

Mr Fran Logan; Mr Mick Murray; Mr Tony McRae; Mr Brendon Grylls; Acting Speaker; Mr Paul Omodei; Mr John Bowler; Mr Bernie Masters; Mr John Bradshaw; Mr John Kobelke; Mr Tony Dean

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**SELECT COMMITTEE INTO THE DAIRY INDUSTRY IN WESTERN AUSTRALIA**

*Motion*

Resumed from 11 June on the following motion moved by Mr P.D. Omodei -

That a select committee of the Legislative Assembly be appointed to inquire into and report on -

- (a) the status of the dairy industry in Western Australia and current indication of the industry's stability;
- (b) the impact of deregulation on dairy farmers, the milk supply and consumers;
- (c) the erosion of dairy farmers' share of consumer dollars and the extent of any shift in that share resulting from deregulation;
- (d) the desirability of intervention in the dairy industry and whether there should be a further package provided to assist farmers to consolidate or leave the industry;
- (e) any growth potential for export of dairy products;
- (f) the impact on the value of the Australian dollar - currently US\$66c - on the industry;
- (g) the impact of SARS on the industry;
- (h) the impact of reductions in contract prices and delivery rights units by processors;
- (i) the impact of supermarket discounting of milk;
- (j) the issue of equity between all stakeholders in the industry;
- (k) recommended actions to improve the viability of the industry; and
- (l) any other matters affecting the industry and solutions to these matters,

and to report to the Legislative Assembly by 30 August 2003.

**MR F.M. LOGAN** (Cockburn - Parliamentary Secretary) [4.01 pm]: I rise to respond on behalf of the Minister for Agriculture, Forestry and Fisheries to the motion moved by the member for Warren-Blackwood. The motion seeks to establish a select committee to investigate a number of matters concerning the dairy industry in the south west. As I have said a number of times in this House, the Government is determined to assist the dairy industry in every way possible. For that reason, I foreshadow an amendment that will refer this matter to the Economics and Industry Standing Commission. I hope that such an inquiry will provide a mechanism for our communities in the south west to gain a sense of unity and clarity of purpose in dealing with the economic issues they are confronting in a deregulated market. The Government acknowledges that a parliamentary inquiry will not be a silver bullet for the concerns of the industry but it is aware of the view that the dairy industry will benefit from an opportunity to voice its concerns, which are being strongly communicated to members at this time. At the same time, although I recognise that the member for Warren-Blackwood, who moved the motion, sought to chair the proposed select committee, the Government believes that the member's objectives can be met by the Economics and Industry Standing Committee.

I understand that, in a meeting with the member and the Minister for Agriculture, Forestry and Fisheries, the minister made it clear that, although he supported the concept of a committee inquiring into these issues, it would be a decision of the Legislative Assembly and the Leader of the House of the Legislative Assembly. Ultimately, the Government will support an inquiry provided it is referred to the appropriate standing committee. I understand that, although it is a matter for the committee to deliberate on, it is possible under Standing Order No 249(4) for the member to be co-opted onto the committee so that he can participate in the consultation with the dairy industry. Members will understand that Legislative Assembly standing committees were established for a particular reason; namely, that the employment of ad hoc select committees impinges on the ability of the House to manage its financial and administrative affairs with any degree of certainty.

On Thursday, 6 April 2000, when the then Leader of the House, Hon Colin Barnett, moved to establish portfolio-based standing committees, he said -

The rationale for supporting in principle the establishment of three portfolio-based standing committees is that it is envisaged that they would do away with the ad hoc select committee system. From time to time ad hoc select committees have been established; indeed, we are about to debate the establishment of a committee to consider fuel prices. It is hoped that the new committee system will provide a coordinated approach to the oversight of government departments, provide an established avenue for

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the referral of inquiries, enhance accountability, and complement the Parliament's role in the legislative process.

From an administrative point of view, a coordinated standing committee system will remove to some extent the resourcing and funding uncertainties associated with an ad hoc system and should provide for an orderly approach to committee membership and the scheduling of meetings

I understand that the member for Warren-Blackwood has discussed the terms of reference with the Minister for Agriculture, Forestry and Fisheries and has kindly agreed to some refinement of them. On behalf of the minister, I welcome the bipartisan and frank manner in which the member has approached this issue.

*Amendment to Motion*

Mr F.M. LOGAN: I move -

To delete all words after "that" and substitute the following -

The following matter be referred to the Economics and Industry Standing Committee -

- (1) The committee to inquire into the sustainability of the dairy industry in Western Australia and investigate -
  - (a) the financial impact of deregulation on Western Australian farmers, processors, wholesalers and retailers;
  - (b) the impact of deregulation on the supply of milk and price to consumers;
  - (c) reforms that will enhance the sustainability of the industry including any appropriate market intervention strategies, additional industry assistance and potential for market developments;
  - (d) the issue of equitable participation by all industry stakeholders; and
  - (e) any other matters considered relevant by the committee.
- (2) The committee report on progress on this matter by 30 August 2003.

The Government argues that the Economics and Industry Standing Committee will be able to address all of the specific issues and problems that the member for Warren-Blackwood listed in his motion, particularly the essence of the problems associated with deregulation of the dairy industry in the south west.

**MR M.P. MURRAY** (Collie) [4.08 pm]: A meeting with a cross-section of the dairy industry on Monday night brought home to me the dire straits they are in. I have followed the issue of deregulation for some time, probably more closely during the lead-up to the election. Farmers who stayed in the industry thought that they had made a wise decision but have since come to the realisation that is not the case. The decline in the number of registered farms from 414 to 318 in three years illustrates the trend. I think the number has reduced even more. Last week, another three farmers left the industry and the exit of another couple is imminent in the days to come. With that in mind we must have a good look at where that industry is headed and which way it probably should head. Under the regulations the industry cannot go back to a fixed price, so we must look for other ways to assist these people. They form a major part of my electorate and I wish to help them in any way I can. My future electorate may end up bigger still. I was speaking to a farmer who would have been in his seventies and he was immensely concerned about the future of his farm, because he does not think it could sustain anyone in the dairy industry. People are turning to beef to try to earn a living, but the cost associated with that will not give them a great deal of comfort. A number of family farms were probably worked by two sons and the father, and they were all earning a reasonable living, but they have had to go out and get jobs such as driving trucks. Unfortunately, they have not been in those types of industries, and it is very hard to just walk off the farm and get another job. There are lifestyle changes and other issues associated with changing jobs. There is talk of people with depression and suicidal tendencies. That is not what we want to see in our industry in the south west. We must work very closely with the farmers themselves; they know the industry; they have worked in it for most of their lives.

