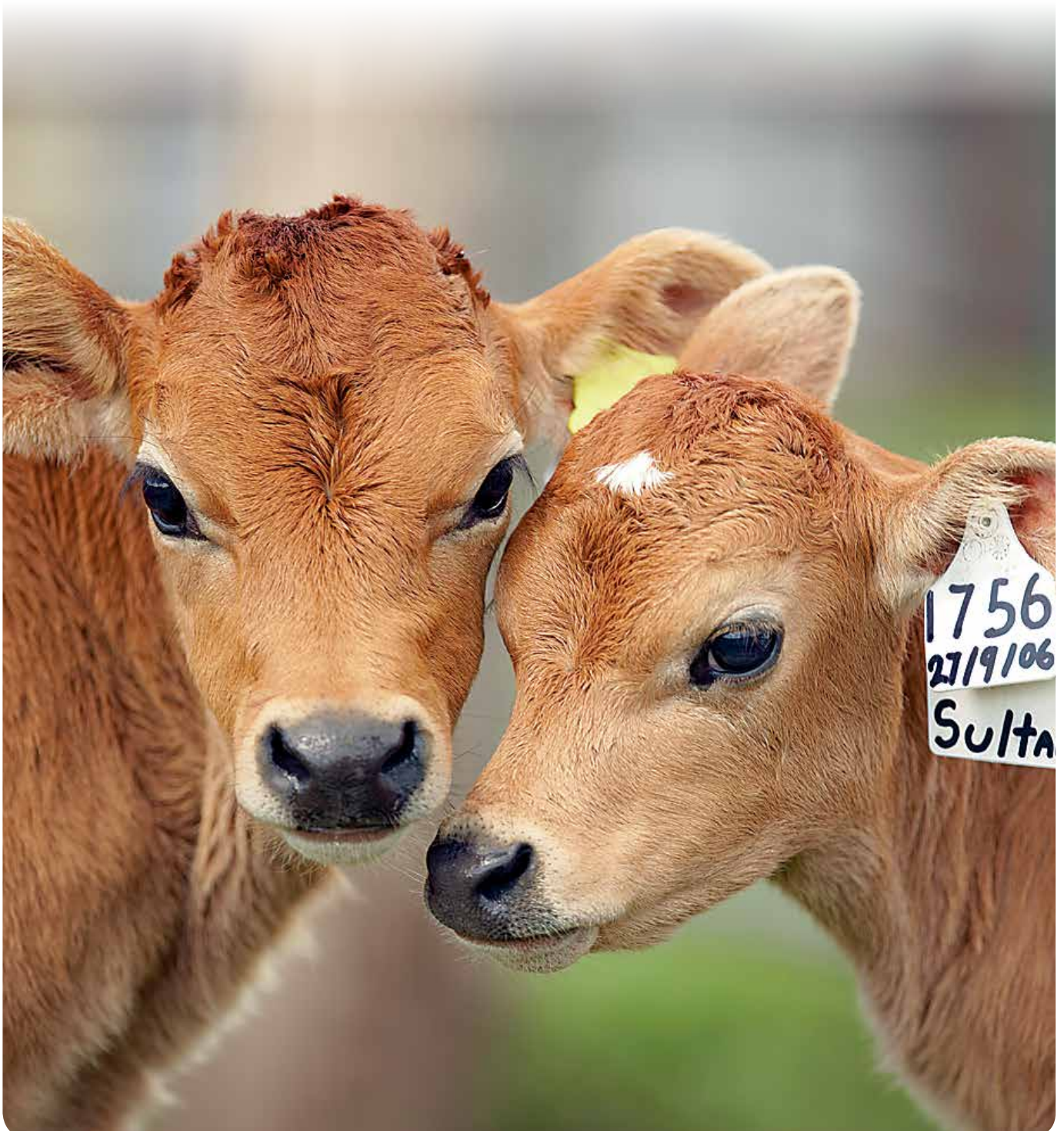




## Federal Election 2013 | Policy Priorities



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## About Australian Dairy Farmers

Australian Dairy Farmers Limited (ADF) is a not-for-profit organisation that has represented the interests of Australian dairy farmers for over 70 years. We are a strong collective voice to Government and the community on national issues affecting dairy farmers and their profitability.

