

May 2012 Update

Unsustainable Retail Milk Price



The latest Dairy Australia Situation and Outlook released this month shows the impact that the milk price war is having on dairy farmers.

It is worthwhile highlighting some of the quotes from the report to show this impact. Despite Coles' continual assertions to the contrary, and the misleading use of Victorian prices to try and make it appear that prices are increasing Australia-wide, the Situation and Outlook clearly states that there are two distinctly different markets in Australia: the southern states which chiefly export their product, and the drinking milk states which are being particularly hard hit by Coles' marketing tactic.

"Like the national economy, the dairy industry continues to be characterised by 'two speeds' – growth and consolidation in exporting regions, and in contrast faltering confidence and contraction in domestic milk regions." – Page 51

The reasons cited for this faltering confidence and contraction are:

"In drinking milk regions – Queensland, New South Wales, Western Australia and parts of South Australia – intense retail competition, shifts in private label supply contracts and processor rationalisation have undermined farmer confidence and supply stability." – Page 3

The Situation and Outlook also shows that processors are being impacted by the unsustainable milk price and it is flowing through to farmers. *"Where new supply contracts are being negotiated with farmers, prices are lower to reflect the pressure on processor margins and the changing requirements for milk supply."* – Page 3.

The Situation and Outlook also states that one of the key impacts of Coles' discounting of milk is:

"Downward pressure on farmgate prices for producers supplying white milk processors in NSW, Queensland and WA, where the leverage of firm international product prices (which have prevailed for the 2011/12 season) has limited influence on farmgate prices." – Page 35.

Not only is there downward pressure on prices for dairy farmers but we are seeing a change in the mix of tier 1 and tier 2 milk prices and volumes, further negatively impacting farmers. The result of the downward pressure on farmgate prices and the changes in tier 1 and tier 2 mix is what Coles has refused to

acknowledge over the last sixteen months – a drop in farmer incomes; due directly to Coles lowering the price of home brand milk.

"In drinking milk regions – Queensland, central and northern New South Wales and Western Australia incomes continue to slide, as farmgate prices fall." – Page 52

Coles still refuses to acknowledge the impact of its actions, let alone take any steps to rectify the situation. Farmers in QLD and NSW are having to sign contracts at three cents per litre less than last year. For many dairy farmers this means they will become unprofitable.

In Queensland the Situations and Outlook report showed that only 43% of the state's dairy farmers were positive about the future, down from 48% last year. Nationally 66% of Australia's dairy farmers were positive about the future.

"Aggressive retail competition and its subsequent impacts on returns to processors and to farmgate prices continued to be a key reason behind the region's negative outlook." - Dairy Australia media release: Queensland farmers face more challenges after a year of disasters.

The price cuts are unsustainable and the plain fact is milk priced at 1992 levels does not bring in enough money to support farmers, processors and retailers in the year 2012. The evidence shows it and Coles knows it.

ADF will continue to lobby for a Supermarket Code of Practice and other measures to help balance the equation and bring fairness, balance and equity into a market situation where they patently do not exist.

Contact: David Losberg



Australian Dairy Industry Council Inc.

Revised MDBA draft Basin plan released

The revised version of the MDBA's draft Basin plan was publicly released on Monday 28 May.

The ADIC is disappointed that the MDBA failed to include any of the recommendations made by the dairy industry in its submission responding to the draft Basin plan in April. Unfortunately, the Authority did not consider any community or industry feedback at all.

ADF outcomes are a result of dairy farmer membership to the six state dairy farmer organisations who are ADF's constituent members, being:



Of particular concern was the misleading information in the MDBA's socio-economic summary report which claimed that irrigators would only face a 19 percent reduction in water after accounting for infrastructure savings. However this is a proportion of all water diverted in the Basin which includes Adelaide, other towns, manufacturing and mining – as well as agriculture. In reality the reduction will be about 30 percent.

Contact: Beverley Wallace



Meeting with Dairy Cattle Exporters

ADF convened a meeting with LiveCorp and dairy cattle exporters to discuss matters relating to the trade in heifer exports from Australia.

Chris Griffin who chaired the meeting emphasised the importance of the trade in under-pinning heifer prices and providing a valuable cash-flow, and commented that both the production and export sectors shared potential reputational damage if welfare and market access issues are not given the necessary high priority.

Matters discussed included progress in meeting Chinese government pedigree requirements, the implications of the Bill Farmer report to the Minister on the livestock export trade, LiveCorp plans for activities in the dairy area in the coming year and industry levies. Further meetings are to be scheduled to build on this dialogue.

Contact: Kevin Shiell 0413 800 349

Calving Induction Policy Review

The ADF has reviewed industry policy on calving induction to ensure it continues to meet industry needs and expectations. The review involved a technical evaluation of the management of calving patterns and the role of various practices including calving induction, as well as consideration of alternative policies.

