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THE LEGISLATIVE COUNCIL COMMITTEE ON THE DAIRY INDUSTRY IN TASMANIA MET AT LEVEL 4, HENTY HOUSE, CHARLES STREET, LAUNCESTON ON THURSDAY, 7 SEPTEMBER 2017

Mr RICHARD BENNETT, DIRECTOR, ASHGROVE CHEESE, ELIZABETH TOWN, TASMANIA, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Hall) - Welcome to this hearing. We have been going for a while now. Everything you say is protected by parliamentary privilege

You have the terms of reference. We want to talk to you because you are a player in the industry. It is an important business and we have talked to all sorts of people, including Murray Goulburn, Fonterra, consultants and dairy farmers. We have talked to all sorts of people since we started and it is a very fluid situation. Since we started the inquiry, a lot of matters have changed. That is the way of the world. We have no control over that. We wanted to try to tidy up a few loose ends by having you and perhaps somebody else in to try to make sure we nail things down as best we can and do a report which makes sense. That is basically where we sit.

If you would introduce yourself and talk about Ashgrove, whatever you want to speak about in addressing, particularly, the terms of reference and we will open it up. We will keep it informal and then committee members can ask some questions.

Mr BENNETT - My position is general manager of Ashgrove Cheese. I am also a partner at Ashgrove Farms, a farming partnership that supplies milk to Ashgrove Cheese.

At Ashgrove Cheese, we process milk for the domestic markets, supply Tasmania with fresh milk and make butter and cheese. Our cheese and butter customers are a bit further afield so we supply supermarkets - Aldi, Woolworths, Coles and independent supermarkets nationally around Australia. We do a little bit of export cheese, mainly to South-East Asia. Hong Kong is probably our main customer. Exporting is not a major focus of what we do, but a small part.

CHAIR - What percentage roughly?

Mr BENNETT - Probably it would be about 1 per cent.

CHAIR - About 1 per cent? Thank you.

Mr BENNETT - Maybe less. It varies at different times and with different customers. 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. Also the risk to the business is probably perceived to be a bit higher than we were willing to take. We are based in Elizabeth Town in northern Tasmania. The Cheese Factory currently has about 55 full-time equivalents. We can get up to 100 people working on site. We are a fairly significant employer in the Meander Valley area. On Ashgrove farms we have four dairy farms and employee numbers are about 13 to 15, once again depending on the time of year.

PUBLIC

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. For the first time we have signed up to dairy farms that are non-Bennett farms. They are basically two small farms in the process of converting their milk from conventional milk into organic milk, which is a big change for us. It is not something we have done in the past. We are dipping our toes into organic milk. Between 12 and 20 farms are in the process of converting from conventional farming into organic, even though at the moment no Tasmanian suppliers are actively seeking it. It is an interesting conundrum.

CHAIR - Tania, do you have a question?

Ms RATTRAY - I want to talk about the export opportunities, but I can get to that later.

CHAIR - We will catch up with those. Keep going, Richard.

Mr BENNETT - We have been making cheese and various other dairy products since 1993. Previously family members had been milking cows in the area for a lot longer. My father, uncles and grandparents have been involved in the dairy industry for a long time. 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.

CHAIR - It is the same with a lot of commodities.

Mr BENNETT - Yes. 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.

One of our biggest new customers is on the mainland. They are ready to box delivery customers, which is an interesting development in the last couple of years, as a competition to the supermarkets. That is where home-delivered meals or weekly meal kits are delivered. It seems to be a growing industry.

CHAIR - Richard, a question on the branding. That is one of our terms of reference and marking opportunities for the Tasmanian brand. Have you had much to do with Brand Tasmania?

PUBLIC

Mr BENNETT - Years ago when my sister Jane was managing director, she had quite a bit to do with Brand Tasmania. She left and since I have been in charge of the company, we have had very little to do with Brand Tasmania.

