

1033 Greenwell Point Road  
PYREE NSW 2540

9-12-98

Dear Sir,

I am a dairy farmer near Nowra, NSW. A little over a year ago my father and I purchased our present property and invested a lot of money to build a new dairy. We thought dairying had a good future, but now the future for dairying looks bleak indeed. Full deregulation would be disastrous for the NSW industry. The changes that have occurred this year in NSW have meant the price of quota milk has declined by 3.31c/litre – a significant drop in our income. The quota we bought when we purchased the farm has declined in value from 53 c/litre to about 20 c/litre now and would become worthless if full deregulation occurs.

In other countries with full deregulation, farmers have received a big cut in income and the margins for supermarkets have increased significantly. Consumers get dearer milk! The public inquiry into deregulation in NSW recently concluded that there was no net public benefit in deregulating the NSW dairy industry. Since deregulation of the market milk sector occurred the price to consumers has increased, supermarket margins have increased and the income of farmers has declined. Full deregulation (farm gate) in Australia would have similar results. Farmers become price takers, supermarkets gain too much power in the market place resulting in a decline in farmers' incomes.

Deregulation has benefited the Australian economy in some industries, but it would not benefit the economy if dairying was completely deregulated. Investment in dairying would decline, employment would decline and rural economies would be worse off. Dairying, directly or indirectly, employs a lot of people in rural Australia so is very important to rural towns etc.

A lot of regulations have already been removed from the dairy industry. The industry is efficient now and on a world scale is one of the most efficient in the world. Deregulation would reduce farmers incomes so there would be less investment in the industry and therefore less efficiency gains in the future. Consumers wouldn't get cheaper milk!

In summary, our farm income has already declined because of deregulation of the market milk sector. Full deregulation would mean a further drop in income and could threaten our future as dairy farmers. Would there be a future in dairying for the next generation?

Yours sincerely

Stewart Henry