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Farmers gain vital protections under mandatory dairy code

For Immediate Release

FARMERS will be protected by a slew of measures to improve transparency and set minimum standards of conduct in milk supply agreements under the dairy industry's new mandatory code of conduct, to come into force from January 1 next year.

The final code, unveiled today by federal agriculture minister Bridget McKenzie with the support of national dairy advocacy group Australian Dairy Farmers (ADF) and all state dairy farmer organisations, includes provisions that:

- All parties ***must deal with each other fairly and in good faith***;
- ***Bans retrospective step-downs***;
- ***A cooling off period is 14 days***;
- ***Stops processors from making unilateral changes to agreements***, except when required to comply with legislative changes which cannot reduce the minimum milk price, or in certain exceptional circumstances that reduces the minimum price, with the processor required to notify the competition watchdog and farmer, who must be allowed to terminate the agreement if they wish;
- ***Processors must publicly release a Standard Form Agreement on June 1 each year***, covering the terms of milk supply and a price (or prices) that cover the terms of the agreement;
- ***Bans exclusive supply arrangements*** between processors and farmers in combination with either two-tier pricing (where the second tier is less) or volumetric limits by processors;
- ***Bans processors from withholding loyalty payments*** to farmers if a farmer switches processors;
- ***Introduces a dispute resolution process*** for matters arising under or in connection with agreements; and
- ***Make civil penalties available for certain provisions*** imposing obligations on parties to an agreement to allow the competition watchdog to issue infringement notices, recognising in penalty regimes the respective size of processors and farmers.

The Australian Competition and Consumer Commission (ACCC), which last year recommended the dairy industry transition from a voluntary to a mandatory code, will be tasked with monitoring and enforcing compliance with the code, consistent with its duties under other industry codes of conduct, including such as the horticulture code.

ADF CEO David Inall thanked the Federal Government for listening to the concerns raised by dairy industry representatives following the release last month of the exposure draft code of conduct.

"The final code of conduct addresses our concerns and provides important protections for farmers when negotiating milk supply agreements with their processors," Mr Inall said.

“While the mandatory code will not be responsible for setting the farm gate milk price, it will go some way to improving the bargaining power of farmers and professionalising contract management in the industry.”

ADF, initially working through industry body the Australian Dairy Industry Council (ADIC) has been intimately involved in the development of the code of conduct. The farmer group constructed the industry’s original voluntary code in 2017 before preparing a draft code, much of which was used by the Government to develop the final code of conduct.

“Our goal is to ensure that farmers are protected by the mandatory code of conduct and to do all we can to avoid a repeat of the 2016 milk price step-downs,” Mr Inall said.

“The ACCC identified that farmers lacked bargaining power when negotiating contracts and we believe that this will be significantly improved with this mandatory code of conduct.”

All existing milk supply agreements must be compliant with the mandatory code within 12 months of the code coming into effect.

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For further information, contact:

Ashley Mackinnon
Media & Communications Manager, Australian Dairy Farmers
Tel: 0407 766 153
Email: media@australiandairyfarmers.com.au