

SELECT COMMITTEE INTO THE DAIRY INDUSTRY IN WESTERN AUSTRALIA

Establishment - Motion

MR P.D. OMODEI (Warren-Blackwood) [4.15 pm]: I seek leave to move my motion in an amended form.

Leave granted.

Mr P.D. OMODEI: I move -

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 US66c - 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.

I thank the Leader of the House for his cooperation in allowing me to move the amended motion. I understand that the Government will adjourn the debate upon the completion of my remarks. I will be brief. I will explain to the Parliament how we arrived at this point. Last week in this place I gave notice of a motion about the dairy industry, which I followed up with a grievance to the parliamentary secretary on Thursday. The dairy industry in Western Australia is at a critical point, despite the efforts of the Minister for Agriculture, Forestry and Fisheries in the wake of deregulation. I spoke to the minister this morning, and he provided me with further valuable information. He agreed to a parliamentary select committee on the proviso that further terms of reference be included; hence my request to move an amended motion. I agreed with the recommendations of the Minister for Agriculture. I understand that he is actively discussing matters with the dairy industry.

A parliamentary select committee will be of significant benefit to the industry. It will show the industry that the Parliament of Western Australia is approaching the issue in a bipartisan way. The committee's report could provide a blueprint for the future of the industry. However, a parliamentary select committee will not be the silver bullet that resolves the situation in what is a very complex industry. In the wake of the national deregulation of the dairy industry, the local industry has been in decline, particularly over the past few months. Particular issues of concern are the exchange rate, the complexity of the processing and manufacturing sector of the industry and, of course, the consumption of fresh milk.

Mr J.L. Bradshaw: Grain prices.

Mr P.D. OMODEI: Grain prices, the cost of production and those kinds of things also play a role. A number of people are thinking of leaving the industry. That could result in the collapse of the Western Australian industry as we know it. To his credit, the minister has discussed with the leaders of the industry solutions to this crisis. He has also spoken with supermarkets about the discounting of milk. It is to his credit that he has adopted a strong approach. In times of crisis, people need to act quickly rather than just talk about things. There needs to be ongoing discussion by the Government - by that I mean the minister - with all sectors of the industry to try to achieve a good outcome for producers to stop them from leaving the industry. With the discounted milk proposal of the Challenge Dairy Co-operative Ltd, the price of drinking milk has been discounted from 32c to 21c and the price of some of the manufacturing milk is well and truly below 20c. It is understood within the industry that the cost of production varies from about 31c to 28c. People are receiving prices for their milk now

that are far below the cost of production. That cannot be sustained by a number of people in the industry. The proposal to establish a parliamentary select committee, which will report in a couple of months, will not be the immediate panacea for the industry. However, it will show the industry that the Government and the Opposition are prepared to work cooperatively to try to find out what the status of the industry is and to make a range of recommendations as have been outlined in the motion.

The minister has graciously agreed to this parliamentary select committee and has also graciously agreed that I chair that committee with a member of the National Party. The Labor Party will go back to Caucus and appoint its two representatives. I understand that there is a committee system within the Legislative Assembly. However, to refer this matter to one of those committees would be a retrograde step. I say that partly as the shadow Minister for Agriculture. Under standing orders I can be coopted onto one of those committees. However, I would not be the chairman and I certainly would not have voting powers. That would take away from the proposition of a select committee. If the dairy industry in Western Australia knows that the Parliament of Western Australia is prepared to elevate this issue to the status of importance at which it requires a select committee, it will give that industry some confidence that the Government and the Opposition are working together, not against each other, for a good outcome for the industry. It takes the politics out of the issue and shows that we are working together as members of Parliament and are listening to the concerns of farmers, processors and consumers about the industry. To that extent, I was pleased that the minister reacted positively. He has a good handle on the issue and can see that by working together we can have a good outcome and possibly find a solution to this complex situation and return the industry to some viability.

I moved the motion in the knowledge that a number of reports already exist within the industry. In particular, the Dairy Industry Working Group was set up by the previous Government, again in some kind of bipartisan way. The committee members included the chairman, Kevin Swan, David Partridge, Stuart Hicks and Peter Fraser. The group first met in September 2000 and reported to the current minister in March 2001. Its first report was titled "A Healthy WA Dairy Industry - Let's Do It" and was released by the current minister, Hon Kim Chance, in March 2001. Much has happened since deregulation. There has been a settling-out in the industry and, as has been predicted by many, the international price of milk is now dictating the terms in the industry, particularly in the eastern States. I could refer to what I think are some of the solutions, but it may be a little foolhardy to do that in advance of talking to those in the industry, including processors and consumers.

I thank the Government for its cooperation. It is probably appropriate that a suggestion for a committee of inquiry come from the Opposition. However, the fact that the Government has agreed to the select committee is a very positive step and will be well received by the industry. I assure government members, the Leader of the House and the Premier that I certainly will not be playing politics with this issue. It is too important, not only to my constituents but also to those people in Western Australia who want to see a good dairy industry survive in this State in the face of international competition from the corrupted European and United States markets, which have been corrupted by subsidies. That creates a false cost of production when compared with the cost of production in our industry. When we compete with those markets, we are competing well and truly behind the eight ball. I will leave my remarks there in the spirit of cooperation and hope that the Government will agree to the proposition as outlined by the minister and me. I assure members that I will work cooperatively with the Government to get the best outcome for the dairy industry in Western Australia.

Debate adjourned, on motion by Mr R.F. Johnson.