



*Australian Dairy Industry Council Inc.*

# **Federal Budget 2014 | Policy Priorities**

January 2014

## Contents

<b>Overview:</b> A competitive, sustainable and innovative dairy industry.....	3
<b>A significant contributor to the Australian economy:</b> The dairy industry at a glance .....	4
<b>Three Federal Budget 2014 priority policy areas for Australian Dairy Industry Council:</b>	
<b>1. Markets and Trade</b> .....	5
<b>2. People and Workforce Issues</b> .....	9
<b>3. Sustainability</b> .....	12
<b>4. Implementing Government initiatives</b> .....	15

### About the Australian Dairy Industry Council

The Australian Dairy Industry Council (ADIC) is the dairy industry's peak policy body. It coordinates industry's policy and represents all sectors of the industry on national and international issues through its two constituent bodies, Australian Dairy Farmers Ltd (ADF) and the Australian Dairy Products Federation (ADPF)

It aims to foster, promote and protect the interests of the Australian dairy industry by driving a whole of industry approach to dairy policy and the development of the dairy industry.

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*Photos: Dairy Australia*

## A prosperous, resilient and future-focussed dairy industry

*Ensuring that dairy – Australia's third largest agricultural industry – is given the necessary level of focus and support is a priority to help meet present and future challenges and capitalise on global growth opportunities.*

The dairy industry is a driving force in the Australian agricultural sector and will grow and flourish with appropriate recognition and support at a political, governmental and business level.

With the election of the Coalition Government in 2013 we have the opportunity to reprioritise agriculture on the national agenda and put in place the policy settings that enhance the growth capabilities of the dairy industry and Australian agriculture in general.

Dairy is a \$13 billion farm, manufacturing and export industry which employs approximately 43,000 people on farms and in manufacturing plants, with a further 100,000 employed in related service industries. There are approximately 6,400 dairy farmers producing close to 9.2 billion litres of milk annually for a farm-gate value of just under \$4 billion and an export value of \$2.76 billion.

Strong global demand for dairy products, particularly in East Asia where demand for milk powder has reached unprecedented levels, continues to drive new export opportunities for the Australian dairy industry, however market access remains an ongoing challenge.

The recent announcement of a Free Trade Agreement (FTA) with the Republic of Korea was welcome as a step forward on the path to trade liberalisation in Asia. While the deal did not deliver all that the dairy industry hoped for, it will provide access to a range of new opportunities in an important regional market. This positive foundation must now be built upon with commercially meaningful FTAs with China and Japan.

At a farm business level, challenges such as high input prices, water reform, energy costs, labour shortages, low retail milk price and increasing pressure on the value chain, continue to adversely impact the industry.

Dairy farmers and the broader dairy industry are constantly investing, adapting and innovating for a sustainable, productive and profitable future, but there are areas where the Government has the capacity to improve market conditions and create a viable operating environment for this important rural industry.

In our submission, the ADIC seeks focus on the following areas in the Federal budget:

- 1. Markets, trade and farm profitability;**
- 2. People and workforce;**
- 3. Environmental sustainability; and**
- 4. Implementing Government initiatives.**

The value of the dairy industry to the economy, the communities it supports, the health and well-being of Australians and to the environment is a compelling basis for Government attention.

The actions that the Coalition Government takes in the months and years ahead will be integral to securing not only the dairy industry's future, but also Australia's hard-earned reputation for sustainable food and fibre production.



