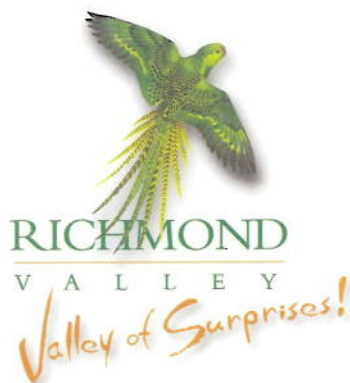


Council's Reference:
ECM 604441 BW/RT
Telephone Enquiries to:
Brian Wilkinson



21 March 2011

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

Dear Sir

On behalf of Richmond Valley Council I am writing in regard to concerns raised by local dairy industry operators in respect to the recent unsustainable price cuts by Coles on their home brand milk, cream and butter.

Local dairy industry operators are concerned that the prices that Coles are offering the public on home branded milk are unsustainable. The last time milk was priced at \$1.00 per litre was in 1992.

Despite Coles' recent assurances, there will be a major impact on dairy farming families as processors and dairy farmers rely on the margin from branded milk sales for their profitability.

Council has been advised that unsustainably priced Coles generic home brand milk is taking market share away from branded products. This reduces the amount farmers receive from processors as more Coles home brand milk is being sold at little or no margin and less of the sustainably priced branded milk is being sold.

Farmers whose milk payments are linked to branded milk sales will see a reduction in their milk cheques as early as this month in some cases.

Council has also been advised that industry data shows that in the most exposed region of southern Queensland and northern New South Wales a 10% shift toward home brand alone would halve farmers' 2009/2010 profits should the processors be forced to pass the impact on to farmers. Coles has already said that the increased sales of its home brand milk have climbed above 10%.

The impact of Coles' pricing decision will ultimately flow on to hit dairy farmers at a time when they are struggling to respond financially to years of drought and now devastating floods.

All correspondence should be addressed to:

**The General Manager,
RICHMOND VALLEY COUNCIL**

Administration Office: Cnr. Walker St. & Graham Place (Locked Bag 10) CASINO NSW 2470

Council supports the Australian Dairy Farmers' call for an ACCC inquiry on behalf of dairy farmers and understands they have written to the Government and the ACCC asking them to take action.

The dairy industry is important to the Richmond Valley and accordingly, your efforts in following up on the concerns raised would be appreciated.

Yours faithfully

Brian Wilkinson
General Manager