

Australian Competition and Consumer Commission

GROCERY PRICE INQUIRY HEARING

**EXCERPTS FROM CONFIDENTIAL TRANSCRIPT OF
WESTERN AUSTRALIAN FARMERS FEDERATION**

**CONDUCTED AT: LORD FORREST HOTEL, BUNBURY
DATE: 1:00 PM, WEDNESDAY, 23rd APRIL, 2008**

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MR O'DONOVAN: All right. Now, just looking at the – I suppose the part of the market that you can comment on most easily, which is the relationship between dairy farmers and processors, from what you've been saying today it looks as if the market seems to be responding to supply and demand in the way that you would expect that when there's an over supply that the price goes down, when there's a shortage the price goes up and quite dramatically and in that – so from – looked at from a competition perspective that functional element of the milk supply market seems to be operating the way a market should. Do you have any disagreement with that analysis?

MR NORTON: No, we don't have any disagreement, it was just a long time coming and a lot of good dairy farmers, you know, died at the sword of the free market altar, but I think – like any system we believe it needs twigging a bit and I think if we could twig it, Mr King, in that transparency area as to what sort of profit margins that are being made as we go down the processing track, compared to what we're making, I think a lot of this argument would probably disappear and then we might be able to sit down round the table and work a bit more harmoniously to getting a good outcome for everybody and just not the processing or the retail sector. We're getting – I think we're getting hoodwinked into looking at shadows that we shouldn't be looking at and blaming one another.

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MR PRATICO: The world commodity market has been at an all-time high now. Since 02, there was a little drop in 03/04 but then it's picked up and it's gone beyond the expectations. I'm not sure. I believe the indicators which are skim milk powder that's used for an indicator could go to 8000 US a tonne. It's between five and a half and six thousand a tonne. It's had little dips but still travelling north. [REDACTED]

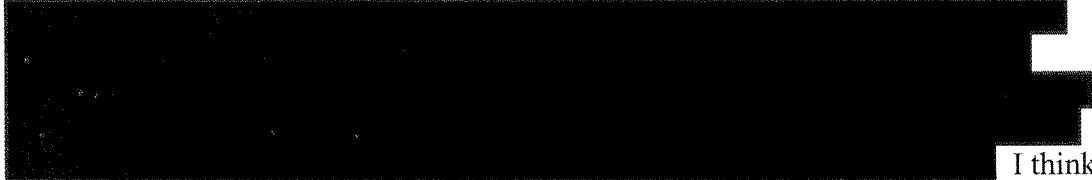
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MR BIDDULPH: Can I just make a point there, Mr O'Donovan? Just with regard to supermarket processor set-up in the state, I think Western Australia would have a

larger chain of independent supermarkets than in the other states, as terms of market share. Am I correct in saying that?

MR O'DONOVAN: Yes.

MR BIDDULPH: I believe that's so. I think that's a desirable situation for our state in that it allows – this extra competition allows the opportunity for regional branding.



I think that's certainly an advantage in having – you know, I think even alluding to the fact that there seems to be reasonably healthy competition amongst processors for the milk supply in the state, well, you know, we'd certainly like to see that sort of level of competition exist amongst the supermarket chains for our end product.

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