We use their Tasmanian brand on all of our products, though. We prominently push we are Tasmanian.

CHAIR - Is it an actual logo or your own?

Mr BENNETT - We have a 'Made in Tasmania' map.

CHAIR - You have your identification and made and produced in Tasmania?

Mr BENNETT - Yes. Everything we make has Tasmania on it.

Mrs HISCUTT - Do you feel there was no value for you with the Brand Tasmania company anymore?

Mr BENNETT - Yes. I know in the past Jane, my sister, was disillusioned with them at one point. I have not really re-engaged with them and have not felt the need to either.

Having said that, I strongly think if you are going to put regional descriptors on it, it is good if it means something. Having some prescriptions of what it means to be a Tasmanian company is important.

CHAIR - I might go back to a concern we had when we talked to people from the other side of the Tasman. There was a concern that if everything was branded under New Zealand Pure, for example, all their products and everything else, if one company did the wrong thing and had a melamine issue or whatever, as in China, that would taint the whole brand. They said they would prefer to remain to retain their own individual company identity. What do you think about that?

Mr BENNETT - If you are going to use it as a brand, there have to be some rules. If people are breaching the rules or importing cheese from overseas and selling it as Tasmanian made, it is pretty clear that is not acceptable.

CHAIR - Others have said to us that we should have an all-encompassing Tasmanian brand to reflect our clean, green image. Either that or a clean, sustainable image that spreads across not just dairy but all sorts of products.

Mr BENNETT - Fundamentally you need to have a good product to start with. The Tasmanian is kind of -

Ms RATTRAY - It is an add-on.

Mr BENNETT - It is an add-on, yes. That is the secondary part. You need to have a good product first that you can get behind. Just because it is Tasmanian does not mean it is a great product. You have to make the product first, I guess, and if you are going to be Tasmanian clean and green, you have to be clean and green behind it.

CHAIR - A lot other companies use that terminology too, don't they?

PUBLIC

Mr BENNETT - They do, yes.

CHAIR - It has become passé in some ways, which is a bit unfortunate.

Mr BENNETT - Yes.

CHAIR - While we are on that branding, do other members have any questions or comments?

Ms RATTRAY - I understand if there are parts of your business that you are not so keen to share; I completely acknowledge that. You talked about the export opportunities and said you had done a major upgrade for the cheese as the cheese is what you export. Has the upgrade come off the back of what you see as a potential future increase in products to export, or is it the old chicken and egg question - you cannot do one without the other, you need the other one first?

Mr BENNETT - We needed the cheese factory upgrade. We were using fairly old technology, so we needed the upgrade to allow us to have the opportunities. We wanted to bring our cost of production down a little bit but also to get a good quality product consistently. With exporting we have always taken a view that our most important customers are our Tasmanian customers. We probably sell 70 per cent of our products in Tasmania. Our second most important are the Australian markets and we do not want to lose those by focusing overseas. That has always been a core part of our strategy.

Having said that, we are open to opportunities and the scale we have just put in will allow us to look a bit further afield, and probably in a different way. Even with more bulk products being sent overseas, it can be utilised in other ways.

Ms RATTRAY - Then they may repack, if you like, or repackage?

Mr BENNETT - Yes, possibly. It all has to be done fairly carefully, too.

Ms RATTRAY - It might lower the integrity of the product if you allow that.

Mr BENNETT - Yes. You have to have good partners overseas.

Ms RATTRAY - One that you trust and can work with. That is interesting, when it was only 1 per cent of your overall business and yet you have put significant investment into -

Mr BENNETT - Yes. Another big part of that was we were having to make cheese in times of the year when we did not have enough milk. Tasmania, as you are probably aware having done this for a while, is very seasonal in the amount of milk it has. Six weeks ago you could not get milk anywhere and now there is milk pouring in.

CHAIR - Too cold.

Mr BENNETT - Yes, too cold. Which is always interesting if you have liquid milk and you are short of milk.

