



AGRICULTURE AND ENVIRONMENT COMMITTEE

Members present:

Mr DA Pegg MP (Chair)
Mr AJ Perrett MP
Mrs J Gilbert MP
Mr R Katter MP
Mr JE Madden MP
Mr EJ Sorensen MP

Staff present:

Mr R Hansen (Research Director)
Mr P Douglas (Principal Research Officer)

PUBLIC BRIEFING—INQUIRY INTO THE SUSTAINABLE QUEENSLAND DAIRY PRODUCTION (FAIR MILK PRICE LOGOS) BILL 2016

TRANSCRIPT OF PROCEEDINGS

WEDNESDAY, 30 NOVEMBER 2016

Brisbane

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Committee met at 10.36 am

KNUTH, Mr Shane MP, Member for Dalrymple

TESSMAN, Mr Brian, President, Queensland Dairyfarmers' Organisation

CHAIR: I welcome back those present and those of you who are watching the now live broadcast. The committee will now receive a briefing from Mr Shane Knuth, the member for Dalrymple, on the Sustainable Queensland Dairy Production (Fair Milk Price Logos) Bill 2016. We have present Mr Shane Knuth, the member for Dalrymple, and Mr Brian Tessman, the President of the Queensland Dairyfarmers' Organisation. Welcome, gentlemen. I invite either or both of you to make a brief opening statement.

Mr Knuth: I am happy to make a statement first. It is a great honour to present to the Agriculture and Environment Committee in regard to the Sustainable Queensland Dairy Production (Fair Milk Price Logos) Bill 2016. One thing that is very important to acknowledge is that, back in the year 2000, there were 1,500 dairy farmers. Now, there are only 430. We have not seen anything tangible in this House regarding support for the dairy industry. I make it clear, too, that when I tabled the Milk Pricing (Fair Milk Mark) Bill back in 2013, there were 540 dairy farmers. Between the time when I tabled the bill and when the bill was debated, there were 490. The sad fact is that at that time there was a perception that the government was going to do something or work with the department to do something. We had 540 and now we have 430. From the year 2000, averaging it out until now, we are losing an average of 70 dairy farmers. If we keep going the way we are and keep talking about it, we are going to have no dairy farmers by the year 2028.

As I presented the bill before the House, I am fully and totally committed to this legislation, because it is not about Shane Knuth; it is about providing fresh milk for Queenslanders and ensuring that farmers are paid a fair price and also to give consumers an opportunity to walk into a shop and identify which milk they are buying that pays the farmer a fair price and to ensure that it is local milk, fresh milk and that it is also Queensland milk. I will read from the explanatory notes of the bill to explain a little bit more about it and later on I am happy to take questions. This bill is—

An Act to provide for the establishment of logos for containers of fresh milk produced in particular regions and for which fair prices have been paid to dairy farmers, a mechanism for setting fair prices and offences for particular conduct in relation to the logos.

The policy objectives of this bill are as follows—

This Bill establishes the eligibility criteria and legal protection for voluntary logos—

and I say this again, voluntary logos—

to be placed on containers of milk. The logo will inform Queensland consumers that a price which achieves a sustainable gross margin for producing that milk has been paid to the dairy farmer who produced the milk. The logo is a voluntary market mechanism which processors can choose—

and I say that again, choose—

to incorporate into existing milk labels for milk that meets the eligibility criteria for use.

This Bill requires that a fair milk price logo identifies the region in which the milk was produced, as the costs of production vary from region to region. A region-specific logo also enables consumers to support their local dairy industry.

To ensure the validity of a fair milk price logo, this Bill provides a process for determining a fair price to be paid for the production of milk. Without a legislated criteria, eligibility for a fair milk price logo would be set by industry representatives, producers, processors or retailers. This would carry an inherent bias in the eligibility criteria that would serve the conflicting objectives of the party responsible for establishing a fair price.

This Bill provides for the setting of a minimum price to be paid to dairy farmers for the production of milk carrying a fair milk price logo. The fair milk price logo will signify that the farmer who produced that milk has made a sustainable gross margin.

The Bill legislates offences relating to particular conduct in order to protect the integrity of a fair milk price logo. The Bill ensures consumer confidence that purchasing milk with a fair milk price logo directly supports sustainable Queensland dairy production.

This Bill utilises the Queensland Government's Queensland Dairy Accounting Scheme (QDAS) report to identify the costs of producing milk for a dairy farmer in each Queensland region and uses the QDAS data to determine a sustainable gross margin for milk produced in a particular region.

