



SADA Newsletter

May 2017

SA Dairyfarmers' Association Inc

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ACCC Moves on MG but not Fonterra

On April the 27th 2017, the Australian Consumer and Competition Commission (ACCC) announced that it was commencing proceedings against Murray Goulburn and two of its senior managers for unconscionable conduct and offence against the Australian Consumer Law, (formerly the Trade Practices Act.)

The allegation is that Murray Goulburn made false and misleading representations and the ACCC will also allege that former managing director Gary Helou and former chief financial officer Bradley Hingle were knowingly concerned in Murray Goulburn's conduct.

The head of the ACCC, Rod Simms said,

"The allegations relate to representations made by Murray Goulburn to its Southern Milk Region dairy farmers between June 2015 and April 2016 about the average farmgate milk price (FMP) it expected to pay them during financial year 2015/16."

"The ACCC alleges that Murray Goulburn's conduct had an adverse impact on many farmers who, as a result of Murray Goulburn's representations regarding the farmgate milk price, had made business decisions."

"The farmers relied on Murray Goulburn's representations and were not expecting a substantial reduction in the farmgate milk price, particularly so close to the end of the season when it was not possible for them to practically readjust their expenditure."

The ACCC will argue in court that from June 2015 until February 2016, Murray Goulburn misled farmers by representing that it had a reasonable basis for setting and maintaining an opening farmgate milk price of \$5.60 per kilogram of milk solids and a forecast final milk price of \$6.05 per kilogram and that it considered the forecast final milk price of \$6.05 per kilogram was the most likely outcome for FY16, when that was not in fact the case.

The ACCC will further argue that between February 2016 and April 2016 they continued to mislead farmers by representing it had a reasonable basis for expecting to be able to maintain its opening farmgate milk price of \$5.60 per kilogram for the remainder of the season, and that it considered a final farmgate milk price of \$5.60 per kilogram was the most likely outcome for FY16, when that was not in fact the case.

The ACCC will also allege that Murray Goulburn's conduct towards farmers was unconscionable.

This includes allegations that Murray Goulburn:

- knew that farmers relied on information about the opening farmgate milk price and forecast final farmgate milk price to make significant business decisions during the financial year;
- was aware that many farmers were unable to easily switch milk processors, particularly those contracted to Murray Goulburn;
- created an expectation that the opening farmgate milk price would be set conservatively and would be a minimum price, and that the final FMP would be higher than the opening price;
- knew that farmers expected that it would update the forecast final farmgate milk price regularly to reflect material changes;



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- provided and maintained farmgate milk price forecasts despite knowing that these forecasts were overstated and unachievable in financial year ending 2016 and that farmers were making decisions in reliance on these forecasts.

The ACCC is seeking orders against Murray Goulburn that include declarations, compliance program orders, corrective notices and costs. The ACCC has decided not to seek a pecuniary penalty against Murray Goulburn because, as a co-operative, any penalty imposed could directly impact on farmers. The ACCC is seeking declarations, pecuniary penalties, disqualification orders and costs against Mr Helou and Mr Hingle.

ACCC boss Rod Simms further commented,

“Many farmers are in a relatively vulnerable trading position, and rely on transparent pricing information in order to budget effectively and make informed business decisions. In these circumstances, farmers were entitled to expect Murray Goulburn to have a reasonable basis for determining its pricing, and to regularly update farmers if there was any change in forecast prices,”

“A major consideration for the ACCC in deciding not to take action was that Fonterra was more transparent about the risks and potential for a reduction in the farmgate milk price from quite early in the season,”

Upon hearing of the action taken by the ACCC, SADA President John Hunt said,

“We welcome this action by the ACCC and the matter is now in the hands of the courts. I’m also glad to see that the SADA submission to the ACCC seems to have some traction because the ACCC has determined to keep its overall inquiry into the industry alive. This should send a message to processors that there is a cop on the beat and they are prepared to look at the conduct of processors before the sorts of actions that we have seen the ACCC take against MG is considered necessary.”

Energy Grants Available

On 13 December 2016, the South Australian Government announced that it will provide \$31 million to assist large energy using businesses in South Australia to manage their electricity costs and contribute energy supply benefits to the state.

The Energy Productivity Program will be available to businesses that use more than 160MWh of electricity each year to incentivise investment in energy productivity measures.

The program has two components, firstly the energy productivity audit grant program which consists of grants of 75 per cent of the cost of a Level 2 energy audit. This will be up to \$15,000, for businesses to engage an external energy auditor to identify energy productivity opportunities. Secondly the energy productivity implementation grant program which consists of grants to implement the recommendations of the audits conducted through the Energy Productivity Audit Grant Program or the recommendations of a recently completed energy audit with a preference for projects that provide broader market benefits to South Australia.

The South Australian Energy Productivity Audit Grant Program offers 75% of the cost of an energy audit and opens the door to dollar for dollar funding for energy efficiency projects. The program closes at the end of May.

