Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Voluntary Report - public distribution

Date: 10/1/1999

GAIN Report #AS9045

Australia

Dairy

Dairy Deregulation Initiative

1999

Prepared by:
Randolph H. Zeitner
U.S. Embassy
Drafted by:
Randolph H. Zeitner

Report Highlights:
The prospects for deregulation of the Australian dairy market improved when the Federal Government agreed to an A$1.8 billion package to assist dairy farmers to make the transition to a deregulated environment. Payments would be paid quarterly over eight years.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Canberra [AS1], AS

The prospects for deregulation of the Australian dairy market improved when the Federal Government agreed to an $A 1.8 billion package to assist dairy farmers to make the transition to a deregulated environment. The implementation of this initiative is conditional upon all States agreeing to deregulate the farm gate price of milk by July 1, 2000. The initiative would end the current domestic market support scheme payments to dairy farmers.

The Minister for Agriculture, Fisheries and Forestry, Mr. Warren Truss, said that the Government had been approached by the dairy industry for support for a transition package and has agreed to facilitate the package. The package would assist the restructure of the industry by helping farmers improve their efficiency and competitiveness after deregulation.

Australia's approximately 13,800 dairy farmers would be required to provide business viability statements before receiving aid through the package. Individual producer entitlements would be based on 1998-99 milk deliveries at the rate of 46.23 cents a liter for market milk and 8.96 cents a liter for manufacturing milk. Payments would be paid quarterly over eight years. Exit payments of up to $45,000 would also be available for farmers who choose to leave dairying.

The initiative is to be funded through a levy of 11 cents a liter on all retail milk sales over the next 8 years. Government analysts have said that the levy is unlikely to have any impact on retail prices as farm gate prices are expected to fall after deregulation by at least this amount. The Australian Competition and Consumer Commission will monitor milk prices during deregulation.

While the Victorian State Government and the Victorian dairy industry, which represents over 60 percent of Australian dairy production, have indicated their intention to deregulate, the recent election in Victoria has cast some doubt on deregulation prospects. Deregulation by Victoria would put considerable pressure on other States that have, up to now, generally been opposed to deregulation. The new package proposed by the Federal Government could soften much of this opposition.