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Bill 2016

I want to bring to your attention that clause 2 provides definitions for terms used in the act in schedule 1. The explanatory notes state further that clause 3—

Establishes the objectives of the Act to implement a logo to be added to a label of a milk container. This logo is to identify that a fair price has been paid to the producer for fresh milk. Section 3... specifies the region in which the milk was produced due to the varying costs of production in Queensland's three major dairy producing regions. A region-specific logo will also enable consumers to support their local dairy industry... Section 3... ensures consumers can be confident that their purchase of milk bearing a fair milk logo directly supports the Queensland dairy industry ... Provides criteria for determining a fair price to be paid to producers and... creates an offences for particular behaviour relating to the logo to protect the integrity of a fair milk logo.

Clause 4 Establishes criteria to be considered when determining the cost of milk production including the region in which the milk was fresh produced. The minister of the relevant portfolio will approve a logo design—

and I say this again, the minister of the relevant portfolio will approve the logo design—

in consultation with the corresponding regions' dairy farmers and organisations representing the interests of those dairy farmers.

Clause 5 Provides a sustainable gross margin for producing a litre of fresh milk in each Queensland region utilising data compiled by the Queensland Dairy Accounting Scheme, which is recognised by the Queensland and Australian Governments as a legitimate and reliable data set for determining costs of production. This will be decided by the relevant minister and published in the government gazette (a milk price gazette) at least twice a year. Section 5... defines a process for determining a sustainable gross margin through consulting with dairy farmers and organisations that represent the interests of dairy farmers in each region; the most recent and up-to-date QDAS report with consideration for encouraging best farming practice and innovation for fresh milk production. Section 5... defines the QDAS report.

Section 6 determines that there will be a fair milk price per litre for each Queensland dairy region and sets in place the process by which this can be achieved... determines that a fair milk price for a Queensland dairy farmer in a Queensland dairy region includes a sustainable gross margin to produce a litre of fresh milk. The fair milk price set by the minister is to be published in each milk price gazette notice.

It goes on—

Clause 7 Addresses variations from a base price that producers receive from processors based on milk quality and composition so that the processor retains the eligibility to use the logo. The processor can make a variation to the price paid to a dairy farmer for milk that a dairy farmer supplies that does not meet the processors' required composition or quality standards. Any variations are applied to the fair milk price in accordance with any contractual arrangement between the dairy farmer and the processor.

Clause 8 Prescribes penalty units to the offence of selling milk bearing the fair milk price logo (marked milk) when a fair price has not been paid for that milk to the dairy farmer. Subsection (2) provides definitions of terms used.

Clause 9 This section enables the Queensland minister to consult with other state and territory ministers to establish a fair milk price logo in their jurisdictions. Subsection (2) provides a timeline for the minister to publish the fair milk price at six-month intervals. Subsection (3) provides definitions of terms used.

Schedule 1 Provides definitions for terms used in this Bill.

Mr Chair, we are happy to take questions. It is in your hands but you can ask Mr Brian Tessman to make a statement or answer questions.

CHAIR: Certainly. I might ask Mr Tessman to make an opening statement and then allow members to ask questions of either of you.

Mr Tessman: Since 2000 the Queensland dairy industry, as Shane has already outlined, has suffered a severe decrease in the volume of milk as well as the number of dairy farmers. Particularly since 2011 we have really seen a freefall of dairy farmers going out of the industry. This is not just an issue about dairy farmers; that flows on to the rest of the economy and the community where we see over that time dairy manufacturing has left the industry and the state, which is a negative for the whole state and everyone in the state. We now have 20 per cent of the milk that Queensland needs around the year coming in from outside the state. Over that period there have been attempts at both state level and national level as well as a number of inquiries to which we have put submissions to try to change some of the issues to improve the fairness at the farm gate. At this stage that has come to nothing, although we have hopes at the moment that it may eventually come to something.

In the end it is about the consumer, and the consumer has clearly shown that they have a concern. They want to drink milk in Queensland that has been produced in Queensland. They want to see that farmers in Queensland get a fair deal and are treated fairly as we expect of all members in our community. This bill is about giving those consumers the opportunity to be able to express what they want to see happen. We have told them already the best thing we can offer them is to buy branded milk if they are concerned about dairy farmers in Queensland. This bill can clearly outline where they can have some certainty as consumers that that litre of milk they are buying is, first of all, Queensland milk—it is not in that 20 per cent that gets brought in from outside—and that the dairy farmers in Queensland have been paid a fair price for that milk. It is about giving the consumers the

information so they can make a choice. It is not setting or locking the consumer into anything. It is just giving consumers information about what is happening on farm because clearly they want to know, but at the moment they are in considerable doubt as to what is happening and I think that is the crucial thing. If at the end of the day the consumers do not care what happens to dairy farmers in Queensland, nothing will come of it. However, I think they do and they have a right to have the information.

CHAIR: We will now move on to questions. I have a question for Mr Knuth in relation to the clause in your bill that prescribes penalty units for the breach of the labelling requirements. I want to know how you would anticipate that would be policed?

