

HOTLINE

Newsletter of the United Dairyfarmers of Victoria



Energy - Industry Projects Needed

Energy has jumped to the top of the issues of national priority in recent times as South Australia struggled with a number of power blackouts that impacted industry and consumers alike.

Whilst much of the conversation since has been our politicians trying to blame someone else for the problem, it is now widely accepted there is a problem. This is a positive development for energy dependent industries like dairy.

There are three main areas of concern that are going to require sustained and substantial government involvement if we are to fix the energy challenges facing the dairy industry.

First, there is the issue of the availability and reliability of power, and gas, delivered to our farms and factories.

Second, is the rising cost of that energy. UDV is pleased that the ACCC have commenced an inquiry into retail energy pricing and look forward to outcomes that benefit the Victorian dairy industry.

And, finally, there is the integration of new technologies like solar, wind and battery storage that may support or replace our existing energies.

A recent study commissioned by the UDV has confirmed that dairy farmers across the state are constrained by limitations of power supply. Farms are compromising milking operations because the available power load does not satisfy the requirements of running the heating, milking platform and cooling at the same time.

Therefore it is concerning that governments are making decisions like closing Hazelwood without any replacement energies being available.



The UDV has approached the State Government with a plan to upgrade rural electricity networks.

Among the key requests are:

- ▶ A pilot program to upgrade the power grid in the Tyrendarra region from Single Wire Earth Return (SWER) and single phase lines to three-phase power;
- ▶ Education for dairy operators, electricians and electrical contractors; and

- ▶ On-farm assessments and upgrades directed at reducing peak demand and enhancing power quality and supply.

Dairy farmers are increasingly frustrated with their current power supply; the level of service they're getting isn't enough to run equipment to milk their cows and run other appliances at the same time.



Adam Jenkins
President, United Dairyfarmers of Victoria

2017 UDV Annual Conference & Meeting

The 41st UDV Annual Conference and Meeting will be held on Friday 12th of May.

The conference represents much more than a nice way to get off the farm, it is an important opportunity to be part of the discussion, in person, about how to steer our industry.

This year we will be hosting a discussion on the tools that are being developed to help make the Victorian dairy industry more resilient, and what the future holds in store.

The best way to be prepared for these tools is to be part of the conversation, and the conference is the opportunity to do just that.

By attending the conference you will be able to hear from individuals that have been involved in creating these tools in person, and share in the discussion with other farmers and industry representatives.

This is a great way to get involved and catch up on some of the latest that we've been working on.

We welcome you to come and be a part of it on May 12th. Register to attend, get involved, and have a great day at the MCG.

You can register with the form attached to this Hotline or online at www.vff.org.au/2017UDVConference.

ACCC Dairy Inquiry Forums



Warrnambool Forum

Farmers continued to contribute their insight to the Australian Competition and Consumer Commission (ACCC) at the February 27th Dairy Inquiry Forum in Warrnambool chaired by ACCC Ag Commissioner, Mick Keogh.

Contracting practices were again a key area of focus as attendees told the Commission about the need to supply milk well beyond the contract period before incentive payments were actually paid. It seemed to those attending that a contract should be fulfilled on June 30th and that all payments due to the supplier at that time should be received, regardless of whom they are supplying the next day.

Transparency in milk pricing was brought up with regard to the use of a weighted average in processor communication. One farmer stated that the weighted average price of \$4.95/kgMS, yet they were only receiving \$4.50/kgMS.

The conversation continued with farmers pointing out that two producers supplying to the same milk company could have a \$1 difference in the price they receive from a single processor. Farmers were further frustrated by new fresh milk contracts that provide an increased price for milk that is seemingly collected and mixed with milk that is not part of a fresh milk agreement.

The timeliness of pricing information was also discussed as some reported prices not being released until July or August, causing uncertainty when farmers are planning for the calving season.

Questions were also raised about the consistency of milk measuring during tanker pickups and the calculation of volume charges deducted from milk cheques.

Shepparton Forum

The final Victorian ACCC Forum was held in Shepparton after dinner on the 28th of February. The mood in the room was clearly one of weariness as about 45 farmers, processor representatives and other members of the public turned out to have their voices heard.

The discussion began with the issue of competition; a number of reports surfaced of farmers' inability to switch to the processor that they desired due to milk swap deals.

