

Friday, 25 February 2011

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

Dear Sir/Madam,

Senate Economics Committee Inquiry – The Impacts of Supermarket Price Decisions on the Dairy Industry

The operations of Richmond Dairies are located in Casino, Northern New South Wales an area widely considered to be the cradle of the Australian dairy industry, with dairying being a major regional economic force since the 1890's.

From the mid 1970's and through deregulation of the industry the number of dairy farms in the region has been reduced by more than 50%

Richmond Dairies sources and processes milk for from these local dairy farms to supply product for sale to export markets throughout the world.

Although Richmond does not operate in the retail sector, we have concerns over the current discount war being waged between the major supermarket chains and the potential flow-on impact to farm-gate milk pricing.

The reported position of the supermarket chains is that they are absorbing the cost of the discounting. If correct we believe this can only be a short-term measure, with supermarkets seeking price reductions when negotiating new contracts with milk processors. Given reports the processing sector are already operating on very low margins, any further reduction in margin must inevitably flow through to farmers.

In the past decade dairy farmers have endured deregulation, drought and more recently severe flooding, which has caused damage to farm infrastructure. Milk production has fallen and farmers are continuing to exit the industry.

Statistics from Dairy Australia show approximately 40,000 people are directly employed within the dairy industry. Without a sustainable milk price to farmers there is no Australian dairy industry and no Australian milk on supermarket shelves.

With no Australian milk it is likely fresh milk choices would also disappear, with consumers forced into UHT milk purchases. Under this scenario we believe the variety of milk currently in the market, from skim through to full fat would decline, negatively impacting on consumer choice.

(...)

Christopher Sharpe
Director

