

STYX RIVER FARM, BUSHY PARK, TASMANIA 7140

Submission to the Senate Inquiry into 'The impacts of supermarket price decisions on the dairy industry'

We have a large dairy farm in southern Tasmania, supplying National Foods, who in turn supply both Coles and Woolworths with branded ('Pura') and 'Homebrand' milk.

Some people claim that the competition between the two supermarkets is good for consumers in bringing down the price of milk to \$1 per litre for homebrand milk; however this situation will lead to a severe profit squeeze on the processors with an inevitable subsequent milk price drop to farmers and the demise of smaller, entrepreneurial dairy companies whose products are now completely uncompetitive against such discounted homebrand milk.

Politicians, journalists and consumers ignore the fact that it is the total dominance by these two supermarkets of Australia's grocery market, (80% of the market), that dictates to the milk processors exactly how much they are prepared to pay and hence the price that these processors are willing to pay the dairy farmers. Coles and Woolworths milk shelves are now almost totally filled with homebrand milk with the housewife obviously buying this product when the price differential is so great. As the processors' profit on supplying homebranded products is minimal compared to branded products such as Pura, the price they are prepared to pay dairy farmers for milk is bound to come down.

No other country in the world has allowed the dominance of the grocery market by only two companies to such an extent as Australia and if this situation cannot be reversed then politicians should insist that the market be watched closely by the ACCC to ensure that this current behaviour is prevented in the future.

Coles and Woolworths both have significant publicity departments which work hard at persuading their consumers that they care for farmers. Occasional well publicised in-store campaigns to donate money to farmers in drought affected or flooded areas are well outweighed by the constant daily pressure on all their suppliers to deliver at the cheapest cost, even if it means the farmer or processor operates at close to a loss. In reality they only care about their own profit margin and their market dominance.

Dairy farmers have a huge amount of capital invested in livestock, milking plant, machinery and farm infrastructure that cannot be used for other purposes. We work long, often unsociable hours for almost no return. We cannot turn off the supply of milk and turn to other enterprises without incurring severe financial loss.

For many dairy farmers 'homebrand' is soon going to mean 'homeless'.

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