Mr Knuth: One of the things that is very important to understand is that there is always a confusion in regards to how things are going to be policed. When the VLAD criminal laws were in place we were dealing with two offices—the Minister for Police and also the Attorney-General—in areas where they overlapped. Laws like that will most probably be dealt with by the Attorney's office with regard to the labelling, but in terms of dealing with the dairy industry, the bill mentions 'relevant ministers'. We drafted it that way because we wanted to ensure that we were not going to be tricked into which minister does what. We believe that that will come under the Attorney-General's office.

Mr PERRETT: Thank you to both Shane and Brian for coming along today. The first question I have is to Brian, particularly from the QDO's perspective. I am getting an understanding as to why you think it is required that government needs to put a process in place as opposed to the industry. I come from an agricultural background as a beef producer. I understand the processes that are involved in agricultural industries, and they can be varied in so many facets that are out of our control. I have observed through my direct experiences not only in the beef industry but in many agricultural industries where producer organisations such as yours initiate various programs and have been very, very successful at market branding in respect of the sale of their product. I assume that this has relates directly to Coles and Woolworths with the \$1 per litre of milk. While it has not been mentioned, that is my assumption as to why this is being proposed. I just want to hear from you, Mr Tessman, with respect to what industry has done themselves. I have seen some dairy farmers who have initiated various processes themselves who have been extremely successful with their own marketing under their own brand into the direct consumer market. Can you enlighten me in respect of that process, because I am keen to know what the QDO does?

Mr Tessman: This idea of having an indicator for consumers is not a new one and it did not even originate in Queensland. The Australian Dairy Farmers, the national body, did try to get it off the ground and tried to work with some of the larger domestic processors back in 2012 after \$1 a litre of milk had started. It was reasonably confidential at the time. They tried to get the scheme up. In the end the processors pulled out of the scheme. It is generally believed—I cannot say or prove for certain—that it was due to pressure from other sections of the supply chain that did not want it to happen. That is the critical issue. In dairying, farmers supply to large processors who have to deal with large retailers, which makes it very difficult for a scheme such as this to get off the ground. When you talk about some of those people who have had successful businesses, I imagine you are talking about some of the small processors who have certainly benefited recently by the 'buy branded milk' campaign. Those businesses have a very low success rate. Some have done very well, but many have not and they still take up a very small proportion of the milk in Queensland.

This is about giving all consumers some knowledge of what is happening on farm and what they are being paid rather than simply having a small brand that we say, 'This group pays more.' I think this has great potential for any group who may want to pay or is paying their farmers well to get that out there in the public. Tell the consumer that they are paying them a sustainable price and their farmers are being looked after. At an industry level it is very difficult to do that. QDO has looked into getting such a scheme up ourselves. While there are not huge costs in getting this scheme up, it is far beyond the wherewithal of QDO to do so. It is not something we have not looked at; we have wrangled with that for quite a long time. This really grew out of the fact that the industry fell over in trying to get such a scheme up when the first milk mark bill came up. Since then we have asked government to look at funding to maybe assist in that, which has not been forthcoming. At this stage there is no potential in the dairy industry for such a scheme to get up. I think it is a scheme that has merit for both the farmer and the consumer.

Mr PERRETT: I am surprised—and I know you touched on it before and maybe we need to drill it into a little bit more. You mentioned the processors and you are not really sure or willing to say what the issue is. Presumably from a farmer's perspective, if you are producing a quality product and that is going to a processor, it would be in the best interests of that processor to make that information

available if they think there is a market advantage on the shelf. I just use the example of a local processor—and I will not mention its name—that has been extremely successful. We buy that milk ourselves every time. Yes, it is the most expensive milk on the shelf. We buy it because of quality and because of the local promotion that that particular producer and processor does within the local market to the point where they cannot supply enough of that milk to the local market. I believe local farmers and processors do have that ability, particularly where they have a good quality processor, and that milk sits on the shelf in Coles beside the cheap \$1 a litre milk. That is why I am trying to drill down and get a handle on why processors—if you believe that is where the problem is—are resisting a process that gives that information to consumers and why then the need for government to regulate through legislation to force them to do this?

Mr Tessman: Clearly there is an issue in the market power that sits down in the dairy supply chain. While certainly some of the small niche producers can still carve out a niche on a small scale, on a larger scale, if there was really power in the processing sector to bring this up, there would have been enough power there to have not had \$1 a litre milk. If there was not an imbalance in power, we would not have \$1 a litre milk. In New Zealand there is no \$1 a litre milk because the power ratio is different. The crux of this at the end of the day is the imbalance in market power that is in the dairy industry in Australia generally and certainly in Queensland. That is what this is trying to address.

There is an issue there. Because of that imbalance in market power those processors will not come into this scheme off their own volition or work with QDO to do it. They have looked into it and they have pulled out of it. While we have talked to a number of them and they are not opposed to such a scheme, they are not going to stick their heads on the chopping block and do it themselves. I think that is a clear indicator of the market power. Also I think it needs to be said that any scheme that was, for instance, put into place by an individual processor would have some doubt as to verifying whether it was factual, whereas if government does it there can be real consumer confidence that this is factual, that this logo really means something and it is not just something that is thought up or a story that is put out by this processor or that processor.

