

Consultation: proposed Victorian food safety regulator reform

March 2025

Introduction

The Australian Dairy Industry Council (ADIC) welcomes the opportunity to present this submission on the Victorian Government's proposed merger of statutory regulators Dairy Food Safety Victoria (DFSV), PrimeSafe and functions within the Department of Energy, Environment and Climate Action (DEECA), and the Department of Health.

We have worked with Dairy Australia in the development of this response, the United Dairyfarmers of Victoria, and relevant dairy processing businesses.

Dairy is the third largest Australian rural industry and a key sector of the agricultural economy. It generates \$18.5 billion in revenue across products and value chains and supports a direct workforce of almost 31,300 across dairy farms and processing. In 2023/24, 32 per cent of milk production was exported, valued at \$3.6 billion. Australia is a significant exporter of dairy products. It ranks fifth in terms of world dairy trade, with a five per cent market share behind New Zealand, the European Union (EU), United Kingdom, and the United States (US).

ADIC is the peak national representative body of the Australian dairy industry, representing the interests of dairy farmers and processors nationally through its two constituent bodies, Australian Dairy Farmers (ADF) and the Australian Dairy Products Federation (ADPF). It aims to create a more prosperous and sustainable future for the local industry and the regional communities that rely on it.

Dairy Australia is the national services body for dairy farmers and the industry. Its role is to help farmers adapt to a changing operating environment, and achieve a profitable, sustainable dairy industry. As the industry's Research and Development Corporation, it is the 'investment arm' of the industry, investing in projects that cannot be done efficiently by individual farmers or companies.

The United Dairyfarmers of Victoria (UDV) is the collective voice of Victorian dairy farmers, representing its members to all levels of government and is the Victorian state member of ADF and commodity group of the Victorian Farmers Federation.

The Australian dairy industry operates under a comprehensive regulatory system which includes the standards and guidance materials published by Food Standards Australia New Zealand (FSANZ), the Export Assurance programs governed by the Commonwealth Department of Agriculture Fisheries and Forestry (DAFF) and the state-based regulations which apply in every jurisdiction. The industry works hard to partner with each of these agencies to achieve excellent levels of compliance, and to ensure it delivers the highest level of safe dairy products to all Australian consumers and those in the more than one hundred countries our dairy products are exported to. It is essential that this regulatory model is neither devalued nor its integrity in any way compromised.

Recommendation

The Victorian Government has cited regulatory efficiency as the driver behind this merger. However, instead of dismantling a system that works well for the dairy industry, the Government should:

- **Retain DFSV as an independent standalone regulator while streamlining coordination with other food safety bodies.**

This merger is an unnecessary risk to Victoria's dairy industry, which generates more than 60 per cent of the country's raw milk supply. DFSV is a trusted, independent, proven and self-funded regulator, and there is no justification for its dismantling.

DFSV's exclusive focus on dairy allows it to effectively manage the individual intricacies of sector-specific risks from production, to processing, and transport/storage. Its strong dairy focused culture and deep industry knowledge enables proactive risk mitigation.

This specialised dairy oversight is enhanced by strong industry collaboration, which can only be achieved by being closely aligned with the industry supply chain. Risks associated with dairy production can differ considerably to other food products and requires a specific technical knowledge and close monitoring of this product category.

The requirement for specific technical expertise, proportional to the size and scale of the Victorian dairy industry, differs from other food sectors and their regulatory bodies due to the unique nature of dairy as a highly perishable product. Dairy is produced daily and regulated across the entire supply chain, from individual farm producers to processors and retailers. This necessitates specialised technical capability and capacity to oversee approximately 3,100 licensees.

DFSV's independent, specialised, and industry-aligned model has set a benchmark, and is not the model that should be eliminated or compromised. It is often referenced by other jurisdictions for their expertise, leadership, culture and pragmatism. Dismantling DFSV could put food safety, and exports at risk.

It risks jeopardising Victoria's compliance with international food safety standards; compromising the levy-funded regulatory model, which ensures dairy-specific investment in food safety; and weakens risk-based regulation, shifting toward a more generic, one-size-fits-all approach unsuitable for dairy.

The ADIC strongly urges the Victorian Government to abandon this proposal and work with industry to find real efficiencies that maintain food safety, competitiveness, and economic sustainability.

The Importance of the Dairy Industry to Victoria

Victoria's dairy industry is a cornerstone of the state's economy, a key contributor to food security, and a leader in global dairy trade. It has built its reputation on world-class food safety standards and a strong regulatory framework.

