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Parliament of Tasmania

LEGISLATIVE COUNCIL

SELECT COMMITTEE

FINAL REPORT

ON

the Tasmanian Dairy Industry

Members of the Select Committee

Hon Greg Hall MLC (Inquiry Chair)

Hon Craig Farrell MLC (Inquiry Deputy Chair)

Hon Leonie Hiscutt MLC

Hon Tania Rattray MLC

Terms of Reference

On Tuesday 20 September 2016, the Legislative Council resolved that a Select Committee be appointed to inquire into and report upon the options for the Tasmanian Dairy Industry with the following Terms of Reference —

- (1) Marketing opportunities for the Tasmanian Brand;
- (2) Processing opportunities in Tasmania;
- (3) The role of the Tasmanian Government; and
- (4) Any matters incidental thereto.

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INTRODUCTION

Background

1. Dairy is the largest agricultural sector in Tasmania, contributing over \$1 billion per annum to the Tasmanian economy and currently employing over 2,700 people.¹
2. Dairy Australia reports that, in 2015/16, Tasmania produced 883 million litres of the national total of 9,539 million litres, making it the third largest dairy producing state in Australia².
3. Consumption of domestic dairy products in Tasmania, however, is low; only around 8% of Tasmanian milk is consumed domestically, with the majority being processed and sold in competition with national and international products³. Tasmanian dairy farmers are therefore vulnerable to the global commodity market for dairy products.
4. Tasmanian milk product sold interstate and overseas on the commodity market is merged with other milk products and is not identified as Tasmanian. A list of major milk producers in Tasmania is provided in Table 1⁴.

Table 1: Milk processors in Tasmania

Processor	Proportion of Tas milk	Processing sites	Products	Regions serviced
Fonterra	55%	Spreyton (Devonport)	Skim milk powder, butter, dairy spreads and buttermilk	Far NW, NW, Central N, NE and S
		Wynyard	Cheddar cheese, Whey protein concentrates, milk and whey permeate	
		Launceston	Yoghurt	
Murray Goulburn	21%	Smithton	Full cream milk powder Skim milk powder Anhydrous milk fat	Far NW, NW, Central N
Lion Dairy and Drinks	14%	Burnie	Speciality soft and hard cheeses	Far NW, NW, King Island, Central N, S
		Lenah Valley	Liquid milk, cream	
		King Island	Specialty hard and soft cheeses	
Cadbury (Mondelez)	8%	Burnie	Chocolate/confectionary	Far NW, NW, Central N
Others	1-2%		Speciality cheeses	

¹ <http://www.dairyaustralia.com.au/Markets-and-statistics/Production-and-sales/Milk.aspx>. Accessed 1 June 2017

² Ibid

³ <http://www.intodairy.com.au/Milk-Price.html>. Accessed 19 June 2017

⁴ Ibid, p.8

5. Tasmania currently exports dairy products to over 30 Asian countries, with major markets being China, Hong Kong Special Administrative Region, Japan, Taiwan, Philippines, Malaysia and Thailand.⁵
6. The current Tasmanian population projection does not indicate a likely increase of domestic consumption of dairy products, so any significant increase will be as a result of Tasmanian products gaining greater market share in national and international markets.

Establishment of the Inquiry

7. The Inquiry was established following the sharp drop in prices paid to dairy farmers due to a 'perfect storm' of global factors including global over-supply, declining consumer demand, fluctuating demand from China, Russian sanctions on Western agricultural products and phasing out of dairy production caps in the European Union.
8. In 2016, large cooperatives reduced farm-gate prices by 60 – 85 cents per kilogram on the previous year and applied the price cut on a retrospective basis. Consequently, many Tasmanian dairy farmers were reported to be struggling.
9. At the same time, Australian supermarkets were selling milk as a loss-leader for as little as \$1 per litre. Whilst this was not a major factor in low prices offered by major production companies, it added to already low morale and possibly had an impact on consumers' attitude to the value of dairy products.
10. As a result, the Inquiry was established in order to investigate whether opportunities existed to better brand Tasmanian dairy products in conjunction with Tasmania's 'clean, green' image and reputation for producing high-quality food.
11. Any such opportunities might result in premium prices and somewhat mitigate farmers' vulnerability on commodity markets. The potential benefit to regional economies was also of great interest to the Inquiry.
12. The Inquiry also determined to examine opportunities for Tasmanian dairy farmers and producers to use more of Tasmania's milk surplus with the development of diversified products value-added by the Tasmanian brand.
13. The Inquiry received 14 written submissions and conducted public hearings in Burnie, Launceston and Hobart. It also conducted hearings in Melbourne and New Zealand.
14. The Inquiry heard from numerous persons that New Zealand was a world-leading example of internationally branded dairy products, which are strongly linked to their place of origin. New Zealand shares many of the natural attributes of Tasmania and dairy products are its largest export⁶. The Inquiry therefore visited New Zealand and

⁵ Written submission, Government of Tasmania, p.2

⁶ <http://atlas.media.mit.edu/en/profile/hs92/0402/>

conducted a number of meetings, hearings and site visits which provided valuable perspective.

Acknowledgements

15. The Inquiry extends its sincere thanks to all organisations and individuals who made submissions and provided evidence at public hearings. Inquiry Members were extremely pleased with the quality of submissions received, as well as the breadth and depth of knowledge and experience provided by witnesses at public hearings.
16. Inquiry Members would also like to thank the many organisations and individuals in New Zealand that generously gave their time to meet with Inquiry Members and generously shared knowledge and information about the New Zealand industry.
17. Inquiry Members also thank Legislative Council Committee Secretariat staff for their support throughout the course of the Inquiry.

Recent developments

18. Subsequent to the Inquiry taking evidence and at the time of writing this report, a number of developments in the Australian and Tasmanian dairy industry have occurred:
 - Major Australian processing companies offered higher prices for milk for the 2017/18 season;
 - Global commodity prices for dairy have somewhat recovered although milk powder prices remain low;
 - At the time of drafting this report, there was uncertainty surrounding VDL Farm's plan to export fresh milk to China due to new Chinese regulations and logistical concerns.
 - TasFoods acquired Pyengana Dairy in October 2017.⁷
 - In October 2017, the Government announced that the Brand Tasmania Council would become an independent statutory body and receive additional resources.
 - Australian processing company Murray Goulburn, is currently undergoing a major restructure and, at the time of drafting this report, was potentially up for sale;
 - In October 2017, Murray Goulburn was acquired by Canadian corporation Saputo, pending approval of 90 per cent of its farmer-shareholders and the Foreign Investment Review Board and the Australian Competition and Consumer Commission⁸. At the time of writing this report, the future of Murray Goulburn's Edith Creek processing facility remains uncertain.

⁸ <http://www.abc.net.au/news/rural/2017-10-27/canadian-dairy-giant-saputo-to-buy-murray-goulburn/9083574>

FINDINGS

1. Many jurisdictions are using the generic term 'clean and green' in their marketing and, consequently, the message is at risk of becoming less meaningful.
2. The private sector is best placed to build the Tasmanian brand.
3. There is a market for organic milk but producing it is a difficult and expensive exercise.
4. Consumers want a safe product that is produced cleanly and sustainably.
5. A single food safety incident has the potential to undermine consumer confidence in the Tasmanian brand.
6. The Tasmanian dairy industry could potentially benefit from the lifting of the GMO moratorium in 2019.
7. Organic and GMO systems can co-exist.
8. Tasmania has the capacity to significantly increase its milk production, which would ensure the economies of scale for processors to invest.
9. Shifting consumer attitudes towards butter consumption, for example, provides a potential opportunity to grow sales.
10. The island status of Tasmania presents freight challenges for fresh products.
11. To facilitate industry growth, the Tasmanian road and freight network needs improvement
12. There are multiple layers of quality assurance compliance systems across the industry.
13. There is duplication of State and National export protocols.
14. Many in the dairy industry are unaware of the existence of the Brand Tasmania Council and its role, and hence have not been proactive in seeking assistance from it.
15. Stamp duty is a significant addition to the cost of investing in the dairy industry.
16. Farm tourism is potentially a growth industry in Tasmania and had the added synergy of promoting Tasmania and its food products.

RECOMMENDATIONS

The Government –

1. Take active steps to strengthen the defendability of the 'Tasmanian brand'.
2. Actively support the private sector in building the 'Tasmanian brand'.
3. Assist the private sector to promote Tasmania's clean and sustainable dairy products.
4. Exercise caution in promoting an overall Tasmanian brand for all producers and processors, as a single food-safety incident has the potential to undermine such branding.
5. Evaluate the benefit and/or risk to Tasmanian producers of Tasmania remaining GMO free and consider the implementation of a dual GMO system.
6. Encourage and support significant expansion of the Tasmanian dairy sector.
7. Working in collaboration with other tiers of government, task Infrastructure Tasmania with assessing the condition of the Tasmanian road and freight network, particularly in respect of heavy vehicle usage.
8. Ensure that only those companies that use predominantly Tasmanian product are entitled to market the Tasmanian brand.
9. Continue to promote low-interest loan scheme for dairy industry participants.
10. Consider the roles and responsibilities of the Brand Tasmania Council and whether the Council is relevant or necessary in the future and, if so, whether the proposed statutory body is the most appropriate model.
11. Promote closer links with the tourism industry and food and beverage brands.

1. MARKETING OPPORTUNITIES IN TASMANIA

The 'Tasmanian brand'

1.1 'Brand Tasmania' refers to the generic, unofficial Tasmanian brand, i.e products of Tasmania. The term 'Brand Tasmania' should not be confused with the Brand Tasmania Council, a Tasmanian Government agency, which is intended to become a statutory body in 2018 following a transition period.

1.2 A view expressed amongst nearly all submissions and witnesses was that Tasmania has a well-established 'clean, green' image, an international reputation for high-quality food and a growing food-tourism sector. Considerable agreement was expressed that there were significant opportunities to capitalise on all of these factors in marketing Tasmanian dairy products.

1.3 A number of factors associated with the Tasmanian brand were identified in various submissions as:

- High quality milk;
- Grass fed, pasture-based cows;
- Tasmania's clean air and water;
- Tasmania's reputation as a clean, green and sustainable environment;
- Tasmania's reputation as a producer of high quality food;
- Genetically Modified Organism (GMO) free environment;

1.4 Mr Martin Turmine, Senior Manager, Brand Tasmania Council, advised:

Our food and beverage research and research on the top level of Tasmania really does confirm that Tasmania remains a strong brand and food and beverage remains a strong brand.⁹

1.5 Mr Evan Rolley, Chief Executive Officer of VDL Farms, informed the Inquiry of the potential of the Tasmanian brand and its importance to VDL Farms.

In relation to the three specific key terms of reference for your committee, in terms of marketing opportunities for the Tasmanian brand, the comment we would make there is the only limitation is the imagination of entrepreneurs. If you can pay attention to the chain of custody from the farm through to the consumer and manage any brand risks then there are limitless opportunities. The Tasmanian link is very important. There are other Australian businesses that are providing milk to China, so we're not the first to do that.¹⁰

⁹ Hansard Transcript, Martin Turmine, 23 February 2017, p.39

¹⁰ Hansard Transcript, Evan Rolley, 23 February 2017, p.23

- 1.6 The Inquiry heard that the efforts of producers that had used Tasmania as a branding tool would pave the way for future producers. Mr Cameron Bruce, General Manager of Lion Specialty Cheese, advised:

... the brand of Tasmania exists, and we know through our research and through the steps we have had with our products, that Tasmania is a shortcut to purity and quality. So, any processor who would enter the market and come off a platform of 'our products come from Tasmania' would benefit from the investment that we have made over a number of years around building the Heritage brand, if you like, of Tasmania and then also perhaps for King Island. The answer is yes; they would certainly benefit from that.¹¹

- 1.7 The Government submission also noted that whilst many smaller operators do not export product, their efforts to develop and market high-value niche products have helped to build the 'Tasmanian brand' and this in turn opens up new opportunities for other producers.¹²

- 1.8 The Inquiry also heard that Tasmania had not yet capitalised on the full potential of the 'Tasmanian brand' in marketing dairy products. Mr Evan Rolley, Chief Executive Officer of Moonlake Investments, advised:

There is a lost opportunity not to specifically brand Tasmanian milk products and link them to the values that have been established. As you know, Tasmania has invested significantly in environmental systems, GMO-free status and a range of regulatory initiatives. If you don't get some value from that and take that through into your marketplace, you haven't captured any economic value. You have just bound farmers up in lots of red tape and regulation and lost opportunity, and not garnered the opportunity that is there by leveraging off those values. We see a significant opportunity there in leveraging off the Tasmanian brand.¹³

- 1.9 This view was echoed by Ms Kim Seagram, President of Harvest Launceston:

I see an incredibly bright future for the dairy industry in Tasmania but we have to start focusing on value-adding to our fabulous milk products within the state. The Tasmanian brand has never been stronger. Demand continues to outstrip supply, which is a really good place for us to be in. We can create new career opportunities as cheese makers and yoghurt makers that will encourage kids to stay.