Ms RATTRAY - Thank you.

PUBLIC

Mrs HISCUTT - You were talking about 'policing' the Tasmanian brand to be traceable, provable and defensible. Who do you imagine being the policeman of that? DairyTas and Dairy Australia have a whole heap of rules and regulations as to what should be done with dairy milk, which is outside the government sphere. Who do you imagine would police that? If there was a complaint, if someone felt that there was milk coming in from somewhere else, who do you imagine you would go to or to police that or set those regulations?

Mr BENNETT - I am not one to advocate too much more red tape.

Mrs HISCUTT - I heard you say that so I wondered what you thought. Could you imagine that to be industry-driven or government-driven?

Mr BENNETT - 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.

Mrs HISCUTT - While we are on that subject of the role of the Tasmanian Government, other presenters to us have not been able to put their finger on a lot of government regulations. Most of it is internal regulation, self-regulation.

Mr BENNETT - QA.

Mrs HISCUTT - QA and that sort of stuff. Can you put your finger on how you think the Tasmanian Government could help or what it could stop doing or increase doing? Everyone says regulations and raises their eyebrows. Can you put your finger on anything that you can see?

Mr BENNETT - I guess regulations are double-edged swords, aren't they? One, they make rods for you but other points were needed to the protection in the industry.

Mrs HISCUTT - So most of the protection of the industry is done within the industry. Can you think of anything on that, reference 3, the role of the Tasmanian Government?

Mr BENNETT - The biggest grate Ashgrove Cheese has is everytime we need to upgrade. With our upgrade recently, we did not need, at this stage, to increase our processing licence, which is the amount of litres of milk.

I did, in the initial stages, look at whether I would do that now or in the future. I guess at that stage, to upgrade our licence we would have to get EPA in. Being out basically in the middle of farmland, we have to minimise all our own waste and create all our own water.

Then we start getting traffic management plans. Bass Highway is a big issue. I know you are the state government and that is a federal road, but it is an enormous impost. We have a big shop that we will be looking to upgrade our tourist facility. We have concept plans to put forward shortly and we will no doubt have to do a traffic management for that.

If you want to spend a couple of million dollars on your business, the first bit you have to spend on is half a million doing up the road.

Mrs HISCUTT - Are you expected to pay for that?

PUBLIC

Mr BENNETT - Yes, with that one. I don't know what it is, but I will in a few months' time probably. In the past the last time it was nearly half-a-million dollars. It was very difficult to get answers from government. Basically you had go out and find someone to design the road yourself and then the guy, the only one that they would accept at that stage, did not want to put his name on it for that reason. There were problems with that issue.

Mrs HISCUTT - Back on the farm, with your litreage uptake - what did you call that? Your licensing increase? Is getting the EPA there very onerous?

Mr BENNETT - It is something that we have to manage. I would not call it unreasonable though. It is reasonable at times. It can be difficult if you have an issue with your neighbours and then it becomes more onerous, but I guess that is what their job is.

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.

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.

Mr FARRELL - That was done under Tasmanian milk or Ashgrove Tasmanian milk?

Mr BENNETT - We did it under two - another person was paying for the label as Tasmanian Milk - and the other company put it under an Ashgrove product.

Mr FARRELL - Your biggest market is domestically? Ashgrove is the brand that sells your products?

Mr BENNETT - Yes, Ashgrove. Probably 70 per cent of what we do is Ashgrove.

We supply Aldi supermarkets for their own brand, which when we first started with Aldi was the way they worked. We did that, but we value our brand. While there is volume in supermarket brands, it can easily be passed on to someone else after the contract runs out.

CHAIR - That makes sense because with milk to China, we did a risk assessment. You mentioned one component, the logistical side of the freight and the time it takes.

PUBLIC

We have heard China's regulations and policies are changing and we saw what happened with Bellamy's. Was that a consideration or concern to you at the time? Were you aware of it?