Challenge Dairy Co-operative Ltd is trying to get a partnership up and running with Beijing Sanyuan Foods from China. We met with the Sanyuan dairy group when we were in China and it is very keen to get involved, but after having visited the factory at Capel I realise there is a lot of work to be done, because some of the gear is quite antiquated and will need to be improved if the joint venture is to become a viable proposition. At the moment, China is talking about putting milk into its schools, but it does not have sufficient milk. It is a health issue because of the problems associated with a change of diet, and people will need a supplement of milk. I am hoping that the industry will charge forward, but the rise in the dollar has made it a marginally viable

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proposition, which is a major concern. I urge members who may not want to go down this path to move with the Government in assessing what can be done for these people. If the industry collapses and the farms are sold off we will lose all that history and knowledge, and that is something we cannot afford. The last thing we want to see is milk being freighted in from the east coast. Those who want that say that it will produce milk that is cheaper, but I doubt that, after having looked at the dairies around the back of the Ferguson Valley. The people there run quite good farms and they now bring the cows down onto the flats in the summer. However, they also have water problems because of the salt and are not getting the quantity of pasture they wish, but they do run efficient farms. The talk of bringing milk from the east coast probably reflects a bit of pressure being applied by the retailers, who are trying to squeeze the last dollar out of the milk industry. On supermarket shelves these days water is dearer than milk, and I wonder how much lower the price will go before people are forced out of the industry.

I urge members, such as the member for Warren-Blackwood, to work with the Economics and Industry Standing Committee, even in a subcommittee, because we cannot let these people flounder and disappear. The easy way for many people is to say that they will be all right, in which case we will end up with a couple of local milkers, but we will lose the export industry, our local industry and the great product we get from Harvey Fresh. Our local areas have very good names in the milk industry. We should forget the politics and get on with the job.

**MR A.D. McRAE** (Riverton) [4.14 pm]: As the chairperson of the Economics and Industry Standing Committee, I support this amendment proposed by the parliamentary secretary. I also support my colleague the member for Collie - who is also a member of our committee - who represents many of the people within the dairy industry in Western Australia, and the comments he made in relation to this amendment. This matter arises from a proposition put to this House a couple of weeks ago by the member for Warren-Blackwood following discussions with the Minister for Agriculture, Forestry and Fisheries, Hon Kim Chance, in the other place. Whilst there might be some disagreement or difference of opinion about what practical steps can be taken to implement some form of inquiry, discussions did take place between the member for Warren-Blackwood and Hon Kim Chance with agreement that something must be done to better understand the immediate past of the dairy industry, its current condition and that of all of the stakeholders involved and, more importantly, where it will go in the future. Unless the Parliament can put some mechanisms to government to assist, intervene or promote the industry, it will be left to itself - as the members for Warren-Blackwood and Collie have passionately argued - and be on its knees and we will lose the history, economics and social structure that exists in many communities that to a large extent rely on this important industry.

I support the amendment, which attempts to bring together the 12 terms of reference into a manageable framework of four specific matters and then a general provision that would allow the committee to cast its eye over any other matter that might be relevant. There has been some debate about whether a select committee or a standing committee should conduct this inquiry. Having discussed this matter in the Labor Party room and with other members from outside the Labor Party who have been in this place for much longer than I, my clear impression is that the standing committees were established to deal with a portfolio of interests, which would in most cases obviate the need for the random development of select committees for particular matters; that is to say, standing committees in the Assembly would develop a body of knowledge and expertise across a portfolio of interests. I understand there are some differences of opinion, but I ask all members to consider the importance of this matter. We are two and a half years into the thirty-sixth Parliament of Western Australia, which established this system of standing committees -

An opposition member interjected.

Mr A.D. McRAE: I have just received an interjection from a member who is out of his place. He argues that the standing committee system was established by the thirty-fifth Parliament. Technically that is true -

Mr M.G. House: Technically!

Mr A.D. McRAE: Technically that is true. I do not know whether the member is trying to claim some glory from this.

Mr M.G. House: You were trying to claim some glory, and you were caught out!

Mr A.D. McRAE: The point I am making is that standing committees were not established as functioning committees in the Legislative Assembly until the beginning of this thirty-sixth Parliament. The agreement and terms of reference for the committees, the rules under which the committees operate and the membership of the committees were developed and are contained within the standing orders, and that arose from the work of the thirty-fifth Parliament. There is no debate about that. However, the practical work and meetings of the committees came from the thirty-sixth Parliament.

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Mr D.A. Templeman: And the quality chairs of the committees came from the thirty-sixth Parliament.

Mr A.D. McRAE: The chair leadership is the outstanding feature of the Community Development and Justice Standing Committee. All jokes aside, the thirty-fifth Parliament did all of the work to get these committees in place and to make them work. I urge the House to support the proposition that the Economics and Industry Standing Committee take on the responsibility of inquiring into the dairy industry. I have had discussions with the Leader of the House, and I understand that he will be proposing that the member for Warren-Blackwood be coopted to the committee for the purposes of this inquiry. That is absolutely appropriate, because the member for Warren-Blackwood brought this matter to the attention of the House, and he also raised it in discussion with the member for Collie at some point. The committee already has on it the member for Collie, who is a permanent member, and the member for Warren-Blackwood will be a coopted member. I have the agreement of the full-time members of the committee that those two members will be the key people who will lead this investigation and inquiry.

Mr P.D. Omodei: What a cop out! Why won't you be chairing it?

Mr A.D. McRAE: I will be chairing it, but I will be relying on people who claim authority and a role in representing the interests of the dairy industry. That is the basis on which the member for Warren-Blackwood will be coopted.

Ms S.E. Walker interjected.

Mr A.D. McRAE: The member for Nedlands is so far around the corner on this matter that she has gone out of sight. The member for Nedlands thinks that if she yells back everyone will think that what she is saying is relevant. There has been a bus crash around the corner, and the member did not see it. That is typical of the sort of contribution the member for Nedlands makes. It is typical of the way the member for Nedlands narks and barks and carries on. The member for Nedlands should bite her tongue. She has nothing to do with this debate. She has no knowledge of this debate and no contribution of any meaning to make to this debate. She should pull her head in and leave it alone. I was putting a proposition to the member for Warren-Blackwood. I am doing this honestly and openly. I have discussed this matter widely across the parties represented in this place. I have just said, quite magnanimously, I thought, that the member for Warren-Blackwood and the member for Collie would take a lead role in undertaking this inquiry. I do not understand what is in contention about that statement. If the member for Warren-Blackwood is suggesting in some way that he should not be involved, that is his choice. The offer is made from my committee and from members on this side of the House for the member for Warren-Blackwood to be directly and primarily involved in this mechanism for inquiry. The comments of the member for Collie about the need to do the best for the dairy industry and the communities that depend on the dairy industry must be the prime motive for all of us. If it is not, I am sorry, because we have missed the point.

This matter has been discussed by the Economics and Industry Standing Committee. The members did not make a formal resolution, because it was not appropriate in the context of the discussion to do that, but they did agree informally that it would be appropriate, if the member for Warren-Blackwood was desirous, for him to be coopted, and for the member for Warren-Blackwood and the member for Collie to be the lead agents in the conduct of this inquiry. This committee is an appropriate mechanism. I wholeheartedly support the need and the mechanism for this inquiry and commend the amendment to the House.

**MR B.J. GRYLLS** (Merredin) [4.24 pm]: My contribution to this debate will be short. It is disappointing that the member for Cockburn has moved this amendment. The House needs to recognise that this motion came forward from the member for Warren-Blackwood because of his concern for the dairy industry. The member for Cockburn did not bring forward this amendment because of his concern for the dairy industry. The Economics and Industry Standing Committee did not bring forward this motion for a select committee on the dairy industry. This motion came off the back of the member for Warren-Blackwood and his close relationship with the dairy industry in his shadow portfolio role and his concern for where the industry is headed. I have been informed that in previous times the mover of a motion to establish a select committee has been coopted to become the chair of that committee. However, with this amendment by the member for Cockburn the only involvement of the member for Warren-Blackwood will be as the person who will do all the legwork.