If you are interested in applying, please contact DairySA’s Monique White on 0400 972 206 or monique@dairysa.com.au



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SA Dairyfarmers' Association reviews Federal Budget

It is a mixed bag - the SA Dairyfarmers' Association (SADA) welcomes a number of measures contained in the federal budget handed down this week while other matters are of concern.

The Instant asset write off has been extended for 12 months – Businesses with a turnover of less than \$10 million will remain eligible for accelerated depreciation arrangements for assets valued at less than \$20,000 until 30 June 2018. This extends the instant asset write off for 12 months and also widens the eligibility.

Extended eligibility for the Farm Business Concessional Loans Scheme could be a positive. Farmers and their partners who have received their full entitlement for Farm Household Allowance and do not receive other income support could be eligible for loans up to 50 per cent of their debt position, up to a maximum of \$1 million for refinancing purposes. The funding of an election commitment to establish the Regional Investment Corporation will streamline the delivery of concessional loans in South Australia.

SADA is concerned that the increased visa charges (Skilling Australians Fund Levy) for businesses who employ overseas workers will have an impact on many dairy businesses. Many have been required to employ overseas workers over the last decade as it has become more difficult to find local employees. Now is not the time for the government to be adding extra taxes on dairy businesses.

It is disappointing that there is no new money for mobile phone blackspots. There is also no recognition of the "data drought" experienced by many dairy businesses and others in regional Australia.

The Australian Livestock Exporters Council will receive \$8.3 million to implement the Livestock Exports Global Assurance Program (LGAP).

The funding allocated for Bioregional assessments and for Energy for the Future is a clear recognition of dairy farmer concerns about the risk to farmer's land and water resources posed by unconventional gas development.

The Federal Government has promised \$1.1 billion to the Landcare program over the next seven years. This includes the extra \$100 million announced last December, promised as part of a deal to win the Greens' support for the contentious backpacker tax. Of that \$100 million, \$85 million has been allocated for on-the-ground projects by Landcare groups; to support the work of Landcare Australia and the National Landcare Network; and for sustainable agriculture grants.

Regional Growth Fund - \$272 million over four years for major regional projects to support structural adjustment and \$200 million for the Building Better Regions Fund may have benefit to dairy regions into the future.

Have you checked out the new SADA Website?

This is a far more comprehensive web appearance than we have ever had in the past. The website is the public face of SADA and SADA Fresh. It has a member's area for which you as SADA members will have exclusive access to.

REGISTER NOW!

www.sada.asn.au click on the members button,
enter your details including a password and click register.



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Beston Brimming with Pride.

Beston had a good week last week when it won the Best Cheddar in Australia at the Dairy Industry Association of Australia (DIAA) 2017 National Dairy Awards when it was awarded to Beston Pure Dairies.

Their cheddar was the ranked highest amongst a large group of entrants and follows their success at the South Australian awards in 2016.

“A very big thank you to Paul Connolly and his team for all the hard work that has led to us achieving this fantastic outcome. I also want to take the opportunity to thank all of our clients, suppliers and partners who play a key role in our business.”

Director of Capital Programs, Daniel Raschella said when he was told of the award.



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2017 Call for Applications.

The SA Dairy Industry Fund is now calling for applications for the 2017 funding round.

This year the Fund is pleased to announce that it has up to \$200,000 to invest in innovative projects that directly benefit the South Australian dairy industry and its communities.

The Fund Chair, Dennis Mutton, says,

“We are interested in game changing concepts that offer real value for money and genuine potential to improve the productivity, performance, business growth and diversity of the SA dairy industry”.

Applications are welcome from diverse sectors including research and extension organisations, individuals, private companies, dairy processors and boutique manufacturers, farmer and community groups and industry associations.

The main criteria that will be used by the Fund Board to evaluate applications include;

- Supports the Fund’s priorities of benefiting the SA dairy industry
- Level of innovation and originality of the proposed concept
- Quality and scope of the project, including the proposed methodology
- Track record of the applicant in implementing similar projects
- Level of in-kind and/or matching funding from other sources.

For further information and Expression of Interest forms contact:

Ken Lyons, Executive Officer

SA Dairy Industry Fund.

Email: executiveofficer@sadafresh.com.au

Mobile: 0439 444 509

The closing date for applications for this 2017 round is Friday 16 June. However, the Fund Board is open to considering applications at other times for short-term funding of concepts that offer outstanding potential.

In calling for applications in the media the Fund Board has also taken the opportunity, on behalf of the dairy industry, to thank the public for their support for the SADA Fresh brand as proceeds from the sales fund projects aimed at securing the future of the dairy industry in South Australia. Also this year the Fund Board is pleased to have the opportunity at the DairySA Innovation Day in Mt Gambier on 8 June to hear from farmers about the projects they would like funded.





Insurance for dairy farmers

With WFI Rural Plan you can tailor an insurance package to meet your needs as a dairy farmer. It can also be extended to include a range of domestic insurances, all in one integrated package. For more information about WFI Rural Plan contact your local WFI Area Manager.

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