Improving market transparency in perishable agricultural goods industries

Dairy industry second workshop 11 November 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 2 outcomes

Twenty industry and government representatives attended the second dairy price and market transparency workshop (Appendix A). The workshop's objective was to generate ideas for potential projects that could either form the basis of a proposal in the department's upcoming grants program, or be progressed outside of this program.

Prior to breaking out into small groups, four organisations provided an overview of some projects underway within the industry:

1) Dairy Australia gave a short overview of the Dairy Australia Business Calculator.
2) Australian Dairy Farmers gave an overview of the traceability guidelines.
3) Bridgecape Commodities gave a brief overview of the Australian Milk Price Index.
4) Australian Dairy Products Federation gave a brief overview of the Milk Value Portal.
5) Milk2Market provided a brief overview of the Milk Price Calculator.

Participants self-selected to work in small groups on the following opportunities:

1) Develop data framework for standardisation of definitions

2) Digital tools – either new or optimise existing tools

3) Education across the supply chain.

The whole group then came together to consider each idea including purpose, details, stakeholders, risks and benefits, and next steps. Groups presented to each other to gather further input, look at next steps and prioritise which project should be progressed, for either application to grants funding during the first half of 2022, or for industry-led development.

Table 1 provides an overview of the potential projects that could be amalgamated as one project.

At the end of the workshop, participants were asked to select their preferred project to be progressed either by industry or through a future government grant funding round. Participants favoured amalgamating all three project ideas into one multi-faceted project, commencing with a framework for standardisation and enabling easier access to, and optimising existing tools as first phase, followed by an education campaign as a second phase.

Next steps

We recommend that representatives from across the dairy supply chain continue to engage and collaborate to scope out the requirements for each project phase and develop a proposal for grant funding for those elements of the project that cannot otherwise be undertaken with current industry resources.

Table 1 Overview of potential projects

Project	Scope, risks and benefits	Stakeholders and resourcing	Next steps
Framework for standardisation Develop a policy framework or set of guidelines for standardisation and definitions. Guidelines will assist to benchmark product and obtain transparency by: • aligning standards and definitions across the supply chain • capturing information to upload to a tool. The guidelines for standards and definitions could be developed through a five-step process: 1) Audit of existing projects that have sought to define standards and definitions 2) Identify what data to capture 3) Identify standards 4) Map data to the standards 5) Develop the model.	**Scope** Identify what data to capture: • Product • Location • Price • Category • Region • Season. Identify standards: • International standards • Ongoing work in Australia in other agricultural industries, such as the grains industry. Map data to standards: • Applicable across multiple areas • Familiarity with industry. Develop model: • Potential to build on traceability guidelines and work done by the National Farmers' Federation and the Food Agilities CRC. **Risks and mitigation strategies** Access to data in the absence of mandatory requirements – collaboration; ADF and ADPF involvement. Farmers' confidence in the data – public auctions with standardised guidelines. Industry complexity – keep it simple, relevant, easy to use, clear and transparent. Breaking familiarity with what has already been done – desire for greater transparency and better risk management.	**Stakeholders** The ADF and ADPF to host the model/data to provide representation from farmers and processors, for example, through ADIC. The following stakeholders can provide data: • Processors. **Resourcing** Data may be available from existing sources: • Dairy Australia – reports • Lessons learned from overseas (for example, EU – although these markets are highly regulated). While there are skills that already exist within the industry, the following skillsets will need to be factored in and costed: • Expertise in data standards • Expertise in building digital tools – to ensure compatibility • Legal advice – data sharing and privacy • Project management.	Conduct an inventory audit to see what already exists, and to ensure not duplicating work already underway. Dairy Australia and ADIC collaborate with farmers and processors to develop model. Grain Trade Australia may be able to assist due to their existing work on centralising market data.