**Noel Campbell**  
Chairman  
Australian Dairy Industry Council

## A significant contributor to the Australian economy: the dairy industry at a glance (2012-2013)

<b>Significance of the dairy industry to the Australian economy</b>	Australia's 3 <sup>rd</sup> largest rural industry (after beef and grains) \$4 billion value at farmgate \$10 billion value after processing \$2.76 billion in exports per annum
<b>Australian dairy industry workforce</b>	Direct employment of 43,000 people Indirect employment of 100,000 people <sup>1</sup>
<b>Number of registered dairy farms</b>	6,398 farms
<b>National dairy herd</b>	1.65 million cows
<b>Average herd size</b>	258 cows
<b>Milk production</b>	9,200 million litres
<b>Average annual milk production per cow</b>	5,525 litres
<b>Milk utilisation</b>	Cheese 33 per cent Skim milk powder/butter 28 per cent Drinking milk 27 per cent Whole milk powder 9 per cent Other 3 per cent
<b>Production of main commodities (tonnes)</b>	Milk powders 333,000 Cheese 338,000 Butter (Commercial Butter Equivalent) 118,200
<b>Dairy – a major export industry</b>	7 per cent of world dairy trade 40 per cent of Australian milk production exported
<b>Global competitors</b>	New Zealand (37 per cent of world trade in 2011), European Union (31 per cent), United States (11 per cent), Argentina (5 per cent)
<b>Australian per capita consumption</b>	Drinking milk 107 litres Cheese 13.5 kilograms
<b>Potential for Growth: Major foreign markets for Australian dairy products (tonnes)</b>	China 129,000 Japan 125,000 Singapore 84,000 Malaysia 52,000 Indonesia 43,000

Source: Dairy Australia "Australian Dairy Industry in Focus 2013"

<sup>1</sup>ABARES "Australian Dairy 08.1 – Financial Performance of Australian Dairy Farms 2005-06 to 2007-08" (2008)

# Creating industry prosperity: markets, trade and farm profitability

## **What is the Australian Dairy Industry Council's objective?**

The Australian Dairy Industry Council seeks to maximise the potential for secure market access and increase value chain returns for the whole dairy supply chain.

This will allow:

- The dairy industry to trade in markets of choice on equal footing.
- Confidence for dairy farmers to invest in industry assets and infrastructure.
- An innovative and efficient dairy industry.

## **Key issues for the dairy industry:**

- An international market where Australian free trade agreement (FTA) negotiations with major trading partners (China, Japan, South Korea) have stalled, in part due to a lack of agreement on investor state dispute settlement (ISDS) provisions. Without FTAs that support lower tariffs on dairy, Australia is at a comparative disadvantage, particularly where competitors have successful FTAs in place<sup>2</sup>.
- The need to recognise the significant efficiency and productivity gains for the dairy industry offered by some regional strategic infrastructure projects. Projects should be prioritised that offer dairy efficiencies in addition to their broader regional benefit.
- The need for certainty of ongoing Research, Development and Extension (RD&E) for dairy, with Federal investment retained or increased on current levels.
- Inconsistency between health and nutrition policy initiatives and dietary guidelines.
- Developing capability for emergency disease response, including preparedness for Foot-and-mouth disease.
- The impact of the high Australian dollar on our export industry.

## **What we are asking the Federal Government to do:**

A competitive and productive dairy industry contributes directly to economic growth for regional communities, States and Australia. A fair market place will ensure dairy farmers stay in business and secure market access will provide enormous potential for growth to the industry and the economy through greater exports.

### **Trade: Expanding into new markets**

- Conclude FTAs, in particular the China and Japan FTAs and the Trans-Pacific Partnership, that provide genuine liberalisation of all dairy products and commercially meaningful opportunities for Australia's dairy industry, to reduce its comparative disadvantage to its major global competitors.
- Increase the number of Agricultural Counsellor postings to help remove barriers to trade (including non-tariff barriers) in key international markets such as Vietnam, the Philippines and Saudi Arabia.

The Australian dairy industry exports approximately 40 per cent of its milk production and the farmgate price in southern Australia is directly affected by world market conditions. Inability to access key markets is a major limitation to the future growth and profitability of the Australian dairy industry. World dairy markets remain some of the most distorted in the world and yet Australian dairy farmers are asked to rely on this market. Dairy farmers require advancements in trade arrangements to maintain and increase farmgate returns. These advancements include both formal trade agreements and support in removing potential barriers within destination markets.

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<sup>2</sup>The New Zealand 2008 FTA with China was worth over NZ\$3.5 billion to the New Zealand economy in its first year of operation. <http://www.beehive.govt.nz/release/new-zealand-china-fta-one-year> - New Zealand Government media statement on NZ-China FTA, 1 October 2009, accessed 27 March 2013

The ADIC welcomes the Government's policy shift on the consideration of investor-state dispute settlement mechanisms on a case-by-case basis, and its renewed focus on finalising bilateral trade agreements with key markets for the Australian dairy industry.

