



**SA Dairyfarmers'  
Association Inc**  
ABN 70 250 523 225  
Unit 5 Emerson Centre  
780-802 South Road  
Glandore SA 5037

Telephone (08) 8293 2399  
Facsimile (08) 8293 8886

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Department of the Senate  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Australia.

Email: [economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)

## **A further submission by SADA to the Inquiry into the impacts of supermarket price decisions on the dairy industry.**

The South Australian Dairyfarmers' Association (SADA) notes that the Senate Committee is seeking to update information on the following two issues;

- the duration of Coles "Down Down" campaign and if it becomes permanent; and
- the outcome of renegotiated contracts with the processors and impact on farm gate prices.

**If the Down Down campaign was to become permanent and continuing to target dairy products then the ramifications would have serious consequences for both the dairy industry and the community in general.**

Without stronger regulation to ensure a fair and competitive domestic grocer market one of the consequences will be a further concentration of power with the duopoly (Coles and Woolworths) that will threaten the continued existence of Foodland IGA going forward. Foodland IGA is very important, especially here in South Australia, because they provide an opportunity for the higher priced regional, branded, dairy product to be sold. This opportunity has encouraged processors such as WCB to invest in extra plant to produce product for Foodland which in turn increases demand by processors for milk, which in turn again creates more competition for farmers milk supply. By stronger regulation we mean both amendments to the Competition and Consumer Act 2010 (specifically the inclusion of a definition of unconscionable conduct and the reintroduction of an "effects" test) and a Supermarket Ombudsman be established.

**In terms of the outcomes of renegotiated contracts with processors the time given by the Senate for monitoring this has not been long enough to clearly document actual cases but the evidence is very clear that it is the intent of the Supermarkets to pass the cost of the discounted prices back down the supply line to the farmer.**

Evidence that this heavy discounting will lead to lower farm gate prices includes;

- Coles themselves when pressed on the point have not denied that in the longer term farm gate prices will not be affected. Even after months and months of challenges by our industry to Coles to come clean and honest on this vital point. Their silence has been deafening.

- All the evidence from around the world and the experts acknowledged that this is how Coles works. This is what the Chairman of the National Association of Retail Grocers of Australia had to say on this issue, “Now dairy farmers, some of them on margins of only a few cents a litre above break-even, are at great risk when new tenders are negotiated. Coles will not deny themselves a normal profit margin on a big category like milk indefinitely. They will claw some back from processors”. So called benefits to the consumers is also uncertain as surveys are showing the majors are steadily increasing prices on 70-90% of their other products as another means of reducing their exposure to discounted dairy product.

Also a possible restraint on Coles to begin passing back down the food supply chain the cost of discounting in the short term may have been the “spotlight” put on them by this Senate Inquiry.

The SADA Board also supports the new (and more detailed submission) by our national dairy association the Australian Dairy Farmers (ADF), the submissions from the other State Dairy Associations, and the many submissions from individual dairy farmers.

Your faithfully,

Ken Lyons  
CEO, SADA.