5 million.

Currently there is no dairy products laying idly in warehouses. Therefore any sales to the US will be sales diverted from current customers.

Lets assume the export price is 15 cents per litre. We know the total volume increased to the US is 200,000,000 litres of product. This means that we already have a sale of \$30 million

Therefore the net gain to Australian Dairy farmers

is \$38.5 million - \$30 million = \$8.5 million

This is assuming that the Australian Processors will not compete for the sale and drive down the price.

- . This has been the case with the market milk sector since deregulation,**
- . The Japanese Cheese sales since the removal of the single desk Australian Dairy Corporation.**

- This is also the situation we observe in the domestic manufacturing market "If we don't take the price offered, our product will just sit in warehouses" Stephen O'Rourke

Total gain to Australian dairy farmers if no undercutting

- 8.5 million divided by 10,000 = \$850 per farm per year

- To put this in perspective last season 2002/03 the average farm gate returns was \$270,000 this then is an increase of 0.13%

The second component of the USFTA is increase in quota access at 5% per annum compounding which means that in 14 years time we will have doubled the increase (lets assume that all this new increase in milk sales is not from sales going elsewhere) this is

- an increase of \$38 million over 14 years or
- an increase of \$2.71 million p.a. for the Australian Dairy industry
- an increase \$271 per dairy farmer per year (an increase of 0.11%)

Given the much "trumpeting " of the agreement within "orthodox" dairying groups it becomes difficult to understand their praise. There is in effect nothing of financial substance, in fact it can be argued that with the undercutting that goes on within all other sectors of the dairy

industry this deal is worth nothing to the Australian Dairy farmer..

One has to look elsewhere for a possible explanation

The Prime Minister is on record as asserting that the US is the most powerful economy on earth, will remain so for at least the next fifty years, and that we must become part of it.

- . One of the most informed academics in the field was, quite possibly, the first to observe that, in his opinion, the agreement had little to do with trade — free or otherwise — but was an barely-concealed attempt to weld our economy onto that of the US.**
- . I understand, one of the AUSFTA's main negotiators has hinted, more or less publicly, that the agreement was more concerned with economic integration, than with free trade.**

On this basis the AMPA urges this committee to recommend to the Senate that you reject this agreement as not being in the public interest of Australia