...We have some absolutely top quality producers: Pyengana; Coal River Farm, which is doing a fantastic job with its new cheese production.¹⁴

- 1.10 Mr Mark Smith, Executive Officer of Dairy Tas advised:

The main conclusions we have come to - we believe broadly there are opportunities for building the Tasmanian brand across the dairy industry and these will require existing or new processes to take advantage of this brand. I think generally, yes, that probably has not

¹¹ Hansard Transcript, Cameron Bruce, 16 February 2017, p.15

¹² Written submission, Government of Tasmania, p. 8

¹³ Hansard transcript, Evan Rolley, 23 February 2017, p.23

¹⁴ Hansard transcript, Kim Seagram, 15 February 2017, p.39

occurred to the degree it could. There are examples now starting to emerge of businesses doing that.... That is going to continue and the Tasmanian Government and perhaps Brand Tasmania may have an opportunity to play a greater role to help promote the opportunities for further value adding around the Tasmanian brand.¹⁵

- 1.11 The Inquiry heard that, unlike dairy, Tasmanian wine is almost all sold at a premium and not as vulnerable as dairy products to low bulk prices. Mr Martin Turmine of the Brand Tasmania Council stated:

There are some parallels with the wine sector where, whilst in Australian terms and international terms it is very small, all the wine is premium. There is no bulk wine from Tasmania so you don't have the commodity issue of that category as you do with dairy. The majority of wine exported out of Australia is bulk, it goes out on a tanker and it is bottled overseas. The average price per litre for Australian wine is about \$4 because a lot of that is very cheap bulk wine. The average price per litre for Tasmanian wine export is about \$11 or \$12 because it is all at the premium end.¹⁶

- 1.12 The Inquiry heard that major processors are well aware of the potential of the 'Tasmanian brand' and have already sought to capitalise on it. In particular, Lion has developed its Heritage range of cheeses that it identifies and markets as Tasmanian. Mr Cameron Bruce, General Manager of Lion Specialty Cheese, highlighted the importance it places on north-west Tasmania and King Island in marketing its brands:

I would say we have a lot of history of promoting the quality and purity that comes through having our products produced both on King Island as well as in the north-west of Tasmania. It is an ongoing opportunity that underpins the strength that those brands are for us.¹⁷

- 1.13 Ms Elise Gare, External Relations Director of Lion Dairy and Drinks added:

...whenever we are talking about the specialty cheese business, we certainly do talk about the unique position that we have in Tasmania and how the purity of the milk and the environment does help to make what we believe are some of the best specialty cheeses on the market. Just last week, when we were presented with those dairy awards for our products, our head cheese maker certainly did highlight the unique positions that present themselves in Tasmania and why we believe it helps us make those fantastic brands.¹⁸

- 1.14 Whilst the Inquiry noted that producers and consumers were already taking notice of the Tasmanian brand, it also heard that future development would need to be carefully considered in order to protect the integrity of the brand and ensure that it is traceable and defensible.

- 1.15 Mr Basil Doonan, principal dairy consultant for Macquarie Franklin advised:

I do think there is some value in the Tasmanian brand, but it has to mean something. I think we already have some meaning around it in terms of a lot of the compliance stuff that dairy farmers and ourselves are forced to do. We do not seem to get any real

¹⁵ Hansard transcript, Mark Smith, 16 February 2017, p.2

¹⁶ Hansard Transcript, Martin Turmine, 23 February 2017, p.46

¹⁷ Hansard transcript, Cameron Bruce, 16 February 2017, p.15

¹⁸ Hansard Transcript, Elise Gare, 16 February 2017, p.16

recognition for that because it is not put under a brand to say that if this brand is on a product or ingredient or whatever it actually does mean this.

The second part is that more and more brands need to be defensible, because if you cannot defend them then they are not worth anything. If we say we have product being produced or represented under this brand, it will be reasonable and only a matter of time before a consumer or a group of consumers say to prove it, show me.¹⁹

- 1.16 Mr Rene Dedoncker, Managing Director of Fonterra Australia advised:

We have customers that require certain specifications and a common branding. You are correct in the sense that, in our current portfolio, we do not specifically promote a Tasmanian source, other than some specific brands like Duck River. Is there potential to change that mix? The answer is yes there is potential. It does come down to both consumer need and also the provenance story around Brand Tasmania.

The potential does exist and I think there is a genuine appetite for consumers both in our country but also in export nations that truly value clean, green, trusted source, the purity and all of the connotations that go with that. There is opportunity and we have got evidence of being able to execute against that in different parts of the world, so the potential does exist.²⁰

- 1.17 Mr Tony Clarke, Director of White Water Dairy, believed that there was considerable marketing opportunities for Tasmanian products but urged that marketing opportunities be left to the private sector:

There is little evidence that regional marketing is effective and are extremely expensive. What is effective are brands that leverage some local quality but are privately owned and controlled. The success of a brand is intrinsically linked to those factors. A larger Tasmanian brand would have a dilution effect especially when products have competing interests. A more effective strategy would be a greater investment in bolstering tourists numbers.²¹

- 1.18 Ms Sarah Hirst, Managing Director of Tasmania Invest discussed branding and provenance in an international context:

We have a number of different marks and logos and things that do exist in Tasmania but none of them tend to give us the weight that is required by our international clients to actually guarantee that the produce is from Tasmania.²²

¹⁹ Hansard transcript, Basil Doonan, 16 February 2017, p.31

²⁰ Hansard Transcript, Rene Dedoncker, 23 February 2017, p.32

²¹ Written submission, Tony Clarke, p.1

²² Hansard transcript, Sarah Hirst, 9 March 2017, p.1

The 'Tasmanian brand' in the commodity market

1.19 The Inquiry heard views as to whether there was potential to leverage the 'Tasmanian brand' for Tasmanian dairy products sold in the commodity market.

1.20 An example was provided by Murray Goulburn which, at the time of the Inquiry, was selling milk powder manufactured in Smithton into China under the Tasmanian Dairy Products (TDP) brand. However, Murray Goulburn intends to market this product into China under its Devondale brand in future. Murray Goulburn advised that this was in part due to the high cost of developing and supporting a brand and believes that marketing the product under the Devondale brand provided better opportunities to target a single brand, both domestically and overseas.²³

1.21 Mr David Mallinson, Murray Goulburn Executive General Manager Sales and Marketing, advised that provenance was of lesser importance than physical quality in commodity-based product:

It is a little bit harder with a commodity product to differentiate, because most customers around the world buy a specification. That specification is really around fat, protein and chemical balance and milk minerals. Ultimately when we talk about bulk commodities, most people are buying bulk commodities around the world to put that into future products, whether it is their own consumer products or for baking purposes and stuff like that. Generally, they are more focused on the organic or chemical specifications of the product than a branding position.²⁴

1.22 Dairy farmer Mr Phillip Beattie was also of view that the quality of product sold as bulk commodities was more important than provenance:

When you come to the other products some of them it doesn't matter where they come from because they are commodity stuff like skim milk powder, whole milk powder and whey powder and all that sort of thing. I don't think stamping a bag of skim milk powder with clean, green Tassie product I don't think will make any difference, because it is just massive. It is like selling iron ore. How good is the iron ore? It doesn't matter where it comes from.²⁵

1.23 Mr Richard Bennett, Ashgrove Cheese Director, was of the view that price was a more important consideration for consumers than provenance:

I think price probably comes first and place of origin comes second, unfortunately, unless there is a focus on it.²⁶

1.24 Mr Clarke made the following statement:

²³ Written submission, Murray Goulburn, p.5

²⁴ Hansard transcript, David Mallinson, 8 May 2017, p.2

²⁵ Hansard Transcript, Phillip Beattie, 23 February 2017, p.49

²⁶ Hansard transcript, Richard Bennett, 7 September 2017, p.8

Last summer I caught up with a bunch of people and I became aware there was this thing with Bellamy's. In the course of conversation I was asking, 'Where do you think Bellamy's stuff comes from?', and uniformly, 100 per cent, they said, 'Tasmania'. There was this belief there were organic farms producing this great product, but it is a falsehood. If something goes wrong in their supply chain, that is going to be a blowback to the rest of us. Alternatively, even if there's not but the ordinary consumer of this product finds out where it comes from, there will be a blowback on that because they may feel duped. The thing with branding is it is a double-edged sword. We have to be very clear about what you want out of it and about what buys in and what doesn't. As to a Tasmanian brand, if anyone has ownership of that, it is not just Tasmanian people; it has to be Tasmanian product.²⁷

- 1.25 Mr Rob Woolley, Chair Tasfoods and Bellamy's Australia, when asked to explain the linkage of Bellamy's products with Tasmania, made the following statement regarding their provenance:

We have never ever attempted to hide from the fact that we have been bringing milk in from overseas. That has always been on our websites and so on. We have been proud of our Tasmanian heritage. We have some 40 people in the Launceston office. We have built it up from three. The answer is that we have never hidden from it.

When we look at how our customers view the brand, there are two aspects to it. First, the domestic customer looks at it and says it's organic. We don't make a big fuss about the fact that we source all our food from Australia - all our food lines, with very few exceptions. The only exception I can remember is when we had a drought we had to go and get some rice from somewhere else for our products.We would love to turn the key and have a Tasmanian organic product. That would be, personally and for the company, a great achievement. We can't do it quickly, we haven't been able to do it to date...²⁸

The 'Australian brand'

- 1.26 The Inquiry heard from a number of witnesses that 'Brand Australia' may be a more recognisable brand message than 'Brand Tasmania' and that major processors may be more likely to focus on this than develop a Tasmanian brand.

- 1.27 Murray Goulburn, in its written submission, advised:

In relation to export markets, Murray Goulburn's own research shows that Australian origin brands have several attributes that international consumers identify as being 'trusted' and 'natural' and which help reinforce quality.

In our opinion, the degree to which Tasmanian branded products will resonate with international or domestic consumers will depend on the category, product or brand. This would need to be researched with consumers. It would depend highly on the consumer perception of brand 'Tasmania' and what features of that brand could be differentiated from other regions.²⁹

²⁷ Hansard transcript, Tony Clarke, 15 February 2017, p.30-31

²⁸ Hansard transcript, Rob Woolley, 16 February 2017, p.24

²⁹ Written submission, Murray Goulburn, p.5

1.28 Mr Woolley, in relation to Bellamy's marketing strategy, stated:

The Asian customers, in China and elsewhere, they look at it and say - and it's changing a little bit now - it comes from Australia. We have some of the best food safety. We shouldn't be delusional, they'd do the same for Western European products and if you look at the volumes going into China, you can cut through it, a lot more comes from Europe and elsewhere than here in Australia. They look at it from a food safety point of view and they are gradually moving towards this organic concept. When we went to China in 2007 there wasn't a word for organic. Things are changing, but that is the two ways they look at it.³⁰

1.29 Mr Charles McElhone of Dairy Australia advised that promoting the concept of the 'Australian brand' has been one of its priorities:

We are listening to the whole push towards Brand Australia. We do believe there are real opportunities in doing that, particularly to get ahead of the game. It's a competitive market out there. It is a competitive environment with the New Zealanders, Americans and Europeans in particular all vying for market share in these critical markets, particularly markets such as China where it has been well reported about the largest and fastest-growing market for dairy globally. There are huge opportunities there but everyone has their eye on it. That is just a top-line overview of our trade programs in particular.³¹

1.30 Mr McElhone acknowledged that there was a place to market Tasmanian produce but urged a cautious approach:

Undoubtedly there is a recognition of Tasmanian production and the clean, green value-added elements within that. The word of caution, I would say, is that other states and jurisdictions are also seeing similar benefits and are actively pursuing their own branding strategies in-market. There are opportunities in each of those strategies, but there is also some risk there as well. We are seeing that.

My point is that, sure, there are opportunities and there is undoubtedly a point of difference that each dairy production region brings to the table, including Tasmania. We need to make sure that we leverage each other and that we don't cut across each other in the market to a point where the message gets washed out.....we need to cut through the noise. We need to be cohesive. There are not enough marketing dollars to go around. There is too much activity and noise in the market, and we need to be more unified in doing that.³²

The 'New Zealand brand'

1.31 The Inquiry heard evidence that there were synergies between food and tourism and that interest in Tasmania as a tourist destination made it ideally placed to market its food brands. The Inquiry heard considerable evidence that New Zealand had grasped and capitalised on this concept particularly well. Mr McElhone noted:

³⁰ Hansard transcript, Rob Woolley, 16 February 2017, p.24

³¹ Hansard transcript, Charles McElhone, 8 May 2017, p.23

³² Ibid, p.22-23

*We do note that New Zealand, with its Pure New Zealand brand, is getting a lot of cut-through. It is a unified, cohesive story, and increasingly so. We are seeing similar approaches with the United States and European producers as well.*³³

- 1.32 The Inquiry noted that the '100% Pure New Zealand' slogan, together with its silver fern logo, had originally been developed as a tourism marketing brand but had evolved to gain global recognition encompassing all things New Zealand. Dr William, Rolleston President of Federated Farmers, provided the following insights:

It comes down to having good and sensible regulation that allows companies the freedom to operate and the freedom to innovate, and that is really important. If you think about the 100% Pure New Zealand brand, is it luck or good management? I think the 100% Pure New Zealand brand was a tourism marketing brand, but it fitted quite nicely with the reputation our companies were developing in terms of food.

