

# **QUEENSLAND DAIRYFARMERS ORGANISATION**

## **EUNGELLA BRANCH**

Angus Pointing - Branch Secretary  
QDO Eungella Branch  
Dalrymple Rd  
DALRYMPLE HEIGHTS QLD 4757  
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6 October 1998

Impact of Competition Policy Reforms Inquiry  
Productivity Commission  
PO Box 80  
Belconnen ACT 2616

Dear Mr Plunkett,

We the Eungella Branch members of the Queensland Dairyfarmers Organisation are an interested group of individuals who would like to express our views on the Impact of Competition Policy Reforms on Rural and Regional Australia. We see NCP affecting community welfare, employment, industry efficiency and economic growth in our small rural community.

Our local milk factory in Mackay is supplied by a group of 20 dairy farmers split into two groups, one group from the township of Eungella and the other from the Sarina Range. The Eungella township comprises of 300 people with the main industry being dairying. Other industries such as logging have disintegrated leaving dairying as the main backbone of the community with the assistance of a small tourist industry. With the eminent closure of dairying brought about by the pressures such as farmgate price removal, deregulation and National Competition Policy (NCP) the effects on the township facilities, i.e. school, shops and community organisations, will be put under immense financial strain possibly leading to closures and degradation of overall community well being.

With government policies being the national focus on high unemployment, it seems ironic that in our community the reverse will happen due to the NCP. Our community already has high unemployment, due to the degradation of the logging industry and other industry rationalisation. Because of the above problem we are already experiencing an ongoing and constant challenge to fulfill the needs of our youth both financially and socially.

Because of farmgate pricing, we are already an efficient industry. We supply our local market with a high quality fresh product 365 days of the year at a very affordable price. The average Eungella farm supplies approximately 700 000 litres every year which fulfills the needs of our local processing plant in Mackay, which requires approximately thirteen million litres a year. Because of the sensitive nature of dairying in a high rainfall area, the current level of stocking is good environmental practice. Deregulation and NCP place economical pressures upon producers being able to maintain the current stocking levels. Higher stocking levels would lead to bad environmental practice which has always been one of our main concerns as we are operating in an environmentally sensitive National Park area.

NCP and the deregulation of our industry for us mean less for our commodity and historically not necessarily cheaper milk for the consumer. Then how can the industry at the rural level promote efficiency, economic growth and community welfare? What we are afraid of at the rural level of dairy farming is being at the end of the food chain. In addition, we cannot increase in numbers or size overnight. The move towards lower-cost, larger-scale production in order to survive can only have a detrimental effect of agricultural sustainability in the Eungella district. It is in our interests as a business to strive for the highest profit margins just as it is milk processing companies and the supermarkets. Farmers have the right to a commercially viable return just as all businesses. The supermarket chains and processors are powerful vested interest groups and they will to maintain or increase their profit margins, force the **average** dairy farmers' profit margin down below that where the farmer is still a viable concern. The domino effect then occurs throughout the communities local and wider. In our case NCP means giving these powerful vested interest groups, e.g. big companies, a free ticket to take the small business out of production and then maintain the wealth for the company and shareholders.

There are no millionaires in the dairying businesses' just families running their business operations 365 days of the year, year in year out, supplying a fresh product to the local consumers at a reasonable price. Our downfall will lead to milk being transported much further distances leading to higher prices for the consumers which is going against the implications of the NCP. NCP and deregulation should be "squashed".

Please find enclosed a copy of the submission from the Central Districts Council -QDO to the Queensland State Government regarding the "Queensland Dairy Industry Act Review under the National Competition Policy Agreement" to support our views. Also enclosed is our registration of interest into the inquiry.

Yours sincerely,

The Eungella Branch Members of the Queensland Dairyfarmers Organisation

QUEENSLAND DAIRYFARMERS ORGANISATION - EUNGELLA BRANCH

<u>NAME</u>	<u>ADDRESS</u>	<u>Ages of dependant children</u>	<u>SIGNED</u>
NH & HG Tilse	Mt Charlton via Mt Ossa 4741		N. H. Tilse H. G. Tilse
AB & NG Fredrickson, T&T Angus & RC Fredrickson	CI- PO Dalrymple Heights 4757	7yr, 10yr 1yr, 4yrs	Angus & Angus J Angus R. Fredrickson N. G. Fredrickson A. B. Fredrickson
TASH Dairy	CI- PO Dalrymple Heights 4757	14yr, 12yr + 9yr	Helen M Paton + S B Paton Alia + Paton JB Paton
RG & DM Cortis	"Dimond Vale Holstons" Crediton via Mackay 4757	12yr, 10yr, 8yr + 1yr	Rebecca D. S. Cortis
AB & DF Fredrickson	CI- PO Dalrymple Heights 4757		A B Fredrickson D. Fredrickson
JM & JA Herron	CI- PO Dalrymple Heights 4757		John Herron Janet Herron
FD & RM Kerr	Eungella Dam Road Dalrymple Heights 4757		Frank Kerr R. M. Kerr D. Kerr Shaylene Kerr
AH & AC Pointing	CI- PO Dalrymple Heights 4757	6yrs, 4yrs, 4yrs	A Pointing A H Pointing
RJ, NE & AS Murry	CI- PO Dalrymple Heights 4757	13 YEARS	A. S. Murry
P & M Tippett	Crediton, Dalrymple Heights via Mackay	12yrs, 9yrs, 6yrs	Pippett M. Tippett
PJ Hall & N HALL	CI- PO Dalrymple Heights 4757	15yrs 17yrs	P J Hall
D & P Woodland	CI- PO Dalrymple Heights 4757	4YR 8YR 10YR 4YR 8YR 10YR	P Woodland D. Woodland
AJ & TM Johnston	CI- PO Dalrymple Heights 4757		A J Johnston T M Johnston

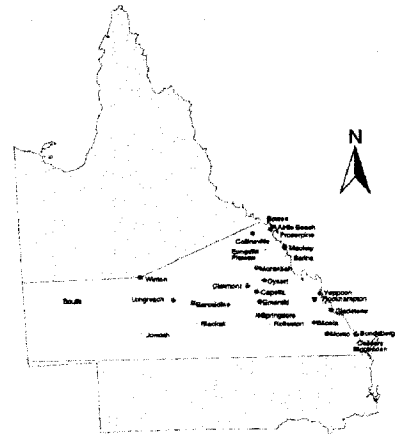


**Queensland  
Dairyfarmers'  
Organisation**

**CENTRAL DISTRICTS COUNCIL**

Chairperson - Russell Larsen  
Secretary - Beth Jepson  
State Councillor - Karl Greiss

**SUBMISSION**



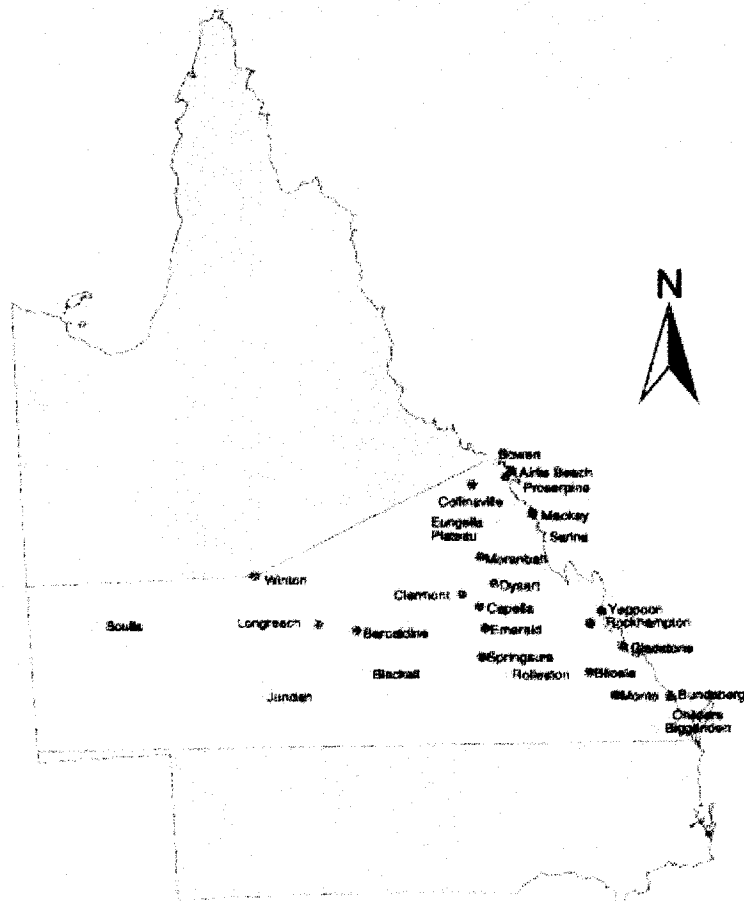
***“REVIEW OF THE DAIRY INDUSTRY ACT 1993”***