Project	Scope, risks and benefits	Stakeholders and resourcing	Next steps
Optimise and enable digital access to existing tools Create a sustainable dairy industry through: • enabling the supply chain easier access to price and market information that informs decision making • attracting investment into the industry by demonstrating transparency.	**Scope** A webpage with an explanation and links to different tools: • Australian Milk Price Index • Milk Value Portal • Milk2Market milk price calculator • Dairy Australia farm business calculator • Australian Dairy Farmers traceability. Optimise each tool with a clear purpose: • Complete a gap analysis of each tool • Map out each tool in terms of what each one does, what it needs to do, end-user, synergies with other tools. **Risks and mitigation strategies** Data security (obtain data security advice). Data provision – getting people on board (provide clarity around the end-purpose; better decision making across the industry). Defining what each pricing initiative is able to do (make sure it is simple enough for all participants to understand the purpose of each tool). Credibility of data (cross-checking and validation tools).	**Stakeholders** A working group/expert panel would be convened to work on this project with: • The Australian Dairy Industry Sustainability Framework to assist with scoping work • The Australian Dairy Industry Council, as the overarching peak body, to provide overarching accountability for the project. The industry supply chain stakeholders that can contribute in some way through workshops or surveys are: • Farmers • Processors • Traders • Retailers • Consumers. The government as an independent body could potentially host the home page. **Resourcing** Funding and resourcing (skills) will need to be costed for: • A desk audit/study of lessons learnt of previous and current tools • A survey of farmers and processors (and others) to better understand information requirements • Workshops to investigate optimising tools • Hosting and maintaining the home page • Project management resources (both in-house and external suppliers) • Legal advice (potential) for optimising or informing about the tools • Data security advice (potential).	Australian Dairy Farmers and Australian Dairy Products Federation to take lead on developing a proposal in collaboration/consultation with everyone who has a tool. It is important that stakeholders share information between projects to see alignment. Australian Dairy Industry Council to drive and oversee the project.

Project	Scope, risks and benefits	Stakeholders and resourcing	Next steps
Education program The primary purpose is the education of farmers – with scope to broaden to processers – in business fundamentals and to improve technology literacy. Given the communication preferences of dairy farmers, the education program would be primarily delivered face-to-face. The education campaign would support the framework for standardisation, and digital access and optimisation of tools projects.	**Scope** The scope of a training campaign would include: • Business fundamentals courses delivered face-to-face, with complementary online courses • Technology literacy courses • Train the trainer opportunities • Developing a framework for groups to deliver • Creating a cooperative education channel. A survey would be required to determine a baseline of knowledge and education needs, and enable improvements to be measured over time. The training also provides an opportunity for networking and community sharing, noting that 85% of dairy farmers prefer face-to-face communication. **Risks and mitigation strategies** Farmers commit to deliverables without understanding the implications. For example, margin management, supply challenges; messaging inconsistent (quality of and consistent messaging to farmers). Won't capture everyone – lack of participation, especially with travel involved. Need to have online tools to compliment face-to-face training. Under-resource the project – need to scope carefully. Unable to conduct in-person training due to external factors, such as COVID-19 or natural disaster. Need to have online tools to compliment face-to-face training.	**Stakeholders** Australian Dairy Farmers and Australian Dairy Products Federation to coordinate together to lead the campaign. Collaborate across the supply chain, including the following stakeholders in communicating, developing and/or delivering the training: • Dairy Australia • Consultants • Commonwealth and/or state governments • Cooperatives • Retailers • Primary audience – farmers • Secondary audience – processors. **Resourcing** Funding and resourcing (skills) will need to be costed for: • Skills – training, online workshops, web build, trainer for workshops, train the trainer • Website to host online material • Development of a framework for a repeatable formula • Developing in-person and online learning modules • Financial advice. The education campaign would leverage existing programs to either build on or link to. The campaign could also use established networks, such as Dairy Australia's survey.	A working group to come together and be clear on what initiatives are to be included in the training package, including: • Scoping the detail of what is, or isn't included in the package • Scope distribution of training through current networks. This would form phase 2 of a broader project.

Appendix A: Participant organisation

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