

Nambucca Valley Norco Net Group

Introduction

Norco Net is a group of Dairy Farmers in the Nambucca district, North Coast NSW.

We are responding with this submission because of our grave concerns for the future of dairying in this area and the communities that depend on our existence. Our concerns also extend to the reference material in the submission paper, worded as if basic preliminary conclusions have already been reached, regarding the future of Agriculture in Australia.

Future Operating Environment

2004 was a strong year for dairy markets. Future markets will remain viable, riding a wave of Global economic expansion. (*Source, Rabobank Global Focus*)

The Australian Dairy Industry is the most efficient in the world and the quantum leaps made in the last 20 years cannot be expected to be maintained at such a rapid rate in the next 20. There is a future for milk and dairy products and they are likely to remain important dietary components because of their nutritional value, flavour and texture. There will continue to be a demand for traditional, high-quality dairy products, despite increasing competition from non-dairy products. There have been interesting developments regarding changes in milk composition and quality; organic versus conventional product; bone health; blood lipids; anti-cancer agents in milk fat; bioactive peptides; bovine concentrated colostrums; sports foods and non-food applications. Full market possibilities have not yet been determined. (*source, World Jersey Research News, December 2004*) To be able to best use these innovations for a consistent future a firm base must remain in the form of good farm returns to build confidence and growth, Insecurity caused by eroded incomes is prevalent among many dairy farmers despite huge increases in non-financial farm productivity. Dairy Farm slumbers have halved from 22,000 in 1980 to 10,000 in 2004. Herd sizes have increased from the average 85 cows in 1980 to 210 in 2004, Yearly production per cow has nearly doubled in the same period from 250 litres to 4900 litres. Total production per farm has increased by over four times in the 20 years to 2004 from 247,000 litres to 1,048,000 litres. (*Source- Dairy Livestock Officer, Taree*)

Notwithstanding these improvements, dairy farmers have recently, been unable to benefit from equivalently improved incomes because of static farm gate milk prices, while all farm expenditure costs have increased. How is the 'get more efficient' idea delivering here? *DAS figures for 2004* The top 25% of dairy farmers had their total operating costs at 34.7 cents per litre, while the average price paid by the processor was 35 cents per litre, (Reference material enclosed) The CPI in Australia since 2000 was 10.3 %, while the farm gate milk price has only achieved a 6 % increase.

International and Domestic Markets

When production seasonally peaks the Domestic Market absorbs 50 % of overall milk received at the factory but at low production months of the year the domestic market, absorbs 90/10 of supply, With further reductions in milk supplies caused by the exodus of producers, because of continuing negative incomes, we predict a shortfall of liquid milk in northern NSW and southern QLD, This is already occurring as processors poach other suppliers to try and maintain factory efficiencies. As milk production declines, factories will find it harder to sustain profits, The tradition has always been to pass costs on to the farmer; a downward spiral of diminished returns could precipitate a collapse of the Northern section of the industry. The supply and demand theory drove prices down when there was an over supply, unfortunately now there is a shortage. In this Northern area, prices have not risen to keep pace with the theoretical plan.

Some of our industry Leaders seem to have the view that collective bargaining is the only solution to all our problems. While the NFF requested the ACCC to look into this neither the ACCC or the Remuneration Tribunal were requested to look into the attitude of the industry hierarchy, beaurocracy and politicians separating them from producers by a gulf of indifference, that shrugged off the problems caused by deregulation with the mentality of 'Get big or get out'. Many well run farm operations have left the industry, instead of only the 'dead wood' as the bureaucrats predicted.

Supply Chains

The first interest of the major processors has become focused on a readily available supply of milk at the lowest possible farm gate price, instead of a sustainable price.

From the retailer's mark up price back through all parts of processing, every single worker gets award wages as set by their industry bodies, including farm employees. There is no watchdog or industry body to oversee that owner/operators receive proper compensation for their work and investments, instead of only receiving what happens to be left, over,

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Balance of market power

If market power should not be abused, what constrains the power of large processing bodies that become so obsessed with business self-interest that the sight of the whole-industry balance is lost? Initially deregulation was for the benefit of the consumer, now it is doubtful that this has been achieved. Have the small benefits to consumers in generic branding been far outweighed by the detriment caused to the dairy farming sector? The two major processors in NSW have been focused on price discounting in a desperate bid for market share and to develop a business that is attractive on a public share market, to the detriment of a sustainable price for their suppliers. The smaller factories have had to follow suit to compete. Obviously if these processors lack the integrity to nurture the base on which they actually depend, then there has to be an outside interference to compel them to do so. Recently the Chief Executive of Fonterra was quoted as saying 'Dairying is a fantastic industry with great potential'. (Australian Dairyfarmer, May-June 2005) How can this be so, when there is only a price increase to producers, when there is a chance they may supply an opposing company? (Source, Ken Phillips, Dairy Express) Will the Dairy Industry have to have a major collapse before any of our 'Industry Leaders' notice?