Mr M.P. Murray: Think about the dairy industry!

Mr B.J. GRYLLS: I am thinking about the dairy industry.

Several members interjected.

The ACTING SPEAKER (Mr A.J. Dean): Order, members on my right!

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Mr B.J. GRYLLS: My concern for the dairy industry is that the member for Warren-Blackwood went out of his way to speak with the Minister for Agriculture, Forestry and Fisheries about the formation of this committee. However, it seems that we will now have a change in structure. Although everyone agrees that the member for Warren-Blackwood's knowledge of this industry is superior to that of a lot of other members of the committee, the member for Warren-Blackwood will not have the ability to vote on this committee. That is extremely disappointing. Obviously the amendment moved by the member for Cockburn will be passed and the Economics and Industry Standing Committee will inquire into the dairy industry. The dairy industry has a great issue to fight. I spoke with the Australian Competition and Consumer Commission about this matter last week, and I was informed that the dairy cooperative that is operating at the moment has had to go back to the ACCC and ask for special permission to act as a cooperative, because by acting in a cooperative manner to fight for a better price for their product the dairy farmers do not fit within the National Competition Council guidelines. That is extremely disappointing, and that will be a great challenge for the dairy industry. What should be investigated is the ability of eastern States dairies to send milk across the border at a subsidised price. We have just had an argument in the trading hours debate about how the large companies that have the greatest market power are selling their products at below cost in order to gain market share.

Mr B.K. Masters: It is called unconscionable conduct.

Mr B.J. GRYLLS: That is exactly right. That threat is constantly hanging over the Western Australian dairy producers, and that is what is keeping the pressure on prices. That will be a challenge for the Economics and Industry Standing Committee to pursue. I suggest that the committee speak to the ACCC about the role it is playing in this debate. It seems that the ACCC is coming down pretty tough on the dairy industry because it comprises individual producers and it is pretty easy for the ACCC to use its strength in the marketplace to exert its influence and prosecute those producers. However, when it comes to the ACCC fighting the real issue and putting some pressure on the big multinational companies, it runs for cover; it spends its whole time attacking the dairy producers.

Mr M.P. Murray: Who deregulated the dairy industry?

Mr B.J. GRYLLS: The dairy farmers deregulated it, because they were placed over a barrel. That is why they reluctantly supported it.

Mr M.G. House interjected.

Mr B.J. GRYLLS: What happened with the dairy farmers is that they -

Several members interjected.

The ACTING SPEAKER (Mr A.J. Dean): Order, members! I remind members that all interjections are unparliamentary, particularly between third parties such as the members for Stirling and Collie.

Mr B.J. GRYLLS: Government members are happy to raise this issue. Given that they now want to be the main participants in this parliamentary inquiry, they will hopefully learn a little more about what has happened to the dairy industry than exhibited today.

The dairy industry was placed in a position in which, if it did not go down the path of deregulation, it could not access the assistance package that had made available to it. The industry was put in an untenable position and it decided to go down the path of moving towards deregulation because it felt there was no other way around it. The dairy industry now faces those same issues again.

This parliamentary committee is charged with the responsibility of coming up with some workable solutions to this problem. It is disappointing that the member for Warren-Blackwood, who has knowledge of this area, will not be able to vote on the recommendations of this committee. Members opposite, who like to yell loudly when talking about the previous deregulation of the dairy industry, now have the ball in their court and will have to provide some workable solutions for the dairy industry. I look forward to hearing their comments as it is an important issue for the dairy farmers of Western Australia.

**MR P.D. OMODEI** (Warren-Blackwood) [4.31 pm]: I rise to make my contribution to this debate having moved the original motion that is now being amended. I am more than happy to be seconded to the amended standing committee process. However, I am disappointed that the Government has not agreed to the proposal for a parliamentary select committee, which was an agreement made between the Minister for Agriculture, Forestry and Fisheries and me. During our discussions we both agreed that the dairy industry in Western Australia was at crisis point and I proposed that there be a bipartisan approach to find a resolution to the current crisis faced by farmers across the State. I said to the minister that if he agreed to set up a parliamentary select committee through his party process, I would be more than happy for a Labor member to be a chairman of that committee. The minister's response - to his credit - was; "No, I would prefer if you were the chairman of the select

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committee on the basis that I will be the minister and, to all intents and purposes and appearances to growers, it will give the impression that the Parliament is concerned about the dairy industry in Western Australia.” By having him as the minister and me as the chairman of the committee we would give the impression to farmers that we were operating in a bipartisan way to the benefit of the industry. That was the proposal. I understand the way Parliament works. The Labor Party has decided that it will stick with the standing committee process. I also understand that I can be co-opted onto that committee but that I will not have voting rights. However, this is a very important issue in Western Australia at the moment because it involves more than 400 farmers - at the moment the numbers are about 314 because there has been a drop of 25 per cent in the industry.

Before members start jumping up and down about deregulation and why it happened, I will go back a little in history. The member for Stirling, by way of interjection, mentioned that if we go back far enough to get an understanding of the dairy industry, we will find that in 1990 the then federal Minister for Primary Industry, Hon John Kerin, introduced the Kerin plan. That plan provided for a 2c levy for Victorian farmers on the condition that they would not export milk outside their State, bearing in mind that Victoria is, by far and away, the largest producer of milk in Australia -

Mr B.K. Masters: Do you mean exporting milk into other States?

Mr P.D. OMODEI: Yes, and therefore undermine the milk markets in those States. All parties agreed to that but it was a well-known fact that at the sunseting of the Kerin plan, something would happen about deregulation. The minister clearly signalled that there needed to be a deregulated industry at the end of the Kerin plan process. In 2000 the then federal Government initiated the \$1.8 million package to assist those farmers who wanted to exit the industry, bearing in mind that many of them lost significant equity in that they had quotas in Western Australia for the fresh milk market and there was also a package for the manufacturing milk producers. The process showed that 25 per cent of farmers - over 100 farmers - left the industry. The industry was placed in the position that if it did not accept the package, then deregulation would occur in a de facto way in Western Australia; milk would then be able to flow across the border into Western Australia and undermine the Western Australian milk industry. The farmers who were predominantly manufacturing milk producers in my electorate were in favour of deregulation because there was an understanding that the price of milk for them would go up. On the other hand, the other farmers in my electorate who had a mix of whole milk and manufacturing milk knew that the price of whole milk would drop from 47c per litre to possibly below 30c, and they opposed the move. In the end, however, they were faced with the decision to either take the package or face the possibilities of milk coming across the border. I thought it was only a slim possibility that milk would come across the border. In the end, by the time the milk got to Western Australia, it would have been five or six days old and it would not have been of the same quality as Western Australian milk. Once the milk was taken out of the bulk tanker it had to be repackaged, which would have meant it had a shorter shelf life. The competition may have existed but I am not convinced that there would have been a flood of milk across the border. If that had happened, the strategy might have been to drop the price of milk while it was coming across to Western Australia and to use marketing expertise to ensure that we discouraged milk coming over in bulk components.

