



# SADA Newsletter

## September 2018

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## ADF Announces Support for Mandatory Code

Peak dairy farmer group Australian Dairy Farmers (ADF) has announced its support for a mandatory code of practice for the Australian dairy industry. ADF has told the Federal Government that a mandatory code must deliver coverage across the entire industry and improve bargaining power for Australian dairy farmers.

SADA has consistently argued for the establishment of a mandatory code for the industry and is gratified to see this announcement by the ADF.

The ADF stressed that a future mandatory code must:

- include an independent dispute resolution procedure, with small claims to be investigated;
- outlaw retrospective milk price step downs;
- enforce contract and price transparency; and
- be reviewed within three years, including an assessment of the code's effectiveness.

The ADF has stated that this was a difficult decision and one that ADF did not take lightly. The ADF observed that there were broad range of views within ADF's membership and these views were deeply respected and understood leading up to the decision.

ADF's position comes after several months of working with industry body the Australian Dairy Industry Council (ADIC), which led to the development of a strengthened voluntary code.

ADF expects to play a leading role in the development of a new industry code, using the work undertaken by the ADIC as a foundation.

Key elements of the ADIC code, which is still in draft form, are drawn from guidelines set by the Australian Competition and Consumer Commission (ACCC), include:

- retaining clauses in the current code where there is no stakeholder objection or issue; and
- adding clauses where there is universal agreement between states and processors, such as good faith provisions, standard contract timelines, protection for collective bargaining groups, independent complaints management and dispute resolution processes, penalties regime and improved administrative arrangements.



"We need to draw the line on unethical behaviour. But let's draw it with an Etch-a-Sketch and don't be afraid to shake it a little."

But ADF warned there are still issues to be resolved around the implementation of a mandatory code of practice for the dairy sector.

*"The competition watchdog, in recommending a mandatory code, didn't disclose the costs of administration, investigation thresholds, performance standards and accountability metrics."* the ADF has claimed.

This isn't consistent with material released by the ACCC which has said *"Costs for farmers would be minimal, and*

*likely non-existent. Farmers regulatory responsibilities would only require them to retain signed or acknowledged copies of milk supply agreements and act in good faith in their dealings with processors.”*

The ADF will urge the Government to address these concerns through a Regulatory Impact Statement (RIS), to be disclosed to industry as soon as possible. It's hoped the introduction of a mandatory code will be a vital step in rebuilding trust and confidence along the dairy industry supply chain.

The debate over the future of the industry has often been tense. ADF is now calling for unity in dealing with the immense challenges facing the sector as we move forward through difficult times.

Every step along the value chain depends on strong relationships, and farmers are encouraged to collaborate and support each other to influence positive change for the dairy sector.

## **How will a mandatory code work and how will it be developed?**

The operation of a mandatory code of conduct is the product of government regulation. It does not mean that the industry is being re-regulated as it was prior to 2001. There will be no price setting mechanism and the market will still determine the price of milk. What is to be addressed by a mandatory code will be the contracting practices between processors and producers.

As part of its inquiry the ACCC determined that the power relationship between the processor and the producer was so skewed and distorted that the ACCC recommended a regulatory intervention, namely, a mandatory code. The ACCC made a point of saying that the distortion in the relationship was so pronounced in favour of the processors that the usual mechanisms employed by industries such as boycotts and collective bargaining were not enough to rectify the imbalance.

Essentially what a mandatory code will do is impose rules of fair dealing between contracting parties. Those dealings will have to be conducted in good faith and there will be a dispute resolution process attached to the code that must be followed. Because the code will be mandatory there will be a policeman in the shape of the ACCC overseeing conduct between parties.

It should be noted that recently Professor Alan Fels said that the ACCC is an assertive policing body that is prepared to intervene when needed.

The ACCC has produced a guide which can be found at <https://www.accc.gov.au/publications/dairy-inquiry-guide-to-the-acccs-mandatory-code-recommendation>.

This guide also outlines the steps which will be taken next. There are ten steps which will allow for input on six different occasions. It is expected that the development of a mandatory code will move through those steps relatively quickly. There is an expectation that the process will be completed within 12 months.

