TASMANIAN FARMERS & GRAZIERS ASSOCIATION

4th March 2011

The Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Mr Hawkins,

The Tasmanian Farmers and Graziers Association (TFGA) is the peak lobby group representing farmers in Tasmania. The Tasmanian dairy industry accounts for approximately 24% of Tasmania's agricultural production value. With an annual production of around 650 million litres Tasmania accounts for over 7% of the national dairy production.

The TFGA supports the issues raised in the Australian Dairy Industry Council submission to the senate inquiry.

The decision by Coles supermarkets to sell generic home branded milk for $1 per litre will undoubtedly have negative impacts on the dairy industry. At the Senate Inquiry into competition and pricing in the Australian dairy industry last year Coles stated that margins were about 20% on the prices then of approximately $1.20 per litre. They have now reduced the price by an average of 33%. Coles needs to explain their statement that the pricing decision will have no impact on the industry.

The discounted price of generic home branded milk is taking the market share away from branded products. In Tasmania there have already been reports of reductions of 10% in sales of branded milk. Coles main competitor Woolworths and other retailers have publically stated that this price is not sustainable.

The impact of Coles actions will not only affect the dairy producers and processors, there will also be impacts on their competitors, such as other major retailers, local supermarkets and other small retailers. We believe this will ultimately lead to a substantial reduction in market place competition and leave consumers with fewer choices.

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We support the Australian Dairy Farmers call for an ACCC inquiry on behalf of dairy farmers and understand they have written to the government and ACCC requesting they take action.

We would be happy to discuss this matter with you further.

Yours sincerely

Jan Davis
Chief Executive Officer