My concern with the amendment is that I had an agreement with the minister to amend the terms of reference for the parliamentary select committee and for him to add some terms of reference of his own. At the moment, the substitute motion has nothing in it about the impact of reductions in contract prices and delivery rights units by processes. It has nothing in it about the impact of the supermarket discounting of milk or the issuing of equity between all the stakeholders. It has nothing in it with regard to recommended actions to improve the viability of the industry. I know there is a contractual part to the motion that refers to any other matters considered relevant by the committee. However, I made it clear in the original motion that these were matters that had to be dealt with.

At the moment, if a farmer in Western Australia is producing over a million litres of milk, he has to find \$40 000 to prop up his business. Farmers are surviving on the depreciation of their assets. In other words, the money that they would normally spend on replacing machinery or fencing is now being used to prop up their income. The situation is so serious that come November, the industry will need supplementary feeding by either grain or irrigation, and the grain suppliers will tell the farmers that they want a bank cheque before dropping off the grain at their property. Super orders are also being cut. Therefore, no super will be spread in spring and farmers will be cutting back. At the same time, the price of beef has been quite buoyant and, at the moment, it is dropping. If a large number of dairy farmers opt out of the industry and the export shipping market fades away, a crisis will also occur in the beef industry.

The minister said that once deregulation occurred, the international price would become the benchmark for pricing milk. When I moved the motion, I said that the international price for milk has already been corrupted by the European Union subsidies, American subsidies and so on. The cost of milk production in Victoria is lower than it is in Western Australia because Victoria has better pastures and the ability to produce higher

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quantities of milk at a lower price. The price of milk in Western Australia should be at least the eastern States' price plus freight. The cost of milk production on a farm that produces less than 750 000 litres is 31.2c a litre, for 750 000 to 1.5 million litres it is 25.2c a litre and for more than 1.5 million litres it is 26.9c a litre.

Mr J.B. D'Orazio: So it goes up?

Mr P.D. OMODEI: It goes up when efficiency is increased.

A missive has just been released to farmers by Larry Brennen, the Chairman of Challenge Co-operative Ltd, which states -

We must therefore immediately reduce the price we can pay for your milk to around 21 cents per litre for contract milk and 18 cents per litre for DRU milk as opening winter price. The actual figures will be confirmed at the shareholders meeting. Under these circumstances the DRU offer which was to be accepted by May 31 has been suspended until at least the commencement of the JV.

The JV is the joint venture between Beijing Sanyuan and Challenge Australian Co-operative Pty Ltd. That joint venture is still a possibility and may partly be the salvation of the industry. However, the truth of the matter is that National Foods Ltd (WA) will release a new contract next week to farmers with a reduction in volumes and prices. The dairy industry is facing a very serious situation. It could well mean that the volume of milk in Western Australia may reduce to 250 million litres, which is the white milk market demand. That will result in many farmers dropping out of the industry and losing huge amounts of assets that they have invested in over many decades.

The price of milk in retail outlets in WA has gone up to \$1.59 a litre. Farmers are being paid between 18c and 24c a litre and up to 31.5c a litre to those who have solid contracts with National Foods and the Peters and Brownes Group. However, 31.5c a litre barely covers the cost of production. Members will agree that it is a helluva long way from the \$1.59 charged in shops. I contrast that with the \$1.39 a litre and \$2.40 for two litres that is being paid in the eastern States. There is a vast difference in prices between the eastern States and WA. It is a serious problem in WA and it must be addressed by the Government as a whole. I am not afraid of assisting the minister if he wants to talk to National Foods, Peters and Brownes and retailers. I am more than happy to stand side by side with the minister to resolve this issue. However, processors and retailers are taking far too much of a cut in the price of milk. There must be a way of increasing the price paid to producers to at least the cost of production plus; otherwise the dairy industry across WA will dissolve.

I have said that I am more than happy to stand with the minister. A select committee into the dairy industry is not a panacea to the problem and it is not the silver bullet, as the minister said, to the dairy industry in WA. By the time a select committee reports in three months, the industry could be in total disarray. The appointment of a select committee is all about indicating to the dairy industry that the Government of WA is concerned about the industry, that it is prepared in a cooperative and bipartisan way to listen to what farmers, processors and retailers have to say and that it will come up with a solution to restore and maintain the industry in Western Australia. A select committee is therefore not a panacea, but an indication to dairy farmers that the Parliament is prepared to do some work to resolve the issues in the industry. The minister must immediately get alongside the industry and talk to farmers. I do not know whether a pool system would work or whether there should be an authority such as Dairy WA, the structure that was put together by the previous minister on the sale of the Commonwealth Dairy Industry Authority's assets. Perhaps one option is for that body to collect the milk and then trade it with the processors. Perhaps I should not have volunteered that option. I should let the industry, which knows much more than members in this place, say what should happen to the industry.

Dr Glenys Hough, who reported recently on the dairy industry, said that to support a debt to income ratio of one to one and to allow debt to be serviced - principal not just interest - a breakeven milk price was 38.9c, 28.8c and 28.9c a litre net for producers producing 750 000, 750 000 to 1.5 million and more than 1.5 million litres respectively. She said that for producers producing more than 750 000 litres, the minimal sustainable price based on a flat supply curve is 31.5c to 32c a litre net of freight and levies.

I could read a lot more information into *Hansard*. The dairy industry in Western Australia at the moment is at crisis point. I know, from talking to farmers, that there is the potential to lose a great many farmers in the south west region. The competition is very strong and some structure must be put in place to ensure that farmers get a fair price for their product and that the industry in Western Australia is viable. Let us not play petty politics. I will not succumb to the bait of the Labor Party. I will not throw my dummy into the dirt and say that I will not be part of this committee. I am more than happy to be part of the committee. However, if the Government wants to refer the matter to a standing committee, it should be the responsibility of the chairman of that standing committee to chair proceedings. The whole of that standing committee, not just the members for Collie and Warren-Blackwood, should meet farmers, processors and retailers and come up with a plan for the future of the

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industry. I will not be drawn into a nonsense situation in which the Labor Party of Western Australia has tried to embarrass me by putting the member for Collie and me in charge of taking submissions from farmers. That is what this debate has been about. I am thoroughly disappointed at the way in which the Labor Party, in particular the members of the Legislative Assembly, have handled this issue. I believe the minister has some empathy with farmers - he used to be a farmer himself - and I believe he knows that the industry is in crisis. He is continuing to meet with representatives from a cross-section of the industry; he has to. What else would you do, Mr Acting Speaker (Mr A.J. Dean), if you were the Minister for Agriculture in WA and the industry was about to collapse? Obviously, you would meet with all the stakeholders; that is what the minister must do. I have offered in a bipartisan way to chair a select committee of this Parliament to assist the minister to resolve these issues. I had not considered using the services of a standing committee. Let us talk about costs.

