

SADA President Report

December 2017

I would like to wish all our members and families a very merry Christmas and a safe and happy New Year.

Looking back over 2017, I wanted to recap on some highlights that have developed over the year.

It was good to see Beston Global Food Company (Bestons) & Union Dairy Company (UDC) become stronger players in the demand for milk. UDC have started to negotiate with farmers, as they have the capacity and need extra supply. Bestons opened early in the year with a higher price than most and have maintained it. They have continued their quality of cheeses picking up awards & market share. WBC or Saputo have also maintained a strong opening price & are currently reviewing price upwards, not down.

Murray Goulburn have given these processors a free kick this season, though all could have opened lower and they chose not to do so. The sale of MG, although sad to see, seems to be the only option going forward as there is no plan B. It has been frustrating, as I believe it could have all been avoidable, some of the decisions made even after the step down in April have been hard to comprehend. On a positive note it has been refreshing to see our other processors including our artisan cheese makers looking for supply and growing markets.

SADA is working well with Primary Producers SA (PPSA). As agricultural producers we do have a lot of similarities and common ground which we can get a great deal more achieved with a common voice.

At national level, ADF are getting it together now with a president & new CEO who are focused on "one industry one voice". This can be challenging as every state has their own issues, which ADF are willing to lend their support and advice on, but nationally a lot of our issues are the same. National Council seems to be working together a lot better now with communication at the forefront. Policy Advisory Groups are gaining momentum and are having a positive impact on the industry.

The voluntary code of conduct has been a good start to getting relationships between processor & farmer closer. As has been highlighted in the ACCC Interim Report, we definitely needs the 12 month review as a few things need tweaking. Would still prefer voluntary to mandatory as we don't want the code to be a blue print for processors to follow, still need the communication & partnership.

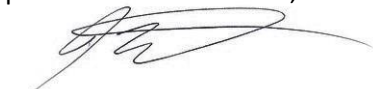
ACCC report did show they were listening to farmers and took a lot of their concerns on board. I believe the report should have had more about the retailers part in the industry and how they use milk as a "loss leader". Discounting any product at the cost of producer is certainly no good for the industry. We still have to digest the interim report and formally provide feedback in January.

A key challenge coming up will be if USA & Europe continue to ramp up their production as it is likely to hurt the Australian industry and farm gate returns, and the fluctuation in price effects both exporting or domestic processors.

Cost of production rises remain a significant issue, particularly when producers are not able to pass on some of the increase. Power reliability and cost is a big enough issue on its own.

Succession planning on farm & in advocacy roles is coming to the fore, with average age of farmers creeping up. We have to recognise the positives in the industry, so the younger generation can see there is a future in farming. We have to grow our industry and the first steps to doing that is to follow our strategic plan for the future which leads us on to the action plan which all of industry has the opportunity to participate in.

We have the ability to double our production in SA, and with better prices, transparency and partnerships with processors and retailers, it is achievable.



John Hunt

Giving Dairy Farmers A Voice

