

SADA UPDATE – (updated)

Special SADA Update regarding the current Dairy situation

We continue to work behind the scenes with government and industry to gather information, analyse the long-term implications, carefully consider the best options to help farmers get through this extremely difficult time, and represent your interests. As many would be aware, our President David Basham has taken on the role of President of Australian Dairy Farmers. We are fortunate to have Nick Brokenshire ready and able to take up the position of President of the South Australian Dairyfarmers' Association.

Following is a brief summary of the key developments to date.

Whether or not you are involved in the dairy industry, you would have to be living on Mars to have missed hearing about the crisis that has emerged over the past four weeks. It's even caught the attention of Logie winning celebrities and elite AFL footballers who rarely take an interest in where milk comes from. While it does not solve all the problems by any means, the response from consumers has been overwhelming with increases in demand for branded milks in the order of 25% across South Australia.

The "perfect storm" triggered by unprecedented announcements by processors in late April and early May have had a direct and immediate impact to about 25% of South Australian dairy farms who supply those companies. Lion has also since announced a price drop for June, affecting another 25% who supply the company either direct or through Dairy Farmers Milk Co-operative. That means almost half of South Australia's dairy farms will be earning significantly less this financial year than they expected, with some incurring unplanned debts of more than \$100,000. We all now wait anxiously for the opening prices for the 2016/17 season, with expectations that they are going to continue the trend. For many, that means facing the prospect of being paid lower than the average cost of production for the immediate future.

We are currently approaching major dairy processors operating in SA, seeking indications, as a matter of urgency, about their pricing intentions for next season. The sooner you know, the sooner you can revise your budgets and make decisions.

Federal support package announcement

On 25 May 2016, Minister Joyce announced a package of measures aimed at supporting the industry during this time. The package includes:

- \$555 million in Dairy Recovery Concessional Loans;
- \$900,000 for additional Rural Financial Counsellors;
- \$900,000 for Dairy Australia's Tactics for Tight Times programme;
- 18 more Department of Human Services employees to help fast track processing of Farm Household Allowance claims;
- Appointment of a Department of Human Services Dairy Industry Liaison Officer; and
- Redirection of two Department of Human Services Mobile Service Centres to dairy regions

We have been working with the government and the Dairy Industry Liaison Officer to understand the detail of these measures and will provide more detail as it becomes available. We are particularly interested to understand the criteria developed and accessibility of the Dairy Recovery Concessional Loans for all South Australian Dairy Farmers.

State Government support

As soon as the crisis broke, SADA made contact with the office of Minister for Agriculture, Leon Bignell, to make sure he understood the local implications and we began negotiations seeking immediate short-term support. Those discussions have led to the Minister making an initial commitment of \$60,000 to help roll out Dairy Australia's Taking Stock program. The program offers farmers one-on-one sessions with a consultant to review their current financial situation, revise their plans, and also to access general business advice and mental health support. We know that many of you have detailed financial plans and have already cut costs to the bone, but we encourage you to take the opportunity to access this service to help review your situation in these new circumstances and take advantage of a fresh pair of eyes. We will distribute information regarding how to access this program towards the end of this week.

Minister Bignell is meeting with a delegation of dairy farmers in Mount Gambier today.

ACCC investigations

Together with the United Dairyfarmers of Victoria, we met with the ACCC who have now commenced an investigation into the actions of Murray Goulburn and Fonterra. They are focussing on whether the companies are guilty of misleading or unconscionable conduct, particularly in relation to the timing of the cuts and the period of notice given to farmers to consider their options. We will continue to monitor this investigation and share information as it becomes available.

Media interest

Media across Australia have taken an intense interest in the crisis, resulting in SADA handling an enormous number of calls and requests for information and comment. Many of these are coming from metropolitan media with limited experience covering our industry, and little understanding about how it works and the underlying issues. There is also considerable confusion among the general public, so it is important that we take time to respond to these calls and explain the facts as clearly as possible. One of the few positives to come out of this situation, is the platform it has given us to raise awareness, and to encourage people to support our farmers and recognise the true value of the milk we produce.

Handling public inquiries

We continue to field an enormous number of direct inquiries via phone, email and social media from the general public about what brands of milk and other dairy products they should be buying, and our own brand, SADA Fresh. They are calling us because they trust SADA, as the farmers' representative, to provide honest and unbiased advice. We are actively encouraging people to buy any branded dairy product made in Australia and to avoid discounted home brands sold at Coles, Woolworths and Aldi for \$1 per litre. This message has been picked up by other State dairy industry organisations, leading media commentators with the power to influence millions of people, and many online supporters.

SADA Fresh support

Public and media interest in our milk brand has been strong since we launched SADA Fresh in October 2013. But it's fair to say that in recent days, that level of support has exploded. Consumers see it as a tangible way of helping all South Australian dairy farmers, with the profits raised being pooled by the SA Dairy Industry Fund. In fact, Coles and Parmalat are having trouble keeping the product on the shelves.

With emotions running high, conspiracy theories have emerged on social media that Coles are deliberately holding back stores of branded milk so that people are forced to buy home brand. We do not believe this is true. Consumer demand for branded milk, including our own, has increased suddenly and dramatically, and it takes time for the supply chain to respond. Parmalat tells us that they have ramped up production this week to deliver 40% more of both the full cream and low fat varieties to Coles stores.

SA Dairy Industry Fund new call for projects

The Fund announced a new call for project ideas on May 3, with \$150,000 being made available this round. While that may sound like a relatively small amount of money, it is funding that we did not have access to in the past. And experience from the first round tells us that by taking a partnership approach, it is likely to generate projects worth almost \$500,000. Fund chair Dennis Mutton has indicated that top priority will be given to concepts that have the potential to soften the tough times farmers are facing. The Fund wants to hear from people with ideas that are genuine game-changers, that will help to shake things up and offer real potential to improve the long-term viability of the industry.

Applications are welcome from diverse sectors including research and extension organisations, individuals, private companies, dairy processors and boutique manufacturers, farmer and community groups, and industry associations.

Further information is available on the SADA Fresh website, www.sadafresh.com.au, or by contacting Ken Lyons, who is the Fund's Executive officer. His new contact details are phone 0439 444 509 or email executiveofficer@sadafresh.com.au. Applicants have until June 10 to submit concept proposals.

SADA's position on the call for new levies

You may have heard that some politicians and break-away farmer groups are pushing the Federal Government to introduce new levies, or price support schemes. These proposals are completely unrealistic, and in fact many farmers are telling us that they do not support them. We cannot turn back the clock. Such levies would contravene all sorts of trade regulations and potentially cost us premium export markets, which would put our processors in an even worse position, and there is no way any Federal Government would agree to them.

Dairy SA Innovation Day

I will be at the 2016 DairySA Innovation Day being held at The Barn, Mt Gambier, on Thursday, June 2. I would welcome the chance to meet with you during the day or the dinner following the forum. For more information regarding the day, visit www.dairysa.com.au

Thank you

And finally, thank you to everyone for their good wishes, and phone calls and emails of support as I settle into my new role as CEO. I'm very happy for members to contact me direct if you have any questions or concerns,

Kind regards

Andrew Curtis
Chief Executive Officer