



# Paul Green

## Mayor



SHOALHAVEN CITY COUNCIL

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3 March 2011

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

Dear Mr Hawkins

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

The Dairy industry is important to our region and the local economy. It is an industry that is productive and supported by Council and the community. Council does not want to see any price cutting "war" that may jeopardise the financial viability of the dairy industry which are primarily all traditional family farms in the Shoalhaven.

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% 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 above 10%.

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.

We support the Australian Dairy Farmers (ADF) 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 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.

Coles actions are not only hurting dairy farmers. They will also damage Coles' competitors such as small business like local corner stores, independent service stations and other small retailers of milk. The industry's that services these stores, such as delivery drivers will also be affected.

Lower sales for corner stores and independent service stations will lead to a substantial lessening of competition in the market place and leave consumers with less choice.

Please help us to help our dairy farmers.

Kind regards

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Paul Green  
**Mayor**

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