SADA Newsletter
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2017-18 Budget

John Hunt

As President of SADA it would be remiss of me not to report on the effect of the 2017-18 Budget on the Dairy Sector. Of course, reading budget papers is an artform in its own right and without knowing in detail structural changes, Commonwealth Funding changes or changes in accounting practices it's always a little difficult to know if there are good for the industry. Dairy is only mentioned twice in the PIRSA Budget for this year and in both instances they are references to accounting adjustments in the Concessional Loans Scheme.

So this year I've taken a different tack and tried to extract a sense of how government is positioning itself for the future not only in our industry but generally. To that end I decided to go back in time and read the Budget papers of the years 2007-08 and compare them to 2017-18.

There is one truly remarkable change in that time that is measurable and that is the commitment of Government to the South Australian Strategic Plan authored by Premier Mike Rann. The original plan dates to 2004. No surprise then that in the Departmental Budget Paper from the 2007-8 budget South Australia's Strategic Plan is mentioned 26 times and it's 100 point checklist is there to see

Mike Rann relaunched South Australia's Strategic Plan in September 2011 under the screaming banner,

"STRATEGIC PLAN – SHAPING OUR STATE BY CHOICE, NOT BY CHANCE", so clearly he hadn't given up on Choice over Chance by 2011.

What then of the 2017-18 Budget? In the Paper dealing with Agency Statements (Budget Paper 4 Volume 4 which

is the PIRSA Paper) the South Australian Strategic Plan isn't mentioned once. Although Premier Weatherall has committed to a Strategic Plan, it appears to be in name only.

The Government's Strategic Plan website remains unattended to with the most recent updates referring to food (which includes dairy) last reporting for the 2015-16 years. The information that informs them have been updated by PIRSA, on their scorecard, but the strategic plan is still a year out of date. Moreover, the seven pillars of South Australia's Strategic Plan anticipate the notion that we should still be taking advantage of the mining boom which they still seem to think is there.

In short South Australia's Strategic Plan is abandoned.

The question is what is in its place?

From a Dairy perspective, we look to Government for Leadership and direction. With the failure to attend to our concerns regarding fracking and the social licence it demands, limited roads funding and difficulty in managing keeping the lights on this government and its budget are immersed in the odium of an organisation that is looking to dealing with issues on a day to day basis rather than a government that convinces us that it has got a clear path for our future. All the while Dairy in South Australia saw a contraction of 9% last year.

NEW PAY RATES

As you'll be aware there has been some movement at the station regarding penalty rates and pay rates being advised by the Australian Fair Work Commission.

Please note that this is a heavily redacted version of Chas Cini's paper. Chas is the Industrial Relations expert retained by our organisation. The original is 18 pages long containing all relevant clauses. The full version of the award can be viewed by visiting the Fair Work Commission website at https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000035/default.htm

The Fair Commission has handed down its Annual National Wage decision which comes into effect on 1st July 2017. It has resulted in a 3.3% increase to the award rates which appear in the table below.

Allowances have also been adjusted and the new rates also are provided in Chas' full paper.

If you have an Individual Flexibility Arrangement Agreement as per Clause 7 of the Award you should increase the rate of pay by 3.3% and check to ensure that the rate meets the Better Off Overall Test ("BOOT").

If you are paying above award rates you may absorb this increase but be sure that the correct payment for overtime is also considered. Underpayment of wages claims can be lodged up to six years after the employment ceases.

The recent decision to reduce penalty rates applies to only five of the 122 awards. It does not apply to Broadacre farming as penalty rates are not payable at all.

Reference to "standard rate" appearing in this article means the hourly rate payable to a Farm and livestock hand level 2 is clause 28.1

Adult wages:

The following wages apply to Farming and livestock hands classified under the classifications of this award (other levels do not apply to Broadacre employees):

Wage group	Weekly award rate	Hourly rate	Casual	Overtime Casuals	
				T.5	DT
FLH1	$694.90	$18.29	$22.86	$32.01	$41.15
FLH3	$725.20	$19.08	$23.85	$33.39	$42.93
FLH5	$755.60	$19.88	$24.85	$34.79	$44.73
FLH7	$809.10	$21.29	$26.61	$37.26	$47.90
FLH8	$869.30	$22.88	$28.60	$40.04	$51.48

PLEASE Note when calculating overtime you are not required to apply to the total casual rate. The formula is time and a half (or double time when applicable) multiplied by the fulltime rate plus 25% of fulltime rate e.g. FLH 1 ($18.29 x 150%) + ($18.29*25%) = $32.01.

