

# HOTLINE

Newsletter of the United Dairyfarmers of Victoria



## Let's milk a new future for the dairy industry

The Australian dairy industry is experiencing an unprecedented shock brought to a head by the commercial decisions of two dairy processors, against a background of a deteriorating global market, drought and our own practices as dairy farmers.

It demands a collaborative, productive response that supports individual dairy farming businesses, our sector and our communities.

The problems are for us to resolve, not to outsource to others.

We welcome consumer support for dairy farmers and congratulate the Victorian Government and some financial services providers for listening to us, understanding our needs and providing the responses announced in recent days.

Some use crises to press an advantage or an agenda, and some in our sector and supply chain have done just that. Demanding politicians put a 50-cent-a-litre mega tax on milk makes no sense.

Less than 10 per cent of Victorian milk production is drunk as milk, and more than two-thirds is exported in many forms, but consumers still want to do something.

So we urge consumers to buy more Australian dairy products, particularly branded products that put more money into the dairy supply chain. If consumers better recognise our value, we can leverage that so supermarkets may also better recognise the value in dairy.

Demanding politicians set a milk floor price — re-regulation by any other name — takes us back to a future that dairy farmers across Australia agreed nearly 20 years ago was not our future. It punishes consumers, and is also likely in breach of international trade obligations.

To lead us to where we must be, we need pathways. Dairy farmers must make informed decisions based on the best available evidence.

Some pathways are already laid, some are being formed, more will come.



(Left to Right) ADF Deputy President Simone Jolliffe, Deputy Prime Minister Barnaby Joyce and UDV President Adam Jenkins discuss milk price in Shepparton.

Dairy Australia's Tactics For Tight Times package involves existing programs such as Taking Stock, with new and local initiatives.

It is available to every dairy farmer.

The heart of our health and wellbeing pathway is Look Over The Farm Gate — look out for each other.

Another pathway is to pursue milk processors to ensure future milk agreements are more equitable, fair and transparent, clawbacks being the case in point.

This is urgent work, and we will ensure governments are with us in this pursuit.

When it comes to particular milk processors, some matters are for the corporate regulators and some will likely be heard in the courts.

Most processors have been clear with us that they are committed to productive, equitable business relationships based on market realities.

We are a resilient, efficient industry competing in a global marketplace. We will be productive, profitable and sustainable for the long term.

But the responsibility for this is ours.

**Adam Jenkins**  
President, United Dairyfarmers of Victoria

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# The coalition will guarantee support for Australian dairy farmers

The Coalition Government announced today that it will provide support for Australian dairy farmers who have had their incomes retrospectively cut by dairy processors Murray-Goulburn and Fonterra.

Deputy Prime Minister and Minister for Agriculture and Water Resources, Barnaby Joyce said the Coalition will deliver immediate assistance to dairy farmers in hardship to help them manage through these difficult times and return to profitability.

"I was pleased to meet dairy farmers in Victoria last week and the Coalition wants to send a clear message that the Coalition stands shoulder to shoulder with them," Mr Joyce said.

The key elements of the support package are:

- ▶ \$555 million in Dairy Recovery Concessional Loans
- ▶ \$20 million to fast track the upgrade of the Macalister Irrigation District

- ▶ \$2 million to establish a commodity milk price index
- ▶ \$900,000 for an additional 9 Rural Financial Counsellors in Victoria, Tasmania, South Australia and New South Wales
- ▶ \$900,000 for Dairy Australia's 'Tactics for Tight Times' programme
- ▶ Fast tracking Farm Household Allowance applications with 18 more Department of Human Services employees processing claims
- ▶ Appointment of a Department of Human Services Dairy Industry Liaison Officer
- ▶ Redirection of two Department of Human Services Mobile Service Centres to dairy regions

"The Coalition will be making immediately available \$55 million in Dairy Recovery Concessional Loans for Murray-Goulburn and Fonterra suppliers this year, as well as access to \$500 million in concessional loans over 2016-17 and 2017-18 years. The recovery loans will be for terms of 10 years," Mr Joyce said.

The concessional loans will be funded by expanding the drought concessional loan scheme to include dairy-specific criteria.

Mr Joyce said the Coalition was allocating \$900,000 to Rural Financial Counselling Services in dairy production areas to ensure farmers receive the farm business financial advice needed, as well as \$900,000 to Dairy Australia to continue rolling out one-to-one business advisory support via the Tactics for Tight Times programme.

