

Australian Dairy Farmers Limited
Level 2, Swann House
22 William Street
Melbourne Victoria 3000

Phone +61 3 8621 4200
Fax +61 3 8621 4280

www.australiandairyfarmers.com.au

ABN 76 060 549 653

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Dairy farmers gain new rights in milk supply agreements

For Immediate Release

DAIRY farmers will gain greater contract termination rights after the Australian Competition and Consumer Commission (ACCC) secured commitments from several dairy processors to amend specific terms in their supply agreements with farmers to comply with federal unfair contract term laws.

The competition watchdog announced in a statement that “*most processors have agreed to provide dairy farmers with the right to terminate their contract if the processor varies supply terms such as price or quality requirements, placing the farmer in a worse position*”.

Peak advocacy group Australian Dairy Farmers (ADF) called the move a win for farmers who for too long had felt the pressure of unfair contract terms.

“This is an important step in strengthening bargaining power for farmers, which was one of the key issues highlighted by the ACCC in the dairy inquiry,” ADF President Terry Richardson said.

The regulator also flagged concerns about “*lengthy notice periods for farmers to terminate their contracts, one-sided termination rights, broad indemnities, and terms that restrict a farmer’s ability to lease a farm or sell their cattle*”.

Many of these issues have been addressed in a draft code of practice developed by ADF in collaboration with industry body the Australian Dairy Industry Council (ADIC).

“The ACCC identified a number of areas that need fixing and our aim is to help the Government implement a code of practice that improves the relationship between all parties,” Mr Richardson said.

Under the proposed draft code, processors must provide farmers with 30 days’ written termination notice and 12 months’ written notice for farmers with no alternative milk supply options.

“A new code of practice will aim to address the information asymmetries that currently exist in the industry and strengthen bargaining power for farmers,” Mr Richardson said.

“ADF is pleased that the dairy supply chain, including processors, has engaged in developing the draft mandatory code and we look forward to moving ahead as an industry to build a framework that suitably responds to the recommendations of the ACCC’s Dairy Inquiry.”

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For further information, contact:

Ashley Mackinnon
Media & Communications Manager, Australian Dairy Farmers
Tel: 0447 161 919
Email: media@australiandairyfarmers.com.au