Surely the cost of establishing a select committee would be exactly the same as the cost of a standing committee. What has the Government got to lose by agreeing to a parliamentary select committee? Absolutely nothing! Let us stop all this petty nonsense that the Labor Party has come up with and let us agree to a parliamentary select committee, so that I can stand alongside the Minister for Agriculture in Western Australia and say with full confidence that we are standing side by side to sort out the dairy industry in Western Australia: firstly, for the benefit of farmers and producers in WA; and, secondly, for the rest of the industry in Western Australia as a whole.

**MR J.J.M. BOWLER** (Eyre) [4.49 pm]: As a member of the Economics and Industry Standing Committee, I rise to allay the fears the member for Warren-Blackwood expressed in his speech. He seemed to be concerned that our committee has not acted in a bipartisan manner and that it will not do so when dealing with this issue. I assure the member for Warren-Blackwood - the members for Vasse and Darling Range may want to support me - that in the two years the committee has been in existence there has not been one case in which the committee has not reached a bipartisan agreement. The committee operates well. It investigated the Bellevue fire, which it could have made a very political issue as it involved the previous Government's handling of a site on which a major environmental disaster occurred. We could have given the previous Minister for the Environment a serious public slapping or kicking over that issue. However, we did not. At no time when debating our findings or recommendations did a Labor versus Liberal vote take place. I hope the member for Vasse concurs with that.

Mr B.K. Masters: We eventually reached that point after vigorous debate.

Mr J.J.M. BOWLER: We listened to the member's point of view, and he listened to ours. At no stage in two and a half years have the three Labor Party committee members outvoted the Liberal Party members. The member for Warren-Blackwood can rest assured that the members of this committee - including me - want to conduct this inquiry in the right way. I can tell by the way he speaks that his heart is in this. Like some people in this Chamber, he wears his heart on his sleeve and does not hide his feelings. That sometimes gets him into trouble, but there is no doubt that he is passionate about this industry. I assure him that our committee has acted in a bipartisan manner, and I know it will continue to do so.

The member raised the issue of the cost the taxpayers of Western Australia will face if a standing committee rather than a select committee investigates this. Our committee has three permanent staff. We have just finished an inquiry - the report will be tabled tomorrow - into the management of strata title in Western Australia. This is perfect timing as the committee's three staff members will be able to begin the dairy industry inquiry immediately. There will be no extra cost. The staff are available and the structures - offices etc - are in place. We can move straight into inquiring into the issue. It is perfect timing for this committee.

The member also mentioned that it was unfair to expect him and the member for Collie to chair this inquiry.

Mr P.D. Omodei: I did not say it was unfair. I think that the chairman should do it.

Mr J.J.M. BOWLER: The chairman and I were the committee's representatives when we held hearings about strata title in Kalgoorlie-Boulder. When the committee held hearings in Busselton - the seat of the member for Vasse - as part of the strata title inquiry, the members for Vasse and Collie and the chairman attended. The chair involved himself at all times, and I am sure that if that is the way the member wants it to be with this inquiry, that is the way it will be. The chairman was trying to be fair by offering the member a free rein rather than expecting him to be one part of a big group. Under the chairman's plan, the members for Warren-Blackwood and Collie would hold hearings. Sometimes all of us would attend, but at other times only those two members would be present. That would allow the member for Warren-Blackwood a greater profile and far more say in the issue as he would be one of two members rather than one of six. I honestly believe we have been fair about this, and that is why I support the amendment. I am sure that in hindsight I will be proved right and the member for Warren-Blackwood will be proved wrong. I hope that when that happens, he will be man enough to stand in the Chamber and tell me so.



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**MR B.K. MASTERS** (Vasse) [4.53 pm]: When I was preselected as the Liberal Party's candidate for Vasse in mid 1996, the most complex and divisive agricultural issue in the electorate was the possible deregulation of the dairy industry. As it was such a complex issue, I became an associate member of the Western Australian Farmers Federation - I still am - so that I could attend the various dairy industry meetings being held throughout the south west. It took me almost two years to obtain at least a partial understanding of the complexity of the dairy industry in Western Australia. Dairy farmers are by their nature very individualistic. They hold very strong views. They have a lot of personal views that sometimes do not allow them to get along with their near neighbours or families and so on. I emphasise to members on the other side of the House that the member for Warren-Blackwood has provided an extremely competent and excellent summary of the industry. It would take six to 12 months for members to gain for themselves the level of knowledge and detail he has provided to the House. I commend the member for Warren-Blackwood not only for his knowledge of the dairy industry but also for the way in which he outlined to everyone in this place and had recorded in *Hansard* the complexities and difficulties associated with the dairy industry.

In mid 1996 there were approximately 120 dairy farmers in my electorate. They were a mixture of quota and non-quota holding dairy farmers. Those who were on quota were doing quite well. Some of those who had not purchased quota were also doing well but many were making heavy weather of it. I understand that the number of dairy farmers is now about 80 or 90. Between a quarter and a third of the dairy farmers in my electorate have left the industry. The unfortunate thing is that almost every one of the remaining dairy farmers is in significant financial trouble.

As the member for Warren-Blackwood pointed out, Dr Glenys Hough recently carried out and reported upon a study into the industry. Dr Hough was a senior research scientist with the Department of Agriculture. She left government employment some 12 or 18 months ago to become a consultant. One of her significant jobs has been to study the profitability of the dairy industry in Western Australia. As the member for Warren-Blackwood said, her work revealed that the industry cost of production was 31c a litre for dairy farmers producing less than 750 000 litres a year; 25c a litre for farmers producing between 750 000 and 1.5 million litres a year; and 27c a litre for dairy farmers producing more than 1.5 million litres a year. However, those figures are for only the cost of production. As the member for Warren-Blackwood said, when Dr Hough calculated the profitability that would allow those dairy farmers to put money in the bank - in other words, reduce debt and do all the sorts of things that all in this place hope our salaries will allow us to do - the prices increase to 38c a litre for small dairy farmers, 29c a litre for medium-sized dairy farmers and 32c a litre for large dairy farmers. I explain to the member for Ballajura that the reason dairy farmers producing very large volumes of milk have a higher cost of production is that many have had to buy land that can sustain a dairy herd that will produce more than 1.5 million litres of milk a year. Of course, land in the south west of Western Australia is not cheap; therefore, those large farmers tend to be more heavily indebted to banks and other lending institutions than small and medium-sized dairy farmers.

I understand that Challenge Dairy Co-operative Ltd pays its dairy farmer members between 18c and 21c a litre, while National Foods Milk (WA) Ltd and Peters and Brownes Group - the other two significant producers of processed product in Western Australia - pay an average of 26c to 28c a litre. It is not difficult to understand that prices being paid today are at best equal to the cost of production, or at worst are significantly lower than the cost of production, as outlined by Dr Glenys Hough. I hope the standing committee inquiry will investigate these matters. It is important to note that the Challenge Dairy Co-operative has not settled the joint venture being negotiated with Chinese interests. The difficulties with this process have been the increase in value of the Australian dollar; the severe acute respiratory syndrome outbreak in China, which has discouraged people from eating at restaurants and consuming dairy products, such as butter, cheese and ice-cream; and a change of management at Challenge Dairy. At one stage, the cooperative was seen to be the shining light, in fact the only light, at the end of the tunnel for many dairy farmers. Challenge Dairy is now experiencing hard times, although not hard enough to scuttle the cooperative; nor do I see the prices paid to dairy farmers to be so low as to cause all dairy farmers to close their doors and engage in other agricultural pursuits. Nevertheless, the difficulties facing Challenge Dairy and its milk-supplying farmers are severe enough to convince me that a committee inquiry is urgently needed.

