

DAIRY UPDATE FROM SADA

Monday 26th February 2001

This is just a brief update to keep you informed as to where we are tracking.

Frank, Jaylene, and myself have all planned a heavy program out in the field with industry between now and the Central Council Meeting (14th March), but remember we are only a mobile phone call away.

INDUSTRY PROFILE.

Deregulation.

There has been some press interest on how the industry is coping with milk price deregulation and the continuing rationalisation of our industry. I thought the comments by John Burgar in the Advertiser (21st Feb.) summed up what a lot of dairy farmers are thinking. I did a segment for the ABC program, STATELINE, earlier this week (to be shown at 7.30pm Friday 2ND March). Your feedback on how we are presenting the situation would be appreciated.

Talking up some of the regional positives.

Consumers are enjoying cheaper milk, dairy farmers are getting less for the milk and therefore because of the increasing costs we are going backwards. It is not a good picture. We now have to do what we can to turn the situation around. I think it is important to communicate with the community what we are trying to achieve, why it is important we succeed, and how the Governments and Companies can be part of the plan.

From memory for that show (STATELINE) I used the case of dairy farming on the Murray Swamps. Currently this industry sector is engaged in a "proactive" plan to allow for the ecological sustainability of the farming system alongside our precious river (potentially a major challenge). We are working with the companies, and shortly the SA Government to fund a "world class"

export manufacturing factory on the river.

This will allow our industry to have joint access to both the fresh milk and export markets as their profitability change. We are promoting milk from this region as of exceptional quality, which is true. There is interest from other buyers thus creating, hopefully, more marketing options. Growers are seeking SADA assistance in assessing the current value of their produce and this is an area we may need to gather more expertise.

Good community members (dairy farmers) contributing to the environment.

The EPA is currently completing the "run-off" audit in the Adelaide Hills so lets keep the image up.

The audits have gone well in the other regions but I expect the Hills to be more sensitive. One report has come out in the Courier so we will attempt to balance this with some positive stories.

MILK PRICES.

Milk prices.

I must admit that milk prices have tended to dominate our time and thinking. Even though export is a very small part of the business for both National Foods and Dairy Farmers the continuing strong export market will assist all SA dairy farmers, not just those in the SE delivering into the predominately export processors.

Another way of looking at the situation is to make the most compensation available to the States where the current milk prices are the lowest. It will be interesting to see where the ADFP comes out on this issue this coming Thursday in Melbourne.

Democrats.

Thursday morning Frank and myself had breakfast with the Democrats. They had their national team, except Senator Woodley, here in Adelaide. So we had quite a chat with Meg Lees, Ian Gilfillan, Mike Elliott etc. Democrats holding the balance of power in SA is a possibility after the next election. They actually sat me next to Meg Lees so I had about an hour of a "one on one" situation. One of the most productive strategies for industry is to influence "dairy policy" for the parties.

SA Liberals.

Today we meet with the staff of the Deputy Premier (Cabinet sitting) and we are moving through the issues.

SA Labor.

We are waiting on Annette Hurley (SA Australian Labor Party) to give us a time for our meeting.

National Party

Through the ADFP several meetings have taken place with the National Leader of the Country Party, John Anderson. Obviously from the page one headlines of the Financial Review on Thursday 22nd Feb. he has decided to come out strongly. He has identified the down side of "competition policy" for rural industries (when insufficient attention is not given to those affected), the challenge to existing agricultural marketing arrangements, the treatment of rural family trusts and of course fuel prices. "Too late she cried", for the SA Branch of the National Country Party because on Friday they announced they were separating from the national "National

Country Party" because they were not seen to be standing up to the Libs on country issues. The recent move has opened up a remote chance of some State funding from the NCP payments.

Agri-politics.

Last week Frank and myself had a long meeting with the SAFF President (Dale Perkins). Earlier in the week we had a private luncheon with the President of the NFF, Ian Donges, also on industry policies and politics. My attitude is quite simple. There are things that SAFF, NFF, ADFP and ourselves could be doing better. Given the critical financial situation of our members we should be "up and doing".

SO THERE IS A LOT HAPPENING

South East Water Issue.

Members in the South-East appreciate the tremendous importance of the current debate on the future arrangements relating to water. **Millions and millions of potential dairy industry dollars and development is at stake here.** SADA is working closely with Gary Spain to deliver the best possible outcome.

FUTURE INDUSTRY STRUCTURES.

Frank and myself have put in a significant effort over several months as part of the working group, still many key issues remain unresolved. The SADA Executive have written to the ADFP identifying areas of concern and seeking feedback from Pat Rowley at the Central Council Meeting in March. The simple objective is to make sure industry has the right team, with the right approach, and the best use of limited funds, to bring about a better future for dairy farmers. ADFP will know when they have it right

DAIRY UPDATE FROM SADA

Thursday 29th March 2001

We are thrilled to report that Jenny is back and it is great to hear her bright voice again. She wishes to thank members for the flowers and gift.

It was pleasing to get some positive feedback at the recent Central Council to the Newsletter. Currently we are working towards replacing the Journal with a more frequent sequence of "updates". We will make more use of e-mail and fax communication. Down the track we should be able to link together a Dairy Web site with dairy news, competitor prices together with your own information (only accessible by you).

MILK PRICES. Victorian Processors.

There is a continuing strong market for the export products and a commitment of the Victorian Co-ops like WCB and MG to share the extra returns with members. It is expected that South East Farmers delivering to Victorian manufacturing companies may end up with annual prices slightly higher than the rest of South Australia.

This is to be expected given the current international market and the low dollar. However, as Byron Gilmore reminded me recently, the export prices were about the same in '95, the dollar was in the 70 cent exchange range, and the companies were paying the same as now. So you would have to think with the 20-cent difference in the dollar that we should now be getting more. The answer lies between the companies putting profits into reserves, paying more, and waiting for the additional sale returns to come through from the market.

Further to these prices, De Cicco are continuing to push the price up and John McLean (General Manager of Warrnambool Cheese and Butter) is confident of at least matching Murray Goulburn. As I write a further WCB price rise has come through.

By the way our visit to WCB was most enlightening. In my reply letter to John I wrote:

"Thank you for your frank assessment of the current marketing environment. I was very impressed with the way you have actively "chased down" profitable export market opportunities to the benefit of our industry. I

must admit I left feeling "lifted" by your positive outlook."

I think there is little doubt that the higher export prices is transferring into a "price push" for the predominantly market milk companies. Currently there is a strong demand for milk in the market and companies are looking to secure supply by offering competitive prices.

Dairy Farmers' Price Increase.

One of the pleasing features of the announced increases is the fact that South Australia has fared better than the other States. For example; the one-cpl rise in the Daily Milk only applies to SA and the Riverina. The State price differentials was an issue Frank and myself raised earlier in the year in

Sydney with Ian Langdon and John Bywater (General Manager Milk Supply and Rural Service).

Details of the price increases are in the mail so there is no need to repeat them here.

Frank and myself had a very productive meeting last Friday with Trevor Connor, John Bywater and Greg Gilbert. It was pleasing for SADA to be invited to the Dairy Farmers' briefing on the plans for restructuring their company on 12th April. We are still discussing the proposal for a company briefing for the new SADA Board in Sydney.

During the week Ian Langdon not only supported, but strongly advocated, ADFP regularly publishing price comparisons between the companies. He is

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Food for Life" program. You will see the advertisements on the TV. They are very well done.

Unfortunately there was not time at Central Council to discuss the proposed new development of the Show Dairy Hall, but there are changes underway. The major change is the incorporation of a "Milk Bar" into the expanded Hall. The development costs are to be recouped over the coming years for the profits from the Milk Bar. Frank has written to the ADC supporting their role as the "banker" for the project. Special congratulations go to Bob Snewin for coming up with a great concept and handling the negotiations with the Show Society who also have played an important role in containing the costs.

SADA Finances.

While the approved budget for the coming year has the same bottom line, there are some initiatives to improve fees for delegates, gaining additional private funding (consulting arm) and seeking more members.

Structural Adjustment Payments.

At last the final payments are going through. Only the disputes remain to be sorted out. You will hear a lot of "political talk" around elections about additional enhancements to the program but further changes are most unlikely. However, it is true that last week at the meeting of State Ministers of Agriculture (ARMCANZ) it was decided to reconvene the previous "High level working group on Dairy Deregulation". The major roles for the group will be to monitor the impacts of deregulation and discuss the prospects for additional initiatives aimed at alleviating identified issues. The only obvious way of achieving additional Commonwealth funding would be to extend the life of the scheme from 8 to 9 years.

There is continuing criticism of the National Competition Policy. Western Australia's new Minister for Agriculture, Kim Chance, has stepped up the criticism of the impact of the national competition policy on regional Australia, declaring it a "complete failure" that was leading the country downhill.

"When national competition policy is used to bring down one of our most efficient

industries- the WA dairy industry- and when the net effect is to transfer wealth and resources from regions to the city, then we have to reassess the outcome."

Commonwealth Politics.

Frank and myself will be catching up with the Minister, Warren Truss, on the 10th April at the Rural Media luncheon. In his electorate in Queensland the dairy factories at Monto and Mackay are set to close. So he should be aware of the consequences as much as anyone.

Announcing the closures Pauls General Manager said:

"We had no way of ensuring supply. Milk production in Queensland is declining as farmers leave the industry in response to lower milk prices caused by National Competition Policy"

As previously mentioned the Shadow Minister, Gavan O'Connor, is coming to SA later in April and we are hoping to put him in touch with farmers in the field.

State Politics.

This week the Minister met with the Dairy Authority. It is important we keep these services cost-effective. The Central Council was given early advice of the membership of the Dairy Industry Development Board. Perry Gunner will "Chair" with the other farmer reps; J Mann, C. Schofield and F. Beauchamp. An important appointment to this Board is

Calvin Boyle, the chief of the cheese making business for Dairy Farmers. Here in lies a very real opportunity to get a modern cheese exporting plant for South Australia. Brenton Higgins (National Foods) is also on this committee and he has often championed the cause for a modern cheese factory.

Electricity Prices and Contracts.

At Central Council we discussed the lack of progress being made by AGL and the electricity people regarding advice to industry on future pricing structures and options. The following day the Advertiser carried an article further adding to our concerns. The issue is bound to remain in front of the public now that both the State Auditor and the SA Independent Industry Regulator are warning of significant rises in

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Newsletter.

There is a new Weekly Dairy Newsletter on the market. Central Councillors have been invited to give it a trial. It will come via the e-mail. It is simply called "Dairy Week".

Casual Labour.

Mike Weatherald and Geoff Moule have raised the issue of attracting and contracting appropriate casual labour. As part of the affiliation with SAFF we cancelled our relationship with the Chamber of Commerce and SAFF, as part of the fee (currently we pay SAFF \$50 per SADA member), has undertaken to carry out this service. I also raised this important issue during my meeting with Rhonda Baker and she has arranged for Jennifer Corkhill to attend to the matter. The shortage of labour in rural industries is a common concern, so we will monitor this issue to see if there are lessons that may be relevant elsewhere.

REMINDERS.

2001 Sharefarmer of the Year.

This competition is on again and is open to all SADA Sharefarmer members. Submissions will be judged on:

- Property & Livestock Management
- Pasture & Feed Utilisation
- Strategic Planning

- Financial Management

Applications close on Friday 4th May. So sharefarmers look out for your application form which you should receive shortly. For further details please phone Jaylene on 08 8293 2399 or 0419 035 459. Winners to be announced at the DIAA/SADA Annual Conference on June 5th 2001.

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Happy Milking,

Ken

2001 DIAA/SADA Annual Conference

'The Next Generation Dairy Industry'
Tuesday June 5 2001

Adelaide Festival Centre

Register and pay before May 14th for 'early bird' rates

See enclosed Conference Program and Registration Form

Phone SADA Office for details

DAIRY UPDATE FROM SADA

Thursday 19th April 2001

The week before Easter saw some important steps forward taken by the South Australian Dairy Industry. Unfortunately the week also saw a very "mixed bag" in relation to the performance of our politicians.

But overall the industry is moving forward.

I look forward to meeting many of you at the Branch and Regional meetings in May.

The New SADA Board.

The tentative date for the first meeting of the new Board to meet is Wednesday 2nd May. At the first meeting the Board will elect a President and this will then allow the election of an additional Board Member. The new Board may also consider the allocation of portfolio responsibilities.

I guess the key objective for the SADA Board is to be effective in attempting to improve the financial returns to our industry. In this regard we will be attempting to bring together for the Board good advice (economic, strategic and political) and an active regional network that can provide the "strong industry voice".

Congratulations to all who stood for the elections and the new Board (with one more to come) is as follows:

- South East
 - Gary Spain
 - Peter Edmonds
- River and Lakes
 - Roy Dalitz
 - Jeff Wright
- Fleurieu
 - Phil Kernick
 - Sue Varcoe
- Adelaide Hills, Barossa and Northern
 - John Nietschke
 - Ken Smith

Ian Langdon has asked me to pass on an invitation to the new SADA Board to meet with the Senior Dairy Farmers team in Sydney. The invitation is for the entire Board not just the Dairy Farmers members. The offer includes paying the expenses while in Sydney.

Long Term Security of the South Australian Dairy Industry.

Many people have suggested that for SA Dairy farmers to achieve milk prices equal or better than those paid in the other States we need a modern export manufacturing plant to be established in our own State. At a meeting in Melbourne on Monday 9th April with De Cicco Industries the Managing Director, Frank De Cicco, and his Farm Services Manager, Brian Tate outlined their intention to find a location for an additional cheese plant. Currently they are considering sites in Victoria and in South Australia.

Also the proposed Dairy Farmers re-development of Jervois is moving closer to becoming a "done deal". Then on top of this again, the re-development of the Murray Goulburn Plant at Koroit, will see them looking for extra milk later in the year as new capacity comes on line.

So two things are moving in our favour. Firstly, we are making progress to get the right infrastructures into place. Secondly, we are facilitating the presence of additional competition for milk supply.

The Dairy Farmers Restructure Proposal.

Both Phil Kernick and myself were pleased to be invited to the Regional Ward Reps Meeting to hear about the current pricing policies, and the progress towards the restructure of the Dairy Farmers Co-op.

There is no doubt that the future prosperity of the Co-op rests on achieving a relevant restructure and this model looks on

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paper to be about "as good as it gets". This plan plus appropriate mergers and strategic alliances will provide a consolidated base for the company to go forward. My personal view is that this proposal is worthy of member support.

Less well accepted outside the Co-op has been the discounting to achieve a greater "market share" of the fresh milk market with a resulting short term "blow out" of the Co-ops bottom line budget.

The most refreshing feature of the day was the impressive performance by Trevor Connor, Ian Langdon and John Bywater as they focussed on the transition to a highly competitive and potentially successful player in the market. Their task will not be easy, the quality of management as well as structures is equally important, as they themselves acknowledge. But if they can implement their plan, and it works, their members will reap significant financial rewards.

Playing Politics with a New Package.

At the dairy discussion group meeting at Rod Walker's property on Thursday 5th April I was asked about announcements coming from the Ministers Office (Warren Truss) in Canberra in relation to the possible extension of the Structural Adjustment Program. When stories like this come out of the Offices of Ministers they should be taken seriously, as they often seek community reaction before actually making the decision.

So let me go back to the ADFP National conference on the Gold Coast two weeks ago. Pat Rowley clearly drew the distinction between the original package which was a joint venture proposal between the industry (ADFF and State Associations) and the Government and this new proposal to extend the scheme which is being "driven" out of the Ministers Office, without the support of industry (ADFF).

The rumours circulating are that this is an attempt to advantage Queensland at the expense of the 70% of the industry farming in the southern States of Australia. The report in today's Financial Review suggests that the Ministers own seat in Queensland could potentially fall to the Opposition at the next election over the dairy issue.

So if the Minister is "testing" the water then let us be of assistance.

Let me check with you how we saw, and experienced, the path to deregulation. Then we may better judge who are deserving of additional assistance.

The path taken (not chosen) by dairy farmers in South Australia over the five years before deregulation was one of preparing for the "evil day". Prices were low and we went down to the lowest prices in Australia with deregulation in July 2000. Farmers borrowed to pay for shed extensions and buy the extra cows to get bigger. The rationalisation began in earnest with 40 farmers leaving the industry per year. The pain over those years was significant. Now they farm at export parity price of 28cpl.

In Queensland they farmed at the market support price of 50cpl and the drive to adjust to the coming "evil day" was far less noticeable. There was an unreal hope that things would not be as bad as predicted. Their adjustment occurred in a short period (ie price went down from 50 to 30 cpl overnight). Now they like us all farm to the market price of around 28cpl.

Who is more deserving of further assistance?

So what happened at the luncheon on Tuesday 10th with the Minister. The Minister did not argue with our reasoning but indicated that he was still intent on delivering the extra package to those farmers who had the biggest price reduction following deregulation (ie direct it to Queensland). So today the Minister confirmed in public how and where the proposed new package would be directed.

Later in the day I had a very constructive phone conversation from Canberra with the Ministers key Dairy Advisor and now feel the issue is heading in a much better direction. The following day (Wednesday) the ABC Country Hour wanted a story and the transcript of that is also attached. One of the things to keep in mind when dealing with these issues is that of not losing sight of the broader picture and in this case not forgetting the magnificent job done by Pat Rowley and the Minister in getting the original package. Some extra money to cover the unfortunate anomalies caused by the strict reading of the Act has caused great suffering to a small number of farmers. Hopefully we have the chance here to remedy this situation.

So the SADA Executive and members will now consider the options for following through with this issue. The big Vics again are likely to hold the key to the issue.

I try to keep these articles short but as you can see there is the potential to miss out on the "bickies" unless we stay close to this one.

ADFF Meeting.

It was very heart warming to hear the genuine regard and appreciation expressed by ADFF members for your President, Frank Beauchamp. They appreciate the value of his contribution to the industry. This was Frank's last ADFF meeting along with retiring Presidents Max Fehring (Victoria), Danny Harris (Western Australia) and recently Reg Smith (NSW).

Frank Beauchamp has clearly identified the challenge of ensuring the national industry organisation (ADFF) has a relevant future. He saw some time ago the need for industry associations to "win" credibility with the other industry players. If those around us, regard us as "light weight", we will have little influence at the national level and this is the simple commercial reality.

We have seen some very positive initiatives during this first year of deregulation taken by the Service Authorities (DRDC and ADC), Companies and the State Associations and now we want to see a stronger ADFF

AMPA is challenging the traditional State Dairy Farmer Associations in Queensland and Western Australia. WA has suspended membership of ADFF. We are all dairy farmers, let us work together.

Johnes (BJD).

At the national level ADFF has established a national committee to consider and decide industry policies. Trevor Robbins, will head up the committee and this will work in with what we are doing in South Australia. You will notice that this is becoming a significant issue in both the sheep and beef industries as well as dairy.

This is an example of an issue that the industry can and should be able to take significant responsibility for.

It is generally acknowledged by our industry that both our representatives on the Cattle Committee, Frank Beauchamp and Ken Smith did a magnificent job in regards to the EBL program.

There is ever reason to believe we can sort out a program for Johnes.

Milk Prices.

The discussion at the ADFF table centred on the application to the ACCC for the right to collectively negotiate prices with the companies and the presentation of a

paper on the farm gate milk price based on export parity.

The big news for the week was fairly predictable, "Big Gains to Consumers from Dairy Deregulation".

In issuing the ACCC report into price monitoring of the milk industry, ACCC chairman, Professor Allan Fels, noted that across all categories of milk stocked in Australian supermarkets, including plain, UHT, modified, flavoured and specialty milk, the average price reduction was 12cents per litre.

I have included a price survey by the SA Dairy Authority so you can make your own comparisons. Remember the biggest savings for consumers were the home brands in the capital city super-markets. I say this because many country people will see little change.

Mount Jagged Dairy Discussion Group.

Thank you (Rob Mulhern) for the invitation to attend the discussion group meeting

at Rod & Jean Walker's "Cloverlea" property, Mt. Jagged. If the Lower Murray Irrigation Group is being held up as one of the best examples of an industry environment program then for discussion groups Mt. Jagged should be considered also as being very special.

The reasons for their success include:

- They are a group of very intelligent and motivated businessmen willing to share their experiences at "pushing the envelope",
- They attract talented advisers (on this occasion, Greg Mitchell and David James),
- They are committed to the group and they all attend the activities,
- They determine what they need to know and maintain their right to "run the show".
- They link into the real industry issues.

For those dairy people feeling in need of support, please consider joining a discussion group.

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DSAP.

The current figures are over 96% notifications of decision and 90% payments made. (\$118m).

Visit to South Australia by the Federal Labour Shadow Minister.

The Shadow Minister for Agriculture, Fisheries and Forestry has agreed to spend the day of 27th April with the SADA. He is keen on the idea of having an on-farm BBQ with dairy farm families. Perhaps the group could include Central Council members and dairy neighbours of the host farm.

What we are simply attempting to achieve is to keep key politicians aware of where our industry is today, where we want to be tomorrow, and how we can work together to make it happen.

State Politics. "Poor Start, Hopefully a Better Result".

Last Tuesday (10th April) the Commonwealth Governments major ACCC Report on the effects of deregulation hit the front pages of all the papers in the nation with the headlines screaming that the only "winners" in dairy deregulation were the consumers. That very same morning I was informed Ian Gilfillan wants an inquiry (a Joint Parliamentary Select Committee) into why, "Consumers are paying more for milk now than was the case before deregulation". But even more embarrassing for all concerned is the fact that in the Parliament he quotes from his colleague Senator Woodley about "grass-roots farmers represented by the Australian Milk Producers Association (AMPA)".

This issue is yet to come before the SADA Executive. Maybe we can work towards seeing if something positive for the industry can come from this Committee. There are many parliamentarians from both sides of State Politics that are well informed on rural issues and even Mike Elliott has a good reputation for "playing an effective straight bat".

Electricity Contracts for High End Users.

The Retail Electricity Market in South Australia is progressively opening up to competition. All consumers including large primary producers who use more than 160MW hours of electricity/year (approx \$20,000) will need to have a contract before the 1 July 2001.

Don't wait for a letter from AGL although many will get one, the responsibility will be on the energy users to ensure they have the contract in place.

So here is what we suggest you do:

- Firstly, if you are not a high energy user you will not be forced into a contract before 2003. Between now and then your prices will rise according to CPI
- Secondly, if you consider you may be in the contestable (high energy user) group then you will need a contract. We think that there may be about 20 SADA members in this group.

At a meeting of the SADA Technical Committee it was agreed that Olivia Bond, SAFF Policy Development Officer -Phone 08 8232 5555- will be the SADA/SAFF liaison person for all members enquiries regarding energy contracts.

The issues you will need to work through with Olivia include:

1. Confirm whether you need a contract
2. Collect all of the information from Olivia and she will advise you on your specific circumstances.
3. You will need to collect all relevant information about energy use on your property.

At the Seminar today (Wednesday) AGL said they might not be able to get contracts to all those who need them. If contracts aren't in place for all those who should have them they will be charged a default rate which is expected to be extremely expensive (in Vic of a default rate being three times the maximum rate).

All in all a most unfortunate, sad and pathetic situation as you will see by the press reports of the meeting today by the media. The business community is more than entitled to be annoyed particularly in light of the promises made during the privatisation debates.

Finally, remember Olivia Bond at SAFF will be the industry coordinator for this important issue. This is an example of our SAFF fees in action.

Appendices.

I have taken the liberty of including the following appendices for those dairy farmers seeking additional information regarding the issues covered in this Update.

Not all dairy farmers will be interested in all of the articles but based on the number of phone calls to the SADA Office there is an increasing interest in issues beyond the farm gate.