Mr BENNETT - Yes, it was a major consideration. In the process, we sent about five different shipments; we put in temperature logs and significant testing for all of the milk.

CHAIR - At your end, to start off with?

Mr BENNETT - Yes. From our end to start off with. 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 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.

In the process, there was an issue with dairying in Victoria doing a similar thing. 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. At this stage for the Chinese palate, cheese is a bit of a sour flavour they are not used to, but I feel we can work on it.

Laughter.

Mr FARRELL - I was going to ask about cheese and why that had not taken off, so you have answered that.

In Tasmania, there are other producers, most of which are smaller than you. Is there anybody who works with the smaller producers to look at export markets? There is probably a level of competition there, but there would also be -

Mr BENNETT - Not really. There are companies that are basically export consolidators and we still use them. Most of our exports into South-East Asia are not large volumes. There are companies that fly their cheese with other Australian goods. It is consolidated in Victoria and then sent to where it has to go. There is no organisation as such and there are trade missions that get included too.

Mr FARRELL - What about opportunities for butter?

Mr BENNETT - 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.

PUBLIC

Mr FARRELL - There is a good opportunity for butter?

Mr BENNETT - Yes, globally there is a bit of a shortage in milk fat, and they cannot give away skim milk powder, so it is interesting.

Mrs HISCUTT - If Hobart Airport has direct flights into China, would your company consider that option again? That would take out the Bass Strait component.

Mr BENNETT - Possibly. It would probably up more opportunities for cheese or butter.

Mrs HISCUTT - Yes, so you would consider that?

Mr BENNETT - Yes. I heard there were opportunities for companies like Austral to consolidate Tasmanian products and sell them to various places in China.

Mrs HISCUTT - They could get a nice supply.

Mr BENNETT - Yes. Companies our size cannot afford to have lots of sales people travelling around China. There is a big cultural difference and language barriers. If you have people there and they are selling dairy and fish products, berries and cherries, wine et cetera. We have a great host of products.

Mrs HISCUTT - Richard, you said earlier that when there is an excess of milk supply worldwide, the competition for shelf space is greater. Does that affect your sales or does the Tasmanian Ashgrove brand shine through?

Mr BENNETT - Yes, it can affect our sales. It makes it fairly competitive.

Mrs HISCUTT - Would you be inclined to think sales are all wrapped around price as opposed to place of origin?

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

It was interesting last year that when the whole milk price exploded and the price dropped there was a lot of media focus. Branded milk took off and was a country-wide phenomenon. Ashgrove were a beneficiary and we have worked hard to try and keep that.

Mrs HISCUTT - Have those sales [inaudible], do you reckon?

Mr BENNETT - We have managed to keep them up but we have just spent a lot on advertising and things to keep it in front of mind.

Mrs HISCUTT - I have noticed that.

Ms RATTRAY - Did you have to sacrifice any price to keep it up?

Mr BENNETT - No, not overall. We had done some price promotional work over the last 12 months and our prices have steadied. In the last three months the supermarket chains are starting to slip their \$2 milk back out. They are starting to encroach basically on the branded

PUBLIC

space again. When there was a big focus on it, our milk was being sold out because we did not have enough shelf space and they ended up giving us more shelf space. It was an interesting phenomena. The supermarkets eventually made the room.

Mrs HISCUTT - Richard, did you have to buy shelf space?

Mr BENNETT - No. We have never had to buy shelf space. Having said that, life is not all great with supermarkets. We just lost four lines nationally in Coles, which means we do not any cheese products on the mainland in Coles. We spent three years trying -

Mrs HISCUTT - What did they put that down to?

Mr BENNETT - A change in buyer, so it was a change in strategy. We had one buyer that wanted waxed wheels; then the next buyer came along and he wanted the wheels cut and packed, so we changed the packaging and spent money on that.

