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## SADA NEWSLETTER MAY 2021

# Why SA has a Dairy Industry Action Plan

There is a stark contrast between events in South Australia in the dairy industry and in NSW which confirms in the mind of SADA that the approach taken in South Australia by adopting the South Australian Dairy Industry Action Plan (2019-2024) is the correct way to manage the industry in this state.

A parliamentary report into the NSW dairy industry has found no significant progress has been made since the last inquiry three years ago, prompting calls for an independent advocate for the dairy industry in that state. A NSW parliamentary committee reviewed the sustainability of the NSW dairy industry which was tabled in the upper house.

The report concluded that recent events such as bushfires, super-market price setting and drought were edging the industry in NSW to unsustainability.

Mark Banasiak MLC said in the re-

port "...we are still losing our local, family run dairy farms at a concerning rate and it is difficult for new dairy farmers to enter the industry..."

Amongst its recommendations were:

- The report supported the notion of an investigation into a floor price by the Department of Primary Industries.
- The committee also recommended the Department and the Fresh Milk Advocate, consider investigate whether a similar mechanism to a milk floor price could be extended to fluctuating production costs, nominally a milk to feed price ratio, suggesting such a policy could assist farmers remain solvent.

These are not policies SADA would support as they would be very damaging to SA's dairy exports and speak to increased regulation and government interference.

In the political slanging match that followed politicians became more interested in their agendas than outcomes for dairy farmers.

The South Australian Dairy Industry Action Plan 2019-2024 has been designed to avoid these sorts of fights as they harm the dairy industry in other jurisdictions and hurt the industry's reputation as a place to work and invest generally.

SADA has been very careful to work with processors and government and the result has been a settled and sober dairy industry in this state which is leading to increased milk prices and increased production in South Australia.

South Australia is more optimistic and has good grounds for that optimism and the events in NSW reassure us that the approach which is being taken in SA not only is easier but produces much better results for all who participate.



**SA Dairy Producers Survey** REMINDER: Thank you to all those that have already shared their views. Grab a glass of milk and by the time you finish your drink your views will be counted in our election priorities.

**START  
HERE**

# A big spend to ramp up Australia's biosecurity system remained the standout for agriculture in tonight's federal budget.

Farmers' pleas for more investment to build the nation's agricultural workforce long-term were answered, as was more funding for on-farm biodiversity, while the ever-popular instant asset write-off was extended yet again.

## BIOSECURITY

The bulk of the biosecurity spend was announced prior to the budget announcement, and includes another \$58.6 million toward the prevention of an African swine fever outbreak, \$67.4 million to boost Australia's biosecurity preparedness, and \$34.6 to improve research and field tools.

An extra \$29.1 million to help combat established pests and weeds takes the total biosecurity spend to \$400 million.

The budget papers also reveal that industry will pay for about a third of the \$96.9 million set aside to manage risks from hitchhiker pests in imported cargo. The department will cover \$60.5 million of the program over four years.

## AGRICULTURAL WORKFORCE

Almost \$30 million will go toward new measures aimed at growing agriculture's workforce long-term, including \$10 million to create a new pathway into the sector for young people.

There's little that will help the current workforce shortages however, with no moves to allow backpackers back in to Australia, or increase the number of seasonal workers coming into the country.

## INSTANT ASSET WRITE-OFF

Welcome news to farmers and machinery dealers alike is news the Government will extend full expensing for depreciable assets until June 2023.

The popular scheme was introduced last budget and was meant to finish in June 2022. It allows businesses with a turnover of less than \$5 billion to fully deduct the costs of depreciable purchases.

"This has seen spending on machinery and equipment increase at the fastest rate in nearly seven years," Treasurer Josh Frydenberg said in his budget speech.

"A tradie can buy a new ute, a farmer a new harvester and a manufacturer expand their production line."

## ON-FARM BIODIVERSITY AND LAND MANAGEMENT

The Government's new biodiversity stewardship program — which rewards farmers for increasing biodiversity on their land, such as by planting trees — will move from the pilot phase to wider implementation, with \$22.3 million to expand the scheme.

Work will continue on a biodiversity certification scheme — which will give farmers a tick of approval for their biodiversity credentials, and is being developed by the National Farmers' Federation — with \$5.4 million, and \$4.4 million to develop a biodiversity trading scheme.

There's also \$129.8 million to deliver the National Soils Strategy, which should be finalised next month.

Of that, \$102 million will go toward incentivising farmers to increase soil testing, and \$20.9 million to improve understanding of our soils.

Industry can also take advantage of \$59.6 million, out of the \$1.2 billion low-emissions technology fund. The cash will be used to trial new agricultural feed technologies that could reduce emissions from livestock, as well as innovations in soil carbon.