I also remind members that the Minister for Agriculture, Hon Kim Chance, at his first dairy conference in Busselton in July 2001, made a commitment that if things did not work out with the dairy industry once the full effects of deregulation came into force, he would not hesitate, firstly, to look at alternatives - the member for Warren-Blackwood referred to them - and, secondly, to analyse the price trail of milk in Western Australia. That means starting with the price paid by consumers at supermarkets, delis and retail outlets for the final product, be it butter, cheese or, more commonly, fresh milk, and going back down the line to see how much money ends up in the pockets of those in the chain. In such an analysis one would consider the amount made by the retailers, which are overwhelmingly Coles, Woolworths and other big chains. One then would then take a step back to see

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how many cents per volume of product end up in the pockets of the milk processing companies, such as Challenge Dairy, the Peters and Brownes Group and National Foods Ltd. One would then consider the final stage to see the amount of money getting into the pockets of farmers. How many cents a litre end up in the pockets of farmers is pretty well known. How many cents a litre paid by consumers is pretty well known. However, the profitability enjoyed by retail chains and other retail outlets that sell milk and of the milk processing companies is not known. If the standing committee achieves only one outcome, I hope it will make known how the money paid by consumers for a litre of milk is distributing along that chain. I am convinced that the retailers, particularly Coles, Woolworths and other major supermarket chains, are making extremely high and unacceptable profits at the expense of dairy farmers. If that is found to be true, the inquiry will be able to shame those supermarket chains into recognising that they are the primary cause of the difficulties the dairy industry faces.

Another issue close to my heart was mentioned by the member for Merredin, and I commend him for his comments. I refer to the threat made by supermarket chains and milk processors to dairy farmers that if they did not deregulate the industry, milk would be brought over from the eastern States to be sold at below the cost of local production. It has not happened to any significant degree. I agree with the member for Merredin that the Australian Competition and Consumer Commission has been incredibly weak and totally uncommitted to applying the enforcement provisions of the Trade Practices Act to ensure that the unconscionable practices of companies in the eastern States are fully analysed, understood and assessed. One of the reasons for deregulation was that a gun was virtually placed at the heads of dairy farmers around Australia, but the bullet in the gun in WA was that milk would be brought in from the eastern States and local farmers would not be able to compete. If that milk had come from the eastern States, primarily from Gippsland, it would have been sold at a price lower than local production costs, plus the cost for transport. That is unacceptable behaviour by the processing companies or retail chains involved in the process. I remain disappointed that government agencies at the state and federal levels have been quiet on taking action in this regard.

One solution might be for Dairy WA to buy all milk produced in this State to on-sell it to any processor wishing to buy it. When the deregulation debate was at its height, an option I proposed was for dairy farmers to voluntarily place themselves into a single cooperative that would buy all milk in the State. This would have given dairy farmers as a group the marketing power and strength to stand up to pressure from the processing companies, retail chains and people in the eastern States. It was a pipedream on my part. To get all dairy farmers in WA to agree to any course of action would be impossible, and it would have been absolutely impossible to get them to agree to one cooperative.

I am disappointed in the Government's decision not to have the select committee, firstly, because of timing. The Economics and Industry Standing Committee, of which I am a member, is pretty damned busy. It is releasing a report tomorrow, and a national conference of economics and industry standing committees of all Australian Parliaments is being held next week. Obviously, an amount of work will need to be done after the conference to send out appropriate thankyou's to those involved.

Ms A.J. MacTiernan: Are you too busy with junkets to concentrate on milk?

Mr B.K. MASTERS: A junket made out of milk, maybe. The minister may see a trip to Karratha as a junket, but I am not sure many others would agree.

Ms A.J. MacTiernan: You're not saying it is a slag heap of despair, are you?

Mr B.K. MASTERS: No. I disagree with Tim Costello's assessment. Does the minister agree with that assessment of Karratha?

Ms A.J. MacTiernan: Absolutely not - it's beautiful.

Mr B.K. MASTERS: Time limits are imposed on the standing committee. The motion states that the standing committee must report progress by 30 August 2003. I am sorry to say that I suspect the report will indicate an unsatisfactory level of progress, and nowhere near the level of detail that the industry is demanding right now. On the other hand, a select committee could have been operational within two weeks, could have devoted almost all of its time to the issues that need to be investigated, and could have been substantially concluded by 30 August. I am disappointed that, because of a lack of resources, this Government will not establish a select committee. The member for Warren-Blackwood may well be coopted onto the Economics and Industry Standing Committee but, as has been pointed out, he will not be a voting member. The National Party is not represented on that committee. Although the Liberal and National Parties sometimes have their differences, this is a genuine, rural issue. I have no doubt that under a coalition Government, not only the Liberal and Labor Parties but also the National Party would have been represented on either a select committee or a standing committee.

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I am not convinced that the staff resources available to the committee are sufficient to allow it to do the work in the time allocated. I understand that, of the three staff members available to the committee, one will be seconded shortly to another committee. That will leave two staff. I thought the committee had many other things to do in addition to this latest inquiry. I agree with the member for Warren-Blackwood that the costs the standing committee will bear in this inquiry will be almost identical to those that would have been incurred by a select committee.

Finally, I hope that the committee, in whatever form it takes, will examine some complex issues, which will require significant investigation and understanding. For example, I have yet to be told whether the capital loss incurred by quota holders as a result of the abolition of the quota system can be offset against capital gains at taxation time. That matter is of considerable importance in this issue. I also know that some quota farmers want to return to the days of financial security that the quota system provided. Those days are gone and we must find a better alternative for providing reasonable financial security.

It is also important to understand that many dairy farmers used deregulation of the dairy industry to get out of dairy farming. It was an excuse to retire because many of them were elderly and wanted to change their lifestyle. The prospect of getting up at 4.00 am to milk cows and milking them again at three o'clock in the afternoon every day of the year is not a lifestyle I would choose.

I am aware also that some farmers have overcapitalised their farms and some of that capital expenditure has not been invested in productive activities. Those farmers are now in financial difficulty. Some farmers also have significant off-farm assets. Members of Parliament must understand that - excuse the pun - we need to sort the wheat from the chaff and understand the difference between on-farm and off-farm assets if clarity is to be shed on this issue. I am disappointed with the parliamentary secretary's amendment. The Opposition will not vote against it; nonetheless, I would have preferred that the motion to establish a select committee be passed. However, if the Economics and Industry Standing Committee undertakes this review, I hope it will be successful in investigating the difficult situation in which dairy farmers find themselves.

