

DAIRY INDUSTRY, RE-REGULATION

1211. Hon BARRY HOUSE to the Minister for Agriculture, Forestry and Fisheries:

Following the minister's presence, along with about a dozen other state parliamentarians representing the entire political spectrum - which indicates, I guess, the level of interest and concern - at the Western Australian Farmers Federation dairy conference in Bunbury last Friday, at which there seemed to be a widespread feeling of doom and gloom -

- (1) Will the minister put on the parliamentary record his assessment of the current state of the industry and the actions being taken to address these issues?
- (2) Is the minister inclined towards the call for re-regulation that is coming from a sector within the industry?

Hon KIM CHANCE replied:

I thank the member for the question.

Hon Nick Griffiths: It sounds like a ministerial statement to me!

Hon KIM CHANCE: I also thank the Minister for Housing and Works. I will try to temper my comments. This is a big subject. The question has two parts: what is the current state of the industry; and what is my view, and by implication the Government's view, about re-regulation. The current state of the industry is that this is the industry's second full year following deregulation. Last year, the industry got through the deregulation process with some pain, but without enormous trauma, because of the relatively high international prices that ruled for dairy products at that time. Let me make clear what the impact of deregulation has been. Deregulation in Western Australia means that we now have the least regulated dairy industry in the industrialised world. The only outcome of having the least regulated industry of that nature is that the prices that rule in that industry will be the bottom of the line in terms of the ruling international price. Subsequently the industry will be at the mercy of the fluctuations in international prices for that commodity. As a result of a number of factors, in particular the effect of the rising Euro against the United States dollar, the European Union, on behalf of its member countries, increased subsidies to European producers, thus depressing international prices. The international price was then fed straight back into the Western Australian dairy producers' farm gate price and heavily depressed the price. As a result, the second year of deregulation, for a range of issues, but the Euro to United States dollar interaction in particular, has caused immense problems for the dairy industry.

The solution to that is clearly to shape ourselves out of a market situation in which we are the takers of the world's lowest traded price of the day. The only way in which we can do that, short of re-regulation, is by the formation of bilateral trading agreements, such as the one that has recently been concluded by Beijing Sanyaun Dairy and Challenge Dairy Cooperative. This is not the only such bilateral arrangement that will ultimately be needed in the industry, but it is enormously encouraging to me that just two years into its corporate life, Challenge Dairy Cooperative has been able to pull off such a significant international arrangement. I know that Hon Barry House appreciates and acknowledges that. I believe that this type of bilateral arrangement will give our dairy industry a future.

What we have found, having been forced out into the cold hard world of international pricing, is that we are far more competitive in north Asia and South East Asia than we ever imagined we could be. I have enormous optimism about the dairy industry. I know that it is at the bottom of a deep dark hole at the moment, although I think producers are beginning to believe that they have somewhat of an optimistic future, particularly since the announcement about the increased prices by the Beijing Sanyaun-Challenge Dairy group.

With regard to whether I or the Government will support re-regulation, all I have offered to do on behalf of the Government is look at the varied calls for re-regulation, because there is not one single call but rather a number of different calls based on different formula. I have undertaken to analyse any proposition put to me, to take legal advice on that proposition, and to seek the advice of the Australian Competition and Consumer Commission in respect of any legal issues that may arise under the commonwealth Trade Practices Act from a possible return to regulation. Alongside that there are policy issues that need to be determined; for example, how can we convince the Commonwealth Government that after it has committed \$1.8 billion to the deregulation of the national dairy industry - albeit that it claws that \$1.8 billion back in spades - it should be interested in one State returning to regulation. We could find some policy difficulties from the Commonwealth's point of view particularly expressed in the way it might administer future national competition payments. There are policy and legal issues. I have given an undertaking to explore those issues once I have a proposal before me, the form of which is such that I can seek that advice.

