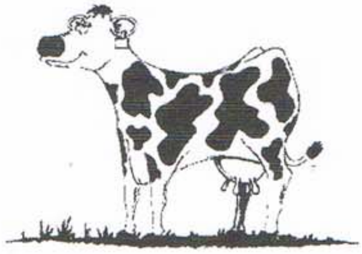

Greg & Jenny Easlea
(...)

28th Feb 2011

The Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir / Madam,

I am writing in regards to the recent unsustainable price cuts by Coles on their home brand milk, cream and butter.

We are 4th generation dairyfarmers from South East Qld. We supply Parmalat and most of our milk is used by Parmalat for drinking milk in South East Qld. We milk 160 cows all year round and our farm supports ourselves and two workers, being one person with a family and one 17 year old dairy trainee.

We expect the reduction of the price of milk by Coles to effect our next monthly milk cheque by reducing the % of milk we are paid top price for as this is based on sales by Parmalat of Pauls branded milk in Qld. These sales have been reduced by consumers buying the cheaper supermarket brand milk.

The prices that Coles are offering the public on home branded milk are unsustainable. The last time milk was priced at $1 per litre was in 1992.

Despite Coles' recent assurances there will be a major impact on dairy farming families as processors and dairy farmers rely on the margin from branded milk sales for their profitability.

Unsustainably priced Coles generic home brand milk is taking market share away from branded products. This reduces the amount farmers receive from processors as more Coles home brand milk is being sold at little or no margin and less of the sustainably priced branded milk is being sold.

Farmers whose milk payments are linked to branded milk sales will see a reduction in their milk cheques as early as this month in some cases.

Industry data shows that in the most exposed region of southern Queensland and northern New South Wales a 10 percent shift toward home brand alone would halve farmers' 2009/10 profits should the processors be forced to pass the impact on to farmers. Coles has already said that the increased sales of its' home brand milk have climbed by some 15 to 20 percent.

The impact of Coles' pricing decision will ultimately flow on to hit dairy farmers at a time when they are struggling to respond financially to years of drought and now devastating floods and cyclones.

We support the Australian Dairy Farmers (ADF) and Queensland Dairyfarmers' Organisation (QDO) call for an ACCC inquiry on behalf of dairy farmers and understand they have written to the Government and the ACCC asking them to take action.

We believe that Coles' actions constitute predatory pricing under the Competition and Consumer Act 2010 (formerly Trade Practices Act) and impacts the viability of branded dairy products and will lead to less product variety on supermarket shelves.

It is our view that these actions will ultimately lessen competition for consumers through increasing prices and decreasing product choice as the experience in the United Kingdom has shown.

We also believe that the public statements by Coles such as *"Coles is not reducing the price it pays to its milk processors either so this move will not impact them or the dairy farmers who supply them. In fact both farm gate milk prices and contract prices with processors recently increased. Coles is fully absorbing the price cut, bringing great value to customers whilst supporting Australian dairy farmers"*, is tantamount to false advertising. Coles is seeking to promote to consumers that if they buy Coles branded milk at this dramatically discounted prices it will not have a negative impact on dairy farmers whom supply Coles and that milk prices have recently increased.

As such we believe there is a prima facie case of false advertising that also should be investigated by the ACCC.

We have contacted Coles about this matter as well as local politicians and media.

Please help us to help our dairy farmers.

Yours sincerely

(...)

(...)

Greg & Jenny Easlea