

Woolworths' Responses to Questions Taken on Notice at Senate Committee Hearing on 15 November 2016

1. What proportion of the drinking milk that you sell is Farmers' Own?

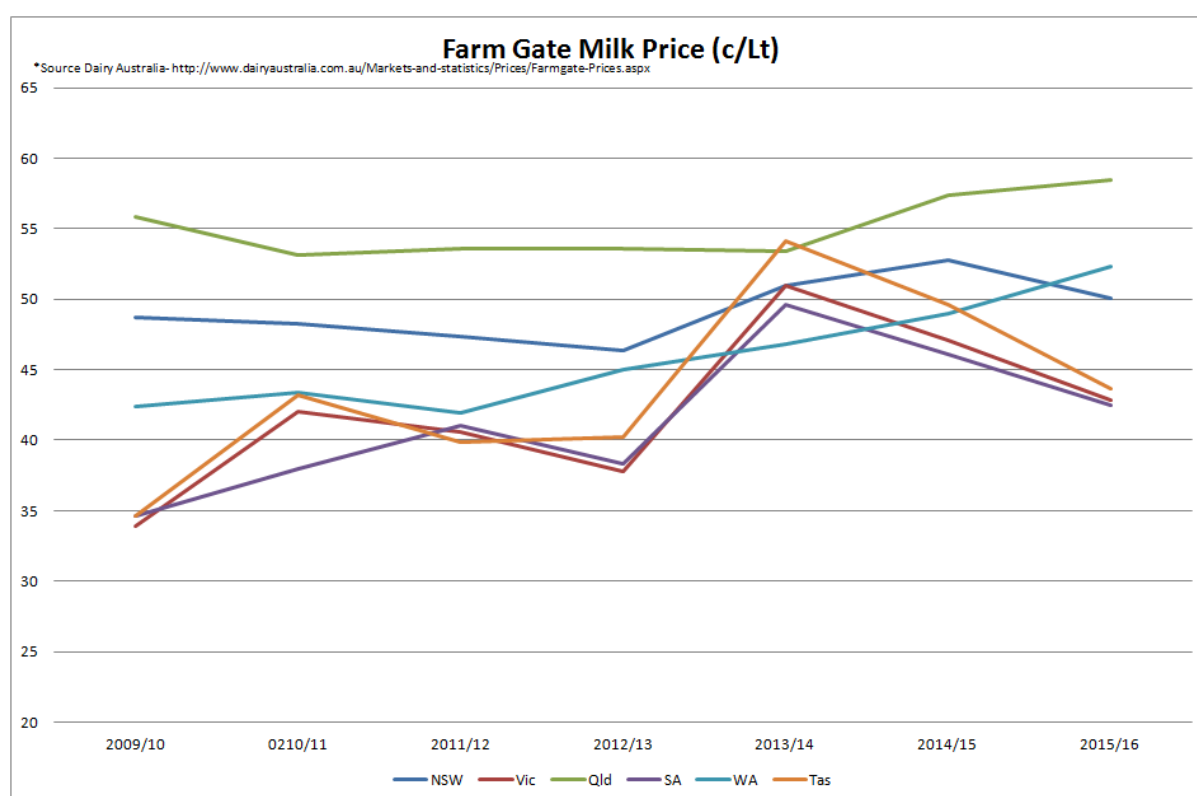
Farmers' Own milk amounts to 8% of Woolworths' total milk sales and 14% of Woolworths' total Own Brand milk sales.

2. What was the price of homebrand brand milk prior to Coles introducing \$1 per litre?

The price in Woolworths stores was \$2.40 for 2 litres.

3. Has the company changed its view about \$1-per-litre milk? It was clearly the public position of Woolworths in 2013 that \$1 per litre was unsustainable. Is that the current position of the company?

Our current view is given that Woolworths' own brand milk accounts for such a small percentage of Australia's total milk production (3.5%), there is no clear link between the price of Woolworths' own brand milk and the farm gate milk price. In fact, when looking at the fluctuation in prices paid to farmers by processors over the past 7 years, as set out in the graph below, there is no clear indication of \$1 litre milk having an influence on the farm gate price. Rather, given the dependence of the industry on export, global market forces have a much larger influence on the farm gate pricing.



We have entered into long term contracts for the supply of Select milk to Woolworths, some for up to 10 years. These contracts give better visibility to processors regarding long term milk volume requirements and enable farmers to be given greater certainty in regards to contract duration and milk price. These long term contracts are designed to drive sustainability of supply of milk to Woolworths. Additionally, most major processors supply

both branded and own brand milk which gives them economies of scale and allows them to fractionalise costs within their factories.

Ultimately, for as long as consumers continue to choose to buy \$1 litre milk, it is important to Woolworths that we continue to offer this choice to our customers.