ADF is an incorporated company limited by guarantee and the members are each of the five state dairy farmer organisations, and individual farmer business members.

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Photos: Dairy Australia

# A competitive, sustainable and innovative dairy industry

Ensuring that dairy—Australia’s third largest rural industry—is given the necessary level of focus and support in this year’s Federal Election and beyond is a priority for the future of dairy.

The dairy industry plays a significant role in Australia and can continue to be a growth sector if Australian political and business leaders recognise this potential, reprioritise agriculture on the national agenda and put in place the right policy settings.

Dairy is a \$13 billion industry that makes a vital contribution to the prosperity of regional Australian communities where one in eight Australians live, contributes to the health of all Australians, and plays an important role in managing land and water responsibly for future generations. The industry is facing key challenges and the Government has a role in enabling our industry to manage a period of unprecedented change and continue to be competitive, sustainable and innovative.

The dairy industry directly employs approximately 50,000 people on farms and in manufacturing plants, with a further 107,500 employed in the wider services supporting the industry. There are approximately 6,800 dairy farmers producing close to 9.5 billion litres of milk annually for a farmgate value of just under \$4 billion and an export value of \$2.8 billion.

The world market for dairy products is increasing with strong demand, particularly in developing markets where there is a growing appetite for protein. The world market is competitive and market access is a continual challenge for Australian dairy farmers.

At the farm business level there are continuing and emerging challenges of a changing climate, high input prices, carbon tax, water reform, energy cost, labour shortages, low retail milk price, and increasing pressure on the value chain.

Dairy farmers are continually striving to achieve best-practice in everything we do, from natural resource management to workforce training to animal welfare. We care deeply about the welfare of all our animals and are committed to looking after them as the foundation of our industry.

Dairy farmers and the dairy industry are constantly investing, adapting and innovating for a sustainable future, but we believe there are areas where the Government has the capacity to improve market conditions and create a viable, profitable, operating environment for this important industry.

Australian Dairy Farmers (ADF) seeks three key areas of focus from Federal policy:

1. Markets, trade and farm profitability
2. People and workforce
3. Sustainability

In addition to ADF’s specific priorities for the dairy industry, ADF fully endorses the National Farmers’ Federation (NFF) Federal Election Policy Priorities 2013 and NFF’s call to reprioritise agriculture in Australia’s national agenda.

The value of the dairy industry to the economy, the communities it supports, to the health of Australians and to the environment is a compelling foundation for Government attention and action.

The actions Australia takes in the next few years will be critical to keeping the dairy industry in business and allowing us to help Australia become a world leader in sustainability, innovation, and food and fibre production.



Noel Campbell  
**President**  
Australian Dairy Farmers

# The dairy industry at a glance

A significant contributor to the Australian economy (2011–2012)

<b>Significance of the dairy industry to the Australian economy</b>	Australia's 3rd largest rural industry (after beef and wheat) \$4 billion value at farmgate \$10 billion value after processing \$2.76 billion in exports per annum
<b>Australian dairy industry workforce</b>	Direct employment of 50,000 people Indirect employment of 107,500 people <sup>1</sup>
<b>Number of registered dairy farms</b>	6,770 farms
<b>National dairy herd</b>	1.63 million cows
<b>Average herd size</b>	240 cows
<b>Milk production</b>	9,480 million litres
<b>Average annual milk production per cow</b>	5,926 litres
<b>Milk utilisation</b>	Cheese 34 per cent Skim milk powder/butter 28 per cent Drinking milk 25 per cent Whole milk powder 11 per cent Casein/butter 1 per cent Other 1 per cent
<b>Production of main commodities (tonnes)</b>	Milk powders 371,000 Cheese 340,000 Butter (Commercial Butter Equivalent) 120,000
<b>Dairy—a major export industry</b>	7 per cent of world dairy trade 38 per cent of Australian milk production exported
<b>Major international markets for Australian dairy products (tonnes)</b>	Japan 115,000 Greater China 109,000 Singapore 90,000 Indonesia 48,000 Malaysia 47,000
<b>Global competitors</b>	New Zealand (35 per cent of world trade in 2011), European Union (33 per cent), United States (12 per cent), Argentina (6 per cent)
<b>Australian per capita consumption</b>	Drinking milk 106 litres Cheese, butter + yoghurt 24 kilograms
<b>Potential for Growth: Per capita consumption of dairy in our major export markets</b>	Japan 92.9 kilograms Korea 70.7 kilograms China 15.3 kilograms