*If we look at what we have done over the last 30 or 40 years with Kiwis travelling overseas and bringing back their ideas of food, et cetera, the real impression that people have is that we have really good, fresh food here. They come here for the tourist experience and they go back in love with the food we are producing and they want to have a taste of it.*³⁴

Market Access

- 1.33 The Inquiry heard a range of evidence about the ease, or otherwise, of accessing international markets. It was noted that the Government had made considerable efforts with coordinating trade missions and hosting delegations and buyers. The Government also delivers the *New Market Expansion Program* which provides financial support for eligible Tasmanian businesses for international marketing activities.³⁵

- 1.34 Nevertheless, the Inquiry heard evidence that gaining access to certain markets could be a complex procedure and that many of the requirements may be beyond the scope of smaller producers. Ms Gare advised:

*More broadly we have probably looked at trade access issues. Free trade agreements have certainly helped with some of that but there has been quite a lot of trade market access issues to be able to get things through. Also, it's very hard at times to deal with regulators in those foreign countries. At times, the regulator will want to deal directly with the Australian Government and then the Australian Government will deal with us, so that can be quite a timely process if you need to work back through the regulator.*³⁶

- 1.35 Mr David Armstrong, principal consultant of Launceston based AK Consultants, highlighted the importance of reliable supply, quality of product and market research:

³³ Hansard transcript, Charles McElhone, 8 May 2017, p.23

³⁴ Hansard Transcript, William Rolleston, 11 May 2017, p.3

³⁵ Written submission, Government of Tasmania, p.5

³⁶ Hansard Transcript, Elise Gare, 16 February 2017, p.18

Export markets must be focussed, particularly on Asia....To have produce marketed there, Tasmanian suppliers must have sufficient volume to be reliable suppliers of sufficient volumes of produce. And the quality must be high to compete with other countries with similar objectives. We need market intelligence – what do the Asian consumers want. We need market access – export protocols, quality assurance, quarantine/bio-security protocols. Government agencies can help with these things.³⁷

Emerging markets

1.36 The Inquiry heard considerable evidence about the future importance of Asian markets, particularly China, for Tasmanian dairy products and this is discussed further in Section 3 below.

1.37 The Inquiry noted information from Fonterra that it expected that demand for dairy in China is expected to double in the next ten years.³⁸ Fonterra advised that other major export markets were Vietnam, Indonesia and the Philippines.

1.38 Mr Rolley informed the Inquiry that VDL Farms has plans to sell its brand Van Milk in fresh form to China. At the time of providing evidence, VDL's plan was to send 50 000 litres of fresh milk via direct flight from Hobart and sell it on a subscription basis. Mr Rolley advised the \$3.8 million worth of milk had already been pre-sold. Furthermore, the company plans to use daigou sellers to send fresh milk to China in future.³⁹

1.39 Mr Bennett advised of Ashgrove's experience in selling milk to China:

We have in the past shipped milk to China, which is something we are not currently doing due to logistics and dealing with various legislation.

Mr FARRELL - Richard, I am trying to ascertain the value of the Tasmanian brand. You mentioned that you had sent milk to China. Was the approach made to Ashgrove or was it something you initiated and was that because it was Tasmanian produce?

Mr BENNETT - Yes, it was. The Chinese definitely want Tasmanian milk. I have been approached by multiple people. There were two companies we went down the road of producing Tasmanian milk and that was a major part of it. There are quite a few Australian companies sending milk to China. I am not sure how many at the moment. I know when we were doing it there were probably about 14.

The price of milk over there was up to about \$18 per litre so if anyone wants to buy your milk at \$18 a litre, we are keen to sell it.⁴⁰

1.40 The Inquiry considered the potential value of India as a potential future market for dairy products and was informed by Mr Mallinson:

³⁷ Written submission, David Armstrong, p.2

³⁸ <https://www.fonterra.com/nz/en/our-markets.html#gridsection-china>

³⁹ Hansard Transcript, Evan Rolley, 23 February 2017, p.21-22

⁴⁰ Hansard transcript, Richard Bennett, 7 September 2017, p.6

India is a big challenge for anyone, though, because it is half-buffalo, half-bovine. The milk they consume is a 50:50 split. We are talking about the bovine part, not the buffalo part, for what we can send there. The other thing with India, having spent a bit of time there with my old employer, every province has its own state laws, so there is no way you can go nationally in India. It almost has to be state by state. It is not as easy as China, but you are right that it is a huge market.⁴¹

- 1.41 Mr Mallinson also informed the Inquiry that Indonesia was an untapped market⁴² and this was confirmed by Fonterra New Zealand, which advised that the country was only supplying around one fifth of its growing demand.

Value adding

- 1.42 The Inquiry investigated opportunities for Tasmanian dairy farmers to diversify and value-add to their products.

- 1.43 Mr John Tuskin, General Manager of Roberts Ruralco, discussed potential opportunities:

If we talk about Brand Tasmania, which is what this is about, the biggest challenge is that they are really commodity takers and price takers. It does not matter whether it is the inputs with grain or their outputs with milk they do not set that price. Unfortunately they cannot set the premiums for their product either. So, yes, you can do niche markets and I am talking generally or a large scale, a lot of small operators can find a niche market. For the big dollars it is very hard for them to get into a brand that gives them a consistent premium on a large-scale basis. Reading about it you, have got people like Moon Lake they are building their own Brand Tasmania which is, I suppose, where personally I see that needs to happen. Industry needs to build Brand Tasmania.⁴³

- 1.44 The Inquiry heard from dairy farmer Mr Jack Beattie regarding his experience with barriers to diversify and value-add to his product due to existing contract arrangements with major dairy companies:

Lion and Fonterra lock everybody up into exclusive supply contracts. That negates any opportunity for a small business to get out and do something to create your own brand. For us to do that, we have had to jump through a lot of hoops. We have had to purchase cows from one company into another, we then had to write quite in-depth contracts ourselves to protect ourselves and the main business from any litigation. We have had to buy more tags. It is quite expensive to get in there and the only reason we have been able to do that is because luckily we have had good legal advice along the way but your average farmer wouldn't be able to get in and do that.

...We have had to jump through all those hoops to protect each of our companies from that agreement. The other thing that we thought might be appropriate for us to say here would be that maybe it is restrictive trade for Lion, Fonterra and the other processors here to say that companies must supply exclusively to one processor. Maybe there needs to be some qualification in that 90 per cent of the milk has to go to that processor. There has to be an avenue for people to establish niche markets.⁴⁴

⁴¹ Hansard Transcript, David Mallinson, 8 May 2017, p.15

⁴² Ibid

⁴³ Hansard transcript, John Tuskin, 23 February 2017, p.14

⁴⁴ Hansard transcript, Jack Beattie, 23 February 2017, p.53

1.45 Mr Geoff Cox of the Dairy Council of Tasmania expressed the view:

I see there are probably two avenues where we could really increase on profitability in the industry. One is in the nutraceuticals, like high-valued powders, et cetera, where high-cost capital infrastructure is required for that sort of thing, and also high-tech. It's not something you can do simply, you really need to partner with a company that is already in that area.

In Tasmania we make the bulk powders. We don't have any specialist powder producers, it just takes a little bit more technical equipment to do that - and bulk cheeses and butters. That is one way. The other way, as Andrew suggested, is with the Tasmanian brand producing consumer products and capitalising on our inherent advantages. The Tasmanian image has never been better than now, especially in China and in South Korea as well. Tasmania is coming on the up whereas a few years ago it wasn't even heard of.

...But at this stage we don't have the capacity to produce specialist products in Tasmania - not specialist products, just consumer products. We are all set up for bulk powders and bulk cheese and butter but we can't package a whole heap of butter or cheeses as specialty-type cheeses and that sort of thing.⁴⁵

1.46 Mr Bennett informed the Inquiry about Ashgrove's experience in the dairy products market:

We have been making cheese and various other dairy products since 1993. The reason my dad, uncle, sister and my cousin began the cheese factory was to get away from exposure to global milk prices, which vary. These are in a cycle of four to five years that can vary up and down by a couple of years. They are fairly predictable in some ways in that they will go up and they will go down. It is just how big an up and down.

Having said that, we are not completely insular from global milk prices. For Ashgrove Cheese competing in a supermarket space, there is a lot of competition from overseas when there is excess milk or cheese, particularly from Europe. Or if the dollar is at a high point, those spots become very competitive.

Dealing with the supermarkets has its pros and cons but they take up about 85 per cent of the market share. Some small companies take the view not dealing with the supermarkets is a risk-averse way to go, which is true. We take the view that if you are not participating with them, you are then not in 85 per cent of the markets and are eliminating yourself fairly significantly.

...We try to aim for a premium product, but branding is becoming increasingly difficult as supermarkets are more and more squeezing out the variety of brands for sale. It is a fact of life. They are all doing it. Competition in our supermarket space is a key thing for the diversity of our industry. Making sure there are new opportunities.⁴⁶

⁴⁵ Hansard Transcript, Geoff Cox, 15 February 2017, p.1

⁴⁶ Hansard transcript, Richard Bennett, 7 September 2017, p.2

Organic dairy products

1.47 The Inquiry heard a range of views regarding the potential value of producing an organic dairy sector in Tasmania.

1.48 A number of witnesses and submissions stated that there was a viable future market in organically produced milk. Mr Mark Smith, Executive Officer, Dairy Australia stated:

If you have investors interested in supporting an organic industry here, then why wouldn't you? It is the ideal place to do it and we haven't had it. It happens in other areas of Australia, it happens globally, and it is just another segment of the industry that offers some potential.⁴⁷

1.49 Mr Rolley informed the Inquiry that VDL had already commenced work on converting four existing dairy farms to organic operations.⁴⁸

1.50 Mr Bennett advised that Ashgrove was also in the process of sourcing milk from two dairies that are in transitional phase to organic operations on a trial basis.⁴⁹

1.51 Mr Sarah Hirst indicated that demand for organic produce in international markets was at its highest.⁵⁰

1.52 The Inquiry heard, however, that setting up an organic dairy operation was a difficult and expensive exercise.

1.53 Dairy farmer Mr Grant Rodgers expressed the following view:

I have nothing against organics obviously because we had a crack at it. It can be done. In dairying it is very difficult..... If you have two farms it is easy. Anything that gets sick goes to the other farm....People are dreaming if they think they can make it work. From a veterinary point of view, the animal health side of it is incredibly complex.⁵¹

1.54 Mr John Williams, North-East farmer, provided a similar point of view:

I believe that our milk in Australia and particularly Tasmania, and I know the yuppie word - organic, but it is not viable. I will stand and argue until I am blue in the face that you cannot buy farm and farmland and make it viable, straight up, to produce milk organically. However, I believe if there was some research done by CSIRO or governments - it is too much for farmers to do. It costs far too much and they have not got the drive, a lot of farmers haven't got the drive to do it or the expertise they need.⁵²

⁴⁷ Hansard Transcript, Mark Smith, 16 February 2017, p.10

⁴⁸ Hansard Transcript, Evan Rolley, 23 February 2017, p.22

⁴⁹ Hansard transcript, Richard Bennett, 7 September 2017, p.2

⁵⁰ Hansard transcript, Sarah Hirst, 9 March 2017, p.1

⁵¹ Hansard transcript, Grant Rodgers, 23 February 2017, p.69

⁵² Hansard transcript, John Williams, 15 February 2017, p.13

- 1.55 The Inquiry heard that farmers' hesitance to convert to organic dairy operations had a flow-on effect, with potential processors of organic products being unable to secure adequate supplies. Mr Simon Elphinstone, Chair of Dairy Tas, advised:

Organic milk is one of those chicken-before-the-egg scenarios. You have to have enough scale and enough organic milk to make it worthwhile for a processor to process it. Then you have to try to get farms to convert to organic before there is an option.⁵³

- 1.56 Mr Woolley confirmed this and provided Bellamy's experience as an example.

We aspire in Bellamy's to develop an organic dairy industry. The fact of the matter is that people think that can be done with a switch. The fact is that it can't be done at a switch. It requires a lot of infrastructure build and requires a group of farmers to make commitments. There is no organic dairy industry of any consequence in the whole of Australia. To put it in perspective, if all the organic milk was turned into powdered infant formula it would barely cover two months of our production requirements.

You hear all sorts of fictions and half-truths about this, but the fact is to build a reasonable industry you're going to have to take three years to convert a farm, to convert the animals, to convert the ground and to change things.⁵⁴

- 1.57 Mr Basil Doonan was of the view that there may not necessarily be a clear consumer expectation about dairy products and the implications for this on a market for organic products:

In my experience I have found the consumer to be a liar. They will tell us that they will pay for all these extra things, but my experience is that they don't. There are heaps of examples. I also think that we as an industry misinterpret a lot of the time what the consumer wants. We caught up in philosophy rather than practicality. Right at the moment I think the consumer just wants a safe product that is produced sympathetically to animals and the environment, and the people working on the farms and processing and all that. A good example is organics. There is organic milk, transitional milk and I guess there is conventional. With transitional they were looking for a name, and I think they called it antibiotic and chemical free. They had to drag milk back from the organic pile to satisfy the market. With organics, people I do not think really know. They suspect it might be produced a certain way but the quality is a bit iffy versus being very clear about what this is. It is safe, there are no antibiotics and there are no artificial chemicals being used.⁵⁵

- 1.58 Several witnesses were of the view that Tasmanian milk already had many properties in common with organic milk and that Tasmania's clean environment was potentially as valuable a marketing tool as organic/GMO free. It was noted that Tasmania is one of only a few geographic areas in the world where grass-fed cows are the norm.

⁵³ Hansard transcript, Simon Elphinstone, 16 February 2017, p.9

⁵⁴ Hansard transcript, Rob Woolley, 16 February 2017, p.22

⁵⁵ Hansard Transcript, Basil Doonan, 16 February 2017, p.31-32

- 1.59 Ms Hirst provided the Inquiry with feedback from Tasmania Invest's international clients:

What they are actually looking for when you ask them why they want organic, it tends to be that what they want is sustainable, clean and green and guaranteed certified Tasmanian produce. When we asked them: would a Tasmanian place of origin and quality assurance scheme replace the need for organic, unanimously the answer is, yes.

