



Committee Secretary
Senate Standing Committees on Economics
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

21 November 2016

Dear Secretary

Inquiry into the Australian dairy industry

I am pleased to provide this submission into the Senate Standing Committees on Economics' inquiry into the Australian dairy industry, on behalf of the Business Council of Co-operatives and Mutuals.

Formed in 2013, the Business Council of Co-operatives and Mutuals (BCCM) is the national peak body representing the co-operative and mutual models of enterprise. It is the only organisation uniting the entire and diverse range of member owned businesses.

By way of background, we would like the committee to note that the co-operative and mutually owned business sector contributes significantly to the Australian economy, currently represents a total of 14.8 million memberships (8 in 10 Australians are a member of at least one), and accounts for 7% of GDP when including the member-owned superannuation funds.

3 of the top 10 largest privately owned Australian companies are CMEs according to Ibis World 2016.

The member owned business model is one of the most enduring in the world. There are any number of successful businesses which operate under this model, including global brands such as Ocean Spray, FC Barcelona, and the John Lewis Partnership. Many dairy businesses globally have remained under the co-operative ownership structure, such as NZ giant Fonterra, and Canada's Agropur. Many co-operative businesses in the agriculture sector operate as 'keystone' businesses, underpinning a strong market and ensuring smaller primary producers have access to larger markets.

It is not uncommon that, from time to time, many businesses find themselves in challenging market conditions. However, when media attention is turned to these businesses, their business model isn't normally a matter of focus. Listed companies or sole traders are not usually criticised for being such; rather, the decisions of management are scrutinised, and rightly so.

The BCCM is confident that any issues which Devondale Murray Goulburn may have experienced are not as a result of the fact that they are a co-operative. Further we are certain that the member-owned nature of the business will ensure that the decisions made by the newly re-constituted board, voted for by the member-owners, will focus on returning to the core values of the business and ensuring the best possible outcome for the farmer owner-members.

It is important to note the strong arguments in favour of supporting co-operative businesses in the economy, and in particular in the dairy industry. Without these businesses, more and more of Australia's dairy industry is owned by foreign companies, such as the Dairy Farmers milk brand, originally a co-operative, which is now owned by Lion Foods Inc. While foreign ownership in the Australian dairy industry is not inherently problematic, it does mean that the thousands of small, family owned dairy farms lack bargaining power in the market. As is consistently experienced by farmers at home and abroad, co-operatives offer farmers more control over the future of their industry because they own the businesses, and have more say in how these are run.

Farm gate pricing within a co-operative is usually set at a rate which will ensure the ongoing economic viability of both the co-operative business and the farmer. Because these businesses are not required to maximise the return to shareholders, they are able to improve the relative competitiveness of their member-owners. Further, co-operatives such as Devondale Murray Goulburn have traditionally operated on a policy of taking all the milk which their members choose to supply. This is in contrast to investor owned dairy processors which usually take only the milk they want, enabling them to set their price above or below that of 'pacemaker' co-operatives depending on their level of demand.

While the current situation in the Australian dairy industry does need to be addressed, it is the strong representation of the BCCM that these problems cannot be laid at the feet of the co-operative business structure. Co-operative firms offer significant benefits for many small businesses and family enterprises across the nation, particularly in agriculture, retail and bulk-purchasing sectors. The capacity of co-operative enterprises to increase the bargaining power of farmers who operate small businesses and improve competition in the market has been well recognised by various government inquiries, most recently in the Harper Competition Review, which found that there is a need to raise awareness of co-operatives in the context of collective bargaining exemption processes that attempt to address unequal market bargaining power. This, the Review Panel stated, would assist to address unequal bargaining power, further highlighting the important keystone role of these businesses.

I would be pleased to provide the Committee with further information should they require.

Kind regards,



Melina Morrison
Chief Executive Officer