



# **AGRICULTURE AND ENVIRONMENT COMMITTEE**

## **Members present:**

Mr JP Kelly MP (Chair)  
Mrs J Gilbert MP  
Mr R Katter MP  
Mr JE Madden MP  
Mr LL Millar MP  
Mr PT Weir MP

## **Member in attendance:**

Mr S Knuth MP

## **Staff present:**

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

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

## **TRANSCRIPT OF PROCEEDINGS**

**WEDNESDAY, 1 MARCH 2017**

**Brisbane**

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### Committee met at 10.02 am

**CHAIR:** I declare open the Agriculture and Environment Committee's public hearing. I would like to start by acknowledging the traditional owners of the land on which we are meeting here today. My name is Joe Kelly. I am the committee chair and the member for Greenslopes. With me today is Mr Pat Weir, the member for Condamine and our deputy chair; Mrs Julieanne Gilbert, the member for Mackay; and Mr Robbie Katter, the member for Mount Isa. Joining us shortly will be Mr Lachlan Millar, the member for Gregory. We also have Mr Jim Madden, the member for Ipswich West, and I am pleased to say we are also joined today by Mr Shane Knuth, the member for Dalrymple.

The purpose of this meeting is to assist the committee in its examination of the Sustainable Queensland Dairy Production (Fair Milk Price Logos) Bill 2016. On 13 October 2016 the bill was referred to the committee for examination. I remind those present that these proceedings are similar to parliament and are subject to the Legislative Assembly's standing rules and orders. In this regard I remind members of the public that under standing orders the public may not participate in proceedings and may be excluded from the briefing at the discretion of the committee. Hansard is making a transcript of the proceedings which we intend to make available on our website. Those here today should note that the media might be present so it is possible that you might be filmed or photographed.

### **RADEL, Mr Robbie, Councillor, North Burnett Regional Council**

**CHAIR:** I would like to welcome Councillor Robbie Radel. Would you like to start with a brief opening statement?

**Councillor Radel:** It is with great pleasure and privilege that I attend the hearing here today. I guess I come here wearing three hats. I come here wearing the hat of a councillor for the North Burnett Regional Council, a council region that was—and I say 'was'—such a strong dairy area in Queensland. In the North Burnett Regional Council area we have the township of Monto. Monto used to be the dairy capital of Queensland. There were some 300 dairy farms in the Monto region. We are now down to four. A great proportion of those have gone since the deregulation of the dairy industry in 2000.

I also come here wearing the hat of a director on the board of PCD, Port Curtis Dairies, which covers everywhere from Biggenden in the south right through to just north of Mackay. As a board we represent some 31 suppliers right throughout Central Queensland. I come here wearing a hat for them as their representative as well. Quite often when consultation is taken between the dairy industry and processors, Central Queensland seems to be quite badly neglected. Elsewhere we are considered too far north to be worth talking to and not far enough north to be part of the greater northern area.

I also come here wearing a third hat. That is of a very proud and current dairy farmer. I am a fourth generation dairy farmer. I have six young children. I would love to see at least one of them take on the family dairy farm, but at this point in time, with the industry in decline at such a rapid rate, I would go so far as to say that leaving a dairy farm to any one of my children would just about be classed as child abuse.

The industry in Queensland has reached a point that it is going to be very difficult to come back from unless we can have some major help. Major help can come in many different forms, but I strongly believe and get constant inquiry about the fair milk price logo. As recently as yesterday I received a Facebook inquiry through Messenger. I have absolutely no idea who they are but they have looked up different things and they have seen that I am involved in the dairy industry. Even now, after 12 months of constant chatter and constant Facebook and media, they are sending me a message saying, 'Which is the best milk to buy to support a dairy farmer?' The average Joe consumer just does not get it. We are constantly having our attempts as farmers undermined by the Coles and Woolies of the world.

When the campaign for getting rid of cheap milk started back in about April or May last year, when things turned terrible in Victoria, we had a very heavy campaign which included a march here on Parliament House which my wife and I led. We pulled it together in three days and we had the

support of some 100 dairy farms from throughout the state who came and joined us. We had wonderful support for that, but we have got to the position where consumers are still no wiser. We are saying, 'Don't buy cheap milk. Don't buy dollar-a-litre milk. It is harmful for farmers,' so Coles and Woolies put Parmalat, Lion and Norco milk on the shelf at \$1 a litre to deliberately confuse the consumer.

There is not much we as farmers can do about that apart from keep telling the story: 'Buy branded milk. Buy private label milk. Buy milk that is sustainable for farmers.' Average consumers have no way of telling what that milk is unless they are regularly talking to a farmer, and then the goalposts change. They get the simple message, 'Don't buy dollar-a-litre milk,' and then they find that the milk they have always paid \$2.50 a litre for is \$1 a litre so they are once again confused. When I receive messages some 12 months on asking which is the best milk to buy, there has to be a way of indicating that a fair price has been paid to the farmer, that it is a sustainable price. It needs that sustainable price to bring sustainability to the industry in Queensland.

**CHAIR:** Thank you very much. When the Department of Agriculture and Fisheries came before us last sitting week I asked them a question around food security and whether there are any food security issues in relation to milk. They indicated that there are not. From my perspective then, the question has to be: what are the other policy objectives we are trying to achieve by sustaining a dairy industry? You say that you are a current dairy farmer. What would be the knock-on benefits for the local community of your farm remaining in the area and perhaps other people moving back into the dairy industry?

**Councillor Radel:** Thank you for the question. Dairy farms have always played a huge role in particularly smaller rural communities. The flow-on effect for us is that when the bottom line is tight, as it is becoming increasingly so, naturally we have less money to spend in total. Rather than having the luxury of supporting the local economy and buying from the local hardware shop or the local grain retailer, we have to start shopping further afield, which, of course, helps choke out small towns and small business. Having a sustainable price paid to us as dairy farmers means that we have a little more money in our pocket to be able to service our mortgage. It means we have a little more money in our pocket to buy locally and stimulate the local economies of so many small towns that are going backwards at a rapid rate.

**CHAIR:** You mentioned the very significant numbers of farms that have disappeared in Monto. What is the land those farms were on now being used for?

**Councillor Radel:** A lot of those farms are now being used for growing hay. Some of them have been converted to piggeries. A lot of them have had people come in and buy them up. They will buy up four or five dairy farms and run a small backgrounding beef block or something along those lines. The land is still being used for agriculture; it is just that people have left the industry, unable to make ends meet.

**Mr WEIR:** Just for your information, I have never bought \$1 milk. I just refuse.

**Councillor Radel:** I appreciate that, I assure you.

**Mr WEIR:** You were talking about a sustainable price and a fair price. What would be a sustainable price and how do you work out what is a sustainable price across the state?

**Councillor Radel:** A sustainable price can be very different for me and for someone in a different region. To me, the simplest, most effective and most accurate way is to go to the Queensland Dairy Accounting Scheme figures. They are financial figures collected from dairy farmers throughout Queensland. There are similar schemes in each of the states. Dairy farmers put their figures into it—their actual input costs and what they are getting paid at the end of the month—and it shows what the bottom line is. It is a good gauge that dairy farmers can use across-the-board to compare themselves with other dairy farms in the region. It is a way of picking up ideas on what may be a more efficient way to do things. When the independent people collect and correlate all the figures, that indicates the actual cost of production. The fair price would naturally have to be worked from there.

Different regions will have different prices due to transport of not only the milk but also the fodder and other commodities which are not as readily available in the immediate local area. In places like Central Queensland, where we are, it costs us approximately three cents more per litre than, say, the south-east corner, where everything is so central to the processing plant. It is closer to the likes of the Lockyer Valley, where they can grow more feed. That is where we have a slightly different cost of production. Then when you go further north again, the production costs change again. It would have to be done on a region-by-region basis, and that can be done very simply broken down by those QDAS figures.

**Mr KNUTH:** Robbie, you were saying that consumers do not know which milk to buy, so what do you see as the best way to go about that?

**Councillor Radel:** This bill is the perfect way to have a logo that is a very clear mark on a bottle that makes it very obvious for anyone who walks in. They do not necessarily have to look for Parmalat milk or Norco milk because so many of the labels change all the time. Coles and Woolies are now even getting into the act. They change their milk labels so they look more like others' and they change the colour of the caps. If you were to have the logo very clearly on a bottle that indicates that this milk is produced under a sustainable price, once that logo is recognisable it is very easy for consumers to go in. They can still then make an informed choice while standing there in front of the fridge without having to stand there and think, 'Am I doing the right thing or am I doing the wrong thing? Is paying that extra 10 cents a litre at the shelf getting back to the dairy farmers, or am I just lining the pockets of the supermarkets and the processors?' Having something that is visually there all the time that is a constant reminder helps people to make that informed choice.

