PUBLIC

THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON THE DAIRY INDUSTRY IN TASMANIA MET AT WELLINGTON CHAMBERS, 154 FEATHERSTONE STREET, WELLINGTON, NEW ZEALAND, ON THURSDAY 11 MAY 2017.

DISCUSSION WITH **Dr WILLIAM ROLLESTON**, PRESIDENT; **Ms ANN THOMPSON**, POLICY OFFICER; **Mr WAYNE LANGFORD**, VICE-CHAIR; AND **Mr GAVIN FORREST**, GENERAL MANAGER, FEDERATED FARMERS NEW ZEALAND.

CHAIR (Mr Hall) - Welcome, everyone. Thank you very much for putting aside some time to see us today, we really appreciate it. We have taken a lot of evidence back home. In Melbourne on Monday we met with Murray Goulburn and Dairy Australia.

William, would you like to lead off?

Dr ROLLESTON - I would be quite keen for you to give us an overview of the things you are looking at and provide a bit of context for us.

CHAIR - I'd be happy to. The federal parliament had a Senate inquiry, which involved the ACCC and other interested parties, but we have kept away from that. They are looking at issues concerning Murray Goulburn and some of the things that have gone on there - the price drop and the issue that has caused with producers and the fact that a lot of due diligence went missing somewhere along the line, with many Australian producers being misled as to pricing, et cetera. The ACCC is now looking at Murray Goulburn. While they are looking back, we are looking forward to see what we can do. The two major processors in Tasmania that take our milk are Fonterra - which takes the majority of the milk - and Murray Goulburn; we also have a few smaller processors.

Dr ROLLESTON - So this inquiry is restricted to milk?

CHAIR - It's mainly about milk. Other commodities come into it, but it's specifically about the dairy industry and seeing what opportunities exist. We have some pretty short terms of reference: the potential marketing opportunities for a Tasmanian brand; any processing opportunities in Tasmania; the role of the Tasmanian government, if it's needed; and any other matters incidental thereto. We are on a much smaller scale than you in the milk and dairy industry but it is very similar in that we are pasture-based, have a temperate climate, the way our animals aren't housed - all those sorts of things. Of our milk, only 7 per cent is consumed in Tasmania in terms of liquid milk, yoghurts or whatever, while the rest goes into our national markets. We have a larger pool there, of course, than mainland Australia, so we are less reliant on export, but we still have a hell of a lot that goes into the export markets, as you do.

Dr ROLLESTON - In terms of local differentiation, are you seen in the Australian market as differentiated from the mainland?

CHAIR - The Tasmanian market, do you mean?

Dr ROLLESTON - No, I am talking in terms of the mainland market. If 93 per cent of your market goes out of Tasmania, I assume a fair percentage of it goes to mainland Australia.

CHAIR - Yes, it does.

Dr ROLLESTON - On mainland Australia, do the consumers there see the difference of Tasmania?

CHAIR - We do have a reputation for fine foods, particularly in horticulture - berries, cherries and that sort of thing.

Ms THOMPSON - And opiates. With my dairy executive, I went on tour of northern Tasmania with the ADF about five years ago and so I saw a bit of the industry there.

CHAIR - We are trying to get that distinction. Are there marketing opportunities there for Tasmanian-branded products?

Dr ROLLESTON - Is there a role for government in that marketing?

CHAIR - Yes. We have an organisation called Brand Tasmania, but not too many people know about that, so maybe they could be much more proactive than they are. We look with some envy at Pure New Zealand, your overarching tourism and agricultural promotion, and the way it works worldwide. We are trying to come to grips with whether we are a big enough jurisdiction to really develop something out of the Tasmanian brand, or whether we have to go more with an Australian brand. I suppose one of our biggest issues when we talk about dairy is that with most of our milk going to Fonterra and Murray Goulburn, our product in terms of milk powder and everything else is generically mixed in with stuff from Victoria and everywhere else, so there is no differentiation between the two.

