



Improving market transparency in perishable agricultural goods industries

Dairy industry first workshop 21 October 2021: Workshop communique

Background

In late 2020, the Australian Competition and Consumer Commission (ACCC) conducted an inquiry into bargaining power imbalances in supply chains for perishable agricultural goods (PAG) in Australia. The inquiry recommended that the government explore measures to increase price transparency in PAG industries to increase competition in those industries.

In response to this recommendation, the Australian Government, through the Department of Agriculture, Water and the Environment (DAWE) has committed \$5.4 million to improve price and market transparency in PAG industries by:

- delivering co-design workshops with PAG industries to understand their market transparency issues, opportunities and requirements
- delivering a grants program to develop and implement tailored mechanisms to improve price and market transparency.

The workshops provide an opportunity for participants to discuss price and market transparency issues in their sector, brainstorm ideas to improve transparency and co-design the details of solutions going forward.

Workshop outcomes

Twenty industry and government representatives attended the first dairy price and market transparency workshop ([Appendix A](#)). The objective of the first workshop was to discover and analyse the issues, barriers, and opportunities to increase market and price transparency in the dairy industry.

Participants worked in small groups that explored:

- Issues – Negative characteristics within the dairy industry that decrease price and market transparency.
- Barriers – Negative characteristics external to the dairy industry that decrease price and market transparency.
- Internal opportunities – Positive characteristics that exist within the dairy industry that can potentially increase price and market transparency.
- External opportunities – Positive characteristics outside the dairy industry that can potentially increase price and market transparency.

Throughout this process, issues and barriers (and consequently, opportunities) were categorised as either legislative, regulatory, industry specific, general process, technology driven, consumer driven informational or global driven.

Table 1 identifies and categorises the key themes of issues, barriers and opportunities from the workshop discussions.

Table 1 Issues, barriers and opportunities

Category	Issue/Barrier	Opportunity
Legislative/ regulatory	<p>Dairy code is mandatory and grocery code is voluntary, which creates inequality across supply chain when interventions are applied.</p> <p>No access to real-time pricing and supply/demand data to enable business risk management.</p> <p>Lack of regulation (compared to overseas) limits ability to gather data that:</p> <ul style="list-style-type: none"> • is timely • is related to points in the supply chain • provides visibility of stock supply and levels of supply and demand. <p>Difficulties in providing price increases due to the restrictions around contract variations in the Dairy Code.</p>	<p>Communication/education within and across supply chain on how prices are set.</p> <p>Regulate the provision of data.</p>
Specific to dairy industry	<p>Full participation across the supply chain will enable fair and equitable price and market transparency. Little recognition of this demonstrated by a lack of trust across the supply chain.</p> <p>May not be realistic expectation of contractual arrangements and relationships across supply chain.</p> <p>Business fundamentals training is absent in this industry.</p> <p>No resources to analyse or share data, also limits to some information availability (for example, commercial confidentiality).</p> <p>The complexity of the supply chain makes it difficult to compare products (for example, different pricing models, units of measurement, products).</p> <p>Other issues and barriers include:</p> <ul style="list-style-type: none"> • No price benchmarking • No spot market in milk • No history of price discovery • Lack of liquidity in market • Loss of cooperatives. 	<p>Education and a package for farmers around budgeting, revenue, farming for margin, how to trade contracts, and how the supply chain works.</p> <p>Explore optimising current tools, for example, Dairy Australia business calculators.</p> <p>Contribute to development of VIC Auction system/project as part of the AMPI initiative to develop risk management tools for milk price.</p> <p>Consider optimising the Milk Value Portal.</p> <p>Develop data framework for standardisation, definitions.</p> <p>Evaluate/explore opportunities from offshore tools to assist with market assessments that can translate to Australian dairy industry.</p>
General to PAG industries	<p>Changes to the supply chain, for example, retailers purchasing directly from farmers and the retailer entering into the food services sector.</p> <p>Workforce shortages and capability across value chain.</p>	

Category	Issue/Barrier	Opportunity
Technology driven	<p>Unable to access real-time pricing data and therefore unable to conduct realistic risk management.</p> <p>Some limitations with Milk Value Portal – not inclusive of all processor data – about 10% of processors not captured.</p> <p>Issues with digital systems, for example, timeliness of data.</p>	<p>Educate industry on the importance of participating in the Milk Value Portal.</p> <p>Contribute to ADF work – blockchain/standard form contracts.</p> <p>Digitalisation of current systems.</p>
Information	<p>Lack of knowledge/information of how prices are set across the supply chain – consumer awareness.</p>	<p>Communication/education within and across supply chain on how prices are set.</p> <p>Develop data framework for standardisation, for example, definitions.</p>
Consumer/market driven	<p>Equalised pricing across products, for example, modified milk – farmgate milk prices vary across states.</p> <p>Consumers don't understand pricing/prices.</p>	
Environmental and global drivers	<p>Drought and regional variations impact supply and demand.</p> <p>Rising cost of imports drives contract renewal and negotiation terms, which impact the price and cost of goods.</p> <p>Import pricing is not reported.</p>	

Summary of opportunities

The opportunities identified by participants at the workshop were summarised as follows:

- 1) Develop data framework for standardisation, and pricing information and definitions
- 2) Improve risk management – including the development of milk price risk management tools like those seen in global markets
- 3) Digital tools – develop or optimise
- 4) Education across the supply chain

Next steps

The opportunities identified in the first workshop will be prioritised and will provide the basis for generating ideas for potential solutions to improve price and market transparency in the dairy industry. Ideas generation will be co-designed by participants in Workshop 2 on 11 November 2021.

Appendix A: Participant organisation list

- ALDI
- Ausfine
- Australian Dairy Farmers
- Australian Dairy Products Federation
- Dairy Australia
- GS1 Australia
- Lactalis
- Milk2Market
- National Farmers' Federation
- SA Markets
- Australian Milk Price Initiative
- Bridgecape Commodities
- Australian Competition and Consumer Commission
- DAWE Agricultural Policy Division

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