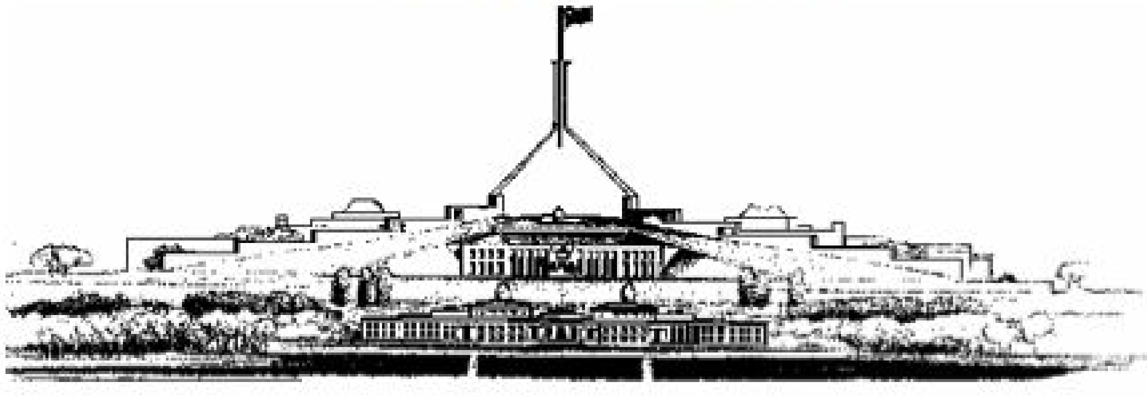
COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

BILLS

Primary Industries (Excise) Levies Amendment (Dairy Produce) Bill 2014

Second Reading

SPEECH

Tuesday, 25 February 2014

SPEECH

Date	Tuesday, 25 February 2014	**Source**	House
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Questioner		**Responder**	
Speaker	Taylor, Angus, MP	**Question No.**	

Mr TAYLOR (Hume) (18:19): I rise to speak in support of the Primary Industries (Excise) Levies Amendment (Dairy Produce) Bill 2014, the aim of which is to future-proof Australia's dairy industry. The bill is about building financial capacity to prepare for and manage emergency disease outbreaks. Watered down, it is about dairy farmers taking greater responsibility for their future prosperity, something which the farmers in my electorate of Hume know is critical to their future. We need to support this legislation, but first we need to look at it in the broader context of Australian agriculture and the dairy industry. As I have said before in this chamber, there is an extraordinary opportunity for Australian agriculture as we see rapid growth in markets to our north, both in terms of volume and in terms of value. This applies particularly to our dairy industry and it applies to the agriculture sectors right across my electorate of Hume.

The shift in economic growth from the developed world to the developing world is driving an enormous opportunity for agriculture. To put this in perspective, in the five years to 2010 the developing world accounted for almost three-quarters of global growth and most of that growth happened in Asia. We all know that the result has been a surge in demand for the basic materials necessary to support industrialisation and urbanisation. Much less well understood is the fact that the new-found wealth and incomes of the developing world are leading to increased calorie consumption and higher protein diets, both of which demand greater agricultural production, particularly dairy production. This combined with population growth should see world agriculture demand double by 2050. And it will not be due to a five-year plan like Labor's Food Plan.

Little or no new land and water is coming into production and some is being withdrawn, with supply unbalanced across the world. The relative scarcity of agricultural land and water, particularly in Asia, given the size of the population and the demand growth, is central to our opportunity. Demand for many agricultural products has already begun to outstrip supply, resulting in periods of high global food prices in recent years, particularly once we account for our inflated currency.

As incomes go up, so does consumption of dairy products. Last year Chinese imports of dairy products grew by about 300,000 tonnes, a little less than the entire volume of Australia's dairy exports. In the face of these shifts some are predicting that Australia could become a food bowl for a fast-developing Asia and that our dairy industry could be central to this. After all, commodity based economies are logical sources of food and fibre for increasingly affluent markets in our region. However, it is clear that we are not seeing these opportunities translate into higher farm-gate prices, growth or investment.

Success depends on addressing the key issues that are hindering our performance and have hindered our performance for a number of years. Moreover, the race to make this opportunity a reality is a global one and the competition is intense. We have to remember that international competitiveness in agriculture is about more than just having access to good land and rainfall; it is about getting access to large and fast-growing markets and having extremely efficient supply chains to get product to the markets. We need world-class research and development capability, innovative financing including, as our amendment sets out, future-proofing against disease We need productive farms with the necessary scale, organisation, funding and skills. These are the platforms that have seen Brazil sweep aside global competition to capture the market for soybeans, Malaysia and Indonesia dominate the production and marketing of palm oil and New Zealand lead the global dairy industry. Australia is doing well but we have not been at the forefront.