- In 2023–24, Victoria's 2,768 dairy farm businesses produced 5.3 billion litres of milk, supplying 63 per cent of Australia's total milk supply.
- In 2022–23, Victorian dairy exports were valued at approximately \$2.5 billion and accounted for nearly three-quarters of Australia's total dairy exports, reinforcing its global significance.
- The dairy farming sector directly employs more than 13 000 Victorians, and the industry supports thousands more through dairy processing, transport, and supply chain industries.

The above clearly demonstrate that the Victorian dairy industry, and its associated regulatory framework, is a matter of significance not only to the wellbeing of the Victorian State and economy but also one of National significance,

The Victorian dairy industry needs stability, not disruption. A strong, dedicated regulatory framework is essential to maintaining the high food safety standards that underpin its success.

DFSV's Critical Role in Dairy Food Safety

DFSV is fundamental to the success of Victoria's dairy industry. Its sector-specific oversight ensures Victorian dairy meets the highest food safety standards while maintaining efficient, risk-based regulation. DFSV's model has been proven effective and should be retained.

Dairy-Specific Expertise:

DFSV is a specialist agency dedicated to the dairy sector, with staff possessing deep expertise in all aspects of dairy farming and manufacturing, and across the supply chain – farm, transport, and processing. This investment in specialised knowledge is proportional to the size, scope and scale of the sector enabling a streamlined risk-based regulatory approach, focusing oversight on critical food safety

risks. For example, DFSV identifies high-risk points in milk collection down to an individual farm production level and processing, ensuring targeted intervention.

A multi-commodity food regulator overseeing dairy, meat, eggs, and seafood lacks the same depth of dairy-specific expertise. They would find it difficult to maintain the specialised level of dairy-specific food safety oversight related to temperature controls, pathogen monitoring and processing/handling hygiene standards, which could lead to increased foodborne illness incidents.

Victoria's dairy sector has an excellent compliance record, with consistently high food safety standards and minimal serious incidents over two decades. Repeated independent audits have recognised DFSV's tailored approach as highly effective in promoting compliance.

Risk-Based, Proportionate Regulation:

DFSV employs a flexible, science-based regulatory approach, adjusting oversight to risk. Higher-risk activities receive frequent audits, while lower-risk operations face lighter scrutiny. This ensures resources are efficiently allocated, protecting public health while minimising unnecessary business burdens.

Industry feedback in Victoria has been positive, as DFSV avoids a "checklist compliance" approach, focusing instead on real risk control and collaborative solutions, balancing regulatory compliance with industry needs. Its culture of supporting technical expertise supports informed decision making. With clear points of contact, they are responsive in dealing with the critical challenges a perishable product may face.

In contrast, centralised regulators apply uniform, overly prescriptive protocols across sectors, making tailored oversight difficult and increasing red tape without improving safety.

DFSV's targeted strategy ensures resources are directed towards high-risk areas, minimising compliance costs while safeguarding public health.

Replacing this finely tuned system with a broad-based regulator risks higher compliance costs and weaker safety performance if attention shifts from critical dairy-specific risks across the supply chain – not only for Victoria, but the other states and territories across Australia that look to Victoria for guidance and leadership.

Financial Independence and Proper Use of Reserves

Dairy Food Safety Victoria (DFSV) operates as a self-funded, independent regulator, primarily financed through levies paid by Victorian dairy farmers and processors. These levies ensure that regulatory oversight remains industry-specific, responsive, and free from reliance on general government funding. As of the 2022–2023 financial year, DFSV reported total revenue of approximately AUD\$7.5 million, with the majority derived from industry levies. The organisation's financial reserves stood at approximately AUD\$4.2 million during this period.

These reserves are essential safeguards for the dairy sector, ensuring regulatory stability and continuity. They are not surplus funds available for reallocation or offset against broader government or multi-commodity regulatory expenses. Any attempt to divert DFSV's financial reserves to a centralised regulatory body would be inappropriate and contrary to the intent of levy funding, which is explicitly collected to support dairy-specific food safety and compliance programs.

Given DFSV's independent self-funded model it is highly questionable as to how a proposal to merge DFSV with other regulatory bodies will improve 'regulatory efficiency' without significant risk of compromising dairy food safety outcomes.

Strong Industry Engagement and Trust:

DFSV's success stems from a close working relationship with the dairy sector that fosters effective risk management and knowledge-sharing. As an independent statutory authority with an industry-representative board, it maintains open channels with dairy farmers and processors, offering education and guidance while addressing issues proactively rather than relying solely on enforcement.

The Victorian Auditor-General recognised DFSV's data-driven approach, highlighting its use of "information, education, training and advice" to support compliance, with an external audit praising "the strength of [DFSV's] approach."

This cooperative model fosters a shared commitment to food safety, ensuring compliance is valued rather than imposed. In contrast, centralised regulators operate at a distance, with less industry consultation and a more enforcement-driven approach. While a larger agency might hold broad consultative forums, it cannot match DFSV's close engagement with dairy businesses of all sizes down to an individual farm level or single-plant manufacturer.

