

Media Release



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ADF calls on consumers to support dairy farmers and buy 'branded' milk, butter and cream products

For immediate release

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On 26 January Coles announced that it was cutting its home brand milk to \$2 for a two litre container of Coles Brand milk.

ADF Vice President Chris Griffin said, 'Coles is selling milk at an unsustainable price' and challenged Coles to prove that the milk price cut would not affect farm gate milk prices for Australian dairy farmers.

On 3 February Coles announced price cuts for its home brand butter and cream.

ADF suspected the drop in the price of milk would be the thin edge of the wedge and the cream and butter price cut proves it.

The Australian Dairy Farmers (ADF) now calls on consumers to support dairy farmers and their families and buy 'branded' milk, butter and cream products following this latest marketing ploy.

These price drops will increase the price difference between large retailer supermarket brand milk and milk processor branded milk. Shoppers will opt for supermarket brand milk which have lower returns to processors and that will then flow on to the farm gate.

Ultimately it will also lead to less choice for consumers as the experience in the United Kingdom has shown.

The ADF has calculated that the cost to Coles of the milk price cut alone if, as they claim, they do not pass on the price cut will be **over \$30 million per annum.***

It defies logic to think that Coles will 'fully absorb' this amount of money. It is inevitable that it will be passed on to either consumers, through higher prices on other products, in Coles' stores or to dairy farmers through lower prices for their milk.

ADF Vice President, Chris Griffin, has noted that in media comment Coles has repeatedly refused to rule out dropping prices for processors and farmers in future contracts.

'We're not saying what will happen to our rolling contracts this year' a Cole's spokesman said in Stock and Land on 3 February.

ADF Vice President Chris Griffin again challenges Coles to prove that this marketing tactic will not affect farm gate milk prices for Australian dairy farmers.

*Based on the difference between December price data and the announced price cuts

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Fast milk facts:

2008/09 Australian fresh milk sales = 2,244 million litres
Per capita consumption = 104 litres per head

2008/09 Total milk sold through major supermarket chains accounted for 1,118 million litres or 50% of total domestic milk sales

1999/2000 major supermarket chain 'supermarket brand' sales accounted for some 25% of total supermarket sales, which by 2008/09 had increased to some 52% or approximately 581 million litres.

In 2008/09 major supermarket chain 'supermarket brand' volume growth was 6.5%

In 2000/2001 the difference in price between milk processor proprietary 'branded' and major supermarket chain 'supermarket brand' label whole milk was \$0.21 per litre and by 2008/09 it was \$0.71 per litre and for whole milk the difference in price was \$0.68 per litre.

Before major supermarket chain 'supermarket brand' pricing and marketing strategies these returns flowed to the processor and then to farmers. The loss of these returns to the industry is not sustainable.