

The big picture for milk pricing



A forum on the complex topic of "Understanding Milk Price Structure" was held in Camperdown recently. The idea was generated by young dairy farmers in the YDDP Corangamite Local Advisory Committee in an attempt to improve our understanding of how the various systems operate. The day was put together after several meetings between YDDP's Liza Fahey, young dairy farmer Jarrod Meade and milk company field staff. The UDV's Vin Delahunty was the MC for the day, with speakers including Joy Coulson and James Maxwell from Warrnambool Cheese

and Butter, Cath Jenkins from Fonterra, Matthew Morrow and Meaghan Johnston from Murray Goulburn, David Massey from United Dairy Power, Charlie McElhone from Dairy Australia and consultant Paul Groves. Bega was also represented by Marni Teal.

The day was a success with all in attendance adding to their knowledge in what is a complex area.

My thoughts during the event kept on coming back to some feedback we had recently from interstate participants at the recent Milk it 4 More expo. They could not

believe what great cooperation YDDP received from all the milk companies, that while being in direct opposition to each other, they were all prepared to work together in the interests of young dairy farmers.

The success of YDDP relies on this goodwill between all members of the dairy industry who see the big picture. We never take this for granted. Dairy industry, take a bow!



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HOTLINE

Newsletter of the United Dairyfarmers of Victoria

Three Bids Confirm Strong Future for Dairy Industry

Dairy has certainly been in the news for positive reasons in recent times with no less than three strong offers on the table for control of Warrnambool Cheese & Butter Co (WCB). It is very encouraging that the future for the industry is strong and worthy of the significant investments that have been proposed.

The twists and turns that will play through the industry board rooms will continue for some time to come. For those not directly involved in the business at hand the bids are certainly providing considerable industry discussion.

The current takeover offers for WCB highlights some important questions for farmers to consider;

1. How important is it to keep control of our manufacturing sector.
2. How important is it for the industry to create a globally competitive Australian owned manufacturing sector.

Takeovers in the dairy manufacturing sector are not new to the industry and over time farmers have elected to sell much of our manufacturing sector to overseas interests. Based on history, it is difficult to make the case that Australian dairy farmers have benefited long term from previous sales of farmer owned processors and manufacturers to overseas conglomerates.

The current figures indicate the approximately 35% of Australian milk is held by Australian owned Co-ops, 30% by Australian owned Companies and 35% by overseas owned companies.

Currently no Australian owned company is in the international top 20 companies on milk intake. A bit less than half of the milk we produce here in Victoria must compete internationally as an exported product.

WCB process about 9% of total Australian milk, so whoever ends up with that milk will have a significant effect on the above figures.

If one of our few remaining Australian owned dairy manufacturers is sold to overseas interests it will reduce our ability to build a multinational dairy industry player that is

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NZ Study Tour 2014

The cream of Victoria's young dairy leaders has risen to the top again, with the selection of the 2014 UDV New Zealand study tour group.

The UDV, together with the NCDEA conducted a rigorous screening program to select candidates for the Gardiner Foundation funded UDV Study Tour 2014 with the crew of six selected due to their high calibre of skill, determination and willingness to progress in the Victorian dairy industry.

All participants see sustainability as a key issue affecting the future of the dairy industry. Whether it be addressing succession planning, youth shortages or ensuring better milk prices and animal welfare – all have a sustainability approach.

The group include:

- Katherine Snell – Veterinarian (Maffra)
- William Ryan – On farm and student (Flemington/ Dumbalk)
- Chris Potts – Fonterra Area Manager (Darnum)
- Thomas Lindsay - On farm and student (Picola)
- Kallan Young – On farm and student (Longerenong/ Inverloch)
- Bradley Missen – Farm manager (Denison)

The tour will be led by dairy farmer and UDV Policy Councillor Tim Leahy and joining Tim will be Sue Milne, Industry Trainer with the NCDEA.

Providing an incredible opportunity for our next generation to get a taste of how the New Zealand industry go about their business the tour will leave Melbourne in February 2014 for eight days and visit dairy farms, research and processing facilities and agricultural sites on the North Island.

The UDV congratulate the selected participants that represent the diversity of Victoria's dairy industry and look forward to seeing what life-changing experiences they come away with from this tour.



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2014 UDV Conference

Date to mark in your calendar

The 2014 UDV Conference will be held on Wednesday March 26th and Thursday March 27th at the MCG (AFL Members Dining Room).

For those farmers that enjoy football please note that the opening MCG game for the 2014 season is scheduled to be held on the evening of March 27th.

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Australian owned. Is that important to dairy farmers' interests and livelihood that are at the centre of the industry's future?

UDV strongly supports the principle of Australian owned and operated manufacturers where dairy farmers own the companies and share in the profits along the supply chain. This structure means farmers have a stake in and can influence the direction of the company and helps ensure that the companies continue to operate in the best interests of the milk producer shareholders.

UDV's vision is a growing, profitable export manufacturing sector where our dairy farmers have ownership and strategic influence over the companies. It is only through these types of structures that we can deliver a globally competitive, profitable industry with Australian dairy farmers' interests and livelihood at the centre of the industry's future.

We all take for granted that Australian owned companies and more particularly Australian Co-ops will always be there to set the price. However, unless farmers get behind these companies and are prepared to support them with milk supply we have no guarantee they will be there in future years.

We will all continue to watch developments with great interest.

Milk Price Structure

In a related activity the UDV recently hosted a day long discussion on milk price structures. This will be the first of a number of meetings on this issue that will be held in various locations across the state over the next months.

We know we have a complicated milk price structure. We believe the structure is not assisting in the industry challenge of 'growing' milk supply and that if some meaningful changes are not made the long term impact for the industry will be detrimental. We also believe that there is still time to change.

