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ACCC recognises dairy farmers weak bargaining position

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Today's release of the 'ACCC's Dairy Inquiry - Interim Report' has confirmed what Australian Dairy Farmers (ADF) has long been advocating; there is significant imbalance in market power with farmers having a weak bargaining position.

ADF President Terry Richardson said that this is the very reason why we established the Code of Practice, to bring all of industry together in the one room to have an agreed set of parameters and conditions for processor contracts.

"The ACCC has rightly recognised the bargaining power imbalance between farmers and processors, and processors and retailers," said Mr Richardson

"We acknowledge the ACCC's recommendation to implement a mandatory dairy industry Code of Practice, as well as strengthening elements of the current Code. This report is timely and we will incorporate ACCC's analysis into our already-established review process.

"There was a commitment at the outset that the Code be reviewed after 12 months; the voluntary Code was an important first step in this process of improving the balance of power through the supply chain," added Mr Richardson.

ACCC Commissioner Mick Keogh acknowledged that there have been some improvements following the introduction of the voluntary code; however, in the ACCC's view, it is unlikely to fully address the issues that cause detriment to the industry.

The report also analyses the impact of \$1 per litre milk, concluding that farmer earnings remain the same regardless of whether milk is sold as private label \$1 per litre milk or branded milk.

"Our concern has always been that selling milk as a loss leader at the rear of the supermarket at price points cheaper than water is a strategy that is not in the long-term interest of this industry," said Mr Richardson.

"Once money departs the supply chain, it is never returned. We have always strongly argued that \$1 per litre milk is not sustainable long term."

A total of eight recommendations are outlined in the report including specific findings about contracting practices and farmgate milk prices.

These interim findings are detailed and comprehensive and we look forward to further consultation with our members in the preparation of a formal response by 31 January 2018.

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