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Will Australians pay more for a good cause?

In the same month that desperate farmers made headlines preparing to destroy starving flocks and pleading with the public to pay a few cents more for their dairy products, Dick Smith's nationalistic brand announced its closure. The question is, will Australians pay more for a cause?

Comments like "We're with you" and the 2.8k heart emojis on facebook do very little when you can't feed your herd. It's nice there is emotional support and the plight of farmers is recognised but what does it really achieve?

Country Valley Milk reached out on facebook two months ago asking people to sponsor a cow –

they estimated that each cow will cost \$1,350 to feed until the end of September. Those that have contributed are rewarded with images of their cows - Cow 84's new calf was shared with their adopted family on facebook (named Splotch MacGonagall by the adopted family).

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Farmer Jason Maloney started a GoFundMe page called Food for cows. In a video with the Illawarra Mercury, Mr Maloney breaks down explaining that asking for help is the hardest thing he has had to do - but there has been no significant rain in two years and he doesn't have enough food or water for the herd. He has already sent part of the herd to market. "I've never felt so ashamed and so desperate," he says. The video is hard to watch.

(2 litre) for \$1 per litre. The named milk brands tend to move between \$1.50 and \$2.93 per litre.

But will buying the more expensive branded milk guarantee that farmers get more? Choice says it is hard to say. The two largest processors are Fonterra Australia (owned by a New Zealand dairy cooperative) and Parmalat (an Italian company with French owners). Another large player, Murray Goulburn recently sold to Canadian company Saputo. Lion is owned by Japanese

do they get the farm gate price but a dividend). But above all, buy more Australian made dairy product.

Fundamentally however what the farmer is paid is based on demand and supply. Buying cheaper product will drive the price down, if demand is strong for premium products the price paid should go up. But there are no guarantees.

In July, Dick Smith announced that his Dick Smith Foods business will close down. In the 5 page letter to Woolworths, Coles and Metcash, Mr Smith places the blame for his food group's failings at the feet of Aldi heading the letter "Secretive German Company Now Most Trusted Brand in Australia." 'Secretive' because Aldi is a family owned German business and not publicly listed.

Smith cites Windsor Farms as an example of the negative impact of a low price model. "Windsor Farms was forced on the road to bankruptcy when Aldi started selling Australian canned beetroot at 75 cents per can. This product had typically sold for \$1.30 per can. Very quickly, your companies [Coles, Woolworths, Metcash] matched the price - I can understand you had to do this. Within six months, Windsor Farms and their Cowra Cannery (the only Australian owned cannery remaining) had to close. All the loyal, hard-working staff, many of them Aussie battlers, lost their jobs. The investors lost millions of dollars, and small businesses in the Cowra area were never paid, with substantial amounts owing. I understand the unsecured creditors were over \$750,000. The local transport company in Cowra lost \$550,000 and their local electrician lost nearly \$30,000. The main shareholder lost over \$6 million. He was a wonderful Australian who did everything he could to keep the company going." The collapse of the Cowra cannery occurred in 2013. Windsor Farms was sold to Spice Masters Australia.



Food for cows

Interviewed on the Today Show Mr Maloney went on to say that if consumers were willing to pay "20 cents extra for a litre of milk that goes to the farmer, that's all it takes."

The farmgate milk price is the price farmers receive from processors for the milk they produce. There is no legislative control over the price milk processing companies pay with pricing deregulated in 2000-01. Milk prices are based on the milk fat and protein solids content of the milk supplied. According to Dairy Australia, the typical factory paid price for farmgate milk is \$0.49 in NSW (\$6.81 kg of milk solids (kgMS)), \$0.38 in Victoria (\$5.04 kgMS), \$0.60 in Queensland (\$8.22 kgMS), \$0.37 in South Australia (\$5.19 kgMS), \$0.51 in Western Australia (\$7.06 kgMS) \$0.39 in Tasmania (\$4.97 kgMS). Both Coles and Woolworths sell their home brand milk

company Kirin. The processors purchase the milk from farmers and produce the varying products. Parmalat for example supplies Pauls, Farmhouse Gold, and Ski. Fonterra produces Mainland cheese, Bega, Western Star and Perfect Italiano. The price of these brands varies but the price paid by the processor to the farmer is the same. The final price to the farmer depends on domestic and international demand. For example, Fonterra's opening average milk price of \$5.85 per kilogram of milk solids (kgMS) for season 2018-19, with the updated forecast closing average milk price range to \$5.85 to \$6.20kgMS.

