

tabled by
Hon Robert Brokenshire MLC
10 March 2011



Friday 4 March 2011

Re: Discounting on White Milk

We have been receiving feedback from our farmers about the significant discounting currently occurring on white milk.

Next week sees the Senate Economics Committee conduct an enquiry into the issue and this will no doubt provide a lightening rod for further public discussion. The Senate Committee is one step in what will no doubt be an ongoing debate.

I would like to acknowledge the uncertainty that some of our farmers would be feeling at this point.

There has been significant speculation around the profit margins made by major processors like National Foods and there will no doubt be further claim and counter claim around the likely implications for all our businesses if this pricing continues.

For the record, National Foods profit margin on white milk (branded and private label combined) is less than 2 percent.

No business would find these returns acceptable, especially given the need to collect milk daily from more than 1000 farmers, maintain a national network of milk factories and also 600 distributors and to directly employ around 5,000 Australians.

National Foods wants to be part of a dairy industry where all players make a healthy return – that's why we talk about creating a 4-way win for our farmers, customers, distribution partners and National Foods. It is our view that the current pricing seen in the marketplace, if maintained, cannot deliver a fair return to any of the players in the supply chain.

While there is an intense public debate, National Foods is focused on working with all stakeholders in a considered way to promote long term sustainability in the white milk category.

We intend to make a submission and give evidence in person to the Senate Committee to ensure that our perspective on the issue is fully considered and we will make a measured contribution to the debate as appropriate.

Regards,

Murray Jeffrey
General Manager Milk Procurement and Inbound Logistics