

Dear Senators,

As a 3rd generation dairy farmer I am greatly concerned by the undue influence the supermarkets have on the farm gate price of milk.

Prior to deregulation of the dairy industry my father (a 2nd generation dairy farmer) was able to purchase new cars, build a house and raise a family on his dairy income. Today I am happy if I can find enough to pay the bills. On current prices how can any of our children even hope to buy out their siblings (the days of one child inheriting the farm are gone) and continue to carry on as dairy farmers.

We were told deregulation would allow the market place to set the true price for milk. This has not been allowed to happen. Dairy farmers have always been price takers not price makers. The post deregulation farm gate price of milk has not reflected the cost of production to the farmer. The generic brands of milk are “auctioned off” to processors and the farm gate price is created. If a processor loses the contract he then has “surplus” milk which in turn reduces the price to the farmer.

Supermarkets, with what we have been led to believe is an open tender system, have been able to manipulate the price of milk they pay the processors who in turn pass these lower prices to their farmers.

Although, we no longer supply a processor of the liquid milk market, our price is also influenced by the liquid milk market.

How long before the supermarkets have sabotaged not only our dairy industry but other businesses (greengrocer, pharmacist, baker, butcher) sufficiently to destroy them?

Our input costs are continually rising whether it is diesel, fertiliser or other products essential to our industry such as the cost of string & plastic to conserve feed.

Contractor's prices have increased significantly because of the increase in diesel and diesel products.

We work with live animals not machines so when we have severe weather conditions such as floods or droughts hit, the impact on our animals is huge and unlike industries which work with machines we cannot just turn the cow back on and expect immediate results. We need our price to reflex this fact and be such that we are able to put aside something to get us through these tough times. When severe weather conditions such as torrential rain or drought hits a supermarket they continue to stock the shelves and sell their products and even raise their prices if there is a shortage. Dairy farmers can't do this. Because of the weather conditions our production may drop but our price does not rise. It is something we farmers have no control over – the processors and supermarkets do.

When the price to the farmer drops there is a flow on effect to other businesses and individuals, farmers employ less people, buy less machinery which in turn impacts on the machinery firms, reduce their use of fertiliser which not only impacts on the firms supplying the fertiliser or other products required to run a farm but also on the production of the farm.

The current price war between the supermarkets make little sense at the end of the day as although Coles dropped their price first the other supermarkets have now followed and they no longer have an advantage. The only ones who loose in the long run are the farmers.

All we ask is a fair price for our product taking into consideration the amount of capital investment and labour necessary in our businesses. We are continually being told to become more efficient but there comes a point when there is little more we can do. Like all businesses dairy farms need continual capital investment however, it is

difficult to invest when there is such uncertainty with our price/litre. We all continue to work our 7 day weeks for little or no return on our investment while companies such as Coles whose parent company's roots are that of a farmer co-operative (Wesfarmers) , continue to make multi million dollar profits at our expense. According to Wesfarmers own website they were created nearly a century ago to help Western Australian farmers market their produce for a fair price and supply goods to the farmer at a reasonable cost. It is disappointing to see one of Wesfarmer's acquisitions being the first to drop milk prices. Surely there is some way of ensuring our dairy industry continues to survive allowing our farmers a decent life..

Sincerely
Mervyn Mison

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