Dr ROLLESTON - My observation is that the reputation of products from a country, and indeed the reputation of the country itself, actually stems from the brands that sit underneath it, rather than the other way around, if I really want to just cut to the chase. We had a presentation here last year from a marketing expert from Taiwan. He was talking about New Zealand products; he put a whole lot of products up there but the ones he really talked about were the branded ones. There were some Fonterra brands, Villa Maria, and that sort of thing. I know you are talking about milk, but standing out as having no brand was actually our meat products. It was really interesting.

If you look at Silver Fern Farms, of which I am a supplier, it has started to really push that as a quality brand. France has a reputation for high-quality wines - I am not trying to have a dig at France - but a lot of their wines are pretty average, but it is actually their brands such as Chateau Mouton Rothschild and the champagne brands that have created the image of France having high-quality wines. Not that France went out and said, 'We are going to brand ourselves'. I do not think I have seen an advertisement saying that France is good at making wine, but I have seen advertisements that say 'Made in France' under a good wine. It is driven privately rather than publicly. That does not mean that there isn't a role for government to underpin some of the things companies are trying to do.

My view is that when you are looking at long-term value, you have to look at things that will last long term. A lot of fashionable things come and go in terms of food, but the things that stand the test of time are those based on safety, integrity, trust and value, and that all comes at a particular price. That is what consumers over the long term, and this is my personal view, really pick up on. You have get those combinations right. There might be the odd dabble in what I

would call consumer popularism - it might be organics or GM-free or whatever - but I do not think they are long lasting. They come and go. The fashions change. It gives you an adrenalin shot, but the adrenalin does not last forever, or for very long.

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. We had that trust already and so it fitted nicely into that, but I also think there is a *Lord of the Rings* effect. That has really boosted great scenery and however many Oscars it was - and all of that has done an enormous amount to lift the profile of New Zealand and make New Zealand a place people want to go.

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. On a slightly different note Fisher & Paykel used to sell, '50 litres of pure New Zealand air inside every fridge sold in America'. Those things have combined conveniently. I think winning a few World Cups in rugby helped.

Mr FORREST - It is not just food. Icebreaker, in its advertising by association, effectively levers the *Lord of the Rings* image of the high country. It may be that it is by association rather than by a direct label that you see companies using the New Zealand image that people might see through tourism for a whole range of things. We have some things like Canterbury lamb; they have tried that. How successful has that been? That is just local, is it? We have tried some regional ones, with all due respect to Tasmania, as a similar concept. People have tried to differentiate but they have tended to be domestic, haven't they?

Ms THOMPSON - With Fonterra, on every farm gate they have, 'It all starts here'. They have the Fonterra logo and 'It all starts here', and other companies have other different things. Products like Icebreaker do that. If you go down to Central Otago, you can see signs on farms saying, 'This is the farm that Icebreaker comes from', because it is the Merino sheep that do it.

Mr ROLLESTON - I want to throw a warning in here, and it is a warning about regulation. The buzz word is 'traceability'. Icebreaker has their Baa Code or, should I say, they had it. I believe they dropped that. It was a great gimmick for a while and it got a bit of media attention, but they found people were not looking at the Baa Code.

Ms RATTRAY - They did not want to know which farm the sheep came from?

Mr ROLLESTON - When I was in Canada and needed something warm to wear I went into a shop and I bought Icebreaker. It was functional, it was the right price and it looked great. Those are the reasons I bought it. I knew it was good quality and it was going to feel good on me. Those were the things and it made me think that I was buying something from New Zealand in a Canadian store. It made me think about why I bought it, and I bought it for those qualities. If there had been something better next to it that I had trust in, I probably would have bought that too. I do not buy New Zealand for the sake of buying New Zealand if there is something better sitting next to it.

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.

Ms RATTRAY - You do not over-regulate.

Mr FORREST - You are second-guessing the market rather than allowing the market to decide for itself.

Mrs HISCUTT - Leave it to the companies, is what you are saying?

Mr ROLLESTON - Yes.

Ms RATTRAY - In your view, they know best. They have done their homework and they have done their research, and they will work out what they want to put into the market?

