

Ian Williams
Fleurieu Collective Bargaining Group
RMD 450

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

Dear Secretary,

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

I write on behalf of the 26 Dairy Farmer Members of The Fleurieu Collective Bargaining Group. We are vitally interested in the farm gate price of milk as it has a direct impact on farm profitability. In recent years many farmers in our region have left the industry in most cases as a result of low milk prices which has often been coupled with harsh seasonal conditions. Our experience has shown the benefits of strong, but fair, competition between the milk processors.

It is apparent that the competition between those that sell our milk is not fair and reasonable. Large retailers with huge resources selling milk at unsustainable prices can cripple smaller competitors as well as having a depressing effect on the price that can be paid at the farm gate.

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.

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.

Please help us to ensure that our farmers can be viable and can continue farming so that our industry can recover from this particularly trying period.

Yours sincerely

Ian Williams
Chairman
Fleurieu Collective Bargaining Group.