Mrs HISCUTT - I thought they would have had standards as well. Obviously not. Preferences.

Mr BENNETT - Then a new buyer comes along and cuts 48 per cent of the category out and says because they are packed into wedges, 'That is not for this section we wanted full wheels'.

Ms RATTRAY - Fickle, hey.

Mr BENNETT - Yes, fickle.

Mrs HISCUTT - With regards to your own family business - and it is expanding, of course - is your vision to get supply from other Tasmanian farmers? Do you imagine getting bigger where you have to go to the mainland? Can you give us an idea?

Mr BENNETT - Yes, we would like to get bigger. Over the past few years we have bought several dairy farms.

Ms RATTRAY - On the mainland?

Mr BENNETT - No, all in Tasmania. We have three dairy farms in Elizabeth Town and we have another one we just bought in south Riana.

Mrs HISCUTT - This is all owned by your company?

Mr BENNETT - It is not owned by Ashgrove Cheese. It is owned by members of the Bennett family and it is operated as Ashgrove Farms.

Mrs HISCUTT - Within the family?

Mr BENNETT - It is within the family, and Ashgrove Farm supplies Ashgrove Cheese. They run totally different businesses which we need to.

Mrs HISCUTT - You imagine if you need more milk, would the family buy more farms or milk from other farms?

PUBLIC

Mr BENNETT - Probably both. Buying dairy farms is pretty expensive.

Mrs HISCUTT - Without a doubt. Other than your two organic farms -

Mr BENNETT - They are two organic for a start and is something we will go to. We have not done that in the past. The larger processors have been fairly accommodating as they bought our surplus milk and have also sold us milk when we needed it. That is important in Tasmania.

Ms RATTRAY - We have that time when we do not have much.

Mr BENNETT - We have times when we do not have it and plants, not just our plants, need maintenance. Because the Tasmanian industry is fairly small on the scale of things, being able to work together is important. We just have to be careful before we go stealing too many supplies. It is something we are growing towards and it will depend on our true sales.

Mrs HISCUTT - With your organic farms, who does the accreditation on that?

Mr BENNETT - We are using the same company the dairy farmers were using, the National Association for Sustainable Agriculture, Australia, NASAA.

Mrs HISCUTT - So you are trying to convert some of your own farms?

Mr BENNETT - No.

Mrs HISCUTT - Sorry, I thought you said as well as. Do you see that as being a big market or a necessary market bearing in mind that Tasmania is already being seen as clean and green?

Mr BENNETT - Yes. There is good potential for it. Our company is a good size to look at organics on a larger scale than what it has traditionally been. Where that sits in the Australian market, time will tell.

CHAIR - With these couple of farms that you are talking about taking on or have taken on, what percentage of your end product will be in organic milk? Have you worked that one through yet?

Mr BENNETT - That is a good question. It is probably 5 per cent of what we are doing. They are quite variable, fairly small farms. Probably 10 per cent.

CHAIR - In terms of having their accreditation on the farm, what about within the processing business as well? Do you have to then go through any extra steps to make sure you comply as well?

Mr BENNETT - Yes, we do. We have to work to get compliance, and that is where it becomes a little bit more difficult for the larger processing. The level of compliance for the processing facilities is lot less than for the farms.

CHAIR - So you would have to keep that separate from your conventional produce.

PUBLIC

Mr BENNETT - We have to show segregation and that we rinse the cleaning chemicals thoroughly.

Mrs HISCUTT - You have done all of that?

Mr BENNETT - Yes. We have gone through that process, we keep it segregated. We have not got any organic milk as such. We are still in the transition. The challenge we have at the moment is trying to market that in-transition milk.

CHAIR - You are going to separately brand that as in-transition organic? Is that what you are going to call it?

Mr BENNETT - Yes we are. We are going to try to do that. We are going to call it chemical-free and antibiotic-free.

Mrs HISCUTT - You are not going to label it organic?

