

The Secretary
Senate Standing Committee on Economics
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Committee Secretary,

I am writing to express my concern at the continuing unsustainable discounting by Coles of its home brand milk.

I am a third generation dairy farmer from Dardanup where I farm in partnership with my brother and our wives. We milk 250 cows producing around 2.3 million litres annually. We are very passionate about dairying, and both my brother and I are involved in off farm industry related bodies. This off farm involvement gives us a greater appreciation of the views of others involved in our industry and the wider community.

The Coles \$1/litre milk campaign is having a negative effect on the WA dairy industry, in the recent Situation and Outlook report some very disturbing results emerged. Of the farmers surveyed, only 47% had a positive outlook for their industry. This is well below the national average of 69%. This lack of confidence was also evident with only 38% suggesting they were going to invest in their business compared to the national figure of 50%. This highlights the impact this campaign is having on the regions that are more dependent on domestic milk sales. WA, QLD and Northern NSW are all very dependent on domestic markets and as a result are being hit hardest by this discounting campaign. More so than the export orientated states of Victoria and Tasmania where Coles seem to derive their more favourable campaign supporting loose facts.

A local consultant has compiled a report that has calculated the loss to the value chain of the WA dairy industry as a result of Coles "Down Down Campaign" at \$25.2 million dollars. Is this impacting producers and processors in WA, you better bloody believe it!!!

Milk is an inelastic product, we have seen no significant increase in consumption as a result of this cheap milk, despite Coles claims to the contrary, only switching between products. The net result has seen value being stripped out of the production and processing sectors. Woolworths has stated that \$1/litre is an unsustainable price, talk about stating the bleeding obvious. At \$1 a litre there is not enough money in the supply chain to ensure a sustainable dairy industry into the future. Farmers are price takers, if the processors have their margins squeezed by the all powerful big retailers then the only option they have to maintain their margins is to reduce the price they pay to farmers. At a time when international markets for dairy products are high we could have rightfully expected a slight increase in our milk prices for 2011/12. At our recent farmer supplier meeting our processor National Foods Ltd announced a reduction in our price of 1c/litre. This may not seem significant but had we received an increase of 1-2c/litre which could have reasonably been expected, that would

mean an increase of \$20,000 to \$40,000 annually for the average farm. I believe this reduction in our price is a direct result of the Coles campaign, costing the average dairy farm between \$40,000 to \$60,000 annually. This flies in the face of Coles claims that farmers are not being impacted directly by their campaign.

I'm also very concerned about the impact the \$1/litre milk is having on our local convenience store and service station. These small businesses are unable to even purchase milk at this price from their suppliers let alone sell it at a competitive price. Milk and other necessary food products are extremely important to these businesses, being unable to sell these items at a reasonably competitive price means customer traffic and less sales. Will these small businesses be forced out of business as a result of Coles campaign?? Should we sit idly by and watch the demise of small country communities as a result of corporate greed, I sincerely hope not.

If Australia continues down the track of securing the cheapest food available as opposed to quality, safe, locally grown superior products, then we are missing out on a great opportunity. We have the potential to supply a substantial amount of the world's food requirements into the future. What a lost opportunity that would be if we continue to screw farmers to the extent that they leave the land. Meaning that in ten to twenty years time we no longer have the capacity to produce food for the world and take advantage of this great opportunity.

Short term gain equals long term pain, surely it is time to take off the blinkers, pull the big retailers into line and enact legislation that will put an end to this misuse of market power. Surely with so much market power there is a moral obligation to do the right thing by the society. If they, the big retailers are not prepared to do that then legislation has to be the only answer.

All I want is reasonable reward for effort at \$1/litre that is unattainable and the WA dairy industry is unsustainable.

Yours sincerely,

Philip Depiazzi.