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HD **PRICES and long-term demand signals for dairy products**  
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PRICES and long-term demand signals for dairy products have rarely looked so bullish on world markets, but milk producers say they are still being ripped off as farm-gate prices linger around levels paid 15 years ago.

While a global scramble for milk has triggered unprecedented buyer interest in dairy businesses such as Warrnambool Cheese and Butter, bought early this year by Canadian company Saputo for more than \$500 million, farmers supplying local fresh-milk markets insist they are paid much less than their milk is really worth.

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Queensland Dairyfarmers Organisation (QDO) estimated current average farm-gate prices of about 54 cents a litre were about 11c/L below the payments it calculated farmers required last year to cover costs

and earn a 5 per cent return on capital investment.

Although payments for sub-tropical year-round milk supplies improved in the past year, QDO chief executive officer Adrian Peake said drought and leaping feed costs had further eroded farm earnings.

A January survey of almost 50pc of Queensland's fast-shrinking dairy farmer numbers found more than two-thirds could not pay monthly accounts on time.

The pain was being felt by big and smaller enterprises alike, including one of Queensland's bigger operations run by Errol Gerber and his family in the Lockyer Valley, which is now selling its 5 million-litre-a-year milking herd.

Mr Peake said soaring electricity costs had also made irrigation unviable on some farms in the past two years, despite them needing the better pasture output which watering could have delivered.

Similarly, the financial stresses faced by most NSW milk producers are at acute odds with global milk powder and butter prices, which hit highs above \$4800/tonne in March.

"So many people are saying they still struggle to pay bills at the end of the month it's pretty soul destroying for the farmers and the industry as a whole," said NSW Farmers dairy committee chairman Rob McIntosh at Woodside Park, Berry.

He said a farm-gate price above 60c/L was commonly quoted as the sort of minimum payment farmers felt was warranted, given their costs and milk's wider market value.

Average income from milk on NSW dairy farms last financial year was 46.4c/L, according to studies by NSW Department of Primary Industries.

Livestock sales and other farm income improved total enterprise earnings to 52c/L about 4c/L more than an average farm's running costs (figures which did not include any farm debt repayments).

"There's no doubt we're looking at a potentially positive time in the next year or two, but unfortunately the premiums we should be getting are undermined by the dollar-a-litre price of supermarket **milk**," Mr McIntosh said.

"I'd be feeling much more positive if it was not for the fact that supermarkets seem so determined to cling onto the \$1 **milk** as part of their marketing mantra."

He said farmers were constantly hearing about global hunger for **dairy** products, while at the same time local processors and supermarkets were rushing to lock in contracts and sign up new suppliers in an effort to avoid being caught short.

Yet producers were still not rewarded for the true cost of production.

Angry farmers say **milk** processors, including the new player in the NSW market Murray Goulburn, appear to have been duped into locking themselves into long-term contracts to supply **milk** for retailers' discount \$1/L private-label market.

Although the deals have promised stability and offer long-term planning advantages, they are seen as prolonging the loathed \$1 house-**brand** price and making farmers carry the cost.

"At one point we were paid a premium for producing **milk** year-round to compensate for the extra costs at tougher times in the season, but now payments are tied to export price movements, and they still don't seem to have responded much, despite powder prices going through the roof," Mr McIntosh said.

Central west NSW farmer Erika Chesworth said there seemed little doubt that 10-year contracts signed between Murray Goulburn and Coles created an artificial buffer protecting \$1 **milk** from true market pressures, and in turn dragged down farm-gate prices.

Mrs Chesworth and husband Steve, whose enterprise milks 800 cows and recently diversified into **milk** processing, estimate their farm will earn 49c/L from raw **milk** this financial year.

What farmers think **milk's** worth

MAX WAKE, Benleigh, Singleton: "We need to get around 70c if **milk** prices are to keep pace with fertiliser, fuel, electricity and wages, and cover maintenance costs.

"Our input costs go up every year but our current price is no better than it was back in 1999.

"We've increased our herd as much as possible, but we've run out of room to grow any bigger, and we're not getting paid enough to cover the cost of borrowing money to **buy** more land."

ERIKA CHESWORTH, Glen Isla, Dubbo: "I think the price needs to be at least 10c more than we're averaging this year (about 50c/L).

"We were getting about 63c from **Dairy** Farmers prior to the co-operative being **sold** to National Foods in 2007, and we were paid more than 50c before deregulation in 2000."

ADRIAN PEAKE, Queensland Dairyfarmers Organisation: "Asking for 60-plus cents a litre is not an unreasonable ambit claim it's been paid before.

"In 2006-07 processors saw they had a shortage on the horizon because the drought had cut **milk** supplies, and they went out to the marketplace and met the market price with five-year contracts, too.

"Unfortunately at the moment, dollar-a-litre **milk** is blocking the market from responding to the pay rises that should be flowing through. Thankfully, the new Norco fresh-**milk** market in **China** introduces another market option to put pressure on local fresh-**milk** supplies and \$1 supermarket **milk**."

RON PERICH, Leppington Pastoral **Company**, Bringelly: "Anybody getting paid around 50c a litre would be struggling big time that's not keeping up with inflation, let alone giving you an income to properly look after the farm.

"We've managed to lift our average price by spreading our options we supply the A2 **milk** market and send some **milk** to a specialist cheesemaker."

TIM DOWNIE, Tarcoola, Forbes: "I reckon the prices are going pretty well at the moment. We have just moved to Murray Goulburn and we feel it has given us a higher base price than this time last year.

"We now receive 55c/L, which is up from 49c. This has contributed to more confidence within the industry."

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