## Government and industry unite for dairy farmers

The Andrews Labor Government and the Victorian dairy industry have united to deliver an \$11.4 million support package for dairy farmers affected by the global fall in milk prices and decisions by some processors to cut the prices paid to their suppliers.

The support package put together in consultation with the Dairy Industry Taskforce will ensure dairy farmers and their families experiencing financial and emotional stress get the support they need.

This package includes a \$5.2 million industry contribution, comprising \$1.4 million from the Gardiner Foundation, \$2.8 million from Dairy Australia and up to \$1 million from Murray Goulburn. The government and industry support package includes:

- ▶ A major expansion of Dairy Australia's Tactics for Tight Times and Taking Stock programs, providing specialised on farm business support to enable dairy farmers make the best decisions
- ▶ \$240,000 boost towards the Rural Financial Counselling Service, ensuring dairy farmers can get independent and confidential financial counselling

As part of the dairy support package, the Labor Government has set aside \$4.5 million to



Labor Candidate for Corangamite Libby Coker, Shadow Agriculture Minister Joel Fitzgibbon, Victorian Minister for Agriculture and Regional Development Jaala Pulford and UDV President Adam Jenkins discuss milk price at a dairy farm in Alvie.

support affected farming communities and will consult on how these funds are best spent.

Last week the Labor Government announced a \$1.5 million mental health wellbeing package for dairy farmers. This included extra counselling services, mental health first aid training, support for community events and a \$100,000 boost towards the Look Over the Farm Gate program.

Information about support that is available for dairy farmers can be found on the Agriculture Victoria website: <http://agriculture.vic.gov.au/agriculture/dairy/support-for-dairy-farmers> or by calling 136 186.

For dairy farmers and their families seeking help, they can phone Lifeline on 13 11 14.

### Quotes attributable to Premier Daniel Andrews

"We're putting dairy farmers and their families first by providing them with the support they need to look after themselves – and each other."

"The Labor Government stands behind our rural communities, and we won't let any farmer or community member go it alone."

### Quotes attributable to Minister for Agriculture Jaala Pulford

"We know that this is a tough time for Victorian dairy farmers, and now more than ever it's crucial that the industry comes together."

"With this assistance package we are ensuring that dairy farmers have access to needed support, be it financial counselling or on farm business support to make sure they can make the best decisions for their farm."

# Timeline

<b>22 April</b>	<ul style="list-style-type: none"><li>▶ Murray Goulburn (MG) Trading Halt on the ASX</li><li>▶ Warrnambool Cheese and Butter hold their farmgate milkprice of \$5.60 for the remainder of the 2015/16 season</li></ul>
<b>27 April</b>	<ul style="list-style-type: none"><li>▶ MG Trading resumes</li><li>▶ MG announces the resignation of MD Gary Helou and CFO Brad Hingle</li><li>▶ MG announces a revised farmgate milk price of between \$4.75 &amp; \$5.00 for 2015/16 season, and a “Milk Support Payment Program” allowing a \$5.47 milk price for the season, to be paid by the milk pool over the next three years.</li><li>▶ MG appoints interim CEO David Mallinson</li></ul>
<b>28 April</b>	<ul style="list-style-type: none"><li>▶ Slater and Gordon announces the firm is investigating a class action on behalf of the unit holders</li><li>▶ Bega Tatura confirm to their southern suppliers a farmgate milkprice of \$5.60 for the remainder of the 2015/16 season</li></ul>
<b>29 April</b>	<ul style="list-style-type: none"><li>▶ MG acknowledge the significance of the milk price downgrade and apologise to their suppliers</li></ul>
<b>5 May</b>	<ul style="list-style-type: none"><li>▶ Fonterra follow MG, with a revised farmgate milkprice of \$5.00 KgMS.</li><li>▶ Fonterra announce a voluntary loan of \$0.60KgMS for suppliers</li><li>▶ Victorian Dairy Industry Taskforce convened, developed by Victorian Agriculture Minister Jaala Pulford, met for the first time today.</li></ul>
<b>10 May</b>	<ul style="list-style-type: none"><li>▶ Farmer Power Meeting in Terang</li></ul>
<b>13 May</b>	<ul style="list-style-type: none"><li>▶ Fonterra revise their farmgate milkprice for autumn calving suppliers. These suppliers will receive an additional \$2.50 KgMS to support the initial revision in the months of May and June, to be paid in July and August 2016.</li></ul>
<b>17 May</b>	<ul style="list-style-type: none"><li>▶ Coles launch new milk brand to support farmers, including a \$0.20 cents p/l fund for dairy farmers</li><li>▶ MG acknowledge Slater and Gordon Class action investigation commenced 28 April</li></ul>
<b>19 May</b>	<ul style="list-style-type: none"><li>▶ Victorian Dairy Industry Taskforce met for the second time</li></ul>
<b>20 May</b>	<ul style="list-style-type: none"><li>▶ Daniel Andrews announces a \$1.5 million support package, primarily for regional mental health support</li></ul>
<b>20 May</b>	<ul style="list-style-type: none"><li>▶ ANZ announce a number of support measures available to their dairy farmers.</li></ul>
<b>24 May</b>	<ul style="list-style-type: none"><li>▶ Victorian State Government announce \$5.2 million in dairy industry funded support. from Gardiner Dairy Foundation, Dairy Australia, and Murray Goulburn. The Government has also set aside \$4.5 million to support affected farming communities and will consult on how these funds are best spent.</li></ul>
<b>25 May</b>	<ul style="list-style-type: none"><li>▶ Federal Government announce a Dairy Support Package, including \$555 million in Dairy Recovery Concessional Loans and an additional \$900,000 in funding for the ‘Tactics for Tight Times’ programme.</li></ul>
<b>25 May</b>	<ul style="list-style-type: none"><li>▶ Warrnambool Cheese and Butter announce an 88% decrease in profit for the year ended 31 March 2016.</li></ul>
<b>25 May</b>	<ul style="list-style-type: none"><li>▶ Rabobank announce a number of support measures available to their dairy farmers.</li></ul>

