

## **Milk Pricing (Fair Milk Mark) Bill 2013**

### **Explanatory Notes**

#### **Short Title**

The short title of the bill is the Milk Pricing (Fair Milk Mark) Bill 2013.

#### **Policy objectives and the reason for them**

The objectives of the Bill are to:

- (1) provide leverage for farmers when negotiating contracts with processors; and
- (2) increase consumer and customer engagement in the economy of dairy production in Queensland

Dairy is one of Queensland's leading rural industries that employs about 4500 people, with 2700 people on farm, and contributes \$1 billion ex-factory to the State economy.

The gross value of milk production for 2012-13 is forecast at \$230 million with an expected decline in production of 6-8%.

In 2000 there were 1545 dairy farms in Queensland. In 2010, there were 610. The number has dropped below 540 and will likely be below 500 by the end of 2013.

Reports indicate there have been up to 50 farmers who left the industry since the supermarket duopoly began a price war over store-label fresh milk products in January 2011 with more farmers forecast to leave the industry due to unviable returns.

The decline of the industry against the growing domestic power of the supermarket duopoly to determine the terms of trade for the dairy supply chain is well documented.

This is merely the continuation of a steady trend of decline since the deregulation of the Australian dairy industry in 2001.

Deregulation has resulted in great personal cost and increased debt burden. With continued downward pressure on farm gate prices and production declines have continued with no statutory intervention to restore the competitive imbalance.

Considering the Queensland dairy industry is reliant on a domestic fresh milk market, the need for legislative reform and statutory controls is greater than southern states with a large export industry.

There is growing consumer awareness that the market power of the retail duopoly is a real threat to Queensland's milk supply chain and to the production of fresh milk in Queensland.

The Milk Pricing (Fair Milk Mark) Bill 2013 introduces a non-compulsory marketing mechanism to:

- (i) address the competitive imbalance created by deregulation and unethical marketing practices of the supermarket duopoly;
- (ii) give consumers the opportunity to express their support of our domestic dairy industry;

- (iii) Outlines a program of ministerial consultation with other state jurisdictions to introduce similar legislative instruments to ensure the Queensland dairy industry is not disadvantaged by increased trans-border trade; and
- (iv) Legislates an ethical market for fresh milk in the Queensland dairy supply chain.

## **Achievement of Policy Objectives**

To achieve these policy objectives this Bill will:

1. Introduce a Fair Milk Mark for all milk that is sold in Queensland where the farmer is paid at least 8 cents per litre above the cost of production.
2. Introduce a penalty system for any milk that is sold in Queensland bearing a Fair Milk Mark for which the farmer has been paid less than 8 cents per litre over the cost of production.
3. Outline a program of ministerial consultation to develop an industry code of conduct to ensure the profitability of the Australian dairy industry.

## **Alternative ways of achieving policy objectives**

Without the re-regulation of the Queensland dairy industry and the introduction of a mandatory minimum arbitrated farm gate price for milk there is no other way to achieve the policy objectives.

## **Consistency with fundamental legislative principles**

The proposed bill is consistent with fundamental legislative principles.

## **Consultation**

The bill has been extensively consulted. Industry representative groups, producers and processors examined early drafts and provided feedback which went into the development of the bill.

## **Consistency with legislation of other jurisdictions**

A review of the legislative framework for dealing with the aggressive dominance of the supermarket duopoly over the domestic dairy supply chain revealed there is no consistent national approach.

## **Provisions of the Bill**

**Clause 1** States the short title of the Act is the *Milk Pricing (Fair Milk Mark) Act 2013*

**Clause 2** Indicates the Act in its entirety will commence on 1st January 2014.

**Clause 3** Provides definitions for terms used in the Act

**Clause 4** Establishes the objectives of the Act to (a) establish a fair price be determined for Queensland's fresh milk to ensure the continued sustainability of the dairy industry and (b) a Fair Milk Mark be put on all fresh milk products sold in Queensland for which the determined fair price has been paid.

**Clause 5** Determines the fair milk price will be 8 cents per litre above the typical cost of production and will be set by the Minister through gazette notice.

**Clause 6** Establishes criteria to be considered when determining the typical cost of milk production.

**Clause 7** Creates a Fair Milk Mark that will be used to distinguish milk for which a fair price has been paid from milk for which the producer has not been paid the determined fair price.

**Clause 8** Prescribes penalty units to the offenses of selling milk as fair price milk when a fair price has not been paid for that milk. Provides definitions of terms used in Clause 8

**Clause 9** Obliges the Queensland Minister to try negotiate with relevant ministers in other state and territory jurisdictions toward establishing a fair milk price across all state and territorial jurisdictions and creating a federal code of conduct for the national dairy supply chain..