Reminders.

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sent with Update 29 March 2001**

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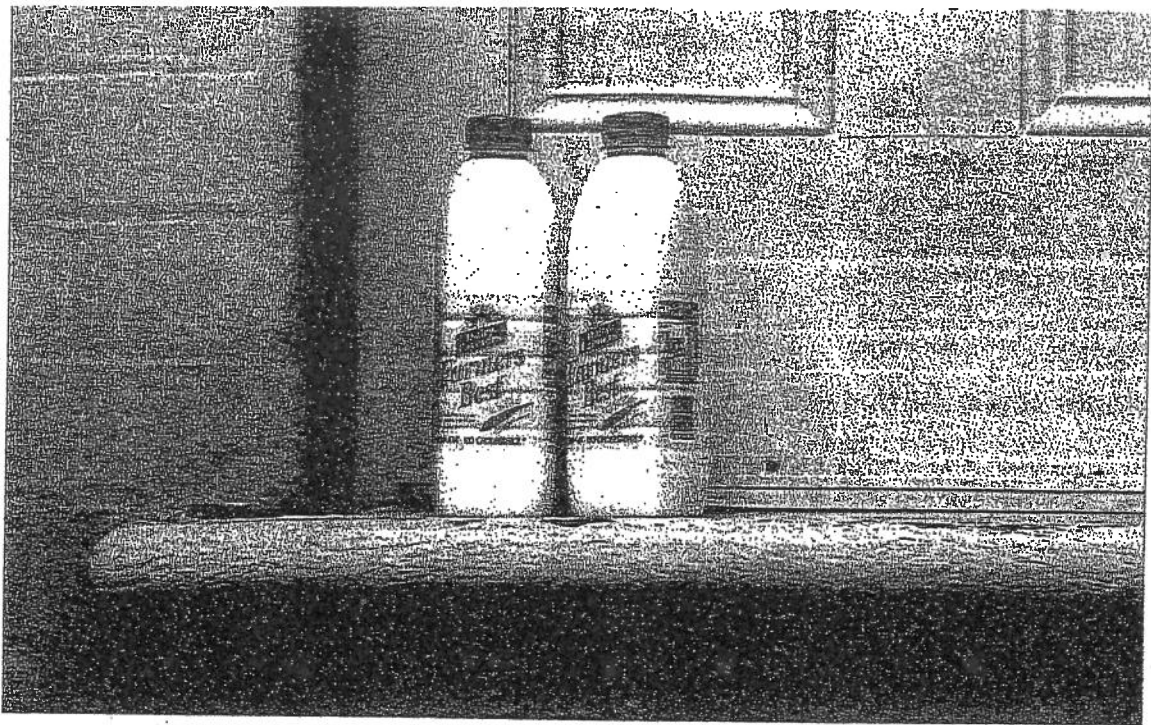
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Appendices

- A.** Government Report (by ACCC) on the effects of deregulation "Consumers are Winners"
1. Article from front page of the Financial Review (dated 10 April)
 2. Article from the Advertiser (dated 10 April)
 3. A summary of the report (courtesy of Dairy Page)
 4. Further comments on the ACC Report in the Financial Review (dated 17 April)
- B.** Information regarding the Minister's thoughts about a new package.
5. ABC Radio Transcript
 6. Minister's Queensland seat in danger – article in the Financial Review (dated 10 April)
 7. UDV letter to Pat Rowley (dated 6 April)
- C.** Information regarding the proposed joint Parliamentary Committee (State Government).
8. Hansard Report (dated 4 April)
 9. Ian Gilfillan News Release (dated 4 April)
- D.** 10. Retail Milk Prices
- E.** 11. Article from Financial Review (dated 10 April)



The ACCC has found that small businesses are suffering as a result of the deregulation process.

Photo: PETER RAE

Dairy scorecard: consumers only winners

Katharine Murphy and Cathy Bolt

Consumers are the big winners from the politically controversial deregulation of Australia's dairy industry, but supermarkets, milk processors and farmers have seen their earnings slashed.

According to an Australian Competition and Consumer Commission report, consumers have benefited

significantly from cuts in supermarket milk prices that averaged 22¢ a litre because of aggressive discounting on new generic brand products.

But the ACCC found that the shake-up in the dairy industry was putting farmers and small businesses — two key constituencies of the Federal Government — under intense commercial pressure.

The report prompted a leading

Australian milk processor, National Foods Ltd, to warn that cut-throat competition would drive a further damaging shakeout in the \$2.8 billion sector.

"We have been saying for six months it is not sustainable," a

Continued page 5

Revenge at the polls, page 5

NZ consolidation cleared,

Chanticleer, back page

The Australian Financial Review

Tuesday 10 April 2001 • www.afr.com

Dairy scorecard: consumers only winners

From page 1

spokesman for National Foods said last night.

"Dairy farmers, particularly in the northern part of the country, need to get a greater return for milk at the farmgate. The problem is we are not in a position to pay it."

In a major blow to the Government, the ACCC found dairy farm incomes and profits had been decimated by the deregulation process in three States crucial to the outcome of the next federal election — NSW, Queensland and Western Australia.

The ACCC also found small

business was suffering as a result of the deregulation process.

The report showed consumers were being redirected from corner stores to major supermarket chains because of aggressive price discounting — a development which will reignite nervousness among Coalition backbenchers already dealing with anger over GST-related red tape.

Under acute political pressure to give more assistance to struggling dairy farmers, the Government has signalled that the sector will have access to additional bailout funds worth up to \$130 million, topping-up an existing

structural adjustment package worth \$1.6 billion.

The ACCC study found the prices paid to farmers for milk had fallen by 19¢ per litre since the advent of deregulation — but supermarket margins had also plunged by 19 per cent and processors by 18.5 per cent.

"NSW, Queensland and Western Australia, where market milk accounts for nearly half of all milk produced, will experience the largest reductions in dairy farm income following deregulation," it said.

Last night dairy farm leaders questioned the accuracy of the ACCC's supermarket data. "There is absolutely no way that super-

market margins have decreased, let alone by 19 per cent," the Australian Dairy Farmers Federation's chief executive, Mr John McQueen, said.

Mr McQueen said he had raised the issue with the ACCC and accepted it had to rely on figure given to it by the retailers. "All the information that we have had at our disposal is that supermarket margins have increased," he said.

National Foods recently recorded a 42 per cent slump in interim net earnings after abnormals, while its rival, Dairy Farmers, reported a plunge in its first-half profit after abnormals from \$14.6 million to \$600,000.



Big Gains to Consumers from Dairy Deregulation

A report issued today by the Australian Competition and Consumer Commission has found that Australian consumers were paying an average of 22 cents per litre less for plain milk sold in supermarkets following the first six months of a deregulated dairy market.

In issuing the ACCC report into price monitoring of the milk industry, ACCC Chairman, Professor Allan Fels, noted that across all categories of milk stocked in Australian supermarkets, including plain, UHT, modified, flavoured and specialty milk, the average price reduction was 12 cents per litre.

"Lower average milk prices have been strongly influenced by a switch to generic-labelled milk products and increased sales of 3-litre packs of milk, both of which are generally cheaper on a per litre basis", Professor Fels said. "If prices remain at current levels, savings to Australian milk consumers from dairy deregulation would exceed \$118 million on a full-year basis from supermarket sales of milk alone".

Prices paid to dairy farmers for drinking milk fell by 19 cents per litre to around 34 cents, bringing prices more into line with raw milk purchased for use in manufactured dairy products. At the same time, dairy farm incomes have been supplemented by the proceeds of an 11 cents per litre retail milk levy.

The ACCC also found that supermarket margins on milk sales decreased by an average of 19 per cent on a per litre basis in the first six months of deregulation while processor margins contracted by an average of 18.5 per cent in the same period#.

Supermarket chains introduced lower prices for generic-labelled milk products in August 2000 and have indicated that these prices will apply indefinitely. Sales of supermarket milk increased to just over half of total milk sales in the three months to December 2000. However, there was little change in the overall volume of milk purchased by Australian consumers across all food stores.

"Milk sold in non-supermarket outlets also decreased in price, although there appears to have been some modest price increases in the early months of this year", Professor Fels said. "When savings estimates for milk sold in convenience stores, petrol stations, traditional corner stores, milk bars, delicatessens and take-away food

Farmgate price controls for drinking milk were removed in all states of Australia from 1 July 2000 with an 11 cents per litre Dairy Industry Adjustment Levy introduced on 8 July 2000 to fund a structural adjustment package for Australian dairy farmers. As part of the process of dairy industry deregulation, the Commonwealth Government directed the ACCC to monitor prices, costs and profits across the drinking milk supply chain for the nine-month period ending 8 January 2001.

Price Changes

Australian supermarket prices for plain, reduced fat and low-fat milk decreased by an average of 22 cents, 6 cents and 9 cents per litre respectively across all pack sizes and brands from the June quarter to the December 2000 quarter. These products make up 81 per cent of total milk sold in supermarkets. However, prices for UHT, flavoured and specialty milk increased in price by averages of 10 cents, 14 cents and 3 cents per litre respectively over this same period. Across all categories of milk stocked by Australian supermarkets, the average price decrease in the six months to December 2000 was 12 cents per litre.

In convenience and corner stores, prices of 2-litre packs of plain milk decreased in response to lower supermarket prices. However, price reductions for 1-litre packs of plain milk and other milk categories were generally less pronounced.

Price reductions for milk were greatest in Victoria where plain milk fell by an average of 32 cents per litre in supermarkets. Price decreases in States such as New South Wales, which previously had low retail prices for milk, declined to a lesser extent. Overall, there is now less variability between milk prices in different States.

Impact on margins and sales revenues

From the June quarter to December 2000 quarter the gross margin on aggregate milk sales in supermarkets declined by 19 per cent with retail prices falling at a greater rate than wholesale prices. Despite sales volumes increasing by around six per cent, substantial reductions in per litre revenue led to an overall decrease in aggregate revenue derived from supermarket milk sales during this period.

The average net profit margins of Australian milk processors decreased by around 12 and 18 per cent respectively on a per litre basis for the September and December 2000 quarters relative to the June 2000 quarter. As the total volume of milk sold in Australia was relatively constant over this period, the overall profitability of milk processors decreased following deregulation. Although price discounting of branded milk products fell away in the December 2000 quarter, net profit margins remain considerably lower than for periods before deregulation.

Copies of the ACCC's report into price monitoring of the milk industry

Pressure on milk price

Sue Mitchell

An Australian Competition and Consumer Commission report on milk has added fuel to calls for a rise in farmgate and wholesale milk prices.

Dairy processor Pauls Ltd has started paying a minimum farmgate price for farmers in Queensland, and National Foods Ltd is expected to pay higher prices to suppliers when it re-negotiates its milk supply contracts in the next month.

However, the managing director of Pauls, Mr Ray Hill, said supermarket prices — particularly house-brand milk prices — needed to rise and discounting needed to end for processors to be able to pay more.

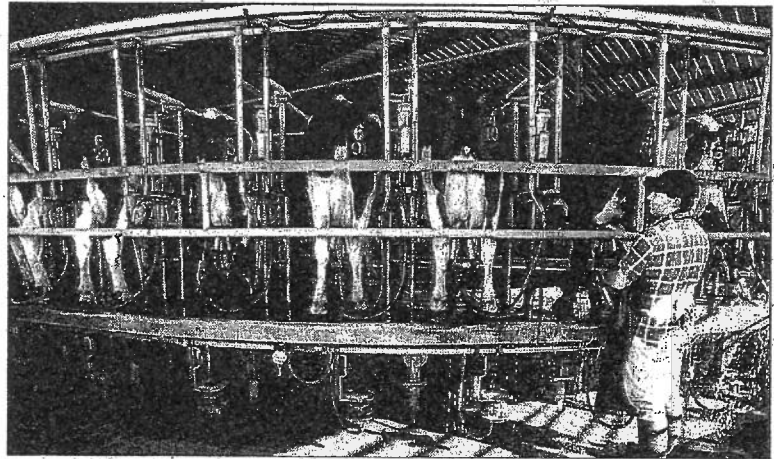
Pauls introduced a minimum farmgate price of 30¢ a litre for 500 Queensland farmers last week, but Mr Hill said he believed farmgate prices needed to rise further to ensure a viable dairy industry.

"We are just trying to put a benchmark [under the price] for the ones that are really hurting," Mr Hill said.

"I believe there might have to be a price in the mid-30s to have a viable industry. Pauls will work towards getting there as soon as we can."

Last week, a spokesman for National Foods said its capacity to pay more at the farmgate was based on the level of retail pricing.

A report released by the ACCC confirmed the pain that has been felt by farmers and processors since the



Processors say both the farmgate and retail price must rise.

Photo: ERIN JONASSON

deregulation of the dairy industry last year.

While consumers have benefited from price cuts averaging 22¢ a litre, prices paid to farmers have fallen by about 19¢ a litre, or around 42 per cent, since deregulation and processor margins have fallen by about 20 per cent.

The ACCC's report found that supermarket margins had also fallen by about 19 per cent, although this figure has been questioned by the processing industry.

Woolworths Ltd, which contributed to the slump in milk prices last September after slashing the price of its housebrand milk, declined to comment on its margins yesterday.

But a spokeswoman said that the

ACCC had sought a commitment from retailers to pass on any savings from dairy industry deregulation, and that Woolworths had cut prices on housebrand milk packs by between 33¢ and 90¢ a litre.

Such price cuts have been so popular with consumers that supermarkets now account for 40 per cent of milk sales, compared with just 25 per cent before deregulation.

Woolworths' housebrand milk contracts are in place for two years, but are believed to include provisions for a price rise later this year.

"Processors are losing so much money on these contracts that they will have to get a price rise or they will walk away," said one industry source.



639 ABC RADIO 5CK PORT PIRIE
SA COUNTRY HOUR 12.44PM
10th APRIL, 2001.

SOUTH AUSTRALIAN FARMERS FEAR THEY MAY BE LEFT OUT OF FUTURE DEREGULATION MONEY UNDER THE FEDERAL GOVERNMENT'S NEW CRITERIA FOR DISTRIBUTING EXTRA FUNDS.

INTERVIEW WITH KEN LYONS, SOUTH AUSTRALIAN DAIRY FARMERS ASSOCIATION.

PRESENTER:

Well, to dairy news now on the Country Hour, because South Australia's dairy farmers fear they may be left out of future deregulation money under the federal government's proposed criteria for distributing any extra funds.

The Federal Agriculture Minister Warren Truss made his first public comment about how any extra money might be distributed yesterday as Susie Grosser reports.

REPORTER:

Key representatives of the South Australian Dairy Farmers Association discussed deregulation with Mr Truss at a rural media association meeting yesterday. Chief executive officer Ken Lyons says Mr Truss proposes to distribute any further money to farmers which experience the greatest price drop for milk at the point of deregulation.

But, Mr Lyons says this would mean most of the money would go to Queensland because it adjusted to deregulation more suddenly than other states. He believes deregulation has affected all states equally with all farmers, more or less, now on a level playing field farming to twenty-eight cents per litre export parity price.

KEN LYONS – SOUTH AUSTRALIAN DAIRY FARMERS ASSOCIATION:

I think it's a very limited view or a criteria to use because, I think, there are basically two paths to deregulation and certainly in my state of South Australia the pain and the agony of the route towards deregulation was spread over four to five years with people investing in extra cows and greater capacity in their milking sheds, people leaving the industry - a significant number over the four years moved out of dairying.

And so the pain of adjustment for South Australians was spread over those years, so that when on the night of deregulation milk prices ended up at export parity price of twenty-eight cents the growers in South Australia had had four years of preparation and working to live with farming at that price.

Yet, the other route to dairy deregulation was probably typified by the Queensland situation and it certainly wasn't a route that they chose, but the market support price of around fifty cents a litre, they were able to farm with those prices right up to the eve of deregulation and so, for them, the evil day of deregulation, you know, and all of the changes was concentrated to a very large extent in a very short period of time.

Financial Review
10 April 2001

Farmers will have revenge at the polls

ANALYSIS

Brendan Pearson

While cheaper milk would normally be a powerful political slogan, it is not one likely to resonate in the federal electorates with heavy concentrations of dairy farmers:

Take the seat of Wide Bay in Queensland, held by federal Agriculture Minister Warren Truss, and the seat of Paterson in rural NSW, held by Labor's Bob Horne. According to the Government's commodity forecaster, these seats contain the five local government shires in which the on-farm impact of dairy deregulation will be strongest, and in which the region's dependence on the dairy sector is highest.

With a federal election just months away, this means Truss "is on very shaky ground", says Queensland independent MP Dorothy Pratt, whose State seat of Nanango overlaps with Truss's.

"The dairy farmers are fed up. I have had men in their 50s crying in my office. The angst has not been alleviated by the State election result," Pratt says.

Joe Herron, a Queensland dairy farmer who heads the Australian Milk Producers Association, puts it more plainly: "If one of those unemployed dairy farmers from Monto [a shire in Truss's electorate] puts one of their Friesian bulls up for election, it has more chance than Trussy."

Meanwhile, down in Paterson, the issue has given local Labor member Bob Horne additional ammunition.

The impact on the small towns of Dungog and Gloucester has been tragic, Horne says, adding that the absence of large supermarkets in rural towns means few benefit from cheaper milk prices.

Most federal seats with at-risk dairy farmers are held by the Coalition. Liberal Geoff Prosser has virtually all of the West Australian dairy industry in his seat of Forrest.

According to Herron, the political impact of deregulation will be as powerful as the economic fallout.

"It will be the greatest disaster you've ever seen, and all because of ignorant [industry] leaders and stupid politicians," he says.

HANSARD. SA LEG. COUNCIL 4th APRIL 2001.

The Hon. IAN GILFILLAN: I move:

I. That, in the opinion of this Council, a joint committee be appointed to inquire into and report on the impact of dairy regulation on the industry in South Australia and, in so doing, consider—

- (a) Was deregulation managed in a fair and equitable manner?
- (b) What has been the impact of deregulation on the industry in South Australia?
- (c) What is the future prognosis for the deregulated industry?
- (d) Other relevant matters.

II. That, in the event of a joint committee being appointed, the Legislative Council be represented thereon by three members, of whom two shall form a quorum of Council members necessary to be present at all sittings of the committee.

III. That this Council permits the joint committee to authorise the disclosure or publication, as it thinks fit, of any evidence or documents presented to the committee prior to such evidence being reported to the Council.

IV. That a message be sent to the House of Assembly transmitting the foregoing resolution and requesting its concurrence thereto.

The deregulation of the dairy industry is a fait accompli: it is an accepted fact and we cannot wind back that particular clock, but there are things that can be explored in the work of this select committee. One of them is that we are getting calls from the current dairy industry, the latest being from Queensland (which I heard on the ABC News this morning) for an urgent review of the impact of deregulation on the Queensland industry, and other matters associated with it.

Although it does not necessarily apply to this debate for setting up a joint select committee, I would like to inform the Council that my colleague Senator Woodley has in fact pushed for a modified form of re-regulation of the dairy industry, and that that has been distributed widely within the industry itself. I quote from a paper that Senator Woodley has distributed as follows:

RE-REGULATION. The Democrats believe the dairy industry should be re-regulated. We make no conditions about what form re-regulation should take but clearly the farm gate price for market (liquid) milk is where we would start. Any re-regulation should be agreed by all states and the commonwealth as it is clear that any regulation must be national and uniform.

The agricultural ministers for the states and the commonwealth must convene a meeting as soon as possible and negotiations with the industry must include grass-roots farmers represented by the Australian Milk Producers Association. The recent ABARE report is clear that eventually the price for market milk will be the same as the price paid for manufactured milk, so there is no doubt that tying the price of market milk to the price received for manufactured milk will continue to drive down the price to farmers.

This is because the bulk of manufactured milk is sold into a corrupt world market. It is neither fair nor necessary for milk sold for domestic consumption to be priced below the cost of production because of the price obtained for the export of manufactured milk.

I have in front of me the document from the Parliament of the Commonwealth of Australia entitled 'Deregulation of the Australian Dairy Industry', Report by Senate Rural and Regional Affairs and Transport References Committee, October 1999. Chapter Two of the report entitled 'The Australian Dairy Industry' talks about deregulation. I think it is important to read into *Hansard* the paragraph which heads the chapter, as follows:

Deregulation of the Australian dairy industry will mean it will be the only major dairy industry in the world without government support for dairy farmers. This is including New Zealand, which will continue to have significant government legislative support through the New Zealand Dairy Board single desk export support and privileged access to world markets such as butter access to the European Union which is not available to other countries.

The document, at some length, outlines the anticipated effects of deregulation, but we ought to consider just how significant the dairy industry is. In this report there are some dot points—in the form of an 'industry snapshot'—applying to the dairy industry which I will read into *Hansard*, as follows:

- Has export earnings of \$2 billion in 1998-99
- Supplies 12 per cent of world dairy trade (third largest dairy trader after the EU and NZ)
- Is Australia's third largest rural industry in value at the farmgate (behind beef and wheat)
- Is the largest rural industry valued at the wholesale level (\$7 billion)
- Has efficient milk production costs by world standards
- Exports over 50 per cent of total milk production
- Produces 10 billion litres of milk—a 55 per cent increase since 1986, and 6 per cent average annual increase during the 1990s
- Has 13 500 dairy farmers—a 30 per cent reduction since 1985 (19 342)—with approximately 98 per cent of dairy farms in family ownership
- Average farm size (now 180 hectares) and average herd size (now 149 cows) have doubled since the 1980s
- Has seen dairy companies invest \$1.5 billion to expand manufacturing capabilities in

Ian Gilfillan

*Australian Democrats
Member of the Legislative Council*



News Release

Wednesday April 4th 2001

Push To Probe Dairy Deregulation "Debacle"

attention
Ken Lyons

Democrat Shadow Primary Industries Minister, Ian Gilfillan MLC, moved in the State's Upper House today to set up a Joint Parliamentary Select Committee to inquire into the impact of deregulation of the dairy industry on all sectors of the industry.

Mr Gilfillan said he was pleased to work with Mr Rory McEwen, Independent Member for Gordon in the House of Assembly, in setting up the Joint House Committee, after they had both received considerable representation from people in the dairy industry, drawing attention to widespread concerns following last year's deregulation of dairy prices.

"The Joint Committee will call for submissions from anyone in the industry who wants to contribute to this inquiry," Mr Gilfillan said today.

"The changes have had almost a year now to work their way through the industry and it is important to know who have turned out to be the winners and who are the losers. Are benefits being passed on to consumers? Has amalgamation amongst processors and manufacturers reduced competition between them?"

"Some farmers have used the word "debacle" to describe the effects of price deregulation on the economic viability of their farms. Not having a floor price for their product has constrained them to be just price takers. What has been the impact of the reduced returns to farmers, on small rural communities? Have our market competitors overseas had their subsidies maintained, enabling them to squeeze us out?"

"The inquiry will enable the Parliament to learn if the optimistic predictions that accompanied the deregulation act were well founded and if assurances given at the time have been met."

"The Committee's findings will help us to assess the current operation of the industry and will be useful in informing opinions as to further changes that could be made to improve the situation."

FOR FURTHER INFORMATION: Ian Gilfillan
8237 9278 0429 0429 50 8363 2011 or pager 8273 2618

ian.gilfillan@democrats.org.au

www.democrats.org.au/sa

Democrats news releases are also sent by email. Advise us if you wish to join the email distribution list.

