

3/3/2011

The Secretary  
Senate Standing Committee on Economics  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Sir,

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

We run a dairy farm which produces a million litres of milk a year. We normally have a work-force of four - -- three at present. Contrary to Coles public statements that farm-gate milk prices recently increased, our farm-gate price was slashed by 30 percent in July 2010 which means that we are currently being paid less than the cost of production which the Queensland Dairy Accounting Scheme calculates to be 53 cents per litre. In January, our farm was flooded and power was cut for nearly 2 days. The problems caused by these events included a drop in milk production. Then Coles announced the \$1.00 a litre milk campaign.

In Queensland, 95% of milk produced is sold as bottled fresh milk. Foreign-owned multi-national processors --- Parmalat and National Foods --- rely on branded milk sales to make profits. When more milk is sold as home brand milk and thus less milk is sold as branded product, processors' profits drop. Processors' reaction is to drop the price to the farmers. Obviously, farmers cannot continue to produce milk at a loss, so more dairies will close. This is already happening. With 95% of milk produced in Queensland being required to meet daily fresh milk needs, it is obvious that there will not be enough milk in Queensland if many more dairy farms shut down. Coles actions, if allowed to continue, will result in a serious fresh milk shortage in Queensland.

We support the Australian Dairy Farmers (ADF) and Queensland Dairyfarmers' Organisation (QDO) 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 Competition and Consumer Act 2010 and impact the viability of branded dairy product and will lead to less product variety on supermarket shelves.

Coles actions will damage smaller businesses like local corner stores which cannot compete pricewise; their demise will leave even more power in the hands of the large supermarkets and ultimately the consumer will pay more.

Please help the Queensland dairy industry to survive.

Yours sincerely