Mr Knuth: I want to add to the questions asked by the member for Gympie because they are very relevant and good questions and you are from the land and you understand what it means to produce a litre of milk and get a sustainable price of return. One of the things that is important here is the desperation and, as you saw, the consumer rose up in regards to the Murray Goulburn issue where there was increase of seven per cent at that time to support branded products. The consumer wants something tangible to back the dairy industry, but the great thing about this logo is that it is legal, legislated, protected by government and it is something that consumers can put their trust in, because when they walk into that supermarket or shop and see this or the unbranded they are not quite too sure. But when they see this logo that is passed through the parliament, that is supported by the minister for agriculture, the Attorney-General and the parliament, they know that they will not be deceived by this milk or that this is some gimmick that Woolworths and Coles have on the shelves but that this is something protected by the parliament of Queensland.

Mr Tessman: Could I also add that, from the QDO's point of view, we are looking for something that puts upward pressure on farm gate prices overall and that will flow through to have some benefit for all farmers rather than the five or six that supply one particular niche processor.

Mr PERRETT: I have multiple questions on this and realise that other members need to ask questions, but this is relevant. Obviously dealing with the broader issue, that is what I was trying to get to in respect of the cave-in, what you are intimating, this is one thing, but this relies on the consumer to say, 'Yes, we are going to pick that up off the shelf.' If the problem is still there, with respect, this cave-in to the bigger entity, is that not another problem that should be addressed primarily because this has to get—and I think it gets back to the crux of this bill—back to this fair price, whether it is a regulated price at farm gate or otherwise, in a different sort of way. If there is a problem at another level, I would like to hear that directly from the QDO, because this might be dancing around the edges, as I indicated, to get the consumer hopefully to pick it up off the shelf, but where is the problem?

Mr Tessman: There is a problem and there is a problem in the domestic milk market in Australia and certainly in Queensland. The fact is: what fixes it? There is no one silver bullet to fix it. Regulation, re-regulating, is a bridge too far, and whether that would really be the right thing to do is a completely different question. We are about getting a fair market and getting some reasonable market power or influence at dairy farmer level. To do that, I think it is like baking a cake. Fixing the dairy industry or the uneven market power in Australia in the domestic market is a bit like baking a cake. There is a whole lot of ingredients that have to go into it. I think this is one ingredient. I think

some of the things with the ACCC inquiry at the moment are another ingredient. There is the unfair contract extension of that and the Ombudsman, Mick Keogh and the ACCC section of that which is specifically on ag, and the effects test which is a really critical thing at federal level—all of those fit in together. They all are really critical in that, but with most of those things it is out of the hands of you guys—it is at federal level. But there are things you can do at state level and I think this is one of them, one ingredient into the cake that I think can fix the domestic dairy industry.

When the domestic dairy industry got into real trouble with dollar a litre milk in 2011, some of the southern counterparts were in a boom situation with the world market, but of course we saw once the world market came down, which is a regular thing that happens with the world market, it caused a crash like we have never seen before, because the domestic market was in trouble as well. So we need to fix the domestic milk market if we are to have milk exports at the end of it out of Australia. We need to fix it if Queensland is to have Queensland milk for Queenslanders to drink. All those things need to happen to make the market fair, and this is one ingredient in that whole cake. We are certainly working on the other ones, but if we say that we will not do anything with this and put this ingredient in until we get all the other ones right, you will never get any ingredients in it and it will never be fixed. All of these things need to happen. Just because there are other things that need to happen as well does not mean you do not do this one.

Mr Knuth: I desperately need to ask this question in regards to those ingredients. I will read a statement from John McVeigh when he delivered his second reading speech to my fair milk mark bill where he said—

I support the view that there is a lack of transparency in retail marketing of milk and that the current dollar a litre for drinking milk campaign while benefitting consumers is causing difficult outcomes for farmers. The federal government recently indicated that a review of the Australian competition laws is vital to make sure that the existing laws are fit for their purpose and the competition law reviews need to look at both the effect discounting is having across the supply chain now and the longer term impacts as well.

Then he said—

The Agriculture Resource and Environment Committee's recommendations included a point of clarification and suggested that I outline the government's plan to assist the Queensland dairy industry. I wish to inform the parliament that I am in the process of establishing a dairy industry roundtable to continue to work on a development plan to enable further consultation with stakeholders. The plan will build on my findings from the dairy industry forum that I convened and chaired in August 2000, in particular the plan that reflects on the government's continuing commitment to the dairy industry.