**Mr KNUTH:** You mentioned before that Monto, I think it might have been, has gone from 300 to now three. It could have been the district, I am not too sure. As you address the committee here now you are pleading for some form of support. Besides the Queensland dairy industry, has there been any support out there from politicians or bureaucrats or departments or anyone trying to help you in some way?

**Councillor Radel:** Queensland fought hard against deregulating the industry back in 2000. The bureaucrats did not listen then, and to my mind they are still not listening now. We have reached a point where the industry is such that if the bureaucrats do not listen now there will not be an industry in Queensland. There are already 200 million litres of white milk per year coming in from south of the border to sustain white drinking milk—a staple in the diet of every household—and to keep that on the shelf now. We have regional and rural communities throughout Queensland that already do not get fresh milk: they get powdered and long-life milk. We are told that it is because there is an undersupply. If there is an undersupply, the market is failing in the supply and demand argument. We have always been led to believe that supply and demand drives prices. That simply is not the case within the dairy industry. I believe that something that can help consumers make an informed decision and do something that they know is actually supporting farmers has to be a good thing.

**Mr KNUTH:** In your region who is that?

**Councillor Radel:** We supply to Parmalat.

**Mr KNUTH:** Are they supportive of a sustainable price?

**Councillor Radel:** Parmalat is a very difficult creature for us to deal with. All Parmalat suppliers in Queensland are off contract as of 1 January this year, which means that as of 1 January this year we took a three-cent-a-litre price drop because we have no contractual agreement. They want to have their cake and eat it too, because not only have they said, 'We're not going to pay you that three cents a litre for the contractual arrangement' but also if we want to break ranks and go and supply a label, or if we could find another processor who would take Central Queensland milk—which at this point in time there is none—we have to give three months written notice to get out of a contract that we do not have. This is the game that Parmalat is playing with us. They are forcing us into a corner.

We have now gone back to Parmalat with a counteroffer from the contract offer that they gave us, which was to take just under a two-cent-a-litre drop, which naturally our board rejected immediately because farmers cannot make a living now, let alone taking a price drop. We have gone back to them and they now will not speak to us until after they have gone to arbitration with Premium, which is the south-east corner supply group who have nothing to do with us, but they benchmark our payment on what they pay the south-east corner. Realistically, we could be looking at six to eight months where we have no contract, which means that we have no guarantee that they are going to pick us up, which means that we cannot do anything. If the bank were to knock on my door tomorrow and say, 'Show me how you are going to fulfil your mortgage and your contract,' they have every right to foreclose on my business because I do not have a contract of supply.

Do I think that they want to pay a sustainable price? Parmalat have made it very clear by their actions that they are leaving Queensland. They will always have white milk in Queensland, but they will do it from the south. The processing plant will be gone from Brisbane, I believe, by the end of 2018. The majority of the flavoured milks are being done south of the border. We as a PCD board have made a formal offer to Parmalat to purchase the processing plant in Rockhampton, which Parmalat tells us runs at a loss. They take 90 million litres of white milk there per year from as far as

Victoria. Parmalat have sat there and told us to our face that they will scrap the factory for metal before they will sell it to our board to do our own product. That is what we are up against. If that means that Parmalat are not interested in paying a sustainable price that is certainly the way that I interpret it.

**Mr KNUTH:** Why don't they want to hand it over or take the offer from you?

**Councillor Radel:** I honestly believe that Parmalat do not want competition within the marketplace. It is very much a case of they will have more or less open slather in Central Queensland like they have now, but they will be able to send the milk up in bottles as opposed to sending it up via tanker. Whereas if they were to set us free now and if we were to magically find that we could open a processing plant tomorrow—because we have no contracts—if all of Central Queensland were to jump ship, take our 20 million litres and send it to a different processing plant, all of a sudden Parmalat have to remain competitive with their price. They cannot say, 'There is no competition. We are going to charge you \$2.50 a litre.' They would have to remain competitive within their price on the shelf, which means they would not have the market dominance that they already have and would enjoy further should they choke us out completely. They want to choke us out by killing us off slowly by slowly dropping the price and making it so that ends just don't meet, rather than giving us the alternative of supplying to somebody else.

**Mrs GILBERT:** Thank you for coming in today. Can I just ask you about your payments? A lot of this bill is around having a label on the milk saying that you have been paid a sustainable price, and a lot of what we have heard is around Coles and Woolies having \$1 a litre milk on the shelf. When we went to visit Parmalat all the milk came into the big vats and it shot out and they just put different labels on the milk, so are you getting paid for your milk from Parmalat or from Coles and Woolies?

**Councillor Radel:** We get paid from Parmalat.

**Mrs GILBERT:** Does it matter to you if Coles and Woolies take that milk from Parmalat and charge \$1 a litre? When I go and buy a bottle of Physical it is not \$1 a litre, so is it just that when Coles and Woolies sell that milk they are getting more for that on the shelf? If Parmalat is paying you for the milk, what difference does it make to you what it is being sold for in the supermarket?

**Councillor Radel:** That is a really good and commonly asked question. They say, 'Your milk goes to Woolworths via Parmalat, and it all comes out of the one tanker and you get paid the same price.' Technically that is absolutely correct. As dairy farmers we do get paid the same price. We do not know whether our milk ends up in a Parmalat bottle or whether it ends up in a Bi-Lo bottle or a Woolworths bottle, but how that affects our price at the dairy farm gate is the bigger the share of the \$1 a litre milk, the less we are going to be able to bargain with the processors of the world to be able to get that sustainable price. If we go to them and say, 'We believe that \$1 a litre milk is not sustainable and is not good,' they are not interested in whether it is sustainable or good. What they are interested in is that they make the most money out of it for themselves. At the end of the day if we supply directly to Parmalat and they sold every litre in a Parmalat bottle at—pick a figure—\$1.50 a litre, then our bargaining tool when we go back is, 'You can move 100 per cent of your milk at \$1.50 a litre. Why are you paying us 55 cents a litre?' If 70 per cent of it goes to Coles or Woolworths and they sell it at \$1 a litre, their argument directly back to us will be, 'Coles and Woolies are paying us a lower price', which is exactly what happens.

Coles and Woolworths go into the tendering process. When the processors go into the tendering processes, naturally it is a cutthroat business. They all want the big contracts. They want the long contracts because that gives them security of supply and a way to move their milk. So the more milk that is moved at that cheaper price, the larger the market share for that, so the less bargaining power that we have in the long run.

**Mrs GILBERT:** If Parmalat is the main supplier of the milk, wouldn't Parmalat have some power over Coles and Woolies not to sell them the milk cheaper?

**Councillor Radel:** You would think so, wouldn't you? I am not privy to the negotiations that go on between Parmalat and Coles and Woolworths or Lion or anyone that supplies milk to Coles and Woolworths. Obviously that is kept very much within their own business, and that is fair enough. At the end of the day, as dairy farmers we feel as though we should have some sort of consultation and we should be able to say, 'This is what we need to be able to make a living. You now tender above that cost.' If Parmalat want to make five cents a litre on it, that is great. If Coles and Woolies want to make five cents a litre on it, that is great. Why should we have to lose five cents a litre for those big supermarket and processing giants to be able to make their five cents a litre? At the end of the day,

that is what is happening. The cheaper that milk is sold is great for consumers in the short term, but the long-term effect is when there is no dairy industry left in Queensland and everyone is paying \$4 a litre for their milk. Then they will look back and say, 'You know what? We really should have paid \$1.50 for our milk back then and kept the industry alive.'

**Mrs GILBERT:** You are not getting paid—

**CHAIR:** I might move on because we are running out of time.

**Mr MILLAR:** I just have a quick question. Robbie, as a central Queenslander from Port Curtis I absolutely support you as a dairy farmer. Like Pat, I do not buy \$1 milk. I am just looking at a graph here, and I love graphs. It has here the Queensland price, which is around about 58 cents a litre, and South Australia is down to about 43 cents a litre. I am just trying to visualise this. In this fair milk price logos bill what is a sustainable price for you as a dairy farmer? Is it 68 cents? Is it 72 cents? What is it?

**Councillor Radel:** Like I said earlier, it depends greatly on the region. I would think that Queensland-wide whatever the figure comes out at it would need to start with a six—whether it be 62 or 65—to be sustainable. None of us dairy farmers are in this business to get rich. We are in it because we love milking cows; we love the industry. In a lot of cases it is in our blood. Like I said, I am fourth generation—

**Mr MILLAR:** You say 62 cents, 65 cents.

**Councillor Radel:** Mid 60s to me is a sustainable price, yes.

**Mr KATTER:** The first thing we are trying to establish is if there a problem, because there have been contributions here that would not indicate there are big problems in the industry. You have already talked about concentration market fail, and I am probably looking for a response to that. I want to touch on this question: if a dairy farm is not productive and you cannot make any profit—which sounds to me like most of the industry—can you explain that to us in terms of its lower economic value? If someone is producing beef off that block it has a lower economic value to the government or the taxpayer, but you are in a hierarchy and you can employ more people, you make more money and it is a more productive use of that land. That is one part of the question.

