



31 January 2018

Mick Keogh  
Commissioner  
Australian Competition and Consumer Commission

Sent via email: [dairyinquiry@acc.gov.au](mailto:dairyinquiry@acc.gov.au)

Dear Mr Keogh,

**Re: Dairy Inquiry- Interim Report**

The NSW Farmers' Dairy Committee are disappointed with the Australian Competition and Consumer Commission's (ACCC) Dairy Inquiry interim report. We are concerned that the interim report lacks the rigor to deliver the change that the dairy industry requires.

Our key areas of concern with the interim report are:

- *Strength of the Recommendations*

The proposed recommendations will only have a marginal impact on improving competition issues within the dairy supply chain. The interim report clearly acknowledged the imbalance of power throughout the dairy industry and the proposed recommendations do not substantially address this inequality. The draft recommendations are focused on improving dairy farmers understanding of contracts, encouraging the removal of restrictive terms and facilitating dispute resolution. These are small changes and the ACCC must focus on mechanisms to readdress the fundamental imbalance of bargaining power in the dairy supply chain.

- *Analysis of Retailers behaviour*

The interim reports neglects to adequately recognise the impact of retailer behaviour on the dairy supply chain. The report found that retailers should not be the focus of dairy supply chain analysis, as dollar a litre milk did not alter the returns to farmers. We consider that this is a weak analysis, as in a competitive market a higher retail price for fresh milk should increase margins for retailers and processors, but also primary producers. The fact that these margins are not being shared equitably is a demonstration of the uncompetitive nature of the dairy supply chain. This is a key area that must be analysed in the final report, as retailer behaviour impacts on other relationship throughout the dairy industry.

- *Definition of the Market*

Finally, the definition of the various markets within the interim report was poor. There is a need to clearly define the different markets, both geographically and based on products. This clear definition will enable a clear understanding of various markets and this will facilitate identifying stronger recommendations to redress competition issues.

We will be providing greater detail on these concerns in in our submission to the interim report, we trust that this will be useful information for the development of the final report. If you have any questions then please do not hesitate in contacting Annabel Johnson, NSW Farmers Livestock Policy Director on (02) 9478 1035.

Regards,

A handwritten signature in blue ink, appearing to read 'Erika Chesworth'.

Erika Chesworth  
Dairy Committee Chair  
NSW Farmers Association

**NSW Farmers' Association**

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