

DAIRY INDUSTRY, EUROPEAN DAIRY FARMERS IN WESTERN AUSTRALIA

**264. Hon BARRY HOUSE to the Minister for Agriculture, Forestry and Fisheries:**

I refer to an article headed "China win for dairies" from the *Sunday Times* of 15 September this year, which states -

Agriculture Minister Kim Chance said the Government needed the state's dairy industry to grow 100 per cent by 2008, increasing milk production from 400 million litres a year to 800 million.

The Government was encouraging dairy farmers in Europe to emigrate to WA and bring in the necessary skills and capital that would allow the industry to grow.

Why is the minister encouraging Europeans to take up dairy farming in Western Australia when we already have the most efficient producers in Australia and an abundance of capable, young, enthusiastic farmers?

**Hon KIM CHANCE replied:**

I thank the Leader of the Opposition for a very good, searching question. This matter has been raised with me, principally by Mr Tony Pratico of the Farmers Federation. It must confuse people that, at a time when our dairy industry is in decline, we are seeking immigrants, for both operations and capital inflow, into an industry which is having difficulties. While it seems illogical on the face of it, that is confusion of short-term with long-term objectives. I went through this with Mr Pratico just the other day, and he understands the Government's policy in this area. It is certainly true that, this year, the dairy industry is having great difficulty. After going into the first full post-deregulation year of production last financial year the industry had something of a holiday, because international prices were quite high. Unfortunately, that is not the case this year, and it is not expected that international dairy commodity prices will get much above their current depressed levels through the whole of the current financial year. That is a short-term problem. The long-term issue for the dairy industry in Western Australia is that, if it is to successfully make its transition from a small, domestic-focused, regulated industry to a viable player in the international market, it needs to be about twice the size it is now. As we have done in many other Australian industries in the past, we are looking to immigrants, as part of the solution to what needs to be a fairly rapid growth in the industry, from 400 million litres per annum to 800 million litres per annum.

There is no doubt that Europe has some of the world's best dairy farmers. I met with a group of British farmers yesterday in Perth. Some farmers from Denmark are coming on Wednesday of next week. The British farmers are finding it very difficult to operate in the newly deregulated structure in their own country. I do not know first hand what the situation is in Denmark, but I believe it is similar. Costs of production are about 19 pence to 19.5 pence a litre, and returns in the spring flush can be as low as 12 pence a litre. Dairy farmers in Britain are losing money, and as soon as the price rises, milk floods in from Europe under the free trade agreements. There is potential in the long term to provide opportunities for European farmers to emigrate with their capital and their knowledge. I concede the honourable member's point that we do have some very good operators in Western Australia. By Australian standards they are amongst the best, and are comparable to the best in the world. However, we do not have all the answers. This is part of a much broader program to double dairy production in Western Australia, which is needed to get the critical mass required to access very promising export markets in South East and northern Asia. I concede that it seems illogical, but it is only illogical if short-term problems are compared with long-term objectives.

Hon Barry House: Are you offering incentives to the Europeans?

Hon KIM CHANCE: No.