

ACCC Dairy Industry Inquiry

Submission – Alex Arbuthnot AM, Feb, 2017.

Attachments.

- Background AA
- CV AA
- Oral History – Vic Dairy Industry. AA paper

Introduction.

AA is a partner in a family partnership, milking 4-500 cows in the Maffra Irrigation District (MID) Gippsland, Victoria.

1st Dairyfarmer President, Victorian Farmers Federation.

An advocate for open marketing systems.

- Note that in a 'free' marketing system, Victoria's production has doubled, producing 60% Aust.milk, 80% Aust. exports; my own region of Gippsland producers nearly 22% of Australia's milk.

Opportunities.

- Australia is part of the world's fastest growing economies – the Asean and Pacific region.
- To compete and develop new markets the Australian Dairy industry must be at the fore front of change.

Challenges

- a growing global economy with new technologies.
- Local climatic conditions, droughts, floods, water availability.
- High costs , low domestic prices, right to farm,

Issues

I am going to discuss in detail a number of issues and not necessarily in order of priority.

1. Social License.
 - With misinformation and misleading media comments it is difficult to convey a progressive image of dairyfarming.
 - Policy for most political parties is influenced by city/urban views. Their perception of dairyfarming is often one of that was around in 'yesterday's world'.
 - These prejudices (an enhanced by talk back radio) make it difficult for communities to welcome foreign investment , international partnerships; all necessary for regional development.
2. Land Ownership.

- There are changing trends in property ownership.
 - . farmers are not locking up capital in land and adopting other systems.
 - . shared ownership and leasing options.
 - Corporate (family and company) are the way of the future.
 - International investment will play a significant player. In the MID we have investors from 4 different countries (and enquiries from at least 3 others). Many people have concerns but I find it exciting!
 - I note that the Gippsland has 16 dairy processing factories which in a free market offers farmers a choice to supply. And as well 2 interstate processors pick up milk. *I can recall in my district when we had the choice of only one factory to supply!*
3. Urbanisation & Regional Planning
- The growth of cities and urbanisation is without doubt a major threat to dairy farming growth. Particularly in Victoria's high rainfall areas and although the land is Farm Zone the spread is a real issue . One solution is for rural cities and towns to build 'upwards' and stop sprawling over farm land.
 - Perhaps a bigger issue is the buying of FZ land for lifestyle. (and many complain about farming activities)
 - The ' Right to Farm' including intensive farming issues are being looked at by the Victorian Govt.
 - The Vic. Govt has developed Regional Growth Plans that have identified priority production areas or precincts that could be protected by a planning overlay.
4. Intensification & robots.
- Due to the pressures on land use Victorian agriculture including dairy farming will become more intensive. Intensive agriculture will become the 'norm'.
 - The move to robots and robotic milking systems will continue.
 - . to solve labour employment issues.
 - . allows cows to be milked 3 times or more a day.
 - Planning and 'social license ' issues will need to be addressed.
5. Innovation & Research
- New systems such as gene research, 'cloning' and GM will be part of the future.
 - . *on our farm when milking 3 times a day we had a cow producing 90 litres a day – if we could have cloned her we would be rich !*
 - These new systems will be used for breeding (animal & plants), pest and disease control.
 - Electronic recording & data systems, marketing will be the way of tomorrow. Servicing, training will be required.
6. Marketing.
- Australian dairy products must earn and win market penetration,(local and international) by world's best marketing. Including quality, the 'story' and building on our 'clean green image'
 - I recommend that Australia dairy products adopt a new 'Big M' type promotion that was done in Victoria in the '80s' to successfully promote milk sales.
 - Although farmers complain about low consumer prices, I believe that the industry must take some blame and improve 'image' & product marketing.

- Recommend an industry Asian marketing program. MLA marketing of Aust. beef into Asia is a success story.

7. Murray Goulburn

- The anguish and trauma of a price drop by Australia's largest Coop.MG on dairyfarmers was a very real and difficult experience. And in my lifetime of dairyfarming was an experience that I and my family have experienced many times.
- However I attended all the industry meetings in Melb and regionally where warnings of further drops in global dairy prices was regular message. I note that ABARES industry summary for the current season was a further price drop !
- I attended many MG supplier meetings of my Coop and although the Management & Board spoke optimistically on growth of value adding sales the CEO always cautioned the audience on further drops in the world dairy commodity markets.
- I read and listened to media and industry presentations by our MD and noted that his message on pricing was 'aspirational' & that higher price was one that farmers deserved and needed'.
- Dairyfarmers were experiencing tough times and hopes were 'built up' by often misleading headlines in papers. – Frankly we did not want to hear or believe the warning messages !
- I believe that MG and Industry strategies to move into value adding products & markets is sound (although does present some management risks).
- I believe that MG financial statement and asset value is sound (*and believe that MG Units are a very good investment and current market price*)

8. Community

- The value of dairyfarming families in our dairying districts is a regional strength and underpins the economic and well being of our regions.
- The dairy industry has produced some great industry leaders that inspired many young farmers into the industry.

Thanks dairy industry – I and my family started as sharefarmers many years ago and although not rich in financial terms, I have enjoyed the life, the friendships and the values of this great industry.

Attachments

1. Back ground Alex Arbuthnot.

My wife and I and young family started sharefarming in South Gippsland in the late '60s. Dairyfarmers were paid a higher price for daily fresh milk sales via an individual contract system. Following a downturn in global dairy market there was a push to quota the domestic Aust. product sales. A group of young farmers set up an 'anti quota' Committee which gave the Victorian Minister of the day the 'confidence' to reject. I also used this experience to support a later Vic Minister Ian Smith MP to establish a plan to buy market milk contacts and share those sales with all Dairyfarmers. Quotas came back in many 'guises', 'Milk Entitlements' Kerin

Plan/Rowley Plan and although I was at the last 'battle' a Dairy Farm leader, I broke ranks and fought for a free market system and against regulation (& won John Kerin as Federal Minister 'buried the plan'). The concept of regulating the market has been tried for many commodities eg; wheat, wool etc and failed. And an international policy battle that still tests our challenges. And note once again the call from some farmers to re-introduce a regulated dairy market!

2. Attached an article prepared for the Gardiner Foundation for a "Oral History of the Victorian Dairy Industry"
3. Attached CV – and note my involvement with Landcare and more recently Regional and Economic Development.