Australia Dossier by Robert Barwick

Milk deregulation turns industry sour

"Competition" reforms are forcing out farmers and other small producers, eliminating more jobs.

Australia's dairy industry is bracing itself for the biggest shock in its history, when the state of Victoria, which accounts for 60% of national milk production and has the largest dairy industry in the country, deregulates its milk supply network next July. As of then, the entire eastern seaboard milk-supply system will be deregulated, and up to one-quarter of all dairy farmers will be forced out of business, because of a drop in average farm income of $33,000 per year.

Of the three major dairy processors in Australia (the co-operative Dairy Farmers, National Foods, and the Italian Parmalat-owned Pauls Ltd.), only two are expected to survive, and about 1,000 workers in the Queensland dairy industry are expected to lose their jobs. Ironically, this savage triage is being caused by deregulation policies which are being imposed in the name of "competition," under the direction of the National Competition Council (NCC).

Not only is the NCC killing off competitors, but its policies are causing sharp increases in prices for consumers. When Queensland deregulated its milk supply last April, prices leapt 6¢ per liter, from $1.17 to $1.23. This caused a public outcry, particularly because deregulation was sold to the public as a way to *lower* prices, the same way in which deregulation, privatization, and free trade have also been sold to a public which apparently believes that milk comes from the supermarket. In this case, it is the big three supermarkets (Coles, Franklins, and Woolworths/Safeway) which are skimming the cream off the top of the milk, by pocketing the price increase.

To cope with their losses from deregulation, dairy farmers are lobbying the federal government for a $1.2 billion compensation package, paid for by a suggested 10¢ excise tax on every liter of milk. But, in general, the inevitable price rises flowing from deregulation won't benefit farmers, as New South Wales (N.S.W.) Dairy Farmers President Reg Smith told the July 2 *Courier-Mail:* "Milk could rise to $1.30 or $1.40 per liter regardless of what the poor old farmer gets for it."

The entire reform agenda relating to the dairy industry is being driven by "globalization," the demand to drive down production costs in order to become "internationally competitive." Even New Zealand, which, despite leading the world in the implementation of economic rationalist policies under the direction of the British Crown's Mont Pelerin Society, has heretofore spared its large dairy industry from the real cutting reforms, is now planning radical changes.

New Zealand's Food, Fibre and Bio-Security Minister John Luxton has pushed through a dairy industry deregulation program that will create a huge dairy co-operative that will be the country's single largest company, but which will, according to the *Australian Financial Review*'s Rob Hosking, "sound the death knell of a way of life that has been ailing for more than a decade—the family farm." Australian deregulation, particularly in Victoria under Mont Pelerin pin-up boy Premier Jeff Kennett, is being done in conjunction with New Zealand, with whose Mont Pelerin-controlled government Kennett maintains close ties.

The dairy industry is just one area in which the NCC has created havoc, all in the name of "competition." Transportation, power generation, and even newspaper shops have all been overhauled, inevitably resulting in massive job losses, and industry dominance by a small group of large, often multinational players. For a brief period in 1998, the political backlash against "competition" policies helped fuel the rise of the economic nationalist, anti-globalization Pauline Hanson's One Nation party, which caused governments to ease back on the pace of reform. The (perhaps) temporary hiatus of One Nation, since a relatively poor showing in the Oct. 3, 1998 elections, has spurred the NCC on again.

It has also inspired the NCC to greater heights of lunacy. Its latest target is water, and water infrastructure. The NCC has ordered financial penalties against the Queensland government for its "anti-competitive" plans to build dams in cotton-growing areas of the state, which the NCC attacked as "economically and ecologically unsustainable." It has even hit the Boonah Shire in Queensland with a 1,000% increase in water charges, as user-pays charges on a dam that was built in 1959.

The rabidly anti-industry Australian Conservation Foundation, the green movement's umbrella organization which Prince Philip personally founded in 1963, applauded the NCC's anti-dams policy as a "vindication" of its position. And, this marriage of ecology and economy gets worse: N.S.W. officials have begun using satellite and aerial photography to spy on farmers to ensure that they do not, by using dams, trap more than their allotted 10% of the rainfall on their properties.