

28 February 2011

Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600
AUSTRALIA

Dear Sir/Madam,

RE: Coles etal. Discounting milk to \$1/litre

As a Dairyfarmer and Dairy Adviser to the industry for 30 years I have grave concerns for this new pressure on milk prices. To summarise my opinion and keep it short and factual I submit the following points.

- Since deregulation Dairyfarmers have lost any power and have had to submit to lower farm gate prices.
- In 2008 liquid milk demand saw prices finally increase to a nearly sustainable level.
- National Foods should never have been allowed to purchase DairyFarmers. Owned by Japanese interests their goal has been 10% return on assets. They have dropped off lower priced dairy products in favour of liquid milk however this meant there was more milk produced than they required.
- Downward pressure commenced and we have accepted a 10-15% reduction in farm gate price.
- Now with the supermarket brands selling well under processors brands the farmers will be forced to make up the difference.
- Consumers will turn away from branded products as well as milk and give the supermarkets more power over consumers.
- Less sales of the most profitable brands will cause the processors to guard their own profits. The only way is to reduce their raw product costs for the farmer.
- Coles etc must know this but they will not admit it.
- Farmers have no power to take on processors let alone supermarkets so we need Government to step in. This is why we need ACCC to help but so far we hear nothing.
- What has happened to the 2010 Economics References Committee report "Milking It For All It's Worth" competition and pricing in the Australian Dairy Industry.
- We need legislated government help to have fair and reasonable negotiations with multinational companies.

I am prepared to be contacted or take part in further discussions.

Yours faithfully

Tim Bale