Mr ROLLESTON - They will survive or fail on the decisions they make.

Mr FORREST - Yes, on their merits. They will not bring the whole country or the whole island down. Interestingly, of the scares we have had in New Zealand, 1080 is one of the best ones. The reputation of New Zealand's integrity, of our traceability and our honesty meant that in the 1080 scare, if you remember it, someone threatened they had put 1080 in milk powder. It did not even have a blip on our trade or our reputation. The issue is, I guess, that Australia's reputation is what is important and not Tasmania's. I presume you do not want a reputation for Tasmania that is different from Australia because that implies -

CHAIR - We are pretty parochial.

Mr FORREST - I know you are. Where I think organics goes wrong is that they imply everything else is dangerous for you. This is rather than saying that if you want to buy organics, these are the attributes you can buy with them and make a choice between buying or not.

CHAIR - The brand has to be defendable, without any doubt.

Mr FORREST - It is not achieved by denigrating somebody else. If you denigrated Victoria, you would probably get into trouble and in the end it doesn't do you any good. Those are the difficulties of one country with one regulatory regime; it is the country's reputation, as with ours. When Fonterra had a scare around botulism, the whole of New Zealand's producers suffered.

CHAIR - We get that.

Mr FORREST - It did not just hurt Fonterra, which is a little bit against what we have said. In the end, if it had been a small company, it might not have had the same effect. You want someone who fails, as William said, to only take themselves down.

CHAIR - One of the issues I see with smaller companies trying to get into niche markets, particularly in export markets, is that if you want to play the commodity game you have to have economies of scale, which you can do. We are trying to think about whether there are opportunities for smaller, niche players within the Tasmanian dairy or beef markets, for them to still be a player in the export markets. Once again, that takes a lot of capital and research, and probably some time.

Let's talk about agriculture generally - William, you were talking about Canterbury lamb. We have all heard of Canterbury lamb. I've been down there a few times. Do many of your smaller companies get to that export stage?

Dr ROLLESTON - In terms of meat, yes. In milk formula, we had a lot of brands but the Chinese authorities cleaned those all up and made it impossible for them to export there - it is probably not worth commenting further on that but that was the reality. They struggled, not because they weren't able to meet the regulatory barriers, but just because that's what China wanted to do. They wanted to rationalise the brands and that's what happened.

Economy of scale works in a couple of ways: one is out in the commodity market, but also the ability to innovate in the cost to do some of the big innovations. Boutique food producers can do very well but that doesn't mean they shoot for big international reach straightaway. There might be a yoghurt maker, say, who has managed to find a point of difference. If that works well locally, it works well on the mainland, and the next thing is they're finding some overseas markets as well. Tasmania has a real advantage in that you have a medium-size market across Bass Strait.

Mr FORREST - How much is the domestic focus in Australia versus an international focus in your branding?

CHAIR - We haven't determined anything particular there at all. We're just trying to see what could be possible.

Mr FORREST - That's the big difference between us - 95 per cent of our red meat and milk is exported, whereas yours is a lot more 50:50.

CHAIR - On the domestic market, it might be 55-45, so about 45 has to be exported still.

Ms THOMPSON - In your Tasmanian home market, do people buy local milk and dairy products, or do they just buy an unbranded product?

CHAIR - No, they buy local products, but only about 7 per cent of what we produce is consumed within the state. We're only half a million people, so that's the bottom line.

Mr FORREST - Your ratio is about the same as ours if you consider Australia a foreign country.

Ms RATTRAY - We have supermarket $1-a-litre generic milk.

Mr FARRELL - But there has been a rise recently in smaller, higher-quality producers and that's only relatively new, over the last decade or so.

CHAIR - That production soaks up only two or three dairy farms at a time.

Dr ROLLESTON - As to your comment about the $1-a-litre milk, my outside observation of that is not that it was poorly marketed but about the power the supermarkets have. I have friends who supply into Australian supermarkets. When an Australian supermarket decides they're going to run you as a loss leader, it's you who takes the loss, not the supermarket, so you need to inquire about that. That's another issue, though. In the normal scheme of things, if a company wants to run a loss leader, they pay for it themselves, not just pass the loss on to their suppliers. That is how I understand it, anyway.