Just very quickly, it says here that the chair of that committee said that one of the recommendations was that they work with industry and federal counterparts to bring more equity into the milk market and to help farmers reach overseas markets. Nothing has been documented about that. In regards to this round table, nothing has been documented. We have this 'ingredient' in regards to the fair milk mark, now we have the 'fair milk' logo. We first must look at all these other ingredients first so let us dismiss this fair milk logo because there are all these other ingredients. But you must remember—and this is very, very important—I heard that we must look at all these other, dismiss the fair milk logo and the fair milk mark bill. When I tabled the bill, there was 540 dairy farmers but now there are 430. We have dismissed it because of 'looking at other ingredients' but there are 430 dairy farmers left? If we keep looking at all these other ingredients and look to the feds and go to these other areas when we have something here that will add a very strong ingredient, let us look at the true reality of the picture here before looking everywhere else.

CHAIR: Thank you, Mr Knuth. Before I go to the member for Harvey Bay, the member for Mackay had a supplementary question on this point.

Mrs GILBERT: It just follows up on what the member for Gympie was asking about, the whole process there. You said in the beginning of your answer that this did not happen in New Zealand; that their market did not allow for the dollar milk to take over. What is missing in Australia or in Queensland in terms of what the New Zealand farmers did? Is there something, some learnings, we could take from their industry?

Mr Tessman: It was clearly farmer and processor power as to why it did not happen. Remember that almost all milk in New Zealand goes through Fonterra. If Fonterra chose not to participate in dollar a litre milk, it did not happen. It was the fact that there was power down the other end with the farmer and Fonterra in New Zealand is a cooperative. The power was down that end and they did not want dollar a litre milk, it would destroy the New Zealand market and it did not happen. It is a very different market power situation in Australia.

Mrs GILBERT: Is that because we have so many different processors?

Mr Tessman: We have many processors that can be played off by the retailers.

Mrs GILBERT: Can I ask you a question about your logo? There are logos out there such as the Heart Foundation, Buy Australia and all the rest of it, but there is no legislation around that. Why can the Queensland Dairy Organisation not come up with a logo and promote it so that the public knows what it is and can trust the dairy farmers? Why do you need the legislation when other organisations have simply registered a logo for their members?

Mr Tessman: At this stage, we have looked into it. It is beyond the financial capacity of the QDO to do that, but also you would need the willingness of a number of those processors to use it. If you went to that expense, you would need a return from it. If it were just an industry one, as I said, the ADF's experience when they tried to do it at a national level was that the processors pulled out, because of pressure from other sources not to be in it. I do not think it is viable for QDO to do it. We are a very small organisation. It is beyond our capacity to get up, advertise, make a value of that label in our own right in Queensland and then to get the uptake on from there for something that QDO came up with would be very difficult. Clearly, the current situation is that the processors would rather continue on as they are and not take it up, whereas I think with this process of the government taking it up they would look at it differently, because the government would have some real verification and a real standing behind it so that some of them at least would be interested in it. Should the government charge for this or not? Obviously if the QDO did, it would have to get its money back if we ever got enough money to do it. It has really been a bridge too far, as the national industry found. I certainly do not think it is a bridge too far for government.

Mr SORENSEN: This logo will only be for Queensland milk or any milk in Australia, because Parmalat manufactures and processes the milk down here and they would bring in, like you say, that 20 per cent of milk from NSW, Victoria or wherever it comes from. Would that have the same logo on it, or how do you—

Mr Tessman: Obviously for some of the smaller more niche processors clearly they have suppliers only in Queensland and it is clear what they pay them. They are happy to share that. That is a very simple question for them. For some of those large ones, as you said, they already do identify and at times identify for the retailers that milk is Queensland milk. There is a stipulation with some of the large retailers when they buy the milk that they want their milk to be Queensland produced milk. It is clear they have an ability to identify Queensland milk. What is going in that bottle is Queensland milk as it is being done already, and from there it is just what they are paying the farmers to qualify for a sustainable price.

Mr SORENSEN: But if they were paying a sustainable price in NSW, would you support—

Mr Tessman: No, it is only for Queensland milk, it is for Queensland dairy farmers in each of the three regions. For Queensland dairy farmers, they need to show, just as they do now for some brands, that that milk is Queensland milk. To get the logo, they would have to show the process that guarantees that that is Queensland milk.

Mr KATTER: This is probably a question for both and it is fairly broad in scope, but I see the mayor of the Tablelands regional council here, and I think there are some broad issues we are hearing discussion on. We are talking a lot about the viability of the industry and how we are helping. I notice all the feedback from DAFF seems to be focused on productivity and productivity gains in the industry, but it seems to be the lack of profitability that you are trying to address here. That is why the money is not going through the towns, which is part of the reason we are all here. There is that productivity that everyone talks about but it is profitability we are after. Can you comment on that issue and how the bill relates to these communities that are here?

