

John Crompton AM
Partner, Rivington Dairy Partners

Mr. John Hawkins
The Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear John

We are becoming increasingly concerned that the recent unsustainable price cuts by Coles on their home brand milk, cream and butter will have serious consequences for our business and for others in our region.

We operate two dry land family dairy farms on the Fleurieu Peninsula, south of Adelaide in South Australia. We produce around 6.2 million litres of milk annually, providing direct employment and income for six people as well as for the owner/operators. A number of other businesses depend on us for a significant percentage of their turnover.

We appreciate the value to the consumer of healthy competition in the retail sector, but in this manifestation the competition is neither healthy, nor in their long term best interests.

It would be irrational to accept Coles' assurances that dairy farmers (and consumers) will not suffer adversely from their tactics, when experience would indicate otherwise.

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.

We hold contracts with National Foods that are current until 30/6/11. These contracts are likely to provide some protection until then, but negotiating new arrangements, already rather a one sided process, will be compromised by Coles' actions.

National Foods, having concentrated their business on local markets, are particularly vulnerable.

Dairy farmers in our region have worked very hard over the last few years, with some success, to attract other milk processors to the area. Any reduction in their involvement in this region would reduce competition for our product and threaten our viability.

Our viability has already been compromised by a number of years of drought and the management of our businesses made more difficult by dramatic price fluctuations. It is likely that without some stability in both seasons and prices over the next few years dairying will cease to exist here, except as very few small, specialised operations able to supply only a fraction of the market.

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' action constitutes predatory pricing under the Trade Practices Act, impacts the viability of branded dairy products and will lead to less product variety on supermarket shelves.

I ask for your support in any action that will allow our industry to survive and continue its very important role as a significant player in our local economy.

Yours sincerely



John Crompton AM