# Increasing the retail price of milk by \$0.50 cents p/l\*

The financial stress being felt through the dairy industry has led to calls for the introduction of a consumer levy on sales of drinking milk. That would, in effect, require the re-regulating the industry.

Adding another 50 cents p/l at the point of retail sale would increase the farm gate price by 12 cents p/l. The current farm gate milk price is 47 cents p/l for Victoria and 48.5 cents p/l nationally.

For this proposal to work it would need to be national. It assumes that consumption is unaffected by a price increase.

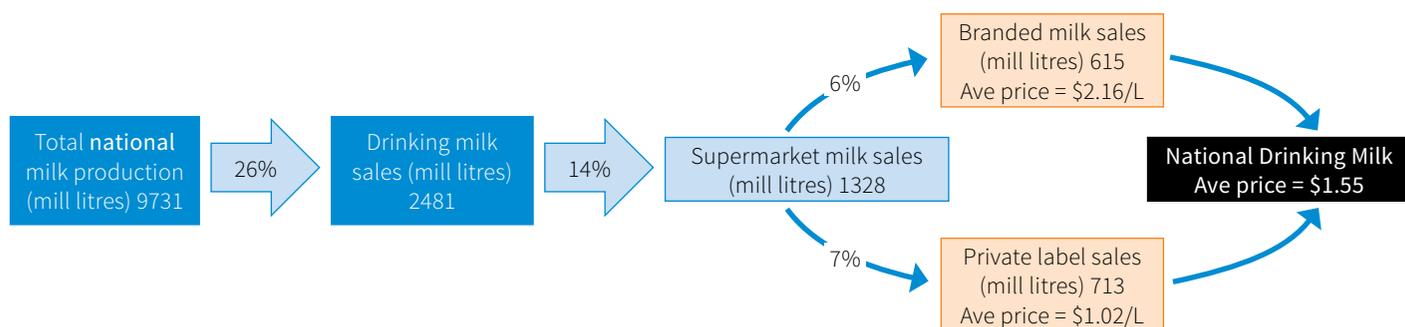
The proposal also ignores the fact that the industry has no capacity to administer a scheme that would require national and bipartisan political support to be implemented.

If such a scheme were implemented, Victorian farmers and consumers would have a comparative advantage over the other states given the different reliance each state has on the drinking milk market.

At a national level 25.5 per cent of all milk produced is sold for drinking milk. Just over half of that is sold through the supermarkets, the rest through convenience stores and in cafes.

This means Victoria would receive a greater financial benefit than their contribution to the drinking milk market.