Mr FORREST - With branding, I guess our experience would be that the easier it is to brand at the gate of the factory, the more you have the ability to use that. Icebreaker, even though it is made in China, it is New Zealand wool and it is branded. Wine is the one we have probably had the most success with in relation to New Zealand branding. An interesting little story came up the other day which shows you the risk. Some of our New Zealand wineries are now - like this or not - actually selling Australian wine under what we thought was a New Zealand label. It is really interesting that the power of the brand has become, in their eyes, stronger than the power of the country. It would be interesting to know what the customer reaction is.

Dr ROLLESTON - You look at Fonterra and Zespri, they do the same thing. Zespri has producers in other parts of the world. Actually, it reminds me of the ad for Volvo, which I note said 'Made by Sweden', not 'Made in Sweden'. I think these things are quite international. It does go to the point about building up the reputation of the brand, but you have to have those basic underlying attributes. It is something we haven't touched on because I understood this was about the 'clean and green' image, or partly, that New Zealand appears to have. In my view that is an access to market; it is a bottom line below which we cannot drop. You need to have a certain level of attribute there, but that is not the thing that tends to get you on the shelf and to keep you there compared to everybody else. It is not the thing that actually gets people across the line.

You see a lot of studies - and I would point to some done by John Knight at Otago University - about branded country image. It is about what people say they are going to do before they go into the supermarket in terms of what their choices are - good animal welfare and GM-free, et cetera. I do not know how they separate these two things, but when they come out, they have bought on the things I was talking about before - trust, looks, the qualities they see, price.

CHAIR - Yes, there has been a fair bit of hubris with some of that stuff.

Dr ROLLESTON - Yes. I think it is very dangerous to look at those. You can see trends in what is popular culture, but it is difficult to say that is why people are buying the product. It helps to lift people's heads up. It is no fluke you have come to New Zealand, because Tasmania and New Zealand are more similar to each other than Tasmania and mainland Australia in topography.

CHAIR - We're competitors in a lot of things - cherries and walnuts in particular.

Dr ROLLESTON - Yes, it is about climate and production systems. That is all right, the world is big enough for both of us, so we're not too concerned. You have come over here because you can see how we put all those attributes together to project the attributes of quality. We haven't really talked about quality, but quality is an incredibly important attribute. It's one that organics struggle with, because only a certain portion of the population is prepared to take products that don't meet their expectations of what they should look like. That's not to say there aren't some great-looking products out there, but I think you get my point.

Mr FORREST - Not our industry, but the very interesting debate that goes on in poultry about the brand of free-range eggs, barn eggs, cage eggs, and what should be the point at which the government says this is the minimum standard from an animal welfare perspective. Then above that, what you give the customers in good-quality, accurate information and then allow them the choice. It goes back to what William said: what you find is that a lot of animal welfare organisations say it should be all free range, but if you give the customers the choice, it is interesting that customers will not make the same choice in theory the welfare groups say they want to make. We have the view that you cannot really bring in whole eggs from offshore, so there is a captive market there to some extent versus fresh chicken, for instance.

The dilemma always is - and I sat in the minister's office when he was trying to work this through - about what is the minimum standard you decide on animal welfare perspective and what do you then allow the market to do. It is not so much of a brand in that sense; it is certainly a label that says 'These eggs have these attributes and this is the price attached to it', and the market decides that.

Dr ROLLESTON - That probably plays to another thing, which is that honesty, integrity and transparency are really important. It is important not to build a house of cards in terms of your clean, green image or whatever, because it is so easily undermined. We have seen - and I am sure you have seen this - activists from New Zealand trying to undermine New Zealand's brand by finding the worst of the worst in New Zealand and then portraying that as the commonplace in the industry.