**TO Secretary, QLD Dairy Legislation Review Committee**

**FROM Central Districts Council - QDO**

C/ Mrs B Jepson  
MS 250  
Barmoya  
Rockhampton Mail Centre Qld 4701

# Central Queensland Dairy Industry Market Milk Distribution Area



1:12 500 000  
200 0 200 400 Kilometers

## CQ Dairy Industry

Servicing - 400 000 Consumers with fresh high quality milk within 24 hours of factory receipt.

Area - 550 000 km<sup>2</sup>

Value - Farm Gate - \$31.2 million

Processor - \$50 million

Retail - \$62 million

Region - \$114.2 million

Employment - 860 jobs

Other - Regarded as environmentally friendly industry and efficient producer of market milk

- Factory
- Major Depot
- Other

# CENTRAL DISTRICTS QDO SUBMISSION RE QLD DAIRY INDUSTRY ACT REVIEW UNDER THE NATIONAL COMPETITION POLICY AGREEMENT

## INTRODUCTION

The Central Queensland Dairy Industry is a major contributor to the Regional Economy. It services the daily milk needs of 400 000 consumers who are spread over a huge area of Queensland from Childers to Bowen on the coast and west to the border (see figure 1). The industry employs an estimated 860 people and the gross value of product at farm gate, processor and retail level is \$31m, \$50m and \$62m respectively.

The production and processing side of the industry is concentrated reasonably close to the coast (see figure 2 and 3). 145 producers are spread over an area from Childers in the south to Mackay in the north and west to a line including the Eungella Plateau, Biloela, Monto and Biggenden. Milk is now processed in three factories located at Rockhampton, Mackay and Monto and sold through an extensive distribution/depot system (see figure 1). The Rockhampton and Mackay factories concentrate on liquid milk processing. The Monto factory is a manufacturing plant making milk powders, butter and short shelf life products from milk surplus to market milk requirements.

The industry is one which is geared primarily to the supply and distribution of market milk. Over the last 10 years between 60% and 70% of the total milk supply has been used to supply this market. Supplying such a high percentage as market milk requires a very even supply pattern and the Central Queensland industry does this very effectively and efficiently (see figure 4). Maintaining such a stable supply increases cost of production and this issue will be developed in detail in a later section.

Producing manufacture milk is not generally considered profitable and the quantity produced is regarded as the minimum necessary for the local industry to guarantee the market milk requirements of the region every day regardless of the environmental conditions.

Milk quotas have existed since the mid 1950's and were introduced to overcome the problem of milk less days. Prior to 1991 quotas had no monetary value and were not tradeable across farms. In 1996/1997 the value at farm gate of the 71.3 million litres produced was \$31.2 million or 43.7 c/l. At processor and retail level the estimated value was \$50 million and \$62 million respectively. Market milk sales accounted for 45 million litres or 63% of the total supply. Approximately 75% of the milk produced in the region is sold locally.

Total employment generated by the industry is estimated at 860 including 450 in agribusiness (using Dr Roy Powell's multiplier factor of 1.1:1).

Statistics highlighted in figures 2 and 3 show that over the last ten years under the existing industry structure and regulation there has been considerable rationalisation of the industry. **Producers remaining in the industry have used economics of scale (increasing farm production an average 7% each year) to off set the fact that average farm gate returns have only increased by 31% compared to a CPI increase of 49%.**

The existing regulation while providing stability of income to producers has also put real pressures on them to guarantee supply, improve production efficiency and sustainability and to reduce cost of production. For example there has been a large capital investment in irrigation facilities to the extent that 80% of CQ dairy farmers are now irrigated farms. Because paddock feed is the cheapest feed source, irrigation use not only increases production and reduces supply fluctuations but it also reduces cost of production. The industry has further improved its approach to cow nutrition by regularly monitoring rations and by the inclusion in rations of locally available by products such as molasses and whole cotton seed. Over ten years per cow production has increased 56% from 2852 to 4440 litres/cow/year and this has accounted for the biggest part of the increases in farm output. The regulation has also provided the stimulus for the industry to undertake expensive but important and responsible quality (EBL eradication) and sustainability (effluent management) projects. QDAS Data shows that cost of production increases have been below CPI despite some of the worst seasonal conditions on record.

The processing side of the industry has also undergone considerable change with the number of factories reducing from 5 to 3 and the ownership of the factories changing in November 1994 from Port Curtis Co-operative Dairy Association (PCD) to QUF Industries Ltd.

**Central Queensland producers believe that the existing industry structure and regulation, particularly those in relation to farm gate price and supply management have benefited both consumers and producers and data will be presented to verify the claim.**

Other areas and/or other production systems could produce milk cheaper but they could not reliably and consistently provide fresh milk to Central Queensland consumers at the price the local industry can. Data presented in the submission will highlight the value to consumers, producers, the regional economy, the environment and public health and safety of maintaining farm gate pricing and supply management.

## **CONSUMER BENEFITS FROM MAINTAINING FARM GATE PRICE AND SUPPLY MANAGEMENT**

Central Queensland producers believe that the regulation that has governed the industry since the mid 50's benefits both consumers and producers.

Historical experience show that this regulation has guaranteed all Central Queenslanders the continuous supply of fresh, high quality milk despite some exceptionally poor seasonal conditions and natural disasters (floods). At the same time farm gate pricing has acted as a bench mark for retail price and retail price increases have been significantly below CPI. Over the period 30/06/81 to 30/06/97 the retail price of milk has increased from 62c/l to 118c/l a factor of 1.90. This compares to a CPI increase over the same period of 2.41 and a farm gate price increase for market milk of 1.85 (ie 30.65 c/l to 56.76c/l)

For those producers who have also been prepared to accept the challenge of improving farm efficiency and use economies of scale, the security of a farm gate price for market milk

has given them a reasonable margin. This has helped farm development, guaranteed their ability to supply a quality/healthy product and given the stability of cash flow needed to allow sound planning and the use of environmentally sustainable management practices. For example they have been able to;

- invest in the labour and capital inputs needed to increase production and achieve economies of scale to make up for the fact that average returns have not kept pace with CPI.
- ensure that the product is of the highest quality by bearing the considerable costs of eradicating diseases such as EBL.
- Fund environmentally sound management practices such as best practice effluent management and sound irrigation management.

**Sound farm planning and management practices also directly and indirectly benefit consumers via issues such as the quality of product, environmental impacts and effect on the regional economy and employment.** Other benefits also flow from having the processing and supply of milk close to each other. This minimises the need for long distance heavy transport haulage and its associated road safety risks (a minimum 35 tankers of milk/week for Central Queensland) and the threat to supply from natural disasters and strikes. It also ensures that fresh milk is delivered to the far west of Central Queensland within 24 hours of it being received at the factory. Unlike the output from many other agricultural enterprises milk is a perishable product and must be processed rapidly, usually near to the point of production.

