Speech By
Shane Knuth

MEMBER FOR DALRYMPLE

Record of Proceedings, 12 February 2014

MILK PRICING (FAIR MILK MARK) BILL

Second Reading

Mr KNUTH (Dalrymple—KAP) (9.06 pm): I move—

That the bill be now read a second time.

I will be moving amendments to this bill, and I table these amendments now to provide information to honourable members.

Tabled paper: Milk Pricing (Fair Milk Mark) Bill 2013, amendments to be moved by Mr Shane Knuth [4496].

The Milk Pricing (Fair Milk Mark) Bill 2013 introduces a non-compulsory market mechanism to address the competitive imbalances created by deregulation and the unethical marketing practices of the supermarket duopoly. It will give consumers the opportunity to express their support for a domestic dairy industry, outline a program of ministerial consultation with other states' jurisdictions to introduce similar legislative instruments and legislate an ethical market for fresh milk in the Queensland dairy supermarket supply chain.

The bill will introduce a fair milk mark for all milk that is sold in Queensland where a farmer is paid at least 8c a litre above the cost of production. The Queensland dairy industry farm gate generates some $220 million worth of milk production each year from some of the 510 dairy enterprises. After processing, this value increases to approximately $700 million in drinking milk and other value added dairy products. The industry, covering both dairy farming and manufacturing, directly employs more than 2,500 Queenslanders.

The Queensland dairy industry is in crisis, facing serious challenges including the impact of natural disasters, market failures caused by supermarket milk price wars, increasing cost of operation and the need to compete for resources. The Queensland drinking milk supply chain was already under significant pressure before the start of the current supermarket price wars, with regional retail prices being, on average, lower than the national average. Queensland milk production has been in decline since deregulation in 2001. In 2000 there were 1,545 dairy farmers in Queensland. In 2010 there are 610. The number has dropped to 520 and it will be likely to drop to 500 by mid-2014. Reports indicate there have been more than 80 farmers who have left the industry since the supermarket duopoly began its price war over store labelled fresh milk, with more farmers forecast to leave the industry due to unviable terms. But the great thing about this and why I am introducing this fair milk mark is that it is a non-compulsory market mechanism to give consumers the opportunity when they walk into a shop or a supermarket such as Coles or Woolworths and they see that fair milk mark to know that milk comes from Queensland. They know that milk is fresh and they also know that farmers have been paid a fair price for that milk. This is something that is not unheard of, but this is not regulation. This is not deregulation. It is not any of that. This is a market mechanism. It is a non-compulsory mechanism. When the processors have the opportunity to grasp hold of this unforced fair milk mark and pay their farmers a fair price, all the other processors will follow this.

In recent years production has fallen from 523 million litres produced in 2010 to 458 million litres produced for the 12 months to the end of July 2013. This reduction as well as the impact from natural disasters combined with lower farm gate prices caused by retail price gouging by the major supermarkets and rising costs has forced a high number of farmers out of the industry. At the same time package milk sales in Queensland have grown from 497 million litres to 551 million litres. In other words, the UHT brand has picked up. People are buying more UHT and fresh milk has fallen in price. This means that there is a shortage of fresh milk in Queensland to meet the yearly demand of Queenslanders by over a hundred megalitres, forcing milk to be imported from other states.

We cannot produce enough milk in this state ourselves and we have to import milk from southern states, yet our dairy farmers are going broke. We have lost 1,000 in the last 10 years. That is why I am bringing this fair milk mark bill to parliament—so that we can do something and lay the foundations so that the farmers are given a fair price. That is what we are here for. We are here to govern, we are here to do a job and we are here to meet the needs of those farmers and provide a fair price so they can be sustained and stay in the industry.

On 26 June 2011, Wesfarmers' own company Coles launched a national advertising campaign using the Coles generic brand milk and selling it at a discounted price of 33 per cent, reducing the price to $1 a litre. Immediately, Woolworths dropped the price of the Woolworths brand milk to match. The price at other stores followed suit, with some stores such as Aldi cutting the price even further to $1.99 for two litres and $2.89 for three litres. A dollar a litre in the generic sense is an insult to farmers in terms of the capital and the labour that is required to produce that milk.

At the time, Woolworths stated publicly that they thought the pricing of milk at $1 per litre was unsustainable and it would eventually impact on farmers. Since then, consumers have started to call for greater transparency on milk contracts and for more information at the supermarket shelves so they know which product gives farmers a sustainable return. I will say that again. The consumers have started to call for greater transparency on milk contracts—and I will table some newspaper articles that state this—and for more information at the supermarket shelves so they know which product gives farmers a sustainable return. When consumers go into Woolworths or Coles, they see the Woolworths or Coles brand or some other strange brands but not a lot of consumers know what they are buying, what they are getting, where that milk has come from and whether the milk they are buying is keeping their farmers sustainable so they can stay in the industry.

Some might say that everything is working, that we can trust the markets and that Tony Abbott will look after us. This has been going on for over 12 or 15 years, and they did not help us back then. The dairy farmers are saying that nobody is helping them. A railway employee who worked west of Townsville on the Mount Isa line said that we need to do something about our dairy farmers. What did the committee do? They voted this down. They said, 'Do not support it.' The Queensland Dairyfarmers' Organisation said, 'You've got rocks in your head.' Finally, someone is coming out and doing something. Finally, someone is supporting this industry. But the mighty LNP have said, 'Do not support this bill.' Some of the dairy farmers at the public hearing were down there crying because they are going broke, they have no money and they cannot get a return for their product.

Mr Rickuss: Don't mislead the parliament.

Mr KNUTH: Don't you mislead the parliament.

Mr Rickuss interjected.

Mr DEPUTY SPEAKER (Mr Berry): Member for Lockyer, allow the member for Dalrymple to continue.

Mr KNUTH: That is why they appeared via teleconference saying, 'Support it, please. We cannot continue anymore.' What did we get? They were told, 'We can't because we have to be very careful about impacting on the bottom line of Woolworths and Coles.'

It has been estimated that the lost value to our farmers in the reduced farm gate prices has cost the farmers a combined $50 million to $60 million in the last 2½ years and lost opportunity milk sales of around $70 million as milk has been brought across the border. With lower and suppressed farm gate returns combined with these disaster impacts for some dairy farmers, they will not be able to recover. I say 'not be able to recover', and of course it is true that they will not be able to recover because the evidence is there. We have just lost 80 in the last two years, with 1,000 lost in the last 10 years. Some might say that it is pie in the sky, but it is just going down, down, down, down.

During the public hearing, we heard from dairy farmers who turned over $800,000 but who did not make a profit. The effect of an $800,000 business leaving a small community like Malanda is devastating. This is beyond the failure of a single business; this is an issue for regional communities that depend on dairy to survive. Queensland continues to demonstrate population growth. It is clear that the market imbalances—

(Time expired)