Victoria's dairy sector sees DFSV as a partner in safety. A merger risks weakening this relationship, reducing industry input, and increasing regulatory detachment. Dairy operators fear becoming one voice among many in a large bureaucracy, leading to a more adversarial and less transparent system.

Agility and Responsive Oversight:

As a dedicated agency, DFSV responds swiftly to emerging issues in the dairy sector. Its agility is evident when new dairy products or processes emerge, allowing it to promptly update guidelines or adjust licensing criteria. This flexibility contrasts with a large, centralised regulator, which would be constrained by cross-sector bureaucracy.

DFSV prioritises dairy-specific considerations, with decisions made by experts who understand the industry specific technical details. It maintains direct links with FSANZ, DAFF, and international standards bodies on dairy matters, ensuring Victoria remains a leader in food safety.

Unlike other sectors dairy involves the daily on-farm production and collection of a perishable product, raw milk, which cannot be stored or warehoused on farm, nor production be readily 'stopped' as in other sectors. Every day of the year, raw milk is transformed into safe, nutritious dairy products for domestic and global markets – milk, cheese, yoghurt, butter, cream, ice-cream. As a result, rapid decision-making is critical, particularly during food safety incidents. Keeping DFSV independent preserves a specialised, fast-response capability essential for protecting consumer confidence and trade relationships. A broad regulator, lacking DFSV's deep dairy expertise, risks weakening oversight and increasing food safety vulnerabilities.

Integral role of DFSV in Market Access:

DFSV plays a critical role in ensuring the safety and quality that underpin Victoria's dairy export success. Its specialised oversight gives international partners confidence in Victorian dairy, meeting strict compliance and traceability demands from major markets. Through on-farm and processing audits, licensing, and tailored product testing, DFSV ensures Victoria meets the rigorous standards required by importers, enabling strong market access to regions such as the EU, China, and Japan.

Government audits affirm this, recognising Victoria's dairy industry for its "world-class food safety standards and regulatory excellence".

Maintaining this reputation requires consistent, rigorous oversight at every stage of production. DFSV enforces a comprehensive, dairy-specific Food Safety Program for all licensees, with regular risk-based audits ensuring compliance. This system has delivered exceptionally high compliance rates and minimal serious safety incidents. Numerous examples validate the Department of Agriculture,

Fisheries and Forestry heavy reliance on the skills and expertise of DFSV, who audit manufacturers and distributors for domestic and export markets multiple times a year.

DAFF, as the competent authority assigned by governments in most of our international trade markets to guarantee the safety and integrity of Australian dairy exports. DAFF has appointed DFSV as the agency trusted to deliver this guarantee for all Victorian dairy products and demonstrates the value and reputation of the organisation. Merging its functions into a broader regulatory body risks undermining this confidence, potentially jeopardising market access and trade relationships.

From an economic perspective, any regulatory upheaval must be weighed against the potential costs of a food safety failure. Victoria's dairy products command premium positions in domestic and export markets precisely because of their exemplary quality, safety and reliability. A breakdown in oversight – even a single major contamination incident – could trigger costly recalls, trade disruptions, and reputational damage far exceeding the modest gains from consolidation.

In 2012, New Zealand merged its standalone Food Safety Authority into the Ministry for Primary Industries (MPI), a super-ministry overseeing agriculture and trade. The goal was to streamline resources and centralise authority.

However, just one year later, a high-profile dairy botulism contamination scare triggered foreign import bans and cost the industry millions – exposing the dangers of weakened oversight. An independent inquiry confirmed food safety lacked the visibility and priority it deserved within the sprawling mega-agency, underscoring the need for a dedicated dairy regulatory body.

Regulatory Effectiveness

Independent statutory agencies dedicated to food safety achieve superior regulatory outcomes. Their narrow focus allows deep industry expertise and risk-based oversight tailored to specific sectors.

Dairy Food Safety Victoria and PrimeSafe have consistently high compliance rates and very few food safety incidents. The Victorian Auditor-General audit noted “good licensee compliance rates and low levels of...food safety incidents” in those sectors, indicating that the specialist approaches used by DFSV and PrimeSafe “work well to promote compliance”.

In practice, these agencies rarely need to resort to heavy enforcement – in some years they did not prosecute any licensees, reflecting that most businesses met standards without drastic intervention. This track record suggests that a statutory model focused on a single industry or commodity can more effectively uphold food safety standards.

By contrast, integrating food safety into a broad department or multi-sector agency risks diluting focus and creating dangerous regulatory gaps. Examples from Western Australia – without an independent food safety authority – provide a clear warning. Food safety oversight is shared between the WA Department of Health and local governments – an arrangement that has repeatedly failed to deliver robust protections.