## **IMPACTS OF THE CENTRAL QUEENSLAND DAIRY INDUSTRY ON THE REGIONAL ECONOMY AND EMPLOYMENT**

Dr Roy Powell, a senior lecturer in the Department of Agricultural Economics and Business Management at the University of New England, NSW, has studied the importance of the dairy industry to Regional Australia. In a early 1990's report he pointed out that rural regions tend to be less diversified than metropolitan regions and options for employment are not as great. In times of down turn many rural people face either unemployment or relocation to metropolitan centres. Central Queensland dairy farmers believe these factors need to be taken into account when changes in Government policy are being considered.

While the whole Central Queensland region would suffer badly from an erosion of dairy farm income there is one district where the effects would be devastating. A case study on the likely effects of total industry deregulation on the Monto shire and town is presented later in this submission.

Dr Powell's study found;

- For every \$1.00 of dairy farm output, goods and services valued at an additional \$2.66 are created in the region as a result of dairy processing and associated activities.
- For every 100 jobs in dairy factories and on dairy farms an additional 110 jobs are created in associated regional activities.



- The flow on affects outside the region might be as large again.

In 96/97 the farm gate return to Central Queensland dairy farmers from milk sales was \$31.2 m. This conservatively puts the value of the industry to the regional economy at \$114.2m.

Dairy farm employment is estimated at 285 jobs. Processing factories employ 125 people. This puts estimated dairy industry related employment at 860 jobs.

Why put all this at risk especially given the other facts presented which support our claim that no other area can **reliably** and **consistently** supply Central Queensland consumers with a **fresh** high quality product at the same or lower price. In fact the evidence from deregulation else where is that consumers will pay more for market milk. Post farm gate deregulation may result in this happening anyway but as stated previously farm gate pricing and supply management will add stability and reliability to the system and discourage big retailers from excessive mark ups.

Forty percent of the Central Queensland dairy farmers monitor costs and returns via the Qld Dairy Accounting Scheme (QDAS). 96/97 data indicates the following expenditure by them with local businesses

Purchased Feeds	\$8.7 m
Labourer (including management)	\$7.1 m
Capital (depreciation only)	\$2.1 m
Repairs and Maintenance	\$1.6 m
Administration (Telephone, Rates & Insurance etc)	\$1.4 m
Fertiliser	\$1.3 m
Fuel & Oil	\$1.0 m
Irrigation (mainly electricity)	\$0.7 m
Dairy electricity and supplies	\$0.6 m
Animal Health	\$0.6 m
Seed	\$0.4 m

In addition the average farm debt is estimated at \$150000 to \$200000. Much of this debt has been incurred to service the demands of consumers for the reliable supply of a fresh, high quality product. Even a small reduction in farm income could dramatically affect producers ability to service this debt.

Attached as appendix one are letters from the suppliers of some of these goods and services indicating the possible effects of total deregulation on their businesses.

## MONTO CASE STUDY

Dairying is the most important industry to the people of the Monto township and surrounding district. The township and shire population are 1340 and 3060 respectively. There are 38 dairy farmers in the district and in 96/97 they supplied 20.3 million litres of milk

worth \$8.9 million at farm gate. One of Central Queensland's three processing factories is located in the township. It is a manufacturing milk plant which processes the 26 million litres produced in the CQ region which is surplus to market milk requirements. Since QUF industries limited took control of the Central Queensland processing industry in November 1994 it also processes some excess milk from SE Qld regions. The factory employs 42 staff which equals the shire council as the biggest employer in the town. Being a manufacturer plant it is likely to be the processing plant first and most affected by any industry downturn.

The local industry is directly responsible for 258 jobs and an injection into the district economy of \$32.5 million.

Should the disruption caused by total deregulation force the closure of the Monto factory and a downsizing or failure of the producer side of the industry it is conducted that up to 1/2 the township population and 1/3 of the population would be directly effected to the extent that they would need to consider relocation.

### **DIFFERENCE BETWEEN MARKET MILK AND MANUFACTURE MILK FOCUSED INDUSTRIES.**

The Central Queensland dairy industry is a good example of a section of the industry geared primarily to the supply of market milk and the differences in cost structure and management that dictates compared to sections of the industry geared mainly to the supply of manufacture milk. Each year in Central Queensland between 60% and 70% of total supply goes to servicing the market milk requirements of the regions consumers. Experience has shown that this is as high a % as is desirable without causing problems with reliability of supplying the market, unacceptable cost of production increases or inefficiencies of factory operation.

It requires a very even supply of milk year round (see figure 4) and we believe that financial data shows that we do this very efficiently.

Producing milk on a relatively even basis year round does add to cost of production. It means calving cows year round as posed to a manufacturing based industry where cows can be calved to match the flush in paddock feed supply. This issue must be taken into account when considering the implications of total deregulation. If areas currently focused on producing manufacture milk were to look to supply the market milk requirement of regions like CQ then they would have to change their production patterns and their cost of production would increase.

There is a good example of this scenario in CQ with the Monto district group of suppliers. Prior to 1991 and the introduction of uniform payment and quota systems in CQ, Monto producers had the lowest quotas (and market milk percentage) and lowest cost of production in the CQ region. Since the introduction of negotiability of quota in 1991 they have increased their quotas substantially and consequently average market milk percentage on these farms has increased from 51% to 68%. This has increased their total variable cost of production relative to the rest of the regions suppliers by 6c/l (see table below). If you add labour and capital costs the effect of increasing market milk percentage by 17% has increased cost of

production 8c/l. Figure 5 shows the significant reduction in seasonality of supply that has been required by Monto suppliers to reliably service this increase in market milk percentage. Based on these figures we conclude that if a manufacture based section of the industry was to take over supplying the market milk requirements in Queensland and NSW that it would **add a minimum of 10c/l to their total cost of production**. When freight costs are also added it supports our claim that no other section of the industry could consistently supply CQ market milk requirements cheaper than the local industry can.

**TABLE**  
**AV. TOTAL VARIABLE COST OF PRODUCTION (C/L) AND QUOTA % FOR**  
**GROUPS OF CENTRAL QUEENSLAND SUPPLIERS FOR 1988/89 AND 95/96**  
**(QDAS USERS ONLY)**

YEAR	COASTAL PRODUCERS	MONTO PRODUCERS	ALL CQ PRODUCERS
88/89 TVC	21.5 C/L	16.1 C/L	19.8 C/L
QUOTA	69%	51%	65%
95/96 TVC	26.2 C/L	26.7 C/L	26.3 C/L
QUOTA	66%	68%	67%

### KEY ISSUES

#### FARM GATE PRICING FOR MARKET MILK

(a) (i) Central Queensland producers strongly believe that the farm gate price should continue to be set administratively. Our reasons include;

- Past experience shows that both consumers and producers have benefited from this arrangement as previously explained.
- Producing market milk and guaranteeing its continuous supply adds substantially to cost of production as previously explained. This does not seem to be well understood by some sections of the industry which are currently focused on supplying manufacture milk. While these sections of the industry could severely disrupt the market with lower cost milk when convenient to them they could not sustain the practice in the long term without rearranging their production system and increasing their cost of production. The consistent supply of market milk cannot be quickly or easily arranged. It requires long term planning of feed supply and management and calving patterns and a lead time of up to 12 months.
- Farm gate price sets a stable base for retail price. This helps prevent large variations in price to consumers and helps discourage the powerful retail chains from dramatically increasing their margins.
- The Central Queensland industry, like other market milk focused sections of the industry, has undergone considerable change and at substantial cost to become a reliable supplier of fresh market milk for its consumers. Quotas have a justifiable role and value in this type of

milk production system where supplying some manufacture milk is necessary but seldom shows a profit to producers. Any removal of farm gate price and/or supply management would put such an industry at a real disadvantage and we believe there would be a strong case for compensation.