Date	Outlet	Farmers Union Full-Cream 1 litre	Farmers Union Full-Cream 2 litres	Farmers Union Full-Cream 3 litres	Dairy Farmers Full-Cream 1 litre	Dairy Farmers Full-Cream 2 litres	Dairy Farmers Full-Cream 3 litres	Homebrand Skim 1 litre	Homebrand Skim 2 litres	Homebrand Skim 3 litres
31-Mar-00	Orexi Snax Deli									
04-Apr-00	Orexi Snax Deli									
28-Apr-00	Woolworths - Golden Grove								\$2.59	
20-Jun-00	Timesavers - Golden Grove									
22-Jun-00	Orexi Snax Deli									
	Coles - Unley	\$1.36	\$2.69	\$4.04	\$1.36	\$2.69	\$4.04	\$1.31	\$2.59	
	Woolworths - Unley	\$1.36	\$2.69	\$4.04	\$1.37	\$2.69	\$4.07	\$1.31	\$2.59	\$3.89
	Foodland - Unley	\$1.36	\$2.69	\$4.04	\$1.36	\$2.69	\$4.04	\$1.31		
	Bi-Lo - Unley	\$1.36	\$2.69	\$4.04	\$1.36	\$2.72	\$4.06	\$1.31	\$2.59	\$3.89
	Franklins - Unley	\$1.36	\$2.69	\$4.04	\$1.36	\$2.69	\$4.04	\$1.31	\$2.57	
24-Jun-00	Woolworths - Golden Grove			\$4.04				\$1.31	\$2.59	\$3.89
	Franklins - Golden Grove	\$1.36	\$2.69	\$4.04	\$1.36	\$2.69	\$4.04	\$1.31		\$3.87
03-Jul-00	Woolworths - Golden Grove								\$2.59	
10-Jul-00	Coles - Modbury Heights				\$1.33	\$2.65	\$3.98		\$2.51	
	Coles - Unley	\$1.33	\$2.65	\$3.95	\$1.33	\$2.65	\$3.98	\$1.28	\$2.51	\$3.59
	Woolworths - Unley	\$1.33	\$2.63	\$3.95	\$1.35	\$2.69	\$3.98	\$1.29	\$2.56	\$3.85
	Foodland - Unley	\$1.37	\$2.69	\$4.08	\$1.36	\$2.69	\$4.08	\$1.35		
	Bi-Lo - Unley	\$1.33	\$2.64	\$3.95				\$1.31		\$3.89
	Franklins - Unley	\$1.36	\$2.69	\$4.08	\$1.36	\$2.69	\$4.08			

Date	Outlet	Light Start 1 litre	Light Start 2 litres	Tone 1 litre	Tone 2 litres	Take Care 1 litre	Take Care 2 litres	Shape 1 litre	Shape 2 litres	Devondale UHT Milk 1 litre
31-Mar-00	Orexi Snax Deli									
04-Apr-00	Orexi Snax Deli									
28-Apr-00	Woolworths - Golden Grove									
20-Jun-00	Timesavers - Golden Grove									
22-Jun-00	Orexi Snax Deli									
	Coles - Unley	\$1.45	\$2.85	\$1.50						
	Woolworths - Unley	\$1.45	\$2.85	\$1.49						
	Foodland - Unley	\$1.37		\$1.45						
	BI-Lo - Unley	\$1.45		\$1.45						
	Franklins - Unley						\$2.85			
24-Jun-00	Woolworths - Golden Grove		\$2.85	\$1.44		\$1.45		\$1.45	\$2.85	
	Franklins - Golden Grove						\$2.85			\$1.06
03-Jul-00	Woolworths - Golden Grove									
10-Jul-00	Coles - Modbury Heights					\$1.41				
	Coles - Unley	\$1.42		\$1.48		\$1.41	\$2.82	\$1.41		\$1.17
	Woolworths - Unley	\$1.42	\$2.79	\$1.46		\$1.41	\$2.82	\$1.41		
	Foodland - Unley	\$1.45	\$2.85	\$1.45		\$1.45		\$1.45		\$1.19
	BI-Lo - Unley	\$1.45	\$2.85	\$1.45		\$1.45	\$2.85	\$1.45		\$1.17
	Franklins - Unley			\$1.45						

Dairy merger makes sense

The New Zealand Government yesterday cleared the speedy consolidation of its dairy giants just in time to allow the combined company to take control of the Australian industry.

With an exemption from a trade practices review of the proposed combined Kiwi Co-op and Dairy Group (with their respective 45 and 55 per cent stakes in the export body, the Dairy Board), the deal will be ready by August subject to farmer approval.

With such approval, the combined company already owns a controlling stake in Bonlac plus just under 20 per cent of National Foods and is reported to be in talks with Dairy Farmers.

The latter has just reported a slump in profits from \$14.6 million from the previous December half to \$600,000 in the latest half, highlighting the impact of last year's milk deregulation, and Bonlac's financial position is already borderline.

Little wonder Murray Goulburn is wondering if it will be left to pick up the pieces against a NZ-controlled Australian dairy industry. The Italian based Parmalat is in much the same position.

The ACCC said yesterday processor margins since deregulation last July had fallen 12 to 18 per cent, highlighting the need for rationalisation.

The ACCC's finding that supermarkets' profit margins had also fallen (by 19 per cent) is hard to believe when they are getting milk for about 61¢ a litre and selling it for about \$1.19 a litre.

This compares with pre-deregulation figures of wholesale purchases at about \$1.09 and sales at about \$1.40 a litre. Maybe the regulator failed to take into account the kickbacks the supermarkets get to guarantee shelf space and the like.

Supermarket control of milk sales is up from 25 to 40 per cent since

July but consumers are clearly also winners with lower prices.

The losers are the small retail outlets that don't get to sell so much milk; and, of course, the farmers are being paid to get out of the industry.

The next branch economy squeals will come from dairy farmers as they look to inevitable New Zealand control. When you consider both companies speak for a big chunk of world dairy trade, from just a tiny share of world production (32 per

cent of world trade from 2.5 per cent of supply from New Zealand), the combination just happens to also make plenty of trans-Tasman sense.



Financial Review
10 April 2001



**Adelaide Festival Centre
Tuesday June 5th**

Registrations

The Annual Conference is the only premier dairy industry event that focuses on the South Australian Industry.

Remember the closing date for early bird registrations is **May 18th**.

Accommodation

SADA has arranged accommodation at a special rate for delegates during the Conference. To take advantage of these special rates please contact the hotel of your choice to make your booking.

Parking

Parking is available at the Adelaide Festival Centre Car Park \$15.00 for all day and part night or the Plaza Car Park \$12.50 (arrival must be before 9.30am and leaving at 10.30pm) Blyth Street Car Park \$6.60 for day parking only or \$13.20 to stay until 10.30pm

Hyatt Regency Adelaide – North Terrace. Adelaide 8231 1234

A very special rate for conference delegates so if you have always wanted to stay at the Hyatt but do not want to pay standard price here is your big chance. Please ensure that you tell the booking agent that you are attending the dairy conference at the Adelaide Festival Centre

\$205 per night/ plus \$26.50 per person for fully cooked breakfast at the Riverside Restaurant.

The Festival City Motel- 140 North Terrace Adelaide 8212 7877.

I personally had a peak at this accommodation and was impressed. Comfortable, affordable and close to the Adelaide Festival Centre. Parking close by for an overnight rate of \$6.60 and a continental breakfast is included with these rates

Single room \$75.00 (sleeps one) Double \$85 (sleeps couple)Twin \$90 (two separate beds)
Triple \$105 (sleeps three)

Grosvenor Vista Hotel – 125 North Terrace. Adelaide 8407 8888

\$105 Double/Twin, Business \$135 - full buffet breakfast \$18 per person or continental \$15

DAIRY UPDATE FROM SADA

Tuesday 12 June 2001

Enclosed for your enjoyment is the SADA Annual Report. The Executive Team completed their reports just prior to our heading out into the field for the Regional Meetings so this UPDATE covers the last three weeks.

Regional Committees

(Report by Phil Kernick)

Both Jeff Wright and myself were pleased to attend all the Regional Meetings and familiarise ourselves with the local issues. It was most encouraging to see so many of our members willing to put up their hands to work on the new committees for the betterment of our communities and industry.

For your information I have attached a preliminary list of SADA Board Members and Regional Committees.

As mentioned to you at these meetings I regard the Regions as playing a really important role in the involvement of our members in the decision making.

It was moving to hear your praise for the contribution made by Frank Beauchamp. As I mentioned at all the meetings I am a different person to Frank. However, we both share a strong commitment to progressing our South Australian Industry. I intend to continue the SADA tradition of building profitable partnership.

National Foods Contract

(Report by Jeff Wright)

During the round of Regional meetings many farmers were very concerned that they did not have time to seek the appropriate professional advice. The obtaining of professional advice had been encouraged by National Foods at the various meetings. The final contracts were being received by South Australian farmers from National Foods near the closing date so SADA was asked if they would negotiate with National Foods for an extension.

Frank Beauchamp and Max Ould agreed that the new closing date would be 29th June.

Dairy Produce Legislation Amendment (Supplementary Assistance) Bill 2001

This Bill has been referred to the Senate Rural Committee. The Committee (29th May)

called for submissions by Wednesday 6th June and it will report back to the Senate on the 18th June. This is a very short time-frame, but the new SADA Board has managed to put in a submission seeking participation for all South Australian dairy farmers in the additional package.

When the opportunity to have a submission to the Committee first became known we thought there would be virtually no chance of achieving any change to the Bill that may be of benefit to the South Australian industry. As you know we voiced your disappointment at being left out. But by Friday 1st June we became aware that there was a small chance that the Minister was thinking of bringing down the minimum requirement of market milk (currently 35%). Frank and Phil requested that we work towards putting together a submission for consideration by the new Board. On Monday and Tuesday we had the benefit of the Dairy Conference to involve various Central Council members and other industry sources to assist in the task of putting the very best information to the Board on the Wednesday.

This was virtually a round the clock activity as the task was far bigger than the time-frame allowed. The critical numbers are held by the DAA and only the Government had access to this information. So the briefing given to the new Board was as good as could be achieved.

It was a huge challenge for the Board but they agreed to argue the case for all SA dairy farmers and attach the best supporting information they had at the time. The submission was lodged 20 minutes before the deadline.

At the time your new President would dearly loved to have had the time to involve all our members but the responsibility had to be taken by the Board or the only other alternative would have been to do nothing. Then the issue would have been completely out of our hands.

Remember we have little control over what, if anything, the Government will decide. If

DAIRY UPDATE FROM SADA

Monday 16 July 2001

Since the last Update, we at SADA are more than happy to report some very good news for South Australian dairy farmers. Success has come from "wins" in a number of areas including.

- The most important is in the "political" arena with news that "against all odds" SADA has delivered (with a little help from some friends and a couple of "marginal seats") an extra \$14,820 for 80% of our farmers;
- SADA has credibility now with the "key" dairy politicians in Canberra rather than being dependent on the ADFF;
- progress is underway (Ministerial Advisory Committee) with a business-plan for the future of our industry in this State;
- we have been invited (Ministerial Advisory Committee) to prepare industry comment on issues in which the State Government has an involvement;
- our increasing membership has led to increasing influence with our business partners;
- SADA Board and Management are taking on far bigger workloads (to match the work ethic of our members) than previously attempted. Your Association needs competence and management skills that can deliver membership expectations for a prosperous future. In this new commercial market it is vital that your negotiators match the skills of the processors and supermarkets or you will not be competitive in capturing a fair share of the profit margins. Industry needs to act collectively and decisively.

The Board has decided this Update is to go out to non-members as well. Welcome. The aim of SADA is to have an informed membership that has an effective say on all industry issues and then to take some communal pro-active action in order to make our businesses more profitable.

So lets get started with a slightly bigger "Update" than usual. As always, we begin with our favorite topic, milk prices.

The Market is Moving Further in a Positive Direction as we Predicted.

The export/manufacturing market is continuing to remain strong and as we predicted 6 months ago the "market leaders" for South Australia will be Murray Goulburn, WC&B and De Cicco. This is why we invited Steve O'Rourke and then John McLean to be our conference "key speaker". These companies are expected to continue to lead the market upwards for the reasons I have given in the recent Annual Report.

The ADC supported our view a few days ago saying, "we are seeing a continuation of firm dairy commodity prices across the board and we expect this to continue for the remainder of 2001".

In practical terms these market leaders push up the prices on offer from the other companies (National and Dairy Farmers) by creating additional demand and competition.

The SADA Board has agreed to write to these companies acknowledging the importance of the role of "market leader".

Watch for Regional Pricing to Meet Competition.

One of the potential developments in the market-place could be an increase in local/regional pricing initiatives by the companies, to meet the local competition. For example; over breakfast in Canberra recently

relayed in the Annual Report, this was achieved without confrontation.

Package 2. The Supplementary Dairy Assistance Bill.

An extra, SADA generated \$14,820 (average) for 80% of SA dairy farmers.

The Media Release dated 29th July (as you can see even Ministers get it wrong sometimes, should be June) is attached. Also attached is the report to the Board dated Monday 11th June. This explains where we were after the Senate hearing. So with the early reports in the Updates you have a complete story of events from the very beginning when we reported to you that the Minister was planning this package before many others were "in the know".

Once the SADA Board "pressed the go button" there were many other parties that were called into action to have SA dairy farmers included in a new package to be financed by a levy on South Australian consumers. I can honestly say this was a very professionally carried out operation. We worked long hours, we gathered support from an initial base of being totally friendless. In the end we left the issue on good terms with all the major players including John Cartwright (AMPA), Gavan O'Connor (the Shadow Minister), Cheryl Cartwright (the Chief of Staff for the Minister), Pat Rowley (ADFF) and many others.

There are three issues here that I would like to emphasise:

- at all times SADA argued for the inclusion of all South Australian dairy farmers and no State got more than 90% of their farmers included;
- others were involved with SADA in arguing for the barrier to be dropped but SADA was absolutely critical to the change occurring;
- unlike package 1 which was industry driven this package 2 was politically driven and the only choice was whether to "go into bat" for our farmers or follow Victoria and do nothing.

To be able to demonstrate the power of effective lobbying hopefully will add creditability to SADA.

All Players are Responsible. But only the Team gets to play the Game.

Some members may be wondering why I am so keen to provide numerous Updates to members, reports to the Board and take every opportunity to talk to the media on the progress of Package 2. Well part of the answer is that following package 1 (the original DSAP scheme) two important industry groups, namely; the Jersey people, and the SE farmers delivering into Victoria, felt their voice was not heard loud enough before the issues were finalised. So this time we have gone overboard because of past sensitivities.

In regard to our lobbying with Package 2. We did our best. We didn't get all we wanted. We did exceptionally well. We had strong industry support for our action.

Australians are great people but if they feel they haven't had a fair go, look out.

Last Thursday I met some non-members over the kitchen table and found that they all had what they considered to be good sources of information (newsletters like Farm Horizons, Company Reps and Discussion Groups etc) about industry issues. But who is going to drive the dairy industry forward? The concern I have is

how do non-members participate in the management future of the dairy industry?

As you know all the major agriculture industries these days are now run by Industry as opposed to Governments at both the National and State levels.

We are keen to have the support of all South Australian dairy farmers (players) because there is an important job in managing this dairy industry.

Industry Profile.

I also include a copy of the Sunday Mail for your consideration. Last Friday saw the last of our Government supported packages. So the emphasis two days later moves to our industry prospering in the commercial market place. The majority of our members are keen to take a positive and pro-active approach. Milk is "gold", it is in short supply, it is difficult to decide on company offers as the prices are rising. This is the talk of the seller in a sellers market. As always it is your comment that decides how we handle our profile.

This is a copy of an E-mail we received from a German Agricultural student earlier this month

Hello my name is Hans-Joachim Naegele and I study Agriculture at the University of Applied Sciences in Nuertingen, Germany.

During a visiting term at the Royal Agricultural College in Cirencester, England I heard a lot of Australian farming. That's why I am interested to do a practical semester (work) on a dairy farm in Australia. I was searching the Internet and I finally found your address.

I hope that you can help me in looking for a farm to learn about farming in Australia.

I am looking for a farm with a big herd size (200-500) or more, with modern management and equipment!

It would be fantastic if you could help me in finding a farm.

Thanks a lot for your help.

Yours sincerely

Hans-Joachim Naegele
Barenbach 3a
73084 Salech
Tel: 07162/41231
Email: Hajo.Naegele@gmx.de

If you think that you can be of any assistance please respond to him direct.

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Mob: 0438 542 691

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2 people needed
Full time Relief
Milkers
(600 cows)

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Fax: 08 8764 7422**

House available for
rent if required

DAIRY UPDATE FROM SADA

Friday 3 August 2001

I was very fortunate to have been a close friend of Sir Hubert Opperman the great cyclist and long serving Minister in the Menzies Government. "Oppy's" favorite saying was "reconnaissance is never wasted".

Well, SADA is about to do some reconnaissance on your behalf! The whole SADA Board will be undertaking an "intensive fact finding mission" to NSW and Victoria in the week commencing Sunday 6th August. They will be seeking company views on key industry questions and support for a better deal for dairy farmers.

Even though this is the big news today let us begin with our favourite topic, "milk prices".

MILK PRICES.

(1) Internationally prices are continuing to firm.

The EU recently decided to remove ALL subsidies for SMP. This is a similar significance to the coming down of the "Berlin Wall". It sends a clear message that the EU is concentrating on their own domestic shortage and this will give the global dairy export market a real boost for some time to come.

On the other side of the Atlantic the US Cheese Prices are at a high. It is these high cheese prices that are driving the whole US Dairy Market.

The ADC recently announced it was able to negotiate (acting as our "single desk seller") a significant price increase for Australian cheese going into Japan. We as an industry need to decide on whether the "single desk" puts money into the pockets of dairy farmers, and your SADA Board will be assessing the situation over the coming week, so they can advise you.

Another example of room for growth at good prices comes from Warrnambool Cheese and Butter. They have recently signed contracts with the US for as much whey protein as they can supply. Whey protein is a valuable ingredient in high protein bars and diet supplements.

So we are seeing increasing demand for supply and rising farm-gate milk prices. One further example is that of the Bega Co-op whose Chairman says they can not get enough milk for

their greatly expanded cheese processing plant. They want to quadruple the litres of milk they already get in from East Gippsland

(2) Domestically, competition for supply is continuing to lift prices. Generally, and as expected, where the competition is strongest the prices are the best.

There will be less pressure to improve prices where there is no competition, or where long term contracts are discouraging competition. Farmers have to decide on where best to place their business.

Farmers in the South East have the advantage and experience of regularly changing processors. The Central Region farmers have been reluctant to change in the past.

However the major concern expressed at recent Regional Meetings is the low returns (compared to export) on the domestic market.

So what are we doing about the "lost" domestic market premium caused by the competitive tendering process to the supermarkets? Some are wondering if it can be restored in the new deregulated environment.

Experience has shown that the supermarkets have excessive power and the farmers, and perhaps to a lesser extent the processors, are being badly squeezed. NSW Minister, Richard

BOVINE JOHNE'S DISEASE.

We could be on the verge of achieving agreement on a State and National strategy for BJD. This new approach could see the disease incidence spectacularly reduced, our quality assurance improved and the freeing up of trade between like status herds.

Ken Smith and Frank Beauchamp played a major role in the EBL success and now Ken teams up with Gary Spain to attempt to repeat the achievement. *BJD is a difficult disease to control.* Its eradication is not possible at this stage but we can get "on top of it". We know the progress of pain and heartache that will occur (into the Beef and Dairy herds) if we fail to take appropriate action.

Frank Beauchamp was right to set up the BJD Support meetings. For those farmers involved it has been difficult, and hopefully we can provide "the light at the end of the tunnel".

But let us be perfectly clear. The dairy industry is ONLY considering agreeing to extensive testing providing there is agreement to use the Wisconsin Management Model. This would include the removal of the caveat on the titles of properties that have animals that test positive.

The SA Cattle Industry has the opportunity to decide on the direction of the BJD Program.

Great credit goes to Minister Rob Kerin, for arranging the coming Forum to be held in Mt Gambier (7th August). While SAFF (Beef) and SADA (Dairy) are making progress, it is important to "test" the thinking in an open forum. The Minister has broken a busy schedule to personally attend and support progress on the issue.

Ken and Gary will provide you with an informed assessment of progress, options and implications in the next Update. This will update the Mt Gambier Forum and the progress Gary is making with John McQueen (ADFF) at the National level.

SADA BOARD MISSION (6-10TH AUGUST).

The SADA Board has decided to undertake an intensive "fact finding mission" during the week commencing Sunday 5th August. We have

arranged a busy program of early starts and some late nights but the whole idea is to achieve as much as possible in a short time.

The main discussions will be with the major companies Dairy Farmers and National Foods. The program also includes Bonlac, ADFF, ADIC, Australian Dairy Corporation and several more.

Without doubt the Board will return with a sounder grasp of the coming issues.

Unfortunately the response to the survey on our members perceptions of the companies pricing performance have been slow coming back. Hopefully, closer to our departure we will have enough responses to provide some worthwhile and reliable feed back to the Co-ops and the Companies and most importantly back to you the members.

Members who have strong views on industry issues (particularly if they may be relevant to discussion on the mission) should consider phoning a Board member.

THE SUPPLEMENTARY DAIRY ASSISTANCE PACKAGE.

The Bill is expected to be gazetted this week. Given that this takes place, the "advices" in relation to the additional market milk payment should be mailed out from the DAA on Friday 10th August.

About 9,300 notices will go out but this includes those who have left the industry and will not be eligible because they were no longer farming on the 21st May when the Minister made his announcement.

Those eligible need to get a Statutory Declaration to the effect they were dairy farming on the 21st May, check the milk figures and advise again the bank details. Most will elect to take the money up-front and the cheque should arrive back within the month of your return.

AGRICULTURE-ADVANCING AUSTRALIA (AAA).

The AAA Package is a Government initiative to assist primary producers become competitive, sustainable and profitable. It is a good title for the program because Agriculture makes a tremendous contribution to the economic "well-being" of our nation. It is not just those we

DAIRY INDUSTRY TO THE FORE AT THIS YEAR'S ROYAL SHOW

The Dairy Industry will be the dominant rural category at this year's Royal Show with the opening of the new Dairy Pavilion.

The new Pavilion is in fact the old Agricultural Produce Hall that adjoins the existing Dairy Pavilion. The new Pavilion will be a further promotional opportunity for the Dairy Industry, which will feature a 1950's Milk Bar, a Stage for various Dairy demonstrations, a Health and Nutrition Information Booth and the Australian Dairy Corporation Stand (encompassing Yellow Brick Road and Cow Wear sales). With both pavilions now joined by a huge archway we have the total dairy product sales and promotional area under the one roof. The new pavilion has come about due to the planning and co-operation of the Show Society's dairy products committee. It is pleasing to note that committee Chairman Brenton Higgins (National Foods) and Deputy Chairman Tim Sanson (Dairy Farmers) have been able to put to one side their commercial competitiveness and think "outside the square" for the good of the Dairy Industry. The committee is also deeply indebted for the financial support from the Australian Dairy Corporation, the Dairy Industry Development Board and the Exhibition Dairy.

Further Dairy Industry promotion at the Royal Show is exemplified by, the Exhibition Dairy, the existing upgraded Dairy Pavilion and of course the very popular Dairy Day.

All in all the Australian Dairy Industry will be well represented at this year's Royal Show and definitely the dominant rural commodity.

Call for Applications



Call for Applications

Commonwealth Government's Young People in Rural Industries Initiative

Study Awards Program

The Commonwealth Government is committed to the development of young people in rural industries. The Study Awards Program provided by the Commonwealth Department of Agriculture, Fisheries and Forestry - Australia (AFFA) will allow up to 14 people (two from each State and the Northern Territory) to undertake an individual study project to assist them develop the skills, knowledge and networks required to make a greater contribution to the future of their industry. State winners will receive up to \$15,000 (AUD), and runners-up will receive up to \$7,000 (AUD). The program targets young men and women (18 - 35 years) currently involved in the agriculture, fisheries or forestry industries, including commodity processing, value adding or natural resource management.

