



JA & EV KERNICH
Trading as JERSEY FRESH
CARCOOLA JERSEY STUD
Kapunda Rd, Greenock SA

Dear Sir or Madam,

I am writing in regards to the recent unsustainable price cuts by Coles on their home brand milk, cream and butter.

We are dairy Farmers and Milk Processors at Greenock in the Barossa Valley SA. Our farm supplies milk to Jersey Fresh, our own processing business, which distributes milk and cream locally and to metropolitan Adelaide. The remaining milk being supplied to Murray Goulburn Co ltd. The farm and milk processing enterprise supports 10 people.

The price cuts made by Coles prevent processors increasing shelf price, as they will ultimately lose market share of branded milk. This means they are unable to pay a sustainable price to farmers. The prices that Coles are offering the public on home branded milk are unsustainable. The last time milk was priced at \$1 per litre was in 1992 however in the last 10 years all prices have inflated by 35%. We feel this is putting the dairy farmers in an unfair position.

Despite Coles' recent assurances there will be a major impact on dairy farming families as processors and dairy farmers rely on the margin from branded milk sales for their profitability.

Unsustainably priced Coles generic home brand milk is taking market share away from branded products. This reduces the amount farmers receive from processors as more Coles home brand milk is being sold at little or no margin and less of the sustainably priced branded milk is being sold.

Farmers whose milk payments are linked to branded milk sales will see a reduction in their milk cheques as early as this month in some cases.

Industry data shows that in the most exposed region of southern Queensland and northern New South Wales a 10% shift toward home brand alone would halve farmers' 2009/10 profits should the processors be forced to pass the impact on to farmers. Coles has already said that the increased sales of its' home brand milk have climbed above 10%. In south Australia Coles milk is sourced from interstate and this will impact on local dairy farmers

The impact of Coles' pricing decision will ultimately flow on to hit dairy farmers at a time when they are struggling to respond financially to years of drought and now devastating floods.

We support the Australian Dairy Farmers (ADF) call for an ACCC inquiry on behalf of dairy farmers and understand they have written to the Government and the ACCC asking them to take action.

We believe that Coles' actions constitute predatory pricing under the Trade Practices Act and impacts the viability of branded dairy products and will lead to less product variety on supermarket shelves.

It is our view that these actions will ultimately lessen competition for consumers through increasing prices and decreasing product choice as the experience in the United Kingdom has shown.

Coles actions are not only hurting dairy farmers. They will also damage Coles' competitors such as small businesses like local corner stores, independent service stations and other small retailers of milk. The industry's that service these stores, such as delivery drivers will also be affected.

Lower sales for corners stores and independent service stations will lead to a substantial lessening of competition in the market place and leave consumers with less choice.

Please help us to help our dairy farmers.

Yours sincerely

Amy McDonald

On behalf of Jeff and Erica Kernich
Trading as Jersey Fresh Milk Products