The example set by New Zealand is illustrative of what the Australian dairy industry could achieve. I was privileged to be part of the extraordinary reforms the New Zealand dairy industry pursued in the 1990s and early 2000s. I will quote from a paper, which the member for Hunter so kindly referred to and I co-authored in late 2012 called *Greener Pastures: The Global Soft Commodity Opportunity for Australia and New Zealand*. In this paper I spell out that New Zealand dairy farmers took their destiny into their own hands. I would like to summarise how they did that. Their industry has been completely transformed, with milk production more than doubling in the past two decades. They have created Fonterra, the greatest export focused dairy company owned by farmers in the world. Central to the reform is a farmer driven deregulation agenda—farmers taking their destiny into their own hands—with a strong focus on Asian markets, particularly China.

Above all else, the Kiwis were willing to adapt. In the mid-1980s, the New Zealand government removed agricultural subsidies as part of its response to systemic economic problems. This gave impetus to the diversification of products and markets in the dairy industry. In the decades since deregulation, there has been a wave of conversions of land use, as beef and sheep farmers have moved over to dairy and other higher value products. Significant investment in irrigation infrastructure allowed dairy production to extend to the South Island, which now accounts for about a third of New Zealand dairy cattle. New Zealand was among the main proponents of the Uruguay Round of the General Agreement on Tariffs and Trade in the mid-1990s. In recent years New Zealand established a very close trading relationship with China, much closer than Australia has managed to achieve. Significant industry consolidation at the farm and processor levels also enabled efficiencies of scale to be realised.

Meanwhile, the industry established an extraordinarily sophisticated benchmarking and incentive system for manufacturing and logistics. In the year 2000, in response to changing world markets, farmers asked the government to remove the single-desk marketer, the New Zealand Dairy Board. This resulted in the formation of the vertically integrated farmer-owned cooperative called Fonterra. While Fonterra remains the dominant player in the industry, thoughtful competition measures included in the act fostered the emergence of a competitive fringe of processors and marketers. In 2011 Fonterra not only accounted for more than 90 per cent of the New Zealand dairy market but was the largest processor of raw milk in the world. It currently has around 11,000 farm shareholders and an impressive global supply chain. Today, New Zealand dairy accounts for more than a third of all global dairy exports, while we sit on about 10 per cent. In 2011 New Zealand dairy produced about 50 per cent of the country's gross value of agricultural production.

Australia can learn a lot from the New Zealand example. We need to realise, however, that our starting point is different. We have a different market structure and a stronger domestic focus, but the kind of success seen in the New Zealand dairy industry has not emerged in Australian agriculture in recent years or in our dairy industry in any substantial way, despite the fact we have some of the best farmers and best agricultural land in the world. Agriculture in Australia has been understandably preoccupied with surviving recent drought. However, with a new government sympathetic to agriculture there is an urgent need for Australian farmers and agriculture to overcome a series of growth-limiting hurdles.

Most importantly, we need to open up new markets, just as we have in the recently negotiated free trade agreement with Korea We need to extend that to other countries like India, China and Japan. We need to better protect access to land and water, as we have recognised in our approach to the Murray-Darling Basin Plan. We need to help our farmers to be more competitive with lower energy costs, less red tape and a lower currency, aided by governments living within their means. All these things are a focus of this government. We need to help farmers to rebuild their balance sheets as farm debt levels are already too high and are stretched by succession problems and farm consolidation as many farmers age. Widespread skill shortages need to be addressed by boosting the image of agriculture, attracting new workers and enhancing education services. We need a stronger focus on research and development, which we recognised in our election commitments.

It is a sizeable list and one which is critical to my electorate of Hume. I have no doubt that our agricultural white paper will add to the list, but the key to the success of New Zealand's dairy industry is its recognition that it needed to define its own future. With this bill before the House, the Australian dairy industry can take a small step down the same path in taking control of its own destiny. This legislation to increase the cap on levies for milk products and to future-proof the sector against potential major revenue loss is a keen example of the forward thinking Australian dairy needs. If passed, it does not mean farmers will be paying a higher levy to the Australian Animal Health Council; it simply increases the cap on the rate of the levy which may be charged. This is simple, safe economics. While the broader issues for the industry are challenging, the sector has overcome significant obstacles in the past.

Australian dairy needs to grab, quite literally, the bull by the horns. It needs to stand up, shape its own destiny and be ready with appropriate funding in the event of unforeseen circumstances. This is the kind of amendment bill which will build confidence within the sector and encourage badly needed investment and growth. I wholeheartedly support the bill.