

SADA NEWSLETTER

23 February 2016

PRESIDENT'S REPORT

David Basham 0417 865 962

To write this month's report is a privilege as I am able to thank a person that has committed more than 15 years' service to SADA and SA dairy farmers. Ken Lyons is stepping down as Chief Executive Officer of SADA at the end of February and transitioning into retirement. I use the word "transitioning" because Ken is still going to work as a consultant for the SA Dairy Industry Fund (Fund from SADA Fresh Sales) as their executive support.

Ken has been a key in the operations of SADA since the moment he commenced work with changes occurring in the Dairy Restructure Package. Ken was a key player, alongside the SADA Board, by going to Canberra to negotiate on behalf of SA Dairy Farmers which led to some receiving an additional \$15000 that was originally not going to include any SA farmers. This was just the first of many achievements that occurred during his time as CEO. Others include:

- Drought declaration of all dairy regions during the millennium drought
- SADA Fresh milk launched
- Establishment of SA Dairy Industry Fund
- Water Allocation Plan development in all dairy regions
- Land transport rules and access improvements
- Murray Darling Basin Plan negotiations
- Transition of all UDP suppliers to new companies

These are just a few of the achievements that Ken has played a key part in over his time with SADA. I personally would like to thank him and wish him well in the future.

To thank Ken for his service we are organising a dinner on the 23rd of March at McLaren Vale following the DairySA Conference. If you would like to join us to personally thank Ken, please see the information on the event later in the Newsletter.

The New CEO arrangements

The SADA Board has engaged a consultant Derrick Lobban to help in the transition. Derrick will provide about 2 days a week until a new CEO is appointed. Derrick can be contacted through the office, on 0419 037 569 (Ken's old mobile number) or via a new email address ceo@sada.asn.au Derrick will cover off on issues that need to be dealt with in the short term to make sure that SADA continues to operate smoothly.

Long term, the SADA Board has taken the opportunity to investigate putting in place a joint CEO with LivestockSA (who share the SADA office). The current LivestockSA CEO, Deane Crabb, is also retiring and after discussions with the LivestockSA Board it was felt a joint role was worth investigating further. By joining the roles we are able to offer a slightly higher salary package, hopefully attracting a more skilled individual. It is proposed, if we find the right individual, we will proceed with the joint role. With the new CEO in place then employ a junior dairy advocacy/policy officer to work alongside and with a similar LivestockSA advocacy/policy officer.

SADA and LivestockSA work on that many issues that have the same policy outcomes and believe this approach will strengthen

<i>Presidents Report</i>	1
<i>CEO's Report</i>	2
<i>Signing of the Trans Pacific Partnership</i>	2
<i>Competition Policy on the Domestic Market</i>	3
<i>Productivity Commission looking at "red tape" in Agriculture</i>	3
<i>Growing the SA Dairy Industry</i>	4
<i>NRM Water Levies</i>	4
<i>Drought Advisors</i>	4
<i>Dairypol Legislative Change</i>	4
<i>WFI supports clients in Pinery fire</i>	5
<i>Assistant Federal Minister for Agriculture & Water Resources</i>	6
<i>Ken Lyons Retirement Dinner</i>	6
<i>Funding Grants for Women in Agriculture</i>	7
<i>Closing the Super Gender gap</i>	7

the output from both our organisations. Applications closed for the position on Wednesday 17th February and interviews will be conducted shortly. If we find a suitable applicant we will inform the members ASAP.

Ken's new contact details are email: kenlyons07@gmail.com and mobile 0439 444 509

CEO's REPORT

The low International dairy prices are expected to remain down while the market is being flooded with new dairy product, particularly from the EC, and stocks remain high in the importing markets. This situation is impacting upon the farm gate prices here in Australia. The main processors are holding prices around \$5.60 MS/kg and there are no promises that there will be "step-ups". Unfortunately, the EU has kept open the PSA program that pays processors for keeping product in storage and off the market for an agreed period. As Dairy Australia analyst John Droppert said recently, this move meant that there would be a build-up of stock in the EU, which would help remove stock from the market now thus dampening down the flooding of the market, but then will delay the price recover.