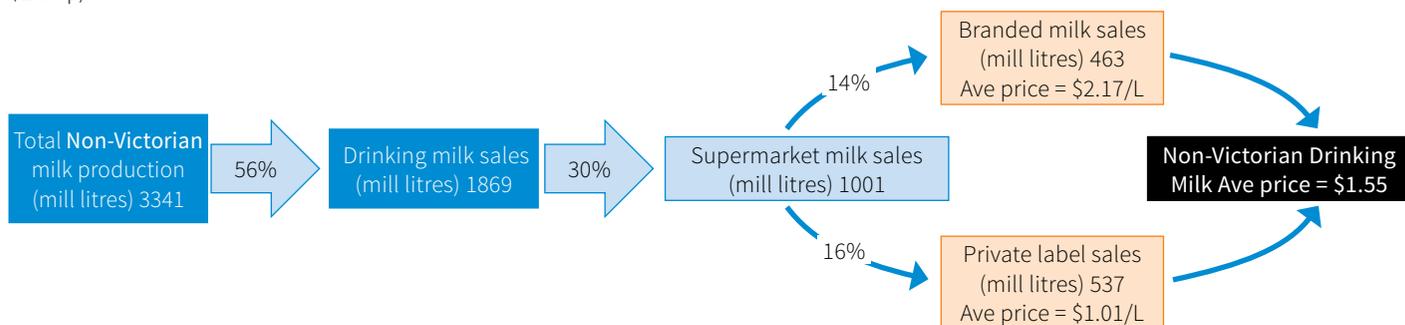
Of the 13.7 per cent sold through supermarkets, 46% is branded 54% is sales of supermarket brands milk. The average price of the branded milk is \$2.16p/l whilst the average price of supermarket branded milk is just over \$1 p/l.



The average price of all drinking milk sold nationally in 2014/15 is calculated to be \$1.55 p/l. Increasing this price by 50 cents p/l to achieve a 12 cent rise at farm gate will lift the average national price of all drinking milk to \$2.03 p/l.

For the non-Victorian states, 55 per cent of total milk production goes to drinking milk sales. Again, over half of that milk is sold to supermarkets and a bit less than half is sold to

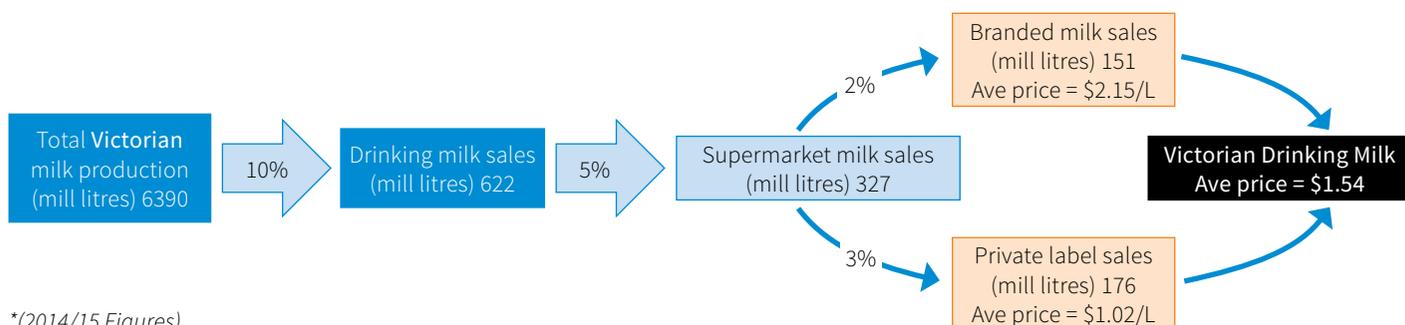
convenience stores and cafes. The sales percentages of branded milk and supermarket branded milk are similar to the national split.



Due to the greater proportion of milk sold as drinking milk, achieving a 12 cent rise at farm gate lifts the average price of all drinking milk sold in the non-Victorian states to \$1.77 p/l. That is, \$0.26 cents p/l less than a national price of \$2.03.

This means consumers in all other states would be effectively subsidizing Victorian dairy farmers. This would place the adoption of a national plan at risk.

If the other states were not involved then Victorian consumers would be asked to pay an average of \$2.83p/l, a price that would be certain to impact consumption.



\*(2014/15 Figures)

# Government Assistance for Farmers Experiencing Hardship

Many dairy farmers will face challenging times as a consequence of downgraded milk prices, ongoing market volatility and dry conditions. The following government programs may be of assistance to farmers, their families and staff.

## Farm Household Allowance

The allowance provides up to three years of income support for farmers and their families experiencing financial hardship.

Basic eligibility requirements include:

- ▶ be a farmer or the partner of a farmer.
- ▶ meet an income and assets test
- ▶ be willing to undertake a Farm Financial Assessment, and
- ▶ be willing to enter into a Financial Improvement Agreement to help you improve your financial circumstances.

Eligible farmers and their partners will automatically be entitled to a Health Care Card. Other benefits such as Pharmaceutical Allowance and Rent Assistance may be available.