CODE OF CONDUCT

Recently the Code of Practice for Contractual Arrangements (Code of Conduct) has been agreed to between Dairy Australia and Processor organisations. Although the Code is voluntary it does provide a benchmark for acceptable behaviour and is welcomed across the industry. SADA welcomes any attempt to clarify issues surrounding contractual matters in the industry and much of what is in the Code of Practice is welcomed. Nevertheless, there is one section of the Code that still represents some concern to dairy farmers, namely section 6.

This is the section that deals with the arrangements as to who can purchase milk when a producer is contractually bound:

"6. Volume/Exclusivity Clauses

"*Where a farmer has a contract with a processor and wishes to expand their production and a processor does not want to purchase the additional milk under the same contractual terms and conditions, the contract between the farmer and processor must allow the dairy farmer to supply the additional milk to other processors.*

This clause will apply if the primary processor is prepared to take milk in addition to the contracted volume at a lower price."

For all practical purposes, the section works to provide a first right of refusal to the processor. Where you are bound to a processor contractually then if you produce extra the processor has to be asked if they want the milk at the contracted price. If the terms are that if you're contractually bound to take a lesser price for the excess milk then the processor can enforce those rights at the lesser price.

UPDATE YOUR DETAILS

It is the beginning of a new financial year and we are asking all our members to phone or email your current contact details if there have been any changes over the last 12 months. We are particularly interested to hear from any of you that have changed processors as we will need to get you to fill in a new membership form to enable your membership to continue. Your membership doesn't follow you from processor to processor. Email addresses also change and we need to keep these up to date so that we can keep you informed of current issues. You can either phone Jen on 8293 2399 or email her at sada@sada.asn.au to request a new membership form or simply to supply her with your updated details. Thank you.

WHAT HAPPENS WHEN THERE IS A DISEASE OUTBREAK IN YOUR AREA?

We are fortunate to live in a country where we are insulated from the ravages of some of the more problematic diseases that affect cattle. Nevertheless, bio security is maintained through eternal vigilance. Australia is one of the best prepared countries in the world on how to respond to a disease outbreak and it is useful for dairy farmers to know what is expected of them should there be a disease outbreak in South Australia.

If, for example, there was an outbreak of Foot and Mouth in South Australia it is useful to know what would happen on your farm.

Were there such an outbreak a pre-prepared response plan would be activated under the Emergency Animal Disease Response Agreement (EADRA). This is a national agreement that has already been cemented into place in Australia and determines the response of Authorities, Governments and Industry bodies across jurisdictions. The plan is comprehensive, however, what is expected of you if the plan is put in place in South Australia?

In the instance of, God forbid, an emergency animal disease being discovered then the Plan would be activated. That would mean that the farm or farms affected would be declared. From a state perspective there would be established a State Control Centre, a Local Control Centre and a Forward Command Post.

The State Control Centre would manage the response in conjunction with the National Control Centre, if the National Control Centre was made operational. In the case of a Foot and Mouth outbreak it would. The State

Control Centre would manage the State's resources in such an event.

The Local Control Centre would be in the area where the outbreak was detected and the Forward Command Post would be on the site or sites of the outbreak. As a farmer, particularly if you're in the area of the outbreak, your point of contact would most likely be with the commander of the forward Command Post.

Two zones will then be established around the place where the disease has been detected. Firstly, an inner zone called the Restricted Area. This will generally be the farm with the disease, farms which share common boundaries around this farm and an area around them. Once an area is declared special powers to prevent the movement of livestock are invoked including inspection powers of vehicles leaving the area.

Around the Restricted Area will be the Control Area. The control area may be the whole state. There are also restrictions that could be brought to bear in a Control Area. When this occurs representatives from SADA, LSA and PPSA will be on hand to represent industry interest to the state co-ordinator. Training has been provided to three representatives from those organisations should such an eventuality occur.