Mr Tessman: Yes, that is it. If you are not profitable, at the end of the day, even if you are a large farm or have high productivity, if you are still swamped by your costs compared to your income and you are not profitable you are not there at all and so the end result is there is no product to bring in any value. I know with my local regional council, even though it is now considered a small industry, it is still one of the major farm gate earners in our South Burnett shire, the dairy industry, even though it no longer has any actual dairy factory or anything. It is still a significant industry and it is a significant thing to lose. At the end of the day if there is not profitability none of that will be there. It is not only there, it is the places like Nambour, Brisbane, Malanda and Rockhampton that have factories that will lose them if they go, just as so many towns have lost those factories already. It has a huge flow-on effect.

At the end of the day, every farmer needs to be profitable and do their job well and supply good quality milk. Once they do all that they need to be profitable otherwise they are not going to be there. What this bill does, I think, is put some upward pressure on the farm gate price because a lot of processors know roughly what they have to pay for how much milk and whether they could get by

with 80 per cent of the milk and bring a bit more in from outside, because at the end of the day they are about making a profit for them and their shareholders. What we want to see out of this bill is a bit more competition for that milk, get that farm gate price up so that it is not just paying enough to cover the basic cost, you actually pay what you need to make sure that the other guy does not get that farmer instead of you maybe. We need to put a bit of tension in that market for that Queensland milk. I think that is vital at the end of the day if you are going to have the profit because at the end of the day if you have no profit, you have no product, you have no industry.

Mr Knuth: To answer that question from the member for Mount Isa, when I first came up to the Tablelands in 2008 I kept on hearing talk that in Malanda and the surrounding regions there was over 260 dairy farmers. Then I was told we were down to 90. Each year I kept thinking we have got 90. Then I am told, no, we have got 80. Then the next minute we have got 75 and I am thinking, oh, well, there is 90, 75—next minute there is 55. The next minute how many is there? 45. I believe it is just under 40 right at this present moment from 260.

The sad part about it is seeing the dairy industry and how it supports the local community, how the local community benefits. It creates jobs. There is history there. There are the foundations that have been laid. But the biggest element is like here, if they drop your pay right in half it is not worth it for all of you to sit on this desk questioning me, and that is like the dairy industry, they were actually getting more going back 20 years ago than what they are right at this present moment. There is a lot more that I could probably say in regards to the impact on the community but it just hurts when I hear there were 260 and now we are down to below 40, but when I was there in 2008 there was 90. It just keeps going down. That is probably one of the reasons why I am so passionate, because it is a part of my community as well in regards to representing the electorate. It is a frustration that has been poured upon me to try do something in regard to those farmers getting a sustainable price.

Mr KATTER: The last time this bill's predecessor in the previous parliament went through, the committee recommended that DAF work with QDO, and I think the member for Dalrymple alluded to it earlier, to assist farmers' cooperatives to say maybe this is the answer. Are you able to comment on what has been done in that space in response to the previous bill?

Mr Tessman: In one regard certainly some progress has been made. We have worked with KAP on this. The federal government has money to help cooperatives and that is a positive outcome that may or may not yield something down the track. What we were disappointed with though was that there was talk, as I said, that if industry could get such a logo up itself that there could be some maybe funding or we certainly asked for funding out of it. Of course none of that has eventuated. While we still have investigated any opportunities from a QDO point of view based on the previous ADF experience of trying to get a logo up, we have explored any opportunities but there really isn't any and I have no prospect that industry on its own will be able to get such a logo up. We are always looking at other opportunities. Certainly making better cooperatives as a way of getting more market power at farm gate needs to be explored. That is another ingredient in that cake. I think that is what that is.

Mr MADDEN: I would like to begin by thanking you all for coming in today, and not just the two at the front, but also the people at the back. I am a proud graduate from UQ Gatton. My first experience of farming or agriculture in Queensland was working on family dairy farms in the South Burnett and in the Fassifern. I have just sat back and watched this tragedy with our dairy industry in Queensland. I am mystified, in a way, as to how we got to this point in time. I have great sympathy for what is happening with the dairy industry. With regard to the labelling, we are all familiar with labels like the little fruit stickers you get on your fruit, made in Australia stickers, but also we are aware of the problems that can arise with labelling with regard to free range with chicken eggs and chickens so we know how important it is that if we are going to have labelling the importance of regulation of labelling and not just an organisation putting it on themselves.

My question is this: can either of you gentlemen enlighten me as to any other industry or part of Australia or even any other country that has tried to do what you are trying to do, which is to put a label on an agricultural product that, in effect, is authorised by the government? That is what we are doing here.

