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Inquiry into Micro-Economic Reform Issues Paper

Attention:

INQUIRY INTO MICRO REFORM

I would like to comment on the Dairy Industry.

Thank you for the opportunity to comment and outline why the Dairy Industry does not attract capital and growth.

I have a long association with the Dairy Industry having worked from 1968 – 1980 as a Herd Tester with the Department of F A. In 1980 I took over the family farm and built a new dairy in the late 1980s. I joined the Dairy Council with WA Farmers and in 2001 became President of Dairy. In my time as President and a member of the ADF Board I was instrumental in the Dairy Industry's application for collective bargaining and which gave the Dairy Industry the ability to collective bargain together.

Now the Inquiry.

In my view deregulation was 13 years ago and cannot be blamed for the Dairy Industry problems today in the free market that we operate now.

The main problems are:

1. The anti-competitive behaviour of processors
  2. Milk trading among processors
  3. Cross subsidy of milk prices from branded to generic labels
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1. The anti-competitive behaviour of processor to farmer milk supply contracts. The processors put out a contract mid-way through the first contract. Farmers do not have the ability to exit the contract because the new contract has a price increase. So if farmers do not accept the new contract the old contract will continue.
  2. Milk trading by competitors is a major problem. If processors wish to have their milk supply from a processor, I believe it is OK, but have farm supply and buy milk from a competitor I believe this denies the dairy farmer and industry the ability to negotiate a fair price.

3. The processors should have to demonstrate that branded product is not cross subsidising the generic. E.g. brand milk x generic milk - why should the gap be more than the milk is worth.

Please do not hesitate to contact me if you would like to discuss this further.

Yours sincerely

Tony Pratico