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The Hon David Bradbury MP
Parliamentary Secretary to the Treasurer

21 SEP 2011

The Hon John Murphy MP
Chair
Standing Committee on Petitions
Parliament House
CANBERRA ACT 2600

Dear Mr ~~M~~ Murphy

Thank you for your letter of 7 July 2011, originally directed to the Minister for Agriculture, Fisheries and Forestry, regarding a petition asking the House to act on the recommendations of the Senate Economics References Committee report *Milking it for all it's worth – competition and pricing in the Australian dairy industry*. Your letter has been referred to me as I have portfolio responsibility for competition policy.

As the petitioners may be aware, there have been significant developments since the release of the 2010 Senate Committee report.

After inquiring into why milk prices seemed relatively high compared to the farm gate price, the Senate Economics Committee is now conducting an inquiry into the impact on the Australian dairy industry supply chain of the decision by Coles (followed by Woolworths, Aldi, Franklins and Metcash) to reduce the price of private-label milk. The Government supported the establishment of this inquiry and is carefully considering the evidence received to date by the Committee.

The Committee released its first interim report on 20 April 2011. The Government tabled its response to this interim report on 12 May 2011. The Government's response noted that there are complex issues at play in the interactions between farmers, milk processors and retailers, and that any regulatory change, in particular an amendment to Australia's competition law, could result in unintended and economy-wide effects.

As the Senate Committee's first interim report noted, many of the issues raised in the inquiry require scrutiny and analysis over a longer period of time. The Committee noted that the short term effects may differ significantly from the medium-term effects. In particular, the Committee believes that the impact of the reductions in retail milk prices depends crucially on how long they are in place and the extent to which they are reflected in upcoming contract renegotiations with processors.

On 9 May 2011, the Senate Committee released a second interim report that sets out the evidence received by the Committee and invites further submissions before its final report and recommendations are tabled by 1 October 2011. I encourage the petitioners to consider the Committee's invitation to make a submission in response to the second interim report.

The Government's response to the Senate Committee inquiry needs to take into account all of the available evidence. The Government will carefully consider the recommendations of the inquiry's final report when it is delivered, in conjunction with the 2010 report.

I would note that, on 22 July 2011, the ACCC released a statement to advise that there is no evidence that Coles has acted in breach of the *Competition and Consumer Act 2010*. The ACCC noted that its enquiries 'have revealed evidence that Coles' purpose in reducing the price of its house brand milk was to increase its market share by taking sales from its supermarket competitors including Woolworths. This is consistent with what the ACCC would expect to find in a competitive market.'

The ACCC stated that 'on the evidence we've [the ACCC] gathered over the last 6 months it seems most milk processors pay the same farm gate price to dairy farmers irrespective of whether it is intended to be sold as branded or house brand milk.' The ACCC has stated that it will continue to monitor conduct within the dairy industry and grocery sector for signs of anti-competitive behaviour.

I thank Mr Darren Chester MP for tabling this petition and I hope this information will be of assistance to those concerned.

Yours sincerely

DAVID BRADBURY

cc: Deputy Prime Minister and Treasurer; and
Minister for Agriculture, Fisheries and Forestry