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Australian Competition and Consumer Commission
dairyinquiry@accc.gov.au

Dear Ms Bellhouse and Mr Laybutt,

Thank you for the invitation to contribute to the development of collaborative solutions for the Australian dairy industry.

Market failure

There are significant opportunities in the dairy growth markets of Asia and the Pacific.

Meeting the needs of dairy consumers in these markets - and securing advantage in the supply chain - will deliver new prosperity for the Australian dairy industry.

However, the dairy industry is failing to capitalise on and develop these strategic opportunities. This is a market failure which can be addressed by promoting greater competition.

A high performance dairy marketing company

The Australian dairy industry needs to establish a high performance dairy marketing company to focus on the sales, marketing and distribution of value-add dairy products in Asia.

This is a key recommendation of [Dairy Plan B](#) - a strategic plan to improve returns for dairy farmers and processors.

A high performance dairy marketing company will enable dairy farmers and processors to:

- Develop new value-add markets in Asia,
- Develop a new sales and distribution channel to service these markets,
- Diversify from production of commodities to higher value-add consumer dairy foodstuffs, and
- Increase competitive advantage in the global dairy market.

A high performance dairy marketing company will enable the dairy industry to collaborate better, pool resources and invest in development of new distribution channels in Asia.

A brief justification for the establishment of a high performance dairy marketing company follows.

Should the ACCC be interested to learn more about Dairy Plan B and the opportunities to promote increased competition, I would be pleased to contribute more detail on the strategic plan.

Regards,

Miles Lane, B. Agr. Ec.
Director, [Telopea Group](#)



A high performance dairy marketing company

Competition is good.

Strong competition exists between the super rugby teams in New Zealand. The All Blacks ultimately benefit from this high level of competition as players compete for selection. As a result, high levels of performance are expected - and delivered - at all levels of New Zealand rugby.

Similarly, when competition is high for Australian Cricket Team selection, performance is also high.

The dairy industries of Australia and New Zealand can learn a lot from these premier sporting teams.

Greater competition drives innovation and enterprise - the willingness to do things differently, and better.

The dairy industry must embrace and foster internal competition to stimulate innovation and industry enterprise.

[“Fonterra needs to be fixed, and here’s how”](#) provides insight into structural problems within the New Zealand dairy sector - issues that impact dairying in Australia and the global dairy market.

Author Tony Baldwin, a dairy commentator and business policy expert, comments on the lack of diversity and need for greater innovation in the New Zealand dairy sector.

He concludes that Fonterra should “voluntarily give up a large enough chunk of its farm gate market to create workable competition” - a benefit of which will be enhanced performance and innovation.

However, a superior outcome can be achieved by the establishment of a high-performance dairy marketing company by dairy farmers. This company - separate to their existing co-operatives - would specialise in developing value-add opportunities and new dairy markets.

This high-performance dairy enterprise should have access to processed products on the basis that it achieves premium returns and prices, thus creating internal industry competition for milk supply.

If opportunities for value-add and premium markets are identified and developed successfully, more milk and products will be directed to the new marketing company. When dairy commodity prices are strong, the flow of milk to commodity-dominated processors, such as Fonterra and Murray Goulburn, will increase.

Naturally, leaders of these co-operatives, which dominate milk supply, will resist this proposal. Not only does it threaten their power, it requires them to work smarter and harder to lift their performance.

However, if dairy farmers own a share of the high performance dairy company (in proportion to their existing dairy production, for example), they would not lose anything.

This proposal offers dairy farmers the best of both worlds. Increased competition would promote innovation and aid new market development, and existing co-operative owned processors (which process mainly commodities) would be pressured to lift their performance.

Establishment of a high-performance dairy marketing company - owned by dairy farmers - will increase competition, strengthen existing dairy co-operatives and enhance industry competitiveness in global dairy markets.

Miles Lane, B. Agr. Ec.
Director, [Telopea Group](#)