## **SADA's ongoing participation**

ABC Country Hour reported on the developments on 12 September. During that story Peter Stahle was interviewed as the head of Australian Dairy Products Federation and he said:

*“Remember that over the last few months we've actually developed a very sophisticated draft code including a dispute resolution system. So, we're on top of the issue, so what's important and what we did achieve was we have addressed the issues raised by the ACCC in that revised code that is literally in the process of being discussed and disseminated within industry. It's a pity that we weren't able to deliver on a consultation process to be able*



*to tell the Minister decisively where we're at as a whole industry but as it turns out we've done some really good preparation that will certainly help a good mandatory code if we're going to have it."*

SADA welcomes the comments from the ADPF as being positive and supportive of a pathway forward toward a mandatory code. We have now had an opportunity to review the draft document and we have written to ADF with a number of recommendations and observations as to how the draft could be improved as a base document for a mandatory code going forward.

We'll keep you posted.

## Dry Times

SADA recently met with Minister Whetstone as part of his committee looking into the dry times that are affecting SA, not surprisingly the group is called the Dry Times Working Group. The group draws membership from across government and primary industries.

The impact of drought on intensive industries, particularly dairy and pork was highlighted at the first meeting of the working group. As covered in last month's newsletter the price of feed continues to eat into the margins of farmers across the spectrum.

Nevertheless, SADA maintained a position that the Ministers measured responses to the dryer conditions in South Australian were correct. It was clear from the meeting that the Government couldn't afford any form of direct feed relief. It was impressed upon the minister that transport subsidies in other states was penalising SA farmers by driving up the price nationally.

SADA argued that as most of the state was to a greater or lesser degree productive one of the best messages the minister could articulate was if SA consumers wanted to support SA farmers they should buy their produce, particularly in the current climate.

The Minister indicated that he supported that notion and also wanted to expand health services to those farmers who were suffering under the current conditions.

## South Australian Budget

The Marshall Government delivered its first state budget. The budget has been cautiously welcomed in agricultural circles. SADA through PPSA have been working closely with the government since this election and pleased to see them meeting a number of their commitments.

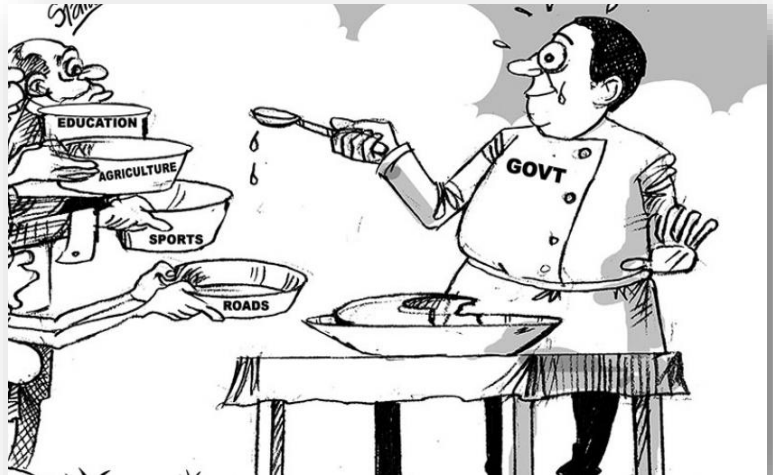
As a first budget in a parliamentary term there was an expectation of restraint and cuts. While these did occur generally the budget was not too bad for the primary sector.

Here are some of the SA Government's decisions that affect the primary sector.

- PIRSA looks to have lost about 15 jobs. This is significantly less than was expected. Six of the 15 are from Regions SA and that reflects a move from two Ministers to one. There is a cost saving target and more job losses will gradually work through over the next couple of years.
- Original rumours of deep cuts were not realised. SADA's pre-election position was to call on the Government to prioritise SARDI and Bio-security and protect them from cuts. The budget has indicated that these areas will be protected. The cuts may be more achievable than had been earlier believed.
- Some things were already anticipated – emergency services levy remissions, payroll tax being abolished for small businesses, funding for the water inquiry, capping NRM levy.
- Family farm transfers to and from companies in addition to individuals and trusts will now be exempt from stamp duty. Given that the majority of farm businesses are small businesses, any assistance with reducing

costs is welcomed and will position our industry to continue to grow and expand its contribution to the SA economy.