Mr Knuth: I will explain first. First of all, I thank you very much that you pointed out the members behind us. We have Councillor Ball whose family has been brought up in the dairy industry since time began from Malanda. We have also got Joe Paronella who is the mayor and Hurriyet who is the CEO. We welcome them here today to support this fair milk logo bill. In regards to the fair milk mark, there was a problem over there in Europe, this is where I had received the concept, at the same time working with the Queensland Dairy Organisation in regards to the fair milk mark bill. They were losing the dairy industry so each district or region of the common market established what they called Brisbane

a fair milk mark. In that particular region they were able to market that milk and they were able to display a fair milk mark on the milk bottle. I do not have the figures on me because it is quite some time ago, but it has proven to be the saviour of the dairy industry in the European common market where each country could display their own fair milk mark identifying that that milk is produced in the region but it is also fresh milk and local milk. It got to the point where they had to import UHT milk into those regions. We developed this concept from there. It has worked over there. We tried to implement it here in 2013.

The great thing about it too is, to give you the heads up, we were able to nail any concerns that were brought up in regard to the fair milk mark and the difference now. There was a concern in regards to processors in general that they would have to change their labelling. This is not the case. This is now a fair milk logo so those issues in regards to the label, they do not have any concerns with that anymore. There are other issues that I will probably bring up but I will let Brian take over.

Mr Tessman: As Shane has outlined, it certainly does have a history in Europe where it has been used and verified. Of course, you have other products, such as ethical coffee I think is the clearest one, where they identify that people overseas have had fair dealing and have been paid and treated correctly to source that coffee. That is something that exists in Australia. There is certainly something that has been done before and consumers do pay attention to it. It is something that could get taken up, like with ethical coffee, through coffee shops and things and can have a significant market impact. It is something that has already been done in other countries and with other products and certainly has the potential to have some impact on consumers here.

Mrs GILBERT: You said that the farmers are leaving the industry. When they leave, are their properties being bought up by larger corporations or larger farmers so that the land is still under dairy or are we losing the industry?

Mr Knuth: Basically they are looking for other alternatives because it is not viable to stay in that industry. A lot of them end up bankrupt and having to sell their farms. I can only speak on my area in regard to the corporate buy up. It is very minimal. I am not saying it does not happen. A lot of them are in financially difficult situations where they cannot continue. You cannot continue getting three cents a litre of milk when after the cost to produce the milk you end up with a three per cent profit on that. You cannot survive on that. It is interesting when we had the Treasury department come in for the last hearing about increasing the fair milk price to eight cents a litre. If it was increased to eight cents a litre the fair milk mark would go on that milk bottle. When the Treasury came in it was more or less to them that the sky was going to fall in, the truck drivers will go bankrupt because they will have to increase the prices of transport, the fuel is going to go up and the whole world and the whole economy is going to skyrocket as a result of eight cents a litre. This is in *Hansard*, Mr Chair, you can read this. Sorry I do not have it to table it. As I mentioned to you, we saw all this sky-fall-in stuff and I was disappointed that it came from Treasury officials. However, since then we have lost 110 dairy farmers.

Mr Tessman: Could I add to that that I think across Australia, but particularly in Queensland, we have not seen farms bought up by larger farms. I think the point is when we lost two thirds of the dairy farmers we lost half the milk, so what we are losing is not only numbers of farmers, we are losing volume of milk so the product is simply not there anymore. While we desperately would like some larger interests to come into it, like with a Hope Dairies' type of idea, that has not come to anything yet. Those things are based on export. The smaller the industry you get, the less product we have in Queensland and the more difficult changing things around in that market it becomes.

While at a national level there has only been very limited amount of big buy-ups—Van Dieman's Land Company in Tasmania is one that stands out—there is a very limited amount of any other sort of input. It has simply been a case that farmers go out of dairying because it is too tough. They go and get a job or find something else to do with that land. It is no longer in dairying.

Mr PERRETT: There may be a number of questions that we will not get through today and perhaps the members could ask some written questions later. I have two questions and they actually go to the bill itself, rather than talking broadly, because I want to get an understanding of it. Obviously, the minister will have some fairly serious considerations if the bill passes through parliament and becomes legislation in respect of what they need to do to establish this fair milk price logo and the information that feeds into that. Firstly, the bill mentions the typical 'dairy farmer' a couple of times, but there is no definition of what a typical dairy farmer is. Does there need to be a definition? Perhaps Mr Knuth can explain that to the committee.

Mr Knuth: I will hand this to Brian because Brian has been working with QDAS and has a big understanding of that.

Mr Tessman: A typical dairy farmer is covered under QDAS. It is the farmers in QDAS and each of those regions. Even though there are different production systems, they all are dairy farmers. You can average out those. Each one gives you an average cost of production in there so it is easy to get from QDAS what is an average dairy farmer, or certainly an average dairy farmer in the QDAS system. All of those that are involved in QDAS are typical dairy farmers. That is what it refers to.