### **Infrastructure: Facilitating growth**

- Create a fund for strategic infrastructure projects beneficial to agriculture and regional communities.
- Deliver on the pre-election promise for funding for current and future rounds of the Roads to Recovery program.

The dairy industry has strong potential for growth as we open up to new markets. Investing in road, rail and port infrastructure will facilitate the growth of our industry and also benefit the rural and regional communities we support. The Government has committed to infrastructure audit, planning, prioritising and establishing delivery timetables. This is endorsed and specific funding for projects beneficial to agriculture and regional communities is sought as part of that infrastructure planning and delivery process. For the dairy industry, improved bridges, roads, and port infrastructure are of particular importance.

Significant transport and road projects not only benefit local communities but also make transport and production more efficient. Infrastructure that is ageing or no longer fit for today's business needs contributes inefficiencies to the industry in the transportation of milk from the farm gate to the processor and ultimately to market, and also provides a disincentive for people to live and work in rural and regional areas.

### **Finance and Risk Management: Providing financial certainty and security**

- Provide ongoing resources for the Rural Financial Counselling Service to offer one-on-one sessions for farmers experiencing extreme financial hardship.
- Introduce a new program, similar to the Commonwealth's \$5,500 Professional Advice and Planning Grants for drought-affected farmers, for farmers experiencing extreme financial hardship.
- Commit to an improved Farm Finance Package including revised criteria for dairy farmers under extreme financial hardship and improved drought assistance measures.

In certain markets and climatic conditions, farmers are experiencing significant challenges, with additional stress from new regulatory requirements. With low or negative profitability and diminishing or negative equity, many farmers are reassessing their future.

The existing support for farmers experiencing severe financial hardship, through the Farm Finance Package is endorsed, but the Package requires improved criteria and options for support. For example, the eligibility criteria for assistance are extremely restrictive such that this support is not actually available for the majority of dairy farmers. Other support programs such as the Rural Financial Counselling Service have demonstrated valuable assistance for farmers in extreme financial hardship, but need ongoing resources committed to ensure ongoing availability. Drought assistance measures need increased funding to support an appropriate package of services and assistance to be easily accessible during drought events.

### **Research, Development and Extension: Investing in an innovative dairy industry**

- Increase total Commonwealth expenditure on agricultural RD&E by one per cent (of total Government expenditure on RD&E) by 2016 to ensure innovation and growth in the dairy industry continues, and boost productivity along the supply chain.

Ensuring an innovative, competitive and productive industry requires continued investment in RD&E. Commonwealth investment in RD&E, along with dairy farmers' and industry's own investment, has been critical in encouraging the industry to grow and adapt to changing practices and technologies. The Government commitment of an additional \$100 million to rural research and development corporations is welcomed and endorsed but continued ongoing investment is needed to support productivity and adaptability.

## Health and Nutrition: Confidence in our produce

- Ensure health and nutrition policy initiatives are consistent with the National Health and Medical Research Council (NHMRC) guidelines, to promote the consumption of healthy “core” foods, such as dairy.
- Provide primary industry bodies and RDCs a seat at the table of all relevant health and nutrition policy forums.
- Ensure that any front-of-pack labelling scheme is supported with funding for a consumer education campaign focussing on how consumers should use the scheme to facilitate healthier food choices consistent with the Australian Dietary Guidelines.

There are many nutrition policies and initiatives in place including the 2013 Australian Dietary Guidelines<sup>3</sup> aimed at reducing current rates of obesity and diet-related non-communicable diseases through healthier food and lifestyle choices. The Dietary Guidelines food-based approach to dietary advice is helpful for consumers and recommends a diet based on the five “core” food groups, including dairy. Consistent application of the Guidelines approach across nutrition policy will assist with the policy aim of increasing awareness of foods that, within the overall diet, contribute positively or negatively to the risk factors of diet-related chronic disease.