Source: Dairy Australia "Australian Dairy Industry in Focus 2012"

<sup>1</sup> ABARES "Australian Dairy 08.1—Financial Performance of Australian Dairy Farms 2005–06 to 2007–08" (2008)

# Creating industry prosperity: markets, trade and farm profitability

## What is Australian Dairy Farmers objective?

Australian Dairy Farmers seeks to maximise the potential for secure market access and increase value chain returns for the whole dairy supply chain.

This will allow:

- The dairy industry to trade in markets of choice on equal footing.
- Confidence for dairy farmers to invest in industry assets and infrastructure.
- An innovative and efficient dairy industry.

## Key issues for dairy farmers:

- Imbalance created by the immense market power of the two major retailers.
- Limited bargaining power of dairy farmers when compared to processors and retailers that is not fully addressed by current collective bargaining arrangements.
- Australia's FTA negotiations with South Korea have stalled, in part due to a lack of agreement on investor state dispute settlement (ISDS) provisions, whilst longstanding FTA negotiations with Japan, China and the Gulf Cooperative Council (GCC) are also yet to be completed for a variety of reasons. Without FTAs that support lower or no tariffs on dairy, Australia is at a comparative disadvantage, particularly where competitors have successful FTAs in place.<sup>1</sup>
- The need to recognise the significant efficiency and productivity gains for the dairy industry offered by some regional strategic infrastructure projects. Projects should be prioritised that offer dairy efficiencies in addition to their broader regional benefit.
- The need for certainty of ongoing Research, Development and Extension (RD&E) for dairy, with Federal investment retained or increased on current levels.
- Developing capability for emergency disease response, including preparedness for Foot and Mouth disease.

## What we are asking the Federal Government to do:

A competitive and productive dairy industry contributes directly to economic growth for regional communities, states and Australia. A fair market place will ensure dairy farmers stay in business and secure market access will provide enormous potential for growth to the industry and the economy through greater exports.

### Competition Policy: Ensuring fairness in a competitive marketplace

- Establish a mandatory Code of Conduct covering the whole supply chain to balance the market power of the major retailers and appoint an Ombudsman with teeth to ensure compliance.
- Modify the ACCC Collective Bargaining authorisation for dairy farmers to strengthen the bargaining position of dairy farmers, providing further balance in market power to dairy farmers.

Australia's domestic market must be as fair as possible and allow all forms of business, both large and small, to compete. The two major supermarket chains in Australia account for approximately 70 per cent of packaged grocery sales in Australia and between 50 and 60 percent of dairy product sales,<sup>2</sup> giving them an immense amount of bargaining power in their negotiations with farmers and processors. A mandatory Code of Conduct and an Ombudsman with teeth are necessary to balance this excessive market power.

<sup>1</sup> The New Zealand 2008 FTA with China was worth over NZ\$3.5 billion to the New Zealand economy in its first year of operation. <http://www.beehive.govt.nz/release/new-zealand-china-fta-one-year>—New Zealand Government media statement on NZ-China FTA, 1 October 2009, accessed 27 March 2013

<sup>2</sup> ACCC Inquiry into the Competitiveness of Retail Prices for Standard Groceries, Table 3.3, p. 57 <http://transition.accc.gov.au/content/item.phtml?itemId=838251&nodeId=1e2f1fbcc813e1559b54c8e91c31d0dc&fn=Grocery%20inquiry%20report,%20chapters%201%E2%80%9310.pdf>—published 5 August 2008, accessed 15 April 2013

### Trade: Expanding into new markets

- Conclude FTAs that provide genuine liberalisation of all dairy products and commercially meaningful opportunities for Australia’s dairy industry to reduce its comparative disadvantage to its major global competitors.
- Resolve investor state dispute settlement issues hindering trade negotiations on a case-by-case basis, in particular the China, Japan and South Korea FTAs and the Trans-Pacific Partnership.
- Increase the number of Agricultural Counsellor postings to help remove barriers to trade (including non-tariff barriers) in key international markets such as Vietnam, the Philippines and Saudi Arabia.