This opens up a very big opportunity for Tasmania because obviously our organic industries are extremely small. We do not have the scale - and it is very unlikely that we will ever have the scale - to meet this market demand.⁵⁶

- 1.60 Mr Doonan suggested the following marketing approach:

I think the way to do it is start with that generic approach of fundamentally saying that the brand, initially, represents clean, safely produced food, which is little or no cost to them. Then they will take it forward and say, 'Tasmanian-derived butter', and bang.

...It could be Tasmanian organic, it could be Tasmanian low input - the big is just grass-fed. People out in the real world, way, way out, just love the concept of grass-fed cows outside. We have to do that anyway. We are missing opportunities that cost us nothing.⁵⁷

- 1.61 Dairy farmer Mr Alan Davenport expressed the view that Tasmanian dairy products are as good as organic:

There has been a lot of push to go down the organic route from a few players in Tasmania. I think that is fine if somebody can do that and get a market advantage. But we already produce a product that is every bit as good as any organic producer's in the state, possibly better than some. We can continue to do that.⁵⁸

- 1.62 Dairy farmer Mr Williams shared a very similar view:

My understanding is our milk that is produced in Tasmania is as close as you can get as organic - and it would surpass what they call organic milk in America...it is clean and sustainable and we have some of the strictest controls that I know of in the world of animal welfare as well, and regulations. We haven't used a lot of the drugs in our operations, I believe- and I will stand to be corrected - that have been used in other parts of the world to enhance production and all sorts of things.⁵⁹

- 1.63 Brand Tasmania Council noted in its written submission:

Tasmania's Brand Ambassador, Tetsuya Wakuda, told a gathering in Hobart this year that 'clean air and water and good soil make the Tasmanian brand over and above organic.'⁶⁰

⁵⁶ Hansard transcript, Sarah Hirst, 9 March 2017, p.1-2

⁵⁷ Hansard transcript, Basil Doonan, 16 February 2017, p.33

⁵⁸ Hansard Transcript, Alan Davenport, 15 February 2017, p.58

⁵⁹ Hansard Transcript, John Williams, 15 February 2017, p.13,14

⁶⁰ Written submission, Brand Tasmania Council, p.2

GMO moratorium

1.64 The Inquiry heard that the current GMO moratorium was the Government policy position, in part to protect the 'Tasmanian brand', and would be reviewed prior to the expiry of the moratorium in 2019. The Government advised that it promotes Tasmania's GMO-free status in Asian markets.⁶¹

1.65 The Inquiry heard a range of views about the pros and cons of the current moratorium on the use of Genetically Modified Organisms (GMOs) in Tasmanian agriculture.

1.66 Mr Doonan advised that GMO rye grass had the potential to improve profits for farmers:

Currently, most of our animal production systems, in the high rainfall and in dairy, are based on rye grass. They now have a GMO rye grass that is one megajoule higher. There are about 11 to 13 megajoules in a kilo of dry rye grass, so it has gone up one, so it is less than 10 per cent. It doubles profit. That is the genetic merit benefit. What that means is, because they have got access and we don't, it halves our profit, relatively speaking, which will mean their cost of production will halve and ours would remain the same. The premium we have to get is very high.⁶²

1.67 A number of witnesses were of the view that Tasmania had not yet realised any measurable benefit from remaining GMO free. Mr Andrew Lester, Chair of the Dairy Council of Tasmania stated:

One important thing that we probably haven't mentioned is our GMO status. The farmers, as we see it, are hardly gaining any benefit from having that. That is something that is pretty critical in the Tasmanian image. If that moratorium is going to continue into the future, we really need to harness that and gain value out of that because we are in the pot with everyone else otherwise. I can't answer for those companies but they are mixed in with the rest of the country in how they develop a specialist line, and they don't seem to have the appetite to do that at the minute.⁶³

1.68 Mr Matt Watt, General Manager of Australian Milk Supply Fonterra, urged caution with any decision to change Tasmania's GMO free status:

We need profitable farmers. However, we also know that these decisions only get made once. Once a decision is made to allow genetically modified rye grass or whatever the specific issue is, you can't retract from that. Whilst it may well improve production, our role in this is to be very close to what that means for customers and demand. If we are improving production but at that same time it has a negative impact on demand or our ability to extract premium or access particularly markets, then the net result to the value chain doesn't come back to just that production piece.⁶⁴

1.69 Mr Armstrong made a case for the adoption of a dual system in Tasmania:

⁶¹ Hansard transcript, Rodger and Bowles, 23 February 2017, p.12

⁶² Hansard Transcript, Basil Doonan, 16 February 2017, p.34

⁶³ Hansard Transcript, Andrew Lester, 15 February 2017, p.2

⁶⁴ Hansard transcript, Matt Watt, 23 February 2017, p.3

It is really tiring, this argument, because if you go back when the question of GMs in Tasmania was first considered, the government employed Rob Napier, who at that time was principle of Orange Agricultural College in New South Wales.....His recommendation was that we should be smart enough to work out how to have GMs as well as GM-free production. I think that conclusion is just as, maybe even more, relevant now. We ought to spend the time working out how to meet those requirements so that we can have both. I think trying to pick a winner one way or the other is a mistake. I think we are sacrificing things. I think in the long term, consumers will accept GM produce.⁶⁵

- 1.70 Mr Mallinson advised the inquiry of the potential of genome editing, particularly in the cultivation of drought-proof grasses:

It is a huge debate - gene-editing or whatever you want to call it. They are quite different. At some point the industry will need to land on this, not just here in Australia but also globally. While one of the ways for farmers to be efficient is being able to use hybrid grasses that can survive droughts, can survive floods, and while I personally am not for around GM modification, there is something around gene-editing where you can take.... and put genes back into the organisms. With gene-editing, they can only take out, they cannot put back in. So gene-editing per se is not modification.⁶⁶

Food safety and biosecurity

- 1.71 The Inquiry received a clear message from several witnesses that food safety was of critical importance to both Tasmania's and Australia's reputation as an exporter. Mr Mallinson advised:

The one thing Australia and Tasmania have going for them is food security. That is going to be the most important thing. Whether it is organic or non-organic does not really matter as long as it is safe to consume. As an island Tasmania is well positioned there. The one thing to do, if I were giving you any advice at all, is keep your quarantine up as well. If anything ever happened and there was an outbreak of something, then that is an option for Tasmania.... If you take cheese, for instance, the Japanese buy bulk cheese all around world and blend it so they get the right mix. What they are looking for first and foremost is secure food, where food safety is paramount.⁶⁷

- 1.72 Mr Ian Halliday of Dairy Australia also urged caution, particularly in relation to promoting Tasmanian products and producers as a source of safe food as a single incident had the potential to undermine such branding:

You only need one issue - this is one of the risks about promoting an individual jurisdiction: you have one quality problem and that could be to the detriment of the whole industry. If one small processor has a major quality problem, that could be the detriment of the industry as well.⁶⁸

- 1.73 The Inquiry heard from Mr Ben Gursansky, Murray Goulburn's General Manager for Policy Industry and Government, that recent dry conditions followed by high rainfall had highlighted the need for better on-farm planning and forward planning for extreme

⁶⁵ Hansard transcript, David Armstrong, 15 February 2017, p.67

⁶⁶ Hansard transcript, David Mallinson, 8 May 2017, p.10

⁶⁷ Ibid, p.6

⁶⁸ Hansard transcript, Ian Halliday, 8 May 2017, p.29

weather events and sustained dry weather. Planning measures could include farm business management or contingency planning around the biosecurity requirements for bringing stock feed into Tasmania during dry periods.⁶⁹

Findings

1. Many jurisdictions are using the generic term 'clean and green' in their marketing and, consequently, the message is at risk of becoming less meaningful.
2. The private sector is best placed to build the 'Tasmanian brand'.
3. There is a market for organic milk but producing it is a difficult and expensive exercise.
4. Consumers want a safe product that is produced cleanly and sustainably.
5. A single food safety incident has the potential to undermine consumer confidence in the 'Tasmanian brand'.
6. The Tasmanian dairy industry could potentially benefit from the lifting of the GMO moratorium in 2019.
7. Organic and GMO systems can co-exist.

Recommendations

The Government -

1. Take active steps to strengthen the defendability of the 'Tasmanian brand'.
2. Actively support the private sector in building the 'Tasmanian brand'.
3. Assist the private sector to promote Tasmania's clean and sustainable dairy products.
4. Exercise caution in promoting an overall 'Tasmanian brand' for all producers, as a single food-safety incident has the potential to undermine such branding.
5. Evaluate the benefit and/or risk to Tasmanian producers of Tasmania remaining GMO free and consider the implementation of a dual GMO system.

2. PROCESSING OPPORTUNITIES IN TASMANIA

- 2.1 The Inquiry heard that the three major processors in Tasmania, Fonterra, Murray Goulburn and Lion Dairy and Drinks, processed around 90% of Tasmania's milk. No evidence was received in relation to new major companies entering Tasmania. However, considerable evidence about the potential future value for Tasmania in the further development of speciality niche-market dairy products, which currently only process around 1-2% of Tasmania's milk. Harvest Launceston, in its written submission stated:

Nine percent of Australian's total milk is produced in the State, offering significant opportunities. There are 430 dairy farmers in the State with the vast majority aligned to large corporate milk processors. With only 15 cheese producers and a small handful of yoghurt, cream, butter and other dairy producers in the State, surely now is the time to create a strong local industry centred around the production of value added or branded milk products.⁷⁰

- 2.2 However, evidence was also provided that any such expansion was not expected to be on a large scale. DairyTas stated in its written submission:

There are opportunities for further processing in Tasmania as the industry grows but we do not expect this to be large scale production facilities. More likely this will complement the existing industry and add a new dimension rather than allowing the majority of the industry to move into this space.⁷¹

- 2.3 It was noted that Tasmania does not currently have the capacity to produce specialist products. Mr Cox expressed the following view:

At this stage we don't have the capacity to produce specialist products in Tasmania – not specialist products, just consumer products. We are all set up for bulk powders and bulk cheese and butter but we can't package a whole heap of butter or cheeses as specialty-type cheeses and that sort of thing.⁷²

- 2.4 Mr Richard Bennett noted that milk fat was a popular commodity and advised that he would be able to sell butter if he was able to get it creamed.⁷³

- 2.5 The Inquiry heard, however, from Mr John Lord that only a small number of buyers paying a premium for Tasmanian product had the potential to make a considerable difference:

⁷⁰ Written submission, Harvest Launceston, p.1

⁷¹ Written submission, Dairy Tas, p.5

⁷² Hansard Transcript, Geoff Cox, 15 February 2017, p.1-2

⁷³ Hansard transcript, Richard Bennett, 7 September 2017, p.7

Our production of almost everything is small (read tiny) on the world stage, so we can cope with most of the buyers going past us. All we need are one or two buyers who place value on the special characteristics/qualities of our produce and whose markets in turn are prepared to pay a little more for these values, for us to get a sale for our production into a market at a higher price than commodity markets.⁷⁴

Certainty of supply

- 2.6 The Inquiry heard that any expansion in the Tasmanian dairy processing industry may be limited by the relatively low level of milk production and the fluctuation of volumes of milk produced according to season. It also heard that the relatively low level of Tasmanian production was a more significant deterrent to major producers than such factors as freight logistics and energy supply were not as important to major producers as certainty of supply.

- 2.7 Mr David Armstrong expressed the following view:

....the huge sort of growth I would like to see, is going to depend on exports, not local markets and not just the mainland market, but getting stuff overseas. In order to get stuff overseas we need to have producers organised or we need to have sufficient volume in order to be realistic in overseas markets. We need to have sufficient scale, our production needs to be internationally competitive as there will be lots of other countries looking at the sort of markets we are looking at, Asian markets in particular.

We need the scale We need to focus our research and extension onto those products that are going to be saleable into the international markets and have sufficient potential for growth to be active in those markets.⁷⁵

- 2.8 Mr Mallinson also discussed the issue of scale in the context of a sustainable Tasmanian dairy industry:

When we talk about scale, if you look at the world's best, it is probably Fonterra in New Zealand. They have plans in New Zealand to do 3 billion litres on one site. We had 3.5 billion litres going through 10 sites. That's subscale on today's global set. What is it in Tasmania now, a bit over 1 billion litres? We have about five sites down there. That's to put some perspective on it.

