

02/03/11

Dear Sir/Madam

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

My husband and I dairy in the Northern Rivers of New South Wales, currently running around 250 mature milking cows. We supply the Norco Cooperative with 1,800,000 litres of our fresh milk. We are young farmers (in the world of Agriculture – early 40's, as the average age of the farmers in our region is 60). To become farmers we have had to take on a huge debt to survive in the industry. We employ one person on a full time basis and his partner part time, but should really be employing at least another one full time and someone part time. My husband and I work side by side, starting milking at 4.30am every morning then not getting in until at least 6pm each night.

During the past 3 years we have experienced 3 major flooding events, and one dry period with no substantial rain for 6 months. Within this time we have lost two winter crops and two thirds of our summer crop. Our goal was to start paying off our loan, employ more staff and expand our operation. Due to the climatic conditions and our drop in milk price we have not been able to achieve any of these goals and have had to ask the bank for an extension on our loan. We have no control over our destiny. We are always at the hands of the weather and the price makers (Coles, Woolworths and Norco).

If these price cuts continue we will be out of business, we will not sit on an asset worth millions to get a negative return. As I mentioned before we are the young ones, there are very few people who want to work as hard as we do, have all of their money tied up in assets to get no return. (That is if they can even get a start in the industry as it is so expensive to get into)

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.

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%.

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.

At an agricultural level it will hit our rural retail store, where we spend over \$250,000 per year, the staff at that store will also be affected. The local concrete merchant, engineer, veterinary surgeon, stock feed manufacturer and electrician all send us accounts every month, they will also see a downturn in their businesses.

Please help us to help our dairy farmers, and let there be farms for the next generation.

Yours sincerely