



Speech by

Mr M. HORAN

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DAIRY INDUSTRY AMENDMENT BILL

Mr HORAN (Toowoomba South—NPA) (Deputy Leader of the Opposition) (3.21 p.m.): I am pleased to say that the Opposition supports this very important Bill before the House today. Previous speakers have outlined the historical importance of the dairy industry to Queensland. In many ways, the dairying industry has put many farming families on the land in Queensland. In years gone by it was one of the few rural enterprises that people could get into with minimal finance and know that they would have the cash flow of a monthly cream cheque or a milk cheque, depending on the time they got into it.

Interestingly, while the Darling Downs was originally taken up by about nine large pastoral holdings, the next wave of settlement involved the smaller settlers. Many German and Irish families took up small blocks. Settlements started in areas around places such as Nobby and Greenmount and dairying became an integral part of the establishment of the downs. It was also important to some of the soldier settler blocks when dairying was established in areas as far west as Wandoan, Chinchilla and so on. Dairying was very important in establishing the rural parts of Queensland.

One of the things that got dairying started was the need to produce butter for Great Britain. Over many decades there were little dairy factories throughout the length and breadth of the State. When the European common market was established, that whole market of butter to the United Kingdom collapsed. That brought about substantial change in the dairy industry. That change has led us to where we are currently.

At about that time the quota system around the capital city of Brisbane was developed. We have heard about the Dayboro, Gold Coast and Moreton areas—those areas closer to Brisbane. The quota system developed included a penalty for the quota, or a certain percentage of the quota, not being achieved in the winter months, when it was most difficult to produce the quota. Consequently it was very costly to produce milk, because the farmers had to feed grain. They had to bring it in from the downs and other areas. They had to feed pineapple pulp and so forth.

In the late sixties and early seventies there was some major adjustment in the dairy industry with the dairy amalgamation scheme and other such schemes. Many dairy farmers amalgamated. That was the era in which bulk vats were introduced. There was a major shift away from the production of milk on a seasonal basis. In those non-quota areas, calving occurred in the spring months and dairy farmers milked their cows for around nine months of the year and then had two or three months off in the winter. In the quota areas around Brisbane which were producing the market milk for the capital city, farmers were being paid a high price but had to provide milk 365 days a year.

With the advent of bulk vats, herringbone dairies and irrigation and the loss of the European common market, there was a major change in the dairy industry in Queensland. Many of the dairy organisations around the State wanted some access to market milk. As a dairy farmer in the Mary Valley at the time, I was very involved. There were three factories in the area at that time—Nestle, Wide Bay and Kraft at Kenilworth. We supplied Nestle. We were all producing what was called manufacturing milk, which was paid at about half the price of the quota milk being provided by the quota farmers in the south-east corner of the State.

I think this is really when the system of supply management developed. One of the arguments we often put up was that we were able to produce milk 365 days of the year, off irrigated rye grasses in

the winter or irrigated kikuyu in the summer, at a price actually cheaper than the artificially high prices that the quota suppliers were being paid. Their price was artificially high because they had to feed in the winter to keep from being penalised.

In the interests of supply management or rationalisation, we also suggested a book entry. Rather than cart all the milk from the South Burnett or Mary Valley areas to Brisbane, we suggested a system of a book entry or some other practical way of making sure that the milk that went from Brisbane perhaps was the market milk. Ours was all manufacturing milk but then we got an equalisation of price. It could have made a lot of sense.

Gradually we got our foot in the door. We started off with 2% quotas and built up to the system that we have had in recent years of a system of entitlements. Some people had quotas that they bought. In other dairying areas of the State there were entitlements or factory entitlements. The factory may have had a quota of, say, 5,000 litres a day. If the intake for the factory was 10,000 litres, then the farmer supplying it got about 50% market milk price and the balance at the manufacturing milk price.

Since 1993 we have seen a dramatic change right through the dairy industry. In 1993, when there was major deregulation post farm gate, we saw the whole system of distribution of milk change dramatically. All the small milk vendors that were around—lots of small businesses—changed. It changed into a system of different classifications. The dairy industry, through the farmers and processors, put in about \$90m for a buy-out system that compensated some of those people.

One of the things that sadly has been lost by the dairy industry through that process is some of its marketing power. There was a very strong milk vending industry. Virtually every house was attended to by small vendors. They competed aggressively in the delivery of milk. For many people, a milk vending run was a start in small business. I know that a lot of blokes who played football hoped that at the end of their football careers they might be able to buy a milk run or something like that. They had a bit of value and it kept them fit for the rest of their lives. That was a way of marketing and of making sure that the product got around. Certainly some change has been brought about with the advent of flats, units and supermarkets.

That is a bit of a potted history of what has happened. It brings us to this point, where over the last five years there has been dramatic change. A large number of factories and processors have come together to the extent that factories on the downs formed in with Queensco. The likes of the downs, Caboolture and Booval got together to the extent that now there are three major processors in Queensland—Dairy Farmers and Pauls, or Parmalat as it is now, and National Foods. This is all in preparation for handling the so-called deregulation that was supposed to come upon us at about this time. Fortunately, a coalition Government came into power in 1996. We put in place a dairy review committee, which was able to look rigorously at the public benefit test under National Competition Policy to see whether the dairy industry should be exempt from deregulation, particularly up to the farm gate area, in the interests of the public.

