

AUSTRALIAN FARM INSTITUTE

MEDIA RELEASE



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BRIEFING: Dairy regulation and floor pricing

Almost 20 years after deregulation of the Australian dairy industry, Labor has flagged a potential return to government intervention in the market.

The AFI research team has produced [this briefing](#) to discuss how might this impact the industry and what we already know about floor prices in Australian agriculture.

Milk is a global commodity and dairy farmers are price takers. Unlike many countries around the world, there is no legislative control in Australia over the price processing companies pay farmers for their milk. International prices are the major factor in determining the price received by farmers for their milk.

Of course, farmers should get a fair return on what they produce but the question here is whether the price floor is the right avenue to correct the issues in the dairy sector.

The collapse of the Australian Wool Reserve Price Scheme provides a good example. If the price floor is higher than the market clearing price, consumers reduce their purchases, while on the other hand suppliers increase production as they are now getting paid more for the product than before, naturally creating a surplus of unsold product in the market.

Questions to consider:

- What impact would a regulated price have on the dairy export market?
- Would a floor price lead to a supply management system such as that employed in Canada?
- Has the attention on the \$1/L price war distracted from the fundamental problems within the industry (e.g. disproportionate risk allocation between farmers and processors)?
- With Australian dairy producers being amongst the world's most efficient, what impact might a floor price have on production efficiency?

>> More information: [Dairy regulation and floor pricing](#)

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