The Australian dairy industry exports approximately 38 per cent of its milk production and the farmgate price in southern Australia is directly affected by world market conditions. Inability to access key markets is a major limitation to the future growth and profitability of the Australian dairy industry. International dairy markets remain some of the most distorted in the world and yet Australian dairy farmers are asked to rely on this market. Dairy farmers require liberalisation of trade arrangements to maintain and increase farmgate returns. These advancements include both formal trade agreements and support in removing potential barriers within destination markets.

### Infrastructure: Facilitating growth

- Create a fund for strategic regional infrastructure projects beneficial to agriculture and regional communities.
- Fund current and future rounds of the Roads to Recovery program.

The dairy industry has strong potential for growth as we open up to new markets in our region. Investing in road, rail and port infrastructure will facilitate the growth of our industry and also benefit the rural and regional communities we support.

Significant transport and road projects not only benefit local communities but also make transport and production more efficient. Infrastructure that is ageing or no longer fit for today’s business needs contributes inefficiencies to the industry. Poor infrastructure reduces the efficiency of transportation of milk from the farm gate to the processor and ultimately to market. It also provides a disincentive for people to live and work in rural and regional areas, undermining the Government’s commitments to prosperity and population growth in regional Australia.



### Finance and Risk Management: Providing financial certainty and security

- Provide additional resources for the Rural Financial Counselling Service to offer one-on-one sessions for farmers experiencing extreme financial hardship.
- Introduce a new program, similar to the Commonwealth's \$5,500 Professional Advice and Planning Grants for drought-affected farmers, for farmers experiencing extreme financial hardship.
- Assess the effectiveness of Transitional Farm Family Payments and revise the criteria to include dairy farmers under extreme financial hardship.

The current market conditions are resulting in serious financial challenges for dairy farmers, with additional stress from climatic events or new regulatory requirements. With low or negative profitability and diminishing or negative equity, many farmers are reassessing their future.

The Federal Government has an existing payment to support farmers experiencing severe financial hardship, the Transitional Farm Family Payment (TFFP). However, the eligibility criteria for assistance are extremely restrictive such that this support is not actually available for dairy farmers. Other support programs such as the Rural Financial Counselling Service have demonstrated valuable assistance for farmers in extreme financial hardship, but need additional resources committed to ensure ongoing availability.

### Research, Development and Extension (RD&E): Investing in an innovative dairy industry

- Commit substantial ongoing Commonwealth funding to RD&E to ensure innovation and growth in the dairy industry continues, and boost productivity along the supply chain.

Ensuring an innovative, competitive and productive industry also requires continued investment in RD&E. Commonwealth investment in RD&E, along with dairy farmers' and industry's own investment, has been critical in encouraging the industry to grow and adapt to changing practices and technologies for the future market and environment. Continued investment will support productivity and adaptability to ensure profitable farms, and a dairy industry that is flexible and responsive to new conditions and markets.

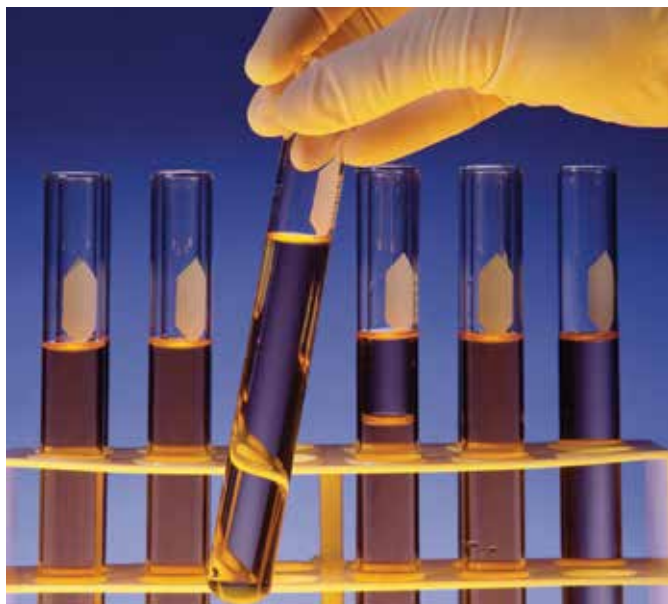
### Biosecurity: Safeguarding our livelihood

- Invest in preparedness for Foot and Mouth Disease and emergency disease response capability and surveillance.

