

March 29, 2011

Department of the Senate  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Australia

Re. The impacts of supermarket price decisions on the dairy industry.

I would like to make a brief written submission to this enquiry.

My submission will put the point that the Food Standard of Australia and New Zealand are contributing to the problem of pricing of milk.

The Foods Standards of Australia and New Zealand have effectively permitted a natural product as found at the farm gate as natural milk to be modified by the addition or removal of fat and proteins or the addition of permate and yet still be called 'milk'.

The Food Standard, in its current form, opens an opportunity and encourages processors and retailers who wish to sell a modified product on price rather than wholeness and compatibility to the natural product (farm gate milk). This in turn enables milk processors and retailers to reduce both price and the quality of retail packaged milk down to the minimum standard requirement for fat and protein content in retail packaged milk set by the Food Standards.

With Coles and Woolworths together controlling in excess of two thirds of the Australian retail grocery market, their dominance in grocery and their marketing of a low priced milk (\$1/L) will, if allowed to continue with their current policy, cement for all time the retail milk specification that bears no relationship to 'farm gate milk' but will equate to the minimum standard of fat and protein permitted in a product marketed as milk

This submission calls for any farm gate milk product that has been modified by the addition or removal of fat and proteins or the addition of permate should not be permitted to be marketed as 'Milk' but as 'Modified Milk'. Further, that the degree of modification, being the addition or removal of fat and protein (expressed in grams per kilogram of milk) and the addition of permate (expressed in milliliters / litre) should also be required to be added to the main label of the package of retail milk, now called modified milk..

Yours faithfully,

J L Carter

Terms of reference

Source

[http://www.aph.gov.au/Senate/committee/economics\\_ctte/dairy\\_industry\\_supermarket\\_2011/tor.htm](http://www.aph.gov.au/Senate/committee/economics_ctte/dairy_industry_supermarket_2011/tor.htm) )

(a) farm gate, wholesale and retail milk prices;

Comment:

There is little correlation between the product in question (milk) at farm gate (being whole milk) and what is delivered, 'retail milk', to the retailer by the wholesaler/ milk processor (the re-worker of whole milk to a product that bears little resemblance to whole milk that is now modified milk). 'Retail milk' is built on price and some very loose parameters set by Food Standards of Australia & New Zealand..

The problem is a product called permate, a residual part of whole milk after the wholesaler / processor removes milk fat from the raw material (farm gate milk) for other products; it is the residual, permate, that is added back to dilute 'retail milk'.

Food Standards Australia & New Zealand allow milk to be modified 'so that fluctuations of regional and seasonal differences resulting in varying levels of fat and protein in milk may be standardized to produce a consistent product'.

But flowing from these Food Standards there is another quite legal but more sinister opportunity for the milk processor and retailer to modify and down grade a wholesome but variable fat and protein content of farm gate milk'. These food standards allow retailers to market a 'retail generic labelled milk product' at any solids and fat content they wish down to the lowest common dominator set in the food standard. While 'retail milk' may be advertised a \$1 per litre there is no obligation for the retailer/processor to also declare the degree of modification AND REMOVAL OF FAT AND PROTIEN this product has been subjected to since being delivered to the processor as natural and wholesome 'farm gate milk'.

1. Current Food Standards by the inclusion of a minimum fat and protein content encourage the modification and down grading (fat and protein content) of retail milk to meet a promotional price that is the subject of this enquiry.

Food Standards and labelling should concentrate on consumer awareness by requiring the declaration on label of the retail milk package the variation compared to that of fat and protein content found in the farm gate milk used as the raw material for their marketed retail milk products.

The minimum standards contained in Food Standards for fat and protein have supported the dumbing down of milk to become the industry standard for majority of the volume of retail milk sold. The retail milk price war has accelerated this process to dumb down the quality of retail milk; the low pricing will also increase the market share of the low denominator fat and protein 'retail milk' at the expense of more 'natural' milk products.

2. Should processors be allowed to modify farm gate milk before it is marketed at retail and yet still call the product called 'milk'?

Would it be more preferable for retailers to be required to offer consumers as the standard product of called 'milk' to be of the same fat & protein content (& free of added permate) as 'farm gate milk', even with its seasonal variances in fat and protein levels.

Further, any milk that has fat or protein added or removed, and the inclusion of any quantity of permate must then be classified and branded as 'modified milk' on the main panel product description.

Food labelling requirements then need to mandate and declare on the main panel of the package that modification has taken place and also declare the degree of modification from farm gate milk.

What Food Standards of Australia & New Zealand say about permate

Source:

<http://www.foodstandards.gov.au/scienceandeducation/factsheets/factsheets2008/milkpermeateapril2003903.cfm>

'Cows' milk has regional and seasonal differences resulting in varying levels of fat and protein in the milk collected from farms.

Under the Food Standards Code, components of milk can be added to or withdrawn from milk to standardise natural variations in fat and protein and produce a range of consistent and nutritious products. Manufacturers produce a variety of milks to meet consumer demand consistent with the regulations.

The standardisation process may include the use of membrane separation technology, which produces one stream known as milk permeate, a part of normal milk containing lactose, vitamins and minerals, and a second stream that contains the protein and fat. The World Health Organization body for food regulation, Codex Alimentarius, defines milk permeate as '... the product obtained by removing the milk proteins and fat from milk, partially skimmed milk or skimmed milk by ultra filtration'.

The standardised milk products need to conform with the national food regulations for milk (the Food Standards Code). For example, the standard for whole milk requires that milk be at least 32 grams per kilogram of fat and 30 grams per kilogram of protein; and skim milk be a maximum of 1.5 grams per kilogram of fat and a minimum of 30 grams per kilogram of protein.'

3. Dairy Australia offers a very simplistic view of milk and milk modification on their web page. See: <http://www.dairyaustralia.com.au/Standard-Items/News/Dairy-News/Milk-a-natural-product.aspx>

What this web page and the Figure 1 Milk Process diagram fails to show is the siphoning off of milk solids and butter fat, to cheese, butter and the exported dry milk powder that also takes place between the farm gate milk and the retail milk products. In current market conditions the export price of product sourced from fat and milk powder is the significant driver, ahead of the domestic whole milk market, that establishes the pricing of milk at the farm gate. However it must not be forgotten that the process that allows the 'dumbing down' of retail milk and sending fat and protein back to manufactured products for export is very much linked to the revenue stream that leads back to farm gate pricing of milk.

4. There will be much discussion as to just what is 'farm gate milk', and in particular the fat and protein content. For the national milk processors and their capacity to source from many dairy regions within the Commonwealth, perhaps a regional zone approach of milk content (fat and protein) found around a retail market, such as each of the state capitals, should be considered as the base specification for farm gate milk for each market.