

**To: The Senate Enquiry**

Note: The views expressed in this document, reflect my opinion.

**Subject: Milk Price Gouging & Generic Products**

The blatantly obnoxious move by Coles, to drastically cut Milk and other Dairy Product prices, reflects a total ignorance of the Australian Dairy Farmers' situation, by that fore mentioned firm.

*In order to explain the true situation of the Dairy Farmers plight, please consider the following information:*

**Dairy Farmers Returns & Average Weekly Wages – Significant Disparity**

Milk Sale proceeds to Farmers in relation to other sectors of the economy.

| YEAR | AVERAGE WEEKLY WAGES         |
|------|------------------------------|
| 1966 | \$40.60 per week - actual    |
| 2011 | \$1,200.00 per week - actual |

As shown above, Wages increased 29.55 times, over the 45-year period.

| YEAR | DAIRY FARMERS RETURNS               |
|------|-------------------------------------|
| 1966 | \$1.18 per KG Butterfat actual      |
| 2011 | \$10.64 per KG Butterfat - estimate |

The above table shows that the Dairy Farmers' return/price increased 9.01 times, over the same 45-year period. A dramatic down turn of income.

| YEAR | DAIRY FARMERS RETURNS                      |
|------|--|
| 1966 | \$1.18 per KG Butterfat - actual           |
| 2011 | <b>\$34.87 per KG Butterfat – estimate</b> |

*The above table shows what the result would have been if Dairy Farmers' Returns had increased in unison with wages, over that 45 year period. Ie: Dairy Farmers would be receiving a \$24.23 per KG Butterfat price above the present return.*

| YEAR | AVERAGE WEEKLY WAGES         |
|------|------------------------------|
| 1966 | \$40.60 per week – actual    |
| 2011 | \$365.80 per week - estimate |

In Comparative Terms, if Average Wages had increased by the same percentage as that of the Milk KG Butterfat price, the wage result would be as shown above.

To be specific, if the \$40.60 Average Wage in 1966, increased by the 9.01 times the Dairy Farmers Returns have increased, the Average Weekly Wage today, would be only \$365.80. Which is far removed from the actual Average Weekly Wage of \$1200.00 at present.

The result of this situation is that the Australian Dairy Farmers have been subsidising the balance of the community with extremely cheap food for many years.

This is an industry on the brink. 58% of Dairy Farmers in Northern Victoria have ceased production, over recent years. The majority of Dairy Farmers, that remain, are in a dire financial position.

In Summary, Australian Dairy Farmers Returns have suffered a dramatic down-turn since 1966, in comparison with other sectors of the Community, given Dairy Farmers Returns (per KG Butterfat) are only 9.01 times higher over that 45 year period, compared to the Wage Sector, that experienced a 29.55 times growth, over that same period.

The present situation of extreme milk price cuts, is the potential death knell to the Australian Dairy Farmers and their Industry.

P.S. This situation would not have occurred, if the liquid milk market was still regulated.

## Price Gouging

**Definition:** - whereby a retailing business, seeks to destroy the price structure of a processor/manufacturing firm, by the anti-competitive practice of price gouging, to the extent that the processors and farmers can no longer exist in their profession, because of the losses that would occur in their businesses.

**Effect of Price Gouging:** - After the initial price drop of a primary product, the consumer becomes accustomed to that reduced product price, and over the timeframe of a processor contract, or for say, up to three years. Then, when the supermarket contracts are to be renewed, the processor/manufacture is told, totally unjustifiably, that because the product is generic, there is no bargaining possible for that processor/manufacture, to bargain with the supermarket, on price, quality, etc, for a future upgraded contract. The supermarket then says to the processor that they have no product to bargain with. The processor, then drops the price payable to the Dairy Farmer, who is already on the brink... and the result is the rest of the Australian Dairy Industry is finished.

## Generic Brands

### Suggestions:

Generic Brands to have source of product manufactured 'name' & 'details', so that their product is rightfully known, by the buying Public, and not hidden by a phoney brand, which destroys the processors' bargaining power, during new contract procedures/negotiations.

Generic Brands, as such be banned from all primary products.

Because, all primary products lose out, if the processor that produces their product, is forced to supply a generic brand. Processors can then no longer bargain with supermarkets for future contracts, because they have no product before the public. To compensate the processors then pay the farmers less. As a result, the farmer has to leave the industry.

Generic products are by their nature, devious, unprincipled devices, to gain total control of a processor's product, and strangle that processor to a slow death. A totally despicable scheme, that shows no semblance of trading decency.

In short, not acceptable - at any cost.

### Options

1. By Law, supermarkets must display the mark-up of all primary products. I.e. wholesale and mark-up percentage.
2. By Law, any generic products of primary origin must display the source and manufacturer of that product, OR
3. Stop generic products of primary origins.

**Please consider the following questions:**

What influence did the supermarkets duopoly have, over a succession of Federal Governments, which have allowed them to further expand their power, to the detriment of the entire industry?

Why are processors and manufacturers extremely reticent to openly question or discuss any facets of business relating to the supermarket duopoly?

What 'veiled threats' are directed towards these businesses by the duopoly, to create an atmosphere of fear that their business future is in jeopardy?

Can this atmosphere be regarded as a healthy business climate?

**The Supermarket**

In reality, the supermarket is a glorified tin shed, that in actuality produces no product and exerts influence, far in excess of its untouchably status. It apparently believes its God given right is to fleece all producers, especially the Primary type.

**The Wage Earner**

Very well paid.

The envy of all other sectors, of the total economy.

With work conditions, regulations, and income tied to inflation, their situation IS taken seriously.

**The Farmer**

Expected to produce food for the World, and in so doing, receives minimal return.

NO FUTURE!

**The World's Future**

There will be no Future, unless Farmers receive adequate income.

**The implementation of the competition destroying practices, namely - Price Gouging & Generic Brands, are reprehensible in the extreme – totally devoid of any normal, decent trading practices - as flaunted by Coles in their Anti Competitive behaviour. It is unbearable, and totally unacceptable.**