Applicants will be expected to provide a detailed description of their individual study project. The Study Awards Program will provide recipients with the opportunity to attend an event, conference, participate in a course available in Australia or overseas, or undertake a study tour. Award recipients will be expected to communicate the key learnings from their Study Award to key stakeholders including AFFA.

Selection Criteria

Successful applicants must be able to demonstrate:

- a vision for the future of their industry;
- a desire and capacity to investigate an issue relevant to their industry through exposure to worlds best practice, innovative ideas and new contacts in their field of interest;
- the importance and relevance of their individual study project both to themselves and their industry;
- how the opportunities provided by a Study Award will support their participation in industry decision-making processes;
- how they plan to communicate the key learnings and outcomes from their individual study projects to relevant stakeholders, on completion of their Study Award project; and
- a commitment to encouraging young people to take an active role in the future of their industry.

In order to be considered, applicants must:

- complete the application form and provide all information requested;
- review the additional eligibility requirements and guidelines available from www.affa.gov.au/youngleaders; or by emailing youngleaders@affa.gov.au or by calling (02) 6272 5554;
- lodge completed application form by 31 August 2001. Late applications will not be accepted; and
- be an Australian citizen residing in Australia.

Applications close 31 August 2001, and should be sent to:

Commonwealth Government's
Young People in Rural Industries Initiative
Study Awards Program
GPO Box 858
CANBERRA ACT 2601

The Study Awards Program is part of the Commonwealth Government's Young People in Rural Industries Initiative, funded through the AAA - Agriculture Advancing Australia package.

00002



Call for Applications

Commonwealth Government's

Young Rural Leaders Course

A unique opportunity exists for young men and women (18 - 35 years) currently involved in the agricultural, fisheries or forestry industries. The Commonwealth Department of Agriculture, Fisheries and Forestry - Australia (AFFA) is offering the second Young Rural Leaders Course, a four-day residential course in Canberra (15 - 18 October).

Forty young people who wish to make a difference to the future sustainability, competitiveness and profitability of rural industries will have the opportunity to improve their capacity to contribute to government policy and program development, and industry decision-making processes at the national level. The course aims to provide participants with the skills and knowledge on which to build their effective participation.

This course is open to Australian citizens who can demonstrate:

- a vision for the future of their industry;
- a knowledge of critical issues currently facing agriculture, fishery or forestry industries;
- a desire to contribute to the future prosperity of industry through their contribution to the political and industry decision-making processes;
- their continued employment and/or involvement in either agriculture, fisheries or forestry industries over the last three years;
- their involvement in industry, organisation or community groups; and
- excellent communication skills.

Application forms and further eligibility information are available from www.affa.gov.au/youngleaders; or by emailing youngleaders@affa.gov.au; or by calling (02) 6272 3292 or (02) 6272 5554.

Applications close 17 August 2001.

The Young Rural Leaders Course is part of the Commonwealth's Young People in Rural Industries Initiative, funded through the AAA - Agriculture Advancing Australia package.

00003

SADA SNAP SURVEY No 2.

STATE GOVERNMENT SERVICES AND ISSUES

The various arms of the South Australian Government provide important services and make decisions that have or will have a bearing on the future profitability of the Dairy Industry.

The State Government has recently supported our industry with the establishment of the Dairy Industry Development Board (DIDB) with a charter to facilitate industry growth and, as a result, your returns.

The DIDB Board has asked SADA to provide advice on the issues, in which the State Government has some influence, related to industry development. We want you to assist. Remember these issues can be also discussed at the Regional Level, you can write with additional thoughts or information, or simply phone a Board Member.

All you have to do is to rank the level of importance you would give to the following issues. For very important place **1** in the box, for moderately important put in a **2** and for less important put in **3**.

Then fax it back to SADA 8293 8886 (or just pop it in the post).

- Encouraging new dairy infrastructure (for example a modern export facility).
- Retaining the benefits of an efficient Dairy Authority (DASA)
- Providing industry with a significant say on animal health matters.
- Satisfactory resolution of the water issues on both the Murray and Limestone Coast.
- Support for continuing matching funding for Farm Biz.
- Support for dairy road underpasses.
- Assured power deliver at reasonable prices.
- Support for continuing rural counselling and extension services.
- Environmental issue including the EPA and effluent.
- Support for landcare.
- State government taxes and charges.
- Importance placed on having good access to key Minister when needed.
- Support for rural labour issues.
- Support for dairy research and development at the State level.
- Support for marketing and trade issues.

Post to:

*SADA
U5, Emerson Centre
780-802 South Road
GLANDORE 5037*

Finally your turn to add two more issues.

.....
.....

DAIRY UPDATE FROM SADA

Thursday 30 August 2001

On the 6th August 2001 Ken Lyons (CEO), Jeff Wright (Vice President) and Phil Kernick (President) left Adelaide at 6am commencing a very busy schedule of meetings that were the start of the new SADA board fact finding mission.

After attending an ADFF meeting for Monday and part of Tuesday, Ken and Phil left Melbourne to meet five of our other board members in Sydney. Roy Dalitz, Peter Edmonds, Sue Varcoe, Jill Williams and John Nietschke had all left Adelaide earlier that morning. Jeff Wright stayed in Melbourne to continue discussion on the dairy industry restructure proposal and then traveled to Sydney late in the evening Gary Spain and Ken Smith who were attending a Johne's meeting in Mount Gambier on Tuesday then also arrived in Sydney late that evening

This update is a report of all the different meetings and visits made by the board in the five days from Monday 6th August to Friday 10th August.

It was agreed that each board member would be allocated some part of the trip to report on and these are their impressions and thoughts.

The aim and purpose of this trip was to familiarise the board members with as many current industry issues as possible and to meet as many industry personnel in the senior management ranks of industry and processors alike.

Knowledge and understanding in all areas only enhances the ability of the SADA board to negotiate professionally on your behalf.

Tuesday 7 August 2001

JOHNE'S

Johne's meeting in Mt Gambier
Report by Gary Spain

Significant progress has been made in the last two months both at a state and national level.

Industry and Government are working towards a process aimed at risk management which encourages willing participation while at the same time removes the stigma and trauma currently being experienced by individuals.

At the Johne's forum held in the South East on 7 August more than 120 people were in attendance. The forum was an important opportunity to bring both Beef and Dairy industry groups together to work out the most logical and sensible way forward and it was evident that both sections demonstrated a real willingness to work together to develop industry consensus.

Strong support was indicated for what is known as the Wisconsin model and a strategy to ensure the impact on families is taken into account.

SADA is continuing to play a pro-active role in ensuring a fair and common sense outcome is obtained that satisfies its members. Watch the Update for further information in the future and contact Gary Spain or the SADA Office if you have any concerns.

SADA is continuing to play a pro-active role in ensuring a fair and common sense outcome is obtained that satisfies its members.

Tuesday 7 August 2001

DAIRY FARMERS

Report by Jill Williams and Peter Edmonds

On Tuesday we were privileged to view a meeting of Dairy Farmers Board and District Chairpersons. The topic was Milk Supply and Milk Payment Systems and we appreciated the chance to observe the co-operative principles working. Three options for a payment system were put forward and all participants of the

SADA was complimented on this initiative to come on a fact-finding visit, the first state dairy farmer organisation to do so, and invited us to hold our next board meeting at their Salishury plant.

Thursday 9 August 2001 **NATIONAL FOODS -** **MORWELL**

Report by Sue Varcoe

On Thursday morning we visited the National Foods Morwell Plant. A greenfields site. 18ha, 9 ha currently used. It was opened in 1997. They employ the equivalent of 250 full time employees.

Greg Tunse, Plant Manager, showed us around. One of the most obvious good points that stood out was Greg's rapport with his staff & he encourages employee participation and pride. He has a good understanding of his factory/personnel needs. He is proud of the plant and very pleased to show it off, especially since ironing out the teething problems of starting up a new plant. Some of the products made at the plant include Yoplait, Petit-miam, Yogo and the Divine range.

Some figures quoted from our morning walk around the plant include:

- They handle 10million cases of product/year.
- 10 High-speed filling lines.
- Improved transport/cartage saving \$200,000.00 a year, with service compliance exceeding 97% to 80 points nationally.
- Shipment response time 12-18 hours from order and delivery is within an hour of planned time.
- Product takes a maximum of 2 hours in chiller and is stored in cold room no longer than 6 hours before heading for distribution center.
- Product must not leave factory above 6°C, Morwell aim for 4°C.
- They generate their own power and have a waste management system operating.

At the end of the tour we were taken into the Laboratory where they do their product testing for a taste testing of the products made on sight. It was an enjoyable and informative morning.

Thursday 9 August 2001 **ADC**

Report by Phil Kernick

The Australian Dairy Corporation has the task to enhance the profitable production and market of Australian dairy products.

A presentation to our board by Sandy Murdoch, John McKew, Chris Phillips and Richard Lange, with Bob Snewin and Chris Trumper present, gave an overview of ADC.

The presentation covered ADC services, where ADC fits into the big picture of the dairy industry, and why they are there.

An overview of international trade development, domestic market development and the commercial and investment activities was given to the board. This then led to an explanation of the single desk selling arrangements.

A lot of information was presented in a short time, however this gave our board a very good understanding of how some of our levy money is being spent, and how important it is to have an industry body operating in the trading environment and also in the domestic generic marketing/ advertising scene.

Thursday 9 August 2001

Bonlac

Report by Roy Dalitz

Dinner was sponsored by Bonlac Foods Limited and was followed by a presentation from Chairman Noel Campbell on company position and their interest in SA.

Bonlac Snapshot

- 2000 suppliers - 1.73billion litres 4:1 peak to low production ratio
- 17% of Australia's milk supply
- 1300 staff (Full Time Employees)
- 7 white milk processing plants - 4 secondary sites
- capacity utilisation 83% (75% Victoria - 95% Tasmania)
- total sales \$1billion

The board now consists of 7 farmer directors, 2 others and 3 appointed by Global Co. (Fonterra). CEO's position vacant but being filled by Graeme Milne ex CEO of Dairy Group NZ.

Bonlac has 4 pick-up areas - Northern Irrigation, Western District, Eastern Victoria and Tasmania.

Long term average price over 15 years was 24-25 cents per litre net to farmer, with this year's forecast around 34 cents per-cent.



LMIAG

Notice is hereby given to receive nominations for the Management Committee of the Lower Murray Irrigation Action Group Association Incorporated.

Nominee requirements – must be an irrigator on the Lower Murray Reclaimed Irrigation Area. Membership is for a 2 year term.

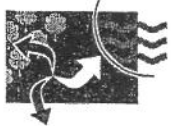
Nominations of Management Committee will be selected by ballot at the AGM to be held on Thursday 27th September 2001, 10am at the Murray Bridge District Community Club, Sturt Reserve, Murray Bridge.

Nominations close Thursday, 20th Sept 2001

Nomination forms available from

Monique Aucote

Ph: 0500 519 619 OR Fax: 8532 5300



LMIAG

WILL SEE YOU THERE

At

The Jervois Field Day

Tuesday 18th September, 2001

Find our stand and you could win a prize.

**FOOD GROWS WHERE
WATER FLOWS**

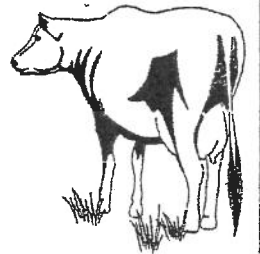
Monique Aucote

Ph: 0500 519 619 OR Fax: 8532 5300

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Milk - Supermarket Sales Summary

Volume: million litres
Average Price: \$/litre

Australia Supermarket Sales - Milk by Type

	MAT - Sales Volume			Average Price	
	09/07/00	08/07/01	% Ch.	09/07/00	08/07/01
Flavoured	33.9	36.0	6.4%	2.38	2.57
Low Fat	67.8	75.3	11.1%	1.50	1.55
Reduced Fat	199.6	198.2	-0.7%	1.49	1.46
Regular	431.8	459.8	6.5%	1.30	1.14
Specialty	18.9	16.8	-10.8%	1.58	1.63
UHT	132.6	121.6	-8.3%	1.13	1.27
Total Market	884.5	907.7	2.6%	1.38	1.32

South Australia

	MAT - Sales Volume			Average Price	
	09/07/00	08/07/01	% Ch.	09/07/00	08/07/01
Flavoured	9.2	10.0	8.1%	2.38	2.50
Low Fat	8.1	7.2	-10.6%	1.45	1.44
Reduced Fat	28.1	29.1	3.5%	1.41	1.37
Regular	45.2	49.0	8.4%	1.36	1.18
Specialty	0.3	0.2		1.56	1.84
UHT	25.2	22.3	-11.2%	0.95	1.10
Total South Australia	116.1	117.9	1.5%	1.37	1.34

Australia Supermarket Sales - Brands vs Housebrands/Generics

	MAT - Sales Volume			Average Price	
	09/07/00	08/07/01	% Ch.	09/07/00	08/07/01
FRESH					
Branded	613.8	490.9	-20.0%	1.46	1.50
Generic	138.1	295.1	113.7%	1.25	1.06
Total FRESH	751.9	786.0	4.5%	1.42	1.33
UHT					
Branded	71.2	67.1	-5.9%	1.33	1.46
Generic	61.3	54.5	-11.1%	0.90	1.04
Total UHT	132.6	121.6	-8.3%	1.13	1.27
Total Market	884.5	907.7	2.6%	1.38	1.32

SADA SURVEY No 1 "COMPANY PRICING STRATEGIES"

	DAIRY FARMERS	NATIONAL FOODS	WCB	DE CICCO
QA. Communication about pricing issues				
Very Good	1	1		1
Good	3	4	2	
Satisfactory	9	11		1
Poor	4	13		
QB. Positive and good features of your system **	Incentive to produce more milk (2)	Like knowing what we are being paid (12)	Honesty	Spreads the income more evenly over the year
	Easy to understand & farmers get a better understanding of the value of different milk markets (2)	Minimum price (5)	Get step-ups if market value improves	The pricing system is very straight forward
	Predictability (3)	Security (4)		Prices guaranteed for 12 months. Step-ups are bonuses and this allows for a sound budgeting platform.
	Extra payment for Summer/Autumn production (2)	Like contracts (3)		
	Will take all milk produced	No penalties for over production		
	No contracts	Rewards quality		
	Better prices			
	Farmer owned			
QC. Negative & bad features of your system	Payment system is confusing (10)	Insufficient input into the contracts (7)	Productivity payments	None
	SA suffers a price differential compared to the other states (3)	Price too low (6)	Waiting for your money	
	Prices paid in each region are not freight related	Lack of communication (4)		
	The co-op should be the price setter.	Penalties (4)		
		Contracts (3)		

** Numbers in brackets indicate the number of similar responses



Government
of South Australia

MEDIA RELEASE

Hon Rob Kerin MP

Deputy Premier
Minister for Primary Industries & Resources
Minister for Regional Development

Wednesday, 29 August 2001

\$40 MILLION LOWER MURRAY IRRIGATION PLAN

A \$40 million plan to rehabilitate the Lower Murray Swamps is expected to reduce 80 per cent of polluted water from dairy pastures running back into the River Murray resulting in a major environmental win for the State.

Deputy Premier Rob Kerin today unveiled the five-year plan that will need a major infrastructure investment in the area to dramatically improve water efficiency, improve the health of the river and convert some of the irrigated land to other uses such as wetlands.

Mr Kerin says the State Government is committed to improving the health of the River Murray - while some States are simply talking about taking action with the Murray, South Australia is delivering.

"This is one of the vital steps in the State Government's ongoing campaign to save the River Murray. Unlike Labor, this Government has plans in place and is delivering tangible benefits to the River," Mr Kerin says.

"The project is part of the government's commitment to the rehabilitation of irrigation areas, most recently the \$40 million Loxton's irrigation project - one of Australia's biggest irrigation projects which will halve the amount of salt seeping back into the River Murray at Loxton.

"Water quality in our rivers is a major and growing concern across Australia and practices that pollute our rivers are no longer acceptable."

The State Government has applied for Commonwealth funding for seven priority actions across the State, under the National Action Plan for Salinity and Water Quality.

The Lower Murray project is one of the priority actions and initial funding would be used on infrastructure for water meters and to construct a demonstration site for the proposed re-use irrigation system.

"Full credit needs to be given to the Murray dairy farmers who are recognising their responsibility to the environment and the river, with most farmers already taking steps to improve practices," he says.

"The next big challenge is for farmers to invest in a paddock back drain which allows drainage water to be reused, rather than running back into the river.

"Improvements also need to be made to infrastructure that delivers water to the paddocks, improving water efficiency.

"The future of the Lower Murray depends on overcoming the environmental impact on the river. This plan allows irrigators and the Government to plan with confidence for a sustainable long-term future for the region, knowing the river and its users will also benefit significantly."

Media Contact: Sascha Brooker ph: (08) 8303 2500 or 0418 806 710

www.ministers.sa.gov.au

LATE NEWS AND SADA AGAIN ADDING BIG DOLLARS FOR DAIRYFARMERS.

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For those who wish to follow the situation in more detail I have attached a "briefing note" prepared by Ken

Best regards,



Phil Kernick.

DAIRY FARMERS CO-OP ANNOUNCES A RETAIL MILK PRICE INCREASE.

"Ball park figures and a fair slice of the pie"

Last week Dairy Farmers Co-op announced it would increase the retail price of "branded milk" by 12 cpl. Back on the 10th August Roger Corbett, Woolworths, announced he would also increase the price of the "homebrand" milk by 5cpl. We expect National Foods to announce its position this week. Papers around Australia and the media in general are running the story and it is important that we respond to the inevitable consumer response intelligently and with credibility.

So let me provide some background.

These notes reflect the conversation I had with our President Phil Kernick last Friday. As always we welcome your comment by letter, phone or e-mail.

I am pleased to report on the success of the SADA (and others including the ADFF and the Processors) "lobbying" of Woolworths. The "leadership" shown by Dairy Farmers Co-op in making the bold move to redress the "economic unsustainability" of the supplying "cheap milk" to Australian consumers needs to be recognised. We explain below why we believe dairy farmers will be at least as big a "winners" as the processors in capturing the additional market returns from the price rise.

1. Let us begin with the ACCC Report earlier this year. This Report concluded, "the only winners in dairy deregulation were the consumers". The Report put a figure on the consumer benefit at 13cpl. You will remember this Report hit the front page of the newspaper around the nation at the time. At this price level both dairy farmers supplying the fresh milk market and their companies were operating at commercially unsustainable margins. We, at SADA, have promoted the message to the media that consumer access to "cheap milk" would end. Our industry response has to be that this rise in the price of milk simply redresses the situation. Remember the consumer lobby groups are very powerful and they must be countered. If dairy farmers were not to take the "strong and united" action we are taking, the price on the domestic market would fall. This is currently "catch up footy".

2. On Friday 10th August (the final day of the SADA Board interstate "fact finding mission) Roger Corbett announces that he will raise the price of the "home-brand" milk by 5cpl on 1st September. He says he has done this to help the dairy farmers struggling post-deregulation and hoped the companies would pass most of the increase down the line. But many media commentators are doubtful the increase will find its way back to the farmers. Fortunately for farmers the companies are increasing the farm-gate price to retain supply before they capture an increase from the market.

Roger Corbett is one of the best corporate business leaders in Australia and every decision he makes is for a very good reason. I believe he saw "corporate value" in his demonstration of goodwill towards the Australian Dairy industry. My point is that we (SADA and others) helped create the environment that prompted his action.

As mentioned in the previous Update we have had success with John Anderson and we now know he will be releasing his position on the "power of the supermarkets" and what can be done at a National Press Club Luncheon this week. So lifting the issue of the "market power" of the super-markets into the public arena and the direct approaches to Roger Corbett eventually appear to have paid off. In this regard both the industry and the processing sectors did the lobbying and now we both stand to share the reward. This is only "bush justice".

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Milk - Supermarket Sales Summary

Volume: million litres
Average Price: \$/litre

Australia Supermarket Sales - Milk by Type

	MAT - Sales Volume			Average Price	
	09/07/00	08/07/01	% Ch.	09/07/00	08/07/01
Flavoured	33.9	36.0	6.4%	2.38	2.57
Low Fat	67.8	75.3	11.1%	1.50	1.55
Reduced Fat	199.6	198.2	-0.7%	1.49	1.46
Regular	431.8	459.8	6.5%	1.30	1.14
Specialty	18.9	16.8	-10.8%	1.58	1.63
UHT	132.6	121.6	-8.3%	1.13	1.27
Total Market	884.5	907.7	2.6%	1.38	1.32

South Australia

	MAT - Sales Volume			Average Price	
	09/07/00	08/07/01	% Ch.	09/07/00	08/07/01
Flavoured	9.2	10.0	8.1%	2.38	2.50
Low Fat	8.1	7.2	-10.6%	1.45	1.44
Reduced Fat	28.1	29.1	3.5%	1.41	1.37
Regular	45.2	49.0	8.4%	1.36	1.18
Specialty	0.3	0.2		1.56	1.84
UHT	25.2	22.3	-11.2%	0.95	1.10
Total South Australia	116.1	117.9	1.5%	1.37	1.34

Australia Supermarket Sales - Brands vs Housebrands/Generics

	MAT - Sales Volume			Average Price	
	09/07/00	08/07/01	% Ch.	09/07/00	08/07/01
FRESH					
Branded	613.8	490.9	-20.0%	1.46	1.50
Generic	138.1	295.1	113.7%	1.25	1.06
Total FRESH	751.9	786.0	4.5%	1.42	1.33
UHT					
Branded	71.2	67.1	-5.9%	1.33	1.46
Generic	61.3	54.5	-11.1%	0.90	1.04
Total UHT	132.6	121.6	-8.3%	1.13	1.27
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SADA SURVEY No 1 "COMPANY PRICING STRATEGIES"

	DAIRY FARMERS	NATIONAL FOODS	WCB	DE CICCO
QA. Communication about pricing issues				
Very Good	1	1		1
Good	3	4		
Satisfactory	9	11	2	
Poor	4	13		1
QB. Positive and good features of your system **	Incentive to produce more milk (2)	Like knowing what we are being paid (12)	Honesty	Spreads the income more evenly over the year
	Easy to understand & farmers get a better understanding of the value of different milk markets (2)	Minimum price (5)	Get step-ups if market value improves	The pricing system is very straight forward
	Predictability (3)	Security (4)		Prices guaranteed for 12 months. Step-ups are bonuses and this allows for a sound budgeting platform.
	Extra payment for Summer/Autumn production (2)	Like contracts (3)		
	Will take all milk produced	No penalties for over production		
	No contracts	Rewards quality		
	Better prices			
	Farmer owned			
QC. Negative & bad features of your system	Payment system is confusing (10)	Insufficient input into the contracts (7)	Productivity payments	None
	SA suffers a price differential compared to the other states (3)	Price too low (6)	Waiting for your money	
	Prices paid in each region are not freight related	Lack of communication (4)		
	The co-op should be the price setter.	Penalties (4)		
		Contracts (3)		

** Numbers in brackets indicate the number of similar responses

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Best regards,



Phil Kernick.

DAIRY UPDATE FROM SADA

Friday 28 September 2001

US CRISIS

It is too early to predict the effect on the global demand for dairy products.

But at this stage an assessment of the risk factors, the exchange rates and supply/demand analysis would indicate that our export performance should be maintained.

Some may wish to either talk the situation either "up" or "down" but I personally can not see a real justification for doing anything else but keeping "positive" about future returns.

