

31/8/11

## SUBMISSION TO SENATE ENQUIRY INTO EFFECT OF COLES \$1 PER LITRE MILK

I write to you to express my concern at the lack of action by the Senate Committee and the apparent lack of understanding of the situation by the Senate Committee.

The statements by Coles that no dairyfarmer is worse off can be absolutely refuted just by looking at the Parmalat PDA suppliers in SEQ. They have, since the inception of the \$1/litre milk, lost income on a monthly basis.

The assumption that all processors pay on the same basis is also wrong. Parmalat pay one price for milk that goes into a branded liquid milk product and a lower price for milk that goes into a generic liquid milk product. National Foods/Lion however pays a single price, an average price, for all milk that goes into liquid milk products. These prices are not able to be compared.

Farmgate prices have stayed the same in some regions and have risen in other regions. In the Southern regions where export processors are the major buyers of milk, domestic processors have had to match the prices offered to maintain supply. It must be understood that it costs substantially more to produce milk on a year round basis than it does to produce it on a seasonal basis. A premium should always apply to year round production to induce supply due to the higher cost of production. In the Far North of Queensland the price rise is more to do with stabilising a declining volume of milk than it is a sign of profitability of the industry sector. The action by Coles is in no way positive toward a sustainable farmgate milk price or a positive move for profitable processors.

The reduced margins in the farm and processor sector are setting a negative indicator for the industry going forward. There must be margins for all players in the industry going forward.

Food security is often talked about of late but no action seems to be taken on the issue. We have had several representatives of overseas countries here looking for supply of dairy products to feed their respective people. Australia however seems to be intentionally downgrading our production ability.

I urge the Senate Committee to take action to address the imbalance of power in the dairy industry. The industry is a large employer in Australia, a large provider of cash flow through the communities in which it operates and a large export earner. Industry bodies have provided the Senate Committee with recommendations for the way forward. I urge the

Senate Committee to take these recommendations on board and forge a positive way forward for the dairy industry of Australia.

Yours sincerely,

James Geraghty