## FREIGHT AND SUPPLY CHAINS

The Government is increasing the Heavy Vehicle Road User Charge from July this year, offsetting a \$73 million decrease in expenditure from the fuel tax credit.

The heavy vehicle charge will go from 25.8 cents per litre to 26.4 cents per litre. Budget papers state the change was agreed by federal and state transport ministers.

There is more funding for the National Freight and Supply Chain Strategy, including \$16.5 million for a national freight data hub.

## TRADE

Agricultural exporters will be disappointed to see there was no commitment to extend the International Freight Air Mechanism beyond September this year. The popular program has been extended three times already, and has proved vital in getting agricultural exports overseas during the COVID-19 pandemic. With high freight costs and delays likely to continue

well into next year, industry has already warned this program could be crucial for some time yet.

While the NFF was looking for a decent trade spend that would build a long-term trade strategy for agriculture — particularly in the wake of ongoing tensions with our biggest customer, China — the Government has instead set its sights on boosting Australia's participation in international forums such as the World Trade Organisation.

There is \$15 million to "enhance our reputation and promotion of Australia's interests" in standard-setting bodies.

"The Government will work with partners to drive WTO reform to ensure the system continues to serve Australian interests," Foreign Minister Marise Payne and Trade Minister Dan Tehan said in a statement.

"We will use the WTO's dispute settlement system so that Australian businesses and producers can compete fairly in markets around the world."

Australia has already taken China to the WTO over its barley tariffs, and could follow suite over tariffs imposed on the wine industry.

## FINANCIAL ASSISTANCE

The Government is committing \$14.7 million over three years to waive farm business income reconciliation debts up to the 2019-20 financial year. That's in line with the recommendations of a recent review into FHA.

The rural financial counselling service will also receive another \$8.5 million to continue running in 2021-22, including to provide support to rural and regional small businesses affected by drought, COVID-19 or bushfire.

## WATER

Another \$25 million will extend the On-farm Emergency Water Infrastructure Rebate Scheme until June 2022.

There is \$3.5 million to establish a panel to look at how transparency the water market in the Murray Darling Basin can be improved, as per the recommendations of the ACCC's water markets inquiry.

### Nut Juice is not Milk.

Representatives from dairy farming organisations across Australia came together in Melbourne on 4 May. A number of matters of import were discussed and there were a couple worth bringing to the attention of SA-DA members.

SADA, with the supports of the other states and the ADF continued to maintain an “engage with the Minister for Agriculture” policy to progress a decision and action on the plant-based product labelling report. SADA has been a strident critic of nut juice being called “milk” and will continue to wage its fight on this issue.

### Blockchain / traceability project

SADA was also able to report to the group progress on the SADA traceability trial. GS1, which supported the SADA trial has also been working with Beston Global Food Group to assist the field trial of their proposed technology. GS1 is the international body that issues barcodes to everyday products that we all see on shop shelves and is vitally interested in bringing this exciting technology into being in a consistent way for the Dairy industry in Australia as well as overseas.

The Beston trial like the SADA trial will ‘road test’ the industry’s draft traceability guideline (output two from the national project) and deliver a report for industry on the technologies and process reforms. The field trial builds on the education video released in 2020 (output one from the project) released by ADF. This provided industry and stakeholders with an understanding of the dairy industry issues and how technology can assist in im-

proving supply chain transparency and efficiency. Woolworths are being consulted to determine potential collaboration in the trial. They are the most advanced retailer in 2D bar coding rollout which will become an important component of blockchain traceability.

A comprehensive report on the project was provided to the Department of Agriculture on 30 April as required by the grant agreement by ADF.

### Milk Hedge funds

The Australian Milk Pricing Initiative (AMPI) made a presentation to the PAG meeting held at the Quest Hotel near Melbourne Airport on 4 May 2021 regarding the futures trading project that AMPI has been developing.

During the meeting it became evident that AMPI’s ambition anticipates that the proposed initiative, effectively a futures market for milk prices, should be built into the Consumer Commission (Dairy Industry Code), the Dairy Code.

SADA is fully supportive of an operational futures market in the Australian Dairy Industry. SADA believes that dairying businesses should be

able to enjoy all commercial arrangements, particularly those which have the result of diminishing risk for SADA members.

However, SADA does remain cautious about suggestions by AMPI that this system should be built into the Mandatory Dairy Industry Code. SADA has written to the ADF signalling that we will want more information regarding this suggestion and will be making the same request of AMPI when they visit SA as part of their national consultation.

### Are you an ADF Member?

**At a national level it is important that SA has strong representation. For this to occur we urge all SADA Members to sign us as a member of ADF. Membership is free and will ensure you have a say in who represents you at a national level.**

## Processors will be posting prices by 1 June and a reminder of the milk price portal

With the contracting season fast approaching farmers whose contracts are up for renewal will have an opportunity to look out across the field for the best price moving forward.