A robust biosecurity regime is fundamental to a dairy industry that is safe, productive and competitive in the international market. Protecting the dairy industry, agriculture and the wider community from biosecurity incidents and being prepared for robust and efficient response to biosecurity issues requires ongoing commitment to investment in biosecurity.

For the dairy industry, preparedness for Foot and Mouth disease is a particular priority. Foot and Mouth disease (FMD) has been described as the single greatest threat of any disease to Australia's livestock industries. A large outbreak of FMD has the potential to reduce the Australian Gross Domestic Product by \$10.3 to \$16.7 billion, having significant repercussions on our economy.

Ongoing surveillance and increased capability to respond to other emergency diseases is also required to safeguard the dairy industry and Australia's reputation as a safe, clean food producer.



# Investing in dairy capability: people and workforce

## What is Australian Dairy Farmers objective?

Australian Dairy Farmers seeks to attract, develop and retain a highly-skilled workforce for the dairy industry. This involves increasing the skills and capacity of people, and developing industry education and training options.

This will allow:

- A culture of continuous innovation and adaptation.
- A positive public image of dairy people as professional, values-based, credible and responsible.
- A proud and confident dairy industry.

## Key issues for dairy farmers:

- Immigration requirements for dairy workers are unclear, complex and do not provide appropriate paths for dairy farmers to take on overseas workers.
- The *Pastoral Award 2010* does not meet the unique workforce requirements of the dairy industry and needs to be amended.
- There is a skills shortage in agriculture, insufficient graduates from agricultural programs to meet demand and the cost of study is discouraging young people from entering agriculture study.

## What we are asking the Federal Government to do:

An educated and skilled workforce is vital to the future of the dairy industry. Our industry is experiencing labour shortages across the supply chain and immediate attention is needed to address the issue through the availability of labour sources and flexibility of employment arrangements.



## Immigration: Supporting a multicultural workforce

- Streamline and fast-track the application and approvals process for 457 visas for skilled dairy workers.
- Second a Department of Immigration and Citizenship (DIAC) Departmental Liaison Officer to ADF to assist farmers with immigration matters.
- Extend the duration of 417 and 462 visas from six to 12 months.
- Include dairy on the list of eligible industries for the Seasonal Worker Scheme and on Schedule 1 of the Skilled Occupation List, and revise Australian and New Zealand Standard Classification of Occupations (ANZSCO) skills descriptions for dairy farmers to align with industry skills descriptions.

Faced with labour shortages, many dairy farmers seek to fill vacancies with overseas workers, but have experienced difficulties due to the restrictions and requirements of various visa categories.

There is considerable opportunity to streamline and simplify the application process for Subclass 457 visas. The current application process is complicated, laborious and protracted. Dairy farmers need targeted assistance with visa and immigration enquiries to ensure they are submitting robust applications that are not unnecessarily rejected and/or delayed.

Dairy is a seasonal industry but is not currently on the list of eligible industries for the Seasonal Workers Scheme. Dairy workers are not listed on the Skilled Occupation List and it is difficult to align dairy occupations with the ANZSCO skills descriptions. This lack of flexibility also restricts the types of visa available for skilled dairy migrants.

Overseas workers on dairy farms are frequently travellers on Working Holiday visas. The current six-month limit on working on a farm under working holiday visas undermines productivity due to high staff turnover and the need to continually source, employ and train new staff. This time limit should be extended from six to 12 months.



### Industrial relations: Fostering flexibility

- Remove the 3-hour minimum engagement requirement from the *Pastoral Award* or make it more flexible to acknowledge the unique workforce requirements of the dairy industry.
- Include “milking” under essential services in the *Pastoral Award 2010* relating to penalty rate classifications, similar to “feeding and watering stock” to recognise that milking is an essential part of animal care.

The *Pastoral Award 2010* does not reflect the unique characteristics of working on dairy farms. The Award states that part-time and casual employees are required to be engaged for a minimum of three hours per shift. This minimum was not in the previous (1998) version of the Award. Farmers need to roster workers according to animal needs and this may involve working 1.5 hours for each milking shift to make 3 hours each day, rather than 3 hours per shift.