- The difference in price between market milk and manufacture milk at farm gate and retail level is no different to the differential charging for electricity or phone calls based on when the consumer requires the service.
- There are a number of examples where deregulation has increased the price of milk to consumers eg: NZ. There doesn't seem to be any instances where the consumer has benefited.

(b) We believe that the current model is working to the advantage of consumers and producers.

(c) If farm gate price was no longer set administratively;

(i) The factors that would influence farm gate price would be;

- the power and market control of the supermarkets
- the periodic availability of lower cost milk from those sections of the industry geared to supplying manufacture milk
- the cost of freighting milk longer distances

(ii) As is evidenced by other examples of dairy industry deregulation the power of the large retailers would move the farm gate price downwards. This would have consequences to consumers through its effects on the regional economy and employment and by effecting security of supply.

(iii) We predict that farm gate price would vary by  $\pm$  20% of the current price and this would be reflected in large variations in retail price and a higher average retail price over the longer term. Previously experience with deregulation elsewhere supports this claim.

(iv) One of the benefits of regulated farm gate price is that it provides producers of market milk with a reasonable return and a stable and predictable cash flow. If this were removed producers faced with uncertainty of income would substantially reduce expenditure on, capital improvements, employment, debt load, and management practices associated with stability of supply, sustainability, environment protection, long term planning, disease control and product quality. Their ability to service their existing debt load which has been created to reliably supply consumers with fresh quality market milk would be in jeopardy.

CQ Dairy farms are relatively small intensive rural enterprises. It is difficult to see a viable alternative agricultural role for these properties if dairying ceases to be viable. They are too small and too capital intensive to be viable beef enterprises in their own right. With the current profitability of beef the potential for sale to neighbouring beef properties is also very limited. Growing field crops is likely to return only 60% of the current average dairy gross

margin and with much less certainty. Vegetable crop returns, at the better end of price fluctuations, could match dairy gross margins but again with much less certainty. At a \$3000/ha gross margin average for vegetables the area required in CQ to match the dairy industry gross margin would be 5000 hectares. Such a large area would certainly disrupt current marketing arrangements and price of these products. Tree crops are another alternative but require a long lead time and considerable infrastructure. Our feeling is that most farms leaving dairying would be subdivided and sold as hobby farms and add to the associated environmental problems that usually creates.

(v) Where partial industry deregulation has already occurred in Australia the retail price of milk has increased eg: Victoria by 17c/l. Based on this and the New Zealand experience our prediction is that the average retail price for milk would increase by up to 25% with retailers the big beneficiaries and consumers and producers the big losers.

(d) Prices in Queensland would reflect what is happening in other States regardless of farm gate price regulation in Queensland.

## SUPPLY MANAGEMENT

(a) (i) We believe that there is a need to have administrative supply arrangements in Queensland for the following reasons;

- To guarantee the continuous supply of fresh market milk to consumers at a reasonable and stable price.
- The proven record of such arrangements since they were introduced in the 1950's. It should be remembered they were introduced to overcome a problem with milkless days and were the reason the CQ industry changed focus from manufacture to market milk production.
- Because it creates a closer relationship between the industry and its consumers at a local/regional level to the benefit of both. It reduces the risk of supply disruption from a number of causes including natural disasters and strikes.
- It allows for more efficient factory operation and stability of employment.
- Because of the major differences between sections of the industries geared to the supply of market milk versus manufacture milk.
- It aids in forward planning and provides stability of cash flow. These benefits flow on to the regional businesses and economy.
- As stated in the farm gate price issue we believe that producers have a good case for compensation should supply management arrangements, which were introduced mainly to benefit consumers, be withdrawn.

(b) We support a statewide system administered by the QDA or like body. The system we currently have in Central Queensland is not legislative, simple and has worked well over many years. While we support the state wide system being as simple as possible we recognise that because it involves more than one supply group it will need to be backed by legislation.

(c) Such arrangements would maintain stability throughout the industry with associated benefits to consumers, producers and regional businesses and economies as previously explained.

Farm gate price would continue to reflect the higher cost of producing and guaranteeing supply of market milk. We acknowledge that it must also reflect the cost of producing market milk elsewhere plus transport costs.

Supply management for those sections of the industry geared to the supply of market milk helps to contain processing, transport and distribution costs. In association with farm gate pricing it adds stability to retail price and longterm will keep the retail price lower than it otherwise would be. It helps with producer and processor forward planning and provides the stability important to encourage capital investment and the use of environmental sustainable management practices.

(d) If supply arrangements were to no longer apply then the potential for disruption to continuous supply of fresh milk would be large and we predict certain. The only option would be for processor organised individual supply contracts but these would not guarantee the supply of a fresh product at the same retail price or the survival of the CQ production or processing industries.

## LICENSING

(a) (i) Licensing should continue to apply to both producers and processors because –

- We are dealing with a perishable product with important public health and safety implications.
- So that necessary codes of practice can be enforced.
- So that the public can be satisfied that this important food is being harvested and processed in premises which they consider meet a satisfactory standard.

(b) Licenses;

- Give consumers confidence in the quality and safety of this perishable but important product.
- Provide a recognition that minimum standards and acceptable codes of practice are being maintained.

Licensing has only a small impact on farm gate and retail price and we believe that the costs are value for money. They should be administered by the QDA or like body and because the consumers are the beneficiaries they should pay the associated costs.

## **FOOD SAFETY AND QUALITY ASSURANCE**

(a) (i) Milk is a perishable product with important public health and human nutrition implications. We believe therefore that it should have to comply with mandatory and appropriate food safety and quality assurance standards at farm, factory and retail levels. Freshness is of major importance and highlights the value of having the processing of market milk and its production close together and as close to the market as is possible. Consumers in CQ, even those in the far west of the region at Boulia, currently have fresh processed milk available within 24 hours of it being received at the local processing plants.

(b) Milk should have to be harvested in a dairy premises which are considered satisfactory from both a technical and public perception point of view.

- It should be of good quality and satisfactory from a composition point of view. Quality control should include regular checking for above acceptable levels for harmful contaminants such as antibiotic, iodine, and pesticide and other chemical contamination. It should be produced from healthy livestock fed diets free of harmful contaminants.

Standards should be covered under the Food Safety and Public Health Acts and administered by authorities similar to the QDA and the Health Department.

Because both producers and consumers benefit both should be required to contribute to the costs of maintaining these standards.

## **GENERIC PROMOTION**

(a) (i) Milk is a staple food item which has beneficial human nutrition and public health implications. As such we believe that it is important to optimise consumption through honest, effective marketing. Generic promotion has proved to be very successful and cost effective in the past and should continue.

(b) As all sectors of the industry benefit from such promotion we believe they all should contribute to funding. Generic promotion responsibility should be covered by legislation and administered by a body like the QDA.

## CONCLUSION

The Central Districts QDO members firmly believe that the current systems of farm gate pricing and supply management are working to the benefit of consumers and producers and should be continued.

While we don't believe that total deregulation will overtime benefit consumers from either a price, quality or reliability of supply aspect what it is certain to do is to create substantial uncertainty for producers about their income and future in the industry. This will have major flow on effects to the whole of the CQ Region.

