

2nd March, 2011

The Secretary,
Senate Standing Committee on Economics,
P.O.Box 6100
Parliament House,
CANBERRA. ACT 2600

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

We are third generation dairy farmers in the Beaudesert region, South East Queensland. We supply Parmalat and have a daily quota. This quota enables us to budget, and make business plans because the contracted price is guaranteed until Dec. 2012. This contractual agreement also benefits Parmalat as it guarantees them volume for the whole milk market in Qld.

Our figures show that over the last three years the volume of milk that goes into non supermarket branded products has gradually decreased:-

Our quota 1041 Litres per day.

In 2008 our volume of quota exceeded 30,000 L per month for 9 months of the year.

In 2009 our volume of quota only exceeded 30,000 L per month for 3 months of the year.

In 2010 our volume of quota only exceeded 30,000 L per month for 2 months of the year.

In January 2011 our volume of quota was only 26,000L.

It is our opinion, and we feel supported by our figures, that the cheaper retail prices of supermarket branded product has gained market share, for that product, at the expense of the traditional branded product. As the price of supermarket products falls, the traditional brands become less competitive at their current normal price.

We would be happy to furnish copies of our monthly pay (ON A CONFIDENTIAL BASIS) to verify our statements as to how we see the likely outcome of milk at \$1 per Litre.

We believe that Coles by their action will-

1. Over the medium term cause dairy farmers income to erode slowly.
2. Over the longer term cause the total demise of traditional branded product leaving only one brand in the market place. This to me smells of predatory pricing.
3. In the short term inflict psychological hurt on dairy farmers.
4. Cause smaller retailers to lose market share as these retailers do not have their "own" brand.

The Australian dairy industry is very lopsided in respect to market power:-

1. The retail end is monopolised by 2 majors, Coles and Woolworths
2. The processing sector is dominated by two multinationals Parmalat and Kirin
3. The dairy farming sector, totally composed of small business, is denied the possibility of collective action.

We trust that your committee will see the necessity to maintain a viable Dairy industry in Australia, and evaluate the action of Coles in this light.

Yours sincerely,