Currently EU dairy farmers were not reducing milk production, despite falling prices. In fact, European cows have pumped out an extra 2 billion litres of milk since early 2015. Rabobank are saying this 2.8% increase is putting pressure on the global prices. In Australia milk production is falling, as lower prices, higher costs and the dry season together take their toll. Dairy Australia is predicting milk production to fall between 1-2 per cent this year.

The good news is that both the existing and new dairy processors in Australia are all moving, in several different ways, to "value add" Australian made dairy product with the potential of paying a higher price to milk producers. Some of the ways for the Australian industry is attempting to remain sustainable include; joint ventures with overseas retailers and distributors thus cutting on "commissions", targeting existing "value added products" both domestically and internationally, developing new high value dairy products, and building new highly efficient plants. Success with these initiatives is expected to deliver growth and higher profit margins for both the producers and processors.

Here in SA we are making good progress on a number of fronts. The re-fitted Beston Plants at Murray Bridge and Jervois and the new Midfield Plant at Penola are expected to be seeking milk supply in the coming year or two. Certainly SADA recognises the urgency for the need to change and is complementing its traditional advocacy role with that of working on ways of promoting the future of the SA dairy industry. This is why we launched the SADA Fresh Brand and established the SA Dairy Industry Fund. We are expecting the benefits from the Fund projects will become apparent in the next year and then going forward.

We will begin this Newsletter with some key developments at the national level.

SIGNING OF TRANS PACIFIC PARTNERSHIP (TTP)

This historic agreement was signed in NZ on 4 February by Trade Minister, Andrew Robb. Now all the partnership countries will go through the domestic ratification process before implementation. The most optimistic starting date for ratification is the end of this year. The ADF and ADIC, along with the other agricultural associations and NFF, have been pushing for this outcome for many years and it is pleasing that Minister Robb has again been successful on the international stage.

These new trade deals do not immediately add to farm gate returns for the farmer but they do significantly improve our longer term future. For instance the TTP deal has been



Andrew Robb supporting our SADA Fresh milk

modelled by the US Department of Agriculture and shown that Australian agriculture would be the biggest beneficiary from the TTP. Specifically they showed dairy would benefit by an extra \$357m by 2025. With a boost of \$2.6b in total Australian exports within 10 years.

Andrew Robb recently announced that he would not be contesting the next election. When the Prime Minister announced the changes to his Cabinet on Saturday 13 February he announced that Steve Ciobo will be the new Trade Minister.

COMPETITION POLICY ON THE DOMESTIC MARKET

Since the de-regulation of the domestic milk market in 2000 the dairy farmers, through their associations, have constantly lobbied for a “fair competitive” grocery market. At the same time supermarkets around the world were introducing; “home bands”, “discounting”, and finding innovative ways of generating customer loyalty. Since 2000 we have also seen the competition in the grocery market “hot up” with the introduction of new retailers like Aldi.

Since deregulation, farming associations such as NFF, ADF and SADA have encouraged the ACCC to play an active role in overseeing the operation of the grocery market.

There has been some encouraging developments over the 5 years for the farm sector and we are today lobbying for the reintroduction of the “Effects Test”. So the work continues but if we can win on this significant issue of the “Effects Test” then we will have put farmers in a much better position.

Let us quickly look at the progress and then just recap on why the “Effects Test” is seen by the rural industries as being so important.

The progress includes; the introduction of a Grocery Code of Conduct, the Australian government support for key recommendations from the Harper Review of Competition Policy which is extremely positive and the announcement in the Agricultural Competitiveness White Paper of \$11.4m over four years to boost the ACCC’s engagement with the agricultural sector including the new Agricultural Engagement Unit. There has also been successful prosecutions of the major supermarkets by the ACCC which indicates that the ACCC is now showing it has both the appetite and the “teeth” to monitor and protect the “fair” operation of the domestic grocery market.

We are currently responding, through ADF, to the Federal governments Competition Policy Review and specifically the discussion paper, “Options to Strengthen the Misuse of Market Power Law”. The re-introduction of the “Effects Test” will, in the opinion of the Harper Review and a raft of other competition experts, be the single change that will make our competition laws fit for practice. The reintroduction of the Effects Test into Section 46 of the Act will bring Australia back into line with competition policy rules internationally.