The proposed front-of-pack labelling scheme is an example where the association between some foods and health outcomes are misrepresented and the approach is inconsistent with broader health strategies designed to reduce the risk of diet-related chronic disease. Therefore, any front-of-pack labelling scheme must be supported by a consumer education campaign that educates consumers on using the scheme to facilitate healthier food choices consistent with other initiatives, particularly the Australian Dietary Guidelines.

The dairy industry is among the most active of the primary industries in contributing to development of health and nutrition policy. The dairy industry can provide a whole-of-supply chain input to policy development and this can mean our information and position differs from other stakeholders who represent only part of an industry. The involvement of primary producers in policy development should continue to ensure appropriate and workable food and nutrition policy that adds value for the health of Australians.

## Monetary Policy: Ensuring strong and sustainable growth

- Ensure Australia’s monetary policy acknowledges the difficulties exporters face in a high Australian dollar environment, and focus on levers to improve investor and business confidence and reduce interest rates in line with other developed economies.

The current high value of the Australian dollar relative to our major trading partners exacerbates the difficulties our exporters experience in a global market. Declining terms of trade and recent interest rate cuts have done little to reverse the cost of our currency, particularly when interest rates are still high relative to our major competitors.

Government fiscal policy plays a role in influencing the monetary policy of the Reserve Bank when considering interest rates and fluctuations in the Australian dollar. A Government that is measured with its fiscal policy is essential to the economy and to ensuring strong and sustainable growth.

## Biosecurity: Safeguarding our livelihood

- Invest in preparedness for Foot and Mouth Disease and emergency disease response capability and surveillance.

A robust biosecurity regime is fundamental to a dairy industry that is safe, productive and competitive in the international market. Protecting the dairy industry, agriculture and the wider community from biosecurity incidents and being prepared for robust and efficient response to biosecurity issues requires ongoing commitment to investment in biosecurity.

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<sup>3</sup> NHMRC Australian Dietary Guidelines (2013), Canberra, Australia

For the dairy industry, preparedness for foot and mouth disease is a particular priority. Foot-and-mouth disease (FMD) has been described as the single greatest threat of any disease to Australia's livestock industries. A large outbreak of FMD has the potential to reduce Australian Gross Domestic Product by \$10.3 to \$16.7 million, having significant repercussions on our economy. We seek specific funding for FMD preparedness.

The commitment of \$20 million to a biosecurity "flying squad" and biosecurity containment fund is welcomed and endorsed. This requires ongoing funding to provide the capability to respond to emergency diseases to safeguard the dairy industry and Australia's reputation as a safe, clean food producer.



## Investing in dairy capability: people and workforce

### **What is the Australian Dairy Industry Council's objective?**

The Australian Dairy Industry Council seeks to attract, develop and retain a highly-skilled workforce for the dairy industry. This involves increasing the skills and capacity of people, and developing industry education and training options.

This will allow:

- A culture of continuous innovation and adaptation.
- A positive public image of dairy people as professional, values-based, credible and responsible.
- A proud and confident dairy industry.

### **Key issues for the dairy industry:**

- Immigration requirements for dairy workers are unclear, complex and do not provide appropriate paths for dairy farmers to take on overseas workers.
- The *Pastoral Award 2010* does not meet the unique workforce requirements of the dairy industry and needs to be amended.
- There is a skills shortage in agriculture, insufficient graduates from agricultural programs to meet demand and the cost of study is discouraging young people from entering agriculture study.

### **What we are asking the Federal Government to do:**

An educated and skilled workforce is vital to the future of the dairy industry. The dairy industry is experiencing labour shortages across the supply chain and immediate attention is needed to address the issue through the availability of labour sources and flexibility of employment arrangements.

#### **Immigration: Supporting a multicultural workforce**

- Streamline and fast-track the application and approvals process for 457 visas for skilled dairy workers, and reverse the restrictions on 457 visas introduced by the former Government.
- Second a Department of Immigration and Citizenship (DIAC) Departmental Liaison Officer to ADF to assist farmers with immigration matters.
- Extend the duration of 417 and 462 visas from six to 12 months.
- Include dairy on the list of eligible industries for the Seasonal Worker Scheme and on Schedule 1 of the Skilled Occupation List, and revise Australian and New Zealand Standard Classification of Occupations (ANZSCO) skills descriptions for dairy farmers to align with industry skills descriptions.