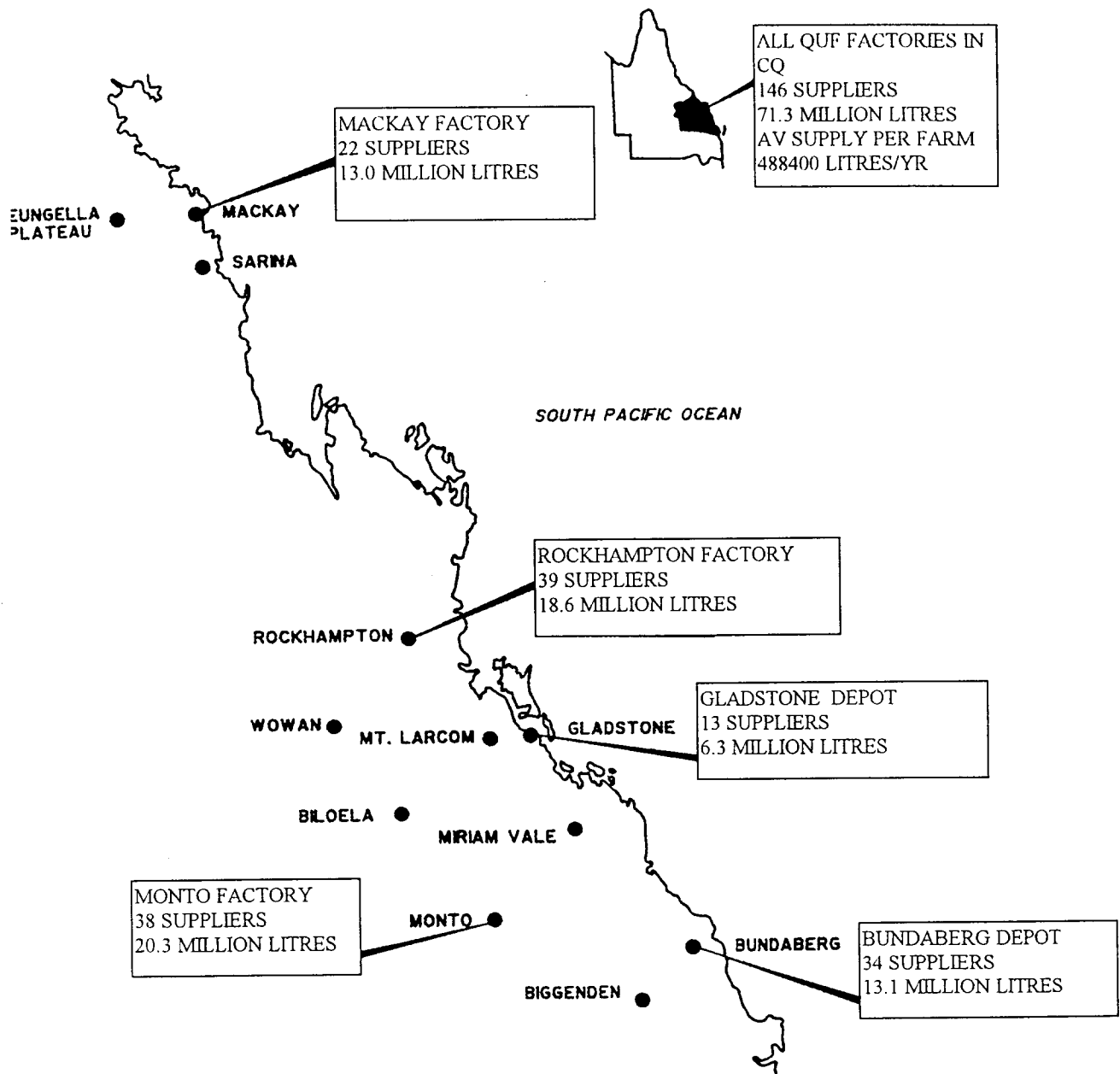
Should dairy farm incomes fall even by relatively small amounts supply will fall. As supply falls factory efficiency is affected and prices fall even further and so the whole effect snowballs.

The impact of this on the Regional economy and employment and on families will be dramatic. Both farm families and those associated with service industries will be split as workforces are downsized to reflect the reduction in the amount and certainty of dairy cash flow. The social implications of such family upheavals must also be taken into account.

Those left in the community will have a product that is not as fresh, not as reliable and perhaps not as safe. A farming industry which has the reputation of being environmentally friendly, sustainable and an efficient producer of market milk at a fair price to all would be replaced with what?



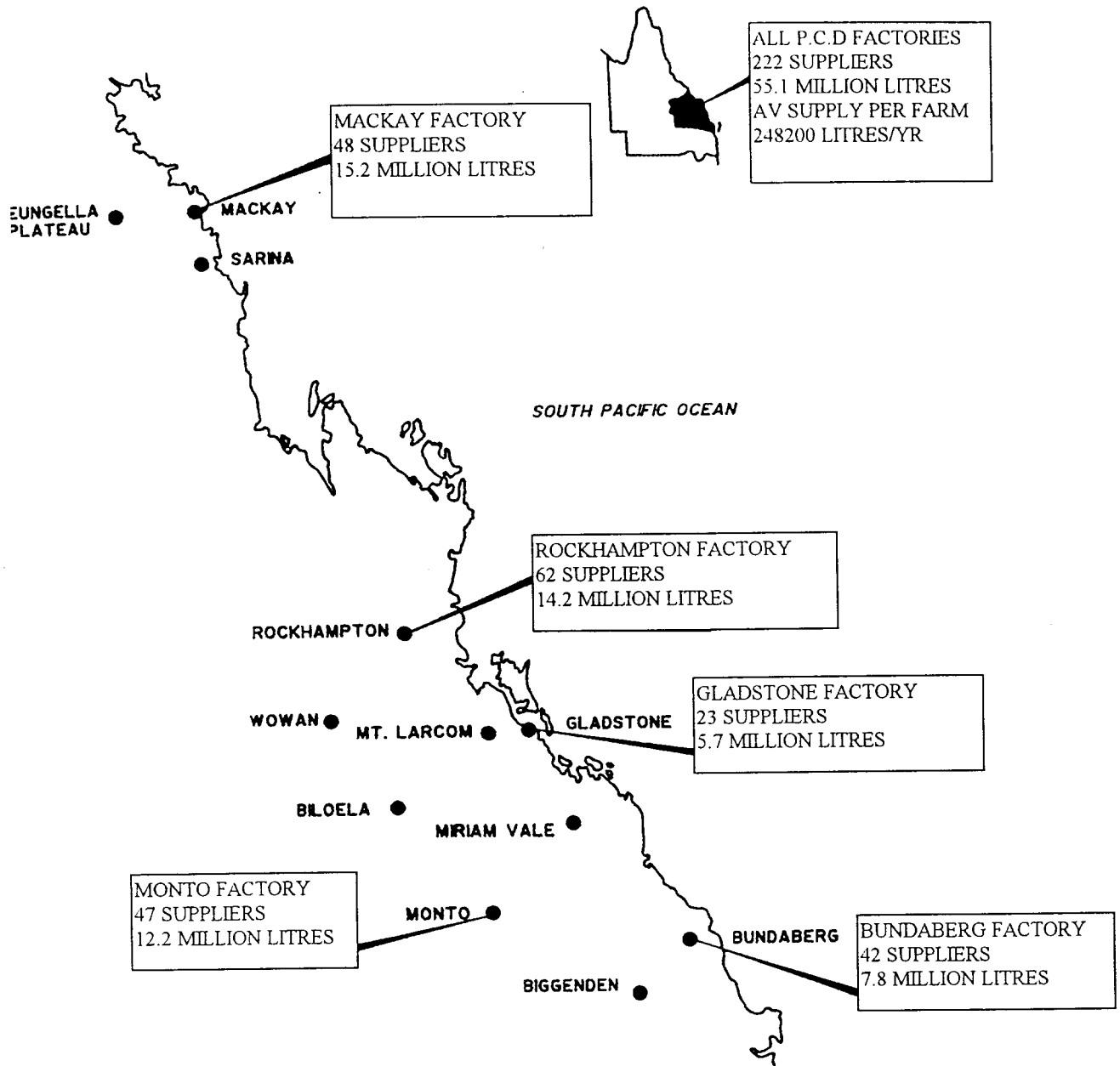
FIGURE 2 - CQ DAIRY INDUSTRY  
1996/1997



