

Duncan A. McInnes

30th January, 2018

Mr. M. Keogh
Dairy Inquiry
Australian Competition & Consumer Commission
23 Marcus Clarke Street
CANBERRA ACT 2601

Dear Sir,

I am writing to you regarding the Interim Report on the Dairy Inquiry which was released by the ACCC in November, 2017.

Having recently (November, 2017) retired as chairman and board member of Dairy Farmers Milk Co-Operative I believe I am well qualified to comment on your findings. I would particularly like to comment on your perception that \$1 litre milk has not had an effect on the price farmers receive for their milk.

Over the last four years as chairman I have been very involved in price negotiations with Lion Dairy and Drinks (LDD). Because of the reduced profit in the white milk business since the introduction of \$1 litre milk our ability to extract any price rise from our processor has been extremely difficult. In fact, I quote Peter West (recently retired as CEO of LDD) that LDD process 800 million litres of white milk for no or little profit.

There is a similar story told by Parmalat and any other processor who has a large percentage of their business in the white milk sector. In fact, if you look at Norco's recently released Annual Report they have virtually made no profit out of their dairy business.

A processor will always act in a different way to what they offer to the farmer if they are making a realistic profit compared to if they are making a minimal or no profit from their white milk business.

Having been also a director of Australian Co-Operative Foods Limited (Dairy Farmers) before selling this business to National Foods (later LDD) in 2008, I can assure you the big majority of that business's profit came from flavoured milk and the Sydney route market. Of course, the route market is very marginal since deregulation a number of years ago.

I take objection to your wording at the top of Page 19 of farmer perceptions – it is not a perception, it is a reality that water is dearer than milk. The usual price for bulk water delivered to factory is less than 10 cents a litre in South East Queensland compared to milk at approximately 60 cents a litre.

The overwhelming power that the two major supermarkets in Australia have on the other two sections of the industry is not found anywhere else in the world.

As chairman of Dairy Farmers Milk Co-Operative I was proud to have negotiated an extension of our Milk Supply Agreement with LDD to include

1. Competitive prices in each region;
2. An ability to have an independent expert when not agreeing and
3. Funding from LDD to fund our co-operative.

I hope that you take note of the above remarks when considering your final position. I am available for further comments if needed on [REDACTED]

Yours faithfully,



Duncan McInnes.