

SE **Business**

HD **Trade deal the key**

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Australia's producers are ready to lift their game seeking world markets, writes Simone Smith

THE Australian **dairy** industry has taken responsibility for improving its international competitiveness and needs Federal Government support with favourable trade deals and regulation.

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That's according to United Dairyfarmers of Victoria president Tyran Jones, who said more than \$1 **billion** in investment had flowed into **dairy** manufacturing recently and unlocking the confidence in the farm sector would help increase money flowing into the sector and promote growth.

He said there were different ways the Government could help the industry, such as a **Chinese** free trade agreement.

A report from consulting **firm** McKinsey & **Company** commissioned by the **Business** Council of Australia, which was released last week, said Australian **dairy** could be one of the industries that would help Australia prosper into the future.

Improving the Australian **dairy** industry's competitiveness would be the key to this and the report drew comparisons between the local and New Zealand industries.

It referred to how the Kiwis designed their industry's structure to allow them to compete internationally as well as to the scale of New Zealand **dairy** farms and processing compared to Australia and the benefits it had in the world market due to trade deals.

"New Zealand very deliberately enabled its **dairy** processors to achieve scale and capture global export share," the report said.

"The **Dairy** Industry Restructuring Act allowed the two largest **dairy** co-operatives to **merge** to form Fonterra. The Act was passed to increase international competitiveness, but also included safeguards to prevent abuse of monopoly power in the domestic market.

"Fonterra now controls about 95 per cent of **milk** production in New Zealand and about 40 per cent of global **dairy** exports, and has enjoyed a decade of double-digit growth while Australia's **dairy** industry has flatlined." Creating a large Australian processor, similar to Fonterra, was a theme of Murray Goulburn's failed bid to purchase Warrnambool **Cheese** and **Butter** last year.

Dairy Australia's farm **business** capability farm profit and innovation program manager Neil Lane said there was an argument that scale helped **milk** companies as a whole, but it was more complex than the idea that Fonterra's scale in New Zealand was why its industry grew. The industry in New Zealand attracted outside capital and had more reliable seasons and rainfall, he said. On farms he said the argument wasn't to get big, but to get "big enough" as dry economics indicated smaller farms, for example those producing less than 120,000MS a year, did not have the ability to dilute their overhead costs as well, he said.

CO bucoau : Business Council of Australia

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