Also across Australia, there are positive examples of the dairy industry engaging with the supermarkets. Such as announcing; long term contracts to allow processors to invest in the state of art plants, agreement on issues like animal welfare and labelling, introduction of regional dairy produce to give customers the opportunity to “buy local”, and sponsoring some of the dairy events and conferences.

We are hopeful further progress will be made as a result of this latest Review.

PRODUCTIVITY COMMISSION LOOKING AT “RED TAPE” IN AGRICULTURE

One of the most frustrating issues when running farm businesses is the amount of regulation that appears unnecessary... “red tape”.

This month, under the banner of PPSA, we met with the Productivity Commission as part of the public consultation on their issues paper “Regulation of Australian Agriculture”.

There are about 20 areas of government that are being looked at including transport, NRM, land planning, biosecurity, animal welfare, food safety, investment, and access to new technology.

What we are finding is that while some areas are quite complex (for example; transport involves Federal, State and Local governments) we are finding plenty of “low hanging fruit” to cut the costs.

Transport is one of the biggest issues where we need modernisation and harmonisation of the regulatory system. The good news is that we have shown with the PPSA Transport Project here in SA that we have identified tens of millions of dollars that can be saved.

Success with the SA Transport Project only came when the Transport Department CEO went from asking why things shouldn't change, to asking how things can change to cut the time and costs to farmers.

GROWING THE SA DAIRY INDUSTRY

The idea behind establishing the SADA Fresh Brand and the SA Dairy Industry Fund is to provide the opportunity for the industry itself to play an effective role in forging a sustainable future.

Perhaps the most often asked question over the past 2 years has been, “How can SADA be sure that this strategy (Brand and Fund) will actually deliver a sustainable SA dairy industry?”

The truth is that successful industry development will depend on many factors in the commercial environment and the Fund can only be an extra element in the mix. It is possible that the Fund could play a very significant role. The success of the initiative will be monitored by the contribution the projects funded by the Fund contribute to the development of our dairy industry.

The future financial viability of the SA Dairy Industry Fund is tied to the on-going success of the SADA Fresh brand. This is why the current review into how the brand is to be managed is so important.

In the meantime following recent discussions with Coles they have agreed to pay for advertising of SADA Fresh brand on the radio and in the social media. We also have commenced discussions on expanding our SADA Fresh brand product range to cream and butter.

NRM WATER LEVIES

The call for an independent review of the money spent on water planning and management is gaining momentum.

As reported in the Stock Journal (11 February) the Member for MacKillop, Mitch Williams, gave evidence to a state parliamentary committee to the effect that the Water Minister had not abided by the National Water Initiative Agreement between the State and Federal governments. Mr Williams said the minister had invoked the cost recovery option of the NWI but had “broken at least three rules” signed off by the Federal and State governments.

The NWI states that the cost must be disclosed and an independent review conducted before any “cost recovery”.

DOUGHT ADVISORS

Two Drought Assistance Counsellors from Centacare spoke to the Mt Jagged Dairy group on 4 February. The Counsellors and their contact details are as follows, Bernie Lawless (0409 926 483) and Kathy Flavel (0417 853 670).

The benefits that can be accessed are income support (Farm Household Allowance) that can go for 3 years and has attached \$3,000 for “professional advice”. There may be the option for low interest loans via PIRSA but these are often difficult to access.

DAIRYPOL LEGISLATIVE CHANGE

Legislation is now in the Federal parliament to remove the need for a five yearly poll when the rates remain unchanged.

WFI SUPPORTS CLIENTS IN PINERY FIRE

WFI has again been there to support clients in the Pinery fire. SADA member Jeff Kernich was very happy with the speed at which WFI was able to payout on the fire-damaged hay based on mobile phone photos.



SADA invited Peter Webber from the Gawler WFI Office to provide this report below on how WFI responded to this significant fire event.