Also, and this is in the same vein, do you know of anyone who, if you take out their capital position, is doing well, all things being equal? There is a lot of talk such as, 'It's just that you're on bad country'. Is it a viable industry? Is anyone doing any good out there? What is the impact of that lower order use? When you said it before, I do not think it was clear that that means that less revenue is generated out of that area if it goes down to hay or whatever else.

**Councillor Radel:** As for the lower revenue use of the land, certainly dairy farms are a very intensive industry. Even on an average sized dairy farm of about 150 cows, we employ probably two or three staff, so you have increased wages and increased employment figures. However, if that farm is then turned over to beef production, a 400-acre dairy farm that employs three people or four people all of a sudden goes back to being just a beef block that one person musters once a month on a horse. Basically, you have four full-time jobs are lost to the industry. You also have the processing side of things, which employs quite a large number of people and the transport side of things. It is not only the economic side of things, but employment is such a big thing. The dairy industry is very labour intensive because it is a 365 day a year commitment. There always has to be someone there to do it. Today, because I am down here I am employing someone to do my jobs at home. There is that side of it.

Is there anyone doing particularly well? The only people in the industry who are doing well in Queensland at the moment are the private labels that supply to themselves and are paying themselves a sustainable price. Their business is growing, their business is prospering, they are putting on more staff. They are slowly but surely getting market share through the supermarkets. As their product becomes more popular, they are taking on more dairy farms and, of course, the flow-on effect is wonderful. Those dairy farms become profitable. They employ more people. In answer to your question, the only ones who are doing any good at the moment are those who are supplying to private labels and who pay a sustainable price, because they themselves are dairy farmers. They know what it costs and what the commitment is that is required.

**Mr MADDEN:** Councillor Radel, I am very pleased you could come in today. It is great to hear from an actual dairy farmer on this issue. I am curious about your corporate structure for Port Curtis Co-operative Dairy Association Limited. Are you down to three or four cooperative members at the moment? Is that how it works? You said that the number of dairymen at Monto had dropped.

**Councillor Radel:** No, I am sorry. Our board is a board of five people. We represent the 31 suppliers throughout the Port Curtis region, which is Biggenden right through to Eungella, just north of Mackay.

**Mr MADDEN:** When you talk about negotiating with Parmalat, are you effectively negotiating as a group?

**Councillor Radel:** Yes. We are a co-op.

**Mr MADDEN:** So you do not do any processing?

**Councillor Radel:** No.

**Mr MADDEN:** Finally—and you may have tried to answer this—in your opening address, you say that you receive Facebook messenger questions asking what is the best milk to buy to support local dairy farmers. How do you answer that question at the moment?

**Councillor Radel:** At the moment the only answer that I can give is the most honest answer I can, which is to always buy branded milk, whether it be Parmalat, Lion, Norco. For me I would love to say Parmalat, but I know what they are doing to farmers, so I do not single it out. I just say, 'Buy branded milk'. If at all possible, I encourage people to buy the private label, because I know that every cent of that is going back to dairy farmers and making them more sustainable, which is helping the industry.

**Mr MADDEN:** Are you the last of the cooperatives in Queensland?

**Councillor Radel:** Yes.

**Mr MADDEN:** So it is you and Norco on the east coast?

**Councillor Radel:** That is it.

**CHAIR:** Thank you, Councillor Radel, for appearing this morning. I now call Mr Brian Tessmann.

**TESSMANN, Mr Brian, President, Queensland Dairyfarmers' Organisation**

**CHAIR:** Good morning and welcome, Mr Tessmann. I invite you to make a brief opening statement.

**Mr Tessmann:** I am a dairy farmer from the South Burnett region. I am also the President of the Queensland Dairyfarmers' Organisation. Thank you for inviting me along to the hearing today. To start with, I would certainly like to say something in regard to a comment made a minute ago about whether there is a problem. Obviously, there is a problem. While there may not be problems in some of the higher levels of the dairy industry, certainly there is a problem at farm level and the evidence of that is simply in the milk production. Since 2000, we have lost half our milk production in Queensland, which has resulted in a huge loss of other industry and jobs through that. We have gone from 1,500 down to about 425 dairy farmers in that time. We have lost 200 just in the past few years, mostly from the impact of the \$1 a litre milk.

Critically, the dairy industry and the QDO support this bill. We support it for what it is supposed to do. I think you need to understand what is not there to do: it cannot impose regulation, it cannot set a price for all dairy farmers, it cannot tell supermarkets or processors what they have to pay. Let us face it: some of those other sections probably are reasonably happy with the way things are going. They are not hurting like the farmers are.

This bill is to give the consumers the option of helping Queensland sustain a dairy industry, if they want to. If they do not want to, if Queensland consumers do not care whether milk is carted over hundreds or even thousands of miles and hauled into Queensland and all the jobs around it are lost, the bill will have no impact. This bill is designed to give consumers the option of knowing what to do to sustain Queensland dairy farmers or they can ignore it if they want to. It is completely up to the consumer. There is no onus on them to do anything. It is about giving consumers information.

As I said, the bill is not there to advantage any processor or any retailer. It is there to get a greater value on Queensland milk and on what Queensland dairy farmers are paid for milk. That is the critical issue, because I have noticed in the south at the moment that a lot of processors have suddenly realised, 'Gee, if we don't have milk, we don't exist at all, either'. The issue in Queensland is that I think at least some of the processors believe, 'We can exist on a smaller industry in Queensland and lose jobs and that out of Queensland, but whenever we need it we can haul it in from the south'. The thing to be remembered there is that, at times, some of the processors do sell milk in Queensland and also operate in the south, but in autumn they pay much more than they do in Queensland in autumn. One of them in South Australia, before the current crisis, paid as high as 80 cents a litre in autumn. Some of that milk was getting hauled up to Darwin and some of it was still sold at \$1 a litre, which really makes a mockery of the whole market at the moment.

It also needs to be remembered that in autumn in most years there is not enough production in Queensland and New South Wales to supply Queensland and New South Wales with milk. That is taking into account the huge amount of export focus of the southern industry and the bottom of New South Wales. In autumn, if we are short of milk, which we are, in the end, whether that milk is shuffled up or whatever is done with it, it is brought from a very long way away. Obviously, that has a considerable cost on it, but that cost is hidden in the system and is still passed on to the consumers at the end of the day.

The other thing that really needs to be talked about is the extra value of the Queensland dairy industry. Why should farms in Queensland be producing milk? They certainly have a lot more value than other industries. It has already been said how many more people are employed on dairy farms and how much more value comes out of those farms compared to other alternatives, and many times the alternative is only some sort of beef operation that does not yield the same total turnover of money and does not yield the jobs, either. In the South Burnett council, I am on an economics committee. It is interesting that the dairy industry, while it is still considered to be an industry that has really done it tough—and most of them disappeared. Some people in Kingaroy will ask you, 'Are there still dairy farms around here?' In fact, the dairy industry at farm gate is still worth more to the South Burnett council. It is the third most productive and valuable industry at farm level and is worth considerably more to the South Burnett shire than peanuts. If you suddenly took peanuts out of Kingaroy, it would hurt a lot, yet people do not seem to be that concerned about taking the dairy industry away.

Certainly it is a valuable industry and an industry that, I think, many Queenslanders are keen to see continue. They want local milk. They want high-quality milk. They want to see it continue, but we have to give the consumers the ability to see it continue, otherwise, against their wishes, it will be lost.

**CHAIR:** Thank you very much.



**Mr MADDEN:** Thanks again for coming in, Mr Tessmann. What impact do you believe the labelling scheme proposed by this bill before the committee will have on milk producers in Queensland?

**Mr Tessmann:** I think what it will do is give a higher value to that Queensland produced milk. The fact that a lot of milk comes in from the south I think is an issue for processors who want this label, so that that milk, as well as being paid for at a sustainable price, must come from Queensland. That obviously will put a higher value on the milk that is produced in Queensland. If it makes some difference, how much difference is hard to say. If it makes a difference of several cents a litre, if we put more tension into that farm gate price, obviously processors and supermarkets do not want that—most of them anyway—because it is going to cost them money. They have to go out to the market and find that. I think many consumers are looking for it and are willing to pay some more for it.

At the end of the day, hopefully that will gain some more farm gate price back in Queensland, put some money into the pockets of Queensland dairy farmers and, actually, I think, help them stimulate production. If they get some more money to invest on farm, we can get more production. Choking the industry has not made it more efficient, at all. I do not think the evidence shows that. If anything, it has reduced the efficiency on farm, because farmers are struggling to survive. At the end of the day, it has the potential to make the farmers better off and actually to increase milk production in Queensland, which could allow us to take advantage of some of the overseas markets that are crying out for milk.