That would be a small factor, but the biggest thing we would have to see down there is sustainable growth in dairying. It cost us a bit over \$60 million to put up the Smithton powder plant. If you want to put up another one, you want to be certain you are going to fill it over time. You need to see a sustainable dairy industry in Tasmania for that to happen.....You need 200 million litres to fill up a dryer of that size. You would need to see growth over and above what is already down there, and it would have to come reasonably quickly. Otherwise the longer it is empty, the longer the payback on the investment.⁷⁶

⁷⁴ Written submission, John Lord, p.2

⁷⁵ Hansard transcript, David Armstrong, 15 February 2017, p.64

⁷⁶ Hansard transcript, David Mallinson, 8 May 2017, p.4-5

- 2.9 Mr Mallinson did, however, express the view that Tasmania had the potential to produce in quantities that would attract major investors:

Absolutely it is. Of all the areas in Australia, Tasmania probably has the greatest platform to do that. If they got irrigation right, the ability to grow grass cheaply down there and convert that into milk is still there.⁷⁷

- 2.10 Mr Phillip Beattie was of the view that:

In terms of processing it is awkward because it is a chicken and an egg. In order to build a processing facility you need roughly 100 million litres or more, but then you need all the farmers to fill it. If I start another farm where am I going to send my milk? Lion won't take any more milk from us in the south. It is a critical mass thing of getting enough volume to start another processing facility.⁷⁸

- 2.11 In addition, the TFGA submission noted that existing contracts may limit supply to any potential new processors:

New developments will require diversity of product and flexibility of production; however, any new developments would be competing for supply with existing processors. Thus, contracts will processors need to be flexible enough so that excess milk (surplus to the set contract) can be sold to another party (which in many cases already exist).⁷⁹

- 2.12 However, Mr Clarke was of the view that Tasmanian agriculture, as a whole, was under-utilised:

The state, at the moment, in terms of agriculture is probably only running at about 30 per cent. There is a lot of untapped potential, but we can't really get that potential unless we have more money coming in. We need to be creating better conditions to be competitive to be in that market of attracting outside investment because we can't do it alone within our own borders. There is simply not enough money. If we do it, it is with borrowed cash and that creates its own level of risk.⁸⁰

- 2.13 Mr Jon Healey, Director of Pyengana Dairy, was of the view that improved farm-gate prices would address the issue of Tasmania's milk supply:

How do we get milk? We pay for the milk. That's all you have to do. You don't have to go out and canvass dairy farmers, you don't have to go to New Zealand and hunt down dairy farmers or to England or come up with any new theories or anything like that; all you have to do is pay for the milk. Have a basic rate for the milk and pay consistently for that product and Tasmania will get all the milk that they need for processing.⁸¹

⁷⁷ Hansard transcript, David Mallinson, 8 May 2017, p.5

⁷⁸ Hansard Transcript, Phillip Beattie, 23 February 2017, p.49

⁷⁹ Written submission, TFGA, p.3

⁸⁰ Hansard transcript, Tony Clarke, 15 February 2017, p.30

⁸¹ Hansard Transcript, Jon Healey, 15 February 2017, p.19

New processing opportunities

- 2.14 Following suggestions from a number of witnesses, the Inquiry examined opportunities for new processing opportunities in Tasmania, including baby formula, butter and fresh milk.

Baby formula

- 2.15 The Inquiry received evidence that the production of baby formula potentially had high profit margins, was a growth market and was also not subject to cold supply chain logistics of fresh dairy products. However, establishing a baby formula processing plant was estimated to cost between 50-100 million dollars and there were doubts as to whether Tasmania produced sufficient milk to provide reliable supplies.
- 2.16 The Inquiry heard that Mr Jack Beattie had investigated the feasibility of establishing a Tasmanian infant formula brand, contract packed in Victoria. Mr Beattie explained a number of challenges which made it infeasible:

There is not a baby powder plant in Tasmania. We spent about a whole year looking at infant formula trying to get it off the ground with contract packing in Melbourne but it doesn't really work because we would have to buy milk from somebody else in Melbourne. We can't send all our milk from here to there because it is ridiculously expensive, but there is major opportunity there because even with contract packing we were looking at a margin into China and into Laos and Vietnam, other opportunities are in Singapore, Indonesia. We were looking at about \$4 a tin profit margin even paying somebody else to pack it for us. You get about 2.33 litres of milk into a 900-gram tin of formula. There is a big opportunity there and you have obviously got a long shelf life, like a year, maybe slightly longer so you have six months to sell it so you can take that fluctuation out.

When we were trying to kick off Udderly with infant formula in Victoria we were dealing with the wrong people; we were dealing with the importers. To get something like this off the ground, it needs to be somebody who owns a big retail chain in China or South-East Asia that would have an exclusive right to distribute these products..... There is an opportunity but we need to bring the capital to here first. We are not saying you need to put your hand in your pocket for \$50 million which is a basic infant formula plant. We need some introductions at a government level, maybe to foreign investment, to help bring that here to Tasmania first. That is the opportunity the government could provide to the Tasmanian dairy industry.

It should be maybe an introduction at a higher level. When you are going overseas to these trade fairs, maybe the Tasmanian government should be making representation to some level of government in Asia to say, 'This is what we are trying to get off the ground'. When you go to a trade fair - and I've been there and done that - you are dealing with importers and distributors and a few customers coming through looking at what is going on. It needs to be a level above that.⁸²

⁸² Hansard Transcript, Mr Jack Beattie, 23 February 2017, p.52

Butter

- 2.17 The Inquiry heard that butter sales globally were increasing and that potentially there was a market opportunity for high-quality Tasmanian butter.⁸³
- 2.18 During its visit to New Zealand, the Inquiry learned that consumer attitudes towards butter had changed since the promotion of synthetic spreads in the 1970s and 80s. Fonterra had launched a 'Butter is Back' campaign⁸⁴ and demand for butter was reported to be rising.⁸⁵ The Inquiry therefore considered whether there was potential for marketing Tasmanian-branded butter.
- 2.19 Mr Bennett confirmed that there was potential for increased butter sales:

*Butter is a big thing. I can sell butter, if I could get it creamed. Butter has completely changed in the last two years. It was a lot more popular five years ago, but the perception of butter has completely changed. We have had a few enthusiasts in Launceston pushing our two-litre creams. I do not know what they use it for, but they buy in bulk and milk fat is suddenly back in vogue, which is interesting.*⁸⁶

- 2.20 Mr Cox was of the view that:

*A lot could be achieved by taking what they produce already and putting it in consumer packs, and putting a Tasmanian label on it. We've got butter. At the moment butter is great. Sales are going up by 10 per cent a year in Australia of pure butter.*⁸⁷

- 2.21 Fonterra advised in its written submission that it had recently signed a distribution agreement with Aldi for Duck River Butter produced at its Spreyton site:

*The agreement will see Duck River Butter stocked nationwide across Aldi's 400 stores, bringing a premium Tasmanian brand to Australian consumers from mid-December. Aldi currently has a ten per cent market share in the grocery space, and is continuing to grow. Duck River Butter has a rich history, first established in 1904 in Smithton as the Duck River Butter and Bacon Factory, and we're proud to be able to share it with all Australians.*⁸⁸

Cheese

- 2.22 The Inquiry heard numerous examples of Tasmanian artisan cheese makers winning major awards. Whilst artisan cheese is produced in small volumes, its influence on Tasmania's reputation as a producer of high quality dairy products is important. The inquiry also heard of the importance that Lion places on its Tasmanian-branded cheese products.

⁸³ <https://www.ft.com/content/514282ab-4e3d-3aa0-a8ce-3d50f8ea13fb?mhq5j=e1>. Accessed 7 July 2017

⁸⁴ <https://www.fonterra.com/nz/en/afreshstartwithdairy/butterisback.html>. Accessed 30 June 2017

⁸⁵ <http://www.stuff.co.nz/business/farming/dairy/92643606/world-dairy-prices-improve-for-fifth-straight-global-dairy-trade-auction>

⁸⁶ Hansard transcript, Richard Bennett, 7 September 2017, p.7

⁸⁷ Hansard Transcript, Geoff Cox, 15 February 2017, p.6

⁸⁸ Written submission, Fonterra Australia, p.2

- 2.23 Mr Bennett informed the Inquiry of Ashgrove's recent experiences with producing and marketing cheese:

*We have just completed a major upgrade of our cheesemaking facilities. We have spent about \$2.5 million expanding our cheesemaking capacities with a hope we can sell that cheese somewhere.....*⁸⁹

Fresh milk

- 2.24 The Inquiry heard of initiatives to export fresh milk from Tasmania directly to China (discussed in more detail in paragraphs 1.38 – 1.39 above). At the time of drafting this report, events had made the future of this uncertain. However, at the time of taking evidence, the Inquiry heard from Mr Jon Healey:

*The fresh milk into Asia has big legs. We're talking up to \$10 per litre retail and the market is huge. That's where we need to be looking. It would be good if we got \$10 per litre for the milk that we put into our cheese but we don't get that. That would be \$100 per kilo for the cheese. Fresh milk at that sort of rate is massive.*⁹⁰

Freight logistics

- 2.25 Tasmania's island status presents particular challenges for transporting dairy products to markets. Fonterra noted in its written submission:

*Tasmania's island state status also presents freight challenges, particularly moving milk between our factories.... During peak milk production periods on farm, our Tasmanian sites often have milk surplus to our production requirements, which could be relocated to Victorian sites with additional capacity. However, the cost of moving raw milk from Tasmania to the mainland and unfavourable shipping times makes this option unviable, thereby adding inherent cost to the Tasmanian operations.*⁹¹

- 2.26 The written submission from Sarah Hirst concurred with this view:

*One of the greatest impediments to expansion in the Tasmanian dairy industry is the ability to ship fresh and processed products out of the State. There is currently no capacity to move tankers or processed dairy product from Tasmania to Melbourne. Our client has been trying to secure freight allocation for five milk tankers per day – to no avail..... The freight issue is not price, but capacity.*⁹²

- 2.27 Tasmania Invest went on to explain that Toll and TT-Line freight allocation were running at full capacity and that Sea Road did not, at that time, have enough operational

⁸⁹ Hansard transcript, Richard Bennett, 7 September 2017, p.2

⁹⁰ Hansard transcript, Jon Healey, 15 February 2017, p.20

⁹¹ Written submission, Fonterra, p.3

⁹² Written submission, Tasmania Invest, p.1

vessels. The submission stated that the maximum turnaround time for milk is 10-12 hours and suggested the following solutions:

a) Our understanding is that TT Line has been pushing for a dedicated freight service across Bass Strait. Although the freight cost is higher (up to \$1 000 per 44 foot container more), this is a very workable solution for fresh dairy products.

b) The State Government to provide a soft loan to enable the purchase of an additional freight boat to add significant freight volume to the current Bass Strait offering.⁹³

- 2.28 Ms Sarah Hirst advised the Inquiry of challenges faced by international clients looking to invest in Tasmanian dairy products:

SeaRoad has one boat, I understand, that is crossing. There is one that is in dry dock in Sydney at the moment. This is purely a capacity issue, it is not a pricing issue. My clients have worked off the basis of \$3500 per container which is where TT-Line is roughly sitting. SeaRoad is about \$2200 to \$2500 per container. They are not worried about the price. They will pay it, but there is just no space to get their products out of Tasmania at the moment.

They are looking at a couple of different options. Potentially there may be an option for a soft loan from the State Government to provide to any operator to get another boat in service as quickly as possible, whether this is through TT-Line or another operator or a private operator, just to allow this to go through. This client and this investment will be looking at a very big increase on that. They will fill half a boat within two to three years of their product to go out by themselves and that is just the dairy side of it. As of last night, they said, 'Well, we cannot do this in Tasmania unless the shipping issue is fixed'. That is a really big issue on the freight for them.⁹⁴

- 2.29 Mr Jack Beattie advised the Inquiry of the shelf life of fresh milk and hard and soft cheeses:

The shelf life of fresh milk is 13 days basically. Soft cheese is 42, 45, depending what the product is from when it is manufactured. Then you have to get it out there and you can't sell it when more than half its shelf life is expired. You want to be in something that has longer shelf life than soft cheese again so it has to be hard cheese. Nobody wants to sell that because it is worth \$3 500 a tonne at the moment and it costs a lot more than that to even make.

What are your other options? You can get into UHT, which is slightly better in terms of opportunity than hard cheese but still really a mug's game. I went to FHA - Food & Hotel Asia - in Singapore early last year and they are interested in UHT but it is worth not much more than \$1 a litre. It's still a mug's game, basically.⁹⁵

- 2.30 The Inquiry heard that freight logistics were even more complex for transporting dairy products to international markets and heard the experiences of major producers.

⁹³ Written submission, Tasmania Invest, p.2

⁹⁴ Hansard transcript, Sarah Hirst, p.3

⁹⁵ Hansard transcript, Jack Beattie, 23 February 2017, p.50

2.31 Lion Dairy and Drinks advised that, due to the difficulties getting soft cheese to overseas markets due to its short shelf life, it had instead chosen to focus on the domestic market but advised that it was looking at opportunities to grow further internationally.⁹⁶ Lion International Dairy has been selling yoghurt and long-life milk into South-East Asia during the past decade and has recently seen significant growth in sales of yoghurt, as well as new opportunities for ensuring cold chain compliance logistics into the Chinese market.⁹⁷

2.32 Mr Bennett explained the logistics of getting Ashgrove products into international markets:

*It was quite expensive to do from Tasmania. The logistics were: today, it went on a boat tonight; tomorrow afternoon, it will hit a plane at Tullamarine and then off to China or wherever it needed to go. Competing with Victoria companies, we had that overnight, which is quite good. Any direct flights to China would be wonderful, you then have to pick which city and there are a lot of cities in China.*⁹⁸

2.33 The Inquiry heard evidence from Mr Jon Healey that the Government may be able to encourage and/or facilitate direct freight from Bell Bay to overseas markets.