MARKET MILK SALES = 45.0 MILLION LITRES OR 63.1% OF TOTAL SUPPLY  
TOTAL FARM GATE PAYMENTS=\$31.2 MILLION OR 43.7C/L  
TOTAL RETAIL SALES VALUE=\$62 MILLION

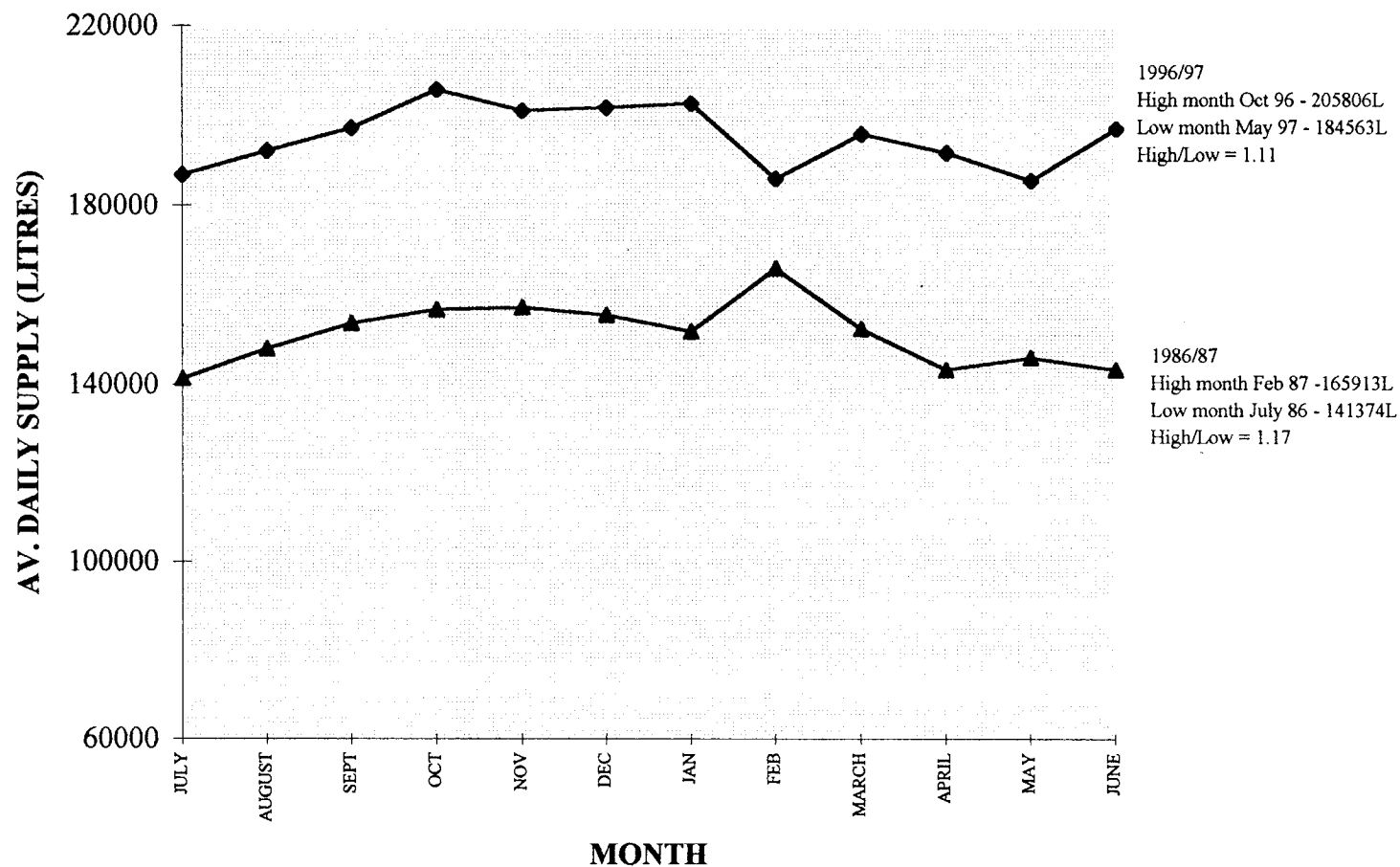
EMPLOYMENT	
FARM LEVEL	285
FACTORY LEVEL	125
AGRIBUSINESS	450 (ESTIMATED)
TOTAL	<u>860</u>

FIGURE 3 - CQ DAIRY INDUSTRY  
INDUSTRY 1986/1987

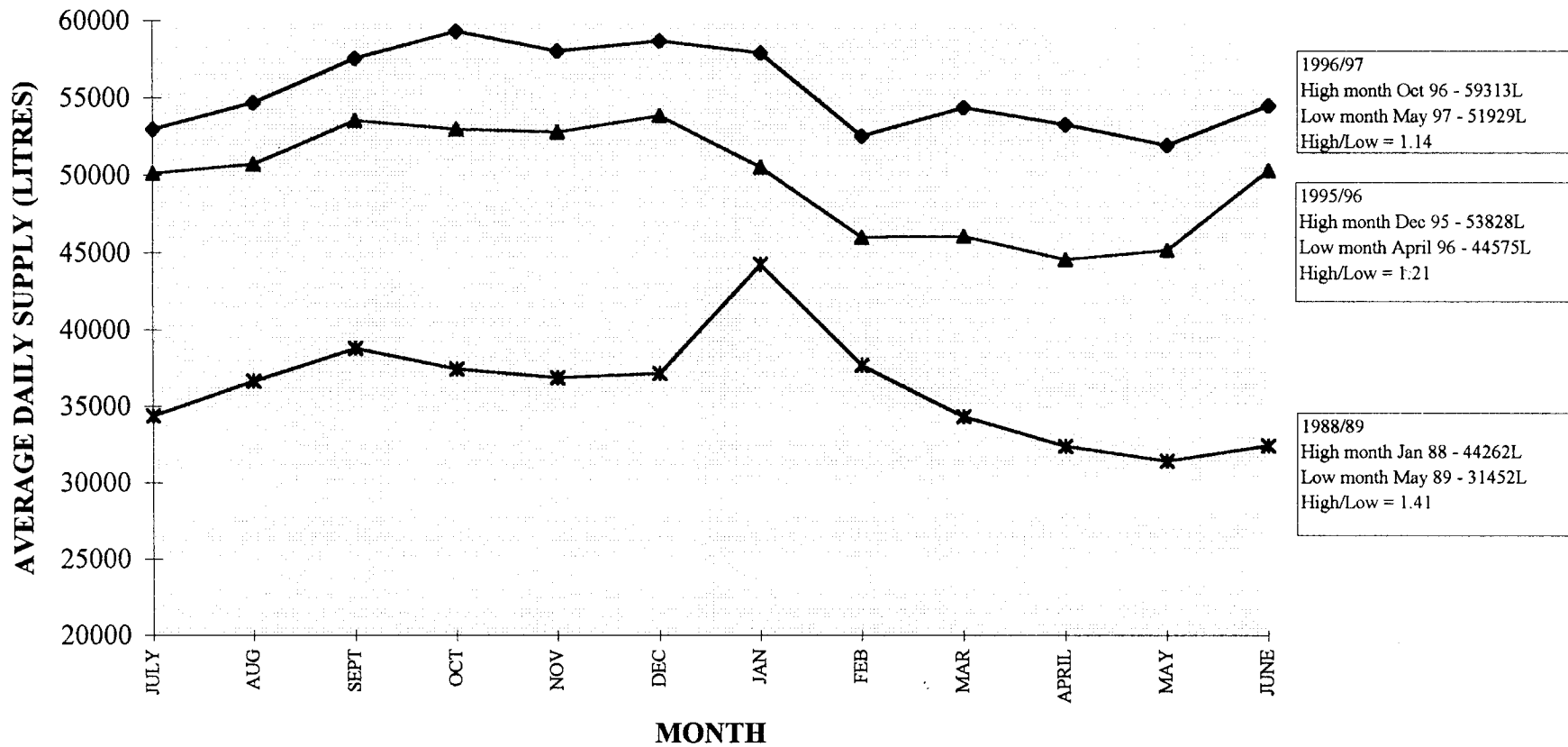


MARKET MILK SALES = 37.0 MILLION LITRES OR 67.2% OF TOTAL SUPPLY  
 TOTAL FARM GATE PAYMENTS=\$18.3 MILLION OR 33.3C/L  
 TOTAL RETAIL SALES VALUE=\$30.2 MILLION

