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The evidence is in – Coles' gain is farmers' pain

For immediate release

Coles has continually tried to claim that dairy farmers are not being impacted by the pricing of milk at an unsustainable \$1 per litre. This is simply not true. The evidence is in and the Coles' led milk price war is directly impacting dairy farmers. There is now no doubt that Coles' gain is farmers' pain.

Dairy farmers in the key drinking milk markets of Queensland, northern NSW and Western Australia are being hit hard. In its submission to the Senate inquiry into milk prices ADF shows how.

In the last seven months dairy farmers have had to contend with the uncertainty created by Coles' cut throat discounting of fresh milk. In Queensland alone over twenty farmers have left the industry, since the price war started, with many citing the impacts and poor outlook due to the supermarket milk price war as a key contributing factor in deciding to exit the industry.

In Queensland one group of farmers has been losing thousands of dollars a month due to the increase in sales of home brand milk, which is directly related to Coles' unsustainable price discounting. The cumulative impact up until the end of July for this group of 185 Queensland dairy farmers has been a loss of more than \$767,000. If this impact continues the group could collectively lose more than \$1.5 million this year.

Also in Queensland there was a recent small farmgate price increase, for one group of dairy farmers, that does not even cover the inflation rate of 3.6%, let alone increases in costs of production which have been much higher than inflation this year.

It has been reported that in the early stages of current negotiations with a major processor, Parmalat, New South Wales farmers are being asked to take a drop in farmgate price of 3-4 cents per litre for new contracts to supply milk to a major supermarket home brand contract won by this processor.

Analysis of ABARES Farm Survey data indicates that average NSW farm profit per litre over the past 10 years has been just 1 cent per litre. A 3-4 cents per litre cut in farmgate price would render the vast majority of NSW farms supplying the drinking milk market unprofitable and be catastrophic for the industry in NSW.

Nationally, it has been conservatively estimated there is the potential for an annual loss of at least \$227 million from the value chain with consequent impacts on farmgate prices.

An analysis of the impact of the \$1.00 per litre pricing on the Western Australian dairy industry value chain undertaken for the Western Australian Farmers Federation (WAFF) has estimated that the discounting will take \$25.2 million per year out of the Western Australian milk value chain.

"The price cuts are unsustainable and the plain fact is milk priced at \$1 per litre does not bring in enough money to support farmers, processors and retailers. The evidence shows it and Coles knows it," Mr Griffin said.

Mr Griffin said, "This is why the ADF is calling on the Federal Parliament to support industry's recommendations to rectify this unsustainable situation as a matter of urgency."

ADF's submission can be found at the following link (submission number 150, supplementary submission no.1): http://www.aph.gov.au/senate/committee/economics_ctte/dairy_industry_supermarket_2011/submissions.htm

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