*I think that is the biggest way the government can assist. There could also be assistance with freight. Obviously we are on this little island and it is a nuisance. Everything has to get to Melbourne and it is time and money. When it gets to Melbourne it has to be unpacked and checked. More paperwork, then go back into another container and away it goes.*⁹⁹

2.34 The Inquiry also heard that Tasmania may be missing opportunities to export fresh milk from Tasmania due to the lack of a Northern-based airport which provided adequate air-freight facilities. Mr Healey advised:

*We have been approached by three different places since Moon Lake, since that advertising. I do not know why since then, but by places in Hong Kong to supply fresh milk. They are talking about airfreight because of the time line on it. They are talking about putting about 40 000 litres in a plane, so they are putting fairly good volumes of milk in there. We did talk freight costs and things like that, but I believe the people who are buying the product would pay the freight. It is just that we cannot put these planes down; that is the big thing.*¹⁰⁰

Infrastructure

2.35 The Inquiry heard evidence that road and energy infrastructure placed limitations on processing opportunities, particularly in the North East of Tasmania. Mr John Tuskin, General Manager of Roberts Ruralco provided the following overview:

⁹⁶ Hansard Transcript, Cameron Bruce, 16 February 2017, p.17

⁹⁷ Hansard Transcript, Elise Gare, 16 February 2017, p.18

⁹⁸ Hansard transcript, Richard Bennett, 7 September 2017, p.6

⁹⁹ Hansard transcript, Jon Healey, 15 February 2017, p.21

¹⁰⁰ Ibid, p.22

The biggest thing that came out of discussions is that to go the next step we need better logistics and processing facilities. You have 100 dairy farms each producing a certain amount of milk. Collectively they can produce a lot more by going into a single hub. Much like they do in the wine industry, they can brand it whatever they want and it is contract-processed. I am sure it has been mentioned about direct shipping to Asia and direct flights out of Hobart but also Launceston, having the processing hub close to that access to getting it out of the place. I think there are companies out there that can build Brand Tasmania if they have the support with that logistics infrastructure.¹⁰¹

- 2.36 Mr Rolley expressed the view that the Government had a role in facilitating essential infrastructure:

Other key roles for government include investment in strategic infrastructure so that the dairy businesses are cost-effective. That recent investment that was a joint investment between the federal and state governments, cooperation of local government, in electrifying Harcus Road, for example, provides a real opportunity to get additional dairy investment because you have to have efficient infrastructure. Support for local council on some of the key transport routes so we are able to most cost-effectively get product to processing is a critical role for government in maintaining the competitive position.¹⁰²

Roads

- 2.37 Ms Sarah Hirst informed the Inquiry that:

Our dairy client's business model is based on the operation of 52 tonne A-Double tankers throughout northern Tasmania. Tasmanian roads and bridges need to be upgraded to cope with this weight. While some roads and bridges have already been upgraded, many have not. This means our client would either run tankers at two thirds capacity (and less economically) to ensure compliance with tonnage restrictions or have to run twice as many trucks on the road.¹⁰³

- 2.38 The Inquiry heard that this was a particular issue for dairy farmers in the North-East where no processing facility existed. Mr Gary Atkinson, dairy farmer, expressed the following view:

I think the dairy farmers in the north-east must be paying huge transport costs, and if not being specifically allocated to those farmers in that area, it is being spread across the whole of the supply industry.....To my way of thinking, it is a very inefficient way of handling the milk. The other thing is that the further you cart your milk, the lower the quality of the milk. The milk quality definitely deteriorates the further you cart it. The more you slosh it around, it causes problems in oxidation and breaking down of the membranes and everything around the fat globules and that sort of thing. Every time it sloshes around in a tanker, it's not good for the milk for sure. The sooner you get it processed, the better the quality.¹⁰⁴

- 2.39 Fonterra advised that it had already raised the subject of roads with the Government:

¹⁰¹ Hansard transcript, John Tuskin, 23 February 2017, p.15

¹⁰² Hansard transcript, Evan Rolley, 23 February 2017, p.23

¹⁰³ Written submission, Sarah Hirst p.2

¹⁰⁴ Hansard transcript, Gary Atkinson, 15 February 2017, p.49

Vital to the growth of dairy in Tasmania is regional infrastructure that can support expansion. Fonterra has previously raised with the Government a number of limitations in transport and freight that hinder growth, including poor quality roads requiring upgrades and changes to load limits to enable the use of larger trucks capable of carrying more milk. The Tasmanian Government has been a willing partner in helping to effect change, and we acknowledge their support.¹⁰⁵

Energy

- 2.40 The Inquiry heard from a number of witnesses and submissions that the supply and cost of energy was a major factor in the establishment of any new processing facilities, particularly in regional areas:

- 2.41 The Murray Goulburn submission pointed out:

A major barrier to additional processing capacity in regional areas is often the required enabling infrastructure, particularly energy and transport infrastructure. For example, the Smithton facility continues to be challenged due to the cost of delivering gas in Smithton, forcing MG to rely upon pelleted gas to meet our energy demands at the factory. Whilst Government supported the potential delivery of a gas pipeline to the region, the terms of the supply agreement offered to deliver gas made it financially cost prohibitive for MG to accept the offer.¹⁰⁶

- 2.42 Mr Rolley also noted that high energy costs were also of concern to farmers:

The one emerging concern for all dairy farmers is the significant increase in electricity charges, fuelled in part by government policy on renewable energy. It is vital we keep in mind the cost of any of these farming activities, and particularly dairy, is very dependent on having the most cost-effective utilities. It boils down to modelling what we're doing in this energy space, understanding what those impacts might be and understanding the critical importance of maintaining cost effective operating costs.¹⁰⁷

- 2.43 The Inquiry heard that ageing power supply grid in North-East Tasmania may have hindered possible development:

Ms RATTRAY - *One question in regard to upgrade of power into the north-east, my understanding is that the north-east missed out on an upgrade and that is holding back some dairy development, particularly with the Agrilac situation. Would you like to make a comment on that, Andrew?*

Mr LESTER - *We support the infrastructure that is available, especially for new projects that are going ahead. We do need support and that is where the government can back some of these projects without direct financial contribution to the project. That one particular project was obviously a significant cost to them and that was weighing up whether they did the project or not or went with generators.....It's a much more sustainable type of production if you can have a power line put on and it makes that more reliable and much more user-friendly to whoever is running it. It is a big hurdle, especially when there*

¹⁰⁵ Written submission, Fonterra Australia, p.3

¹⁰⁶ Written submission, Murray Goulburn, p.6

¹⁰⁷ Hansard Transcript, Evan Rolley, 23 February 2017, p.24

*is a significant cost. There is a return back to the government because there is going to be ongoing power use for a long time.*¹⁰⁸

- 2.44 The Inquiry noted that the Government had announced a major upgrade of energy infrastructure in the North East of Tasmania.¹⁰⁹

North East processing facility

- 2.45 The Inquiry considered evidence regarding the viability of establishing a processing plant in the North East of Tasmania. Mr Atkinson made the following suggestions:

*The first thing I would propose is that somebody should look seriously at building a new factory in the north-east of Tasmania.....I don't propose that the government build it, but yes, I think it should be encouraged whether it is with some government input as far as finances or something.*¹¹⁰

- 2.46 The Inquiry heard from Mr Geoff Cox that such a facility had the potential to be viable:

*Yes, I think it is an opportunity because the milk is there. The north-east is a very reliable production area because we have a high degree of irrigation in the north-east. These projects are put in not for a short term, they are long-term projects. They do use quite a bit of power. You would think that there are ways around trying to facilitate those connections to be put on those jobs, which would encourage more investment. There is opportunity in those similar areas that would go ahead if they could get those projects up and running.*¹¹¹

¹⁰⁸ Hansard transcript, Andrew Lester, 15 February 2017, p.10

¹⁰⁹ <https://www.tasmaniatalks.com.au/the-show/21672-major-power-upgrade-announced-for-north-east> (accessed 18 October 2017)

¹¹⁰ Hansard transcript, Gary Atkinson, 15 February 2017, p.48-49

¹¹¹ Hansard transcript, Geoff Cox, 15 February 2017, p.8

Findings

8. Tasmania has the capacity to significantly increase its milk production, which would ensure the economies of scale for processors to invest.
9. Shifting consumer attitudes towards butter consumption, for example, provides a potential opportunity to grow sales.
10. The island status of Tasmania presents freight challenges for fresh products.
11. To facilitate industry growth, the Tasmanian road and freight network needs improvement

Recommendations

The Government -

6. Encourage and support significant expansion of the Tasmanian dairy sector.
7. Working in collaboration with other tiers of government, task Infrastructure Tasmania with assessing the condition of the Tasmanian road and freight network, particularly in respect of heavy vehicle usage.

3. THE ROLE OF THE TASMANIAN GOVERNMENT

3.1 The Inquiry heard that the Government either currently or potentially had a valuable role to play in the following areas:

- Marketing assistance
- Grants and funding
- Investment attraction
- Infrastructure
- Certification

Marketing assistance

3.2 Mr Mark Smith of Dairy Australia advised that the Government could assist to provide a framework for the numerous small producers in Tasmania:

...there are certain businesses that are doing a good job in that space, but there is nothing happening in an overall sense, really. Some of those small businesses probably could benefit from a little bit of a framework that they might be able to operate in...¹¹²

3.3 The Inquiry heard that the marketing of Tasmanian wine could be used as a model for the dairy industry:

Mr FARRELL - We heard yesterday that the wine industry, for example, has a good encompassing body that pushes that Tasmanian brand for the producers. It seems that with the dairy industry there is a bit of a gap there.

Mr SMITH - Yes. No organisation has got a real brief to pursue that objective, I don't think. We come from a position of being a service provider for farmers to help them run their businesses, whereas Wine Tasmania has probably got a wider brief that they are there to promote - sales of Tasmanian wine and development of local businesses, cellar doors.

...there could be a local region or body that might take something up to do it, like Cradle Coast for example. If they saw a value, they could take a role to play.....Dairy Australia do a little bit of that nationally, but generally the industry doesn't have a body that supports that as part of their mantra. From a state point of view, it would appear that State Growth and their offshoots, like a Brand Tasmania, would be in a position where they could perhaps be a bit more proactive to encourage it to happen.....Is a state body able to give them appropriate support, encouragement or whatever to help make it happen? As part of our AgriGrowth thing that certainly should get consideration.¹¹³

3.4 Ms Elise Gare advised that Lion Dairy and Drinks would welcome the opportunity to work with the Government to promote Tasmania products:

¹¹² Hansard transcript, Mark Smith, 16 February 2017, p.3

¹¹³ Ibid, p.10

*We also believe that there is a significant opportunity for processors operating in Tasmania to leverage off and contribute to the brand growth of Brand Tasmania. The region has a strong reputation for quality and artisan products. We are passionate about this. We are also extremely proud of the role that we've played in helping to bring this reputation to life through our specialty cheese brands, such as the King Island Dairy, South Cape, Heidi Farm and Tasmanian Heritage. We welcome the opportunity to work closer with Government on this.*¹¹⁴

- 3.5 Ms Kim Seagram of Harvest Launceston suggested the establishment of business training centres that could operate as a central hub for potential entrepreneurs:

*I think there is a huge opportunity to help in those fledgling years, because as you have just said, to be able to set up something with all the equipment you need is incredibly expensive. If there can be a shared facility where people can actually do the learning and the training, and on top of that, there is the tourism opportunity as well. I am sure there are a few punters who would love to come down and learn how to make fresh cheese or have a bit of a play making a hard cheese and coming down and visiting a few times while it is maturing..... In fact we've been working with the Tasmanian School of Business Economics who really want to set up these incubators in both Launceston and Hobart.....By having an incubator they can learn how to market or have somebody to market for them. They can learn to graphic design or have somebody to do it for them and just be able to plug those skills in. Quite often you have somebody who will become a really passionate cheesemaker but the business fails because they don't know how to run a business.*¹¹⁵

- 3.6 The Harvest Launceston submission also urged for better marketing of Tasmanian dairy products:

*The Tasmanian Government in its recent submission to the Australian Government Senate Inquiry into the dairy industry noted "they have a shared focus with dairy stakeholders...on consumers buying more dairy products". We concur that there should be more marketing efforts focused on the domestic market targeted to a future for Tasmania with a global reputation as the place to go to for artisan cheeses and other dairy products. The tourism industry in the 1990s understood the need to totally rebrand Tasmania to get people into the regions consuming our great food, beverages, accommodation and attractions. We need this type of investment in scale and scope to increase premium dairy product consumption in targeted markets.*¹¹⁶

- 3.7 Mr David Armstrong directed the Inquiry's attention towards a report prepared by Professor Jonathan West of the Australian Innovation Research Centre in Hobart in 2009. The title of the report was *Potential for Innovation in Tasmania to Improve our Economic Position* and believed that the Tasmanian Dairy industry could be grown from 72 000 hectares to 200 000 hectares and increase the gross margin from \$144 million to \$400 million with no increase in the amount of land under agriculture use. Mr Armstrong quoted a section of the report:

¹¹⁴ Hansard transcript, Elise Gare, 16 February 2017, p.14

¹¹⁵ Hansard transcript, Kim Seagram, 15 February 2017, p.41-42

¹¹⁶ Written submission, Harvest Launceston, p.1

To conceive how great is this contribution, it is worth noting that additional value of this magnitude would roughly double Tasmania's total out-of-state sales and make Tasmania the richest state, per capita, in Australia.¹¹⁷

- 3.8 Mr Armstrong noted that partnerships had the benefit of bringing new expertise to Tasmania:

That is why I am keen on investment from overseas countries such as China. If we have a partnership with a Chinese company, for instance, to do things in Tasmania it is bringing people with access and knowledge about the markets into the state. They know how to get stuff there, and in the case of Driscoll's they have brought the technology for us to be internationally competitive in our production systems. It is appropriate, I think, for government to take actions to bring those sorts of people to the state, invite them here, and show them what they can do. We need to be very active in that.¹¹⁸

- 3.9 Mr Lester urged the Government to consider partnerships:

In South-East Asia there is an appetite growing for Tasmanian products. We need to be capitalising on that and we need to be targeting those markets. Whether we need to partner with someone in those areas to get investment here to take product, like the Van Milk arrangement or whether you can get investment through Australia. You have to have a good strategy and a market that is going to accept the product that you produce. So you would probably need to find the market and perhaps partner.¹¹⁹

- 3.10 Ms Sarah Hirst expressed the following view regarding approaches from potential international investors to the Government:

Since we started our business 12 months ago, and certainly others that are in the private sector working in this space, have found that any option to open up all the enquiries that are coming into Tasmania from around the world on people who want to invest are currently funnelled into the Coordinator-General's office or into AusTrade. As a result of that, some of the requirements are that anything up to \$5 million does not seem to be a priority for these offices.....