As a result the ADF Board embraced a proactive approach on the issue involving the Australian Dairy Industry supporting implementation of agreed management strategies to achieve a reduced requirement for calving induction. These strategies are under development in association with Dairy Australia.

Contacts: Terry Toohey 0428 663 636 ADF AH&W Policy Advisory Group Chair
Kevin Shiell 0413 800 349



Calf Time off Feed

The ADF continues to work with other sectors of the bobby calf supply chain to implement an industry standard for the maximum time a calf can be

off feed during transport of 30 hours. This industry standard is complemented by agreed national standards that will commence to be regulated by state jurisdictions from 1 July 2012. Other relevant standards to be regulated include:

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- A person involved in handling, selection, loading, transporting and unloading livestock must be competent to perform their required task, or must be supervised by a competent person.
- The consignor must only supply livestock that are assessed as fit for the intended journey.
- Electric prodders must not be used on livestock under three months old.
- Time off water for calves 5 – 30 days old travelling without mothers must not exceed 18 hours
- Bobby calves between 5-30 days old travelling without mothers must:
 - i) be protected from cold and heat
 - ii) be in good health, alert and able to rise from a lying position
 - iii) have been adequately fed milk or milk replacer on the farm within 6 hours of transport
 - iv) be prepared and transported to ensure delivery in less than 18 hours from the last feed with no more than 12 hours spent on transports
 - v) have an auditable and accessible record system that identifies the calves were last fed within 6 hours of transport unless the journey is between rearing properties and is less than 6 hours' duration
- Bobby calves under 30 days old must have sufficient space in the livestock crate to lie down on their sternums
- Dogs must not be used to move bobby calves less than 30 days old

Dairy Australia is preparing a guide on the caring for bobby calves before and during transport. This and other awareness material will be made widely available to industry to coincide with the introduction of the new regulations. Not all states will be in a position to introduce the new regulations on 1 July 2012, but all are committed to their introduction at that time or shortly after.

Contacts: Terry Toohey 0428 663 636 ADF AH&W Policy Advisory Group Chair
Kevin Shiell 0413 800 349

FMD Policies under review

A number of industry and government meetings have been scheduled to progress the review of policies relating to the handling and management of an outbreak of Foot and Mouth disease. These meetings include:

- AHA FMD Response Policy Review – Movement Controls Workshop – 18 and 19 June 2012
- National FMD Stakeholder Forum – 23 August 2012
- High level Industry/Government Roundtable – 17 September 2012

Issues under discussion follow on from the Ken Mathews Report – A Review of Australia's Preparedness for the

threat of foot and mouth disease, released in November 2011. These issues include:

- Movement controls in the event of an outbreak
- Use of vaccination
- The proposed National Livestock Standstill exercise
- FMD AUSVETPLAN Disease Strategy

ADF will be involved in all of these critical preparedness activities.

Contacts: Terry Toohey 0428 663 636 ADF AH&W Policy Advisory Group Chair
Kevin Shiell 0413 800 349



Dairy Australia Board nominations open

Nominations are open to dairy farmers across Australia interested in becoming a director on Dairy Australia's board.

There are two positions open for nominations for this year's director election at the Dairy Australia AGM in November – a milk producer candidate and a skills-based candidate. Dairy Australia has sent all levy payers a letter detailing the director election process.

Farmers interested in standing for election for the milk producer role should notify the Chair of the Pre-Selection Committee in writing, accompanied by resume, by June 8. Applicants should also include a summary of their skills and experience and what they aim to bring to the position. "We encourage any levy payer interested in joining the Dairy Australia Board to take the time to consider the opportunity and submit an application", Mr Roberts said.

Written applications can be submitted to Dairy Australia Pre-Selection Committee Chair, Noel Campbell, c/- Sarah Chahine, Australian Dairy Farmers, Level 2 Swann House, 22 William Street, Melbourne, 3000 or emailed to either schahine@australiandairyfarmers.com.au or noelcampbell260@gmail.com

For more information please visit:

www.dairyaustralia.com.au/director-elections

Media enquiries: Felicity Gallagher — External Communications Manager, Dairy Australia 03 9694 3894 | 0417 540 059 | fgallagher@dairyaustralia.com.au



Udderly Fantastic Update
Since Udderly Fantastic begun, there has been a large increase in members joining the site.

With currently over 1,100 members and over 2,400 photos, you too can get involved in the "facebook" of our dairy industry by uploading videos and photos or even your own blog!

There is an array of information with over 140 videos, over 240 blog posts and plenty of different discussions taking place daily. Udderly Fantastic is secure website and a great way to share your stories, photos and discuss the many different issues currently facing the dairy industry.

Contacts: Natalie Collard, Sarah Chahine

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