



**The Hon Niall Blair MLC**  
Minister for Primary Industries  
Minister for Regional Water  
Minister for Trade and Industry

Mr David Blunt  
Clerk of the Legislative Council  
Clerk of the Parliaments  
Parliament House  
SYDNEY NSW 2000

Dear Mr Blunt

I am pleased to submit the NSW Government response to the report of the Legislative Council Portfolio Committee No. 5 – Industry and Transport inquiry into sustainability of the dairy industry in New South Wales.

The NSW Government supports or supports in principle the majority of recommendations of the report and is working to progress them.

Please find enclosed the NSW Government's response. If you require any further information on the matter, please contact Brendan Stone, Director Strategy & Policy, Department of Primary Industries on 02 9338 6733.

Yours sincerely

**The Hon Niall Blair MLC**  
Minister for Primary Industries  
Minister for Regional Water  
Minister for Trade and Industry

22 FEB 2019

*Received at 2:10 pm  
Friday 22 February 2019*

NSW Government Response - Parliamentary Inquiry into Sustainability of the NSW Dairy Industry

NSW Government Response	
<p><b>Recommendation 1</b></p> <p>That, as the timeframe for this inquiry was limited by the end of the parliamentary term, and as strong evidence of extreme farm stress is evident, the Legislative Council consider re-establishing the inquiry into the sustainability of the dairy industry in New South Wales, or a similar inquiry, in the new Parliament in 2019.</p>	<p><b>Noted.</b></p> <p>The NSW Government will continue to work with any future parliamentary inquiries related to the NSW dairy industry.</p>
<p><b>Recommendation 2</b></p> <p>That the NSW Government work with retailers to consider expanding mechanisms, such as the current 'drought levy' some retailers have on certain milk products, to ensure that the retail price of milk takes account of the ongoing increases in cost of production and to ensure the levy is returned to farmers in full.</p>	<p><b>Support in principle.</b></p> <p>The NSW Government acknowledges that the dairy industry currently faces challenging drought conditions across the state.</p> <p>The introduction of additional levies or charges, in isolation to other states, can lead to doing business in NSW becoming less attractive for businesses, and the adverse outcome of retailers seeking out farmers and processors from other states. Recommendations of this nature are best driven at a national level with support from the states.</p> <p>Compared to the rest of Australia, the majority of NSW dairy farmers receive above national average farm gate prices for their milk. The NSW Government will convene a roundtable meeting with industry and retailers to discuss options that would benefit the NSW dairy industry without creating market distortion.</p>

<p><b>Recommendation 3</b></p> <p>That the NSW Government work with Commonwealth and industry bodies to ensure that the Mandatory Code of Conduct is implemented as a matter of urgency.</p>	<p><b>Support in principle.</b></p> <p>The Commonwealth is undertaking formal consultation across Australian dairy farming regions on the most appropriate issues to include in a mandatory code of conduct for the dairy industry. The consultation issues include dispute resolution processes and fairness and transparency in relation to contract agreements to address any actual or perceived imbalances in bargaining power between farmers and processors. A draft Code is due to be released shortly whereby further feedback will be sought from industry before finalising in 2019.</p> <p>The NSW Government does not seek to pre-empt the outcome of the consultation, however supports any initiative to increase understanding, transparency and collaboration along the supply chain.</p> <p>Further, the NSW Government is committed to work with the Commonwealth and industry to implement the Code once approved by the Commonwealth Parliament.</p>
<p><b>Recommendation 4</b></p> <p>That the NSW Government urgently and actively pursue, through relevant state and national forums, further measures that facilitate the ability of dairy farmers to collectively bargain with processors for their milk supply, including through the implementation of a collective bargaining code as part of the dairy industry Mandatory Code of Conduct.</p>	<p><b>Support in principle.</b> noting that this would need to be led at a national level, as processors do not operate solely within state boundaries.</p> <p>The NSW Government will work to increase dairy farmer awareness of the existing mechanisms in NSW that allow and facilitate collective bargaining, including through the Australian Competition and Consumer Commission (ACCC).</p>
<p><b>Recommendation 5</b></p>	<p><b>Noted.</b></p>

