

David and Wendy Jones

2/08/2011

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

Dear Sir,

Thank-you for the opportunity to make a further submission to the Senate Inquiry into the Impacts of supermarket price decisions on the dairy industry.

As indicated in our earlier submission, the price offered by our processor in July 2010 together with the demand to reduce production has resulted in a 30% drop in income for our farm. This is simply not a sustainable situation. However, the new contract being offered continues the same pricing and volume arrangements. This is despite the fact that Queensland produced 490 million litres in the 2010/2011 year when 560 million litres is required for the fresh milk market in this state. Clearly supply and demand has not come into the calculations on pricing. This is because of the "dollar a litre" campaign.

The "dollar a litre" campaign has devalued milk as a food --- bottled water is more expensive than milk. While the consumer gains from this pricing now, there simply is not enough money in the supply chain to give farmers, processors and retailers a sustainable price. Since the retailers set their selling price to the consumer and the processors put in their competitive tender price for these supermarket contracts, a price which covers their costs and includes a profit margin, both these links in the value chain have control over the portion of the dollar they receive. It is the farmer who has no control over the price he receives --- this is dictated by the processor --- and he is left with what remains from the dollar total price. This remaining portion of the dollar represents an amount less than his cost of production, making the farmer's position unviable. His only options are either to accept the price offered by the processor and try to exist or to shut down his dairy operation. Many farmers have already taken the latter option; if this trend continues, there will be a major shortage of fresh milk available to the consumer in Queensland, as the whole supply chain will collapse. This is a very worrying trend at a time when food security is becoming a world-wide concern.

Yours sincerely

David and Wendy Jones