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28<sup>th</sup> February 2011

**ATTENTION: Senate Inquiry into Supermarket Milk Pricing**

Dear Committee Members

I am involved in a 200 cow dairy near Grafton, North Coast of NSW.

I am concerned Coles Supermarkets are treating dairy farmers with contempt when they claim that their home brand milk selling for \$1.00 per litre is viable for all sections of the industry.

With farm cost of production in the vicinity of 40c per litre (2009 Senate Inquiry) plus 5% return on capital, producers are looking for around 50c per litre to be sustainable.

Its obvious milk retailed at \$1.00 per litre cannot return 50c to the producer, in fact 25c per litre to the farmer would seem closer to the mark.

Coles claim that they will absorb the cost so that farmers will not be affected defies logic! Processors have already lost significant market share in the last month with their branded milk, which in turn reduces the capacity of the processors to continue to pay the farmer a reasonable price.

*“Heaven help us”* when the new contracts are negotiated with the supermarkets.

Woolworths have admitted the price is unsustainable so it will surely lead to price pressure at the farm gate.

It would seem the enquiry should now take the opportunity to extract factual costings from Coles so that they may prove if all sections of the industry are getting a reasonable return.

It is frustrating to see almost all agricultural commodities commanding increasing prices particularly following the floods, and the dairy industry is seeing their returns decreasing in the liquid milk market because of predatory action from one player in the monopoly which is the Australian supermarket industry.

Yours sincerely

David T. Grainger