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

Dear Mr Hawkins,

The Tasmanian Farmers and Graziers Association (TFGA) is the peak body representing farmers and, more broadly, agriculture across Tasmania. It is one of the state's foremost and respected lobbying and advocacy organisations.

The organisation was formed by the merger of the Tasmanian Farmers, Stockowners and Orchardists Association and the Tasmanian Farmers Federation in 1980. Since that time, TFGA has earned a formidable reputation as a leader in the identification, development and achievement of policy outcomes - championing issues affecting farmers and dedicated to the advancement of agriculture.

To provide services and networks for the 3000 strong farming community, TFGA has offices in both Launceston and Hobart. We are also a member of a number of relevant state and national industry organisations and use these networks to promote our members' interests and to work on issues of common interest.

Operationally, the TFGA is divided into separate councils that deal with each of the major commodity areas. As well, we have a number of standing committees that deal with cross-commodity issues such as climate change, biosecurity, forestry, water and weeds. This structure ensures that we are constantly in contact with farmers and other related service providers across the state. As a result, we are well aware of the outlook, expectations and practical needs of our industry.

TFGA is dedicated to proactively generating greater understanding and better-informed awareness of farming's modern role, contribution and value to the entire community. The keys to our success have been our commitment to presenting innovative and forward-looking solutions to the issues affecting agriculture, striving to meet current and emerging challenges, and advancing Tasmania's vital agricultural production base.

AGRICULTURE IN TASMANIA

In 2008/9, the farm gate value of agriculture and fishing was $1.68 billion – which represented c8% of the gross state product. More than 17,000 people were directly employed in farm related activities – which represented around one in every 12 jobs. Taking into account basic multiplier factors, this meant the farm-dependent economy contributes $5.46 billion (18%) to gross state product and employs one in every 10 Tasmanians.

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The vast bulk of our agricultural product is sold interstate and overseas. Farm exports in 2009/10 were valued at more than half a billion dollars ($527.6m). In addition, a further $1.458 billion of product was sent to the mainland. This in total represented 28.8% of the state's exports.

Not only that, the sector is one of very few in the state that have continued to deliver improved performance in the long term. Over the past 25 years, the average annual rate of increase in farm gate GVP has been 4%. Over the five year period from 2003/2004 to 2009/2010, the actual increase was a massive 25% - from $1.35 billion to $1.68 billion.

These figures clearly confirm the importance of the sector as an economic driver for the state's economy – and also demonstrate that agriculture is a more significant contributor to the Tasmanian economy than it is in any other state. With this in mind, it is clear that Tasmania needs to ensure that the agricultural base of the state remains competitive and profitable.

Tasmanian farmers compete in very tough commercial markets where there is little opportunity to pass on increased costs. This means that farmers have to use every possible opportunity to improve productivity and reduce costs if they are to remain in business. Any decrease in commodity prices will further impinge on already slim margins; and place Tasmanian farmers at an even greater competitive disadvantage.

RETAIL MILK PRICE

The TFGA is of the view that the decision by Coles to sell generic home branded milk for $1 per litre will undoubtedly have negative impacts on the dairy industry. These impacts are already being seen in some states.

The TFGA supports the seven recommendations raised in the Australian Dairy Farmers submission.

The recent decision by the ACCC that Coles' discounting of house brand milk is not predatory pricing raises significant concerns. We suggest that the Committee raise the following issues with the ACCC and Coles:

- There is no detail on the terms of reference used by the ACCC in conducting its inquiry into this matter. It would be appropriate that this information is made available so dairy farmers can understand the scope of the inquiry and possibly assist with further information.
- We would like confirmation on whether the ACCC inquiry looked at the entire value chain and the cost to Coles, including to the checkout, in relation to selling below cost and predatory pricing issues.
- The ACCC has made no mention of price impacts in regional or remote areas of Australia such as Darwin, Kununurra and Broome. We believe it is impossible for Coles to buy, transport, store and sell milk in these areas for $1 per litre. We would appreciate further information from the ACCC on this issue, in particular in relation to s46(1AA) and acting with an anti-competitive purpose.

Our concerns regarding the influence that Coles' decision has had extend beyond just the dairy industry.

It is clear that Coles and Woolworths are determined to achieve total dominance of the retail food sector by forcing out smaller retailers and also driving out any capacity for competition in the supply chain. They have already moved on fruit and vegetable pricing; and have signalled other sectors will follow.

This can't be good for anyone. There will be even less choice than there is now and they will have almost total power over their suppliers, including dairy farmers, and be able to set whatever price they want.

We would be happy to discuss this matter further.

Yours sincerely

Jan Davis

Chief Executive Officer
30 August 2011