



AgForce Queensland Industrial Union of Employers

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21 December 2016

Rob Hansen
Research Director
Agriculture and Environment Committee
Parliament House
Brisbane QLD 4000

By Post & by Email: aec@parliament.qld.gov.au

Dear Mr Hansen

Re: Sustainable Queensland Dairy Production (Fair Milk Price Logos) Bill 2016

Thank you for the invitation on 22 November 2016 to participate in the Queensland Parliament's Agriculture and Environment Committee's inquiry into the Sustainable Queensland Dairy Production (Fair Milk Price Logos) Bill 2016, introduced by the Member for Dalrymple, Mr Shane Knuth MP.

AgForce is the peak rural group representing the majority of beef, sheep & wool and grain producers in Queensland. The broadacre beef, sheep and grains industries in Queensland generated around \$5.7 billion in gross farm-gate value of production in 2014/15. AgForce exists to facilitate the long-term growth, viability, competitiveness and profitability of these industries. Our members provide high-quality food and fibre products to Australian and overseas consumers, manage more than half of the Queensland landscape and contribute significantly to the social fabric of rural and remote communities.

Whilst not directly representing the Queensland dairy industry, AgForce has an interest in supporting fair returns for all Queensland primary producers on their investments of capital, time and effort and in ensuring that Australian food and fibre consumers are well informed in their purchasing decisions and enabling them to more easily support our farmers.

According to the Explanatory Notes, the Bill seeks to establish eligibility criteria and legal protection for voluntary, regionally-specific logos to be placed on containers of milk to inform Queensland consumers that a price which achieves a sustainable gross margin for producing that milk has been paid to the dairy farmer. The Notes suggest that the Bill is in compliance with national competition policies enacted through the *Federal Competition and Consumer Act 2010*.

Important elements in the Bill include:

- the logo as a voluntary market mechanism which processors can choose to incorporate
- addressing regional differences in milk production costs
- providing for a Queensland Government supported (Dairy Accounting Scheme) process to determine a fair minimum price – a 'fair trade' scheme for Australian producers
- price setting to encourage sustainable production and the use of best farming practices and innovation

- setting penalties for the necessary protection of the integrity of the scheme.

The Bill does not seek to mandate drinking milk prices, but would instead empower consumers to pay above minimum market rates should they wish to support local producers. Such support would be a welcome outcome, particularly if it also transferred to other Queensland producers, such as of red meat, grains or fibre. This demand driven approach is also more likely to be sustainable in the long term compared to applying a 'floor price' scheme.

The Bill seeks to require the Minister to take a collaborative approach with dairy farmers and dairy organisations, informed by the most recent QDAS report, to consider the costs and margins of producing fresh milk and decide on a sustainable gross margin. There may also be some value in consulting with milk processors in Queensland in making these decisions, particularly as the Bill makes allowance for an adjusted fair milk price related to the composition or quality of supplied milk.

In deciding on a sustainable gross margin, the requirement to consider how best to encourage sustainable production and the use of best farming practices and innovation in production is very important to ensure that productivity gains and farm performance continue to be incentivised through competitive pressures. This is necessary in order to compete over the long term with Australian producers supplying drinking milk from the southern states.

AgForce would like to acknowledge the efforts of the Queensland Dairyfarmers' Organisation and the Member for Dalrymple in seeking to address unsustainably and artificially low product prices.

Conclusion

AgForce supports a fair return to Queensland producers of agricultural products and enabling domestic consumers to support them through informed purchasing decisions.

AgForce is prepared to further assist the AEC in developing its findings or to provide further clarification in relation to the contents of this submission. Inquiries should be directed in the first instance to Dr Dale Miller, Senior Policy Advisor, or [REDACTED]

Yours sincerely

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Charles Burke
Chief Executive Officer