As part of the operation of the SA-DA supported Dairy Code, all medium and larger processors will have to post their milk price by 1 June 2021 on their websites.

Some processors like Fontera have already announced their opening price for the 2021-2022 year.

Members are reminded that the Milk Value Portal from the Australian Dairy Producers Federation is available. Follow the line to <https://milkvalue.com.au/>

This site provides a clear picture not only of what is happening to the milk price in your local area, but also nationally and internationally.

Members are encouraged to visit the site as a useful tool to help them determine the best prices they can get for their milk.

Any farmer requiring further information is urged to contact the SA-DA office on 08 8293 2399 or John Elferink at SADA on 0418406400.

## ACCC MDB Markets Inquiry Final Report NFF summary;

- There is no discussion about whether the Government will support any or all of the recommendations yet. The Minister has said that the Government “will now engage with Basin jurisdictions and key stakeholders to ensure that the response supports water users and communities and that the reforms are feasible, cost-effective and achieve greater harmonisation across state borders.”
- Many of the recommendations require new/changed legislation and close cooperation between states and commonwealth. This means that the timeframes for implementation of any recommendations will be extensive (This is especially considering that the legislation to enact the Office of the Inspector General Compliance MDB is yet to pass, and we are already onto our second Interim Inspector General in the role).
- The ACCC found no evidence of market manipulation or insider trading. However, the ACCC does note a lack of long-term and detailed data in this space, which would make tracking this issue much easier.
- The key recommendation is the establishment of a new independent Basin-wide Water Markets Agency to oversee trading, market integrity, and ensure water markets are efficient and fit-for-purpose. This will require not only new legislation, but will cost a significant amount to establish and operate. The NIC has raised a question as to whether a new stand-alone body is the best option, given the cost as well as the constellation of agencies already operating within the Basin.
- I agree with NFF that the other key recommendation is to introduce basin-wide legislation to address harmful conduct and practices, including an enforceable mandatory code for water market intermediaries. This is something we called for in the ADIC Submission last year and should hold water brokers to the same standards as other brokerage services, in particular that water brokers must work in their clients’ best interests.

A key issue for irrigators though is going to be WHO PAYS ongoing costs for the new agency, data, regulation, mandatory code and transparency measures that the report also recommends. If a cost-recovery/user-pays model is used, this could be a significant impost.

## Around the grounds

- Ash and Elf held a meeting at Fleurieu Milk Co to introduce Entrust to the Fleurieu Staff and to discuss the traceability trial. A small tour of the lab was also done so that the Entrust staff could better understand the testing process. Subsequent meetings are now being arranged with farmers.
- Ash attended the Dairy SA Safety, Employment and Hiring Workshop conducted at Langhorne Creek. This was an excellent event with a decent turnout to help farmers with workforce related challenges and to look at the Dairy Passport. This information will be useful background knowledge for the Workforce Committee to work with.
- Ash and Elf held a meeting at La Casa to introduce Entrust to the La Casa Staff and to discuss the traceability trial. This was an opportunity to see the difference in process compared to Fleurieu and to understand how the trial could provide efficiencies to their supply chain. Subsequent meetings are now being arranged with farmers and the transporters.
- John H and Andrew participated in the first meeting of State SDFO presidents to discuss future organisational structures in dairy policy and advocacy. Meetings will be held weekly during May.
- John H and Andrew met with Minister to discuss dairy matters including the establishment of a Workforce committee, Underpasses, the SADA Traceability project, Primary Producers SA, the Future Drought Fund and the investigation into calf deaths.
- Ash attended the Climate Smart Farming Forum held by the Hills and Fleurieu Landscape Board in Encounter Bay. Panel discussions and sessions about more sustainable farming practices were the main topics as well as reference to the work live-stock producers but in particular dairy farmers have done towards the goals of their industry’s sustainability frameworks.
- Elf attended the Markets Policy Advisory Group (PAG) in Melbourne. Dairy Australia briefed the PAG on a number of emerging issues in the trade sphere internationally. SA’s traceability scheme was noted during the GS1 briefing on traceability. The PAG was also briefed on the proposed milk futures trading scheme being contemplated for the industry (there will be further briefings on a state to state level). SADA also contributed to the debate dealing with proposed minor variations to the Dairy Industry Code. Behind the scene SADA again demonstrated that the co-operation driven by the Dairy Industry Action Plan (SA) 2019-2024 is driving outcomes which are envied by other jurisdictions.
- Elf assisted with the drafting of two contracts in the dairying space for interested parties.
- Elf briefed the RSPCA on the reported calf deaths from the investigation from last week. The RSPCA is still contemplating as to whether an investigation will be commenced and will advise next week.
- Andrew and Caroline Rhodes from GPSA met with Telstra to discuss future Telstra infrastructure investment, the NFF regional forum in June and Growing SA.

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