I said that unfortunately the model in Tasmania does not seem to be open to that at the moment. That is something that we would really like to see, that there is a closer link with private business and investment and with the State Government.¹²⁰

Certification

- 3.11 The Inquiry noted the written submission from Tasmania Invest that many of its clients were seeking premium Tasmanian products that are certified and guaranteed authentically Tasmania. Tasmania Invest was of the view that there is not currently a

¹¹⁷ Hansard transcript, David Armstrong, 15 February 2017, p.66

¹¹⁸ Ibid, p.65

¹¹⁹ Hansard transcript, Andrew Lester, 15 February 2017, p.5

¹²⁰ Hansard transcript, Sarah Hirst, 9 March 2017, p.3

brand, logo or trademark that underpins the brand values of Tasmania and that this would result in lost investment into the State and lost export opportunities.¹²¹

Grants and loans

3.12 Ms Carole Rodger from Agrigrowth Tasmania advised the Inquiry of a number of Government initiatives which included a market expansion program providing grants of under \$15 000 mostly to small businesses seeking to expand into new markets, both domestically and internationally. Beneficiaries of these grants in the dairy sector included Grandvewe Cheese, Ashgrove Dairy, Westhaven Dairy and Red Cow Dairy. Ms Rodger also advised of a 2015 Tasmanian Development Board grant to Lion to establish a research and development centre at the Burnie Heritage Cheese Centre which leveraged \$150 million of private investment.¹²²

3.13 The Inquiry also considered different models for encouraging capital investment in the dairy industry. The TFGA submission recommended a system of low-interest loans:

The TFGA identifies that any government funds spend should benefit the dairy industry as a whole, not necessarily limiting investment to one single beneficiary. No funding mechanisms should be discounted, however local ownership, investment and government input would be ideal. Government investment could be beneficial through low-interest loan programs.

It is in the Governments nature to be supportive of new beneficial investments in Tasmania and thus essential for the Tasmanian Government to facilitate and maintain the future health of relationships in this economically important industry.¹²³

3.14 Mr Lester was also supportive of a low-interest loan system:

By supporting especially the local development, the state benefits from that significantly as well. I can see where a loan system is a better system than a grant system, on the low-interest basis, so that people can actually get started and then that encourages investment in the community, which would actually flow back through to government and it would get repaid over time. That would make sure that it's more economical to do the project than a grants-type system because it has to be done on a feasibility-type arrangement.¹²⁴

Brand Tasmania Council

3.15 The Inquiry heard that one of the roles of the Brand Tasmania Council is to promote the dairy industry, including producers and processors, via various promotional activities such as the Food and Beverage Tasmania website, sector overviews, social media, visiting journalists and promotional videos.¹²⁵

¹²¹ Written submission, Tasmania Invest, p. 2

¹²² Hansard transcript, Carole Rodger, 23 February 2017, p.8

¹²³ Written submission, TFGA, p.3

¹²⁴ Hansard transcript, Andrew Lester, 15 February 2017, p.10

¹²⁵ Written submission, Government of Tasmania, p.3

- 3.16 Mr Rolley advised of the assistance that Brand Tasmania Council had provided to VDL Farms:

They have been extremely helpful in working up some of the collateral that has been used as part of the branding work. They have been very helpful in working with us around product launch and so on, and very supportive in terms of the projects we have going on now in China to inform the Chinese market about the brand.....putting us in contact with a range of people who were able to assist us; secondly, in the collateral they have. They have a fantastic photo library, they have a video collection and they have a whole lot of detailed material. We are members and we joined the council to indicate the sort of support that we had as a company towards their objectives. The chairman has been very supportive with us on the journey that we are taking. They have run some articles, which have been useful in terms of communicating through social media and so on around what we are doing on the brand journey. We are very supportive of their approach.¹²⁶

- 3.17 However, Mr Doonan expressed the view, which was echoed by other witnesses, that dairy farmers and small producers were generally unaware of the potential benefits of linking with the Brand Tasmania Council:

I don't think in my dairy circles I've ever heard Brand Tasmania mentioned.¹²⁷

- 3.18 Mr Richard Bennett advised that Ashgrove used a Tasmanian identity brand of all of its products.¹²⁸ Mr Bennett also expressed the view that the Tasmanian Institute of Agriculture (TIA), rather than the Brand Tasmania Council, would be best placed to develop any official branding for Tasmanian dairy products.¹²⁹

- 3.19 Ms Hirst expressed the following view regarding Tasmanian branding:

From my perspective, there is nothing more important than getting this right. That having something we can proudly stand up and put on our produce to say 'we are Tasmanian', there is nothing more important. If I was running that organisation, this would have been my number one priority, quite some time ago. Saying that, it has not happened, and there are some logos around that people can use but they do not have the weight behind it. To give Tasmania and our produce credibility, it has to be one particular stamp logo that represents all of Tasmania.¹³⁰

- 3.20 Mr Martin Turmine of the Brand Tasmania Council advised that the Council had a staff of three with a \$400 000 budget and an additional \$190 000 in-kind support for staff seconded from State Growth. Mr Turmine urged dairy farmers and producers to consider approaching the Council:

If they came to us, we would welcome them to join as a partner. Joining as a partner is free. To take your point further, there are lots of businesses we don't know about and obviously there are lots of businesses that don't know about us. That is a continual quest

¹²⁶ Hansard transcript, Evan Rolley, 23 February 2017, p.28

¹²⁷ Hansard transcript, Basil Doonan, 16 February 2017, p.36

¹²⁸ Hansard transcript, Richard Bennett, 7 September 2017, p.3

¹²⁹ Ibid, p.5

¹³⁰ Hansard transcript, Sarah Hirst, 9 March 2017, p.6

*for us to create more awareness of what we do. We need to hear from businesses and we always welcome that tap on the door or that email.*¹³¹

- 3.21 In October 2017, the Government announced that the Brand Tasmania Council would become a statutory body and receive more resources, funding surety, permanent staff and independence from the government of the day.¹³²

Red-tape reduction

- 3.22 The Committee heard evidence that compliance with regulations was, to a large extent, industry driven. It also heard that compliance with regulations in Tasmania were considerably less onerous than in New Zealand. Mr Grant Rodgers, dairy farmer and vet, advised:

*It is industry trying to cover itself before it becomes government driven red tape. Like I said the obligations here are insignificant compared to the obligations in New Zealand on reporting. Workplace health and safety, environmental regulations, the compliance over there is enormous.*¹³³

- 3.23 A number of witnesses were of the view that compliance should remain industry driven rather than imposed by Government. Dr William Rolleston expressed the following view:

*It is about building up those brands and building up that trust. Having a government able to put regulation in place that underpins that but regulation that allows the innovation of change. That is what I was going to say about the Baa Code. If you said traceability was a great thing and we are going to regulate that everybody has to put traceability on their woollen garments, it will become a cost. When that hit wears off in the marketplace, you are left with a cost. It is really important to make sure you do not get sucked into regulating those attributes. They are for the market to decide on.*¹³⁴

- 3.24 The Inquiry noted the process of Quality Assurance was administered on both a State and National level. Mr Healey advised:

*The problem we have is that you can have a really tight licensing program with the Tasmanian Dairy Industry Authority, and they're a very well-run organisation and industry funded, but we have to have another level of licensing, so for another level of licensing nobody talks to one another nowadays, so we have to have another group of people that come in on a different date and they have a totally different regime for their licensing programs. So we'd have the Dairy Industry Authority on the fifteenth and the export group would come in on the thirtieth. That could happen up to four times a year. For a small business, the impost on just your staffing levels are huge and our document at the state level of licensing is about 400 pages that we administer on a daily basis. It takes my wife two days a week to manage that.*¹³⁵

¹³¹ Hansard transcript, Martin Turmine, 23 February 2017, p.44

¹³² <https://www.brandtasmania.com/news/?item=1383>

¹³³ Hansard Transcript, Grant Rogers, 23 February 2017, p.70

¹³⁴ Hansard transcript, William Rolleston, 11 May 2017, p.14

¹³⁵ Hansard Transcript, Jon Healey, 15 February 2017, p.21

- 3.25 Mr Bennett was asked for his views as to which sector would be the most appropriate to monitor the traceability of the Tasmanian brand

*It is probably going to have to be industry-driven so probably the best avenue would be the TIA. They pretty much have a fundamental idea of what goes on in dairy industries. Brand Tasmania does not know what is going on. TIA come in order for all of us.*¹³⁶

Export market regulations

- 3.26 The written submission from Betta Milk warned of the dangers faced by small operators and cited the example of the recent experience of a Victorian dairy company:

*....whose trust in a Chinese cold-chain distribution affiliation was breached when their fresh milk product failed upon presentation to the market. Through no fault of its own (other than misguided trust) this company's brand was tainted and Chinese regulatory requirements around the import of dairy products tightened to a degree that now makes export to that country tied up in red tape.*¹³⁷

- 3.27 Betta Milk urged that the Tasmanian Government in conjunction with its Federal colleagues and Austrade collaborate to create streamlined pathways and assistance for exporters to encourage accredited producers to undertake export activity.¹³⁸

- 3.28 Mr Healey provided some insights into Pyengana's experience into sending cheese to Hong Kong:

....The only other thing that I wanted to share there is that we just recently found it really, really difficult taking samples to Hong Kong of cheese to find a market. We have done the numbers on what it is going to cost us to get export accreditation and we believe that we've got to be able to sell two pallets of cheese to this place to make it worthwhile. One will go for the export accreditation and the other will go to make the thing work. We couldn't send 60 kilos of cheese for a promotion around 15 stores in Hong Kong because of the restrictions because we're not export-accredited.

*If we're looking to make this place export lots of dairy produce, things like that have to be made to be a bit easier. It was really, really complicated and cost us a lot of time to get a small volume of cheese out.*¹³⁹

- 3.29 Mr Richard Bennett reported a similar scenario with Ashgrove's experience of sending milk to China:

To send 1000 litres of milk over sounds good. The first so many loads had to have a series of tests and these tests are very expensive. They cost about \$2600 so we were doing it at a loss with the idea of once we had so much testing through, we would not need to do each load. These tests were for things we do not test for in Tasmania - heavy metals and lots of

¹³⁶ Hansard transcript, Richard Bennett, 7 September 2017, p.5

¹³⁷ Written submission, Betta Milk, p.2

¹³⁸ Ibid

¹³⁹ Hansard transcript, Jon Healey, 15 February 2017, p.39

strange things. We did not get the test results until the milk was well into China and the milk was also retested when it got to China. By that stage it was three or four days old, so there could be a little bit of variation on the test results.

We had gone through the testing process and were nearly on the verge of not having to send any testing when the Chinese stated they would not take the milk from this company because it contained something. The dairy in question said they have results to say they did not have it, and the Chinese actually changed the rules for everyone in Australia. Basically, we had all to go back to the beginning again. At that stage there had been a couple of things like that, so we took the view it was not a risk we wanted to continue to take at this stage. We have not ruled it out forever, but was why we have since turned down several different companies that have approached us to do a similar thing. There is significant demand. We prefer to sell cheese.¹⁴⁰

Stamp duty

- 3.30 The Inquiry heard that the abolition of stamp duty for dairy farmers would help to encourage investment in the industry. Mr Mallinson of Murray Goulburn noted:

There is no stamp duty going in and there is no GST coming out. Most farmers, as you know, are asset-rich, cash-poor, so they rely on that asset build to get them over the line. We seem to have missed that here in Australia.¹⁴¹

- 3.31 Mr Tony Clarke also advocated for the elimination of stamp duty:

We need to be in the business of making the pie bigger and how we can make it more attractive to invest and operate here.¹⁴²

¹⁴⁰ Hansard transcript, Richard Bennett, 7 September 2017, p.7

¹⁴¹ Hansard transcript, David Mallinson, 8 May 2017, p.9

¹⁴² Written submission, Tony Clarke, 15 February 2017, p.36

Findings

11. There are multiple layers of quality assurance compliance systems across the industry.
12. There is duplication of State and National export protocols.
13. Many in the dairy industry are unaware of the existence of the Brand Tasmania Council and its role, and hence have not been proactive in seeking assistance from it.
14. Stamp duty is a significant addition to the cost of investing in the dairy industry.

Recommendations

The Government -

7. Ensure that only those companies that use predominantly Tasmanian product are entitled to market the Tasmanian brand.
8. Continue to promote low-interest loan schemes for dairy industry participants.
9. Consider the roles and responsibilities of the Brand Tasmania Council and whether the Council is relevant or necessary in future and, if so, whether the proposed statutory body is the most appropriate model.