The major question for dairy farmers will be what happens to the milk. Fortunately, the identification of a disease usually occurs within a matter of hours so doubt surrounding that issue will be short lived. If there is a confirmed case of Foot and Mouth then it will be known quickly. That does not mean that milk flow will automatically stop. While it may, it is conceivable that it will be allowed to keep moving.

A risk assessment will be conducted for dairies inside the control area and it will be determined if the milk can move. Your industry representative will be able to keep you abreast of decisions that are made regarding the movement of your product.

In short if there is a disease outbreak in South Australia there will be a Government response. Each outbreak will be managed in accordance with the nature of the outbreak and other variables that surround it.

Depending if you're in the restricted area or not you will have two primary sources of information. If you are in the restricted area it will be your industry representative or liaison and the Local Control Centre. If the disease is on your farm it will also be with the Forward Command Post Commander. If you're in the Control area the communication will be with your industry representative and information you get from the State Control Centre.

Either way industry representatives will have direct access to the State Control Centre Management team. If you have an issue with the response it is your industry representative who you should speak to.

CHANGES TO 457 VISA RULES - THE TEMPORARY SKILLS SHORTAGE VISA

On 18 April 2017, the Government announced that the Temporary Work (Skilled) visa (subclass 457 visa) will be abolished and replaced with the completely new Temporary Skill Shortage (TSS) visa in March 2018.

The TSS visa programme will be comprised of a Short-Term stream of up to two years and a Medium-Term stream of up to four years and will support businesses in addressing genuine skill shortages in their workforce. It will contain a number of measures which prioritise Australian workers.

This article focusses on the short-term visa changes.

The reforms include abolishing the Temporary Work (Skilled) (subclass 457) visa (457 visa) and replacing it with the completely new Temporary Skills Shortage (TSS) visa in March 2018. The TSS is intended to support businesses in addressing genuine skill shortages in their workforce and will contain a number of measures which prioritise Australian workers. Implementation of these reforms commenced on 19 April 2017 and will be completed by March 2018.

What is changing?

Changes from April 2017

From 19 April 2017, for the existing 457 visa:

- Occupation lists: The occupation lists that underpin the 457 visa were significantly condensed from 651 to 435 occupations, with 216 occupations removed and access to 59 other occupations restricted.
- Of the 435 occupations, access to 24 occupations has been restricted to regional Australia (particularly occupations relating to farming and agriculture).
- The Consolidated Sponsored Occupation List (CSOL) was renamed the Short-term Skilled Occupations List (STSOL) and will be updated every six months based on advice from the Department of Employment.
- The other occupations list used for skilled migration, the Skilled Occupations List (SOL) was renamed the new Medium and Long-term Strategic Skills List (MLTSSL). This list will contain occupations that have been assessed as being of high value to the Australian economy and aligning to the Government's longer-term training and workforce strategies.
- Validity period: The maximum duration of 457 visas issued from this date for occupations that are on the STSOL will be two years. Occupations on the MLTSSL will continue to be issued for a maximum duration of four years.

Changes from July 2017

From 1 July 2017, for the existing 457 visa:

- Occupation lists: The STSOL will be further reviewed based on advice from the Department of Employment. The MLTSSL will be revised based on outcomes from the Department of Education and Training's 2017-18 SOL review.
- English language requirements: English language salary exemption threshold, which exempts applicants whose salary is over $96,400 from the English language requirement, will be removed.
- Training benchmarks: Policy settings about the training benchmark requirement will be made clearer in legislative instruments.
- Character: Provision of penal clearance certificates will become mandatory.

Changes by December 2017

Before 31 December 2017, for the existing 457 Visa:

- The Department of Immigration and Border Protection (the Department) will commence the collection of Tax File Numbers for 457 visa holders (and other employer sponsored migrants), and data will be matched with the Australian Tax Office's records to ensure that visa holders are not paid less than their nominated salary.
- The Department will commence the publication of details relating to sponsors sanctioned for failing to meet their obligations under the Migration Regulation 1994 and related legislation.