We have a water scientist who has written in the US saying our rivers are practically the worst in the world. It has not gone quite that far, but that is the impression people get - animal welfare groups finding some connection of a New Zealand company to someone bashing a calf over the head in South America or something. That is done to undermine our economic position and to push forward their agenda. It is a democracy, but it certainly needs to be shown up for what it is.

Ms RATTRAY - We have experts at that.

Dr ROLLESTON - It is important that the attributes you push have integrity and are defendable in those situations, otherwise you do make yourself really vulnerable.

Mr LANGFORD - Probably something we as dairy farmers have not got right over the last 10 years is telling our side of the story and taking a run with it. Particularly in an area like Tassie you need the locals to believe in your product just as much as everyone else, and that is important - believing in the story that you guys are taking to market. We are only just coming out with a push in the last couple of years of what we are doing. We are coming off the backfoot because we did not do that - our focus was more on growth and investment and everything else, and not really bringing everyone along with us. That has made it a lot more difficult for us here at the moment.

Dr ROLLESTON - That is certainly in a way the case with the water debate, which I am sure you are aware of - the debate about water quality and intensification of farming. I think Wayne is absolutely right, but what we have tried to do from the Federated Farmers' point over the last two years is actually keep the science to the fore. Now we are at a point where the public is starting to become cynical of environmental groups who see reduction of production and land-

use change as the only options for going forward, whereas science is starting to say there are a whole lot of things that you can do.

CHAIR - I noted an opinion piece in the Auckland paper yesterday which went on about dirty dairy and the fact that the farmers' federation and everything else still do not have it right.

Dr ROLLESTON - Rachel Stewart's article.

Mr FORREST - You would almost call it a disgruntled ex-employee, which is correct, but you would not want to discredit it.

Dr ROLLESTON - This was the opinion column by a woman called Rachel Stewart.

Mr FORREST - That was because we tried to suggest that there is a bit of a problem out there, but we are not the complete cause of it.

Dr ROLLESTON - There is one thing worse than being talked about, and that is not being talked about, as Oscar Wilde said, so we were actually quite pleased our press release got some traction.

Ms RATTRAY - William and perhaps Wayne, just in regard to the science, when you have got competing science opinions, how do you deal with that? I know you are relying somewhat on the community to make a bit of a judgment, but we often see you have these two competing views and they both have some credibility, if you like -

Mr FORREST - They both come from scientists, yes.

Ms RATTRAY - Yes. How do you deal with that?

Dr ROLLESTON - It is a real problem. We see this in the water debate and we see it in the debate on fluoride, on our use of 1080, on immunisation and on genetic modification, all of those things.

Ms THOMPSON - You also see it in fat and milk, whereas fat is looked at as being a terrible thing - all fat is terrible, but then we are now seeing that fat and dairy products are a good things. It is shifting -

Dr ROLLESTON - I think where there is a general consensus in science - you said in climate change as well - there are competing scientific views. Our chief scientist, the Prime Minister's science advisor, Sir Peter Gluckman - I am not sure if you are interviewing him, but -

CHAIR - We have a chief scientist as well, but anyway -

Dr ROLLESTON - He points to the dilemma or the difficulty that if you have a public that is not science literate, then every scientist is legitimate. We have this problem with the internet - Obama in his final speech made some really good points about this - in that we have become isolated in our own little communities on the internet. I suppose he was talking about Fox News and those sorts of things. That makes it really difficult to get breakthrough on some of these things, but as a regulator or as a government, as politicians, my view is that you need to - it is not about following the science, it is about not pushing the anti-science, if you like -

Ms RATTRAY - Do not give it oxygen type-of-thing.

CHAIR - Sure.

Dr ROLLESTON - If science clearly says that something is the right thing to do, but popular opinion says it is something else, it is easy for me, not being a government politician, to say that you should not follow just public opinion because we have seen some -

CHAIR - Do not follow the populist route?