**MR J.L. BRADSHAW** (Murray-Wellington) [5.13 pm]: Unlike my colleagues the members for Warren-Blackwood and Vasse, I do not support this amendment. The dairy farmers need action now. I am a member of the Public Accounts Committee, and every time we hold an inquiry it continues for years. Since deregulation of the dairy industry in Western Australia, the number of dairy farms has decreased from 400 to about 300. In another two or three years another hundred dairy farmers will have left the industry because they are in dire straits now. They are hurting because of the low returns they are getting. Given the combination of high grain prices and the low price of milk, they are battling to survive. It is very sad. Some friends of mine who are dairy farmers are in dire straits; they are battling to pay their bills. Not only dairy farmers are affected by this difficulty. A business operator in Brunswick to whom I spoke on Monday explained that some of his clients park across the driveway of the lady who lives next door and cause an obstruction. When I suggested that he erect a couple of no-parking signs, he said that he could not afford them. I will pay for those signs, which cost only about \$80. It is not a big deal. However, that is an example of the dramatic flow-on effect that difficult times in one sector of the industry can have on other businesses. That businessman relies on the dairy industry for his trade.

As has no doubt been pointed out today, the problem dates back to the 1980s when Victorian dairy farmers were struggling because of a huge overproduction of milk. Victorian dairy farmers produced 64 to 68 per cent of the milk in Australia, most of which had to be exported. In those days, it was a global problem because mountains of butter and cheese were available throughout the world.

**Mr A.D. McRae:** How much of the dairy industry will you examine as you travel overseas in the next few weeks?

**Mr J.L. BRADSHAW:** I will be visiting dairy people.

**Mr A.D. McRae:** Good. I will be pleased to read your report.

**Mr J.L. BRADSHAW:** I will visit a group in England that is examining the problems associated with the rural industry. I will be sitting in on a working party on one of the days I will be there, regardless of whether the member thinks it is a junket.

**Mr A.D. McRae:** I did not say that and I would not say it.

**Mr J.L. BRADSHAW:** I know. The facts are that I will be visiting places that have things in common with my electorate.

**Mr A.D. McRae:** I thought you might be; that is why I asked.

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Mr J.L. BRADSHAW: I will also visit dairy producers in America. It is important to me to learn as much about the dairy industry in other places as I can.

In the 1980s the Victorian farms thought that all the other States had their act together. Western Australia's dairy industry was probably considered to be the most effective. White milk sales were regulated under a quota system. However, manufacturing milk, which is used to make butter, cheese, yoghurt etc, was unregulated. Its price varied according to the rise and fall of the demand for milk products throughout the world and within Australia. Western Australian dairy farmers had the best of both worlds. They had stability through the quota system because they knew that every month they would receive a cheque for their milk. The quota agreement contained a fluctuation clause that meant that if sales of white milk fell, farmers' returns would fall also. In general, although it varied from week to week, or from month to month, it did not vary much more than five per cent either way.

It was a great system because it provided certainty. Farmers could produce more manufacturing milk if they wanted to. Some farmers relied solely for their income on the sale of manufacturing milk, although their returns were at the bottom end of the scale. Further south, where grazing areas were larger and free water could be pumped from below ground, milk could be produced at lower prices on which the farmers could survive. However, farmers with small landholdings in the Harvey, Waroona or Brunswick areas, who relied on irrigation water, were locked into a system of high production costs. They had to achieve a fair return to pay their way, which they were getting. Back in the 1980s the Victorians started to make threats of going over the borders, because they saw better prices. The Kerin plan was put in place and the Western Australian Farmers Federation and the dairy farmers of Western Australia agreed to go into it. I said at the time that the Farmers Federation had sold out the dairy farmers of Western Australia. I thought a stand should have been taken then; however, I got rapped over the knuckles by the Farmers Federation or the then Farmers Union. I explained my position. I still say a stand should have been taken back in the 1980s, rather than what occurred two or three years ago.

The mistake I made when deregulation was introduced was not taking the same stand. I think the Western Australian dairy farmers with the high quota were in the same boat. All their leaders were saying, "It will happen; if you do not go with it, it will happen anyway." The federal Government put together a package for loss of income and, on average, dairy farmers in Western Australia received \$220 000. The poor dairy farmers had the problem of deciding whether to go with that package or not get the \$220 000. Some people got half a million dollars out of it, so it was big time for them, but others got less. The farmers tended to go in that direction. The state dairy leaders were saying that the farmers must go with it because it was going to happen; they would get run over if they did not go down that route. I left it up to the dairy farmers to decide. The Electoral Commissioner conducted a vote, and 58 per cent of dairy farmers voted for deregulation. Danny Harris, the president of the dairy section of the WA Farmers Federation, wrote to the Government asking for deregulation. He did that without consulting his committee. It was coming up to a committee meeting and I rang the three delegates from my electorate who were on the dairy council and told them that I would support whatever they did, because I expected a bit of a bun fight when they got together with Danny Harris. I felt they would not have been happy with him doing it off his own bat. I spoke to those people for a long time before the meeting and then rang them after the meeting and asked them what had happened. Somebody started to get into Danny Harris; somebody moved a motion of no confidence and it went through unopposed! I wondered whether it was up to me to tell them they were wrong. I did not think it was; it was their industry and they should know what they were doing; they are big boys. Following the backlash I received following the deregulation of the dairy industry, I am sorry I did not stand up and say they were fools for going into deregulation. This has had a very big impact on my life. I wanted the dairy industry to make up its own mind.

A funny thing happened. On state election day I rocked up to a polling booth in Harvey and a dairy farmer handing out One Nation cards started getting into me. I asked him how he voted, and he said, "I was sucked in." He voted for deregulation but blamed me. I found that quite ironic. That has been the case with a lot of people. They voted for deregulation, but I got it in the neck. As I said, it has had a pretty dramatic effect on my life - my lifestyle has changed as a result, which I regret, because I love Harvey and I have lived there for 35 years. The deregulation of the dairy industry has been very difficult for me. It was my fault; I should have read it better and said that I did not support deregulation. Who knows what would have happened if we had opposed deregulation. Would the supermarkets have carted milk from interstate to flood the market to show who was boss? Today, Coles and Woolworths ask for quotes for the supply of milk. Harvey Fresh, the Peters and Brownes Group and Masters Dairy do not want to lose market share to the others, so they put in the cheapest price they can. They still want to maintain their margin, so they screw the dairy farmer. It is the same with all primary produce: the primary producer, the farmer, gets screwed all the time - he or she is the price taker and gets whatever the companies feel like throwing to them. It is a sad state of affairs. In general these farmers are in crisis. We have lost a quarter of our dairy farmers in the past couple of years. If we wait for another inquiry to take place we will

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probably lose another 100 or more dairy farmers because a lot of them are on the brink of going under and they cannot meet their commitments.

I do not support this amendment. It is a sad state of affairs to say we want another inquiry. We know the problems. We should be looking at what we can do to solve the problems. That committee will be running around the State talking to dairy farmers. In five minutes I can tell members what the problems are - farmers are just not getting paid enough for their milk.