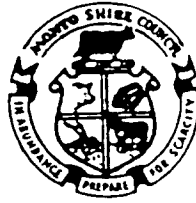
**FIG 4 STABILITY OF MILK SUPPLY IN CENTRAL QUEENSLAND**



**FIG 5 VARIABILITY OF MILK SUPPLY BY THE MONTO  
SUPPLY GROUP 88/89 - 95/96 - 96/97**



Fax: (071) 66 1066  
Phone: (071) 66 1155 (2 lines)  
P.O. Box 216, Monto, 4630  
51A Newton Street, Monto, 4630



Address All Correspondence  
to the Chief Executive Officer, Monto

# MONTO SHIRE COUNCIL

51A NEWTON STREET, MONTO

Your Ref:

Our Ref: LD Hotz: AKL 830.001.000

19<sup>th</sup> September 1997

The Chairman of the Dairy Industry  
Review Committee  
Department of Primary Industries  
GPO Box 46  
BRISBANE QLD 4001

Dear Sir/Madam

Council has been invited to submit to you this letter in support of the Central District Queensland Dairy Farmers Organisation in their submission for a State management system, which includes a secure farm gate price.

## ***THE SHIRE***

The Monto District was proclaimed a Shire in 1932. Through the determination, hard work and dedication of the people who settled the area and those who have continued the Shire has grown from an area of standing scrub and uncleared agricultural land with no town amenities or services to a Shire rich in all agricultural pursuits with public amenities and services that are equal to most other Shires within our State.

Monto has a very strong business section with businesses catering for most needs for the community. Roads within the Shire have improved to cater for heavier road transport and with the upgrading of the Queensland transport Roads and the retention of our Rail Link to Maryborough and Gladstone, Monto has good access to the Ports of Gladstone and Bundaberg and to the Provincial Cities of Rockhampton and Maryborough and relevant Coastal areas.

This district has excellent education facilities from Pre-School through to Year 12 at High School. Tourism is an attraction with the grandeur of Cania Gorge with its various walks and the tranquillity of Cania Dam with its fishing skiing, sailing and swimming. Cania Dam completed in the 1979 offers vital recharge reserve for the Three Moon Creek System. It has a capacity of 89 000 Mega Litres when full.

Other infrastructure within the town include a Post Office, Q Gap Office, Department of Primary Industries Dairy Section, Forestry Office, Capalec Office, a relatively new 21 Bed Hospital, Nursing Wing and Retirement Home.

Monto is dependent upon Primary Production as the Main Industry with the Dairy Industry being the most important to the people of Monto and surrounding District. Other Primary industry pursuits include Timber Harvesting from Kalpowar, Coomingleh and the Kroombit area, Pig Production, Grain Growing, Beef Cattle, and Lucerne Growing.

Queensland United Food Industries operate a manufacturing milk plant within the town. Some 26 million litres of milk produced in the region is processed through this plant. The Dairy Industry is the largest income industry within the Monto Shire employing over 40 persons at the Local Factory. From 38 Dairy Farmers in the District a total of 20 million litres of milk was supplied which contributed \$8.9 million at farm gate. With the Industry facing deregulation fears of dairy farmers having to leave their farms due to reduced incomes is a real fear within our community. With the risk of reduce farmers the future of the Local Milk Manufacturing Plant is questioned.

The impact of the loss or even partial loss of Dairy Industry within the Shire and surrounding district would have a devastating effect on our community. The cash flow to other supporting business houses would be substantially reduced. Business such as Steel Fabrication Works, supporting Government Departments, Schools Hospital, Doctors not to mention the Commercial Shops that are supported by the industry.

Council over the years has endeavoured to improve facilities and services within the Monto Community. It has lobbied governments for the continuation of Rail Services, hospital, Ambulance services, Q Gap, and Department of Primary Industries services, and Police Services. As previously stated all of this infrastructure is in place and plays a major part in supporting the 3000 residents of our Shire.

Any major closure in the industry would have a domino effect in community and services.

The Central District Queensland Dairy Farmers Organisation has Councils' full support for their submission for a state management System that includes a secure farm gate price.

Yours faithfully

  
LD Hatz  
Chief Executive Officer





Caring For Our Community

## MONTO NEIGHBOURHOOD CENTRE

7 Huxley St, PO BOX 97 MONTA 4630

PH: (071) 661 733 FAX: (071) 661 061

Funded by Families Youth & Community Care

9 September 1997

Secretary

QLD Dairy Legislation Review Committee

Department of Primary Industries

GPO BOX 46

BRISBANE QLD 4001

Dear Sir/Madam,

I am writing a letter in support of the Central District Queensland Dairy Farmers in their submission for a state management system, which includes a secure farm gate price.

I am a Community Development Officer for the Shire of Monto. My funding is received from the Department of Families Youth and Community Care. My duties are many and varied, however, I usually come from a "social impact" point of view. It is my concern that deregulating the dairy industry will have many social implications in our Shire. Other than the obvious social symptoms on dairy families such as increased stress, feelings of depression, despair, hopelessness, guilt, shame and health risks, there are many social implications for the community at large.

The Dairy industry is the largest income industry in the Monto area. The industry currently supports approximately 150 farming families and 3 factories employing 125 employees. Locally, the Dairy Industry supports approximately 38 families and approximately 25 employees at the factory. As you can imagine, if deregulation forces Dairy farmers to leave their farms due to a reduced income, the local milk manufacture factory would also be a risk of closing. The implication of this on a Shire of less than 3000 people would be huge. The flow of cash throughout the community would be greatly reduced, thus, effecting town businesses. Also, other local industries (feed & fodder) would be impacted as supply & demand inequities occur. Furthermore, we are likely to see a shift in population as workers move else where to seek employment.

In addition to the aforementioned emotional impacts on families there are many more issues. Marital Stress and strain emerges. The Dairy population becomes an aging one as children and young families do not want to take over in an industry where there is too much uncertainty with regards to income. There is also the likely hood of an increase to Occupational Health & Safety issues as farmers are less likely to employ people and therefore, work longer hours themselves under more stress, often taking dangerous short cuts to save money.

My organisation provides support to the community at large through information, referral and Emergency Relief Vouchers. It is my belief that the demand on the human service industry would increase if dairy farmers were forced to leave their farms. It is also my belief that the Shire of Monto would greatly suffer if this industry was forced out. The Central District QLD Dairy Farmers have my full support for their submission.

Yours Sincerely,

Michelle Crozier

Community Development Officer

M.R. & J.A. Tully,  
"Concord"  
MT. LARCOM. Q. 4695  
27 September, 1997.

Mr Glen Chopping  
4 Cant Street  
NORTH ROCKHAMPTON

Dear Glen,  
Would you please direct this letter to: The Chairman of The Dairy Industry Review Committee.

We are writing in support of the Central Queensland Q.D.O. Submission to try to maintain a regulated industry in Queensland. From the point of view of the Mt Larcom District, we have recently seen a resurgence of younger people becoming involved in the dairying industry. By maintaining the industry, as it now stands, our district can look forward to maintaining employment, viability of farming and the other industries supplying products to the farmers, sustaining the environment and supplying high quality products to the consumer at affordable prices.

Many farmers in this area have either their sons or daughters employed or employ other community members to maintain the productivity of their farms. In order to do this, money has been borrowed to purchase additional land, more dairy cattle and quota and to use for water conservation in an effort to keep their industry viable.