In QDAS you get an average for each region. The only thing that I think would vary in that is the fact that probably QDAS takes in some of the more efficient and more progressive dairy farmers to be involved in that accounting scheme, which is something we would like to see expanded and get more dairy farmers involved in. I think it is the more progressive farmers who tend to be involved in it so you are probably getting a bit of the cream of the crop. I think all of those are typical dairy farmers. The average of those typical dairy farmers is there in QDAS across-the-board in an accounting sense to see.

Mr PERRETT: My understanding is that there needs some sort of definition attached to this bill for that. I just ask what would be typical. Is it a herd of 50 cows? Is it a herd of 500? Is it a certain number of litres a year that constitutes that? I am keen to get an understanding of that because I think it needs to be explained. What is a typical dairy producer? There is a lot of variation on every farm in what that would be. I just wanted clarity around that.

I will turn to my other question. Obviously, there needs to be a price that is going to be set to be eligible to get this fair price logo. I would like to get an understanding of what the minister will need to consider. What variations and what considerations will the minister need to take into account? I use the example that there is a great variation in all agricultural industries around dairy farmers, as you have mentioned. The progressive dairy farmers are ahead of their game, while others are a little less—with herd genetics, feed quality, herd health, the whole thing. This affects the profitability in all agricultural industries. Could we get an explanation as to what the minister will be considering to be able to establish, for want of a better term, a farm gate price or a fair price that he will have to announce, as is indicated in the legislation, on a six-monthly basis or twice a year? What considerations are going to be in that?

Mr Tessman: I think most of what the minister will need to consider is already there in QDAS. It is collected in any case. It is done to give industry already an indication as well as to educate farmers, you could say, in good business practice. Most of that information is there already. Outside of that accounting information that sits there in QDAS, the main thing the minister would need to consider is maybe just some other outstanding market situations and any outstanding weather situations that might be there at the time that are perhaps not being captured in QDAS. For most purposes, I think most of the information is sitting there in the department anyway, already captured, and that would cover most of what that would amount to.

Mr PERRETT: I use the seasonable variabilities in and around drought and particularly grain prices. They are the two things that seem to affect all primary producers, not just dairy farmers, with respect to margins at the end of the day. I am not familiar with QDAS in respect of what information is there, and that is why I wonder whether that needs to be spelt out a little more specifically in respect of what the minister needs to consider as part of that and whether there are other variables that we are not aware of.

Mr Knuth: This is why this bill includes the dairy industry, QDAS and the minister to determine what is a sustainable price. That is the good aspect of that. This is the strength and weight behind that. We had the fair milk mark bill where we were able to survey Queensland dairy farmers on what they considered at that time as the sustainable price, which is 8 cents a litre. We started off with that 8 cents. Obviously, if I asked you whether 8 cents a litre would sustain the industry, I do not think so. I do not even know if 30 cents a litre would sustain the industry.

One of the great aspects is that you have the best in the game determining that price for that region's sustainable price. It is pretty powerful; it is very, very powerful. You have the dairy farmers and dairy industry, you have the minister for agriculture and you also have a Dairy Accounting Scheme that has worked and has proven to be an organisation that is able to work the cost of production through the regions right now and will continue to do so. This is probably the good aspect of why we did not set a price. It is about determining all of those different factors. It is a very good strong question. This is why we actually included the three—the dairy organisation, the minister and the Queensland Dairy Accounting Scheme. You cannot get any better than that.

CHAIR: The member for Hervey Bay has a question and that will be the final question. Any further questions can be put in writing.

Mr SORENSEN: What processors actually participate in this dollar-a-litre milk in Queensland? What discussions have you had with processors in Queensland with this labelling?

Mr Tessman: In relation to the first part of the question, two of the larger processors do supply dollar-a-litre milk in Queensland. As I said before, in the New Zealand example, I think that is a reflection of the market power that exists in other sections of the supply chain. All three of them, it is fair to say, over the last five years or so have had their stint at supplying some dollar-a-litre milk. Around Australia, there is a large processor to the south that supplies a big chunk of it, but up here it has been supplied by some of the large domestic processors. I think that is a reflection of the supply chain and where the market power is in it.

We have talked to a number of the large processors. While they are clearly not willing to jump in with something like a QDO run scheme, they have certainly not spoken negatively towards this idea. I think they reserve the right to think about it and how it would affect them, but they have not spoken negatively of it. They are willing to think about such a scheme. I think some of the smaller processors have other concerns about whether it would add to their brand. Shane has maybe talked to some of them as well. They all across-the-board have some interest in it. Whether they would take it up or not, whether they are large or small, is something that obviously would need to be seen. There is certainly interest. None of them have said to us, 'This is a terrible idea. Forget about it.'

CHAIR: The time allocated for the briefing has expired. I thank Mr Knuth and Mr Tessman who have appeared before the committee today. I remind everyone that the closing date for written submissions in relation to this bill is Tuesday, 3 January 2017. That brings our public meeting today to a close.

Mr Knuth: I thank the committee for your good, strong, relevant questions.

Committee adjourned at 11.39 am