



TASMANIAN FARMERS & GRAZIERS ASSOCIATION

The Secretary
Legislative Council Select Committee – Dairy Industry in Tasmania
Legislative Council
Parliament House
HOBART TAS 7000

Via email: dit@parliament.tas.gov.au

TFGA Submission – Legislative Council Select Committee Dairy Industry in Tasmania

The Tasmanian Farmers and Graziers Association (TFGA) is the leading representative body for Tasmanian primary producers. TFGA members are responsible for generating approximately 80% of the value created by the Tasmanian agricultural sector.

The total Tasmanian gross state product (GSP) was \$23.9 billion for the 2012 year. The GVP of agriculture, forestry and fishing collectively amounted to almost 9% of this total – before input supply services and value-adding, which is well above that for the nation as a whole.

The TFGA is grateful for the opportunity to make comment to the Legislative Council Select Committee's inquiry into the dairy industry in Tasmania.

Dairy is the largest agricultural sector in Tasmania, with Dairy Australia stating that the industry contributes over \$1 billion to the state economy each year. The industry currently employs 2,720 people across the value chain (from farm to product) and continues to generate long term sustainable jobs into Tasmania's regional economies and throughout the dairy supply chain. Thus, it is in Tasmania's best interest to consistently monitor, maintain and seek ways to improve this industry.

Comments will be made as per the provided Terms of Reference -

I. Marketing opportunities for the Tasmanian Brand

The key comment that the TFGA make in regards to marketing opportunities is that Tasmanian milk be branded as such. To do so, the following identified attributes of the Tasmanian industry need to be looked at:

- GMO free environment
- The use of pasture based system

- Outdoor systems used unlike international competitors
- Environmental benefits of milk produced in Tasmania (Clean and Green environment)

There is currently no differentiation between products produced in Tasmania and those produced on the mainland (without the aforementioned Tasmanian dairy farm attributes). Locally consumers have a choice of Tasmanian branded products, unfortunately the majority of the Tasmanian production is sold as a commodity and is indistinguishable from milk product produced elsewhere. This is a lost opportunity for Tasmanian dairy producers, and a loss of economic value for the Tasmanian government and thus shows a gap for future Tasmanian branding investments. Recent investments into this gap includes, Ashgrove and Van Milk, this show great potential for future innovations.

A shift in focus from generic branding to Tasmanian branded product is essential. Current generic home brand labels do not value the quality produce that Tasmanian dairies offer. There is a desire for these labels to deliver better returns, and better reflect the true cost of production.

Tasmanian dairy suppliers produce a surplus 80% of product that is exported to interstate and international companies. An opportunity lies here, where this surplus could be used more productively under new local branding and processing facilities. The TFGA recognises that the concept of a co-operative is a good model; however, more research and market testing needs to be completed for it to be a viable and sustainable option.

Another potential opportunity for the Tasmanian Dairy Industry is a partnership with the Defence Science and Technology Organisation (DSTO) in Scottsdale. Current research and development into specialising food products for defence force distribution does not currently use the local dairy industry to its full potential and seeks the majority of their resources elsewhere.

The above opportunities require external sources of investment to allow the ability of new endeavours to operate at a highly sustainable and efficient level. Investment options that need to be considered include government funding or incentives, partnerships with organisations, business partners, independent investors or the creation of a co-operative group.

Tasmanian branded milk has the opportunity to benefit the States dairy industry; however, the logistics have the potential to be detrimental and would need to be considered in any future developments, as would all other risks.

II. Processing opportunities in Tasmania

In discussion of the opportunity for Tasmanian branding, there are also many processing opportunities that need to be highlighted.

Tasmanian brand development of state owned processors would increase the competition and growth of the industry. While major processors have the potential to be major drivers in these developments they have proactively consolidated their own brands and may have little interest in aiding in the development of new Tasmanian brands. Therefore, it is important that such companies are consulted with about any new developments or adjustments so as good relations can be maintained within the Tasmanian dairy industry.

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 with 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 exists).

III. The role of the Tasmanian Government

The TFGA identifies that any government funds spent 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.

IV. Any matters incidental thereto

The concept of new Tasmanian dairy brands is widely desired across the industry; however, the TFGA identifies that general support needs to be made for a state-owned brand across all industries within the agricultural sector, where all sectors would benefit from the points made above. A great example is shown through the success of the Australian Made program. If Tasmania were to create such brands they would need to have a strong narrative to operate successfully as longevity of business is key to the future of Tasmanian agriculture.

The attributes of the Tasmanian dairy industry are not currently being utilised to their full potential and TFGA recognises that this is a loss of economic value. The TFGA highlights the importance of creating a Tasmanian agriculture industry-wide brand that focuses on the sustainable, efficient and GM free environment that Tasmania offers.

Please contact the TFGA if you require any further information.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Peter Skillern', with a stylized flourish extending to the left.

Peter Skillern
Chief Executive Officer
2nd December 2016