An industry discussion paper will be developed and made available.

Trade Sessions

The UDV will be hosting some trade sessions in the next month or two. These will be an important opportunity for farmers to better understand the matters impacting our trade situation. The priority the new Federal government is giving to the Free Trade Agreements issue is encouraging. The rising A\$ and its impact on our competitiveness is less encouraging.

BJD review

There is about to be a review on the Bovine Johne's Disease (BJD) management Test & Control Program (TCP3). This follows a UDV call for a thorough review. Details are being finalised, but I encourage farmers with an interest, or a point of view, in this matter to contact the UDV office.

Constitution Review Panel Recommendations submitted to the Board of Dairy Australia



The Dairy Australia Constitution Review Panel has submitted its report to the Dairy Australia Board for consideration. The recommendations are in line with the intent expressed within the UDV written submission and reinforced through the UDV meeting with Panel members.

The constitutional review work undertaken by the UDV was actively debated. The depth of consideration given to various aspects of the DA constitution and the operations and activities and the relationships in the industry, was important to the quality of the UDV submission.

DA Group A members will receive formal documentation, including proposed resolutions to deal with the changes, in the lead up to the DA AGM scheduled for November 29. Changes to the constitution require a 75% majority to succeed.

Board of directors

The review recommended the number of directors be increased with a minimum of seven and a maximum of ten.

It also recommended the board has a minimum of at least four skills-based milk producer member directors. At present there are three milk producers on the Board but the current constitution is silent on the matter.

The review recommended candidates continue to be selected on a skills basis and steps be taken to ensure leaders were identified and encouraged to develop their skills.

It also recommended that any person nominated by producer members for election could only stand against a candidate with equivalent skills.

The review also recommended directors terms to be capped to a maximum of three terms of three years each (nine years). A transition to achieve this will apply.

Membership engagement

The review recommended that the term Group A Member be replaced with the term Producer Member.

It also recommended that a preamble purpose statement be included referring to DA's purposes to enhance the profitability and sustainability of the Australian dairy industry, to the ultimate benefit of the levy payer.

The report recommended DA and ADF develop a communications strategy to educate farmers about the roles and responsibilities of dairy industry bodies.

It also recommended improved communications with farmers about more levy payers becoming members of DA.

The report recommended no change to the allocation of votes to milk producers (currently votes are given based on the amount of levy paid, which is based on the amount of milk produced).

But it said DA should review its communication with smaller enterprises.

DA has been encouraged to look at reviewing how technology could be used to increase member participation at the AGM with direct voting or electronic lodgement of proxies.

CSG Discussions in Gippsland

The UDV is aware of the growing concern amongst farmers about Unconventional Gas exploration (including coal seam gas) occurring in the Gippsland region. Having been approached by milk processors for guidance on this issue the UDV has responded and is working to provide clear and useful information to our members.

An Unconventional Gas information session has been organised for milk processors to attend in November. The session will include speakers from the Department of State Development, Business and Innovation; Southern Rural Water; and the VFF Land Management Policy committee.

This session will provide information to processors which can then be passed on to suppliers ensuring that there is a consistency of understanding on the issue details and therefore no cross over, duplication or gaps in the industry response.

We are working with VFF and DA to develop a robust policy which reflects the unique concerns of the dairy industry. The UDV policy will work to ensure there are strong regulatory requirements to protect the rights of landholders and communities, and ensure that water and land are safe from risk before decisions to mine can go ahead. The policy will also focus on community benefit in places where mining may occur,

this 'royalty for regions' approach will push for mining companies to invest in the local community, rather than only compensating landholders.

The VFF Mining and Gas Taskforce has been finalised and is beginning its work around the issue. For further details contact Jacob McElwee, Senior Land Management Policy Advisor 1300 882 833.



Milk Price Structure Review

The UDV hosted a milk price structure discussion with a number of independent farm consultants from the industry.

The event was an opportunity for the UDV to consolidate knowledge of the current pricing structure and discuss options for the future.

Issues discussed included; identification of components and incentives, complexities and impacts of the current milk pricing systems, as well as some analysis of the implications of the current arrangements for farmers and for the industry as a whole.

It was discussed that the current structure creates confusion and uncertainty, sometimes driving farmers to use inefficient production systems that don't return profits. Conversation also included how a more efficient system would benefit the industry and what this might look like.

An Industry Discussion Paper will be released shortly which will be used as a catalyst for further action, advocating for a milk pricing system which incentivises profitability and strengthens the Victorian dairy industry in a global market.



above: Cameron Smith and Matt Harms



above: Matt Hall and Ian Gibb



above: John Mulvany, Matt Hall, Ian Gibb, Tom Farran and Dan Armstrong

DFSV CEO to stand down

Dairy Food Safety Victoria CEO Dr Catherine Hollywell has announced that she will not seek renewal of her position when her current contract expires in January 2014. After three years as CEO Dr Hollywell will be leaving for personal reasons.

DFSV Chair Mr Grant Davies acknowledged Dr Hollywell's extensive background in agricultural strategic planning, policy development and research and her deep knowledge of contemporary regulatory approaches which enabled a very smooth transition for the business from the previous CEO Dr Anne Astin.

Mr Davies stated that he, and all Directors, respect and support Dr Hollywell's decision and have nothing except the very highest regard for her achievements with DFSV over the past three years.

Dates for Noting

Thursday November 28th 2013

ADF AGM
Clarion Suites Gateway, Melbourne
from 8.30am
All Business Members of ADF are invited to attend.

Friday November 29th 2013

Dairy Australia AGM
Flemington Racecourse
AGM to commence following the ADIC Industry Leaders Breakfast.