

October 21, 2020

SUBMISSION – AA1000530 – FAIR GO DAIRY LOGO

SUBMISSION BY DAIRY FARMERS MILK CO-OPERATIVE

INTRODUCTION

Dairy Farmers Milk Co-operative (DFMC) is pleased to have an opportunity to express its views regarding the Fair Go Dairy Logo.

The DFMC is a farmer-run, farmer-owned milk supply co-operative, functioning largely as a collective bargaining group. We represent some 230 dairy farming families, uniquely from as far north as the Atherton tablelands, to the Fleurieu peninsular in South Australia and cover most of the key dairy regions in between. We pool approximately 200 million litres for our processing partner Lion Dairy and Drinks. It is important to note DFMC are not direct suppliers to supermarkets but co-dependent on processing partner(s) success. Our QLD supply regions are split between the Atherton Tablelands and South East Queensland with a total production of approximately 85 million litres from 75 farms.

As an organisation representing our farmer owners' interests we will address issues regarding the following:

- Marketplace competition
- The concept of the Sustainable Fair Farmgate Price (SFFP) calculation
- Future farmgate milk pricing

OVERALL STATEMENT

DFMC does not support the concept of the "Fair Go For Dairy" logo authorization. DFMC believes greater market place reform is needed to provide sustainable long term farm gate pricing for Queensland Farmers, such as the abolishment of national supermarket pricing and a fairer regionalised test to measure for the potential of loss leading, dumping and market power abuse.

MARKETPLACE COMPETITION

The Queensland white milk market is saturated with brands and Queensland consumers have an abundance of choice. Adding additional information to current labels will further confuse consumers and disrupt the marketplace. The flow on effects to the farm gate may lead to lower farm gate prices for those

farms who supply milk to brands not associated with the proposed logo. Furthermore, farmers in regions who have limited choices as to which processor they supply could be further disadvantaged.

DFMC supplies raw milk to the Lion Dairy & Drinks business who own, package, market and distribute leading white and flavored milk brands in Queensland through various retail and route trade channels. Under the proposed licensing scheme DFMC believes the LDD brands would not meet the “80% unprocessed milk volume” criteria and thus further reducing the competitiveness of these brands and the potential for reduced farm gate prices compared to those niche local processors.

With the inception of the “\$1/L” white milk campaign combined with two major floods and the recent drought, QLD milk supply volumes and farm numbers have dropped considerably. The major processors in QLD have had to source milk from outside of the state to meet the demand of the fresh milk QLD market.

The current practice by the supermarkets of paying the proceeds of a 10c/L “drought” levy to the farmers who supply the processors who pack the “Retail Own Brand” (R.O.B.) contracts is creating a disadvantage to those farms supplying “Branded Only” processors. The addition of this logo may further strengthen the power of the retailers and thus creating a wider gap in farm gate prices for this limited supply of milk.

QDAS & THE SFFP

The Queensland Dairy Accounting Scheme (QDAS) is a fantastic program designed to measure and benchmark a farm’s individual financial performance. It is a tool a small number of farmers voluntarily use on a retrospective basis to measure their previous financial years performance, often benchmarked against their historical production over a number of years. DFMC is highly supportive of this tool to be used only for measuring an individual farm’s performance. Farmers voluntarily supply unaudited data and approximately 15%-20% of QLD farms have participated in this program. DFMC believes the establishment of a cost of production index would be more appropriate using readily available public information i.e. grain price delivered to the port, electricity pricing, fertilizer pricing, the cost of labour, water prices and then tracking these costs overtime. This process is currently in use in Northern America and is called the U.S. Milk to Feed Price Ratio, administered by the USDA.

DFMC believes QDAS is not representative of all Queensland farms and being of a historical nature does not reflect the true cost of production at any given period. A farms cost of production is unique to their farm, their farm’s resources and the time of which it is measured.

DFMC and LDD have already invested in a sustainability program which goes well beyond the measure of the cost of production and we encourage a similar program to be adopted by the whole of industry. Consumers are asking for higher standards around the Environment, Animal Welfare, People Management and Financial Sustainability and we feel the proposed logo does not capture these issues well enough.