DL & JV GOLINSKI

March 7, 2011

COLES MILK PRICING

The Committie Secretary

Dear Senator,

I wish to write this submission to the senate with the hope you all might understand the plight we find ourselves in as producers of dairy foods in QLD. Farmers have to meet strict Australian standards for the consumer's protection. I list those things that have the greatest impact on the viability of our farming operation.

Since the federal government implemented the national compeion policy, that is dairy deregulation in the year 2000, this it self has bean a big hurdle for us at the same time we have had to contend with the worst drought in 100 years. Somehow we have managed to meet our commitments to the processor and thus to the consumer, but this came at an enormous cost to our farming business.

Food production is influenced by a number of factors.

(1) Productivity

(2) Efficiency achieved (cost of production)

(3) Terms of trade (with your processor)

(4) Weather influences (a farmer's ability to manage how best to prepare for the adverse periods when they occur)

(5) Labor costs (much to high and price received for milk below cost of production

Productivity, no benefit in producing more, because the last litre costs as much as the first litre to produce. With processors having a two tier pricing system little benefit in producing more to receive less.

Efficiencies, the efficiencies we have implemented over the years have not rewarded us with sufficient profit at the end of the year.
Our power as producers, in dealing with our processor is nil
Weather, is totally unpredictable, recent events in qld have impacted immensely on our dairy operation.
Labour, because of the cost of labour employing outside labour is not an option.

On Australia day2011 coles dealt us a big kick in the guts when they lowered the price of milk to $1.00 per litre for home brand milk, with other stores quickly following. I belive governments have a responsibility to ensure all sectors in a food chain receive sufficient reward for their investment and labour. We feel we as milk producers have and are subsidizing the consumer. In our view it can only get worse when the new contracts come up for renewal, because the branded milks which give the processor a higher return will remain sitting on the shelf. We have observed this happing now. We feel this must flow back to the farmer.

At the date of deregulation in July 200 approximately 32 dairy farmers were operating in this valley, there now are 7. All are in the older age bracket, with none of the younger generation wanting to carry on the farming operation.

I'm of the opinion that the consumer can pay more for milk, as an example a litre of packaged beer is around $3.00 per litre, bottled water is about $1.00 per litre and milk is about $1.00 per litre. Milk is considered a staple food in most homes and it is the same price as water. Which one of these has the highest input and labour costs? Fresh milk by far. Prior to deregulation we received approximately .58 cents per litre for our white milk which was called quota, 10 years later we receive approximately .46 cents per litre with manufacturing milk .37 cents per litre. QDAS figures say cost of producing milk is approximately .54 cents per litre average price farmers receive for milk is .45 cents per litre. One doesn't have to be a mathematician to figure out are sinking fast, it can't last. Coles down down down milk price has been very demoralizing,we are in our 70s and work with our daughter and her husband who are in there 40s,we have lost all confidence in the industry, and see no future unless we can get a base price of around .65 cents per litre. We no longer have the will to continue to supply milk only to receive less than the cost of production. We ask does Australia want or need food producers?

REGARDS