Faced with labour shortages, many dairy farmers seek to fill vacancies with overseas workers, but have experienced difficulties due to the restrictions and requirements of various visa categories.

There is considerable opportunity to streamline and simplify the application process for Subclass 457 visas. The current application process is complicated, laborious and protracted. Dairy farmers need targeted assistance with visa and immigration enquiries to ensure they are submitting robust applications that are not unnecessarily rejected and/or delayed.

Dairy is a seasonal industry but is not currently on the list of eligible industries for the Seasonal Workers Scheme. Dairy workers are not listed on the Skilled Occupation List and it is difficult to align dairy occupations with the ANZSCO skills descriptions. This lack of flexibility also restricts the types of visa available for skilled dairy migrants.

Overseas workers on dairy farms are frequently travellers on Working Holiday visas. The current six-month limit on working on a farm under working holiday visas undermines

productivity due to high staff turnover and the need to continually source, employ and train new staff. This time limit should be extended from six to 12 months.

### **Industrial relations: Fostering flexibility**

- Remove the 3-hour minimum engagement requirement from the *Pastoral Award* or make it more flexible to acknowledge the unique workforce requirements of the dairy industry.
- Include “milking” under essential services in the *Pastoral Award 2010* relating to penalty rate classifications, similar to “feeding and watering stock” to recognise that milking is an essential part of animal care.

The *Pastoral Award 2010* does not reflect the unique characteristics of working on dairy farms. The Award states that part-time and casual employees are required to be engaged for a minimum of three hours per shift. This minimum was not in the previous (1998) version of the Award. Farmers need to roster workers according to animal needs and this may involve working 1.5 hours for each milking shift to make 3 hours each day, rather than 3 hours per shift.

In addition, the lower overtime penalty rate for essential daily services of “feeding and watering stock” does not recognise that milking is an essential daily requirement in the care of dairy cows. Milking must be performed up to twice daily for the comfort and health of the animal. The Award should be updated to include “milking” as an essential service relating to penalty rate classifications, similar to “feeding and watering stock”.

### **Agricultural education: Investing in the future**

- Classify Agriculture, Agricultural Science, Agribusiness and other agriculture-related courses under the National Priority Band for compulsory HECS-HELP repayments, to prioritise them in the same way as Maths, Science, Statistics, Nursing and Education have been in the past to address skills shortages in those fields, with eligibility conditional on graduates commencing work in a related field post graduation, capped at \$10 million over three years.
- Deliver on the Government’s \$2 million pre-election promise to incorporate food and fibre education into the National Curriculum.

For dairy people already in the industry or for those entering the dairy industry, there is an increasing need for higher levels of skill, particularly in farm leadership and new dairy practices. The number of graduates from agricultural education programs is negligible compared to the number being sought by dairy employers. Australian tertiary institutions produce approximately 700 agricultural graduates each year for an annual job market of more than 4,000 vacancies.<sup>4</sup> The low number of graduates in agriculture-related fields is not only concerning for labour supply to dairy farms, but it undermines long-term efforts to foster sustainability, global competitiveness, innovation and prosperity.

Classifying Agriculture and related courses under the National Priority Band of the HECS-HELP repayment scheme will reduce the cost of full time study from \$8,363 to \$4,520 each year, providing an incentive for students to study agriculture and reinforcing the Government’s commitment to deepening and expanding the skills, capabilities and adaptability of Australia’s agricultural workforce.

Introducing students to food and fibre production and its role in Australia’s prosperity at an early age is essential to generating a strong understanding of where our food comes from and to encourage students to consider a career in agriculture in their later years.