**Mr MILLAR:** Thanks for coming along, Brian. It is good to see you, mate. I wanted to talk about how this fair milk price logo bill may work. We have all heard how things are not sustainable in the dairy industry. I want to go through the practice of delivering milk to the processor and then being able to put a logo on a label to say that you were paid sustainably. How can you get milk into a vat, then from the vat into the bottle and then the bottle into the supermarket and be able to put a logo that fairly represents, say, Port Curtis, where Robbie comes from, to show that he was paid sustainably? You might have milk in that vat from Gympie, where you come from in the South Burnett, from the North Burnett and from up in the Atherton Tablelands. Explain to me the logistics of being able to say that that section of milk that went into that bottle came from Robbie's dairy farm and he was paid sustainably?

**Mr Tessmann:** I think that rests heavily inside the processor. Any processor who wanted to get the label would obviously have to show that what they are putting in that bottle is Queensland milk and that they have for paid it sustainably. That is a completely free thing for the processor. If they have too much milk swimming around and they do not want to pay the farmer more, they can just ignore the label. They are perfectly free to do it, but the processors have shown that they can do it at the moment, because the supermarkets have asked for Queensland milk. They have asked and it has been on labels at times that the supermarket milk has been Queensland milk. The processors can do it—at least they can do for the supermarket.

**Mr MILLAR:** Brian, I will just pull you up. They can do Queensland milk. I understand that, because I went to Parmalat the other day. Most of the milk that goes into those vats comes from Queensland, or a good percentage of it comes from Queensland. I am sure that they can do a whole vat with, 'This is Queensland, 'This is Queensland', 'This is Queensland', 'This is New South Wales.' How can you get a vat to pick North Burnett, South Burnett, Atherton, Darling Downs, Eungella?

**Mr Tessmann:** I think it is fairly workable with the three zones at the moment. You have all of South-East Queensland, which includes the South Burnett in that. That is where the milk flows. It flows into Brisbane, or sometimes into Nambour, or into Labrador, or into the Lyon plant. That is all in South-East Queensland.

The Central Queensland milk mostly comes out of Rockhampton. Obviously, there is movement of milk around there, but that is an issue for the processor in whether they can work to isolate that. The central is a fairly distinct milk pool in itself. North Queensland absolutely is a very distinct milk pool. It is only of recent times that there has been any real traffic of milk up to North Queensland. At the moment, a little goes up at times and a little comes back out at times. It is a long way up there and there is not that much interference into that North Queensland milk pool.

There would be more into the Central Queensland milk pool but, as I have said, I think in Central Queensland there would be far fewer problems than there are in the south. The 20 per cent of milk that comes in through the year from south of the border would be just as much an issue as any of the milk that flows into Central Queensland. The processors have shown that they can identify that as it is. I think, from the evidence of processor capability so far, I do not think that is really a major hurdle.

**Mr KATTER:** Why have farmers not been empowered to push these incentives themselves? That has been put to us before as well. We have the boutique operations that peddle their own milk. The suggestion has been put to us that the market will just evolve and will do this naturally.

**Mr Tessmann:** They will evolve. Those few boutique operations will be probably all we will have left in Queensland. The idea originally came out of the ADF in Melbourne. It was an idea that was chucked around in the national organisation in with a couple of larger processors but, obviously, from the pressure that was put on those larger processors they pulled out and they have had no interest in it ever since. Why would they? They can source cheaper milk somewhere else, play the game, shift money around. They have already shown that they are not really worried about the loss of production of milk in Queensland. They shift milk around. I think they want to maintain some milk in Queensland, but they are not worried if it drops further than it is now.

The Queensland people should be concerned about it, but they are not that concerned about it. With some of the smaller processors, you can understand that, if they have a brand of their own small local town, that is the most important thing to them. If they can push that, that is good for them and their small group of farmers.

This is designed to pick up the price overall, to put more tension in the market at the farm gate. That has to affect all dairy farmers not only around this small town, or that small town where there is a bit of tension, because some of those small processors have paid a bit more because they are getting some support out of the local people. This is about doing that across the whole state. It is about getting the farm gate price up.

Most of the processors are not interested. You know that the supermarkets, obviously, are dead against it. It is unlike where this has been done in some other industries where it is of interest to basically that middle sector. In Queensland, this is about getting the farmers up. How are they going to do it? You need somebody else to do it or you need the government to do it. Nobody else is going to do it. QDO cannot do to. We do not have the wherewithal. We run on the smell of an oily rag. To go from an advocacy organisation to somehow jumping into the middle of the processing sector is a very big jump. There is no real ability for any other sector of the industry to do it. It is about helping the farmers. It is about getting the farmers a better price. Without the farmers, you do not have the milk. As no-one else is going to do it, that is why I think it is a role for the government.

**Mr KATTER:** In short, clearly, from your perspective it is a clear sign of market failure?

**Mr Tessmann:** Nobody else who can do it is interested in doing it.

**Mr WEIR:** Are there any figures around when Coles and Woolies went to dollar milk how much of their share of the milk sales have risen? We know that the buyer goes in with a certain amount of dollars to spend and they look for the cheap bread, they look for the cheap meat and they look for the cheap milk. Do you have any figures?

**Mr Tessmann:** I do, but I do not have them with me. We can certainly supply you with those figures. Since the introduction of \$1 a litre milk, for most of the time the generic store brand milk rapidly ate away the branded milk sales hugely until very recently. It was only with the crisis in 2016 that it came back somewhat. I was at a presentation by Dairy Australia just last week where they showed that, generally, what consumers feel about it made a significant impact back for branded milk, but it has peaked now and it is easing off. It is sort of on a slide back. Unless consumers are given something to have a bit more faith in, it will just creep back away again.

**CHAIR:** Could you take that on notice and supply those figures?

**Mr Tessmann:** Yes, we can, but it is significant.

**Mr KNUTH:** Mr Tessmann, how many dairy farmers would you say we have lost in the past 15 years and how much milk is imported from down south?

**Mr Tessmann:** In the last 15 years—basically, since 2000—we have gone from well around 1,560 to down to 425, I think we are at the moment. That is a significant number. At the moment, it is around 25 per cent of Queensland's consumption that comes in from the south compared to back at that time. We not only supplied our own consumption but probably nearly that much again was either manufactured or exported. That was a significant income earner. We have not only lost all of that export but we have lost a further 25 per cent.

**Mr KNUTH:** Since that time do you feel that there has been very little in the way of political support or bureaucratic support in regard to what we can do to support the dairy industry as those numbers of dairy farmers just keep going down, down, down?

**Mr Tessmann:** Yes, I think there has been very little support. We have certainly made a lot of noise over that time and there has been at the federal level several committees and Senate committees. Sometimes they make reasonable recommendations, but the actions have been almost nil.

**Mr KNUTH:** What is the feedback from farmers in regard to this bill?

**Mr Tessmann:** Most farmers are quite keen on the bill. They would like the consumer to be given the choice as to whether they help them or not. A lot of farmers are given a lot of support from a lot of consumers who would like to help them. I think that the whole response around the branded milk campaign is evidence of that. Once the consumers really get the message and can get focused on what it is needed, they will react. A lot of farmers are very supportive of the bill. While they certainly know that it is not going to be the panacea that fixes everything, as I said, it is another ingredient in fixing the dairy industry. A lot of other things need to happen as well, but it is another ingredient in there.

**Mr KNUTH:** You were saying that it cannot impose regulation. It is consumer choice, so it is not forced. Processors pay up to 80 cents a litre at certain times of the year. Can you elaborate a little bit more in that you cannot impose regulations and consumer choice? That 80 cents a litre that comes from down south at certain times of the year, as you mentioned before, can you elaborate a little bit more on that?

**Mr Tessmann:** As I see it, all that is being asked is for the setting of a price to get that logo, to get that milk mark on there. It is no different from the coffee mark, or whatever, or what you need to do to get the heart tick. It is simply a standard, whether Parmalat wants to put that on, or Lyon, or Maleny Milk or anybody else who wants to put that on there. It is completely up to them. They may feel that it is not worth it, or they may feel that something else is worth more. It imposes nothing on them to do it. It is simply about consumer information for the consumer.

We are worried about the dairy industry. A couple of processors in the south at the moment are. We want to tell the consumers that we want to use Queensland milk and we want to pay the right price. If we want a way that consumers have security in knowing that, they will very well want to put the milk mark on there.

**CHAIR:** Mr Tessmann, I think the last dairy in my electorate shut down in the late 1940s, but there is still a great deal of sympathy and concern in my electorate for the Queensland agricultural sector. My household milk is delivered by a home delivery service that supposedly uses Queensland product. When I go to the shop, my wife and I choose a particular brand, which I think you have described as a boutique brand. For the dairy farmers in your part of the world—from the South Burnett—what is preventing them from stopping dealing with someone like, say, a Parmalat, who they feel is not giving them a fair price, and turning to an alternative processor?

