



Far North Coast Dairy Industry Group Inc.
ABN: 54 071 729 379

SUBMISSION TO THE PERISHABLE AGRICULTURAL GOODS INQUIRY

30/9/2020

The Far North Coast Dairy Industry Group apologizes that we have not had time to prepare a detailed submission to the Perishable Agricultural Goods inquiry. We represent dairy farmers on the Far North Coast of NSW from Around Grafton to the QLD border

Milk is a very perishable product and cannot simply be stored to be sold another day. In Northern Dairy regions most dairy manufacturing facilities have been closed due to industry contraction since deregulation. We have no viable alternative than to sell fresh milk through various supermarket retail chains. Supermarket tenders determine sales of “home brand” milk and processors need to be ‘allowed’ access for branded product.

Our main point for consideration is this – Why do all major supermarkets sell their home brand milk for the same price (the same low price). Until late last year, for 8 years, this price was \$1/ litre. Now even with a price rise, they still price match. There is no competition in this sector. If one supermarket moves the price down the others will follow,(as they did to \$1 / litre). What other item in a supermarket is exactly the same price in all supermarkets? The problem is it becomes a race to the bottom. Because most consumers purchase milk on a regular basis, the supermarkets cannot give their competitor a price advantage to attract customers. The ultimate loser in this scenario is the farmer because they get what is left over in the pricing ‘pie’.

This pricing mechanism has not delivered an adequate price to northern fresh milk dairy farmers since deregulation. This is evident in the contraction in the northern dairy industry during this time, with Queensland and northern NSW now having a huge local production deficit.

If any other product or commodity was sold for the same price in every supermarket in Australia, this would not be acceptable, so why is it acceptable for fresh milk? Dairy farmers do not have bargaining power due to the perishable nature of our product. We have huge, specialised investments on our farms, which cannot be used for other purposes. We are tied to dairy. If we exit this industry, we do not return.

The power imbalance needs to be addressed to return long term confidence and viability to our industry.

Regards,

Ken Bryant

(Vice Chairperson Far North Coast Dairy Industry Group)