Dr ROLLESTON - Yes. We have seen some governments and some societies destroy themselves through popular opinion. I have not really answered your question, but let us take two examples: you look at the overwhelming scientific consensus on climate change as it is happening and humanity is having an effect, including agriculture. If you look and do a survey of scientists, it is about an 85 per cent or 86 per cent consensus. That seems to be the popular view. If you look at something like genetic modification, 1 per cent more actually in terms of scientific consensus say that is as safe as conventional agriculture, and yet there has been this campaign to undermine it in the public view, to create uncertainty. The problem with creating uncertainty is that then the population says, 'Well, you have to apply the precautionary principle' and not do something.

Governments have to do that - and that is why you have chief science advisors. That is why you have bureaucrats who are meant to be objective about these things to give you the best advice that you can possibly have. That is not easy. That is not an easy thing to do because you get some issue such as cattle dying in Germany because they've been fed GM feed. It takes six months for someone to get to the bottom of it and disprove it, but by that time they're onto Indian farmers killing themselves or rats and tumours. Science and regulators have a very hard job addressing these issues because they have to look at them rationally, and that takes time. By the time they've done it, it's gone from the front page to the fifth page and from 20 column inches to two column inches. You are constantly having to push back again. If you look at some of the debates I talked about - fluoride, immunisation in particular, and the 1080 debate - the rational view wins out in the end. It's just a matter of how long away it is for you to be proved right if you go with the science view.

Mr FORREST - The 1080 debate, in my view, was because the Parliamentary Commissioner of the Environment did an excellent report which started off with the premise that she didn't think it was a good thing to use 1080 in New Zealand. She ended up diametrically opposed to that at the end, and she stated that. That report almost silenced the 1080 debate, or marginalised it so much that when we had a protest I think there were 15 people there. It grew to about 25 by the time it got to parliament because they offered to hold a barbecue there, but that was it - it got no coverage. The turning point was that report. It wasn't the only thing, but the report was the defining thing, in my view. Central government, regional government and state governments all have a role to provide independent, definitive reports.

Dr ROLLESTON - Absolutely. It comes down to trust. There is a high degree of trust in our Parliamentary Commissioner for the Environment.

CHAIR - Where are you with 1080 now?

Dr ROLLESTON - We are digressing a bit, but it comes down to trust. The people you were talking about are undermining the brand; they're trying to undermine trust in the regulators. It is very important to keep that objectivity and trust going. You know we use 1080 here for possum control. I think the key thing is that no-one is very happy to use that sort of product, but it's the best thing to use because the alternatives are just not effective enough. It has an environmental outcome, which is saving our birds. I'm sorry we are killing off one of your native icons, but that's just how it is.

Mrs HISCUTT - I remember being in New Zealand during an election when Lady Barry was elected. At the time the news was about 1080 being dropped around the Wellington water supply and a little bit got into the water. All she said was, 'It dissipates at so many rates per million, so it'll be right', and that was it - there was nothing more said or done, nothing in the media.

Dr ROLLESTON - There's actually more 1080 in a cup of tea than there is in the water supply.

Ms THOMPSON - But if that had been a couple of years earlier, it would have been all over the papers.

Mr FORREST - The other thing they've done is brought in precision application. They have very good GPS. Some of our most vociferous opponents to 1080 were within our own federation. People lost dogs because it is very effective at killing dogs. A lot of the stories were not just about the so-called risks to humans, but actual dog deaths. It kills deer very effectively, too. Deer stalkers were anti-1080 not because they are anti-1080 but because it kills their deer, so they now have to develop baits so the risk of killing deer is very low.

Dr ROLLESTON - But the question is: Why aren't people in the marketplace going off buying New Zealand meat and milk because we are the biggest spreader of that toxin in the world? My answer would be that people understand the environmental benefit of that. It comes down to, I guess, again avoiding single attributes in terms of what you are trying to push. If you look at climate change, for example, there are whole lot of things going on that the environmental movement doesn't like, like nuclear power, fracking and GM, that are actually helping to mitigate climate change, and people are having another look at them. I am not saying that is happening in New Zealand because we don't need things like nuclear power, quite frankly.