"The fire that ravaged the Mid North & Barossa Valley had significant impact on the local communities including a large number of our WFI clients.

Immediately following the fire our Local Area Managers Kiara Boakes, Dean Cutting and Dave Rawlinson were in contact with clients across the whole area to check on their wellbeing & offer assistance as their insurer.

Our WFI Area Managers & WFI staff in our Gawler Office assisted in the Claims lodgement process and worked closely appointing Loss Adjusters to visit the fire affected clients at their properties.

It was quickly determined the magnitude of the damage with widespread claims for Property, Livestock, Crop & Motor Vehicles. Some clients lost their Homes and Contents so had to be accommodated elsewhere.

Interim payments were made to help them in the short term until their claims could be completely assessed and finalised.

Whilst the affected areas will take time to recover, clients insured with WFI experienced prompt, professional service in having their claims dealt with. Due to the size of this catastrophe some more complex claims are being settled now."



Michael and Jenny Aitken from Keith doing BlazeAid.

Michael and Jenny were travelling to the West Coast for a short holiday and on the way donated 3 days fencing with BlazeAid. They enjoyed the company of fellow farmers and retired farmers all putting in a few days to help with the recovery.

ASSISTANT FEDERAL MINISTER FOR AGRICULTURE & WATER RESOURCES

Senator Anne Ruston in her speech to the Rural Media South Australia SA luncheon on Wednesday 17 February suggested that this is a very exciting time to be a politician representing regional Australia. She is a strong believer that the future looks bright BUT that it will take government and industry playing a joint role to achieve that potential.

Later in her address she listed the contributions that the Federal Government was making and suggested that the agricultural industries would have to then take control of their own destiny. Most industries have accepted that they need to be pro-active about securing a sustainable future.



L-R: Senator Ruston, Richard Fewster and Ian Doyle



L-R: Bob Snewin and Ken Lyons planning for the 2016 Royal Show

KEN LYONS'S RETIREMENT DINNER

The South Australian Dairyfarmers' Association will be hosting a farewell dinner for long-standing Chief Executive Office Ken Lyons on March 23 from 6.30pm at Serafino Winery, 39 Kangarilla Road, McLaren Vale. Cost of \$75 per person will include a 3-course meal and some wine. RSVP to Jen at the SADA office by **11 March** on 8293 2399 or email sada@sada.asn.au We now have credit card facilities available to make it easier for you to pay. It would be great to see you there. This dinner follows the DairySA Conference (see included flyer).

FUNDING GRANTS FOR WOMEN IN AGRICULTURE



In 2016 Women & Leadership Australia is administering a national initiative to support the development of female leaders across the agriculture sector.

From February 10th 2016 the initiative will provide women in the agriculture sector with grants for leadership development. More specifically, grant applications are open to women employed in the agriculture sector at two levels. Please click on the preferred program link for details. The deadline for expressing your interest for this funding in your sector ends on March 31st.

1. **Senior Management** and Executive level Women Leaders can apply for \$12,000 Individual Grants to undertake the [Advanced Leadership Program](#).
2. **Women Managers** can apply for \$5,000 Individual Grants to undertake the [Accelerated Leadership Performance Program](#).

Expressions of Interest

Should you wish to discuss the initiative in more detail please contact Ian Johnson at the office of the National Industry Scholarship Program, Australian School of Applied Management on 03 9270 9016 or via ijohnson@wla.edu.au

Contact Ian for Expression of Interest form.

CLOSING THE SUPER GENDER GAP

Women face unique challenges when saving for retirement – lower pay, part-time work and time out of the workforce to raise children to name a few. But there are things you can do to help give your super a lift.



- **Make personal contributions** – with pre-tax (salary sacrifice) or after-tax money and see if you're eligible for a government co-contribution (conditions apply).
- **Find and consolidate your super** – save on fees by rolling all accounts into one.
- **Get your partner to make contributions to your super** – they may be able to claim a tax offset.
- **Have an investment strategy** that suits your age and tolerance to risk.
- **Protect yourself and your family** with Death, TPD and Income Protection insurance.

Find out more Call Chris Pole on 0488 588 233, or visit primesuper.com.au.

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