Far North Coast Dairy Industry Group Inc.
ABN: 54 071 729 379

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

Inquiry into the impact of supermarket price decisions on the dairy industry

Dear Committee

Uncertainty and disappointment is on the minds of most dairy farmers at present. In particular, dairy farmers in regions that rely on liquid milk markets, such as the farmers in the Far North Coast.

Dairy Farmers are in continuing decline in Australia. The movement by Coles Supermarkets to cut milk to $1 a litre and confirmed it is staying down for the foreseeable future has deflated even the most conscientious young farmer.

Dairy farmer's livelihoods are under threat. Coles has shown total disregard for farmers and consequently their consumers. Profits are at the forefront of the major supermarkets, profit at any cost. These price cuts are unsustainable and by pricing milk at $1 per litre, means that dairy farming is not viable. It will come at a high cost to everyday families when this commodity is not readily available in a liquid milk form.

The recent inability of the ACCC to address any of the issues raised by numerous sectors of this industry highlights the inadequacies of this body. How the ACCC can reach the conclusion that Coles actions were not predatory bewilders us. Did they talk to the many small retailers who are trying to survive. The evidence is apparent that the action by Coles has had a detrimental effect on the farming sector, but sadly the ACCC fails to address this issue.

Contracts as they are being negotiated are trending downward or stagnant which places significant pressure on farmers to cut costs even further. The key question is what will happen in contract negotiations a couple of years down the track when the senate committee is wound up, the spot light is shifted from the supermarkets and they have further increased their market share. Costs of production are rising constantly. Staff wages have increased as of 1 July 2011, electricity increased another 18% and similar associated costs that we cannot pass on. All this is definitely having a detrimental effect on the well being of our dairy sector.

Farmers in Queensland have confirmed their milk returns have been directly impacted by the decline in private label milk sales. This is as a result of the Coles $1 per litre promotion gaining more market share at unsustainable prices. Coles is aware there is not enough in milk priced at a $1 per litre to enable farmers, processor and retailers to remain viable entities. Over 20 farmers in Queensland have left the industry with the main contribution factor being the unsustainable price due to the action of the Coles Supermarket chain. This will be further eroded in Queensland and NSW when contracts with the 2 supermarkets are negotiated in the near future.

We refer to the Senate report on competition and pricing in the Australian dairy industry last year with the results showing a dominance by the two major supermarket chains and a handful of processors placing farmers at a competitive disadvantage. This report highlighted the fact that dairy farmers were not making much profit, and in some cases not even breaking even.

It is now clear, that the Coles unsustainable milk pricing has directly effected dairy farmers, vendors and small retailers. Many farmers in our region are assessing their financial viability into the future. We are looking to this committee for leadership and to place some stability back into the farming community.

Should you have any questions, we would be happy to discuss further.

Kind Regards

Leigh Shearman

Chair, North Coast Dairy Industry Group