Changes from March 2018

From March 2018, the 457 Visa will be abolished and replaced with the TSS visa. The TSS visa will be comprised of a Short-Term stream of up to two years, and a Medium-Term stream of up to four years.

The **Short-Term stream** is designed for Australian businesses to fill skill gaps with foreign workers on a temporary basis, where a suitably skilled Australian worker cannot be sourced.

The **Medium-Term stream** will allow employers to source foreign workers to address shortages in a narrower range of high skill and critical need occupations, where a suitably skilled Australian worker cannot be sourced.

The **Short-Term stream** will include the following criteria:

- Renewal: Capacity for visa renewal onshore once only.
- Occupations: For non-regional Australia, the STSOL will apply. For regional Australia, the STSOL will apply, with additional occupations available to support regional employers.
- English language requirements: A requirement of an International English Language Testing System (IELTS) (or equivalent test) score of 5, with a minimum of 4.5 in each test component.
- Genuine entry: A genuine temporary entrant requirement.

The **Medium-Term stream** will include the following criteria:

- Renewal: Capacity for visa renewal onshore and a permanent residence pathway after three years. - Occupation lists: For non-regional Australia - the MLTSSL will apply. For regional Australia
- the MLTSSL will apply, with additional occupations available to support regional employers.
- English language requirements: a requirement of a minimum of IELTS 5 (or equivalent test) in each test component.

Eligibility criteria for both streams will include:

- Work experience: at least two years' work experience relevant to the particular occupation.
- Labour market testing (LMT): LMT will be mandatory, unless an international obligation applies.
- Minimum market salary rate: Employers must pay the Australian market salary rate and meet the Temporary Skilled Migration Income Threshold. (Set at $53,900 as at 18 April 2017.)
- Character: Mandatory penal clearance certificates to be provided. Workforce: A non-discriminatory workforce test to ensure employers are not actively discriminating against Australian workers.
- Training requirement: Employers nominating a worker for a TSS visa will be required to pay a contribution to the Skilling Australians Fund. The contribution will be: payable in full at the time the worker is nominated; $1,200 per year or part year for small businesses (those with annual turnover of less than $10 million) and $1,800 per year or part year for other businesses.

The detailed policy settings for several of these requirements will be finalised through the implementation process. Further details on these requirements to inform stakeholders will be available in due course. Why are these changes being made? These measures will sharpen the focus of Australia's employer sponsored skilled migration programmes to ensure they better meet Australia's skills needs, increase the quality and economic contribution of skilled migrants and address public concerns about the displacement of Australian workers.

Who is affected?

Current 457 visa applicants and holders, prospective applicants, businesses sponsoring skilled migrants and industry. Existing 457 visas continue to remain in effect.

457 visa applicants that had lodged their application on or before 18 April 2017, and whose application had not yet been decided, with an occupation that has been removed from the STSOL, may be eligible for a refund of their visa application fee. Nominating businesses for these applications may also be eligible for a refund of related fees.

AN ORGANIC REVOLUTION IN ASIA PACIFIC

The dairy food industry in the Asia Pacific region is set to bloom because of a growing realisation in that area of the value of the dairy product, particularly in its organic from. Modelers in the dairy industry expect that the global organic market will grow to nearly $37 billion (USD) by 2022.

Factors driving this market are the limited supply of organically grown food in the Asia Pacific area. Markets that have been determined to be particularly attractive are South Korea, China and India with the latter two with Compound Annual Growth Rates (CAGRs) in the order of 15%. These two countries represent half of the world's population with respective middle classes that are growing in size every day.

Research is revealing that in China and India there is an increasing consciousness that has captured a number of western trends, particularly in the areas of environmental impact and healthy living.

Nearly all large dairy corporations are penetrating these markets with their own organic products launching them to capture this assertive market.

Nice to know.

2017 SA DAIRY AWARDS GALA

The Dairy Industry Association of Australia (SA) invites you to indulge at an evening of sumptuous food, showcasing the state's best dairy products. Celebrates the outstanding achievements of the industry's dairy producers whilst enjoying premium wines and beers, lavish grazing stations and gourmet canapes at a gala cocktail event.

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