4. ANY OTHER MATTERS INCIDENTAL THERETO

Participation in the industry

4.1 The Government, in its written submission, advised the inquiry of the Workforce Development Scan, developed by Agriskills, that was established to guide future investment to revitalise agricultural vocational education and training. The Government also advised of the new Work Readiness for Growth Industries Program which provides grants to Tasmanian employers, including the agricultural sector.¹⁴³

4.2 The Committee heard that Dairy Tas was now playing an active role to encourage young people to enter the dairy industry. Mr Mark Smith advised the Committee of the 'Cows Create Careers' program in partnership with some schools.:

*Cows Create Careers is a school program that specifically goes out to high schools to engage students in an activity, and they will raise calves for a period of time. They will research a project around industry. That is an ongoing program nationally that we support locally.... To a young person at school, they can see that dairying offers an opportunity for agronomy, veterinary science, dairy technology in the factories, and there is a lot of use of science. It is not just about milking cows. There is an integration between those operations in the ways that people move in careers between different roles.*¹⁴⁴

4.3 Mr Rolley, however, advised that his experience suggested that regional areas faced skill shortages:

*Think about where our dairies are. They are in regional Tasmania and there are skills shortages. There is unemployment but there are skills shortages. I can tell you from my experience with Ta Ann and VDL over the last 10-15 years there are serious skills shortages that need serious investment in education and skills so that that workforce is capable from the pastures and farms, through the milking systems, transport and processing to really add value.....For example, it has surprised me that in Smithton, where there is high youth unemployment, we have not been able to get together the training packages that get some of those kids out of school and into a training environment, and then onto farms or into production earlier.....We need to be flexible enough to think at the local level, talking to those key dozen or so employers and making sure that we have tailored it. So it is not about more money, it is about trying to make sure that that is closer to the actual experience that employers in those sectors are having day to day.*¹⁴⁵

4.4 Mr Mallinson advised of the different approach taken in New Zealand:

*It is a huge challenge for dairy in Australia. I spent a few years in New Zealand with Fonterra many years ago, but over there it is almost prestigious to be a dairy farmer. As a matter of fact, most of the dairy farmers have a degree from Massey, and the government gives them a huge helping hand.*¹⁴⁶

¹⁴³ Written submission, Government of Tasmania, p.13

¹⁴⁴ Hansard transcript, Mark Smith, 16 February 2017, p.8

¹⁴⁵ Hansard transcript, Evan Rolley, 23 February 2017, p.23

¹⁴⁶ Hansard transcript, David Mallinson, 8 May 2017, p.9

Cooperatives

4.5 The Inquiry noted that, in the past, the Tasmanian dairy industry was dominated by smaller, region-based cooperatives which were gradually taken over by major processors. The Inquiry considered whether there were any benefits to farmers to returning to a cooperative model. The Inquiry heard evidence both favourable and unfavourable to the potential value of cooperatives:

4.6 Mr Mallinson suggested that if the Tasmanian industry was able to position itself in niche market dairy products, it might provide opportunities for smaller cooperatives to be established.¹⁴⁷

4.6 Mr Mark Egelstaff, Director at Asia Pacific provided the following view:

.... the situation in which the cooperatives find themselves in Tasmania is unfortunately not unique to Tasmania. This is something that we find pretty much all the way around Australia. Unfortunately, cooperatives and mutuals, because they are such an old business model and there was such a focus from the 1940s and 1950s onwards on companies as the accepted business model, that has meant that progressively over the last couple of decades cooperatives and mutuals were being left behind a little bit. They very frequently are obstructed through a mission by government decisions and government processes....

We know, however, there is a clear desire for Tasmanian farmers to become involved in the cooperative model. Southern Cross University has a program looking at cooperatives and collaborative businesses. Last year they received about \$15 million of federal funding through, I think, the Department of Agriculture. They are doing a program at the moment supporting businesses which are interested in the cooperative model. At this stage Tasmania is over-represented in the number of applications that that program has received.

*It is a plea, a request, from the Business Council of Cooperatives and Mutuals to make the cooperative model more accessible to Tasmanian businesses and to dairy farmers in particular. There is practically no information available through government websites on how you would set up a cooperative. I suspect the small business commissioner has had very little experience or information on the advantages of a cooperative, let alone how to set one up. We are more than happy to provide some information.*¹⁴⁸

4.8 The Inquiry heard that the co-operative model was still being implemented in New Zealand, including co-operatives such as Westland, Tatua and the Dairy Goat Cooperative. Mr Wayne Langford, Vice Chair of Federated Farmers New Zealand, provided the following views:

First of all, you need your farmers to believe in what they are doing and you need your government departments to believe in what they are doing, and everyone has to work together to get that up and running. Can it work? Yes, definitely, but there has to be a bit of unbridled belief from everyone that it's going to work and then everyone has to push it along. That's how I would look at it. We are under threat in New Zealand at the moment from shareholding and our national milk supply decreasing as more privatisation comes in.

¹⁴⁷ Ibid, p.2

¹⁴⁸ Hansard transcript, Mark Egelstaff, 23 February 2017, p.61

My view, from our cooperative not telling the story to the next generation, and not bringing the next generation through well enough, is that it can happen again. It takes a lot of work and good governance to make it happen.

.....Even a company like Miraka, a company in the North Island, which is a Maori-based milk company, didn't take long to look for outside private investment. They weren't really a co-op, but they still went for outside investment and growth rather than sticking to the cooperative principles and maybe working smaller and going that way. It's a tough one. Particularly in your case where you are exporting most of your product, the idea is probably to go a little bigger rather than high quality or a different type of product.¹⁴⁹

Technology

- 4.9 In the course of its visit to New Zealand, the Inquiry heard numerous examples of emerging technology in the dairy industry, including robotic milking systems, milk sensors, herd management software and GPS.¹⁵⁰

- 4.10 Mr Murray Jeffery, Lion Agricultural Procurement Officer of Lion Dairy and Drinks provided an overview:

For us, we have a strong view that the technology on the farm over the next 15 years is going to revolutionise dairy. There is now quite a lot of investment in robotic dairies. We have now four robotic dairies now operating within our Tasmanian farmer group. In another 15 years time, there will be a lot higher percentage than that. There is a lot of drone technology around to take labour units out. There is a lot of evidence to suggest you can basically sit in a lounge room and run a farm, hands-free, for a period of time. Clearly that is not going to happen overnight but there is no doubt, as that technology improves, that capability will improve with it. With that sort of capability comes the opportunity for those farmers to really change the way they dairy farm in a very distinct manner.

The great opportunity that brings is to get young talent very interested in that area back into dairy farming. I think one of the challenges we have had is making sure that the young farmers coming through the network stay live and stay energised. Technology is one of those key tools of keeping young people engaged in that marketplace.¹⁵¹

Farm gate sales and food tourism

- 4.11 The Inquiry heard that growth in the agri-tourism sector provided an opportunity for farmers and small producers to derive additional income from farm-gate sales. Ms Rodger advised:

I would note also in terms of the development of the industry a growing interest in point-of-sale development in a similar way that the wine industry is able to leverage from growth in the tourism industry. Businesses such as Ashgrove Dairy and Bruny Island

¹⁴⁹ Hansard transcript, Wayne Langford, 11 May 2017, p.13

¹⁵⁰ <http://www.stuff.co.nz/business/better-business/invest-in-dairy/10085459/Kiwi-dairy-farmers-go-high-tech>

¹⁵¹ Hansard transcript, Murray Jeffrey, 16 February 2017, p.19

*Cheese have developed successful point-of-sale outlets and are contributing substantially to the development of the Tasmanian tourism industry.*¹⁵²

- 4.12 The Inquiry heard many examples of the role of Tasmanian dairy products in the tourism industry, with companies such as Ashgrove, Wicked Cheese, Bruny Island Cheese Company and Pyengana Dairy establishing farm stores and/or being key destinations for tours.
- 4.13 The inquiry also heard that farm tourism was potentially a growth industry in Tasmania and had the added synergy of promoting Tasmania and its food products.

Finding

15. Farm tourism is potentially a growth industry in Tasmania and had the added synergy of promoting Tasmania and its food products.

Recommendation

The Government -

10. Promote closer links with the tourism industry and food and beverage brands.

Greg Hall MLC
(Chair)



Date 14 November 2017

¹⁵² Hansard transcript, Carol Rodger, 23 February 2017, p. 3

MEETINGS, SUBMISSIONS AND WITNESSES

MEETINGS CONDUCTED AND ATTENDANCE

Date	Farrell	Hall	Hiscutt	Rattray
28 September 2016, Hobart	✓	✓	✓	✓
17 January 2017, Hobart	✓	✓	✓	✓
15 February 2017, Launceston	✓	✓	✓	✓
16 February 2017, Burnie	✓	✓	✓	✓
23 February 2017, Hobart	✓	✓	✓	✓
9 March 2017, Launceston	✓	✓	✓	✓
8 May 2017, Melbourne	✓	✓	✓	✓
10 May 2017, Auckland, New Zealand	✓	✓	✓	✓
11 May 2017, Wellington, New Zealand	✓	✓	✓	✓
12 May 2017, Wellington, New Zealand	✓	✓	✓	✓
7 September 2017, Launceston	✓	✓	✓	✓
23 October 2017, Launceston	X	✓	✓	✓
27 October 2017, Hobart	✓	✓	✓	✓
30 October 2017, Hobart	✓	✓	✓	✓
8 November, 2017, Hobart	X	✓	✓	✓

SUBMISSIONS RECEIVED

1. Brand Tasmania Council Inc.
2. Dairy Australia (Dairy Tas)
3. John Lord
4. Tony Clarke, White Water Dairy
5. Harvest Launceston
6. Fonterra Australia Pty Ltd
7. Tasmanian Farmers & Graziers Association
8. Regional Development Australia, Tasmania
9. Betta Milk
10. Tasmanian Government
11. Murray Goulburn Co-operative Pty Ltd
12. Lion Dairy and Drinks Pty Ltd
13. AK Consultants, David Armstrong
14. Tasmania Invest

HEARINGS AND WITNESSES

Launceston, 15 February 2017

Mr Andrew Lester, Chair, Tasmanian Farmers and Graziers Association
Ms Ellen Davis, Policy Officer Dairy Council of Tasmania
Mr Geoff Cox, Dairy Council of Tasmania
Mr John Williams
Mr Jon Healey, Director Pyengana Dairy
Mr Tony Clarke, Whitewater Dairy
Ms Kim Seagram, President, Harvest Launceston
Mr Gary Atkinson
Mr John Lord
Mr Alan Davenport
Mr David Armstrong, AK Consultants

Burnie 16 February 2017

Mr Simon Elphinstone, Chair, Dairy Tas
Mr Mark Smith, Chief Executive Officer, DairyTas
Mr Murray Jeffrey, Lion Agricultural Procurement Director
Mr Cameron Bruce, General Manager, Lion Specialty Cheese
Ms Elise Gare, External Relations Director, Lion Dairy and Drinks
Mr Robert Woolley, Chair, Tasfoods and Bellamy's Australia
Mr Basil Doonan, Senior Consultant, Macquarie Franklin

Hobart, 23 February 2017

Ms Carole Rodger, Director, Agrigrowth Tasmania
Ms Heather Neate, Animal Industry Analyst, Agrigrowth Tasmania
Mr Mark Bowles, General Manager Client Services, Department of State Growth
Mr John Rowlings, Project Manager, Office of the Coordinator General
Ms Christine Lane, Business Project Manager, Office of the Coordinator General
Mr John Tuskin, General Manager, Roberts Ruralco
Mr Evan Rolley, Chief Executive Officer, Moonlake Investments
Mr René Dedoncker, Managing Director, Fonterra
Mr Matt Watt, General Manager of Australian Milk Supply, Fonterra
Ms Melina Morrison, Chief Executive Officer, Business Council of Cooperatives and Mutuals
Mr Mark Egelstaff, Director, Asia Pacific
Mr Phillip Beattie, dairy farmer
Mr Jack Beattie, dairy farmer
Mr Robert Heazlewood, Executive Director, Brand Tasmania Council
Mr Martin Turmine, Senior Manager, Brand Tasmania Council
Mr Grant Rogers, dairy farmer and vet

Launceston, 9 March 2017

Ms Sarah Hirst, Managing Director, Tasmania Invest

HEARINGS AND WITNESSES cont'

Melbourne, 8 May 2017

Mr Charlie McElhone, Group Manager – Trade and Industry Strategy, Dairy Australia

Mr Ian Halliday, Managing Director, Dairy Australia

Mr David Mallinson, Executive General Manager Sales and Marketing, Murray Goulburn

Mr Ben Gursansky, General Manager, Policy Industry and Government, Murray Goulburn

Auckland, 10 May 2017

Ms Melanie Jones, Senior Global Marketing Capability and Fonterra Brand Architecture Manager, Fonterra (no transcript)

Wellington, New Zealand, 11 May 2017

Dr William Rolleston, President, Federated Farmers New Zealand

Mr Wayne Langford, Vice-Chair, Federated Farmers New Zealand

Ms Ann Thompson, Policy Officer, Federated Farmers New Zealand

Mr Gavin Forrest, General Manager, Federated Farmers New Zealand

NZ Ministry for Primary Industries (no transcript)

- Ms Keri Iti, International Policy Officer
- Ms Emma Taylor, Manager Animal Sector Policy
- Ms Inna Konning, Principal Policy Advisor Animal Regulations
- Ms Holly Foran, Senior Policy Advisor Animal Sector

New Zealand Trade and Enterprise (New Zealand Story) (no transcript)

- Mr Craig Armstrong, Customer Director
- Ms Kelly Millier, Creative Brand and Development Manager
- Mr Neil Patton, Brand Manager Creative Hub

Wellington, 12 May 2017

Ms Kimberly Crewther, Executive Director, Dairy Companies Association New Zealand (DCANZ) (no transcript)

Launceston, 7 September 2017

Mr Richard Bennett, Director, Ashgrove Cheese