**Mr Tessmann:** At the moment there are several things, including you have to be taken by another processor. That is a big issue at the moment. If I wanted to leave Parmalat, there is no security that one of the other two would take me. The closest to me would be Norco and, at the moment, officially Norco has said that they are not taking any more. That is certainly the story that is being told. There is no absolute security. Some other areas that are further away from me have no opportunity. There is nobody else close to them. I think that it has been said already that up towards Central Queensland, there is only one option. It is the same with North Queensland. There is only one option for processors. You either supply them or, if you are close enough and you are suitable, you may get someone to supply a boutique person.

There is also then the issue of contracts that are often offset. Some processors end their contract at the end of December. Others have it at the end of June. How do you get from one to the other? It is very difficult for dairy farmers to do that. The whole process of moving and having a market operator at the farm gate where farmers can choose, 'These guys this year are paying me a bit more, I'll go to them,' or, 'These guys are paying that,' just does not exist. The farmers are mostly worried that they have somebody to supply to. I think you have been told already that, with the current Parmalat negotiations, farmers are worried that they will not be able to supply somebody with their milk. We have seen in Western Australia farmers have just been told, 'This year, we have enough milk. We don't want your milk at all.' Some guys are totally on the outer and it has wrecked their business and wrecked their lives.

**CHAIR:** No more questions? Thank you for your appearance and your testimony here today.

**De KRUIFF, Ms Sheridan, Acting Director, Agriculture Unit, Australian Competition and Consumer Commission**

**FORD, Ms Gabrielle, General Manager, Agriculture Unit, Australian Competition and Consumer Commission**

**McDONALD, Ms Melinda, General Manager, Enforcement Queensland and Northern Territory, Australian Competition and Consumer Commission**

**CHAIR:** Would one or all of you like to make an opening statement?

**Ms Ford:** We are happy to take your questions and do not propose to make an opening statement.

**Mr MADDEN:** Thank you very much for coming in and for your written submission. I have read your written submission. There is an awful lot of information in there about this federal inquiry, but not much comment about our proposed bill. There is only really one question I want to ask you about our proposed bill. It is a very simple question. You have read the Queensland bill that has been proposed. Does that bill infringe on anything like the National Competition Policy or the Fair Trading Act or the Australian Consumer Law?

**Ms Ford:** Yes, we have read the bill. I have to say that we have not taken a position or sought any sort of legal view on whether there are infringements or conflicts between national competition policy or any other federal or Commonwealth based laws such as the Australian Consumer Law. We did point out in our submission that the Australian Consumer Law does prevent misleading and deceptive conduct which includes labelling and representations made through labelling.

**Mr MADDEN:** As far as you know this bill does not infringe on National Competition Policy, the Fair Trading Act or Australian Consumer Law?

**Ms Ford:** I could not say even as far as I know because I have not looked into that particular question.

**Mr WEIR:** We hear about the shortages that have evolved in Queensland in relation to milk. To me that would indicate that there is a demand in Queensland for Queensland milk. We see other milk coming in from down south. Is there any comment about that? Usually when there is a shortage, under the principle of supply and demand prices go up not down. In this case they still seem to be going down.

**Ms Ford:** I could not disagree with your theory. We are hearing concerns through our dairy inquiry public forums about milk being transported from southern regions up to Queensland to meet demand up here, but it is difficult to comment on the reasons or the validity of those actions under the law or in an economic sense just because we are still at quite an early stage of investigating costs of production of milk across Australia.

**Mr WEIR:** Which seems to vary dramatically, the return to producers anyway, on the graph we have been provided with.

**Mr MILLAR:** 42 to 58.

**Mr WEIR:** We are hearing spikes—from Brian Tessman earlier—of as high as 80 cents. Coming from South Australia we have their average price down here as 42. There seems to be wild variations.

**Ms Ford:** Yes. We have embarked on this inquiry to get our own understanding of those costs.

**Mr KNUTH:** You were saying it is very difficult to comment in regard to this bill. Is that because, as Mr Tessman was pointing out, there is no regulation and it gives consumers choice? In the way of competition, if processors choose to take it on board it does not affect anything in regard to the competition act?

**Ms Ford:** I notice through the explanatory statement for the bill that it is intended to be a voluntary process, but that is really the extent of my understanding. We have not investigated internally whether there are overlaps or any conflicts with other laws or policies.

**Mr KNUTH:** Does the ACCC support a more transparent way of communicating to consumers, where farmers can communicate with consumers? A mum can walk into a shop and when she sees that logo that identifies that farmers are paid a fair and sustainable price and likewise it supports jobs in the region.

**Ms Ford:** We as a general point think that in any market more information and transparency is better for all players in the market, consumers and suppliers. More transparency and information is best all round for people to have the information they need to make their decisions about whether to supply or purchase a product and whether the price they are paying properly reflects the value of the product from their point of view.

**Mr KNUTH:** In the past we have had government departments come in and more or less say that a fair milk mark or a logo would cause the sky to fall in. Basically you do not see that if this is implemented?

**Ms Ford:** I could not comment either way. I notice it is proposed to be a voluntary process. That says that the market should be able to make choices as it wishes rather than it be mandated in one way or another, but again I am speaking at a pretty general level.

**Mrs Gilbert:** I would like to ask a question about the Australian Consumer Law dealing with unfair terms in business-to-business contracts. In your submission you have mentioned the new laws under section 24 of the ACL introduced in November to deal with unfair terms in business-to-business contracts and we have heard from the milk producers that their problem is with the dairy farmers selling on to the processors of the milk. Do these laws cover the milk supply agreements between the farmers and the processors?

**Ms Ford:** The laws might. The critical issue is whether the laws apply to the contracts or arrangements that farmers have with processors and that depends on the value of their supply agreements. The law involves a threshold for when it kicks in. If the value of an agreement is within \$300,000 for one year or \$1 million if it is a multiyear contract then the laws will apply, but if the value of a contract falls outside of those amounts then it does not apply.

**Mrs Gilbert:** Would the PCD group be covered under that law? They are not individual farmers, that co-op, would they be covered under those laws?

**Ms Ford:** It depends on the income deriving from their supply.

**CHAIR:** Would you be able to take that question on notice and come back to us?

**Ms Ford:** I do not think so because it would require us to go and get additional information. Do you mean Port Curtis? Who is PCD?

**Mrs Gilbert:** Yes.

**Ms Ford:** As with all dairy farmers across Australia, the value of their supply agreements varies from farm to farm. We are interested to know what farming incomes are as part of our inquiry so that we can understand the applicability on fair contract terms law.

**Mrs Gilbert:** If a co-op was selling more than \$300,000 worth of milk would they be covered under your laws?

**Ms Ford:** If they are selling more than \$300,000 as one entity in a single year then the law would not apply. If the contract lasts for more than one year and is worth less than \$1 million then the law would apply.

**Ms de Kruiff:** I will note that the unfair contract term legislation applies to standard form contracts. We would have to consider whether a contract negotiated between a collective bargaining group and a processor would fit under that requirement as well.

**Ms Ford:** What we mean by a standard form contract is where there is very little scope for negotiation between the contract parties. To put it casually, we call it a 'take it or leave it' contract where pretty much the terms are settled and then just offered to a party to take it up or not.

**Mr MILLAR:** I will pick up on that question from the member for Mackay. You are saying that if a cooperative is \$300,000 and more; is that correct?

**Ms Ford:** Could you restate the question?

**Mr MILLAR:** If it is \$300,000 or more, can you just explain that again, picking up on the question from the member for Mackay.

**Ms Ford:** The law establishes financial thresholds and they are \$300,000 per year. If the value of a contract falls within that amount for a contract that has one year's length then the law does apply, but if the contract lasts for one year but is worth over \$300,000 then it does not apply.

**Mr MILLAR:** I am confused.

**Ms Ford:** It is confusing. It depends on the length and value of the contract. There is an upper limit for one or multiyear contracts. If it is a one year contract the upper limit is \$300,000; if it is a multiyear contract the upper limit is \$1 million.

**Mr MILLAR:** I will have to think about that and get back to you. I have a general question: the Australian Competition and Consumer Commission does come under a lot of criticism sometimes. What laws or penalties can the Australian Competition and Consumer Commission impose on processors that are doing the wrong thing?

**Ms McDonald:** I am happy to answer that question. There are pecuniary penalties that can be imposed on corporations and individuals that are found to be in contravention of the Competition and Consumer Act including the Australian Consumer Law. For the Australian Consumer Law, for example, if we were to investigate allegations and take a case that related to, say, false representations being made by a corporation, there is a maximum penalty of \$1.1 million per corporation and \$220,000 is the maximum for the individual. How that might play out in terms of litigation is you could have multiple contraventions potentially being pursued as part of the litigation where there could be a greater than \$1.1 million maximum being sought and, indeed, imposed by the court as we have seen over time. In respect of the anticompetitive conduct provisions of the act, the penalties are higher and have a maximum pecuniary penalty of \$10 million for corporations and \$500,000 for an individual.

