
From: Glenn White [REDACTED]
Sent: Wednesday, 8 February 2017 1:01 PM
To: Dairy Inquiry
Subject: Milk (The Big Picture)

Sir/Madam, It may not fit within your terms of reference for the milk enquiry but I would like to point out what I see as the fundamental root of the problem to milk profitability for milk producers. Farm commodity producers (most of whom are family owned) have been price takers at all times. Profitability is only ever possible during periods of high demand or at the expense of other producers. This drives a cycle of indebtedness and increasing poverty that traps the weakest producers. This is the current situation with added complication from Russian milk import restrictions and the Chinese milk formula situation. Farmers could ride out the tide of price movements if they had no debt or little debt. Dairy farms could be self sustaining for all food requirements and export enough beef or calves for a moderate sustaining income if they had the ability to withdraw from the milk market during low price periods. This removal of milk from the market would quickly push up prices for remaining producers. Supply and demand signals would be transparent.

When a farmer goes into liquidation the land reverts to his banker who may take a capital gain in selling on to the next owner. Very little loss is incurred by the bank. If lending to farmers was loss making overall, banks would not lend to this sector. They are predatory and the Labor Party is calling for a Royal Commission into just this sort of behavior.

Paul Ryan, the Republican Leader in the US Senate is proposing removal of the ability to deduct debt interest from profits as part of the tax reform package for the US economy. He is also proposing the same move for Advertising costs. I personally see great merit in these reforms. The idea has been given endorsement by the current editor of the notable Economist Newspaper weekly who wrote a feature article on the topic recently.

Although no doubt outside your current terms of reference I think the notion of this sort of reform would have flow-on benefits to consumers, producers, home buyers and ultimately stable sustainable economic activity.

Regards

GLENN WHITE