In addition, the lower overtime penalty rate for essential daily services of “feeding and watering stock” does not recognise that milking is an essential daily requirement in the care of dairy cows. Milking must be performed up to twice daily for the comfort and health of the animal. The Award should be updated to include “milking” as an essential service relating to penalty rate classifications, similar to “feeding and watering stock”.



### Agricultural education: Investing in the future

- Classify Agriculture, Agricultural Science, Agribusiness and other agriculture-related courses under the National Priority Band for compulsory HECS-HELP repayments, to prioritise them in the same way as Maths, Science, Statistics, Nursing and Education have been in the past to address skills shortages in those fields, with eligibility conditional on graduates commencing work in a related field post graduation.

For dairy people already in the industry or for those entering the dairy industry, there is an increasing need for higher levels of skill particularly in farm leadership and new dairy practices. The number of graduates from agricultural education programs is negligible compared to the number being sought by dairy employers. Australian tertiary institutions produce approximately 700 agricultural graduates each year for an annual job market of more than 4,000 vacancies.<sup>3</sup> The low number of graduates in agriculture-related fields is not only concerning for labour supply to dairy farms, but it undermines long-term efforts to foster sustainability, global competitiveness, innovation and prosperity including through the *National Food Plan* and *Asian Century White Paper*.

Classifying Agriculture and related courses under the National Priority Band of the HECS-HELP repayment scheme will reduce the cost of full time study from \$8,363 to \$4,520 each year, providing an incentive for students to study agriculture and reinforcing the Government’s commitment to deepening and expanding the skills, capabilities and adaptability of Australia’s agricultural workforce.

<sup>3</sup> 2011 Submission by the Australian Council of Deans of Agriculture to Senate Inquiry into Higher Education and skills training to support future demand in agriculture and agribusiness in Australia, p.1 <http://www.csu.edu.au/special/acda/docs/submissions/ACDA-Senate-Enquiry-Agric-Education.pdf>

# Reducing environmental impact: sustainability

## What is Australian Dairy Farmers objective?

Australian Dairy Farmers seeks to establish the dairy industry as part of the solution for a healthy Australian population, ensure environmental regulation recognises the international dairy market, and ensure the industry maintains the right to access key natural resources that are integral to a successful industry.

This will allow:

- A sustainable industry with farmers operating in accord with the environment and societal expectations.
- Secure and sustainable access to natural resources.
- Confidence and certainty for investment in dairy farm assets.



## Key issues for the dairy industry:

- Regulation of water resources needs to be achievable, practical and cost-effective, while optimising social, economic and environmental outcomes.
- The Murray Darling Basin Plan Water Recovery Strategy does not provide the certainty needed by farmers to plan and adapt. The level of buyback over the implementation period should be capped to confirm how much this will contribute to the proposed 2750GL of reductions.
- The dairy industry is trade exposed and the carbon tax results in the industry being in a less competitive position compared to international competitors.
- The disproportionate effect of the carbon tax on the dairy industry compared to other primary producers due to its high electricity usage, and the lack of recognition of this in the current carbon tax provisions.
- Adapting to energy-efficient or alternative-energy technology requires up-front assessment and capital investment that is challenging for dairy farmers in the current market. Grants and programs have assisted up to now and will need to continue for the completion of assessments and conversions on-farm.

## What we are asking the Federal Government to do?

The dairy industry is proud of its record in natural resource management and seeks support in continuing our stewardship role. The future of the industry relies on achievable and certain access to the natural resources that are integral to dairy operation. Carbon and energy policy have direct implications for both emissions reduction and costs. Attention is needed to ensure fair policy in our trade-exposed industry, and support to further improve energy efficiency and use of renewable energy.

## Water management: Ensuring certainty and security

- Murray Darling Basin Plan implementation—  
Introduce an explicit 1500GL cap on buybacks in the water recovery strategy for the Murray Darling Basin Plan to 2024.

Without careful natural resource management, dairy farmers do not achieve productive farming systems and profitability. Managing water use and land use is integral to farm management. The way in which Government regulates water availability and affordability will directly impact on the profitability and future of the Australian dairy industry.

