

## Agriculture and Food Policy Reference Group May 2005

From: Gillian Davidson, B. App Science

To : Mr Peter Cornish , Chairperson

13 July 2005

Dear Peter,

Thank you for the opportunity to comment on the paper re Profitability of agriculture and food in Australia. My background is a Science degree majoring in Microbiology, followed by a career as Raw Materials Quality Assurance Manager for Masterfoods Australia and now a Dairy farmer. As part of the management team at Masterfoods I dealt with R & D, Commercial and Marketing Depts. This provided me with a wide understanding of the goals of a food company to secure shelf space in the supermarket by developing new taste sensations, removing artificial colours & flavours etc to attract the consumer dollar. This process for me involved developing Quality assurance procedures with the companies we dealt with such as AQL plans and Standard operating procedures in the factory. I had travelled to USA and Israel for MasterFoods completing quality audits on present and potential suppliers for raw materials not grown in Australia or at the levels required for our production goals. Consequently I feel that now as a dairy farmer and sitting at the bottom of the pile the picture is more complete.

As the developing countries learn the higher skills of agriculture and their ability to produce food increases, the world is faced with the destruction of rain forests and pollution of ecosystems and climate changes. In Australia we are striving now to combat salinity and reforest and protect our waterways. Unfortunately we are at the opposite end of the see saw and sliding down.

We as dairy farmers over the last 4-5 years have had to rely heavily on selling heifers on export orders to countries such as China, Japan, Mexico, Indonesia and South America in order to remain profitable. In effect we are providing these countries with the ability to gain a higher level of self sufficiency in dairy foods and will eventually lose their custom.

This would not have happened to such an extent if dairy farmers were paid a price that covered our production costs after deregulation. The costs of production for a litre of milk varies around the country depending on seasonality of production, land costs and fertility, water availability ie rain vers irrigation and costs of landing grain / hay on farm and distance from processors/ markets.

Collective bargaining does not exist yet at an efficient level for the farming sector and it needs to be the role of the ACCC to keep monitoring the pressure the supermarkets and multinational are placing on the bottom tiers of primary production in Australia. I am pleased to hear that our new Federal Agriculture minister Mr Peter McGauran is actively involved in trying to curb cheap food imports through the supermarket chains. I believe that in many instances that collective bargaining will be the only effective way many primary producers that supply perishable produce will succeed in the medium term.

The other alternative is to reintroduce tariffs, ( which MasterFoods paid back in the 80's for importing a varied range of Dried beans that weren't even grown in the country) or some other preventative legislation to disallow this activity. If more food is imported into Australia from overseas, economically all this will do is upset our balance of payments long term and we struggle with that issue now with all the cheap clothing and manufactured goods we import.

As suppliers of MDP Wagga NSW prior to deregulation, Quota milk cost all processors approx 54 c/l from the Dairy Corporation and as a result MDP would use the local production to bottle milk for MDP and also for the Dairy Farmers' range saving the freighting component of sending milk from Sydney to Wagga supermarkets. Now Dairy Farmers' has some suppliers in Wagga and freights milk all the way to Sydney or Canberra or Sheparton for processing and the sends bottles back to Wagga from Sydney. As a result of this MDP has surplus milk to market and is now selling in Sydney and Newcastle. The winners are the fuel companies and the truckies. The losers are the farmers and processors and the people of the state that pay taxes to keep roads up to scratch. Money is being taken from the farmers and being redistributed in other fashions. Prior to deregulation milk price increases were shared between farmers, processors and retailers. Now the sharing is between the shareholders, retailers and to a lesser extent processors. The goal posts are still moving the wrong way for farmers.

Look at the plight of the potato and pea growers in Tasmania with the likes of McDonald's and McCains searching for the extra profit margin. These companies have the power to dictate to the farmer the price they are prepared to pay. These companies have shareholders that demand returns, they have capital that enable them to adopt new technologies and they make monstrous profits. I was horrified when I watched Frontline on SBS in late May re "Walmart – made in China" I felt like crossing out Walmart and putting in Woolworths or Coles. If you missed the documentary or would like a refresh, the program is available on a website [www.pbs.org](http://www.pbs.org). I hope the Walmarts' of the world don't reek as much havoc in Australia as they are doing to the US economy long term.

As a farmer my biggest concerns long term will be the ability of the Australian govt to bite the bullet and sign the Kyoto agreement. This may be the impetus to rationalise transportation systems, to look to agriculture to provide renewable energy sources ie ethanol and bio diesel. To harness the environment to produce electricity ie wind and water. To save water, build dams and stop exporting as much water out to sea, turn it around and tunnel it inland. Sewerage treatment plants in the major capital cities need to be fine tuned and we would have recycled water for use industrial situations and irrigation of gardens and parks and farm land. The water in the Thames River is used 5 time before it gets to the sea and that was in 1984. Beckton sewerage treatment works in London is were Bob Carr needs to go.

Farmers are custodians of our farming land and wish to improve its value and productivity. However we as a nation need to look at better ways to improve fertility ie the work of Peter Andrews and a move away from the use of chemicals and pesticides which cause cancers and disease. We will all pay for it down the track with health issues in the food chain. Agriculture should epitomise fresh healthy food grown under our own strict Foodsafe regulations. Tariffs have a role to play in restricting the quality of the food we import into the country for either quarantine or economical reasons for the future survival of our agricultural industries.

When I was at Masterfoods' I had the experience of observing a team of strategists visit the factory to ascertain our production lines' capabilities in case of war. This rang home to me that we need to be self sufficient in what we grow and not rely heavily on our neighbours for everything.

I am sorry that I have not specifically answered that listed questions but I trust that your group will seek the truth and have the patience and wisdom to be practical for the long term survival and profitability of agriculture in this country. Think laterally.

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