A 2021 audit by the WA Auditor General exposed serious deficiencies: overdue inspections, delayed enforcement, poor record keeping and outdated guidance within the Health Department's food safety unit. Some food businesses inspections were years overdue, and enforcement of violations was inconsistent and slow. These failures meant unsafe practices could persist undetected and unaddressed, directly undermining regulatory effectiveness. The audit concluded that systemic weaknesses were reducing the efficiency and regulatory effectiveness of WA's food safety regime. This example highlights the risks of dispersing food safety responsibilities across multiple agencies.

Queensland and South Australia have also wrestled with finding the right regulatory structure. Queensland deliberately retains Safe Food Production Queensland as a statutory agency for primary production (meat, dairy, eggs), separate from Queensland Health’s oversight of food retail and hospitality. This separation ensures food safety in high-risk primary sectors isn’t overshadowed by broader public health priorities. It is also worth noting the scale of dairy production in Victoria at approximately 63 per cent of total national production, far outweighs that of Queensland at less than 4 per cent.

These examples underscore a critical lesson: When food safety is absorbed into large, multi-focus agencies, it often loses the dedicated attention and oversight it demands. A fragmented system, no matter how well-intended, cannot match the vigilance and consistency of an independent statutory body.

Audit and Assurance Processes

Standalone food safety agencies uphold rigorous audit and quality assurance standards. With food safety as their sole focus, they develop robust internal audits, accreditation programs, and continuous improvement cycles. DFSV exemplifies this with its risk-based audit system for dairy businesses, which is externally certified to ensure the highest standards of oversight and accountability:

- the **International Organization for Standardization (ISO)**, an independent reviewer, found DFSV’s processes and continual improvement practices to be exemplary. DFSV’s external ISO-accreditation audit has praised “the strength of its approach” to using data for compliance and education.
- **Australian National Audit Office (ANAO) on Regulatory Effectiveness** has identified systemic weaknesses in broad regulatory frameworks. In examining consumer product safety (analogous in its multi-sector complexity to food safety), ANAO reported “ambiguity in roles and responsibilities” among the various regulators, which led to overlaps, gaps and inefficiencies. Importantly, ANAO noted that when too many functions are consolidated without clear delineation (or when one regulator stretches across domains), accountability suffers. One consequence observed was “inconsistent enforcement” – different regions or sectors were not policed evenly – and this was directly attributed to the centralised structure.
- The **Victorian Auditor-General’s Office (VAGO)** review of agricultural food safety concluded that having dedicated regulators for meat, seafood and dairy was yielding positive outcomes. VAGO observed “good licensee compliance rates and low levels of ... food safety incidents” in dairy and meat, “indicating that the different approaches used by DFSV and PrimeSafe work well to promote compliance”. The specialised model in Victoria was validated by auditors as effectively managing risk. This finding directly undercuts the argument that a new centralised regulator is needed to fix problems – no such problem was found in DFSV’s domain.

Such third-party or performance audits provide assurance that the regulator is effectively managing risks and meeting standards. Moreover, statutory authorities are often required to report on their performance to Parliament or through annual reports, adding transparency and accountability to their assurance framework.

Future of DFSV

Rather than dismantling DFSV, enhanced coordination between DFSV and other regulators could be improved while maintaining its independence. That being:

- **Formal agreements between DFSV and other food regulators** to streamline processes without compromising specialisation. For example, across Innovation & Technology. As the dairy industry evolves, DFSV's expertise is crucial in assessing and approving emerging technologies such as:
 - Ai-driven safety monitoring
 - Alternative pasteurisation methods
 - High-pressure processing (HPP)
 - Novel ingredients (e.g., protein fractionation)
 - Sustainable packaging solutions
 - Emission reduction initiatives (e.g., asparagopsis, probiotics)
- **Shared systems, joint training programs, and coordinated inspections** to improve regulatory efficiency while retaining dairy-specific oversight.

Conclusion

It is evident, DFSV plays a critical role in maintaining Victoria's reputation as a world leader in dairy food safety.

The ADIC strongly urges the Victorian Government to maintain DFSV as an independent, dairy-specific regulator,

The risks of dismantling this model far outweigh any perceived efficiencies of a centralised approach. Instead of merging DFSV, the focus should be on strengthening collaboration between regulators while preserving Victoria's world-class dairy food safety system. It should be on working with industry to find real efficiencies that maintain food safety, competitiveness, and economic sustainability.

We are available and willing to discuss this further to arrive at the right outcome for our sector.



Ben Bennett
ADIC Chair
Australian Dairy Farmers President



John Williams
ADIC Deputy Chair
Australian Dairy Products Federation Chair