Education, Skills and Labour supply

The dairy farming sector has potential to train and build a workforce for the future. For every 100 cows milked, a further six people are employed in auxiliary occupations directly connected with the industry, with the further multiplier effect (3 to 1) throughout the service industries. At present the adverse profitability of the industry does not encourage the next generation, whether from apprenticeships, investment or succession. (Average age of dairy farmers 52)

Research and Development Funding

The DRDC levies have delivered projects that have had major benefits in farm management strategies. The wisdom of rationalising and closing research stations is doubtful, because of the diverse climatic conditions across NSW. Research about the benefits of milk products benefiting human health are only of use to the milk companies, supermarkets and consumers. Dairy farmers would then benefit indirectly if the information is used correctly to promote such products. Research funding can be wasted if milk processors are NOT interested in making full use of new innovation* that can win consumers back from the mistaken belief that milk is an unhealthy dietary choice. In mid-1980 the ABV (Australian Breeding Value) was introduced allowing dairy bulls to be compared on genetic merit on a national basis. In the past 40 years artificial breeding has developed into a sophisticated genetic improvement process based on progeny testing and backed by a comprehensive system of genetic evaluation in the ABV system, correlated by the ADHIS. (Australian Dairy Herd Improvement Scheme) Recently, semen company representatives have expressed concerns about the nationwide reduction in on farm artificial insemination, herd recording and reduction in progeny testing, exacerbated by exports of live dairy heifers to China. (In excess of 70,000 in 2004) (Australian Bureau of Statistics). If this trend is allowed to continue, not only will Australia's national dairy herd be genetically and financially devalued but also the historical achievements gained by use of ADHIS information will be lost.

Biotechnology

Has enough independent research been done to ensure the safety of GM crops for consumers and the environment? Are concerns about the size and power of huge food-controlling companies being investigated?

Biosecurity and Quarantine

The catch cry at present is focused on trace hack, while necessary to have an efficient system in place it is also imperative that certain products never be allowed into Australia. This country has unique advantages in its isolation and disease-free status that is of the utmost importance that this status be preserved, even if it is achieved at the expense of some trade rationalisations. The food safety (HACCP) scheme has been implemented in the dairy industry at considerable cost to farmers and processors. It still remains unclear if it was implemented to improve quality for consumers, develop further exports or another excuse for increased bureaucratic interference. Since 'deregulation', increased regulations have been imposed to control every part of our business. Safe food has never consulted with dairy farmers on how the system could be enhanced. What was the point of HACCP if cheap imports of food products are allowed from countries that have not caught-up with food safety schemes?

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Rural and regional communities

The north coastal dairying districts are a blend of farming and tourism and are the destination to where city-siders make their 'Sea Change lifestyle' or holiday.

City people expect these regional towns to be able to cater to their needs when they require them but have little thought to the farmers that maintain the economy of the town in the off season. A dairy farm with a basic gross per-annum turnover of \$250,000 is ten times more financially beneficial to a community than an average low income earner. From a population of 19,500 residents, the 16 dairy farms contribute 27% of the turnover at a local produce store, equating to around 3 million dollars. (Source, Norco Rural Store, Bowraville 2004). Approximately 75% of dairy farmers in the Nambucca District are on income support, this is only partly due to the continuing drought. It is a sad irony that while producing one of the cheapest foods for the nation they are going without themselves.

When the drought affected 90% of NSW many products on supermarket shelves increased markedly in price, more recently ACF (Australian Co-operative Foods), Norco and Pauls went to the retailers to request a price increase to cover spiralling costs for plastic and transport. In neither of these situations did dairy farmers obtain any price increases, in some areas their prices were actually decreased. It has been suggested in the media that taxpayers are unwilling to support farms requiring drought relief. Why then is there little backlash against people coming to these regional districts for the improved lifestyle and being supported by unemployment benefits? Our local government needs to continue to support us with the Right to Farm agenda and have our existing use rights' protected from new residents that may not understand the basics of farm production.

.Is there a political-faction agenda to remove all farming operations along the East-Coastal strip?

Natural Resource Management

The National Heritage Trust provides an excellent initiative that provides 50-50 funding for landcare projects. It is much more likely for a landholder owning 100 plus hectares to initiate and maintain revegetation, stream bank stabilisation, wild-life corridors and clean water projects. These schemes need to be extended to include noxious weed management and feral animal control.

A greater than 100% claimable tax incentive would ensure growth and expansion of landcare projects as a positive step to continue to improve biodiversity and enhance our environment. Productive farms therefore, need to be given as much encouragement as possible so that they can remain in a district and continue to be much more beneficial to a catchment than if they were subdivided into a large number of hobby blocks, lifestyle farmlets or housing developments with multiple septic systems.

Conclusion

While lowered farm returns are not exclusive to the dairy industry, dairying is unique for the reason of having a very perishable product, which must be processed within two days. It is essential that a policy of farmer consultation be implemented to plan future strategies that will influence all aspects of Agricultural production. We, in the dairy industry are constantly being *told* what we should be doing, but top farm operators are seldom asked, by a plethora of 'farm advisors', how they achieved their great results.

For the future, if there is no guaranteed sustainable farm-gate milk price, there will be no incentive for the next generation to look to the Dairy Industry as a career and this will lead to the inevitable death of productive industry that has an important place in Australia's economic output. Gross value of farmgate milk production for 2003-4 was 2,808 million dollars. The return for milk products exported for 2003-4 was 2,179 million dollars. Not a bad effort for an industry that only gets offers of more well paid consultants to persuade us to work harder, smarter and get more efficient to produce more cheap milk. Dairy farmers are in a position of weak bargaining power. We need an organisation such as the NSW Farmers Association, Dairying division, to represent us with a strong ^{and} united front, to negotiate on our behalf and recommend to processors and retailers they rethink the disparities of the price structure.