Mr BENNETT - It will eventually get to organic.

Mrs HISCUTT - In the transition.

Mr BENNETT - But we can't until it is in the transition. NASAA has a certification for it which is chemical- and antibiotic-free.

It is obviously a difficult period, particularly for the farms, where they are basically running it as an organic operation.

Ms RATTRAY - But you can't actually get the whole benefit from being able to market the organic status until you have gone through.

Mr BENNETT - Yes. I am not an expert on the farming practice side of it but I do know that obviously there are the pesticides and the fertilisers they have to have off for a period of time. While they are doing that, they can still treat the cows with antibiotics and they have to not do that for six months. A lot of farmers have approached us, doing it six months out.

Ms RATTRAY - When you have a fully organic status for those two farms and you have a cow that needs treatment, you will pass that cow to another one of your properties to look after because it can't stay here?

Mr BENNETT - Not really. Because they are not our farms, I am not a total expert on it. The ones operating there are standalone operations so they have treatments for the cows that are probably a bit more old school than antibiotics.

Ms RATTRAY - They use some of the older remedies.

Mr BENNETT - Some of the older recipes. Apparently some of them work. They might not be as quick. A very good organic model is what you are suggesting where companies who have two or three dairy farms -

Ms RATTRAY - Farms that can move stock around a little bit.

PUBLIC

Mr BENNETT - Yes, and if they need antibiotic treatment.

Ms RATTRAY - That is what we heard at an earlier time, that you actually need a number of properties to be fully organic because there are times when you may not necessarily be able to comply for various issues.

Mr BENNETT - Yes. There are different remedies for treating mastitis and lame legs and things like that, but antibiotics are always a quick good one for animal welfare reasons.

CHAIR - We will move to another one of our terms of reference, and that is the role of the Tasmanian government. We only touched on it a while ago. Have you been satisfied with the help over the years? We are talking about not just the current Government but over time through the Department of State Growth. Have they been of use to you or not?

Mr BENNETT - State Growth has been fairly good in showing us opportunities in grant processes and things like that.

CHAIR - Is there any more that you think they could do? We have to also talk about that probably in conjunction with the federal Austrade. Have you had much to do with Austrade at all?

Mr BENNETT - A little bit but not a huge amount. They come and visit occasionally. If we move into more of an export focus, Austrade will probably come into its own. Having not spent a lot of time overseas and doing that type of jazz - I keep going over to buy things and bring them back.

CHAIR - You have set up a successful family model. You recognise that operating in a global atmosphere is pretty difficult; it has always been like that. You have done what you have done. Do you see any further opportunities for family [inaudible] competition - there are some small ones about in the state - but do you see any other models that you might think could apply to groups of farmers to do something like that in Tasmania? I suppose it is all a matter of their innovation, capital and everything else, isn't it? Do you see much opportunity or do you think that on the domestic market it is very competitive at the moment and probably the bulk of our milk will probably always remain with the Fonterras and the Murray Goulburns of this world?

Mr BENNETT - Yes, I guess the Fonterras and Murray Goulburns we are always going to need if we are going to have a large-scale dairy industry. It would be good to see something like the TDP setup. I am speaking a little bit out of school; I am not an expert on TDP - I will put a caveat on that - but they set that factory up a few years ago with the idea of a Tasmanian brand, which was taken over by Murray Goulburn. I guess that leaves you open to the vagaries of a large company and rationalisation as we see, although the plant is still operating.

There are always opportunities, I guess. It is about finding one's niche and one's place in the world. If I knew it off the top of my head, I would probably be doing it. It is always difficult. A big part of the dairy industry at the moment is being able to collaborate to get the capital to do developments. I think the New Zealanders probably do it a bit better than we do as far as being able to pool resources not to only build dairy factories but also dairy farms themselves.

PUBLIC

CHAIR - Probably Craig has a question - I am not trying to lead him here - toward the cooperative model as to how we go there.