Glenys Hough is a dairy consultant; she is a PhD and has a bachelor of rural science. She used to work for the Department of Agriculture but now works privately as a consultant. She has written a paper indicating that in the year 2001-02, the net milk income in cents per litre for a farmer producing less than 750 000 litres was 27.4c; for a farmer producing 750 000 litres to 1.5 million litres it was 28.1c; and for a farmer producing greater than 1.5 million litres it was 29.1c. That is the net milk income. The problem is that the total operating costs for a farmer producing less than 750 000 litres was 31.2c; for a farmer producing 750 000 litres to 1.5 million litres it was 25.2c; and for a farmer producing over 1.5 million litres it was 26.9c. Those producers in the medium to high range are on the borderline, but those below 750 000 litres are going under - they cannot survive. They are getting paid only around 28c a litre, and the Challenge Dairy people are getting paid 18c to 21c a litre. Some people further south can produce milk at a cheaper rate than those in the north, but it is still pretty diabolical for those receiving 18c a litre, because costs have risen. A lot of farmers further south, because of the wetness, are not able to produce hay as well as those in other areas. Their costs are fairly substantial when they buy-in hay, grain or whatever, although they do grow grass over a longer growing season than in a lot of other areas.

I do not support this amendment. I have great respect for my colleagues, but I do not want to see an inquiry go on for two or three years and see another 100 or more dairy farmers disappear from this State. It does not affect only dairy farmers; it also affects businesses that rely on the dairy farm industry. I was not happy with the proposition of a select committee, but the advantage was that it could do the job a lot quicker than one of these standing committees. I was prepared to support a select committee, because it could report much faster. The amendment says that the standing committee will report on this matter by 30 August 2003. A member of the committee could say it had been investigating the matter but it still had more work to do, so the committee wanted an extension to January 2004. We all know how the system works. Another inquiry will not finish for two or three years, and by then it will be too late. Let us have some action. The minister should put everything into the industry that he can right now, rather than see more dairy farmers disappear and have more inquiries. We know the problems. We do not need another inquiry.

Amendment put and passed.

*Motion, as Amended*

**MR P.D. OMODEI** (Warren-Blackwood) [5.30 pm]: I understand that the Leader of the House intends to move a motion to coopt me onto the Economics and Industry Standing Committee.

Mr J.C. Kobelke: And also the member for Bunbury, who has expressed an interest.

Mr P.D. OMODEI: I appreciate the concept of my being on that committee. I want to make it very clear to the Parliament that this is a very important issue. The dairy industry is a major industry in Western Australia and it affects a lot of people, not only producers but also people in small towns, particularly in the south west of Western Australia. It affects processors and retailers, and it therefore affects consumers.

Mr F.M. Logan: And people in the city.

Mr P.D. OMODEI: I said consumers.

Mr F.M. Logan: And producers such as Brownes.

Mr P.D. OMODEI: The Peters and Brownes Group is a processor. I said processors. It is important that the committee meet as a whole. No matter where the committee may go, it should take evidence as a full committee. I do not want some members of the committee to be running off around Australia or the world. If the committee is to meet with producers and processors, I would like the member for Riverton, as the chairman, to attend all the meetings, and I would like the members for Eyre, Collie, Darling Range and Vasse to be at those meetings if possible. The only way in which the Parliament will better understand the dairy industry in Western Australia is if all the members of the committee attend all the meetings and gather information about the industry. If we leave it to just two or three members to take evidence, they will be the only members who will have a good understanding of the industry. I wanted to make those things clear. I am more than happy to be on the committee. I understand how the parliamentary process works. However, it takes away from me the honour of being the chair of this committee - something that I would relish and something to which I would give 110 per cent and certainly act in a bipartisan way.

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Mr B.K. Masters: One of the reasons that I believe you should be the chair of the committee is that it will give you the authority to genuinely ask the difficult questions of the processors, the retailers, the supermarkets and so on. If you are just a non-voting member of the committee your influence will be diminished, and that will be unfortunate.

Mr P.D. OMODEI: I thank the member for the interjection, but the truth of the matter is that the members of the committee are intelligent people. They will gain information as they go through the committee process, and hopefully at the end of the process they will be well versed in all facets of the dairy industry and in all the implications of what is happening. However, at the same time I believe that as a farmer and as person with some understanding of the dairy industry I will be able to make a contribution and ask the difficult questions. Of course I am more than happy to be coopted onto the committee.

Question (motion, as amended) put and passed.

*Appointment of Members*

**MR J.C. KOBELKE** (Nollamara - Leader of the House) [5.33 pm]: I move -

That the members for Warren-Blackwood and Bunbury be coopted to participate in the Economics and Industry Standing Committee's investigation into the dairy industry in Western Australia.

**MR J.L. BRADSHAW** (Murray-Wellington) [5.33 pm]: I have a bit of a problem with this motion. The Government is turning this matter into a political football. I have nothing against the member for Bunbury. He is a nice fellow. However, he does not have a single dairy cow in his electorate. I could understand it if the Government were to put onto the committee someone from a rural area who has had something to do with the dairy industry. The member for Collie is already involved in the committee, and I have no problem with that, so we already have someone on the committee who is associated with the dairy industry. This motion is wrong, and I do not support it.

**MR A.J. DEAN** (Bunbury) [5.34 pm]: I place on record what small credentials I have in the dairy industry. First, the dairy industry in Bunbury -

Mr P.D. Omodei interjected.

Mr A.J. DEAN: I know there are not many cows in Bunbury. That is because we do not have much rural land in the city of Bunbury. However, the dairy industry is important to Bunbury. For example, Mr Arthur Green, who came to see me twice last week, has relayed to me that on his farm he used to generate \$600 000 in wages and other disposable income that was spent in the city of Bunbury. He had one of a half dozen or so big farms in the Dardanup-Boyanup area that no longer exist. Therefore, that money no longer is going into buying goods and services in the city of Bunbury. That is of major significance to me.

Mr M.G. House: Did you say he no longer exists?

Mr A.J. DEAN: He no longer exists. He has shut up shop. His farm has closed. One of his workers is now working at Argyle Diamonds and the other is out the back of Kalgoorlie somewhere. He has closed his dairy.

Mr B.K. Masters: But the farm is still operating. It is just producing an income from alternative produce.

Mr A.J. DEAN: Of course, but the two workers no longer exist in that area.

Mr M.G. House: I think you should check that story.

Mr A.J. DEAN: I am just reporting what Arthur said to me last Friday. The dairy industry is significant to people in Bunbury. I have been involved in the dairy industry all my life. I have been around cows. I have milked cows. My uncles had rather large dairy farms within the shire of Nannup and were the biggest dairy producers in that shire before they diversified into beef on the Scott River. I have an agricultural science degree and know the physiology and economics of the dairy industry.

Mr P.D. Omodei: Can you milk a cow?

Mr A.J. DEAN: I definitely can. I have a good grip. I have taught dairy husbandry for 15 years. I know the dairy industry backwards. I probably know more about the dairy industry in Western Australia than any other member. I believe I have the credentials, and I want to be part of the discussion in the committee. I will not have voting rights, but I think what I can bring to the discussion is a 40-year background in the dairy industry. Although I have been on the periphery of the dairy industry, I know it backwards, and I am sure I will be a worthwhile contributor to the committee. I believe that what is good for the dairy industry will be good for the south west and good for Bunbury. That is why I want to be on the committee.

Question put and passed.

**Extract from *Hansard***

[ASSEMBLY - Wednesday, 25 June 2003]

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Mr Fran Logan; Mr Mick Murray; Mr Tony McRae; Mr Brendon Grylls; Acting Speaker; Mr Paul Omodei; Mr John Bowler; Mr Bernie Masters; Mr John Bradshaw; Mr John Kobelke; Mr Tony Dean

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