The dairy areas of the State are in places such as Warwick, Allora, Clifton, Oakey, Toowoomba, Monto, Gympie, the Atherton Tableland and all the other places that have been mentioned today. All members would know how important the small family farm is—although most of those farms are not all that small. I suppose that there would be around 100 cows on the average-size farm. The Opposition spokesman for Primary Industries mentioned that \$300m a year is paid to the dairy industry in farm gate prices. That \$300m is spent 100% in those townships. It is spent on paying for fuel, feed and irrigation, on getting a mechanic out to fix the irrigation plant, getting new equipment, buying groceries in the local town, and buying vehicles, machinery, cattle and so forth. The dairy industry is extremely important in all those rural areas.

The big worry under National Competition Policy—and it is what we are seeing under National Competition Policy—is a transfer of cash from the country towns to the capital cities or to overseas shareholders. I ask members to consider the risks and the possibilities that we face perhaps throughout the next five years to which this Bill applies or at the end of those five years. Other members have spoken about the risks. Opposition members applaud the fact that, in this legislation, we are endeavouring to provide—and will be providing—a farm gate price. Despite the fact that we are maintaining a supply management system, there will be enormous economic pressures from further down the chain—from the supermarkets, which are endeavouring to bring down the price so that they can "adjust" the price for which they sell milk.

In New South Wales, immediately upon deregulation, despite the provision of a farm gate price and a supply management system, the price of milk paid at the farm gate was forced down under economic pressure, but the price of milk stayed the same in the supermarkets. What effect does that have? Say, for instance, that the farmer is losing 5c a litre on his market milk. The average cow is probably producing about 6,000 litres a year. Half of that is market milk. Multiply that out, and that gives the loss per cow. Multiply that figure by 100 cows, and that is what every farmer is going to lose. That amount of cash is going to be shifted from that family farm in Allora or Oakey to a centre of major

population—to a major supermarket chain, to shareholders or overseas people. That is one of the principal things that is wrong with many aspects of the National Competition Policy.

Many members have spoken about looking after our own and looking after our own family—be it our own electorate or our own State of Queensland. That is why the Opposition is pleased to support this Bill and the provisions that have been included following the nine recommendations of the review committee. This is about protecting our own. Let us not be frightened to use the word "protect". Over the years, the dairy industry has been able to display enormous resilience—resilience in the way in which it has changed its feeding mechanisms and moved to silage or irrigation, and resilience in the way in which it has brought in new-style genetics.

Queensland led the way, through the DPI, with artificial breeding, embryo transplants and so forth. The processing industry has been able to produce many innovative new products. One has only to look at the supermarket shelves to see how important many of those new products are. The dairy industry can face up to great challenges, but it is important that we provide the maximum amount of time and protection for those people, because what we are really protecting are jobs and the economic wellbeing and health of many of the towns and rural communities and, indeed, cities of our State. The money is not only in the country towns; it is there in the warehouses of Brisbane which pack the pumps, the polythene pipes, the drip dips, drenches and so forth and send them out; it is there in the transport industry; and it is there in the processing industry. It is a good, strong, viable industry that is one of the cogs of Queensland's economy.

I join with my colleagues in supporting this Bill. I believe that we will face challenges in the future. One of those challenges is that the Dairy Authority will administer the extension of the farm gate price and the supply management arrangement. A subcommittee will look at future price fluctuations. One of the important challenges for the department and the Queensland Dairy Authority is any future growth that occurs.

It is important to remember those young people who want a start in life in business or on a farm. If there is growth, and if there are young farmers who are getting established or who have been established, then I have a personal belief that they should have the opportunity to share in that growth. That growth should not exist solely for the benefit of those who are really big and have been in the industry for some time. I had the honour of making my start in life on a dairy farm. It was a wonderful life for me and my family, despite the difficulties of the time. However, the lesson for me was that young people who want to have a go deserve some chance. That is why I believe that, looking at the system of growth, there must be some recognition of those younger farmers who are starting out in the industry.

Of course, there will be some real challenges along with that growth. Sales of UHT milk will certainly have an effect in Queensland, because not a lot of UHT milk is presently retailed in this State. We have a very strong processing sector in Queensland, and a lot of research and development will occur within that sector. It is good that we have bipartisan support for this. There is great support for the dairy industry, which is absolutely important and essential to Queensland.

It gives me great pleasure to support this legislation and to warn this Parliament of the challenges of the future. Time is always of the essence. In the dairy industry it costs people a great deal to purchase the land, set up irrigation systems, install milking machines and buy a herd, bulk vats, tractors, equipment and so forth. It is an investment that probably costs on average about \$600,000 or \$700,000, but it can be anywhere between \$600,000 and \$2.5m. It is a big investment for people. It is certainly an investment that gives a return to Queensland and provides jobs for many other people down the chain.

The dairy industry is worthy of the support of this House. I congratulate the Queensland Dairyfarmers Organisation on the sound way in which it has endeavoured to help all sectors of the industry and the way in which it has endeavoured to hold the industry together as one, so that the members are not fighting against each other and there is one strong, united industry. Importantly, I commend the efforts of the members of the review committee, who did their job thoroughly and soundly and came up with nine good recommendations. I am pleased to join with my colleague the member for Crows Nest in supporting this Bill.
