



Speech by

JOHN MICKEL

MEMBER FOR LOGAN

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DAIRY INDUSTRY AMENDMENT BILL

Mr MICKEL (Logan—ALP) (12.15 p.m.): This Bill flags the freeing up of Queensland's dairy industries. A number of changes have occurred in anticipation of these amendments, mainly in the processing sector. For example, Parmalat's takeover of QUF gives Queensland a firm with a proven export capability. Also, the very welcome decision by National Foods to establish a processing plant at Crestmead in my electorate is a shot in the arm for confidence in the local economy. National Foods established that plant in my area because it has every confidence, as I do, in the Queensland dairy industry. It recognises that the population growth in Queensland will mean growth in the market milk sector in particular. National Foods and I have confidence that the industry will grow as a result of this legislation. Members of the One Nation Party raised concerns about where the milk would come from. I am assured that it will come from Queensland. Over time, this industry will create 120 jobs in Logan City. That will take time, but ultimately I look forward to the plant servicing not only the domestic market but also the export sector. Both of those changes have occurred in anticipation of a more deregulatory environment. I am a staunch supporter of Queensland's dairy industry. I have every confidence in it and I want to see it grow. However, I want to see it grow particularly in the area of exports. Jobs will be created as the result of an export capability.

I would be less than honest if I did not say that there were aspects of the Bill on which I want some answers. I understand that the farm gate price will be a minimum price and it will be retained for five years. It will be assessed by what is termed "next best commercial options". There is a further suggestion in the Bill that an early review may be required if market forces compel a shortening of the transition process. In other words, the Bill reflects my concerns about the price support over the longer term. Why should we support this minimum price at this point? I do not want to see dairy farmers at the mercy of the big supermarkets. Putting the farmers at the mercy of just four major supermarkets is not my idea of competition. Nor do I believe that at the present time in Queensland there is a genuinely competitive processing sector, which is the other reason that I will support the transition arrangements. If one is going to have competition, one needs it not only in the retail sector but also in the processing sector. I hope that further processing plants are attracted to Queensland to give us that competition.

The Minister is right to be vigilant. The Opposition spokesman has just talked about the Victorian industry and the Asian crisis. However, he did not mention that the Russian market is under pressure. With that market under pressure, inevitably there will be a pressure on the Victorian industry to look to domestic markets. I hope that, over the longer term, the Victorian industry keeps focused, as it has done, on the export market rather than the domestic market.

Over the years, in other industries, such as eggs and bread, deregulation caused immediate price shifts. In both cases, those industries adjusted quickly. As I said, I believe Queensland can use more processors. I ask the Minister to address two concerns that I have about licence applications. As I understand the Bill, the Queensland Dairy Authority will have processors on its board and they will be part of the price-setting mechanism. They will also be part of a licensing system for other processors. The difficulty I have with that is that we are asking new processors to sit on a board alongside the processors with which they will be in competition. Who will open their books in that situation? We will have to be very careful of that.

I note also that the QDA will look at things such as quality assurance. One quality scheme that it has not been able to wrestle with, as the Opposition spokesman said, is composite payments. The

current requirement is that there will be 3% protein in market milk. We need to ensure that the Queensland industry continues to have quality products by ensuring that that percentage is delivered.

I wish to raise a question in relation to another aspect of the Bill. The Opposition spokesman mentioned the entitlements system. This Bill enlarges the entitlements system throughout Queensland. The only hassle I have with the entitlements system is this: over time it has kept younger farmers out of the industry, because the industry gets too expensive to buy into. I am also concerned about the New South Wales industry. My fear is that this will set up the Government for some sort of taxpayer-funded compensation. In particular, I cite the general manager's column in a New South Wales report which stated that "proposals for a compensation or adjustment package for dairy farmers" may be taken to the Government. I hope that this arrangement does not leave the Queensland taxpayer open to a liability to pay compensation.

I also have difficulty with any attempts to lock up the distribution system by existing processors. There is evidence of an attempt to do that. I have sighted one of the contracts and believe that a group such as the ACCC should ensure that there is full competition when it comes to the distribution system. Certainly, one of the processing firms with which I have had discussions has indicated that it will have difficulties in coming to Queensland if the distribution system is locked up.

Exciting things are happening locally in the dairy industry. In particular, I commend to all members a farming operation that I visited at Innesplain, south of Beaudesert. It is a tremendous example of stock-fed dairying, using modern technology for pasturing, milk operations, animal husbandry and value-added fertiliser production. These farmers are looking forward to the day when they can process their own milk in a niche market. Currently, their operation provides employment for nine local people in that factory. They are looking for a new processing plant. They tell me that, if it becomes operational—and they are having a few hassles with the banks because it is an exciting proposal and banks are traditionally financially conservative when it comes to agricultural industries, which is a bit of a shame—it will provide significant employment opportunities in the town of Beaudesert. I commend those farmers for rolling up their sleeves and having a go. I hope that all members can familiarise themselves with that operation, because I believe it is showcase technology in modern dairy farming.