As I write our currency is down more than 4 per cent against the US dollar since the terrorist attacks last week. In fact in the past weeks the Reserve Bank has spent \$20m attempting to stem the slide of the Aussie Dollar.

HIGHER FARM GATE MILK PRICES

While on the topic of milk prices this is what the September Quarter ABARE report had to say about milk prices.

"Australian farm gate milk prices are forecast to rise by nearly 10 per cent in 2001-02 to around 31 cents per litre".

This is in line with what SADA predicted six months ago. Also as predicted we are witnessing significant price variations in the market place based on competition for supply.

BRENTON HIGGINS

Brenton this month has stepped down from the position of Regional "Head Honcho" at National Foods. Fortunately he is not leaving the industry. In fact by investing in our industry he is demonstrating his faith in its future.

On your behalf, SADA has, at many forums recently, acknowledged the tremendous contribution made by Brenton in promoting our industry. He has been prepared to go way beyond

his corporate responsibilities to promote the wider industry good. For this we are greatly thankful.

Again, we thank Brenton and Barbara, for their mighty support and we wish them all the best in their new industry role.

My wife Fran, I suspect, was very close to the mark when she simply explained Brenton's popularity by saying, "he is always charming to everyone". When you think about it, this is a valuable quality.

WHO IS GETTING WHAT FROM THE COMING INCREASE IN THE DOMESTIC MILK PRICE?

"Australian farm gate milk prices are forecast to rise by nearly 10 per cent in 2001-02 to around 31 cents per litre".

I was quite pleased that the early independent advice given out by SADA to our members has been proved to be "real close to the mark" (the last Update). We were only able to do this because we were

acting on good information and we knew how to put it together.

We are only too happy to fine-tune our figures if our critics can "show us the money". In fact we

◆ We are building beneficial relationships.

Another area in need of continuing attention is avoiding as far as possible duplication. Forming partnerships that "deliver" (like our "Mail-Man") is the key. As business partners we need to feel comfortable and assured we are again getting "value".

Only yesterday I was talking to a Board Member about the Morwell Processing plant we visited in Victoria. The Manager of the plant really had his "act together" with all aspects of running the plant. The plant was at the "top end" in the international "benchmarking" stakes. Like-wise we want SADA, as an Association, to be benchmarked amongst the best.

HEIFER REARING

Every so often a book come along and you marvel at how well it has been put together. This book, "Heifer Rearing" A guide to rearing dairy replacement heifers in Australia, is, in my opinion, a "special" book.

The book includes chapters on the benefits of better-grown heifers, target mating and calving liveweights and ages, feeding and mating management, and disease prevention. It concludes with an economic evaluation of the costs and returns from improved systems for rearing heifers.

"Heifer Rearing" was edited by John Moran, Senior Research and Advisory Scientist with the Victorian Department of Natural Resources and Environment, and Douglas McLean, until recently, a Senior Research Scientist with the SA Research and Development Institute located at the Flaxley Agricultural Centre. The book can be ordered directly through the publisher, Kerrie-Anne Hare on (03) 5334 0386 or 0407 787 004. The book normally retails at \$38.50 and \$6.50 postage. For SADA members the book is available at \$32.75 and \$6.50 postage if you go directly through Kerrie- Anne.

DAIRY FARMERS HAVE, AT THE FARM LEVEL, LIFTED PERFORMANCE DURING THE PAST DECADE

Some indicators of this include the following:

- ◆ Milk production per week of labor increased by over 50 per cent from 3950 litres to 6057 litres.
- ◆ Milk production per cow increased by 25 per cent.

- ◆ Computer use increased to 50 per cent of farms.

- ◆ Over one third of dairy farms upgraded or built new dairies.

For many, this decade has been a difficult time of low returns, longer working hours and labor shortages.

On the other hand South Australian dairy farmers now have comparatively "efficient" businesses and providing the export prices continue strong and the outlook remains promising we could be in for a good next decade.

The Australian Dairy Industry needs to develop a consensus as to the future direction of its investment in collective Research, Development and Extension.

ADIC STRATEGIC REVIEW OF INDUSTRY FUNDED R, D & E

The review will be conducted in two phases, both of which will involve substantial communication and consultation with industry participants. The first phase will entail distribution of summaries of the issues. The second phase will involve the release of a Discussion Paper, collection of feedback and production of the final position.

The timetable for the final agreed positions will be presented back to industry meetings by April 2002.

This will be another important step forward for the Australian Dairy Industry.

The ADIC is, in my opinion, the best body to manage the project because they can bring together a "top team" selected from both suppliers and processors. This is the case here again, and also attached is one of the best industry advisor/consultants in Rick Lacey. They will do the job and bring it in on time.

Later this year we will involve you, the members, in the process. The level of your participation will be your choice.

While on the topic of reviews and restructures.

RESTRUCTURES

While we at SADA have had our new structure operating since July the other State Associations have also either completed (NSW Dairy Farmers Association) or are well underway with changes.

Peter Owen is for example putting the final touches on their new UDV structure. By the way the SADA Board had the pleasure of meeting Peter on their recent interstate trip. Peter is a very

Mark Brindal moving in the right direction with the South East and Murray water issues.

Robert Brokenshire is highly regarded as both a politician and a dairy farmer. He has been able to take a keen interest in rural matters inside the "Cabinet".

BONLAC

Last week Bonlac announced a full-year net profit of around \$40m, a turn-round on last year's loss of \$40m. One of the important strategies for their success has been to regain its supply base. To achieve this they may have to pay "market price plus".

The good news here is that the SADA Board was briefed on the Bonlac strategy weeks before the general public were informed through the press.

It is not surprising that Chairman, Noel Campbell was quoted as saying

"We were able to open the new season with a higher competitive milk price for our supplier base".

As you know Bonlac hosted a dinner in Melbourne for the SADA Board. We had a great night with Noel Campbell, Graeme Milne, Chris Thomas and the management team. You would have been very proud with the way your Board performed in "the cut and thrust" of the debate.

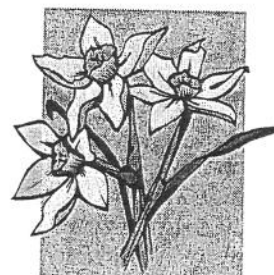
Hopefully we have made some new friends and you, never, never, know; one day we may be able to do some business.

CORRESPONDENCE

"On behalf of the Anti-Cancer Foundation we thank you for your donation in memory of the late Mrs Jenny Harris and we will notify the next of kin for your thoughtfulness.

We extend our deep condolences on your loss. Your kindness, at a time of personal sorrow, reveals a spirit of generosity extended to the wider community through your assistance to the work of the Foundation.

Memorial donations such as yours, are used for a wide range of research, support services and projects which further our understanding about the prevention, diagnosis, causes and treatment of cancer".



Happy Milking,

Ken

South Australian Dairyfarmers' Association Inc
UF, Emerson Centre, 780 South Road, GLANDORE SA 5037
Ph: 08 8293 2399, Fax: 08 8293 8886, Email: sada@camtech.net.au

DAIRY UPDATE FROM SADA

Friday 12 October 2001

President's Report

There have been a number of dairy farmers who have joined or rejoined SADA in the last few months and I welcome you all. The Association has its strength in unity and as many issues are resolved by speaking with one voice it is important that we have every farmer behind the Association.

The office continues to be a very busy place and the work going through continues to drive our industry in a positive and forward direction.

It has been a pleasure to have attended 4 regional meetings over the last few months and I look forward to the question and answer segments from the members. It is most important to bring forward points of concern or interest during these meetings, as this is one of the best forums to have any issues talked about. It does worry me that a lot of "outside" talk happens and so the real issues cannot be discussed.

The SADA office is always available for any discussion by phone on 08 8293 2399 or my mobile on 0417 472 052, or if you are in Adelaide, please drop in to see us.

As President, I find the position very rewarding, but demanding, and I know we are slowly but surely helping our dairy farmers prosper in many different ways.

BOARD REPORT

A busy agenda for the Board meeting saw all our board members (apology from P Edmonds) contributing to a positive meeting.

Items discussed included Tanker access to farms, Bovine Johne's Disease program update, Dairy Farmer Training courses and reports given from all our committees ie Technical, Finance and Milk Prices and Policy. Our associate Committees with SAFF gave an overview of the issues discussed there, issues that SADA generally does not have the time or resources to take on on its own.

The running of the SADA Office needs to be reviewed with the staffing positions reviewed annually. Ken Lyons, as CEO, has had his position reviewed and will continue to work in his positive and forward thinking manner with SADA.

One impact on the Board meeting was the announcement by Jaylene Gurr (Development Officer) that she wishes to resign to pursue other directions for her career. The Board accepted her resignation to take place within the week. The Board wishes Jaylene all the best for the future and thanks her for her work with the Association over the past 4 years.

The Board has resolved to work with the South East Regional Committee to prepare a submission to go to the Joint Parliamentary Committee, chaired by the Hon Ian Gilfillan, which has been established to look at the impact of deregulation on the dairy industry.

We also resolved to establish a working group to look at the SADA Constitution.

Your Board is also looking at developing a "leadership" program "Out There Leadership"

where it is hoped SADA will be able to invite "future" Board Members to attend . This will probably be scheduled for early next year (2002).

We also endorsed how important it is to receive farmer points of view on any issue. It is hoped that you as members can show your support to your Board wherever possible.

THE YEAR 2002

Recently several newspapers have sought the advice of SADA in relation to the future of the dairy industry. Given that it has been 12 months since deregulation it is obvious that the community is interested in what is happening.

The reporters are coming to me as the SADA President and seeking an industry view. I wish to be sure I am speaking for the whole of industry and not just giving my point of view.

So in Survey 3 I am asking for your assistance to tell the story you, the members, want to be heard.

One of the important issues is that if as many are predicting prices continue to improve what will be your response in terms of litres of milk produced?

MILK PRICES

For this Update I have decided to look at the Queensland situation. The Queensland Dairy-farmers publication (September) reported that Pauls was paying a farm-gate price for market milk of 41 cents before cartage. Industry response was; "That's a start, but still falls well short of what farmers need to cover costs and make some return on their capital."

When you take transport and the percentage of milk in the market milk category into account, you can also see the picture of farm-gate milk prices being relatively consistent with the export price movements.

Without some form of re-regulation everyone is agreed on the point that it will be the export price that is the big decider of the farm-gate milk price.

The Rabobank Rural confidence Survey provides a definitive measure of sentiment within the farm sector. It shows SA farmers were the most confident about their viability. In the national

survey of industry sectors, dairy farmers were the most optimistic with 60% expecting an improved performance in the next year.

MURRAY GOULBURN CO-OPERATIVE

This week we look at a potential "leader" of farm-gate milk prices.

Soon after joining SADA Frank Beauchamp suggested we visit the MG Melbourne Office and I had the good fortune to meet with Paul Kerr. While Paul is a talented and highly successful manager for MG he is also a most valued member of ADIC. In this role with the peak industry body (ADIC) he is making a significant contribution to our long term future.

One of the important strategies adopted by MG is their commitment to Research and Development. To be fair all the processors are making progress with R&D in their own ways. I will come back to this point next.

The big MG news last week was the multi-million dollar (\$55m) extension work at MG's Koroit plant has now finished. This will make Koroit the biggest of the MG plants and possibly the biggest in Australia. Also new this year is the \$50m powder plant at Rochester.

The Koroit factory is expecting to process more than 3.5 million litres of milk per day during the peak this year from suppliers in South Australia and South West Victoria.

MG has reported; "More suppliers have joined MG from South Australia while others from further afield than Mount Gambier are also showing interest in joining the co-operative."

We at SADA acknowledge the fine efforts of MG in "value adding" our milk. This contribution has recently been recognised by winning the prestigious Rabobank-Monash University Export Award. To put their export achievement into context; MG is the biggest user of the Port of Melbourne, annually exporting more than 20,000 containers, or 350,000 tonnes of 150 varieties of products to 70 countries.

As expected the co-operative performance included; a doubling of last year's profit, an eight percent increase in milk intake, supplier

Shareholders also received a 10% dividend on shares as well as a higher milk price.

One of the important requirements for successful co-operatives (and industry Associations like SADA) is to have "good" Board Members. So what does MG Chairman Ian Macaulay have to say about "What is required of a Murray Goulburn director?"

For Ian's response see the attached article.

It is often said that since the majority of co-operative directors are farmers they are in a good position to influence the milk price paid to members. Further given that more than 70% Of milk purchased from farms in Australia is by co-operatives they have a potential role as market leaders. Given also that people are now saying farm-gate milk prices are being "driven" by the export prices it follows that the big export co-ops pricing is more than worthwhile watching.

AUSTRALIAN DAIRY CORPORATION BOARD REAPPOINTED

Industry supports the initiative of the Minister to reappoint the Board in the light of the coming debate about the future of the industry and the proposal to restructure.

The current directors have contributed to the excellent performance of the ADC and it is pleasing to see they have all agreed to continue the good work.

PAUL DONNELLY

You will recall I wrote a Profile article on Paul for the February 2001 edition of the SADA Journal. The article began,

"He is intelligent, passionate and making a significant contribution to our industry".

Paul is taking on a new (and in many ways a more challenging) role for the dairy industry. We wish him well because, in part, our financial future rides with him and his new team.

After 11 years as Managing Director of the Dairy

Research and Development Corporation, Dr Paul Donnelly has resigned to take up the position as head of the newly formed Cooperative Research Centre for Innovative Dairy Products.

DRDC Chair, Tony Bates, noted that "as regrettable as it is to be losing Paul from the DRDC, we are very pleased that his knowledge and skills are being taken into a project in which the DRDC is a very supportive partner".

"Paul's scientific knowledge and enthusiasm for the dairy industry and the science which underpins it is now legendary. Wherever you go people speak of Paul's passion for his subject and his intellect. He will be difficult to replace."

The Cooperative Research Centre for Innovative Dairy Products (Dairy CRC) has appointed Dr Paul Donnelly as its Chief Executive Officer.

*Paul Donnelly
- intelligent,
passionate and
making a
significant
contribution to
our industry*

Echoing the significance attached to the DRDC's work, Australian Dairy Industry Council President, Mr Pat Rowley, said "we congratulate Paul on his appointment to the CRC, a crucial research project in its own right. However we can not afford to take our foot off the R&D pedal for a moment. Our competitors are making large investments in research all the time, and any decline in our

focus or effort at any time, is impossible to make-up.

Funding for the Dairy CRC was announced by the Federal Government earlier this year and confirmed earlier this month after all the member organisations completed formal documentation.

Dairy CRC Chair, John Watson, confirmed both the completion of the funding and membership arrangements, as well as the appointment of Dr Donnelly. Announcing this he said, "We now have the full team list, and with Paul's appointment can set about rapidly building all the programs and science teams into a very powerful and productive unit.

"The appointment of Dr Donnelly, brings to the team a leader who is passionate about the dairy industry and the opportunities the CRC's research provides. As well, he is someone, who through his eleven years as head of the Dairy Research and Development Corporation, has proven he knows

how to drive research into valuable and focused outcomes.

Mr Watson confirmed the CRC membership now includes the Australian Dairy Farmers Federation, the Universities of Sydney and Melbourne and the Garvan Medical Institute. On the commercial side it is likely that, as the CRC develops, additional investors, particularly dairy companies, may join up. The other CRC participants are Genetics Australia, Bonlac Foods Limited, ProBio International, Australian National University, Monash University, CSIRO and the Dairy Research and Development Corporation.

The Dairy CRC will aim to develop a range of innovative products and services for the dairy industry including faster genetic gain, more nutritious dairy foods, and foods that can help fight disease. To achieve this the Federal Government and the research partners are investing \$90 million over the next seven years.

We should be very vocal, supportive and give "credit to those who deserve credit" or we could lose some good people to better paying positions across the Tasman.

CONFIDENCE AND VISION TO EMBARK ON NEW DAIRY BUSINESS VENTURES.

Some may say I am too zealous in my praise for the fine work done by both our co-ops and companies in developing new products for both the export and domestic market.

But I truly believe in the importance of striving, with the utmost vigor, in our push for innovation. This is a strategy to add \$\$\$\$ to farm-gate milk prices.

Maybe just as our Tuna Industry had to think beyond "canned tuna" the Dairy Industry will move beyond both "cartons" and "milk powders". The Tuna people became very wealthy when they decided to change their strategy from simply individually working harder and longer hours to producing more tuna for the cans. At an earlier time the Rock Lobster industry was burdened with a perishable product that often found it's end use as a rural fertiliser. The "local night-men" and "rabbit catchers" were making more money than the long-suffering lobster folk. Then along came refrigeration, and the formation of an association,

which lead on to marketing to the world. Now we can not afford to buy our own lobsters.

In that case a lot was achieved by changing the priorities of the Fishing Industry Research and Development Corporation. I think we need to do the same with our own DRDC. Paul Donnelly has been encouraging us to do this for some time now. He has been providing good leadership. The current reviews provide our opportunity.

DAIRYSA ANNUAL REPORTS

Copies of the DairySA Annual Report are available from either the SADA Office (08 8293 2399) or from DairySA (0500 813 600).

Ken Smith, DairySA Chairman, presented the Annual Report to the SADA Board on October 9 2001.

Phil Kernick, on accepting the report, complimented the DairySA Board in again presenting a very valuable Regional Development Program.

CORRESPONDENCE

To SADA and Staff,
From Trudy Francis, daughter of Jenny Harris.

Thank you for all the love and support you've given Mum over the 14 years she worked at SADA.

SADA was indeed like a second family to Mum and she was determined to do as much as she could for you all to the end.

You provided her with the strength and independence which helped her through some of the difficult times.

Please convey my thanks to all the farmers and their families, who have set their condolences and donations to the Anti-Cancer Foundation.

Thanks again,
Trudy

Happy Milking,

Ken

Tribute to Mike Shallow

Michael Shallow, veterinarian, passed away on August 30, 2001.

Mr Shallow's veterinary career started when he graduated from WA's Murdoch University in 1980 and worked for the SA Department of Agriculture where he commenced a career as a district veterinarian based at Victor Harbor. Here he set up Fleurieu Agvet Consulting.

Michael Shallow was widely respected in the Livestock Industry - he had an empathy with farmers and a wonderful ability to communicate and inspire people to do better.

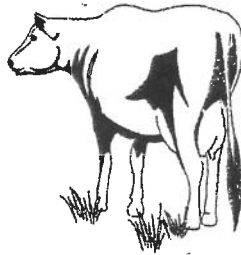
He will be sadly missed by all his friends and colleagues in the agricultural industry and veterinary profession.

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DAIRY UPDATE FROM SADA

Monday 29 October 2001

PRESIDENT'S REPORT

Max Fehring's Tribute Dinner
"Albert by the Park" Aughtie Drive, South Melbourne

John Nietschke and I had the chance to join in the industry farewell to Max Fehring. There was much said about Max and his contribution to the National Industry and particularly the UDV. But one thing stood out
"You do the best you can in your own personal way, you are not anyone else except yourself"
This applies to everyone; dairy farmers, political leaders, dairy industry leaders and anyone involved in our industry. One of the great things about this farewell to Max was it was a big THANK YOU. Often this important part of life is forgotten.

During the evening, John and I had the chance to catch up with many people. I found it great to be able to chat with David Koch, Keith Mentiplay and John Perrott (from National Foods), Tom Davidson and Paul Donnelly (from DRDC), Robert Poole (ADHIS), John McKew (ADC), Noel Campbell (Bonlac), Jim Forsyth and David McCue (DAA), Ian MacAulay (Murray Goulburn), Marie O'Dea (VFF) and, of course, Pat Rowley, Helen Dornom, Peter Owen and many other farmers, too numerous to record all their names.

What is important about this is that SADA is really trying to build relationships to make sure we can help make our dairy industry prosper. We were recognised as being there – as part of the industry.

So where does this help us as farmers in South Australia?

- By being approachable I have been able to preempt a meeting with Murray Goulburn in the near future.
Topic - their commitment to milk production in South Australia.
- Perhaps now on the same day we can have a meeting with Pat Rowley, one – to – one, to try and work through some differences we have with the National Restructure of the Dairy Industry.
- Go and talk to Heather Waddell and Peter Owen of the UDV – do we gain by working more closely with our Victorian colleagues?

As our industry changes lets look at the options. Lets all work together to help us as South Australian dairy farmers grow our industry and receive a well earned return on our huge asset – our dairy farms.

Thanks to John Nietschke for supporting me on this occasion.

SA AGRICULTURAL WEATHER SERVICES CONSULTATIVE COMMITTEE - Phil Kernick

On the 8 October 2001 I had the pleasure of being invited to this inaugural meeting. The work that is currently being done by the Bureau was presented to give the committee an overview of products. The aims (or Terms of Reference) are to:

- Monitor and review performance of services

- Monitor and review the adequacy and appropriateness of services
- Identify requirements for new and upgraded climate information services.

I believe we as dairy farmers will have much to gain by being part of this research.

For those of you who are unaware, many forecast services can already be accessed at www.bom.gov.au, and I believe in time such services as evaporation rates, soil temperatures and enhanced wind forecasting will be useful tools.

paying the Farm Horizon fee for the service. If down the track enough farmers are interested in the service SADA members may be able to negotiate a discount.

Steve Spencer is also currently contracted to undertake the major project for the State Industry Development Board. Steve is a welcome visitor to the SADA Office because he has a sound knowledge of our industry and he is making a leading contribution in improving Dairy Industry information technology options through Farm Horizons.

I have been warned that publishing price comparisons can invoke some spirited responses.

THE NATIONAL ELECTION

As a guest of Senator Jeannie Ferris I attended a luncheon in Adelaide with John Howard on Monday 15th October. Obviously this is going to be a closely fought election. The function itself provided a unique opportunity to promote the dairy view to a number of the politicians and agri-politicians.

Later in the week I was able to also catch up with my local member Alexander Downer. Alexander has an office in Parliament House, directly opposite that of Warren Truss, and he said he had met Pat Rowley during the discussion on the Dairy Package. He acknowledged the very impressive role played by Pat in delivering the Package. Because there were some dairy farms in the Mayo electorate (Adelaide Hills) Alexander was informally invited to some of the discussions on the Package. On a lighter side I observed the current politicians, especially the Prime Minister, are all looking well and healthy. I was unaware till our talk that the new Parliament House does not have a single bar but rather gyms and sporting options. He also spoke highly of my ex-boss, Max Moore-Wilton, the current Head of the Prime Ministers' Department. Max was one of the most talented managers I have known. It is obvious though that Max has not been jogging around behind the PM.

This election is gearing up to be a close call. ADFF has on your behalf written to the parties seeking their views on a range of dairy related matters. The NFF have approached the parties seeking support for the more general issues that have been well reported in the rural press.

Specifically the ADFF is seeking support

from both parties on these issues:

- Balance of Power for Dairy Farmers
 - It will introduce in the next Parliament, a bill to amend the Trade Practices Act. This bill would remove the current requirements for small businesses to obtain an authorisation
 - from the Act. Such amendments would provide some balance of power in the market place through allowing collective negotiation on pricing and supply terms and conditions with one or more dairy companies to which they may be able to offer their product for sale.
- Research and Development
 - It will continue to commit to the current matching funding of farmer research and development levy up to at least 0.5% of Gross Value of Farm Production.
- National Livestock Identification Scheme (NLIS)
 - It will provide an incentive to dairy farmers through the part financing of the costs of purchasing NLIS tags.
- Industry Restructure
 - It will support the industry developed proposals for privatisation of the two statutory authorities (ADC & DRDC). They could be joined into a single company owned by the two major industry associations on behalf of Australian dairy farmers.