It is important to look at the attributes you are trying to sell. Are you trying to sell something at the beginning end, which as I said is sort of fleeting, or are you looking at a lot longer goal? We are looking at trying to be predator-free by 2050. As we move towards that, in my view, it is going to be a huge marketing attribute in terms of the environmental stewardship that we have.

CHAIR - The way some of our international markets have evolved are interesting - for example, our cherry industry - with the use of rain covers and new varieties and everything else. In Tasmania we are fruit fly-free. We can saturate our domestic Australian market pretty quickly with the increasing volumes we are putting out. Therefore, as night follows day - the same with blueberries as well - people say, 'Hang on, we're going to have to export. We have to get rid of the surplus, otherwise we drive the domestic price down.' You have seen it happen here too. There is another market that ends up having to go offshore, because the population won't consume what we want.

Dr ROLLESTON - In Tasmania, I think you have opportunities to differentiate yourselves from mainland Australia, but it is how you do it in a positive way and how that feeds into your local tourism as well.

CHAIR - It does, and I think with some of our more niche products Tasmania is seen as providing a safe, clean product - I don't like the word 'green' all the time - a sustainable product which is safe. It is also because we have increasing numbers of tourists, particularly from China, because their president came down, which adds to that dimension as well.

Dr ROLLESTON - In terms of export, do the Chinese, for example, differentiate between a product from Australia and a product from Tasmania?

CHAIR - I think in some cases they do. In terms of cherries, they do, although some rogue packers in China get a hold of some other stuff out of Chile or somewhere like that and package it as Tasmanian cherries -

Dr ROLLESTON - Been there, done that.

CHAIR - You do get that corruption of the market.

Dr ROLLESTON - Twenty or 30 years ago when Steinlager did a big promotion, they wondered why their sales went down; the reason for that was these chaps with counterfeit Steinlager on the backs of their bikes. A lot of that has been cleaned up, but it is still a problem.

CHAIR - I think one of our problems is that niche markets are always great, but they can be overrun. I always cite the fact that when we went first into horticulture, we diversified by growing raspberries. We sent them to the states - this was many years back - but within two years Chile had seen the marketing opportunity and their labour rates are about a tenth of ours.

Dr ROLLESTON - What do you do in terms of support for your exporters? I know Australia has Austrade which does a great job, but you are Tasmanian. You are a bit like Britain and the EU. If you suddenly seceded, you wouldn't have an export department that does all that.

CHAIR - We have the Department of State Growth, which takes a while to get your head round sometimes. They do some things, how well they do them in some cases - for example, in Shanghai, we have a Tasmanian government person on the ground and she works in Austrade, so Austrade is overarching in that respect. Really, once again, it is better left to private commercial marketing to get down and establish the links in it and do everything, as they should, in my humble opinion - while they can help facilitate, bureaucrat to bureaucrat.

Dr ROLLESTON - It might be something you want to look at in terms of what you can plug into Austrade that gives you a Tasmanian dimension.

Mrs HISCUTT - Our governments of both persuasions have, from time to time, taken different companies and their leadership to different trade shows around the world. Whenever the premier or a state growth minister would go, they would take a handful of local Tasmanian traders with them to display their wares.

Dr ROLLESTON - Would people actually know? It probably does not happen so much now, but we used to get the question 'Where do you come from in New Zealand?' or 'That's just

across the Sydney Harbour Bridge, isn't it?', or 'Is it a state of Australia?'. Your attribute, compared to any other state in Australia, is that you are an island. I have never seen that really being explicit. You are different from Australia, but you are just an island. You are the island of Tasmania and that really gives you an advantage.

CHAIR - It does.

Ms THOMPSON - Your whole island has to be aware of the environment and what have you, and you can all pull together. You have one government and you have one river that runs through the one state.

