



Farmer Power  
Submission to  
The ACCC Inquiry into ACCC's perishable agricultural goods inquiry.

### **Preamble**

Farmer Power appreciates Minister Littleproud organising another inquiry into aspects that affect the Agricultural sector specifically that of the Dairy Sector Farmer Power supported Minister Littleproud and the ACCC on the Mandatory code and Farmer Power was instrumental in helping this become a reality

Farmer Power is well aware that there is a continual push back against the Mandatory code and in trying to either lessen its affect or get rid of it entirely.

This cannot be allowed to happen

In reality, it needs to be strengthened and its powers increased to include others in the supply line if that is possible

In fact, the Mandatory code is the first win that Dairy Farmers have had in 20 plus years and needs to be recognised (whilst it is only a small step forward) as a positive one for all Dairy Farmers

The issues at hand

- relative bargaining power of the suppliers at each level of the domestic supply chain (i.e. farm, processing/manufacturing, retail)

*Bargaining Power remains in the hands of both the supermarkets and the processors. Dairy Farmers have little ability to affect the price received. In fact, all Dairy Farmers are small business organisations and need to be treated as such. They are price takers, they produce a raw commodity and take no part in the process chain, they can no more add value to their product than they can export direct to markets on an individual basis This gives them no bargaining power as such.*

- concentration of suppliers at each level of the domestic supply chain

*Suppliers in the Dairy Industry are fading away, Dairy farms are disappearing unless something is done to address this, we will see the disappearance of the Australian Dairy Industry as we know it.*

*Which will result in more Imported products in our Dairy Section*

***Dairy milk is a Staple an essential product and we need to protect our Dairy Industry***

- nature of the relationships between suppliers at each level of the domestic supply chain

***Once again as above we need to look at the transparency, both in actions and Financial accountability***

- risks faced by suppliers at each level of the supply chain, the sources of these risks and the options for dealing with them

***The risks at each level of the supply chain needs to be born at those levels not passed on to Dairy Farmers at the beginning of the supply change.***

***There needs to be a clear distinction between farmer and processor. A common thread running through the Australian Dairy Plan report is the mindfulness of the dairy farmer to the volatilities faced by the processor, there is no mention to the risks faced by the dairy farmers, who have no ability to mitigate these risks after the commencement of the season, that is the price is locked for the season and cannot be renegotiated.***

- practices and behaviours of buyers of perishable agricultural goods and the effect these have on issues such as:
  - a. the incentives for growers to invest in farming and supply of these goods, or for processors to invest in manufacturing, product quality and innovation
  - b. the wholesale prices negotiated
  - c. the prices or quantities of goods supplied to consumers.

***Profitability today is the only method open to the industry to entice new investment in dairy farms, with cost of production outstripping the milk price, there is little incentive to invest.***

***Because the goods are perishable, they obviously have a shorter shelf life this obviously has a major negative impact on dairy farmers and limits their ability to negotiate prices.***

***Great pressure is placed on the dairy farmer to fulfil the needs of the processors as stated on page 7 of the Australian Dairy Plan report that the flow-on consequences of a shrinking milk pool will be significant for processors and that their operating plants are now underutilised and unable to achieve production efficiencies.***

- The effectiveness of existing regulation, including the *Competition and Consumer (Industry Codes—Dairy) Regulations 2019* (Dairy Code) in addressing bargaining power imbalances throughout relevant supply chains.

*The Mandatory code though not being perfect is the first real step forward that Dairy farmers have seen over the last 20 years. It needs strengthening and, in some cases, further expansion. But it has already paid dividends to farmers. Ie look at current Milk Prices Fonterra's initial opening price and how they had to lift that in just 3 days of going public*

- The cost of producing milk in different parts of Australia and the extent to which this is taken into account by participants at other levels of the supply chain.

*Farmer Power is able to provide a simple method that can be accessed to establish the cost of production of milk in all states and regions. This would help in establishing a cost of production price which could help establish a minimum price plus a minimum profit allowance that would ensure dairy farmers survive and make a profit and gain industry sustainability. Power to question the opening prices from processors would return to the ACCC and the politicians.*

*This however would not represent the actual price you would hope would be paid as you would expect honest Market forces would obviously drive up prices as it does in all other products no Artificial ceilings in place.*

Regards

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