

2 December 2016

TO: The Legislative Council Select Committee - DAIRY IN TASMANIA

MARKETING OPPORTUNITIES

It is vital for Tasmania and for our local food industries that Tasmanian agriculture moves away from being largely focused on a commodity driven business model. Instead the increasing growth in consumer demand toward local and premium foods is a viable and important alternative to our current industrialised food system. This system is driven by increasingly unsustainable price structures and increased demands on farmers to produce below cost.

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.

By looking to local, there is an opportunity to forge a path that the wine, salmon, whisky and other premium Tasmanian agrifood industries have followed and gained a reputation that has put Tasmanian produce on the global map.

Although the Tasmanian wine industry produces less than 0.5% of the total Australian Crush, it represents 10% of the Premium wines in the country and it receives the best price for wine grapes in the country. According to a recent study by the Australian Financial Review it is the only wine growing region in the country where 100% of wine growers and makers are indicated to be profitable as opposed to, for example, only 30% of growers in the Hunter Valley. Our unique cool climate produces wines that are recognised at the international level with awards and accolades for Tasmania's 189+ wine brands to support a healthy growing and sustainable industry for the future.

We need to create legacy industries in the State that will see us create a sustainable economic foundation for growth for our State's Economy and empower our rural and regional communities into the future.

Our Dairy Industry in Tasmania can do this. Nine percent of Australia'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 centered around the production of value added or branded milk products. There is an untapped opportunity for dairy processing to grow and build on a solid foundation of amazing cheeses, yoghurts and other dairy products, including the exploitation of the burgeoning interest in probiotics like Kefir. Through this we can foster more local employment and create learning opportunities and new career paths for our youth and retraining paths for retrenched workers – all forged around capturing more value from our dairy produce within the State, **before** the products are exported. The opportunities to grow our export markets in these high value categories are immense.

Tasmania's community farmers' market

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This will not be at the expense of commodity milk but will, as it did for wine grape prices, help our markets recognise the quality of our agricultural produce in the State and have farm-gate prices reflect that. In this way, the dairy industry can unhinge itself from being completely reliant on global commodity dried milk prices and create a new focus on producing local value-added products for Tasmanian, Australian and discerning international audiences.

Since deregulation of the dairy industry, there has been an overall decline in the number of Australian dairy farms. However in Tasmania the milk industry is continuing to grow, with growth in sustainable farm management and production systems, but this investment is being significantly threatened by unsustainable farm-gate milk prices.

This year has seen another drop in the milk price, together with the infrastructure damage from the floods that followed on a dry summer that will put constraints on an industry that is a significant contributor to the local Tasmanian economy. Milk buyers/processors are offering loan packages to the dairy farmers to help keep them afloat because they are unable to offer sustainable milk prices. With milk prices forecast to remain low in the short term, we need to look at how to maximise returns. The best way is to value add within the State as well as devote more marketing dollars to grow demand in targeted markets. This will help drive economic growth by creating value add for the farmer, for employment, for regional value and for the State.

Tasmania has a climate ideally suited to dairy and produces premium quality milk – instead of amalgamating it with milk from all over the country and only churning this into a commodity for export, there are opportunities to add value to the milk, build new brands and new businesses and continue to grow on the seeds of an amazing artisan cheese industry.

By recasting the industry, by targeted marketing support as well as encouraging projects that foster and encourage innovation in the sector – such as looking at the role of fermentation in the dairy industry, of cheese-making, producing branded milk products for local, interstate and international consumption, there is an opportunity for the Tasmanian dairy commodity sector to innovate and grow into a world class artisan dairy products industry.

The supermarkets cutting the price of milk has not done the farm-gate prices any favours either however consumption of milk continues to grow and surprisingly the forecast move from the corner shop to the supermarket for milk purchases has not been as significant as expected. During the backlash against the low milk prices, local brands like Betta milk, Ashgrove and Pyengana had Tasmanians reaching out to local dairy and supporting them. This demonstrates that there is an eagerness on the part of consumers to support the local dairy industry. Although some dismiss local niche producers as insignificant – an increase in numbers will become increasingly significant as respect is gained for the production of high quality dairy products recognised nationally and internationally.

ROLE OF TASMANIAN GOVERNMENT

Government has a role in investment attraction and we have seen this with the recent investment in VDL Company. However whilst we recognise the recent successes there is much to do in working to grow the premium niche end of the market. We believe there is a role for Government to invest further in telling Tasmania's premium dairy product story so that growth is not all directed to commodity as we know this is not where value is made. We would like to see Government work with industry through Brand Tasmania and other opportunities within State Growth with more marketing and promotion dollars to grow domestic and international premium dairy markets. We would also believe that there are opportunities for dairy in the Government's AgriTourism strategy and the need to continue to grow emerging niche foods in regional areas.

The other key role for Government is to continue to focus on reducing red tape and supporting the industry in tough times. We applaud the Government's recent initiatives in this area.

Sincerely,

Kim Seagram
President
On behalf of Harvest Launceston Community Farmers' Market

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