



SADA Newsletter

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Concern of dairy glut in US-China trade war

The recent escalation in the growing trade war between the United States and China may expose Australian dairy exports to subsidised competition. The United States of America recently announced \$127 million in the form of direct payments to American dairy farmers to offset income losses resulting from the increased tariffs imposed by China. There are 41,000 dairy farmers in the USA.

The effect of the subsidies is to insulate American farmers from the trade war and could see more American product being targeted at non-Chinese markets particularly in South East Asia.

Speaking to the Weekly Times, Dairy Australia's trade manager Charles McElhone said; *"It creates a concern for Australian dairy because that surplus product will have to find a home elsewhere and other markets will come under pressure as a result."*

Mr McElhone, did point out that it was too early to tell what the impacts of such a trade war would be but he stated that the US would look to other key markets, such as South East Asia, Japan and South Korea.

There is no indication that the trade war would be de-escalated any time soon with the US imposing \$200 billion worth of tariffs on Chinese products. America's bullish approach to its trading partners has also caused problems on the North American continent with the North American Free Trade Agreement (NAFTA) also being renegotiated. This has created even greater uncertainty in the American dairy industry with major cheese manufacturers such as Sartori Cheese expressing

concern about the speed of the changes to the market place.

Dick Groves, publisher of Wisconsin-based Cheese Reporter, says he had not seen so much uncertainty in the industry in the 40 years he has been following it; *"There's a heck of a lot of uncertainty right now,"* he said. *"Farmers are wondering if it's time to kill some of their cows but no one knows what will happen next. This thing is happening so quickly,"* he said.

One of the worst consequences of the dispute for Sartori's manager, Jeff Schwager, is that it has



effectively removed the US from negotiations about real issues for the industry. European officials are striking deals with China, Mexico and other parties to protect the names of their cheeses – deals that have already forced Sartori to change the name of one of their products in Mexico, a move that led to customer confusion and declining sales. Those kinds of deals could hurt US cheesemakers for generations, he says.

SADA's President John Hunt, also expressed his concerns regarding the repositioning of global markets.

"A drought in Australia may see orders unfilled internationally just as subsidised American farmers are about to off load stock in to the market place.", he said.

"The Australian dairy industry has been under significant stress in recent years and a subsidised American farmer is not what we need, particularly in the commodity market."

SADA continues to develop its Dairy Industry Action Plan with a view to refocussing efforts to increase sales in the Premium Market place where product reputation is more important than price.

Nevertheless, there may be a silver lining for Australia as the US subsidies only represent about a

third of the effect of tariffs in the US industry. This means from an America perspective their products will still be more expensive on the Chinese shop

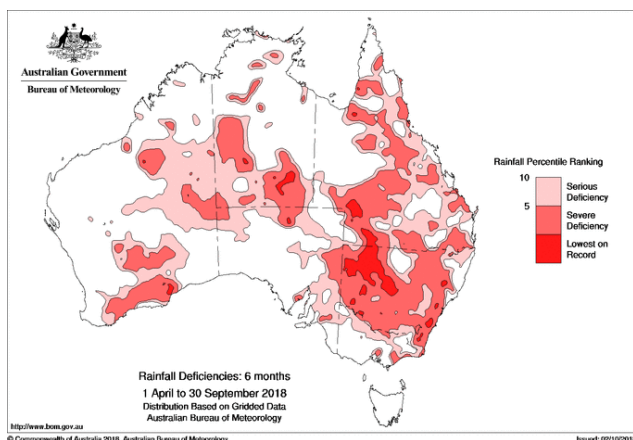


shelf. While this may be a window of opportunity the Chinese market remains a difficult market to enter because of China's often uncertain market place and stiff opposition from European producers.

BOM forecasts

The Bureau of Meteorology (BOM) has offered little comfort for the summer months.

September rainfall was below average across the majority of Australia, and especially so across the southern mainland. It was the driest September on record nationally, and the fourth driest for South Australia.