**Mr MILLAR:** What do you call a competitor? We had a gentleman here presenting to us talking about his situation in the North Burnett. Listening to him, where he is put into a position of having to accept a price and no contract is being put in place, but they cannot get out of supplying someone else unless they give three months notice, is that anticompetitive?

**Ms Ford:** I am not able to answer on the particular circumstances that you have put to me, not knowing much more than just that.

**Mr MILLAR:** If I have not signed a contract, there is no contract in place, but for me as a dairy farmer to go and supply some other processor, and I might have it wrong, I need to give three months notice even though I do not have a contract. Is that anticompetitive?

**Ms McDonald:** Should an allegation like that come to me for assessment and consideration as to how we might pursue with our enforcement teams, I think we are more likely to look at that particular type of conduct more in line of the unconscionable conduct provisions within the Australian consumer law to determine whether it would give rise to implications under unconscionability. For unconscionability, that sits within the Australian consumer law, and the maximum pecuniary penalties for each contravention is \$1.1 million for a corporation.

**Mr MILLAR:** Are you looking into the milk processing industry in regard to these issues? Has anybody had an infringement or been penalised for what they have done? Is there any history of anything happening in this field?

**Ms McDonald:** I can advise that we have two quite significant investigations that are underway in the ACCC at the moment in relation to the dairy industry. They involve allegations relating to the conduct of Murray Goulburn and also Fonterra. Those investigations are examining whether the conduct of Murray Goulburn and Fonterra might give rise to concerns under the Australian consumer law. In respect of Murray Goulburn, we are investigating whether there has been false, misleading or deceptive conduct or unconscionable conduct on the part of Murray Goulburn. In respect of Fonterra, we are investigating whether their conduct might be considered unconscionable. Those investigations are at an advanced stage but I am unable to speak more publicly about them at this time.

**Ms Ford:** I would add that as part of our dairy inquiry, which is a very wideranging inquiry into the entire industry, we are looking at the issue of exclusivity clauses—where there are contracts or other similar situations which may prevent switching by dairy farmers amongst processors—and we are looking at the competition effects of those clauses or arrangements.

**Mr MILLAR:** I have one final question, and I am concentrating on someone who appeared earlier. Is there any grounds for anticompetitive nature if there is a processing plant in a certain area and it is not making money so they close it down but they do not want to sell it? Is there any way that the ACCC can look into those sorts of issues and say, 'Hang on, there is an opportunity to maybe have their own processing plant but the only player in town does not want to sell that because it will put competition into the market'?

**Ms Ford:** There is not really. The Competition and Consumer Act and its competition laws in particular deal with actions taken by corporations or individuals involving their competitors. If a party just unilaterally decides that it does not want to operate a certain plant without involving an agreement

with another party, then it is unlikely that the competition laws will come into play. It depends on the circumstances, but at times we do look at situations where somebody withholds capacity from a market and we look at why they would do that and what impact that has on pricing in a market. Usually, it is in the context of their dealings with other competitors.

**Mr MILLAR:** Thank you.

**CHAIR:** We heard testimony this morning from a supplier that a company is effectively choosing to shut down a plant rather than sell it to an interested party to shore up their market share. We have major retailers that use milk as a loss leader and that reduces the overall cash flow into the product which ultimately is worn by the producers. We have producers locked into supply chains with great difficulty moving from one to another. We have producers locked into contracts even though the contracts have not been renegotiated where they have to give three months notice to terminate a contract which actually no longer exists—which is doing my head in as to how that actually occurs. Would this in any way, shape or form fit your definition of a classic and functional competitive market?

**Ms Ford:** First of all, there is no law against somebody deciding not to sell an asset or to even use it. Generally, in economic theory, a party that has market power—and I do not know the situation you are talking about—may be in a position to withhold capacity from the market because that may maximise profits for them, but that is a very theoretical answer. It really depends on the circumstances of what you are describing.

**CHAIR:** I guess that is part of a broader sense of behaviours across the industry which to me do not suggest that there is a particular competitive market operating for buyers and sellers. If we just look at the issue of information, as a consumer I go to my local supermarket and, with some exceptions, I have no capacity to tell whether the dollar milk I am buying is any different to the more expensive branded milk. They could both come from the same factory, from the same herd, yet I am drawn to the cheaper milk under economic theory, all the while doing damage to that producer. That to me seems to be part of that overall pattern that there is not a particularly functioning competitive market here.

**Ms Ford:** It may be the case. That is what we are trying to get to the bottom of with our inquiry.

**CHAIR:** That is what I was going to ask you. Why was your inquiry set up? Why are you inquiring into the dairy industry?

**Ms Ford:** We were requested to do this inquiry by the Commonwealth Treasurer late last year. The milk pricing issues that happened in mainly Victoria and southern regions were one catalyst for the government's interest in having the ACCC do a broad-ranging inquiry into the competitiveness of the industry and the effect of that on pricing throughout the industry.

**CHAIR:** Thank you very much.

**Mr KATTER:** Mr Chair, your preamble was a lot more eloquent than mine. You covered everything I wanted to in the preamble to my question. Basically, from the evidence we were given, it seems to be a clear example in neon flashing lights of market failure. My question is directed back to a similar one from before. There seems to be a large appetite from consumers yearning to get that connection to the farmer, which is what this bill is trying to deliver. Wouldn't that align with the interests of the consumer commission addressing at some point that there is a market failure, but also giving that nexus between the consumer and the producer? On that basis alone, wouldn't that be pretty good grounds for an endorsement of this bill?

**Ms Ford:** I think what was observed in the dairy retail market since the Murray Goulburn and Fonterra crisis of last year was a transfer of market share from private label to branded milk. It seems that there was nothing really stopping consumers from buying what they felt was the right milk to purchase in support of farmers and their concern for the prices they receive. I think it is a positive thing that there does not appear to have been any barrier to consumers doing that. To your question, I think it is a similar sort of thing. As long as consumers understand what they are buying, what the price reflects, then they are free to make whatever choice they want to make about the products they want to purchase.

**Mr KATTER:** That still does not disagree with what I was saying before and that transparency issue. It is just that this one guarantees there is an endorsement of it, not just Woolworths or the milk company saying where it is from. The level of consumer trust in some of those brands is depleted. Basically, the evidence before was that Woolworths was putting everything down to a dollar, all the branded milks. I think all of that consumer trust is eroded. There seems to be an appetite there for

something independent, but again it goes back to what the consumer wants that seems to be calling out for that protection. It just does not seem to have been achieved anywhere else. If anyone takes the side of the consumer in this, it just seems like it would be an endorsement of this sort of issue. Would you agree?

**Ms Ford:** I would say again what I said earlier. If the consumer has the information about what the product entails, where it came from, then that sort of transparency is a positive thing.

**Mr KATTER:** Good.

**Mr WEIR:** I was wondering about the enforcement management of this labelling. We are hearing that tankers pick up from multiple farmers and they go to Parmalat and all the milk goes into one vat and then it comes out into various brands. With this labelling for fair price, how easy is that to manage or can it be fudged a little bit because basically it is all a big scrambled egg?

**Ms Ford:** Unfortunately, I do not know if it is easy to manage but it is something we hear about through our own consultation for the ACCC inquiry. There is confusion about where a farmer's milk ends up—whether it is the same milk, whether it is private label or branded and whether it all came from the same farm, the same truck or the same factory. For us at the ACCC, it is a concern that we have heard about and as yet we do not have an answer to that one.

**Mr WEIR:** If one brand says, 'We have paid a fair price so we're entitled to that,' but it is coming from the same plant, why can't this other one say, 'He's doing it. I got my milk from there'?

**Ms Ford:** Melinda might have more on this. Whatever representation is made on a label, it has to be correct otherwise the company making that representation is in breach of the consumer law. Where there are doubts about that, then firms need to substantiate the claims they have made on packaging or labelling.

**CHAIR:** Just for my understanding, if we passed voluntary labelling laws here in Queensland and someone was misrepresenting that in some way, shape or form, would that be captured by our legislation that the ACCC is responsible for?

**Ms Ford:** Yes, that is right. The Australian consumer law.

**CHAIR:** Thank you. I notice that you are from the agriculture unit so I assume you move right across the entire sector. Are there any other examples of labelling or improvements in information being used to drive consumer behaviour in other sectors of the agricultural industry that have been effective?

**Ms Ford:** Broadly, a law has just come into effect regarding country of origin labelling that is designed to provide consumers with more information about the provenance of not just agricultural based products but a wide range. In agriculture, there have been enforcement actions taken regarding the origins of honey products as a result of labelling that was found to be misleading. That is one example.