The inability of farmers to move away from processors was also attributed to lock in clauses and loans from processors that prevent suppliers from leaving without financial penalty.

Loyalty payments were brought up as a further problem for switching; in many cases the final payment was not received well into the following year, and farmers leaving before this time may miss out, despite supplying for the whole term of the agreement.

There was once again general agreement that milk price transparency was lacking and the current systems too confusing. One farmer stated that "you can only go by what the Processor tells you" and that the income estimates given by the processors give unrealistic prices. Multiple farmers stated that they do not receive an opening price until shortly before the season, if not weeks into the new agreement period.

Collective bargaining agreements were again brought to the fore, and there was some support from representatives of existing bargaining groups. The consensus, however, was that they were not the answer to the industry's current situation and would only help the minority.

So what now?

Although there were a few differing opinions about the way forward at the Victorian forums, it was clear that changes need to be made to the way supply deals are made in our industry.

The Victorian forums have helped to present a strong, focused voice to the ACCC and Mr Keogh about what the main concerns for Victorian dairy farmers are.

The Dairy Inquiry Forums concluded on March 22nd but the ACCC is still taking submissions and want to hear from farmers and other interested parties. The ACCC is particularly interested in:

1. The level of competition between processors for the acquisition of milk, across regions
2. The ability of producers to switch between processors or other buyers
3. The different types of supply contracts used across the supply chain and in certain regions

4. Concerns about anti-competitive conduct or unfair trading practices, including unfair contract terms
5. How farmgate milk prices are set and communicated to producers
6. The availability and use of meaningful global market information and price signals across the industry, including by dairy farmers
7. The major supply channels for the domestic market, including major supermarkets and other retailers
8. The impact of \$1 per litre milk on the industry. This includes information about the positive and negative impacts of private label product supply contracts
9. Options for supply into export markets, including products and destinations
10. Any barriers to selling into export markets
11. The key factors influencing the profitability of dairy farms, including costs of production

Information presented in submissions to ACCC does not have to be restricted to these areas.

If you would like to be heard you can contact the ACCC Dairy Inquiry team at dairyinquiry@acc.gov.au or by calling (03) 9290 1997.

Over the next few months the ACCC will continue to investigate the dairy industry using the powers given to them in the terms handed down by the Australian government.

This will take into account submission and testimony made to the commission, as well as direct investigation of those involved in the dairy supply chain. The ACCC is required to present a report of their findings and recommendations to the Federal Treasurer, the Hon. Scott Morrison by October 31st. It is then up to the Australian government to enact change based on the report of the ACCC.



2017 UDV Annual Meeting and Conference Draft Agenda

The UDV will hold its 2017 Annual Meeting and Conference at the MCG on Friday, May 12th. The conference will focus on Lessons from 2016 and the way forward.

🕒 7:30 am – 9:00 am	Young Farmer Breakfast The Hon Jaala Pulford, Minister for Agriculture & Regional Development 2017 Gardiner - UDV New Zealand Study Tour Participant Presentations
🕒 9:30 am – 10:15 am	Official Opening President's Report Financial Report VFF Policy Report
🕒 10:15 am – 10:30 am	Morning Tea
🕒 10:30 am – 11:30 am	Regulators Review ACCC Inquiry Outcomes ASIC Inquiry Outcomes
🕒 11.30 am – 12.45 am	Industry Action Milk Supply Agreements and Code of Conduct Milk Price Index
🕒 12:45 pm – 1:30 pm	Lunch
🕒 1:30 pm – 2:30 pm	Milk Price Structure Review John Mulvaney
🕒 2:30 pm – 3:30 pm	2016 Response Review
🕒 3:30 pm – 4:00 pm	Afternoon Tea
🕒 4:00 pm – 5:00 pm	Conference Resolutions Energy activity update
🕒 5:00 pm – 5:30 pm	Dairy Advocacy Review
🕒 6:30 pm	Dinner Guest Speaker: Anthony Everard, Head of the Big Bash League

Draft agenda subject to change

Elections of the UDV Vice-President and Commodity Council Representatives for Regions 1, 3, 5, 7 and 9 will be confirmed at the Annual Meeting.

Please contact the UDV office on 1300 882 833 if you require any further information.

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