



TASMANIAN FARMERS & GRAZIERS ASSOCIATION

Mr Rod Simms
Chairman
Australian Competition & Consumer Commission
GPO Box 3131
CANBERRA ACT 2601

Email: dairyinquiry@acc.gov.au

Dear Mr Simms,

RE: Australian Competition & Consumer Commission Dairy Inquiry Interim Report

The Tasmanian Farmers and Graziers Association (TFGA) is the leading representative body for Tasmanian primary producers. TFGA members are responsible for generating approximately 80% of the value created by the Tasmanian agricultural sector.

The TFGA is grateful for the opportunity to make comment on the interim report produced by the Australian Competition and Consumer Commission's (ACCC) Dairy Inquiry.

The TFGA commends the efforts of the ACCC's Dairy Inquiry and interim report. A nationwide approach is essential to ensure an efficient, sustainable and profitable Australian dairy industry moving forward. The TFGA has considered the ACCC interim report and for clarity has provided feedback in the following points:

- The interim report addressed \$1 milk sufficiently; however, no recommendations were mentioned when addressing how this occurrence could be avoided in future. It is important to protect the value of every litre of milk that is produced in Australia.
- The TFGA believes that the allocation of risk and level of protection against risk needs to be further discussed resulting in clear recommendations being made at the conclusion of the interim report. We believe that risk should be spread evenly across the supply chain where possible with mechanisms in place to ensure risk does not concentrate in one section of the supply chain. The TFGA recommends transparency in the system and asks for consideration of a standardised mechanism to show where risk is spread throughout the supply chain.

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- There needs to be clarity in the comparison of processor competition. There are a number of pricing transparency models that are in current use, including but not limited to the United Dairyfarmers of Victoria (UDV) standardised model and the mandatory forecasting model in New Zealand. The TFGA urges the ACCC to consider these models.
- The is supportive of a mandatory code of conduct on the basis that there first needs to be clarity among stakeholders regarding:
 - What the code will look like?
 - Who would fund the code?
 - Who would be assigned the task of writing the code?
 - Where the supply of information to aid the creation of the code will come from?
 - The ease of which changes to or exit from a mandatory code can be made.
 - How a mandatory code would ensure no loss in competition in the industry?
- The interim report discusses the ACCC's recognition for federal and state farmer representative groups, such as the TFGA, to provide specialised legal and financial advice producers as we are well placed to provide general advice about how common contract terms operate and how these can impact farm incomes (p. 180). The TFGA does not disagree that this could occur but raises the issue that State Farming Organisations (SFO's) are not currently well placed to provide this information to growers due to limited resources i.e. finances and readily available knowledge that we can provide.
- The TFGA has concerns regarding opening prices as they have resulted in detrimental events, that have faced the Australian dairy industry in recent past. An example of our concern is the significance Murray Goulbourn has with its opening price. Historically Murray Goulbourn would be the first processor to publicly state their opening price followed by other processors stepping-up, each a few cents more than the other but remaining at a financially unsustainable level for producers. The TFGA believes that the ACCC fails to address this in the interim report.
- The interim report does not and should address the impact that timing has on producers. Time becomes a primary issue between the time in which opening prices are published and contracts are settled. This decision-making period is currently too short and the TFGA urges the ACCC to address this time deficiency.
- Conditions of supply are not addressed to any extent in the interim report. It is seen as quite common practice by Tasmanian producers that processors ask farms to go well beyond industry standards to satisfy milk supply and to promise maintenance of contracts, for example the management of animal welfare, bobby calves and environmental sustainability. The question is then asked by producers – does the price we receive reflect these unnecessarily inflated inputs while still allowing us to make a profit. In comparison, what processors provide to the producers also needs to be addressed i.e. service delivery, agronomic services, machine maintenance or a no volume cap.
- A general and conclusive comment of the ACCC's interim report is that the recommendations that conclude the document are too light. Numerous recommendations and suggestions are made throughout the body of the document but are not further discussed. An example of this is the recognition by the ACCC made on page 180 that was previously discussed in this submission.

Please contact the TFGA if you require any further information.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Peter Skillern', written over a horizontal line.

Peter Skillern

Chief Executive Officer

7th February 2018