<p>That the NSW Government implement an immediate assistance package, in addition to any existing drought measures, to provide financial support to New South Wales dairy farmers to ensure that they remain financially viable through to the implementation of the Mandatory Code of Conduct.</p>	<p>The NSW Government introduced the Emergency Drought Relief Package in 2018 to help alleviate financial pressures on all farmers, including dairy producers. The NSW Government has committed over \$1.1 billion in drought support to date. Dairy farmers currently have access to the NSW Farm Innovation Fund, the Drought Assistance Fund and the Drought Transport Assistance subsidy under the NSW Government's drought support package. Several Commonwealth Government programs are also available.</p> <p>Since 30 July 2018, 181 NSW dairy farmers (approximately 29 per cent of industry) applied for Emergency Drought Relief Transport Subsidies. Of the applicants, 177 have received grants totalling \$2,378,000, with the average amount received per farmer around \$13,000. The majority of dairy farmers that received support have been located in South East, North Coast and Hunter Local Land Service regions.</p> <p>As noted in response to recommendation 3, the NSW Government will work with the Commonwealth to implement the Code once approved by the Commonwealth Parliament.</p> <p>The NSW Government also provides significant non-financial assistance to the NSW dairy industry through provision of a range of collaborative research, industry development, biosecurity and food safety programs to support the growth and sustainability of the dairy sector in NSW including ensuring the industry maintains access to domestic and international markets.</p>
<p><b>Recommendation 6</b></p> <p>That the NSW Government, as a matter of urgency, and in consultation with farmers and industry representatives, develop an</p>	<p><b>Support in principle.</b></p> <p>The Australian Dairy Industry Council and Australian Dairy Farmers have commenced work on a coordinated national Australian Dairy Plan for the next five years. The plan will outline the priorities and</p>

<p>update to the 2016 NSW Dairy Industry Strategic Action Plan that includes:</p> <ul style="list-style-type: none"> <li>• a dairy export plan that articulates how extra milk production can be marketed and sold, and new markets identified</li> <li>• a report of progress against the objectives and action areas identified in the 2016 plan</li> <li>• a set of ongoing, measurable, high-order objectives and action areas for government and industry stakeholders, including timeframes for delivery and progress reporting</li> <li>• a plan for reporting directly back to farmers on the Action Plan.</li> </ul>	<p>future direction for the industry, and is due to be finalised in 2019.</p> <p>The NSW Government will work with the industry and Australian Government to contribute to the development of the national plan by identifying priorities for NSW and will ensure alignment of the new state-based dairy strategy and research priorities to the national dairy plan.</p>
<p><b>Recommendation 7</b></p> <p>That the NSW Government immediately establish and fund an independent NSW Commissioner for Dairy with consideration given to the following functions:</p> <ul style="list-style-type: none"> <li>• provide arbitration and dispute resolution support for farmers in negotiations with dairy processors</li> <li>• provide advice to farmers to engage in collective bargaining where appropriate</li> <li>• provide assistance to farmers in understanding and negotiating contracts for their milk supply</li> <li>• conduct annual reviews into the state of the New South Wales dairy industry, including an assessment of farmgate milk prices in New South Wales regions in relation to the cost of production, and reporting on market issues raised by farmers.</li> </ul>	<p><b>Support in principle.</b></p> <p>The NSW Government supports the establishment of an independent resource to provide arbitration and dispute resolution support, collective bargaining advice and understanding and negotiating contracts advice to dairy farmers.</p> <p>The Minister will raise the matter of a national approach on this front for discussion at a national level through the next Agriculture Ministers Forum.</p> <p>The NSW Government supports the NSW DPI continuing to deliver the NSW Dairy Farm Monitor project to annual review on report on the profitability of NSW dairy farms.</p>
<p><b>Recommendation 8</b></p> <p>That the NSW Government promote its Farm Innovation Fund and consider ways to improve access for dairy farmers.</p>	<p><b>Supported</b>, noting that the Committee did not make any findings in relation to factors inhibiting the ability of dairy farmers to access the scheme. 38 NSW dairy farmers have accessed \$7 million in Farm Innovation Fund loans (an average of \$184,000 per farmer) to assist drought preparedness.</p>