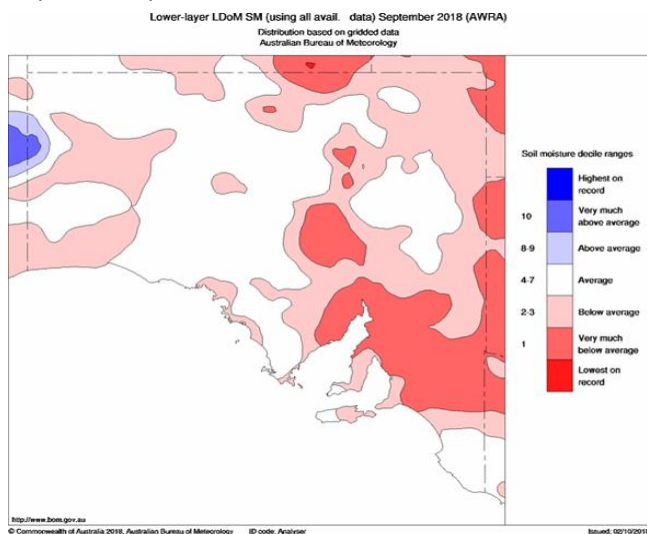
The year to date has also been exceptionally dry over the mainland southeast, with significant rainfall deficiencies continuing to affect large areas of eastern Australia at timescales out to around two

years duration. Compared to other January to September periods since 1900, year-to-date rainfall has been the second lowest on record for the Murray–Darling Basin, third lowest for New South Wales, and eighth lowest for Victoria.

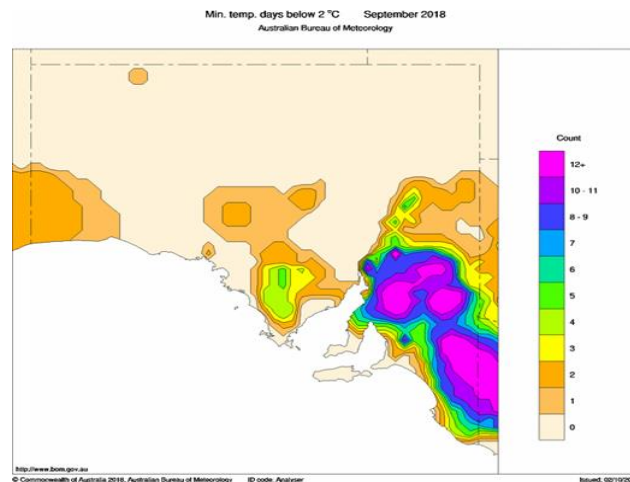
Deficiencies have increased in both extent and severity at each of the 6-, 9- and 18-month timescales across eastern Australia and parts of Western Australia. Deficiencies have increased for much of New South Wales, with the area of severe deficiencies now extending further into eastern and northern Victoria, eastern South Australia, inland southern Queensland, and south coast Western Australia than compared to periods ending August 2018.

Accompanying recent low rainfall have been unusually high day-time temperatures AND low night-time temperatures. Australian maximum temperatures for 2018 to date have been the second warmest on record with an anomaly of

+1.36 °C (behind 2013). The Murray–Darling Basin (+2.10 °C) has experienced its warmest January–September period on record.



The low minimum temperatures, when combined



with low soil moisture have increased the occurrence of frost across areas of South Australia.

There is nothing in the medium-term forecasts that suggests that there is going to be a change in the weather any time soon.

Meeting with Minister Littleproud

Recently SADA had the opportunity to meet with Federal Agriculture Minister David Littleproud in Jamestown along with local member Rowan Ramsay MHR. Mr Littleproud (*pictured*) was in Jamestown for the local show, and able to make time for SADA.

Two topics of conversation were pursued with the Minister.

SADA congratulated the Minister on driving forward with the Mandatory Code of Practice for the dairy industry as outlined by the ACCC.

The ACCC made 8 recommendations:

1. Processors and farmers should acknowledge in writing the terms and conditions for milk supply.
2. Processors should simplify their contracts where possible, including by minimising the number of documents and clearly indicating which documents contain terms and conditions of milk supply.
3. Processors should provide all contractual documents simultaneously before the commencement of the dairy season or contract term.
4. Milk supply contracts should not include terms which unreasonably restrict farmers from switching between processors.
5. The industry should establish a process whereby an independent body can mediate and arbitrate in relation to contractual disputes between farmers and processors.
6. Farmers should ensure they have properly considered the legal and financial implications of their contracts with processors.