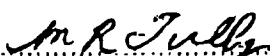
While the price of milk is stable, all of the above activities can be supported. There is growing concern that in a deregulated industry, milk price to the supplier will fall and, as has been seen in other states where deregulation has been implemented, cost to the consumer seems to escalate. This being the case, sales of dairy products will fall and many dairy farmers will leave the industry due to a non-viable situation. These people will then join the ever rising queue of the unemployed.

Associated industries such as fuel, feed and fodder, stock and station agencies, banks, machinery dealers and anyone who is used to being supported by purchases from dairying properties will all have a loss of income.

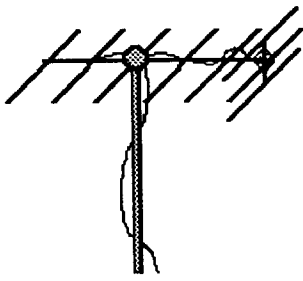
In our district, essential services such as the Ambulance Service, Post Office, the School and the services it receives will be adversely affected as these are allocated in proportion to the population.

In conclusion, we urge you to consider all of these points and make a decision that will benefit the dairy farmer, the consumer and all the associated areas that are concerned. We thank you for your consideration of our submission.

Yours faithfully,

  
.....  
For M.R. & J.A. Tully





## **ROBERTSON ELECTRONICS**

**24 LISTER ST,  
MONTGOMERY QLD  
4630**

**PH: 071 663211  
FAX : 071 663200  
A/H : 071 661236  
MOBILE : 019 483 775  
Email: roboelct@bigpond.com**

**24/9/97**

**THE SECRETARY  
QUEENSLAND DAIRY LEGISLATIVE  
REVIEW COMMITTEE  
DEPT. OF PRIMARY INDUSTRIES  
GPO. BOX 46  
BRISBANE QLD. 4001**

**To Whom it may concern,**

**I am writing to you in regards to the situation at present with our Dairy Farmers, our Milk Factory and the effects they have on our town.**

**We do not support the deregulation of the milk industry as it will not benefit the farmers or the consumers, when something is working very well why do you have to try and stuff it up.**

**Government departments are hurting small bussiness enough with laws and taxes don't go sending half our customers broke, keep your deregulation in your offices where it belongs.**

**OWNER OF A SMALL MIXED BUSSINESS**

**PETER ROBERTSON**

GR + LN PETERS  
Hut Creek Rd  
Ambrose Q.4702

SUBMISSION TO THE QUEENSLAND DAIRY INDUSTRY REVIEW

In the past two years we have had to take out substantial loans to purchase land and machinery to maintain farm viability, due to lack of irrigation water. This enterprise is dry land, with the emphasis on hay and silage to increase production. Our two sons are interested in farm work and this gives them the opportunity for employment, otherwise seeking other employment or being Social Security recipients.

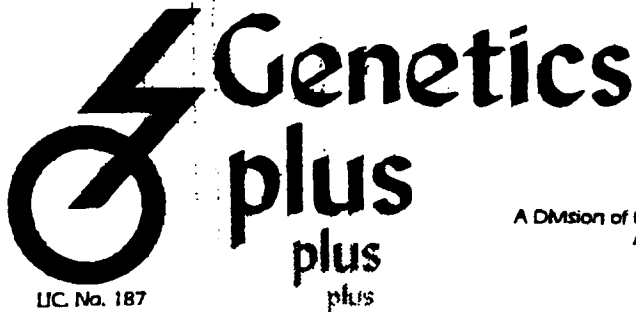
Manufacture milk alone is not a profitable source of income as eight years of QDAS figures tells us that. In the past few years our cost of production has come down and we hope the production cost will continue to decline.

The loans that were taken out two years ago were secured by a guaranteed income. If a reduction of income eventuates our loan repayments are put into jeopardy. Other forms of agriculture pursuits does not give sufficient returns to employ two people and give adequate return on capital.

Consumers benefit from our farm profitability (being average) as transport costs add substantially to the price of milk.

We believe it to be in the consumers interest to maintain farm gate price and supply management.

GARY PETERS.



A Division of Queensland Cryogenics Pty Ltd  
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Fax: (07) 5541 3060  
Mobile: 018 766 556  
or: 018 198 588

26<sup>th</sup> September, 1997

The Chairman  
Dairy Industry Review Committee  
C/- Mr. Glen Chopping  
4 Cant Street  
NORTH ROCKHAMPTON QLD 4701

Dear Sir,

Re: Submission to Dairy Industry Review Committee.

We have been providing a service to the dairy industry of Queensland since 1979 through the supply of Artificial Breeding supplies and equipment and before that through on farm inseminations. We commenced our operations when we took over the Beaudesert and District Artificial Breeding Co-operative Society Ltd and have expanded our business to take in an area stretching from the Queensland New South Wales Border to North of Mackay and west to the ranges.

In 1979 we operated on a part time basis – just a husband and wife team. We now have two trucks on the road full time and employ two part time office staff. We have put a lot of hard work into the success of the business and we rely on our reputation rather than fancy advertising for progress and expansion.

95% of our income is received from the dairy sector. Of the remainder 0.4% is derived from the beef industry, 0.6% from Industrial and Mechanical Freezing and 4% from the Medical profession. Obviously, any reduction in farm income will flow on to us. Of the 95% received from the dairy industry, 30% is received from Central Queensland.

The deregulation of the Artificial Breeding Industry some years ago has been disastrous for several companies. Even now, we are finding small farmer operated "co-operatives" being set up by some one. This is a resurrection of what did not work twenty years ago. There is no control on the handling of the product, nor is there complete service. Surely, a lesson should be learned from the problems, which have arisen because of deregulation in certain industries.

At a time when consumer protection is paramount regulation rather than deregulation would seem to be desirable. Further, consideration should be given to the loss of jobs particularly from small businesses such as ours.

We urge you to carefully reconsider the detrimental affect that deregulation will have on not only the rural economy but on the whole of Queensland.

Yours faithfully,  
Genetics Plus



# Boylans Produce

Telephone 071 - 51 3826  
Facsimile 071 - 53 1698

33A Woondooma Street, Bundaberg, Q. 4670

*Incorporating: BOYLANS GARDEN & PET and BOYLANS GARDEN & LANDSCAPING*

19th August, 1997

## TO WHOM IT MAY CONCERN

With reference to the proposed deregulation of the Dairy Industry, I hereby register my disapproval of such action.

It is my opinion that the industry in its current form offers a competent and cost effective service.

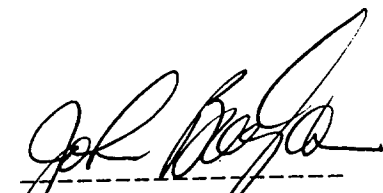
As a major supplier to the farmers in the industry, I am concerned deregulation will have an adverse effect, not only on my business but businesses generally in Bundaberg.

I am of the opinion deregulation will create price uncertainty in the Dairy Farming Industry. This uncertainty will cause farmers to reduce their spending which in turn will flow on to other areas of business. This uncertainty, no doubt, will create anxiety and lowering of morale within the dairy farmers. I see this as a possible burden on Government Departments such as Health, Welfare and Education.

The dairy farmers I supply contribute to a high percentage of my turnover. These customers pay regularly enabling my business to have a constant cash flow. As a consequence of this regular business, I am in the position to employ a regular workforce.

There is no doubt deregulation of the Dairy Industry will greatly effect my ability to employ staff on a regular basis, thus placing a greater strain on the Government's high unemployment problem which exists in the Wide Bay area. I anticipate that without the Dairy Industry's support, I would need to reduce my staff by a minimum of two.

I appeal to those concerned to reconsider the proposal of deregulation of the Dairy Industry and I pose the question to your department "Why fix the Industry if it is not broken?".



John Boylan  
Proprietor