Mr FARRELL - I did ask before and I was working through to what your thoughts are on co-ops. In the past there have been the old-style co-ops but in New Zealand we found they have a different model and they seem to be having some success with that. Is that something that you would see, from your business point of view, as a future direction that Tasmania might head into?

Mr BENNETT - Yes. I think the New Zealanders do it quite well and being able to pool their resources. I guess there are always difficulties. It is something I do not think we have done that well in Tasmania or in Australia, not in the last probably 30 years, not for a long time.

CHAIR - Murray Goulburn being a case in point at the moment.

Mr BENNETT - Yes. I guess MG's problems probably spilled out when they became a co-operative that had shareholders as well and you are not sure who your master is.

Ms RATTRAY - Yes. You have to try to keep it as much in-house as you can, but then that sometimes limits your opportunities, doesn't it?

Mr BENNETT - Yes. Getting a large number of farmers to work together can be interesting.

Having said that, if there is a common goal that might be something the government could help with in the future.

Ms RATTRAY - There are a few impediments around establishing a co-op, from our understanding, from some information the committee has received. We have not fully explored that, but it has been highlighted to the committee that there are some constraints and impediments. It is something we could take some further advice on.

Mr FARRELL - Richard, it seems that for years Tasmania has fallen into the same old trap. Small businesses have grown into bigger Tasmanian businesses and then a multinational will come in and after some time, it all disappears. It has happened with timber, with vegetables, with other unrelated primary industries. It seems, when you look at how New Zealand does it, that it might be a model that could work in Tasmania. You cannot stop a company from growing, but it gets to a point where it gets so big, it just pops.

Mr BENNETT - Yes, it is a bit of a common thread there.

Ms RATTRAY - Your business is unique in that you have been able to hold together and not be persuaded to sell out. You are to be commended for that.

Mr BENNETT - Yes. I guess it makes a big difference with the Tasmanian brand. If your head office is in Tasmania, it makes a very big difference. I guess in the larger companies, a lot of decisions are made elsewhere, and while there are passionate people here on the ground working for them, it can be -

Mr FARRELL - I found out, through talking to others through this committee process, that the wine industry seems to have a model that is working at the moment with a number of small

PUBLIC

producers tending to market together but keeping their own individual brands. The same has happened with the whisky producers to date.

Ms RATTRAY - You love getting the whisky producers in, don't you?

Mr FARRELL - It is a good model. When you look at it worldwide, whisky produced in Scotland has a name for whisky, but all individuals market their own brands very strongly.

Mr BENNETT - I guess that is always part of building a destination brand. In tourism, we have worked with lots of local businesses to jointly promote where we are. If you were there by yourself, they won't come to visit you but if there is a group of you - as you say, whisky is doing it well.

Ms RATTRAY - You have a prime location where you are, though. You have so much traffic going both ways.

Mr BENNETT - Yes, it is a good spot for getting the tourists there; it is very important for our brand.

CHAIR - The model Craig is alluding to with wine and whisky, do you see that as being perhaps a bit more difficult to do in the dairy sector?

Mr BENNETT - Yes, it can be. It is a pretty varied industry when you get past the milk part.

CHAIR - Yes, that is right. You have a multitude of -

Mr BENNETT - Yes, you have your cheese and yoghurts, and from chocolates to powders. Possibly we could though. It is one of the best dairy regions; that is our biggest attraction here. It is a great place to grow grass.

CHAIR - I think we have heard from New Zealanders that perhaps organic is not so important here, but we should be focusing on the fact that we have a clean, sustainable grass-fed, sensitive industry. Would you concur with that?

Mr BENNETT - Definitely, yes.

Mrs HISCUTT - You must be thinking there is an edge in organics.

Mr BENNETT - Yes, I guess there is. Tasmania being an island is a double-edged sword. It is fantastic for branding. It gives us defined borders so we know where we are. We have a natural environment that is well promoted and the food industry has piggy-backed off that. I think we do it reasonably well.