The Australian Dairy Industry Council strongly welcomed the Government’s pre-election commitment towards incorporating food and fibre education into the National Curriculum. We now seek action on this promise to promptly commence building the foundations for a strong

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<sup>4</sup> 2011 Submission by the Australian Council of Deans of Agriculture to Senate Inquiry into Higher Education and skills training to support future demand in agriculture and agribusiness in Australia, p. 1  
<http://www.csu.edu.au/special/acda/docs/submissions/ACDA-Senate-Enquiry-Agric-Education.pdf>

and passionate agricultural workforce in the years ahead, to enable us to support the growing global demand for Australian produce and capitalise on the anticipated “dining boom”.

**Farmer health and safety: Promoting a safe work environment**

- Commit \$1.2 million over four years towards a Farm Safety Assessment Program, providing grants to fund a 3-hour farm safety assessment (at \$300 per assessment) to farmers, conducted by an independent safety consultant.
- Provide the National Centre for Farmer Health with funding of \$500,000, matched by the Victorian Government, to enable them to continue their valuable work in raising on-farm awareness of the importance of health, safety and general well-being.

People are our most important on farm asset, and the health, safety and wellbeing of our people is crucial to the overall sustainability and profitability of our farms. Farmers recognise that providing a safe work environment for their staff is a key responsibility of owning and managing a farm. Farm safety assessments will assist farmers in identifying potential hazards on their farm and recommend measures to minimise risks and ensure the health and safety of their staff.

The National Centre for Farmer Health, based in Hamilton Victoria, aims to combat the high rate of depression, heart disease, obesity, injuries and fatalities among farmers and their family members. Through its award-winning Sustainable Farming Families program, the Centre was at the forefront of delivering specialised rural health services, ranging from farm safety to helping farming families monitor and manage their physical and mental health before its funding ran out in June 2013. A \$500,000 funding commitment, matched by the Victorian Government, will enable the Centre to continue this vital work.

## Reducing our environmental impact: sustainability

### **What is the Australian Dairy Industry Council's objective?**

The Australian Dairy Industry Council seeks to establish the dairy industry as part of the solution for a healthy Australian population, ensure environmental regulation recognises the international dairy market, and ensure the industry maintains the right to access key natural resources that are integral to a successful industry.

This will allow:

- A sustainable industry with farmers operating in accord with the environment and societal expectations.
- Secure and sustainable access to natural resources.
- Confidence and certainty for investment in dairy farm assets.

### **Key issues for the dairy industry:**

- Regulation of water resources needs to be achievable, practical and cost-effective, while optimising social, economic and environmental outcomes.
- The Murray Darling Basin Plan Water Recovery Strategy needs to provide certainty for farmers to plan and adapt. This will be assisted through a clearer plan for capping buybacks at 1500GL, and delivering the 600GL in infrastructure works and 650GL in environmental works.
- The dairy industry is trade exposed and the carbon tax results in the industry being in a less competitive position compared to international competitors. This is not recognised in the current carbon tax provisions.
- The disproportionate effect of carbon pricing on the dairy industry compared to other primary producers due to its high electricity usage.
- Adapting to energy-efficient or alternative-energy technology requires up-front assessment and capital investment that is challenging for dairy farmers in the current market. Grants and programs have assisted up to now and will need to continue for the completion of assessments and conversions on-farm.

### **What we are asking the Federal Government to do?**

The dairy industry is proud of its record in natural resource management and seeks support in continuing our stewardship role. The future of the industry relies on achievable and certain access to the natural resources that are integral to dairy operation. Carbon and energy policy have direct implications for both emissions reduction and costs. Attention is needed to ensure fair policy in our trade-exposed industry, and support for the industry's contribution to emissions reduction through energy efficiency and use of renewable energy.

### **Water management: Ensuring certainty and security**

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| <p>➤ Murray Darling Basin Plan implementation – confirm a clear plan for capping buybacks at 1500GL, and delivering 600GL in infrastructure works and 650GL in environmental works.</p> |
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Without careful natural resource management, dairy farmers do not achieve productive farming systems and profitability. The way Government regulates water availability and affordability will directly impact on the profitability and future of the Australian dairy industry. Dairy farmers in both irrigated and dryland areas are steadily adapting their practices to produce more milk with less water. However, periods of drought or low water availability put pressure on production options, and milk production levels, and this has a flow-on impact on milk companies and regional economies. The Government needs to work with the dairy industry as part of adapting the wider community to reduced water availability.