**Mrs GILBERT:** Can I ask you to clarify something with regard to the situation where farmers sell to Parmalat—and I will use that example because they are a producer here—and they sell to Coles, Woolworths or Dairy Farmers and they process milk on behalf of them. When we visited Parmalat, the milk went into vats and you could not really tell where the milk was coming from. It also went off to make cheese, yoghurt, soft serve ice-cream for McDonald's and those types of things. At the end of the day, if Parmalat is paying the correct price to the farmers, if they are getting their market share back to the farmers, everything that comes out of Parmalat then should be at a fair price to farmers. We then would not need the labelling because the product goes all over the place; it does not just come out as milk. Through your rules, would you be able to make Parmalat pay a fair price back to the farmers because it just becomes this big mishmash of all sorts of things once it gets into the factory?

**Ms Ford:** It is difficult to answer that question at the moment because we are in the process of trying to investigate what the cost of production is for farmers and the prices they get relative to those costs—that is, whether the farmers are able to cover their costs. It just makes it difficult to comment on the workability of the fair price basis of the proposed bill.

**CHAIR:** There being no more questions, thank you very much for coming this morning. We appreciate your time.



**DARLINGTON, Mr John, Director, Animal Industries, Department of Agriculture and Fisheries**

**MILLER, Mr Elton, Executive Director, Rural Economic Development, Department of Agriculture and Fisheries**

**MURPHY, Mr Ray, Senior Scientist (Dairy Farm Business Management), Animal Science, Department of Agriculture and Fisheries**

**CHAIR:** I welcome the representatives from the Department of Agriculture and Fisheries. Would you like to make an opening statement?

**Mr Miller:** I will make the opening statement. Thank you for inviting us to the public hearing today. DAF has previously provided information that was requested by the committee in relation to numbers of dairy farms, milk production, milk sales and farm gate milk prices for all Australian states. DAF also provided a private briefing, which was referred to earlier.

Further to this information, DAF notes the state of change and adjustment that has occurred in the Queensland dairy industry since the 1970s with the move from cream production systems to high-volume milk production and the industry decision to deregulate in 2000. There was also significant structural change in the industry following deregulation, with the subsequent consolidation of processor ownership and closure of manufacturing capacity in Queensland. This has been referred to by other people today to varying degrees.

The Queensland dairy industry predominantly supplies the fresh milk market. The Queensland dairy industry is part of a national market, which is greatly influenced by supply, demand and pricing in the global market. DAF understands that the purpose of the bill being considered is to establish a legislative framework for a fair milk price logo and the determination and gazettal of a fair milk price linked to the logo. The take-up of the logo by any of the three major milk processors and eight smaller milk processors in Queensland would be voluntary.

That is the end of our formal statement. We are happy to try to answer any further questions you might have, provide any clarification of information we have provided and certainly answer any technical questions that you might have about the Queensland Dairy Accounting Scheme.

**Mr KATTER:** I would describe the dairy industry as I know it to be in crisis, but I would meet you at deeply troubled. What would be your assessment of the condition or health of the Queensland dairy industry?

**Mr Miller:** There certainly have been comments around that. Part of the reason we have QDAS is that it can show how various businesses within the dairy industry are performing. If you look at some of that data, the top 25 per cent of those dairy businesses are performing quite well. Then it also looks at the average. A bit like a number of agricultural industries, there are different levels of performance of the different farm businesses.

**Mr KATTER:** That certainly is difficult to ground truth with what I know. At what level does the department get involved or take into consideration the social and economic impacts? Like I have said before, if I drive through Gympie, Central Queensland and the Atherton Tablelands all I see is businesses that are running down. I know of one dairy farmer in the Tablelands that they parade around saying he is going well. I know the hours they work. I certainly would not work those hours.

You talk about succession planning and moving forward. We are talking about fresh milk supplies and the long-term viability of an industry. At what point does the department acknowledge threats to that? A lot of these farms will not be handed over. No bank is going to lend money to buy that business. It has already capitulated in terms of numbers now. Does the department flag with the government that there could be social impacts or economic impacts in these areas? Moving a dairy farm down to cattle grazing results in a part-time job for one person as opposed to jobs for three people. At what point do you acknowledge that?

**Mr Miller:** We have not done any assessments of those socio-economic impacts or flow-on impacts to local communities in the recent past. I am not sure if any were done years ago. Most of our work and the research that we have done is very much focused on QDAS.

**Mr KNUTH:** A lot of work has gone into QDAS. Obviously you see this as an efficient accounting scheme. Do you see the proposal in this bill to use the QDAS figures and have the Queensland dairy industry and the minister set a sustainable price for the cost of production as beneficial? Do you see that as beneficial to sustain the dairy industry? Would you advise the minister that this may possibly work?

**Mr Miller:** QDAS is certainly one source of information that could be used to help inform that decision. There are currently some issues with QDAS that could mean it is not necessarily representative of the average producer in the regions that it does the assessments in. Ray, do you want to talk a little about how we currently collect the data in QDAS and what might need to happen if we needed more representative producers in the scheme?

**Mr Murphy:** QDAS is a voluntary system aimed to help farmers make better decisions and hopefully make a bit more money. It is not a random sample, but it is a significant sample. It is a much larger sample than, say, is collected for Victorian dairy farmers. For this to happen, we would need a few more resources to collect data from Central Queensland, for example. We have only one cooperating farmer from Central Queensland at this stage.

**Mr Miller:** I used to work in the survey section of ABARES in Canberra. They do quite a specific statistical analysis to try to get representative farms into their farm surveys. As Ray just said, this is much more of a voluntary approach within QDAS. People who want to be part of it put their information in. It helps set up benchmarks. We cannot say that that is statistically representative of the current dairy industry.

**Mr KNUTH:** It is your obligation to advise the minister that you might need a couple of resources?

**Mr Miller:** Yes, if QDAS was required to perform the task you would require of it then we would need additional resources. We would have to do some further work with it to ensure that it is statistically representative of the industry and of the various regions in the industry. As Ray mentioned just before, we only have one farm in Central Queensland currently represented. As you would all understand, that is not statistically viable.

**Mr KNUTH:** You have heard the cries of the Queensland dairy farmers here today. If there is a tiny issue with the legislation would you be happy to advise the minister that we might need some resources here or there?

**Mr Miller:** That would be a matter for government to decide.

**Mr KNUTH:** I will read what the previous minister said in his second reading speech on the fair milk mark bill that was before parliament a few years ago. He said that he would—

... continue 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 I chaired in August 2013. In particular, the plan will reflect on the government's continuing commitment to the dairy industry.

I do not know whether you were around back then, but can the department outline what outcomes came out of that roundtable meeting? What have you achieved from that meeting in terms of supporting the Queensland dairy industry?

**Mr Miller:** I was not responsible for that area at the time. I will might pass on to John. He might be able to provide some information.

**Mr Darlington:** The department's key response for the dairy industry is in the area of research, development and extension with a focus from a Queensland perspective on the profitability of dairy farming. Under the national R&D strategy Queensland has prime responsibility for RD&E in the tropical and the subtropical dairy—which is all of Queensland and northern New South Wales.

The government has a substantial investment in the Gatton dairy research facility with the University of Queensland. A key focus of the research is around the feed base—feed being one of the key points of profitability for dairy farmers. That is the general focus of the department's research. QDAS is focussing on benchmarking against farm profitability. In terms of a dairy industry strategy which was a topic for consideration of a previous government, under the current government the department has provided funding to the subtropical dairy program of Dairy Australia which is currently working on a pilot dairy strategy for the Sunshine Coast region at this time.

**CHAIR:** I want to come back to QDAS. This bill relies on the QDAS data which is currently voluntary information. We have talked about the need for resources. Surely if we are going to move away from that methodology you would basically have to redesign the system so that you are acquiring a more representative sample. Would there be significant resources in that? Is that not just simply a redesign of a system so that we are picking up a different group or a more representative group than allowing people to just voluntarily put themselves forward? Secondly, would we require investigative changes to compel farmers to release that information?

**Mr Murphy:** I can certainly address the first question. The cooperative farmers at the moment are interested to do their numbers and to get feedback to analyse their own business, so they are motivated and they are able to send me information in a form that is quickly and easily processed. If

that information then comes from someone who is less motivated, it would take a bit more time and we would need some more resources to get people out on to the ground to collect some of that information.

**Mr Miller:** I can answer the second part of the question. If you wanted to compel producers to participate, you would need a legislative trigger to do that. However, we would certainly work with QDO and I am sure it would be possible to get sufficient numbers—I would hope we would be able to get sufficient numbers—to participate in the survey in order for it to be statistically significant, but it would be a matter of working with industry to help make that happen.

**CHAIR:** Is there a risk if we do not change the methodology that the data that we are relying on could be moved in a certain direction by decisions of producers?

