



Speech by

Mr JIM PEARCE

MEMBER FOR FITZROY

Hansard 19 November 1998

DAIRY INDUSTRY AMENDMENT BILL

Mr PEARCE (Fitzroy—ALP) (2.40 p.m.): I rise to commend the Dairy Industry Amendment Bill 1998 to this House. Before going into the background of this Bill, I would like to read into Hansard a letter that I received from the Central District Council of the Queensland Dairyfarmers Organisation, a copy of which was also sent to the Minister and the member for Rockhampton. It states—

"Dear Minister,

The Central District Council of the Queensland Dairyfarmers' Organisation and the Board of the Port Curtis Milk Supply Co-operative Association Limited have given careful consideration to those recommendations contained in the Report of the Queensland Dairy Legislation Review Committee and fully support the principles contained.

We would urge you and your government to implement the recommendations of the Committee well before 1st January 1999."

It is signed by Beth Jepson, the Secretary of the Central District Council, Queensland Dairyfarmers Organisation.

The reason I wanted the contents of that letter put into Hansard is that, as an elected member, it is very easy for me to stand in the Parliament and support legislation for an industry if I know that I have the support of the industry itself. In recent times, like all other primary producers, dairy farmers in central Queensland have been finding it difficult to survive. Commodity prices, oversupply and drought have been big issues. The dairy farmers whom I know in my area, like most of them, are decent, hardworking people. I sincerely hope that the new direction of the dairy industry will bring strength and long-term sustainability to the industry. That will bring job security to those families who have committed themselves to the milking of our dairy herds.

I wish to outline some of the background to this Bill and the broader economic forces operating in the dairy industry both here and nationally. I do this because members cannot understand what this Bill seeks to do without understanding the context in which it is introduced. In this place much has been said about the National Competition Policy. I am sure that all members would recall that last week all the parties in this place supported a motion relating to that topic. Although these changes to the Dairy Industry Act arise out of a National Competition Policy review, it is very important to note that the NCP itself played a less important role in the conclusions of the review committee. Instead, what was obviously acting on the minds of the committee members, who included representatives of farmers and processors, was the number of changes taking place around the dairy industry that cannot be ignored.

Firstly, there is the likelihood of deregulation in Victoria. This event is of significant importance because of the sheer size of the Victorian industry. It is fair to say that Victoria dominates the dairy industry. It produces approximately 60% of Australia's milk and has the majority of our national herd. Traditionally, Victorians have exported most of their milk. Until recently, that was supported by a Commonwealth subsidy via the domestic market support scheme.

The explicit object of that scheme was to keep Victorian milk out of the domestic market. With that scheme soon to be gone and if Victoria deregulates its dairy industry, we can expect to see aggressive action by Victorian farmers and processors to capture the interstate market share. Although to some extent distance protects Queensland from this incursion, the flow-on effects of Victorian

deregulation of the industry into New South Wales will have the potential to affect Queensland's industry. There will be a wave effect, with Victorian farmers seeking markets in New South Wales, thus creating the situation of New South Wales farmers looking for markets in Queensland. Also, if Victoria deregulates its dairy industry, that will bring down the price of market milk in that State with possible flow-on effects elsewhere. For many years, the deregulation of the industry in Victoria has been mooted, but it is expected to occur at some time following the removal of the Commonwealth domestic support scheme in July 2000. The Victorian NCP review is due to report in mid 1999.

We are also monitoring the outcome of other NCP reviews in other States which, although not as important as Victoria, still have the potential to affect what happens in this State. In that regard, the outcome of the New South Wales NCP review is most important. It provided for a five-year transition period similar to that being proposed for Queensland.

Another significant development is a major process of rationalisation and takeovers throughout Australia. That means that there are now individual processors operating in all States on the eastern seaboard. As national organisations, the processors will naturally want a degree of uniformity in the price that they pay to farmers across the States. If the price falls dramatically in one State, that adds pressure to the price in the other States.

We are also awaiting the impact of post farm gate regulation in Queensland. This regulation expires on 31 December 1998. Post farm gate deregulation will give rise to changes in the marketplace when it occurs from 1 January 1999. That will see the removal of exclusive processor market franchises, exclusive milk distribution areas and the removal of milk price controls at the wholesale and retail level. A five-year transition period from 1993 has been completed, which involved the \$90m distribution restructuring scheme and has seen substantial repositioning of processors and retailers.

Queensland is the last Australian State to complete this process and will now come into line with national marketing practices. In July this year, New South Wales deregulated post farm gate prices. Following this process was a drop in the farm gate price. However, I understand that the price may be increased before the end of the year. I suppose the industry in New South Wales is going through an adjustment period.

The final intervening factor is the impact of the Asian economic crisis, which is yet to be determined fully. Against that backdrop, we must consider the policy embodied in this Bill. The industry itself has accepted that further changes are inevitable. That is not so much because of the NCP but because of the broad factors that I have outlined. Overall, both farmers and producers accept that the changes are necessary to enable Queensland to compete effectively in an increasingly competitive market environment. The industry sought an adequate adjustment period to manage the change process, and this is exactly what the Government has provided for in this Bill.

This Government is committed to creating a dairy industry that is strong and that is competitive and profitable for producers and processors. The Government is determined to maintain a dairy sector in central and north Queensland. It is not prepared to let dairy farmers face the full effect of market forces in one fell swoop. That would result in many farmers losing properties for no good reason, and we know the impact that that has not only on families but also on communities and regions. We do not want to see that happen. These producers need time to adjust, time to decide if they want to stay in the industry and, if they do, time to prepare themselves adequately for market forces. In this way, many farmers who might not have survived immediate deregulation will be ready when it comes. So they are preparing themselves for what will happen.

This Government is aware that the outcome of these amendments will have to be monitored and a further review of Queensland's arrangements conducted, if necessary. So that means that we will be keeping an eye on what is happening and, if necessary, we will make adjustments. Some misgivings are being expressed regarding the unequal balance of market power, particularly with large retailers. However, it is doubtful that the Dairy Industry Act can be justified as the proper avenue through which to address this market power issue given the large range of primary products retailed by supermarkets.

The best way to deal with this problem is to involve the Australian Competition and Consumer Commission, which has the jurisdiction to address this matter. It is the old prices surveillance tribunal and, under the Trade Practices Act, it has the powers to inquire into further unfair pricing practices.

At the recent ARMCANZ meeting, State Ministers supported an approach to be made by the Federal Minister for Agriculture to Treasurer Costello to ensure that the Australian Competition and Consumer Commission carefully monitors conduct in this area. Calls for a review are also being expressed by other industries, including the fruit and vegetable industry. This Government will be monitoring developments to ensure that proper practices occur in the retailing of primary produce commodities. I know that the Minister for Primary Industries will continue to assist producers in this regard.

In conclusion, this Bill does not represent a knee-jerk NCP outcome but, rather, is a considered response to a range of economic forces operating on the dairy industry. The Bill is supported by

industry for just that reason, which is why I wanted to read that letter into Hansard. This Bill allows for change at a pace that can be absorbed by those involved. I commend the Bill to the House.