	<p>The recent announcement that the NSW Land and Water Commissioner will lead the second phase of the Government's emergency drought response as the State's Drought Coordinator will continue to promote the existence of the Farm Innovation Fund loans and their relevance for dairy farmers. Local Land Services also works closely with landholders across NSW on the drought. Local Land Services has conducted over 3,000 farm visits and answered over 19,000 phone calls over the last six months on the NSW Government's drought support package.</p>
<p><b>Recommendation 9</b></p> <p>That the NSW Government reinstate its historic role in providing independent advice directly to farmers on the extension of research and development initiatives.</p>	<p><b>Support in principle.</b></p> <p>The NSW Government continues to provide independent advice directly to farmers and industry, including the outcomes of research and development programs.</p> <p>Local Land Services (LLS) officers operate in all dairy regions across NSW and are available to connect dairy farmers with information, advice and expertise.</p> <p>NSW DPI officers work with Dairy Australia extension officers and LLS officers to provide information and services to dairy farmers across NSW.</p> <p>NSW DPI staff also routinely engage directly with individual farmers as part of a broad range of programs and projects delivered for the dairy industry and provides advice and support to farmers in this context.</p> <p>NSW DPI employs a dairy Technical Specialist (at Tocal) and two dairy Development Officers (at Camden and Wagga Wagga). These dairy roles work exclusively with the dairy industry to develop information, training and tools to support dairy farmers. In addition,</p>

<p>DPI employs a pastures Technical Specialist and a pastures Development Officer that work on a range of projects across the grazing industries, including fodder conservation projects for the benefit of the dairy industry. Furthermore, DPI employs a number of staff working on irrigation, soils and climate projects of direct relevance to the dairy industry.</p> <p>NSW DPI operates a commercial dairy at Tocal milking approximately 250 cows, for the purpose of training students and dairy farm workers. DPI has recently invested to modernise and expand the Tocal dairy, with the intention of growing the herd to 300 cows. The Tocal College dairy is used by approximately 20 part time trainees each year (students undertaking a traineeship whilst working on dairy farms) and approximately 100 full time students. The dairy hosts school groups and is used as a case study for Year 12 Agriculture students across Hunter Valley schools. University of Sydney places Veterinary Science students at the Tocal dairy and the dairy hosts community groups seeking to learn about the industry.</p> <p>Tocal College delivers a number of short courses for the dairy industry, including courses on euthanising livestock, quad bike safety and the Cups On Cups Off course on mastitis prevention and control.</p> <p>Dairy Australia has established an extension network through its Regional Development Program (Dairy NSW, Subtropical Dairy and Murray Dairy operate in NSW). There are currently 16 extension related professionals working across these 3 Regional Development Programs that support dairy farmers in NSW.</p>	
<p><b>Supported.</b> The NSW Government consistently seeks opportunities to work with industry and our partners to identify areas for co-investment for</p>	<p><b>Recommendation 10</b></p>

That the NSW Government increase its funding for research and development projects in the New South Wales dairy industry and ensure there is a focus on a collaborative, co-investment model between the university sector, the NSW Government and the private sector.

research and development programs.

NSW DPI adopts a collaborative co-investment model and works with these sectors. Current projects include the Dairy Farm Monitor Project (flagship project for Farm Business Management run for the past 7 years by NSW DPI through an agreement with Dairy Australia) and Milking Edge (a 3-year collaborative project run by NSW DPI in collaboration with Dairy Australia and DeLaval).

NSW DPI is involved with universities across the state (UNE, USYD and CSU). NSW DPI is currently co-funding, together with the Dairy Research Foundation at The University of Sydney, a postgrad student to work on data analytics and optimising performance of robotic dairies.

NSW DPI also administers the Dairy Industry Fund that has funded 7 projects over the past years to help grow productivity and sustainability of the NSW dairy industry.

In the 2018-19 budget, the NSW Government announced \$50 million investment in DPI research institutes across NSW. The state of the art facilities support the primary industries sector to increase productivity, profitability and innovation.