**Mr Miller:** For the consideration of this bill, yes, but for what QDAS was originally set up for I would say no. It is currently co-funded between the department and Dairy Australia, so that also brings another factor into play. If this system were to be used for a purpose such as it is being proposed in the bill, Dairy Australia should probably be contacted to see whether they feel it is appropriate to use the system for this purpose and whether they would support it being used for this purpose.

**CHAIR:** In relation to enforcement, I was reading through the offences relating to the milk pricing logo. Will there be resources required from the department in terms of inspections and enforcement if this bill is to progress?

**Mr Miller:** Are you able to answer that, John?

**Mr Darlington:** Yes. It seems that the bill as provided is a bit unclear about how those offences would be regulated, but I think potentially, yes, resources would be required. The ACCC identified that Australian Consumer Law would provide a potential mechanism. If the state wanted a state based offences mechanism, then there would be powers required to get information, particularly from processors. As we have heard previously, the commercial nature of the farmer/processor, processor/retailer relationship is unknown to us completely.

**CHAIR:** You currently have other inspectors doing other sorts of roles in DAF I would imagine?

**Mr Darlington:** As I understand it, we do not have inspectors that would have those types of essentially economic analysis skills to investigate. Therefore, someone, for example, like the ACCC or a potential Queensland consumer authority may have those skills.

**Mr WEIR:** I was curious about the information that you were talking about in terms of your information gathering, and I think you provided the graph last week. We heard earlier from Mr Tessmann about autumn prices and obviously that there are big fluctuations in milk and he made the comment that it was 80 cents a litre for South Australian milk to come up to fill that gap. We have the average price here of South Australian milk at 42 cents. I was just wondering how you source these figures. You say that you do not have the ability to get 100 per cent data across the state. Do the other states? Does Dairy Australia? How reliable are these figures?

**Mr Miller:** The source of this data, is that ABARE?

**Mr Darlington:** The source of the data is from Dairy Australia. Dairy Australia is the dairy industry research and development corporation and they obtain their information, I assume, on a voluntary process from processors. Ray, do you have anything further on how Dairy Australia collect their information?

**Mr Murphy:** Yes. They are in a cooperative with processors and record that information about prices et cetera and I suppose in what I do there is a lot of difference between averages and what happens at particular times. You see a massive difference between an average and an instant in an autumn in a particular area.

**Mr Miller:** While Mr Tessmann would be able to answer much better than us, because the Queensland market is predominantly a fresh milk market, there needs to be a relatively stable supply. That can also lead to the increased costs that the subtropical dairying systems incur to provide that relatively stable supply and hence why there are potentially higher prices on average being offered in Queensland.

**Mr Darlington:** Just referring to figure 2.7 which was provided previously, I think the clear example is the huge variation in production from Victoria which clearly shows the different production system in Victoria focused on an export market providing milk into a manufacturing system predominantly for export. Queensland and WA in particular are totally focused on that drinking milk market. As we have said before, I think a graph is a good way to show it.

**Mr MADDEN:** Thanks again for coming in, gentlemen. You may have heard the question I asked the Australian Competition and Consumer Commission but failed to get an answer to, and that question was: does this proposed bill infringe on the National Competition Policy, the Fair Trading Act or the Australian Consumer Law?

**Mr Miller:** All we could say is that that is a matter for them to consider. We are not in a position to be able to answer that question.

**Mr MADDEN:** You might be able to answer this question: are you aware of any intergovernmental agreements between Queensland and other states that might be infringed by this bill?

**Mr Miller:** I am not in a position to answer that at the moment. I am not aware of any, but—

**Mr MADDEN:** Do you want to take that on notice?

**Mr Miller:** We can take that on notice and do a quick assessment and get back to you.

**Mr MADDEN:** Thank you.

**Mr KNUTH:** Do the department and QDAS have regular consultation with the dairy industry?

**Mr Darlington:** The department does have regular engagement with Queensland Dairyfarmers' Organisation. The director-general has a regular quarterly meeting with QDO.

**Mr Miller:** Ray, would you like to speak from a QDAS perspective?

**Mr Murphy:** Yes. I have a very close relationship with the people who cooperate within QDAS. It is not just a number-crunching thing. It usually then involves a discussion about their future and what they want to do managerial and family wise et cetera. That is a close relationship and then we supply that information to QDO and other industry bodies for them to keep an eye on what is happening in the industry.

**Mr KNUTH:** Do you think that extending QDAS would help further that relationship and conversation with the dairy farmers and QDAS and the department?

**Mr Miller:** I think it would. The more producers we spoke to and interacted with regarding this would lead to greater linkages to individual producers.

**Mr KNUTH:** I do not want to be singularly pointing this out, but in 2014 there were 540 dairy farmers and I believe now there are only 430. Do you believe that the department in some way has failed in helping to work with—you could probably say—QDAS but particularly the dairy industry as a result of these numbers just going down, down, down?

**Mr Miller:** I imagine that those numbers as they are panning out is a result of the dairy deregulation and what deregulation was aiming to achieve which was a more efficient national milk market where milk could move across borders so that those producers and processors that could produce more efficiently would be able to sell into other markets as opposed to each state operating their own scheme. That is an outcome of that deregulation that there has been a continued structural adjustment in the industry in Queensland. If you look at the QDAS numbers, they show, as I mentioned right near the beginning, that the top 25 per cent of producers are quite viable and make quite a good return, but within all industries there will always be the less good performing producers that will struggle to be profitable under a whole range of pricing scenarios. We need to keep in mind that, because we are now in a national market, even if Queensland tried to set a higher price, if milk can be produced more efficiently in southern states and freighted up to Queensland and the price that it can be delivered on a shelf in Queensland is cheaper or as cheap than what Queensland producers and processors can do, then the national milk market milk will work and more product will continue to make its way into Queensland from interstate.

**Mr KNUTH:** Do you see that as a big concern—that is, more product coming from New South Wales and Victoria coming in here to the detriment of our farmers?

**Mr Miller:** DAF does not necessarily see that as a big concern. DAF would see that as the national milk market working.

**Mr KNUTH:** If DAF sees that as not a concern and as the national milk market working but the Queensland dairy industry is not necessarily working—and I do not want to put down the dairy industry in that sense—and the fact is that we had 1,500 dairy farmers in 2000 and now we have 430, would we not be looking at some sort of alternative solution to help them?

**Mr Miller:** DAF certainly wants profitable and viable dairy farmers in Queensland. We want a profitable and viable industry in Queensland. We are certainly not saying that we do not want a dairy industry in Queensland, but it all has to be done in the context of a national market.

**Mr KATTER:** DAF is at the pointy end of giving advice in that we are taking advice on the impact of agricultural policy in terms of the viability of the farmers and profitability, which I think is a really important word to remember in this scenario. Without question, 25 per cent is not a good number to me of viable producers and without question you can see that there are massive problems in this industry if I drive through every dairy town I have ever known and speak to anyone that I know, and one of my close friends backed out of the industry. By every ground truth, you could say, it is an industry in big trouble which inevitably must lead to social impacts, which it has and I think there would be some empirical evidence to demonstrate the social impact would be the same as closing rail jobs or anything. Does DAF feel there should be some responsibility to communicate that to the government rather than just talking about efficiency of the milk market and someone buying cheap milk? I would argue that the farmers are subsidising that cheap milk to the consumer, so their wages are subsidising that. It is an imperfect market. There are failures there. Should that not be part of the conversation with DAF rather than just having an efficient national milk market?

**Mr Miller:** DAF certainly recognises that the Queensland industry is under substantial pressure; that is correct. I just want to clarify that the QDAS data talks about the top 25 per cent. That does not necessarily mean they are the only producers that are viable. When you look at the average figures in QDAS—and I think the comment has been made that QDAS contributors are probably better than average on average—it would be a much higher per cent of the QDAS contributors that we would deem to be viable rather than just the top 25 per cent.

**Mr KATTER:** With QDAS, my experience with the cattle industry is that people who are doing it tough are closed with their books. Would it be fair to assume that in the dairy industry people who are going broke do not really want to tell? They would be the most likely to withhold their data and there would be a bias in your figures?

**Mr Miller:** I think that could be a reasonable conclusion to draw. Ray, do you have any specific information about that?

**Mr Murphy:** I think that is a fair point, but certainly in our sample we have a big range of small through to large producers with low profitability through to good profitability. I believe it is a good range of the industry, but I certainly do agree that people who are not making a quid would prefer not to show it to somebody else.

**CHAIR:** Gentlemen, thank you very much for coming in today. I now declare this public hearing closed. Thank you very much. We will send out transcripts to all of the witnesses, and I think you took a question on notice.

**Mr Miller:** Yes.

**CHAIR:** We need that by Monday.

**Mr Miller:** Okay.

**Committee adjourned at 12.00 pm**