### More information

**Phone:** 132 316

**Web:** [agriculture.gov.au/fha](http://agriculture.gov.au/fha)



*Dairy farmers and industry representatives discussing industry changes to calving induction at a UDV Farmer Forum in Rochester.*

## Rural Financial Counselling Services

Rural financial counsellors are a free mobile workforce who come to you. They can:

- ▶ help identify your financial and business options
- ▶ help negotiate with your lenders
- ▶ help you develop an action plan
- ▶ help support you to access the Farm Household Allowance (FHA)
- ▶ give you information about government and other assistance schemes
- ▶ refer you to accountants, agricultural advisers and educational services
- ▶ refer you to Department of Human Services and to professionals for succession planning, family mediation and personal, emotional and social counselling.

### More information

**Phone:** 1800 686 175

**Web:** <http://www.agriculture.gov.au/ag-farm-food/drought/assistance/assistancerural-financial-counselling-service>

## Newstart

Financial help if you are looking for work or participating in approved activities that may increase your chances of finding a job.

Basic eligibility requirements include:

- ▶ aged 22 years or older but under pension age
- ▶ looking for paid work
- ▶ prepared to meet the Mutual Obligation Requirements while you are looking for work
- ▶ meet an income and assets test

### More information

**Office:** Department of Human Services office in your region

**Web:** [www.humanservices.gov.au](http://www.humanservices.gov.au)

## Look Over the Farm Gate

Victorian Government funding is available to deliver grants of \$1500 to community groups, to run social events that bring neighbours and the community together to spend some time off the farm to relax with family and friends. This may be as simple as hosting a free community barbeque or other social gathering.

### More information

**Phone:** 1300 882 833

**Email:** [lookoverthefarmgate@vff.org.au](mailto:lookoverthefarmgate@vff.org.au)

**Web:** [www.lookoverthefarmgate.com.au](http://www.lookoverthefarmgate.com.au)

## Drought Concessional Loans Scheme

Concessional loans, delivered by Rural Finance in Victoria, are available for farmers in drought affected areas.

The scheme offers:

- ▶ Loans for the purpose of:
  - re-structure of existing eligible farm debt,
  - funding operating expenses necessary to continue normal operations and/or
  - drought preparedness and recovery activities.
- ▶ Concessional loans for a term of five years.
- ▶ A variable interest rate of 3.05% effective October 2015.
- ▶ A maximum loan amount of \$1,000,000 (capped at 50% of total eligible farm debt).
- ▶ A total pool of \$30 million for loans to Victorian farmers.

### More information

**Phone:** 1800 260 425

**Web:** <http://www.ruralfinance.com.au/industry-programs/drought-concessional-loans-scheme-2015-16>

# So what have the UDV been up to?

**Lobbying for a Reliable Milk Price** – UDV has written to MG and Fonterra urging the reversal of the retrospective payment clauses from supplier contracts and asked questions around other aspects of the payback arrangements.

**2016/17 Opening Price** – UDV has called on all milk processors to give farmers insight into the 2016/17 opening price so they can plan their businesses for the coming season.

## **Securing Government Funding**

- ▶ UDV secured State Government funding for health and wellbeing initiatives, including additional funding for the 'Look Over the Farm Gate' Campaign which focuses on community led social events, as well as farmer access to one on one support
- ▶ UDV worked with the Federal Government in securing a dairy specific response package, which has included \$555 million in drought concessional loans

▶ Industry response has State and Federal Government Packages which include funding for financial management, including programs 'Tactics for Tight Times' and 'Taking Stock'

**Banks** - UDV continues to meet with the banks to ensure a balanced response to farmers changed trading and equity positions. This has secured significant support measures from both ANZ and Rabobank.

**Media** – UDV President Adam Jenkins has been active in the media delivering the dairy industry message and engaging both consumers and stakeholders, resulting in overwhelming support.

**ACCC** – UDV has met recently appointed ACCC Agriculture Commissioner, Mick Keogh, and members of the ACCC Agricultural Enforcement

and Engagement Unit. The ACCC will examine the timing and notice of the MG and Fonterra milk price cuts to determine whether the changes have involved misleading conduct or elements of unconscionable conduct.

**Industry coordination** - UDV continues to work with other industry organisations and the State Government in coordinating resources for the dairy response.

**Legal Assessment** – at the request of members, UDV has investigated the legal options available to having the retrospective element of the milk price announcement reversed. We now believe there are no short term legal options available. Any change can only come from the company reversing their decisions. We do not believe that the announced Class Action for Unit holders is in the best interests of shareholders.



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