



Federal inquiry: WCB merger puts dairy farmers at risk

MG BID A 'DIRE' THREAT

WARRNAMBOOL

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WARRNAMBOOL Cheese and Butter's bid to stave off a takeover found a new ally yesterday with a federal parliamentary inquiry claiming a merger would crush the south-west dairy industry.

The inquiry sensationally recommended no more takeovers in the milk processing industry until next year because it feared farmers would be the big losers.

Supermarkets were also found to be making far more profit from milk than dairy farmers, who get little protection under consumer laws.

However, the company behind the WCB takeover bid,

Murray Goulburn, last night said the inquiry seemed to support farmer ownership of the supply chain through the co-operative structure.

The inquiry, which is urging laws be enacted to protect the shaky profitability of dairy farming, wants to ensure farmers don't go to the wall because of smaller returns from less competition. Yesterday's move confirmed what many south-west farmers have argued since Murray Goulburn launched its takeover plans for WCB in December last year — and ramped up in January — that a takeover would be dire for milkers.

Senate Economic References Committee chairman Alan Eggleston told *The Standard*

that dairy duopolies were uncompetitive and the committee would caution against any MG/WCB merger.

"It is exactly the type of thing we want to stop," the Liberal senator said. "The consolidation of milk processors has a clear detrimental effect on the bargaining power of dairy farmers.

"Farmers are not getting their fair share of profits from the milk they produce. It has largely been eaten into by supermarkets and milk processors and less competition in both of those sectors makes this trend worse than what it already is."

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Inquiry opposes WCB takeover bid

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Senator Eggleston claimed milk pricing needed to be reformed, otherwise producers would be forced out of the industry, making Australia reliant on dairy exports.

The committee recommended in the *Milking it for all it's Worth* report that:

- A moratorium should be placed on dairy mergers or takeovers until competition policy review is completed in April;

- The Australian Competition and Consumer Commission (ACCC) should monitor milk pricing practices to find out if farmers are getting their fair share of profits;

- An independent report

should be made about why it is difficult for new farmer co-operators to establish themselves as milk processors;

- Contracts with farmers should offer a clear, consistent formula for milk pricing;

- That the ACCC conducts further study into the effect of generic supermarket products on farm gate prices.

Recommendations made in the report are not binding but will be considered by the federal government.

Senator Eggleston chaired the cross-party committee which included Greens senator Christine Milne, independent senator Nick Xenophon and Nationals senator Barnaby Joyce, as well as other Labor and Liberal

members. Murray Goulburn chief executive officer Steven O'Rourke said while he had not seen the report in detail he supported the inquiry's call for a review into what the impediments were to more farmer ownership of the supply chain.

But Mr O'Rourke said the company's attempted takeover of WCB was a separate issue.

"We believe that stronger farmer ownership of the dairy supply chain is a very good thing," he said.

"I would suggest that the inquiry is pointing out there needs to be a better understanding of what is stopping co-operative farmer ownership of the supply chain.

"The inquiry has probably

recognised that stronger co-operative ownership is in the better interest of the dairy industry — that's why we're interested in what we proposed with Warrnambool."

WCB chief executive John McLean said he had been following the committee's deliberations closely.

He said strong competition in south-west Victoria had prevented the region's farmers from having prices dictated to them by processors.

"We've argued all along that an MG takeover would have a negative effect on competition in the south-west dairy industry," Mr McLean said.

"Competition is still fairly strong in Victoria."

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