But it is also our biggest hurdle because it is a big divide from most of our customers. Our population base is tiny. If we want to sell enough product to have a large-scale industry, we have to get it off the island.

Ms RATTRAY - Stretch of water.

PUBLIC

Mr BENNETT - Stretch of water and then we hit the most sparsely populated continent. There is a lot of road freight involved in getting your product around, and ships. Keeping that national highway open at a federal level is key to the way people think of the boats, in the cost of their running and all of that, too. We have product on those boats every day.

Ms RATTRAY - On the *Spirit*?

Mr BENNETT - On the *Spirit*. They go on there every day. When the *Spirit* was shut -

Ms RATTRAY - When they had that malfunction.

Mr BENNETT - No, the worst one was the flood because they shut the port and we had to fly product at great expense. When it turned up, there were 20 other pallets coming from Huon or one of the fish farms. They had a specific customer and needed to meet their order. Those ferries are pretty important.

Ms RATTRAY - We have heard that.

Mr FARRELL - You employ a good number of people. Do you have trouble sourcing workers, particularly farm workers? Is it a difficult thing? When you get them, I imagine you train them pretty much on the farm.

Mr BENNETT - That is a good question. A lot of training is required for farm workers. It depends where you are. We are pretty good at Elizabeth Town.

Mrs HISCUTT - Close to Deloraine.

Mr BENNETT - Yes, close to Deloraine. Sheffield is not too far away, Mole Creek and all those country towns. I live in Dunorlan.

Mr FARRELL - We won't hold that against you.

Members laughing.

Mr BENNETT - Elizabeth Town is not too bad. It is proving to be quite difficult to get in good people for the new farm we just bought in South Riana. The property we brought had one house and we are going to have to get another one and probably buy another one in the local area.

Mrs HISCUTT - So you can house the workers?

Mr BENNETT - To house the workers. That is a difficult one. My guess is there are a lot of places in Tasmania for dairy farming. It is probably a critical one. We have farm managers on it.

Ms RATTRAY - They can't do it all of it.

Mr BENNETT - Yes, they cannot do it all, but if you are on a dairy farm day in and day out, you want good people around you. Also, the key part for dairy farmers is getting the training to be good managers to keep the staff.

Mrs HISCUTT - Do you have apprentices?

PUBLIC

Mr BENNETT - Yes. I don't have a lot to do with the farm side. I am in the cheese factory. I have currently one guy training up to do a diploma in dairy technology, which is what I did 10 years ago. We have several other cheesemakers in training. Most of them we train from scratch.

Ms RATTRAY - Are TAFE courses readily available for the skills you are looking for, both in the factory and on the farm?

Mr BENNETT - Yes. We use TAFE courses both in the factory and on the farm as well.

Mrs HISCUTT - Are you satisfied with the service you get? Do they teach you what you need to know?

Mr BENNETT - In general they are pretty good. Sometimes I think they are a bit too focused on in-work training. Sometimes it is good to send people off to study, which is almost going back a few years, if you know what I mean.

Mrs HISCUTT - I do.

Mr BENNETT - Sometimes there is a benefit in that. It gets people out of their work zone and thinking about things.

Ms RATTRAY - It also gets them to have contact with other people who are working in the same industry, who might do things differently. I know the agricultural students head to Burnie and really enjoy that time.

Mr BENNETT - Yes, that is what I mean, having that time away. Sometimes the industry is always pushing for it all to be done in the factory.

Ms RATTRAY - And on the farm.

Mr BENNETT - There is an element to that that is okay, but sometimes it is good to send people off and get them trained, not just assessed by yourself.

Ms RATTRAY - Broaden their horizons.

Mr BENNETT - Yes.

CHAIR - No further questions? Thank you very much, Richard.

Mr BENNETT - Thank you.

THE WITNESS WITHDREW.