CHANGE OF PREMIER AND THE STATE ELECTION

You, the members will have your private opinions on the recent events. SADA will work with new leaders and who ever achieves Government at the next election.

Both Rob Kerin and Dean Brown have an excellent record of support for the State Dairy Industry and Regional South Australia in general. If the Liberals do retain Government after the next election I suspect that these two experienced politicians may just become a very formidable team.

Currently Rob Kerin (Primary Industry) and Dean Brown (Health) are cooperating to introduce the new Food Safety Acts and procedures. On this practical issue we have witnessed the "good will" and "progress" between them as Ministers that has been to the benefit of all South Australians.

The success of Timboon was based on quality more than just being organic. As their export manager, Steven Berman, said recently "The success of Timboon has to do with quality, coupled with the fact that it is biodynamic".

Here in South Australia we have Paris Creek, which is also expanding. This biodynamic farm was established in 1988 with a herd of 40 milkers. They have recently built an export facility and looking to export to England.

But as you know there is a growing interest in "organic foods".

Organic production is increasing rapidly around the world, but the demand is increasing at an even faster rate. The outlook for organic dairy is no exception.



In Europe organic dairy sales represent the second biggest food category at 18%, exceeded only by fruit and vegetables at 37%

If Australia was to move into this market we would need to face the issue of getting a serious level of supply and supported by a major processor for co-ordination and marketing.

The main reason for my raising the issue is that the New Zealand industry has recently decided to launch a mainstream brand in a bid to lift organic milk sales out of a small niche.

The Company NZDF has predicted requiring 260 organic dairy farms to meet future export demand.

Currently the largest certified organic dairy farm in NZ is Marphona Farms at Mangatawhiri, 75kms south east of Auckland. The 1498ha property in the North Waikato has 809ha farmed organically by seven full time workers, and a herd of 1200 cows producing certified organic milk. The Manager, Kevin Blake plans to double the herd size and build a second shed to boost supplies.

At this stage I am not aware of any Australian company considering a commercial run of organic milk.

But in Denmark for instance there is a move to organics. Estimates of the share of organic products in overall Danish milk sales are now at about 30%, with 12-15% of yoghurt sales and

4% to 5% of cheese sales now accounted for by organic products.

Possibly the more likely option for having a move towards differentiation of milk supply is that of separating milk between GM free and not GM free.

GENETICALLY MODIFIED

Currently dairy manufactures depend on domestic and international retail customers who have GM bans. However, companies also recognise the industry's competitive advantage comes from its low cost production system. The Australian farmers and manufactures have both agreed to support investment in bio-technologies to be able to gain the competitive advantage when consumer acceptance improves.

It is recognised that GM pastures will soon (1 to 2 years) be commercially available so we need industry polices to accommodate this new environment. We need a plan that protects each farmers "freedom to operate".

Consumer concerns about GM foods is diminishing. Trends indicate that without any major health scare, consumers acceptance of the use of GM technology in food production will continue to improve.

One implication for the future may be having dual supply chains once we get into genetically modified feeds. But be aware our dairy industry may follow the path of increasing product differentiation where this can be shown to markedly increase profits.

LOOKING TO THE FUTURE IT MAY WELL BE THAT "MILK JUST AIN'T MILK". WE WILL BE SEEING DESIGNER MILKS AT SOME STAGE

It is possible that down the track we could be producing lots of different milk products each with its own supply chain. If other industries are a guide then we can expect the initial implementation of bioscience technologies will be driven by a small number of leading farms. This would be in line with our knowledge of how innovation occurs in agriculture. We may see designer milk programs with dedicated supply chains rather than a pooled genetic commodity where the cost of separation can be commercially justified.

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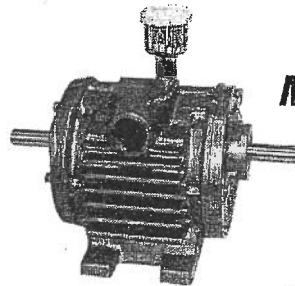
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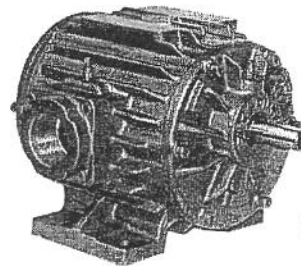
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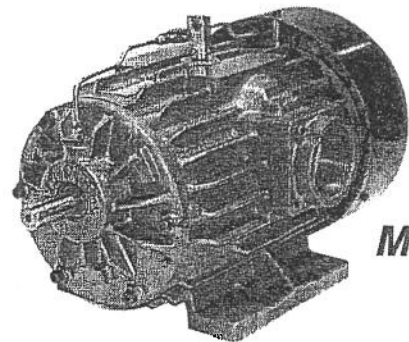
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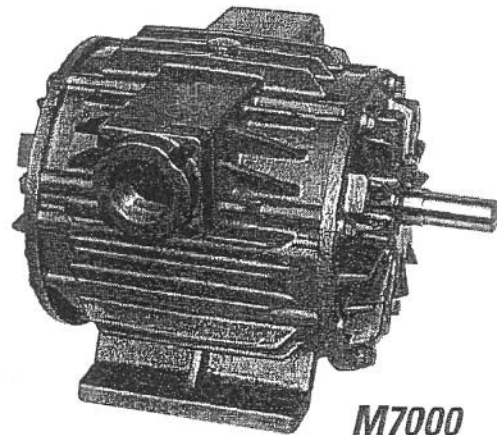
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1400 RPM / 7.5 HP
up to 20 units*

M7000

*3370 Ltr/min @ - 50kpa
1250 RPM / 10 HP
up to 35 units*

DAIRY UPDATE FROM SADA

TUESDAY 20 NOVEMBER 2001

PRESIDENT'S REPORT

As expected during hay season, the phone "feedback" to the office has been less than normal. However, we have had some good feedback about the format of the "Update". Please remember that you are welcome to include items or suggest topics of interest that might be expanded. SADA can show its worth by keeping you informed about many aspects of the "political" side of dairying, while you, the farmer, get on with the job at hand.

Ken Lyons and I have spent two days out visiting farmers over the last two weeks. I feel it is important to make the time to do this, keeping in touch to talk face to face about some of the issues affecting everyday farm businesses. Four farms visited in the Wistow – Bugle Ranges area all had a different story to tell and I hope we left them with some positive support, as they all decide what the future holds for them.

We also spent a day in the Fleurieu Area and caught up with five farm enterprises. These farms are again progressive commercial enterprises, however have many differing situations arising that might have some positive or negative impact on the future of their business.

What issues were discussed? Environment, Electricity, Milk Prices, Succession Planning, Quality Assurance Programs. The list goes on.

Further in the update Ken has expanded on many of these issues. SADA is here working on the issues for you, our members.

The Dairy Farmers Group convention held in Adelaide on 7th – 9th November proved to be a great success. SADA received recognition on several occasions. During Ian Langdon's address at the Special General Meeting, SADA was recognised as being a stabilising force behind the Industry in SA as we all went into deregulation. Ken and I were invited guests at the Conference Dinner and what a great night that was. SADA was also recognised as Ken and I attended the BBQ evening on Sat. night at Tooperang, as part of the Post - Convention Tour.

As President of SADA, my aim is to ensure each member receives value for their membership dollar. SADA is achieving this by building relationships, not only with the Processors, but the Politicians and all the Dairy Authorities including SAMH, DASA, DairySA, and the SA Dairy network.

We aim to work more closely with the private farm consultants and also the field staff from the various companies.

PRICE COMPARISONS

Most members thought the price comparison had some value. It is obvious that the more specific the actual farm details are the better the real comparison as it relates to a particular farm. Also most of the companies lifted their prices at the same time as the comparisons were "in the mail". I think Steve Spencer also got some good feedback from the companies that will further improve his model.

Many farmers reported (SADA Survey One) that

they found the Dairy Farmers pricing confusing. You will recall your SADA Board subsequently met with Dairy Farmers Management in Sydney and supported the change to the single price. This commences in February.

More farmers are accepting that the day of the "regulated domestic premium" for fresh milk is over. Today's price is export related and it may be 20cpl or it may be 60cpl. The extent to which farmers may achieve an improvement in the farm-gate price through "collective bargaining" has yet to be tested. As you know ADFF has spent many

months in discussion with the ACCC, politicians, processors and retailers attempting to achieve improved negotiating powers. SADA will be keeping you fully informed as the story unfolds.

COLLECTIVE BARGAINING AND SUPPLY CO-OPS

The meeting between ADFF and available SADA Board Members last week was a great success. Everyone agreed that they came away with a bigger, better picture of the issues and a natural consensus was achieved on many matters. Perhaps the issue attracting most interest was that of the Draft Report of the ACCC in providing dairy farmers with "authority to collectively negotiate".

As you know the ADFF has been working on this issue for many months and we now have the situation were we can with little cost, or need to create expensive legal entities engage in "collective negotiations".

The current experience is that:

- ◆ The collective group and the processor are attempting to "create value in the relationship" for both parties. (Companies and Co-ops may argue this is nothing new to the relationship they have with their existing suppliers)
- ◆ "You cannot lead the market". The small additional gains are for real services or performance exchanged between the parties.
- ◆ Both parties need access to excellent pricing information (farmers as well as the processor) for the negotiation to be fair and equitable.
- ◆ Areas served by only one processor have been the first to establish a communal relationship with a processor.
- ◆ There is a potential opportunity for consultants, SADA and ADFF to provide a "fee for service" to small groups wanting to have a "collective go". SADA general advice to members would be free. Remember the information and our ability to act in this area has come from the fees paid by you the SADA members.

Where you create a supply co-operative that trades milk to numerous processors then bigger profits and losses may be expected.

We acknowledged our appreciation of the effort

put in by our National President, Pat Rowley, and his Executive, John McQueen for continuing to clarify the extent to which dairy farmers can trade collectively.

Attached is the Steve Spencer article on "Supply only Milk Cooperatives" that appeared in the Weekly Times on October 31, 2001.

FARMER INCOMES FROM THEIR CO-OPERATIVES

One of the issues I am currently seeking additional information is that of the returns to farmers from the co-operatives for their role as owners (increase in share value and dividends) as compared to their other role as suppliers (farm-gate milk prices).

If the processing sector can extract bigger margins than the production end of the market, surely shareholder returns here should be significant.

My interest stems from the apparently two completely different approaches taken on the issue. Fonterra intends to place great importance on increasing share value. The "UDV Policy on Dairy Co-operatives" (1 January 2001) appears to place the overwhelming importance on "milk price" as seen from this passage in the report.

"Dairy co-operative employee share incentive schemes are not supported as they lead to management and employees to focus on maximising dividends and increasing shareholding value which is in conflict with the supplier shareholder objective of maximising the milk price".

The more I think about the potential "business" implications the more the issue is of interest. More on this at a later date.

DAIRY FARMERS ANNUAL CONFERENCE

Phil Kernick:

This convention, held in Adelaide for the first time, was very well attended by farmers from all over Australia. I attended as a Dairy Farmers' supplier, however it is always difficult to take off the hat of President of SADA. So I hope I looked at the information presented with two issues in mind.

- (a) How is the theme "Delivering the Promise" being accepted as a supplier
- (b) What is the "Promise" and how will it benefit South Australia, also as part of a National Industry.

The whole convention was a positive program. There was no hidden agenda, and every farmer had ample opportunity to question every aspect of the future of the Dairy Farmers Group. The past "decisions" were acknowledged and explained, the lessons learned were brought out, giving all dairyfarmers the knowledge that here is a Co-op that is ready to expand into the future.

South Australia is a very important part of this future. Calvin Boyle, General Manager Cheese Division, was excited about the future of the program at Jervois. This expansion is nearly "over the line" and offers a reason for farmers to increase their production. Calvin stated he wants another 50 million litres of milk straight away.

Every aspect of the convention was a positive experience. The Opening address by Premier Rob Kerin acknowledged the importance of the Dairy Industry in this State. The keynote speaker, Dr Les Sandles, argued that deregulation of the dairy industry had been a positive experience for all of us (a humorous, learning insight).

The Special General Meeting on the last day, really put the Co-op under the microscope, and its members decided to keep Managing Director Alan Tooth, and Chairman Ian Langdon, in place, but really gave them notice that they have to perform. The farmers want to see a strong Co-op paying a good milk price and paying a dividend on the shares they have to purchase. Both gentlemen and all the Directors have taken the task on board.

Ken Lyons:

While not involved in the business side of the conference Fran and myself had one of the best nights for years at the Conference Dinner. We thoroughly enjoyed the entertainment and the company. Our table included some charming young dairy farmers from Northern Queensland and Director, Jamie Alison.

There is obviously great interest in what is happening here in South Australia, as the post conference tour on the Saturday and Sunday is heavily booked.

TOOPERANG HALL, A BBQ AND LUSCIOUS DESSERTS WITH LASHINGS OF CREAM.

Last weekend dairy farmers from all over Australia descended on the Fleurieu to compare notes, swap a few ideas, tell jokes, and even some "porky-pies". After a busy day in the field they gathered at the Tooperang Hall for a taste of McKenzie and Jacob's hospitality.



We all know how farm conditions change so much within a region let alone between here and northern Queensland. So practices that work here may be totally unsuitable somewhere else. But as Trevor Connor wisely said, "Conditions may be different but the challenge is the same".

This reminded me of the earlier issue of the different approaches taken to reward members for both "milk supply" and their "investment in the co-operative". But providing good overall returns to members is the same challenge for all Co-operatives.

There was something else "in the air" that night along with the talking, eating and general good humour. There was a real feeling the regional barriers were being broken down. We felt united, and were enjoying being part of the Australian Dairy Industry. We have struggled together and have much, much more in common than we have differences. Later that night I happened to catch the speeches of Kim Beazley and John Howard and they also wanted to unite the nation and talk about, "You are, we are, Australians".

Thank you to all those who made it a great night.

SURVEY THREE RESULTS

COLLECTIVE VIEW OF 2002
(Survey 3)

The issues raised for you to consider (agree, disagree or unsure) were positive, in that they all suggested better returns. The item members felt "least sure about" was continuing good export

prices. Commodity prices do fluctuate and it may well be that in a deregulated environment we may see bigger highs and lows. The next issue that rated high as "unsure" was that the new dairy industry plan would give people added confidence.

This is also reasonable given the idea of a strategic industry plan is novel to the State Industry. This is not to say that having an objective look at the "strengths, weaknesses, opportunities and threats" is not a good idea. In fact the work undertaken by the Dairy Industry Development Board should identify the requirements for enabling the state dairy industry to move forward.

In contrast, the "open section" asking members for their suggested issues for the coming year, were generally negative.

- ◆ Concern that the export market would eventually "turn down".
- ◆ High frustration with limited collective power to negotiate milk prices.
- ◆ Continuing and substantial rise in the input (power, fertiliser, grain, etc) costs.
- ◆ Increasing regulations, costs and bookwork associated with environmental rules.
- ◆ Lack of experienced labour and young people entering the industry.

So these are the issues we need to address.

As the state dairy industry works through the process of developing a "strategic" approach to the management of our industry there will emerge a stronger commonly shared view as to "where we are now and how we are going to achieve our goals".

"LET US THEN BE UP AND DOING WITH A HEART FOR ANY FATE"

One of the good aspects of working with the SADA Board is that they are very keen to take "strategically planned action" across a number of issues. This approach delivers results compared to the all too common model of "crisis management" which is a far less productive path.

At SADA we focus on the opportunity to take "collective action", where this is appropriate. We involve Governments and Regional Development Boards as needed. From time to time we will

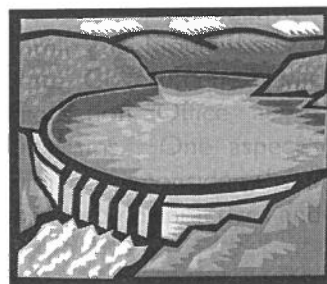
assist individual members where our communal influence carries some weight.

It is rewarding to receive real results and beneficial outcomes for our members. Recently the Board approved involvement in a particular individual case and the legal advisor wrote an appreciative letter, "I am generally very happy with the way things are proceeding. I think your involvement has only assisted (indeed in very great measure) in that regard". In recent weeks we are getting close to a major settlement for one family and another member has had success in improving their water allocation.

MT LOFTY WATERSHED PROTECTION PROJECT

Pollution (sediment, nutrients, pesticides and pathogens) from agricultural and urban areas is the focus of an initiative to improve water quality within the Mount Lofty Ranges watershed. The State Government has established a watershed Protection Office at Stirling to oversee the programs. One aspect of the work is a new project to consider the interaction between land management practices and raw water quality.

Through DairySA and DRDC at the national level there is a lot underway to protect the dairy industry and ensure a positive "green image". You should be very proud that your industry has a National Strategy that involves a vision and a goal for the dairy industry encompassing natural resource management. The first draft of the 133 page report, "Sustaining Our Natural Resources - Dairying for Tomorrow" arrived at SADA for comment on 5th November. The same day as my meeting with the "focus group" managing the Mt Lofty project.



The Hills water catchments provide Adelaide with 60 % of its water needs with the rest coming from the Murray. What makes this water-shed different from Melbourne and Sydney is the percentage of the catchment area that is closed to human and farm activity. The percentages are Melbourne 90%, Sydney 80% and Adelaide only 8%. What has sparked new interest

in water quality was the health scares in 1998. You may recall Sydney-siders had to boil all of their drinking water for some weeks. There was also a scare here in Adelaide.

SADA can play a responsible role in working through the issue to ensure your interests are also protected. The next meeting of the group is 26th November. For further information give me a call.

It is important at times to reaffirm to ourselves the importance of having an SADA.

Without an SADA some individual farmers would spend a considerable time away from the farm attending to the issue. They would spend further time attempting to inspire some "collective action". Most would passively stay at home and work a bit harder to cover the additional costs they may have to pay.

What about non-members? They will be less informed. They will not be part of the action. However, many will share in any benefits SADA can achieve.

Anyway the most important thing is to get on with the job at hand. Attached for your consideration is a map of the Watershed Area.

PROGRESS REPORT OF THE INDUSTRY DEVELOPMENT COMMITTEE

The SA Dairy Industry Development Board led by Chairman Perry Gunner is progressing well with its 10 year plan for South Australia's dairy industry. The Board is considering options for industry growth over the next 10 years and is reviewing scenarios to achieve a growth target of 10% of national milk production (currently 6.5%).

The Board is on track for making specific recommendations to Government in early February next year on what strategies are necessary to reach its target.

Board Members recently met with Max Ould, National Foods and Alan Tooth, Dairy Farmers. Both companies are indicating a strong interest in being partners to such a significant industry expansion.

Steve Spencer of Whitehall Associates is working with the Board to identify the opportunities and impediments which may impact on Dairy Industry growth in SA. Two major challenges for the industry and Government will be to provide confidence for strong growth in milk production and to develop a sound business case for a significant manufacturing base in this State.

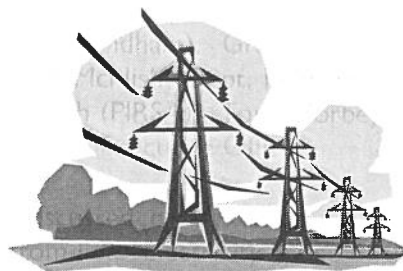
Major issues which the Board has identified for resolve so that the industry can achieve its potential in SA include: Water and environmental policies, industry confidence and image, enhancing skill base, regional infrastructure and investment attraction for production and manufacturing including expansion of existing facilities.

Dairy Farmers in SA have strong representation on the Board with James Mann, Carol Schofield and Frank Beauchamp. Other Board Members are Perry Gunner (Chair), Calvin Boyle (Dairy Farmers), Brenton Higgins (previously National Foods), John Busse (Food Consultant), Fiona Keen (Orlando Wyndham), Grahame Tonkin (Tarac Aust), Neil McNish (Dept. Industry & Trade) and Brian Bartsch (PIRSA). Tony Morbey from PIRSA is the Board's Executive Officer.

As we discussed earlier rising costs are hurting our bottom-line. Electricity is one of the issues as we at SADA recognised late last year when many didn't want to know. Well our concerns unfortunately were founded and now we need to respond.

NATIONAL DEREGULATION OF ELECTRICITY

There are suggestions that the National Strategy not only has failed to deliver but that there is a reluctance by those responsible to acknowledge there needs to be some serious "rethinking".



Further it is suggested that the current "head in the sands" approach could cost the nation dearly

if the commercial realities (failures) are not addressed. Those who believe "it is coming together with time" are wrong and we are being left to pay the bills.

Recently Phil and myself visited a dairy farm facing an \$85,000 power bill. Dairy farmers in all States are suffering.

The Government had promised a new expert committee to rethink the policy many months ago, but so far have failed to deliver. We need action immediately after the election. Remember; the only group that is not going to be really big losers here is "the big business end of town" who are represented by the Business Council of Australia. They have been fairly well looked after.

I believe it is time to admit mistakes have been made and review the strategy before the nation incurs further financial losses.

The Strategic approach adopted in Australia has failed to deliver in other countries.

Specifically the "drivers" for deregulation included promises of:

- ◆ Cheaper electricity.
- ◆ Supplier options.
- ◆ A competitive market of retailers ready to negotiate.

The strategy failed the test on all three promises.

So what should be the Australian Dairy Industry response.

The three levels of response suggested are:

- ◆ At the state level to work within the existing system to minimise the costs. In the case of SADA we will work through our existing Technical Committee.
- ◆ At the National Level ADFF and AFF need to look into the matter. ADFF President, Pat Rowley, has agreed to look into the issue.
- ◆ Again at the National level NFF, Medium and Small Business, and Consumers should lead the charge. SAFF President, Dale Perkins and NFF President, Ian Donges have also agreed to look into the matter.

Let us hope the NFF with their talented staff and

connections can inspire us to continue to value our NFF affiliation.

A pre-election survey conducted by the Australian Chamber of Commerce and Industry showed Energy Cost was the number one issue for South Australian Business requiring attention by the incoming National Government.

Attached is a map of the National Electricity Market Structure, please keep it handy for future reference.

We regularly acknowledge the importance of our relationship with Wesfarmers, National Contracting (Dairy Grooving), and last week we introduced you to a new advertiser, RVS Pumps.

WESFARMERS

Last week Wesfarmers at their AGM again announced record profits and solid earnings throughout their business divisions. This reflects the confidence we have been reporting about the company because it has a plan, a strategy, capable people and a focus on "client satisfaction".

On Friday 9th November Phil and myself had lunch with Tim Carr and his immediate boss Bob Buckley. We enjoy the relationship because they have good people in our regions and provide good service.

We at SADA have a common objective with Wesfarmers in providing service to our members. I like talking to Tim because there is always something to learn about new ways of attending to client/member needs.

I believe it is time to admit mistakes have been made and review the strategy before the nation incurs further financial losses.

PUMPS

Sigi Langosch has taken over HyDrive pumps, redesigned them and is seriously looking for business. Like dairy farmers he has invested heavily in his new business, he has energy and now wants to grow the market in his home State of South Australia. The product is capable of achieving good sales nationally and internationally with the right marketing.