The Murray Darling Basin accounts for approximately 25 per cent of Australian milk production. With a significant reduction in annual average water available for irrigation, trade and carryover (approximately 26 per cent), dairy farmers will need to boost their productivity by 20-25 per

cent<sup>5</sup> if milk production is to recover to pre-drought levels. Farmers need certainty in aspects of the Murray Darling Basin Water Recovery Strategy if they are to plan and adapt for a tough productivity challenge. The Government's confirmation that buybacks will be capped at 1500GL is welcome. A clear plan is now needed to confirm this cap, the extended period for buybacks, and the delivery of 600GL in infrastructure works and 650GL in environmental works.

### **Energy and carbon: Dairy's contribution to reduced greenhouse emissions**

- Accord dairy processors Emissions-Intensive, Trade-Exposed (EITE) status under any carbon pricing scheme until all major dairy competitors are subject to similar schemes.
- Provide a BAS claim rebate for carbon price costs on power bills for dairy farms, similar to the diesel rebate for cropping and grazing enterprises.
- Ensure adequate funding in emissions reduction programs, including related research, to assist the dairy industry in undertaking energy efficiency assessments, and to transition to renewable energy technology and energy efficient equipment.

The Australian dairy industry is keen to contribute to efforts to reduce greenhouse emissions as demonstrated by our dairy industry target to reduce the greenhouse gas emissions intensity by 30 per cent by 2020.

We note the Government's intention to repeal the carbon tax, and anticipate its prompt removal.

The ADIC has concerns about the transition from the carbon tax to Direct Action, in particular around the timing lag between the conclusion of the Clean Energy Package and commencement of the Direct Action Plan, and the need for policy certainty. These concerns have been articulated in our submission to the Senate Standing Committee on Environment and Communications Inquiry into Direct Action Plan, which can be accessed at: [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Environment\\_and\\_Communications/Direct\\_Action\\_Plan/Submissions](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Direct_Action_Plan/Submissions).

Compared to other primary producers, the dairy industry is disproportionately affected by the current carbon tax due to the industry's high electricity needs in milking machinery, cool milk storage and processing milk. The impact of the carbon tax is estimated to add approximately \$5,600 to \$7,250 per year to the cost of operating an average dairy farm, taking into account both the increase in farm electricity cost and dairy processors passing back their increased costs.<sup>6</sup>

With 38 per cent of milk production exported, the dairy industry is trade-exposed and already has to operate in challenging international market conditions. If Australia retains any type of carbon pricing scheme, the dairy industry needs to be recognised as an emissions-intensive trade-exposed industry with appropriate exemptions, until Australia's major global dairy competitors are subject to carbon pricing schemes with similar impost. To further recognise the impact of electricity costs for dairy farmers, a business activity statement (BAS) rebate should be available on electricity costs for dairy farmers, similar to the rebate that is in place for cropping and grazing enterprises for diesel.

Dairy farmers have been innovative and have made significant progress in energy reduction on-farm. A dairy industry program of on-farm energy assessments has been popular and has identified many opportunities for energy efficiency measures. The dairy industry commitment to energy efficiency is reflected in 40 per cent of dairy farms installing renewable energy technology to date. Energy-efficient equipment upgrades and renewable energy options such as variable speed drives on vacuum and milk pumps, or thermal heat recovery systems, can involve large up-front costs with payback over a number of years. Government commitment to continue programs to support further assessments and support for the capital cost for conversions and technology changes could have direct impact on the dairy industry's emissions reductions.

<sup>5</sup> "Murray Darling Basin Plan – Implications on Milk Production in the Goulburn Murray Irrigation District". RMCG analysis for Dairy Australia, December 2012; available on Dairy Australia website.