- SADA welcomes the \$10 million over three years for mobile black spots. We hope this can leverage considerable amounts of Federal and other funds to address what is a major business, social and safety handicap for many regional areas of SA. SADA will continue to engage with service providers and the State and Federal governments.
- SADA is also pleased to see a dedicated funding stream for projects to improve regional roads and infrastructure. This fund of \$315 million over four years will continue to improve transport efficiency and safety in the regions.
- Access to health services in regional areas is a major concern for residents so we welcome the investments in country health facilities, \$20 million over four years for the Rural Health Workforce Strategy and \$6.8 million over four years to establish the Local Health Network Governing Boards.
- There is funding in Biosecurity SA for encouraging livestock producers to use One Biosecurity.



## Things that keep us busy

As an organisation we continue to strive for outcomes for our industry. This means we work in any area where the interest of SA dairy farmers where ever and whenever we are needed. In the past month our activities have included:

- Meeting with Eddie Hughes who is now the Shadow Minister for primary industries. We acknowledge his reaching out to us and express our gratitude for his time.
- Telecommunications review submission. SADA made a submission to the Government's telecommunications review which now being finalised. The usual issues black spots and poor reception were key elements of the review.
- SADA took an active role in working with Troy Bell, member for Mount Gambier, to advance his bill to enshrine the government's 10-year fracking moratorium in law. This included reviewing his bill and suggesting an improvement, which was accepted and attending meetings with Mr Bell and his supporters by phone. The Government relented on their position that the moratorium didn't need to be enshrined in law and allowed the bill to pass. Well done Troy.
- The SADA Annual report is now complete and will be available on the SADA website soon.
- We are now putting the finishing touches to the South Australian Dairy Industry Plan which will be off to the publishers soon.
- Several meetings with Channel 7 to organise SA Weekender spot mentioned below in the industry fund update.



- Initial meeting with Osteoporosis SA for SADA Fresh Osteoporosis to explore a partnership going forward.
- Linking the exporter that SADA Fresh uses to export to China with a major Chinese retail chain. We'll see what comes from that.
- SADA through PPSA is also assisting the NFF by representing the NFF on the Expert Technical Advisory Group (ETAG) on proposed amendments to the Native Title Act. This helps position SADA in another national organisation and increases our contact across the country.
- Preparing the flow chart that is attached to this newsletter that will help navigate the myriad of acronyms and connections across the dairy chain from a SADA and SA dairy farmer perspective.

## SA Dairy Industry Fund

SADA Fresh is coming up for its fifth birthday in October.

Keep an eye out for some announcements and publicity around the fund and its achievements over the past years. The fund increased funding to the Cows Create Careers program recently and income from SADA Fresh will go to the ongoing process of promoting positive stories on Channel 7's Weekender program. This will include stories about the dairy industry as a whole and there will be positive comments about the South Australian dairy product in cooking segments for a number of months.



A shout out to those dairy farmers who have taken advantage of the roll bar rebate scheme for quadbikes. \$800 per applicant represents more than a 50% rebate on authorised roll bars. As for the roll bar scheme John Elferink from SADA will be the point of contact for the scheme or go to the website [www.sadafresh.com.au](http://www.sadafresh.com.au) and follow the links.

"It's great to see South Australians supporting SA dairy farmers to make it safer on farm. When people buy SADA Fresh milk they're supporting the industry." Kate Bartlett, from Murray Bridge said.

## Many Thanks to Gary Zweck



Long-time board member, Gary Zweck, has vacated his board position for what he says is "*time for new blood*". We don't believe him. We think the real reason is that he was sick of our approach to putting him on lists in alphabetical order.

Whatever the reason, Gary has been a passionate board member and he has served the board with distinction for many years.

Gary has made way for Ben McHugh and we look forward to introducing Ben in the next edition of the SADA newsletter.

Many thanks Gary



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