(See advert)

RUNNING A TIGHTER LEANER SHIP

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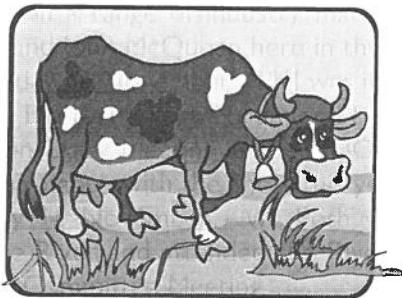
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Happy milking,

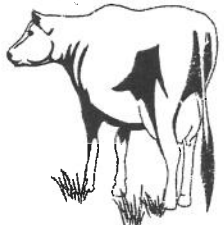
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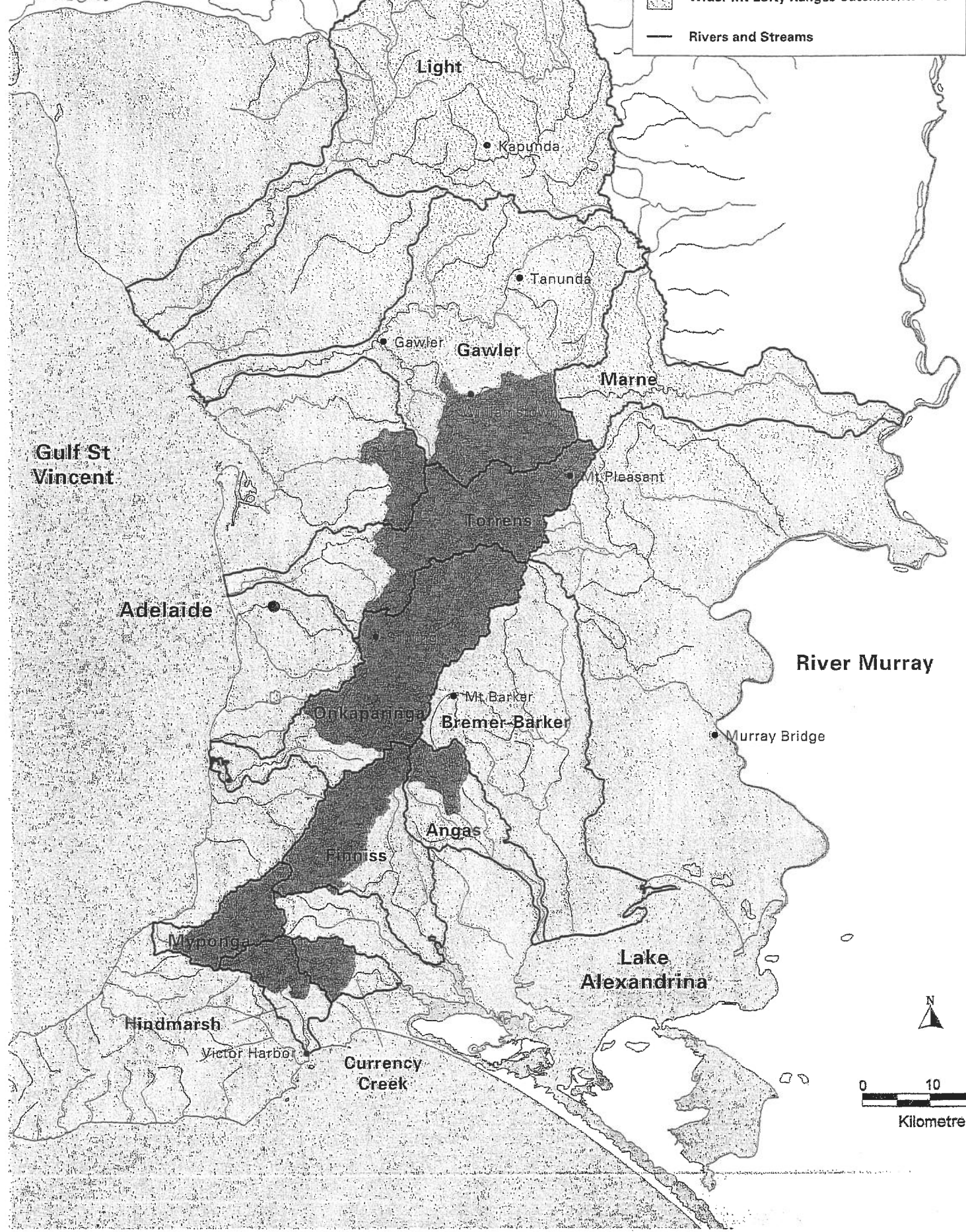
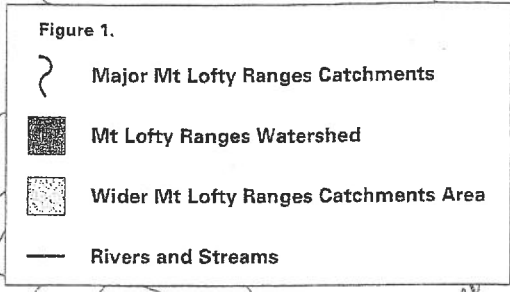
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Email: sada@camtech.net.au

Major catchments in the Mount Lofty Ranges



The Weekly Times, October 31, 2001

Selling milk in a sluggish market

THE sustainability of the milk supply co-operative is a timely issue for the Australian industry as it moves from a period of very tight milk supply in a "bullish" dairy market, to a period of greater supply, but also of greater uncertainty in the global marketplace.

Last season, the bargaining power of supply co-ops was good — milk was scarce, and companies were prepared to pay over the odds for the white stuff.

When the farmgate market was deregulated, a few small but strong supply groups focused on creating bargaining power by offering parcels of milk. The idea was to pool milk and then bargain on the price and the terms of its supply.

While this has proved a successful strategy in a rising market, there is a question mark over how these groups will cope when supply exceeds demand and export markets go quiet.

The British dairy industry provides an insight into the evolution of supply co-operatives. Its largest supply co-op in that industry — Milk Marque — was gradually weakened until the processing sector finally convinced Britain's competition regulators to break it up.

Milk Marque pioneered aggressive milk supply contracts in an industry increasingly driven by strict service needs of retailers. But it wasn't the response of processors that destroyed its bargaining power. It was simply the effect of a strong British currency and the balance of supply and demand — the over-supply of milk into the British domestic market.

The emergence of three new supply co-ops from the carcass of Milk Marque has shown that British farmers have

Supply-only milk co-operatives face an uncertain future in the international arena. **STEVEN SPENCER** looks to Britain for possible answers

learnt some valuable lessons. Each of the three successors is now engaged in processing and manufacturing activities to varying degrees, in market niches where Britain can be competitive.

Last week, one of those successors, Milk Link, announced 90 per cent of its members had agreed to contribute enough capital to make investments in dairy processing plants. The other two groups have also engaged in joint venture investments.

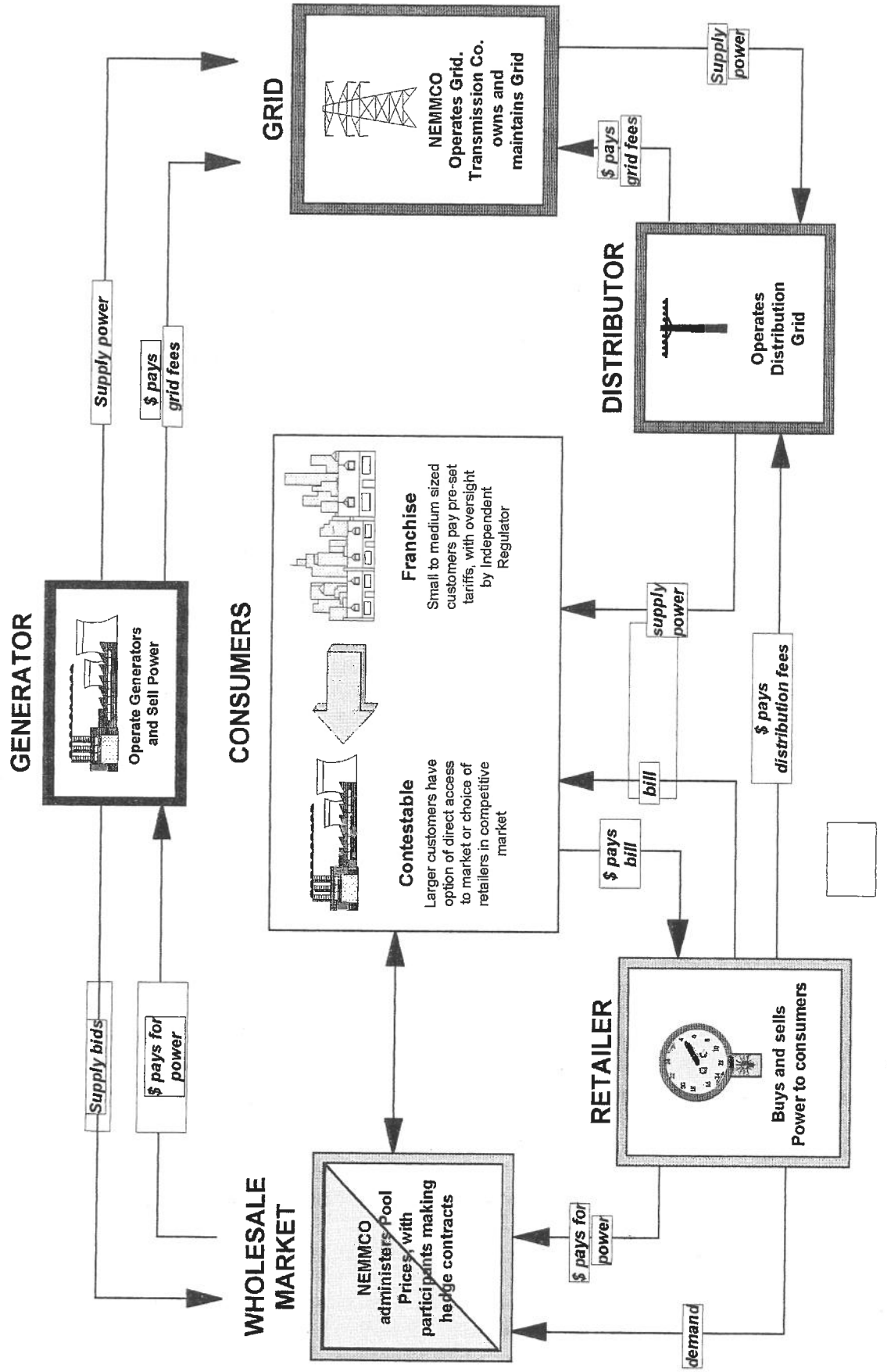
British farmers have realised that forming supply groups and parcelling milk is not enough. Leverage can only be effective in times of short supply, created either by the market, or by the availability of manufacturing capacity, which can convert and store product.

That's why large manufacturing co-ops form a vital base for the marketing power of the Australasian dairy region in the presence of multi-nationals.

Taking note of the British experience, it would seem that supply co-ops must become more than just suppliers of raw product in order to provide a long-term and sustainable advantage to their suppliers.

• **Steven Spencer is an industry commentator from Farm Horizons Pty Ltd. More information on the company can be found at www.farmhorizons.com**

The National Electricity Market Structure

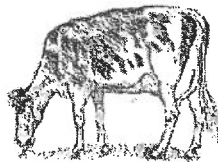
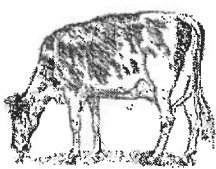




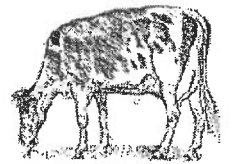
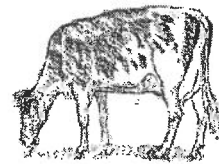
Wesfarmers

LANDMARK

SHAREFARMER



2001



OPEN DAY

Dairy Hygiene & Udder Health - Leon Lourey *from* Dasco

SA Dairy Network "What's in it for Dairy Farmers" - Chris Salter

Improving Production & Profits - Alan McLeod Consulting

Judges Presentation – What were they looking for?

Farm Walk - Rick Jordan *from* Seed Distributors

& Susan Lang *from* Independent Fertilisers

**Jo Van Rijthoven's
Parish Road, Allendale East**

Thursday 6th December

(See map on back)

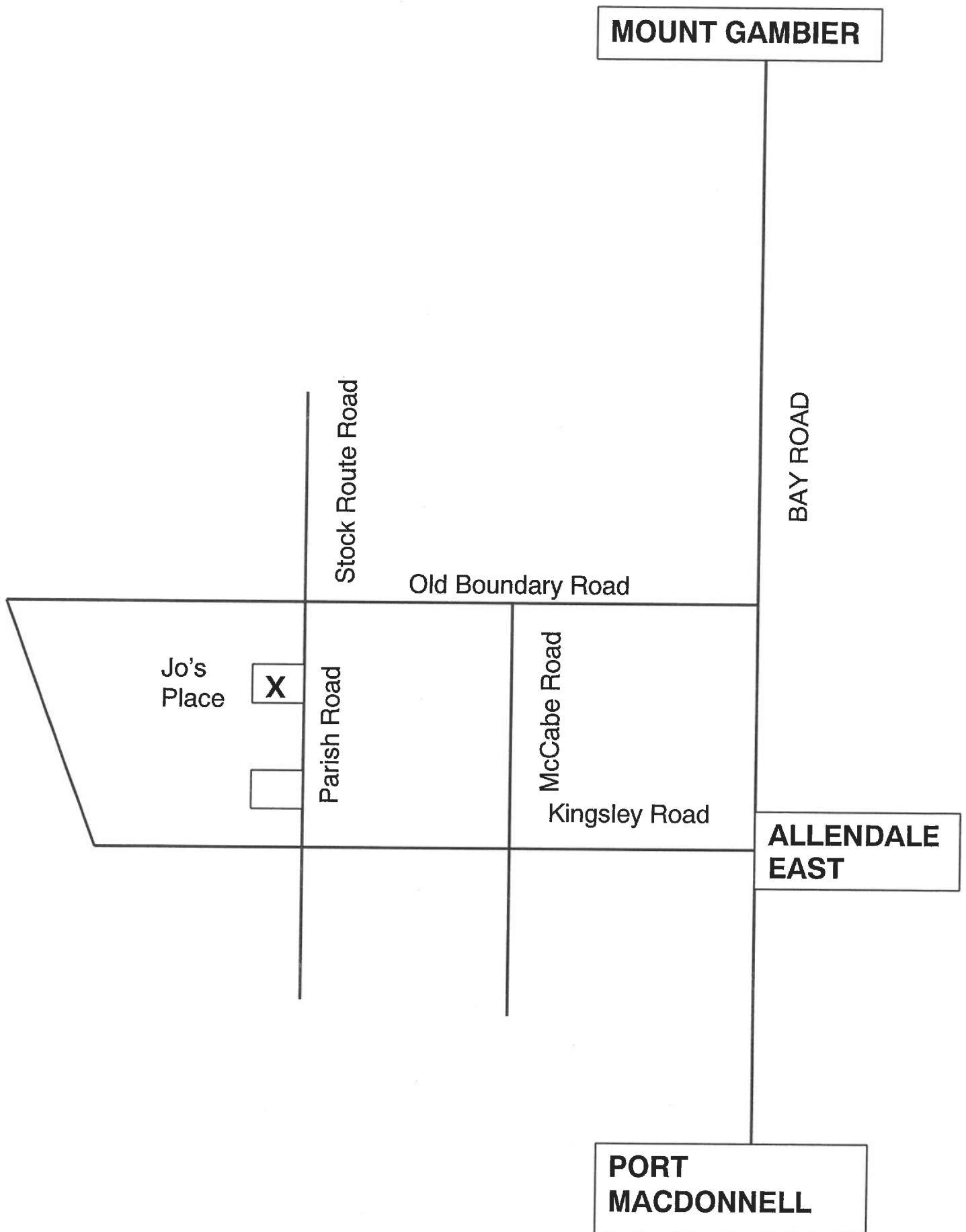
Starting at 11:00 am

**BBQ Lunch sponsored by Wesfarmers
Landmark**

Bring a Chair & RSVP by 30/11/01 for lunch to Kirstie Murphy

0408 088 624

**Jo Van Rijthoven's
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Allendale East**



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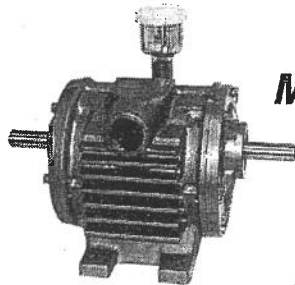
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rvs@primus.com.au

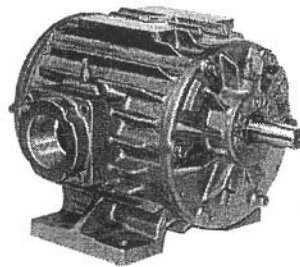
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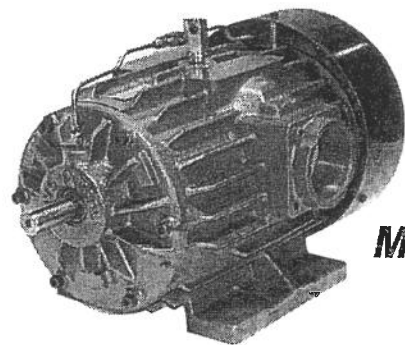
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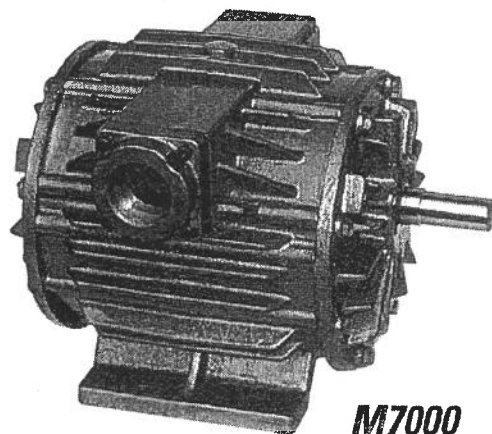
M2000



M3000



M4000



M7000

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LEADING EDGE TECHNOLOGY

EXPORTING TO ASIA & PACIFIC

IDEAL FOR DAIRIES

QUIET RUNNING

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Slow revving, replaces HyDrive M800/M2000, also Master and Major

M3000

1560 Ltr/min @ - 50kpa
1400 RPM / 5 HP
up to 10 units

M4000

2200 Ltr/min @ - 50kpa
1400 RPM / 7.5 HP
up to 20 units

M7000

3370 Ltr/min @ - 50kpa
1250 RPM / 10 HP
up to 35 units

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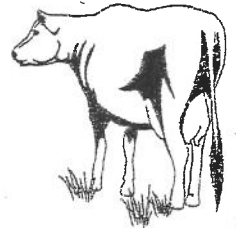
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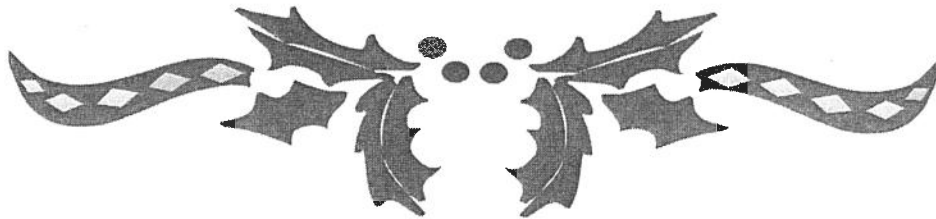
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DAIRY UPDATE FROM SADA

WEDNESDAY 19 DECEMBER 2001



PRESIDENT'S REPORT

As Christmas approaches it is always a time when we reflect on the past year, on our achievements or our not so memorable moments. On Tuesday night 11th December, SADA hosted a Dairy Industry Cocktail Party so that we could, together, recognise the number of business associates needed to make Our Industry move forward in the positive manner we are beginning to experience at this present time.

The Cocktail Evening was enthusiastically sponsored by the National Australia Bank, who are keen to work closely with the Dairy Industry, as they see the positiveness emerging.

We were delighted to have the "new" Minister for Primary Industries, The Honourable Caroline Schaefer attend, as she was also able to give us a perspective of how the State Government sees dairying as an Industry on the verge of Great Achievements. The Dairy Industry Development Board's plan for the future was mentioned and the Government is looking forward to seeing this implemented in the New Year.

Also on the evening, Bob Snewin from the ADC, gave a report of the achievements involving the Royal Adelaide Show Exhibition Dairy and the New Milk Bar. One aspect of this was that the success of this venture would have not been made possible if the processors, National Foods and Dairy Farmers had not worked together with contributions of all kinds. To recognise the work of the processors, not only in this project, but also in many other aspects of our Industry that has helped SA move forward, Ken Lyons on your behalf, presented a small gift to both Tim Sanson (Dairy Farmers) and Brenton Higgins (National Foods). Both Tim and Brenton are leaving their respective companies in the near future and so it was timely that we were able to recognise their contributions to Our Industry on this occasion.

In all, our Cocktail evening was well attended and received by all as an enjoyable occasion.

One of the issues that has been prevalent throughout the year has been the group of farmers in the South East, who have felt there has been an inequity in the distribution of the funds from the Dairy Structural Adjustment Payments (DSAP). There has been a lot of conversation between many parties regarding this issue and the last move has been a Joint State Parliamentary Committee established by The Hon. Ian Gillfillan MLC and Mr Rory McEwin MP. This inquiry has sat in Mount Gambier and Adelaide and has heard evidence from many interested parties. The SE Branch of SADA presented a written submission to the inquiry when it was in Mount Gambier.

SADA, through Frank Beauchamp (former President), Chris Luz Raymond (former CEO), John McQueen (CEO ADFF) and I gave a verbal presentation in Adelaide on the 22nd November 01.

The outcome at this present stage is there is an Interim Report now Laid on the table of the Legislative Council on 29th November. I had been hoping that this inquiry might give some solid

direction on this issue, however it appears the recommendation is for some further issues to be discussed, with a final report to be tabled in the new year.

As this, our last UPDATE goes out for this year 2001, we hope these Updates have been informative for you and have achieved our main aim of letting you our members know what is happening around the Dairy Industry. At the SADA Office we all look forward to being able to work productively with you again next year and

We wish you all
Seasons Greetings and the very best for the New Year.



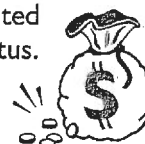
SADA BOARD MEETING

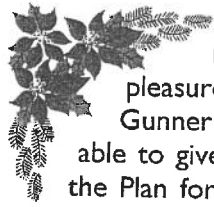
I welcomed a full attendance at our Board meeting held at our SADA Office last Tuesday, and I believe this was a positive meeting where our full agenda was accomplished. Many issues discussed have already been made aware to our members, but finer detail needs to be accomplished. Issues brought forward related to:

- ☆ **Training:** A Board leadership course has been discussed and resolved to consider this as an option after June '02 so that the "newly elected" board after that date could participate. The issue of Labour on dairy farms and the training of labour are always an issue. Sue Varcoe and Jeff Wright are working with TAFE, ADFF, UDV and A&HTC to negotiate some good outcomes for the Industry.
- ☆ **SAFF Affiliation:** SADA Board and Office staff is still working through the aspects of this agreement to achieve a suitable outcome for all concerned.
- ☆ **Staffing at SADA:** As has been reported in our Updates from time to time we have had a number of staff changes, and it is important that member's funds are utilised wisely. During my work in the Office each day, it is very apparent that the issues that arise are very diverse and so there are thoughts that maybe we "sub-contract" some work to a suitable person on a needs basis. The movement of two staff recently has given the office a unique opportunity to evaluate its total requirements, keeping in mind that you, as members must receive the service and attention you deserve.
- ☆ **BJD report from Gary Spain:** Bovine Johne's Disease is an issue that is close to every dairy

farmer and must be treated with the respect and sensitivity it deserves. Gary has been involved with the National committee looking at *Microbacterium paratuberculosis* (BJD). One of the main outcomes is to develop a policy that will "remove the threat to dairy farm businesses which have tested positive for BJD and eliminate the social stigma associated with the disease by implementing new strategies to allow for herds with low incidence of BJD to trade amongst herds with equivalent status."