Mr FORREST - The question would be: is there some iconic view of Tasmania that you all know? I come from an area where there is a river. If I see the picture of those, a bit like Blue Cliffs, where William comes from, Rangatikei, which is in the central North Island. There is one river; if I see a picture of that river, I can just about guarantee it is that river. There is no other river that looks like it and that is like the Icebreaker. There probably are some other places in the world that look a little bit like our high country, but it is pretty unique, so is that part of the fact? Is there something that is quintessentially Tasmania - that you see it and associate it with Tasmania and then your companies use that image, as I said at the beginning, so that they see that and they associate a whole lot of things together, and then that image is something about quality or something about an attribute -

CHAIR - To a degree, I suppose, Ireland has done that, being a bit of a separate entity where they sit with the Kerrygold butters and those sorts of bits and pieces.

Dr ROLLESTON - They have this Origin Green thing, which has mixed reviews. They are all very proud of it, and everyone says, 'You all know what they are doing and isn't this successful'. It is probably quite a good lesson to have a look at and see whether that differentiation has made a difference. Certainly amongst government external trade organisations, it has them all excited but has it actually got the consumer excited?

Ms THOMPSON - Is there anything else that the farmers can do that you are looking for?

Ms RATTRAY - I don't know. Wayne talked about the fact that farmers are now selling their story. We heard that a little bit from Fonterra - about how they are using local farmers to tell the story of what they do - you know, 'We are 4.30 starters and this what we do' - and there are beautiful pictures of getting up at that hour of the morning and rounding the cows up.

Mr FORREST - That is not international marketing. That is winning the hearts and minds of New Zealanders.

CHAIR - We have a strong farm lobby. We have the Tasmanian Farmers and Graziers Association, and most farmers pay their dues. They have improved their communications and that's working okay. It works under the umbrella of the NFF.

Dr ROLLESTON - One of the challenges for both New Zealand and Tasmania is the 'buy local' campaign because you are not local to anybody and nor are we. The whole thing about the 431 campaign is that Joe Blow the farmer, the good guy farmer, is local. There is probably a bit of a spin-off. It could be used overseas to say, 'We're your local farmers', without actually saying

it, but having the attributes a consumer in the market will identify with, so, if they are concerned about buying local, they feel comfortable doing it.

Ms RATTRAY - Wayne, the co-op model in New Zealand is exceptional. In Tasmania we used to have some very successful co-ops but they were so successful that they were bought out by the big people. Do you think you can start again from a small co-op model and build yourself up again, or do you think that sort of model, where you would start with, say, 25 farmers delivering, is gone? What's your view on that?

Mr LANGFORD - That's probably a tough one for me to answer. I've grown up in an area where we've always had a co-op. I've always been part of the co-op all the way through. In our area we never had the option to supply from a private source. As to starting up a new co-op, it's the basis of what the conversation is about today, and that is starting your brand and whatever else.

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. 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.

Mr FORREST - The reality is it hasn't happened, for whatever reason. We haven't had a new co-op as such for years.

Ms THOMPSON - No, we only have the three established ones.

Mr LANGFORD - 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.

Ms RATTRAY - When you talked about selling farming to the next generation, how are you doing that? Are you doing that as a collective group through the federation as employment of choice rather than falling into it?

Mr LANGFORD - Yes, I think last Saturday night was a good example. We had the Dairy Industry Awards in New Zealand. They are awards for our trainees, our managers and our share farmers. They are encouraging excellence in those areas and encouraging that next step into ownership, equity partnerships and that sort of thing.

It is important that those types of events and pathways are explained. Farming in New Zealand is a great opportunity, but unless farmers tell that story and everyone else recognises it, no-one hears that it. That is why I harp on about it a little bit. Everyone has to plug farming at the grassroots because it needs all the help it can get to be successful.

Ms RATTRAY - Thanks very much, Wayne.

CHAIR - Thank you very much.

Dr ROLLESTON - I hope it has been helpful.

CHAIR - Yes, it has. The committee really appreciates the time you have taken to talk to us. I have jotted some good points down. That was very helpful. Wayne, on behalf of the committee, thank you very much. It is about time you got back in the milk shed, mate.

Mr LANGFORD - The wife is running around crazy because the weather is coming up and flooding, and the cows are across the other side.

CHAIR - All the very best. Thanks for that. We appreciate it.

DISCUSSION CONCLUDED.