<sup>6</sup> Based on Dairy Australia modelling using ABARES data, Dairy Australia website, accessed 12 April 2013: <http://www.dairyaustralia.com.au/Animals-feed-and-environment/Environment/Carbon-tax/Carbon-tax-effects.aspx>

Additional funding is required either through the Emissions Reduction Fund or other programs to take advantage of the opportunity for energy-intensive agriculture sectors to reduce emissions intensity. For dairy, the most cost-effective opportunity to reduce emissions is in transition to more energy efficient farms and factories. The indicative design and funding of the Emissions Reduction Fund would not appear to provide support the dairy opportunities. In addition, certainty is required on funding for continued research under the CFI. Investment in developing methodologies and novel carbon sequestration or abatement opportunities is necessary to ensure opportunities for cost-effective abatement measures, and to protect our international reputation and competitive advantage as a sector that takes climate change seriously.

### **Healthy soils and waterways: Contributing through farming practice**

- Provide funding for on-farm nutrient testing and management plans to reduce farmers' fertiliser costs, boost soil productivity, and keep waterways and lakes clean.
- Provide funding for integrated biodiversity management on farms that boosts productivity, such as shelter belts for stock and fencing off waterways.

Dairy farmers are committed to managing their land and water responsibly for future generations to enjoy, and this includes careful use of fertilisers and other nutrients to maximise productivity and minimise environmental impacts. Around 80 per cent of dairy farmers use soil tests to guide decisions about strategic use of fertiliser to optimise pasture growth, lower costs, maintain animal health and deliver good environmental outcomes<sup>7</sup>. However, financial constraints in a tough operating environment are limiting farmers' capacity to undertake soil testing as frequently or widely as needed for optimal results. There is an opportunity to accelerate the awareness and uptake of nutrient management best practice activities such as "Fert\$mart planning" as part of government programs to improve the health of high-value environmental assets such as the Gippsland Lakes and Ramsar-listed wetlands in the Murray Darling Basin.

Dairy farmers are active in programs to protect and conserve biodiversity, such as fencing off remnant native vegetation and riparian zones on waterways on their properties. Around 47 per cent of dairy farmers actively manage areas for conservation, and more than 70 per cent of dairy farmers have fenced off some, most, or all waterways to protect banks and vegetation from stock.

Government programs have recognised the intertwining of production and broader conservation benefits when farmers are supported in meeting the additional costs associated with improving soil health and biodiversity conservation. Funding programs can successfully leverage farmer co-investment and participation to deliver improved outcomes for both farmers and the environment.

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<sup>7</sup> Dairying for Tomorrow Survey of Natural Resource Management on Dairy Farms' – Report May 2012.

# Implementing Government initiatives: the Agricultural Competitiveness White Paper

## **What is the Australian Dairy Industry Council's objective?**

The Australian Dairy Industry Council seeks to ensure that the needs of the dairy industry are considered as key priorities in Government-led initiatives, whilst also ensuring that recommendations generated from Government reports and reviews are adequately resourced and promptly implemented.

## **What we are asking the Federal Government to do?**

As a \$13 billion farm, manufacturing and export industry, the dairy industry is a significant contributor to Australia's economy, and plays a vital role in supporting rural and regional communities. With the right policy settings, we can continue to be a growth sector and further contribute to Australia's prosperity.

## **Agricultural Competitiveness White Paper: Planning for our Future**

- Provide sufficient resources for the implementation of recommendations generated from the Agricultural Competitiveness White Paper.
- Utilise existing research from the National Food Plan and the Asian Century White Paper.

We welcome the Government's recognition of agriculture as a vital part of Australia's economy, and support the commissioning of a White Paper focussing specifically on the competitiveness of the agricultural sector. However, a substantial body of research already exists, and we seek a commitment from Government that this research will also be utilised, rather than replicated with the Agricultural Competitiveness White Paper.

Many Government reports and reviews have identified the challenges and the opportunities ahead of us. The time has come for implementation of the strategies and recommendations generated from this research. Accordingly, it is critical that key reviews and policy initiatives announced by the Government are given the necessary funding and priority to be advanced with sound process and analysis.

The actions that the Coalition Government takes in the months and years ahead will be integral to securing not only the dairy industry's future, but also in allowing Australia to become a world leader in sustainability, innovation, and food and fibre production.