- ☆ **Electricity:** This is a huge issue that will affect every dairy farmer in this state. Jeff Wright, Ken Lyons and I reported on the meetings and papers prepared so far. This issue needs a lot of lobbying nationally and on a state basis. ADFF, NFF, Premiers Office, Deputy Premiers Office, Business SA and others have all been lobbied at this stage. SAFF are also working with SADA on this issue.
- ☆ **Milk Prices and Milk Policy:** John Nietschke is working on establishing a forum to look at all farmer issues in relation to milk supply contracts. John will be asking for more details of concerns that need to be raised with the appropriate processor to be addressed to this office.
- ☆ **SAFF Committees Reports:** Jill Williams, Roy Dalitz and Sue Varcoe gave reports from the committees they represent.
- ☆ **Other Business covered:** Correspondence from "New World – Supply Co-op". This was looked at and the Board has recommended more information be obtained about this proposal before our member farmers could support it.
- ☆ **Finances:** Sonja Smith presented our current positive financial status. This was presented to the Board in a new format that was easily read and understood.





During the lunch break of our meeting, the Board had the pleasure of the company of Perry Gunner (Chairman DIDB). Perry was able to give an overview of the progress of the Plan for the Dairy Industry, and the fact that this plan will be announced in early February next year. He was able to confirm that SADA will be involved with this announcement and then be instrumental in taking this plan to the farmers during the following months. This is good, exciting news for OUR Industry. Never before has there been a plan to help move the Industry to a projected target of expansion and profitability. As all the details of the plan become available, the SADA Board hopes it will be able to present these to an appreciative SA Dairy Industry.

Many of these issues are discussed elsewhere in this update

OPEN DAY SHARE FARMER WINNER 2001

Thursday 6th December, saw Ken Lyons and I travel to the property named "Kingsley", owned by Brenton Berkefeld at Allendale East. This farm is run and operated by Jo Van Rijthoven. The purpose of the day was to acknowledge the excellent work Jo does as a Sharefarmer, and almost 60 other people came to listen and have a look at how Jo was doing it.

The day was a typical South East day. It drizzled all day, but thanks to the organisation of Kirstie Murphy and Chris Salter from SA Dairy network and with the much-appreciated sponsorship from Westfarmers Landmark, a tent was there to accommodate all the visitors. Alan Lush and Chris Salter, two of the three Judges of the Sharefarmer competition, gave reports about the competition and the other entrants and explained why Jo had been successful in this year's event.

Other speakers on the day were Leon Lourey from DASCO, (Detergents and the Dairy Farmer), Alan McLeod, (Improving Production and Profits) Rick Jordan (Seed Distributors) and Susan Lang (Independent Fertilisers).

It was a very informative day, but there were a few disappointments, as the scheduled farm walk could not take place because of the damp weather. However the great lunch provided by Westfarmers Landmark had everyone in a good

mood and we thank them for their valued input. Kirstie Murphy must be recognised for the work she did in organising the day, which ran very smoothly and I enjoyed the task of being MC. It gave me a chance to let everyone know that SADA was there.

INTERNATIONAL MARKET

The slowing world economies are beginning to depress commodity prices. So several of the co-ops are suggesting their suppliers take a conservative approach to their farming business in the coming 2002/2003 season.

When the international markets move into a phase that is difficult to predict, like the current market, I tend to look to the trade for an assessment. That is, look at the deals (prices) that are being negotiated rather than listening to the economic gurus. This is why I listened with great interest to the comments by Steve O'Rourke, Neil Campbell, Alan Tooth, John McLean and others at the recent ADIC conference.

It is such an unpredictable market, do not be surprised if the international market strengthens later in 2002. The most important point that we all agree on is that dairy has a profitable future in the longer term.

The SADA view of the coming year is attached.

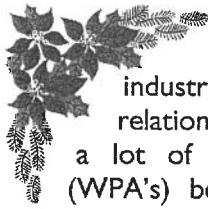
MILK SUPPLY CONTRACTS

A report by John Nietschke, Chair of the SADA Milk Policy and Prices Committee.

While the Committee has not met formally this year, policy and prices are constantly being monitored by the Board. It is pleasing to note that the milk prices are heading in the right direction with small increases coming through on a regular basis. If members have any concerns please let us know. The next round of milk supply contracts will soon be upon us so if you have any ideas, issues on how to improve the contracts please let us know. You can put your suggestions in writing, phone the office or contact one of our Committee.

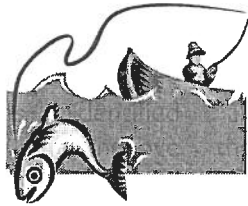
LABOUR ON DAIRY FARMS.

Be assured that along with the issues of water, BJD and profitable markets, labour will be a major feature of the new dairy industry plan being developed by the DIDB (Dairy Industry Development Board).



SADA has identified an opportunity to improve the industry awareness of the industrial relations and workcover issues. There is a lot of different workplace agreements (WPA's) being developed around Australia and even within SA there are several model agreements. Taking the best features from them all may prove a worthwhile exercise. We are currently talking to Business SA and SAFF (SADA members are currently affiliated with both organisations) about these issues. Both Dale Perkins and myself can see merit and value in strengthening the affiliation relationships. But equally we both want performance and value for the contracted services. There are no free lunches anymore.

Until quite recently the State's fishing/ seafood industries had huge problems attracting labour. There could not have been a worse image. The pay, conditions, and dangers made it very difficult to attract the right staff. But today the industries are financially sound, there is growth and now capable and happy teams of skilled people run the industry.



The way the dairies are now getting bigger is having a consequence on the labour mix required. During the coming year together we will make progress on this issue.

TRADE REFORM

For those of us that have been involved with the international trade reform over many years it has been an interesting but frustrating debate. It is essential that we "keep on and in there". The strategies and work undertaken on your behalf by Chris Phillips and his team at the ADC is to be highly commended.

Dairy farmers this year were given (via the SADA Update) an excellent publication "How trade reform will drive your future prices and growth". It explains the situation clearly and simply. Often the issue is clouded by the jargon of so called experts. The reality is that we must continue to "bang the drum" and seek continuing support at the industry and political level.

The reality is that the gains have been very limited. Progress has been painfully slow.

This morning I have read the ADFP Study Tour Report (Allan Burgess and John McQueen) of their international meetings in Europe and the USA. They begin their report with a quote from an EU Agricultural official, "Our aim is to keep all the support we currently have!" That is clear enough. Congratulations to both John and Allan for a comprehensive report. It is important that Australian farmers are actively involved.

You will have recently seen and read glowing reports about the "great success" of the talks last week at the World Trade Organisation summit at Doha in Qatar.

But remember this very sobering statistic. In the thirteen years since the famous Uruguay Round (1988) the new era of freer trade Australian farmers were promised has not eventuated.

The fact that China has recently joined the WTO will bring benefits to Australian export commodity industries like dairy. In the longer term Australia is well placed to take advantage of any reforms that eventuate.

The fact that both the EU and the USA are again subsidising exports is currently driving the price of butter and the milk powders down. Watch for the coming headlines about the US Farm Bill. Uncle Sam is looking after Uncle Sam.

GEOFFREY GARDINER FOUNDATION

This is a foundation established with funds from the sale of the assets of the former Victorian Dairy Industry Authority. The \$60m fund is financing projects that will benefit the Victorian dairy industry.

I mention this because with such a major program of projects directed at the State and Regional level in Victoria we need to be looking over their shoulder to see if there are lessons we can learn. For instance they will be looking to solutions to the current industry labour market concerns. The projects will cover the full range of the issues that need to be addressed for the Victorian dairy farmers to have a profitable future. While the Victorian regard the \$60m as a "pot of gold" we should take more than a passing interest.

Recently while in Melbourne we yet again found a way of making dairy dollars go further. By SADA joining in on the Labour Project seeking Gardiner Foundation funding we possibly can attach some



additional national funding on the basis that the outcome is of national benefit.

I am finding so many cases of where dairy industry groups working together can create a far bigger and better outcome for farmers.

Many are arguing that the significant improvements to farmer returns will come from the policies, plans and implementation at the State and Regional levels.

STATE DAIRY PLAN MAY GENERATE MILLIONS OF EXTRA DOLLARS BY GROWING THE DAIRY BUSINESS

At the international level the big issue is having the "political will" to move forward with trade reform. But here at home in South Australia we have an industry and State Government that are keen to grow the industry.

Year 2002 is our year to adopt a ten-year plan for the growth and prosperity of the State Dairy Industry.

Our South Australian approach is to develop an industry plan for the future. This will identify the issues that must be attended to for us to achieve our goals. The plan will identify the players (industry, state government, regional networks and others) in the game and seek commitments (money and resources) and there will be an agreed timetable and delivery dates. The issues will include water, labour, input costs, provision of infrastructure and commercial encouragement for new entrants to the industry. There are new ideas coming forward as we write.

The enthusiasm in the Limestone Coast for further development is very strong. While attending a field day near Mt Gambier I felt the passion to get on with the job from the likes of Rick Jordon, James Mann and Noel Stratford. Again the key to prosperous progress will be our success at the State and Regional level. Without good people with a real willingness to grow the industry we go nowhere.

NEXT YEAR WILL BE A MOST IMPORTANT YEAR FOR THE STATES DAIRY INDUSTRY

This is the year we have the opportunity to agree a Ten-Year Plan for our industry. Let me explain why I am excited. As many members will have experienced I can get very disappointed and want to know why our progress gets stalled. If we get behind the Plan we give this industry it's "best shot" at achieving some real substantial growth and development.

The great advantage of a Plan is that the important issues to be addressed are clearly set out. Timetables are agreed and investors and the State Government are given the confidence to "put real money on the table". When we went through the same process of developing the South Australian

Without a good dose of commercial nous, motivation and a good plan progress will inevitably be slow. This goes for us all whether we are a farm, co-operative, company, industry or industry association.

Aquaculture Plan several years ago it attracted investor and Government confidence and money. Now that industry is holding its head high and good profits for those that

made the commitment

As Tim Sanson (Dairy Farmers State Manager) said recently, it is "people who bring about change" and we intend to keep everyone fully briefed and involved as we move forward. The Chair of the DIDB, Perry Gunner, has decided to announce the Plan ASAP. He and the Premier, we understand, are looking at a date around mid-February. Our new Minister, Caroline Schaefer, will be briefed by Perry Gunner before Christmas.

DAIRY FARMERS CO-OPERATIVE CONTINUING TO INVEST IN SA

Before beginning a positive story about Dairy Farmers I should point out the SADA Board is looking forward to holding their February Meeting at the National Foods plant at Salisbury.

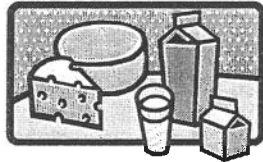
The \$25m redevelopment of the Clarence Gardens Plant has brought this facility up to world class standard for efficiency and performance. It is a credit to the managerial skills of Tim Sanson and his team.



Some people in our industry fail to appreciate that the Jervois Plant producing export cheese is also very efficient and adds significantly to Dairy Farmers profitability.

We are now confident the proposed multi-million dollar "whey drying plant" will proceed early in the new-year. The plant has been purchased and will be sited at the back of the existing cheese factory.

Coming back to the cheese. The process to turn milk to cheese takes about 6 hours and this factory produces about 60 tonnes a day. Most of the cheese is cheddar and bound for the Asian market where the demand is greater than our ability to supply. Very fortunately the new gas pipeline from Victoria to Pelican Point will pass close by and this gas will fuel the plant. The gas has been at the centre of the discussions with Government.



The new head of Operations for Dairy Farmers, Calvin Boyle, is also a member of our Dairy Industry Development Board and there is hardly a person in Australia more passionate and committed to growing the Australian Dairy Industry. He and his managers and the South Australian Dairy Farmers Board Members, Michael Ross and Trevor Connor, can be rightly proud of these new developments.

Let us acknowledge our ability to influence farm-gate milk prices is limited. Prices will be competitively set and driven by the world price. But we can play a real important role in working with the companies, the State and Local Governments, you our members and all the other parties to grow the dairy business.

AUSTRALIAN DAIRY FARMERS FEDERATION AND FARMER ORGANISATIONS

At the national level the shape of the new combined (DRDC and ADC) "dairy corporation" is all but put to bed. It is now time to look at the future of the ADFF, State Affiliates and the NFF and their Affiliates (SAFF). The UDV has called for ADFF to develop a new strategic plan.

To me it is simple. If farmer organisations can create genuine value for members they will grow

their membership. If not, they will lose credibility and influence. Fortunately SADA is gaining members, financially secure and delivering stronger representation.

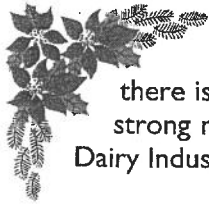
The concern about the future of farm organisations is currently been taken very seriously. Last week a task force of NFF and VFF members tabled another model. I believe there are ways to greatly improve the value to the farmer stakeholders. Next year we can work through the opportunities.

SADA members are reporting satisfaction with the new SADA structure and, perhaps more importantly, a new style and attitude to creating new business opportunities. One of the most rewarding outcomes is the extra activity and involvement at the regional level.

Basically the change process involve cutting of duplication, setting of achievable objectives, having a clear focus on meeting member needs, placing greater emphasis on improving our relationships, and above all running along private enterprise business lines. All farmers organisations need to be financially secure and "winning the hearts and wallets" of dairy farmers as shown by increasing membership.

Last night I had the privilege of having Xmas drinks in North Adelaide with our new Minister, Caroline Schaefer, and we talked about facing challenges. She believes it is good for people to take on a challenge each year, a challenge that tests our ability to the limit. Often when you take on a new challenge you can worry about whether you will "sink or swim". In the Minister's case she has both the experience and abilities to be an excellent Minister for Primary Industries but from day one she wears the responsibility. There is little time to settle into the position. In our case, the South Australian Dairy Industry is about to embark on a new plan for the future. But are we ready? Is there sufficient "goodwill and teamwork" between the farmers, companies, government, regional development committees, etc to drive the plan into being? Next year we will find out. As the saying goes "we won't die wondering".

Coming back to the combined industry Statutory Corporation it will, in conjunction with the farmers and processors, deliver agreed national policies for the dairy industry. This will be achieved through the establishment of levy funded



"working groups". It is a simple model but with the right people there is no reason why it will not deliver strong national policies for the Australian Dairy Industry.

DAIRY REGIONAL ASSISTANCE PROGRAM

While SADA has become more involved with the DRAP Program there has been some very notable successes including Paris Creek Dairy. They had Senator Jeannie Ferris and Minister Caroline Schaefer open their new facilities on the 6th December. I apologized to Helmut as Phil and myself were committed to the Sharefarmer of the Year Award on the property of Brenton Berkefeld on the Limestone Coast on the same day.

Perhaps the most successful project has been the Dairy Network, and Chris Salter and Kirstie Murphy have made a most valuable contribution to our industry.

Phil and myself had a long meeting with Jon Deakin on Thursday 13th December. He mentioned that the government is increasingly expecting applicants to justify how their projects will benefit dairy dependant communities. The two regions that are considered to have the highest dairy dependency are Yankallilla and Meningie. There are currently more than \$6m worth of projects in the pipeline for SA.

Two of the bigger projects involve the Laura and Jervois communities.

The program finishes on 30th June 2003. Money has to be spent before then. This means that potential applicants must bring their projects to Jon in the next 9 months. Jon is interested about projects that will grow employment in their localities.

Of the \$65million dollars allocated for DRAP at this stage about half has been allocated. Hopefully before Xmas there will be a few more announcements of project funding. In terms of the Structural Adjustment Packages, we received, in South Australia, a total of \$133million, including the additional \$7.5m million for the Supplementary Package.

ELECTRICITY

Here is an issue that will not go away.

We will hang in there and attempt to minimise the damage of rising costs. At the national level we have an investigation underway. Dale Perkins (SAFF President) pushed through a motion at the NNF Executive meeting recently that an investigation of the operation of the National Electricity Market from a primary producer's perspective be undertaken.

Well done Dale. It gives the NFF a chance to show it's worth.

Recently a report from ABARE confirmed what we have been saying for months. They also pointed to the situation in California.

The ABARE Report agrees with the SADA position of recommending National Government intervention. To quote ABARE:-

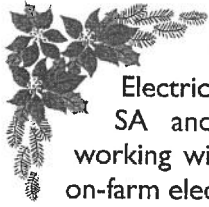
"Australia, like California, has no electricity market specific provisions for mitigating market power. Our national electricity code administrator, however, as the agency responsible for enforcing the rules of the market, has been increasing its monitoring of generator behavior in the market place."

Now we need some action.

At the State Government level we have put an industry view to government.

On Friday 23rd November Phil and myself meet with Bob Goreing, General Manager Policy, Business SA, to discuss our best options for lobbying the Government. The outcome included a letter from SADA to Premier Rob Kerin containing our preferred industry position. We sought his support for "cushioning" the predicted price rises in the next few years. The period in question is 2003 to 2005.

At industry level the approach is to minimise costs.



Also at our meeting was Peter Moser, Principal Advisor Electricity and Greenhouse for Business SA and he has offered assistance at working with the dairy industry on reducing on-farm electricity costs.

I suspect this will be an on-going exercise for the next two to three years. Also the UDV has now entered the debate with some gusto. In a recent press release they made the following points.

"Victorian dairyfarmers face increases of up to 158 per cent in the off-peak component of their annual power bills if proposed price increases are implemented on January 1."

"As an example an irrigated dairy farm with 200 cows could see their electricity bills rise from \$8,000 to \$12,500 per annum," Mr Owen said.

Finally on Friday 7th December the Australian newspaper carried the story that will see the issue placed back on the table for the National Government. Let me quote;

"The inaugural meeting of the Ministerial Council on Energy will be held in Melbourne today-six months after it was announced. The planned first meeting was abandoned shortly before the election amid bickering between the Commonwealth and States over their readiness for discussion".

MT LOFTY WATER CATCHMENT PROJECT

The next phase of the project is a telephone survey and we seek your willing assistance. The survey will be conducted by Consultants to the project and I will keep you informed as the project progresses. I have the next meeting with the team on Tuesday 18th December

ANTHONY GREEN

It was pleasing to receive a call from Cheryl Phillips (Co-ordinator of the National Leadership Program) recently saying how well Anthony performed on the course. Congratulations.

SADA is supporting Cheryl Philips in seeking DRDC funding to bring the course to South Australia.

TELSTRA RURAL MEDIA AWARDS

I have over the years come to further appreciate the value to rural industry of our rural media. Last Friday (14th December) we attended the Telstra Awards.

South Australia has a proud history in rural media and two of the legends ran the luncheon, Ian Doyle and Steve Swann. The retirement of Dennis Mutton was well noted, and next to my mate Jim McColl who in my time was the "best of best". Dennis has won the respect of Ministers and Industry. We wish him well.

It was encouraging that so many awards went to the younger media people. Congratulations.

Before leaving I was able to speak to Joe Wallman the General Manager of the Stock Journal. We need to build our dairy farmer readership of the Stock Journal. They should support the Ten-Year Dairy Plan.

John Rothwell, the Deputy Director of the Show, was at our table and we celebrated the best ever Dairy Show. Bob Snewin did a great job but the two dairy companies in National Foods and Dairy Farmers also put in a tremendous effort.

SADA OFFICE

The SADA Office will be closed for Christmas from Friday 21st December, 2001 to Monday 7th January, 2002.



FINAL REPORT CARD FOR 2001

The final report card for the year 2001 sees the "signing off" on the challenge given to me as your CEO. The then SADA Executive of Central Council, set as their prime objective for the year 2001, the rebuilding of relationships with the State Government, the Companies and the other State Dairy Organisations. The challenges involved "opening doors", "removing hostility", and "improving co-operation". The task is complete and the new relationships have delivered benefits to dairy families.

These relationships provide the opportunity to get the Ten-Year Plan "up and running".



This will be our challenge for 2002.

Thanks to Phil, Jo, the SADA Board, SADA members, and all the new dairy friends I have made during the year.

From all of us at SADA have a merry and happy Christmas period. Do make a special effort to find some space to "rekindle the batteries".

Happy milking,

Ken



The 2002 Victorian Dairy Industry Conference, hosted by WestVic Dairy and Target 10, will be held at Warrnambool, in Victoria's south-west on February 6 and 7, 2002.

The 2002 Dairy'n'People Conference will be held at the Warrnambool Performing Arts Centre, with the Trade Exhibition on the adjacent Civic Green. The venue is a prime city location, which will enable the Victorian dairy industry to be showcased to the general public, as well as Conference delegates.

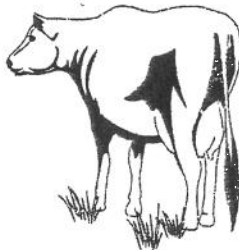
At the end of the Conference delegates will walk away with information and motivation that will help them continue successfully in this industry.

For further Conference information contact:
Sue Davies, The PR Exchange
Ph: (03) 9596 7341
Email: prex@msn.com.au

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DAIRY OUTLOOK FOR 2002

As Christmas approaches and 2001 year comes to an end we can celebrate one of the best years in terms of international returns for Australian Dairy Produce. The 2000/2001 year saw record export sales, exceeding \$3billion dollars and Dairy being the number one Australian processed rural export commodity. Farm gate returns across the nation fell after deregulation on July 2000 but as we moved into 2001 prices improved for the farmers in the southern States. As the year progressed further the prices received by all dairy farmers across the nation improved.

All processors operating in South Australia have announced higher prices for delivery into 2002. However in recent weeks there has been a "softening" in the international market prices particularly for powders and butter. So my message to dairy farmers for 2002 is to be a little "conservative" and expect the current farm-gate prices may "come off" later in the year. The longer-term price outlook is looking good.

So let us consider some of the positives and negative factors driving farm-gate returns for 2002 and into 2003.

Positive factors:

- International demand for dairy product is growing faster than the supply. Also the increase in demand is for product at the higher value end of the export product range.
- European stocks are low.
- China entering the WTO means greater trade opportunities for dairy trade with China.
- Buyer preference for Oceania produce (post BSE).
- Trade reform (while maybe a longer term positive) can occur at any time and will eventually benefit Australia.

Negative factors:

- The exchange rate is a real "wild card".
- The USA Farm Bill last week confirmed their intention to raise the subsidies and keep our dairy out of the US market. Also the EU has again began subsidising powders and butter.
- South American countries selling at low prices to obtain desperately needed export income.
- Buyers are concerned about the uncertain global economic situation and are only entering into short-term contracts.

The final farm-gate price for South Australia for the last year on regulation (199/2000) was 28cpl, the first year into deregulation (2000/2001) was also 28cpl and we are looking to move into the 30cpl for the current year.

So how will the dairy industry face the challenges in 2002?

There will be further rationalisation with farms getting bigger and producing more milk per cow. The industry will further expand, particularly in the Limestone Coast and Meningie Regions.

South Australia is being recognised by dairy farmers from both interstate and overseas as an ideal location for profitable dairy farming. Many New Zealand dairy farmers can see the relatively cost efficiencies enjoyed here in South Australia. We are being discovered.

Also last year the two structural adjustment packages put \$133million dollars into the pockets of SA dairy farm families. Hopefully this money has been invested wisely and for those staying in the industry provided the means of structuring their businesses more profitably. For many it has enabled them to grow their enterprises.

The eagerly awaited Dairy Industry Development Board Ten-Year Plan for the development of the South Australian Dairy Industry will be presented early in 2002. After the some discussion and final agreement, hopefully there will be sufficient attraction for investors to see our industry double in size during the life of the plan. It is hoped the plan will provide the commercial focus for all sections of our industry to work together towards achieving a common goal.

John Nietschke. Chair SADA Milk Policy and Prices Committee.