

SOUTHERN COLLECTIVE BARGAINING GROUP : NSW

Tuesday 30th August 2011

To Mr Richard Grant
Acting Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Subsequent Submission from Southern NSW Collective Bargaining Group RE :

- **The duration of Coles' Down Down campaign and if it becomes permanent**
- **The outcome of renegotiated contracts with the processors and impact on farmgate prices**

We thank you for the opportunity to help inform the Senate Committee's final report and recommendations.

Our late response to this Senate Inquiry is due to the fact that our Collective Bargaining Group has been in intense negotiations with our incumbent processor (National Foods – now known as Lion) for the last 2 months regarding our need to renew our milk contracts beyond 30 June 2011 when the majority of our suppliers came off contract.

As a result of National Foods – (Lion) losing the Woolworths NSW contract to Parmalat in June 2011, the milk supply situation in NSW became very unstable. There has been intense and ongoing negotiations between our SCBG and Lion and then with our SCBG and Parmalat.

As a result of these negotiations our SCBG was forced to split supply between Parmalat and Lion.

The majority of our milk supply has now signed to Parmalat. However the Bodalla suppliers in our group were forced to take a 2cpl cut in their price and remain with Lion. This was passed off as a freight cost and variations to contract arrangements rather than identify a real price cut.

Unfortunately our SCBG was on the wrong contract cycle which meant we were some of the few farmers coming off contract this year. Some of our SCBG has been used by Lion this year to reduce their milk intake to offset the loss of the Woolworths contract. We feel this is a good example of the supermarkets manipulating their supply contracts, which leaves the processors with little alternative but to pass the effect down to the farmer.

As the milk processors in NSW & QLD have become so reliant on the turnover of home-brand milk through the supermarkets it is becoming more difficult for the processors to return a sustainable price back to the fresh milk producers. This is why the future of fresh milk (food) production in these states is under real threat.

Our SCBG produces around 42.5 million litres of milk annually. **This milk is for the liquid fresh milk market in NSW as our milk is produced 365 days of the year.** Many dairy farms in the southern areas of the country supply milk for the export market- this is called manufacturing milk. Most of these farms do not milk their cows 365 days of the year – but seasonally calve their cows.

We would like to make the following comments and observations regarding this Senate Inquiry and its outcomes:

- We are very disillusioned and disappointed with the ACCC. They seem weak and have offered little or no support to dairy farmers regarding the muscle power and clout of the big 2 supermarkets in Australia. If anything the ACCC appear to support the power of the big 2 supermarkets. We feel that the ACCC have been conned by the advertising of the big 2 supermarkets, rather than looking at the reality of where the supermarkets make their profits – by squeezing everything down the supply chain- especially when it comes to fresh food, short-shelf life products - like milk - that cannot be held back from supply.
- We would like to hear the Senate Inquiry's view on the ACCC's position in this milk discounting war. We would like to hear the Senators involved in this Inquiry publicly discuss the effectiveness - or not - of the ACCC in this current inquiry into the milk discounting by the supermarkets.
- As dairy farmers we were initially heartened to see that our Federal Government was actively reacting to and setting in place investigative processes to seriously look at the milk discounting by the major 2 supermarkets. This Senate Inquiry was set up and took many days and pages and pages of submissions from many participants in the whole supply chain of the fresh liquid milk industry. Endless hours of time were invested in this Senate Inquiry by many concerned parties. *However, after attending the Senate Inquiry on Tuesday 29th March 2011 in Canberra and hearing Coles' & Woolworths' answers to the Senator's questions, it would appear that the Supermarkets wield more power than the Government in this country in relation to control of prices in the whole supply chain of food from producer to supermarket shelf.* Because liquid milk is a fresh product *that cannot be held back from supply*, the supermarkets have been able to exert pressure on the processors who in return reduce prices to the farmer. The supermarkets are able to fiddle their figures and promote and advertise themselves as the saviours of the consumer by offering them the lowest prices because they care about Australian consumers!!! At what cost to whom we ask? Surely the ACCC must realise that the supermarkets only exist to create PROFITS for themselves. ***The supermarkets are only interested in profit and they are hiding behind their guise of being the saviour of the Australian consumer.***
- We feel very disillusioned that after the cost and time put into the whole Senate Inquiry process that the supermarkets will be allowed to continue on and further squeeze food suppliers in this country. We ask the question – What would happen if the Government & ACCC allowed the big 4 banks to merge and become 2 big banks in this country? Would that be allowed? Yet the government has allowed the duopoly arrangement in the supermarket sector to grow stronger and stronger. As previously mentioned we have been very occupied with the whole contract negotiation process over the last 2 months. We look forward to The Senate's Final Report and Recommendations

Yours sincerely

Sue Boyd

Secretary

Southern Collective Bargaining Group NSW