Choice says that consumers can support brands that process their own product and buy products from farm controlled co-operatives (co-operatives are owned by the farmers so not only

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The demise of Dick Smith Foods however did not come as a surprise to analysts. The company entered a mature, competitive and crowded market with nationalism as its differentiator - Australian grown, made and owned. The groups Ozemite sells for \$2.69 per 100g whereas market leader Vegemite is \$2.23 per 100g for a similar small sized jar (Vegemite was bought by Bega in 2017). Not all of the product range are above the market leader's pricing point but most offer little incentive to switch brands beyond a perception of doing the right thing.

Aldi are trusted as they perceive to be giving 'ordinary Australians' a 'fair go' at the checkout. They introduced competition to a sector where there was little choice between the major players. Consumers have responded well despite the reduced range, a lack of known brands and service extras, as long as they can pay less and get the Aldi special buys. Any potential impact on the manufacturing food chain of cheap pricing is too far removed.

The bottom line is that consumers

will preference a product linked to a cause they identify with but only if there is a benefit in doing so. Cage free eggs are a case in point. While more expensive than caged eggs the demand for cage free eggs has grown. No one wants their egg choice to support perceived cruelty and free range eggs are perceived to be healthier and more natural.

One of the great things about Australia is that when the country has been in turmoil, it is the willingness of Australians, either individually or through their businesses, to do something that has made the difference. The Government is there for support but in a more rigid and structured way. If you think something should change, change it – as a nation we don't wait for someone else to find the solution. Business can be an exceptional driver of change because of the reach and influence they have. But ultimately it is our capacity to innovate and find new solutions to problems that will succeed. If we are uncompetitive we will find ways to shift focus and deliver what the market wants. Take the example of Just Veg owned by Queensland based

Kalfresh. Kalfresh has grown from a farm business to one of "Queensland's leading vegetable production companies and boasts a state-of-the-art washing and packing facility". They take 'wonky carrots', the ones that can't be sold to fussy consumers, and turns them into farm to fork cut carrots for lunchboxes – perfectly sliced into bite sized sticks.

You can help farmers in need right now by donating to [Rural Aid's Buy A Bale](#) program, [Aussie Farmers Foundation](#), [Thirsty Cow](#), and [Need for feed](#) to name a few. Woolworths announced a \$1.5 million donation to Rural Aid on 29 July 2018 (the store also came under pressure on social media to donate to farmers the \$71 million they are estimated to make from the plastic bag ban).

Some changes you might like to know...

New minimum pay rates from 1 July 2018

New award wages and allowances come into effect from 1 July 2018. If you're an employer, it's important that you are aware of the new rates and apply them. The Fair Work Ombudsman's online Pay Calculator can help you determine the right rates to apply.

New cents per kilometre rate from 1 July 2018

Also note that the cents per kilometre rate for motor vehicle travel increased on 1 July 2018 from 66c's per km, to 68c's per km.



Clothing deductions hung out to dry

The Australian Taxation Office is closely examining work-related clothing and laundry expense claims of taxpayers submitting their 2017-18 tax returns.

The ATO says that clothing claims are up nearly 20% over the last five years with people either making mistakes or deliberately over-claiming. Common mistakes include people claiming ineligible clothing, claiming for something without having spent the money, and not being able to explain the basis for how the claim was calculated.

“Around a quarter of all clothing and laundry claims were exactly \$150, which is the threshold that requires taxpayers to keep detailed records. We are concerned that some taxpayers think they are entitled to claim \$150 as a ‘standard deduction’ or a ‘safe amount’, even if they don’t meet the clothing and laundry requirements,” Assistant Commissioner Kath Anderson said.

While this particular announcement focuses on clothing related expenses, it has been clear for some time now that the ATO is paying very close attention to work related expenses in general. All claims should be supported by evidence – just in case the ATO decides your claim requires closer scrutiny. We have heard of a number of real life examples in the last year or so where the ATO has queried and challenged very small deduction amounts which could not be supported by appropriate evidence.

What can I claim?

You can only claim a deduction for the cost of buying and cleaning:

- Occupation-specific clothing - for example, the checked pants a chef wears.

- Protective clothing – fire-resistant and sun-protection clothing, safety-coloured vests, non-slip nurse’s shoes, rubber boots for concreters, steel-capped boots, gloves, overalls, and heavy-duty shirts and trousers, and overalls, smocks and aprons you wear to avoid damage or soiling to your ordinary clothes during your income-earning activities, and
- Unique, distinctive uniforms – clothes that are designed and made for the employer and not publicly available - like shirts with the company logo.

If you claim a \$150 on clothing and laundry expenses, just be aware that you might be asked to prove these expenses.

Quote of the month

“ If your house is burning, wouldn’t you try and put out the fire? ”

Imran Khan, former cricketer and Pakistan’s incoming Prime Minister