7. Processors should publish information identifying how their pricing offers apply to individual farm production characteristics to enable better farm income forecasts.
8. A mandatory code of conduct within the act should be established for the dairy industry.

SADA has actively participated with the ADF to advance these recommendations and SADA continues to take the approach of being the farmer's advocate in the development of the industry code.

SADA also raised the issue of the ten cents per litre drought relief fund that was articulated by the Minister as being a good idea. SADA respectfully pointed out that we, as well as every other state dairy farming organisation, didn't agree that it was a good idea. We outlined to the Minister that we were concerned that Woolworths and Coles would only add the ten-cent levy to unbranded milk which would change the milk from being the villain to the hero all to the advantage of the major supermarkets.

There is no small irony in the fact that well intended consumers in South Australia may purchase the

GM debate gets a little louder

SADA is working to develop a submission for the new South Australian Government's review of the moratorium on genetically modified crops. Agriculture groups had accused the former government of being driven by ideology rather than science when it comes to GMOs in South Australia. All other mainland Australian jurisdictions have lifted their restrictions and now allow for GMOs to be used, subject to national regulation. SADA will maintain a close watch on the progress of the conversation. While the current SA moratorium applies to crops for human consumption, SADA will nevertheless, argue for the review to proceed based on the science and a sober conversation rather than unsupported opinion. There is a possibility of improved pasture for cows into the future and we as

drought relief milk only to see the levy being redirected interstate to subsidise feed prices in direct competition with South Australian dairy farmers. This will only have the effect of driving up the cost of feed and rather than offering relief it will compound the impact of feed costs.

South Australian farmers have already had to contend with the subsidised transport costs of other states. The attempt to help some will come at a cost to others.

Minister Littleproud indicated that he understood the issues and appreciated the difficulties that the approach represented for South Australian farmers. He also indicated that he had been made aware of these issues by other farmer groups. While the Minister did not indicate that he was stepping away from supporting Coles and Woolworths, SADA was left with a clear impression that the Minister would be more circumspect into the future. Recent public comments by the Minister in relation to the behaviour of the supermarkets suggests that he has been listening.

an organisation believe that the science should set the agenda.

SADA remains committed to a sober approach to



this issue and if there are products that can be safely fed to cows then SADA's position is to support and endorse a scientific approach to the improvements.

SA Dairy Industry Fund Drones on

The South Australian Dairy Industry Fund is about to commence work with a farmer in South Australia to trial the use of drones in the farming space. After several months of probity work and legislative review the go ahead has been given for a trial using drones to manage non-dairy animals on a dairy farm which has the challenge of excessive over abundant species intrusion.

If that trial proves successful, then further consideration will be given to the project by the board in terms of developing drone based farm management research into the future.

The fund is also currently considering a further application which will also use drones as a vehicle for pasture management, however, that application is still in its early stages.

The fund board is always on the look out for projects or ideas that represent an advantage to the dairy sector and all submissions will be given careful consideration. If you have an idea that needs some support and you can demonstrate an advantage to the dairy industry then contact John Elferink the fund's executive officer.



Do you A2?

SADA has been approached by a company looking to develop A2 Protein-Only milk products for both the domestic and export markets. They are seeking producers who may qualify or be interested in building up an A2 herd. In Particular, they are looking for supply partners who have been employing selective breeding to maintain and increase the percentage of A2/A2 genotype cows and are likely to have 95%+ A2/A2 Cows.

Testing methods are available to test milk samples taken from both on-farm storage and at the individual cow level. Farmers who are interested in participating would need to be willing to provide 3 days-worth of milk samples taken from their on-farm storage right before it is collected. The processor will get this tested at their expense and report on the results. If further testing is required at the herd level, this can be further discussed but, as a guide, can be done at roughly \$20/cow.

Recent data on the milk quality for each farm will need to be shared with respect to milk solids which will be key inputs in the pricing offered. We are sharing this, following initial discussions which suggest both the price on offer and the terms of supply may be very competitive for some farms.

If you are interested in further information, please email SADA or phone / text Andrew on the number above.

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-  Motor Vehicle
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