Dairy farmers in both irrigated and dryland areas are steadily adapting their practices to produce more milk with less water. However, periods of drought or low water availability put pressure on production options, and milk production levels, and this has a flow-on impact on milk companies and regional economies.

Regulation of water resources needs to be achievable, practical and cost-effective, while optimising social, economic and environmental outcomes. The Government needs to work with the dairy industry as part of preparing the wider community to reduced water availability.

The Murray Darling Basin accounts for approximately 25 per cent of Australian milk production. With the Basin Plan now in implementation phase, farmers need certainty in aspects of the Water Recovery Strategy if they are to plan and adapt. The proposed 2750GL of recovery for the environment will be a significant achievement. As part of this, up to 1500GL have been identified for buy-back or state recovery, but there is flexibility in the make-up of the 2750GL. With a significant reduction in annual average water available for irrigation, trade and carryover (approximately 26 per cent), dairy farmers will need to boost their productivity by 20–25 per cent<sup>4</sup> if milk production is to recover to pre-drought levels with much less water.

A confirmed 1500GL cap will provide certainty for farmers to plan for a productivity challenge that is already very tough.



4 "Murray Darling Basin Plan—Implications on Milk Production in the Goulburn Murray Irrigation District". RMCG analysis for Dairy Australia, December 2012. Available on Dairy Australia website.

## Energy and carbon: Operating in an international dairy market

- Accord dairy processors Emissions-Intensive, Trade-Exposed (EITE) status under the Carbon Tax until all major dairy competitors are subject to similar schemes.
- Provide a Business Activity Statement (BAS) claim rebate for carbon price costs on power bills for dairy farms, similar to the diesel rebate for cropping and grazing enterprises.
- Commit funding for grants to assist dairy farmers in undertaking energy efficiency assessments, and to transition to renewable energy technology and energy efficient equipment on farms under an Energy Efficiency Package.

The Australian dairy industry is keen to contribute to efforts to reduce greenhouse emissions; however, we cannot support any carbon pricing tax or scheme that results in a less competitive position for a trade-exposed industry such as the dairy industry.

Compared to other primary producers, the dairy industry is disproportionately affected by the \$23 t/CO<sub>2</sub>e carbon tax introduced on 1 July 2012 due to the industry's high electricity needs in milking machinery, cool milk storage and processing milk. The impact of the carbon tax is estimated to add approximately \$5,600 to \$7,250 per year to the cost of operating an average dairy farm, taking into account both the increase in farm electricity cost and dairy processors passing back their increase in costs.<sup>5</sup>

The dairy industry recognises it is part of an Australian effort to reduce greenhouse gas emissions. However, with 38 per cent of milk production exported, the dairy industry is trade-exposed and already has to operate in challenging international market conditions. Any carbon pricing, carbon tax or similar scheme, must not result in the dairy industry being disadvantaged in the global market.

Until Australia's major dairy competitors are subject to similar schemes or taxes with similar impost, the dairy industry needs to be recognised as an emissions-intensive trade-exposed industry with the ability to seek exemptions. To further recognise the impact of electricity costs for dairy farmers, a BAS rebate should be available on electricity costs for dairy farmers, similar to the rebate that is in place for cropping and grazing enterprises for diesel.

Dairy farmers have been innovative and have made significant progress in energy reduction on-farm. A dairy industry program of on-farm energy assessments has been popular and has identified many opportunities for energy efficiency measures. The dairy industry commitment to energy efficiency is reflected in 40 per cent of dairy farms installing renewable energy technology to date. A commitment to future rounds of the Energy Efficiency Information Grants program (or similar) would support further assessments. Energy-efficient equipment upgrades and renewable energy options such as variable speed drives on vacuum and milk pumps, or thermal heat recovery systems, can involve large up-front costs with payback over a number of years. There are a number of Federal and State programs to assist in energy efficiency and reduction. These programs could have direct application to the dairy industry by providing grants to support this capital cost for conversions and technology changes.



<sup>5</sup> Based on Dairy Australia modelling using ABARES data, Dairy Australia website, accessed 12 April 2013: <http://www.dairyaustralia.com.au/Animals-feed-and-environment/Environment/Carbon-tax/Carbon-tax-effects.aspx>