It should not be surprising that I have highlighted a successful local dairy operation. I believe dairying has been the big success story in Australian agricultural exporting. The former Federal Minister, John Kerin, should be commended for starting a process in the late eighties to focus the industry internationally. I have said to members on my side of the House: concentrate on the dairy industry, because it is one industry where there is complete value adding and a developing export capability that is earning significant dollars for Australia.

For example, in 10 years it has grown from being a \$200m exporter to being a \$2 billion exporter this year. All honourable members should focus on this operation, because no other industry has had that level of success. As I said, it has a comprehensive value-adding component. Bonlac Foods is another success story. Currently, it exports \$450m worth of product to over 50 countries, mainly in South East Asia. Kraft Foods exports processed cheese worth in excess of \$100m per year. Its major market is the Middle East. Tatura Milk exports cream cheese, milk powder and milk powder blends worth between \$65m and \$90m per year mainly to Japan and Malaysia. Lactos exports high-value-added soft cheeses worth \$14m—mainly in bulk Gouda cheese—to Japan.

The Australian dairy industry is now amongst the most cost efficient in the world, and this Bill strengthens that process. Australia's membership of multilateral and bilateral trade groups is essential to keep up the process of gaining access for dairy products. Contrary to the popular belief, through those bilateral and multilateral trade agreements we have made tremendous inroads into overseas markets. Earlier this year, Korea reduced tariffs on 182 dairy items, which will give us better access. In July last year, negotiations in Hong Kong were concluded to ease stringent health and quarantine regulations, and that resulted in the first substantial quantity of milk being flown in daily from northern Queensland by Malanda Milk. That is an outstanding achievement. Recently, the Philippines reduced tariffs on milk and cream cheeses. Even though Malaysia is going through difficulties currently, it has also applied a zero tariff on liquid milk, which is beyond its obligations under the Uruguay Round. Australian liquid milk exporters now supply 60% of that import market.

The 26 October 1998 edition of Business Asia highlights the ongoing possibilities for dairying. For example, in South Korea there is ongoing market liberalisation and steady increases in the per capita consumption of dairy products, which will drive demand for imported product. Even though Thailand has some difficulties at the moment, insufficient local supply is driving imported demand for dairy products for consumption in households. In China there is an increased awareness of the health benefits of dairy products, and its Government is encouraging increased consumption.

Export markets do exist there, and over the past 10 years in a deregulated environment the dairy industry has been doing the job of capturing its share. However, the Queensland dairy industry

has had a heavy focus on market milk production. That is the complete reverse of the position in the other States. It is true that in the thirties and forties Queensland had the largest dairy industry in Australia. During those years, Queensland produced as much product as Victoria and New South Wales combined. Ironically, most of that production was in manufactured milk—cheese and butter—exported to the United Kingdom.

After World War II the Queensland dairy industry went into a decline as butter and cheese export markets collapsed, because the UK, which as I said was our largest export market, entered the EC. From 1950 to 1970 the industry contracted, and that devastated many of the towns in the Wide Bay area particularly—something that any member who has visited the area would recognise.

It is hoped that, given the recent success of Malanda in Hong Kong and the export capability of the industry, Queensland will again gain its position as a national leader in dairying. I know the industry will become increasingly export oriented. As I have pointed out already, there are opportunities in Asia. This Bill gives the opportunity to focus outward. It does give the industry transitional arrangements, but it does so with an explicit warning. To that extent, the Bill flags things to the industry such as a five-year time frame.

I know that the Minister has engaged in extensive consultation on this Bill. I want to express my personal thanks to him and to his officers who are seated over there today. I also want to express my personal thanks to the people who have come and lobbied me about this Bill. They certainly have not had a win on every aspect of the Bill, but I must say that it was not through lack of trying.

In conclusion, I want to draw the attention of the House to the comments of Rick Lacey, the chief executive officer of Bonlac Foods, who said—

"The internationally-competitive sectors of the Australian dairy industry can win from deregulation.

...

Deregulation is not coming in the dairy industry, it's here now, driven by government policy, international trade liberalisation, and commercial business forces.

We live with change; it's part of our world. We can choose to adapt or deny it.

It's in the national interest to have an industry that is efficient and internationally competitive."

I believe that the Queensland dairy industry has a great future. I believe it can enlarge itself and can become more export focused. When we get into that processing sector, the jobs will come. I commend the Bill to the House. I thank the Minister for the time he has taken in all the consultations in relation to this Bill.
