

21 October 2005
npu:dg: 01/0043

FILE No:

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parmalat

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The General Manager
Adjudication Branch
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602

By Facsimile: 02-6243 1275

FAXED
21/10/05

Dear Sir

Application for revocation of authorisation A90745 and substitute by replacement authorisation A90972 lodged by Premium Milk Ltd.

Parmalat Australia Ltd ('Parmalat') has received the Draft Determination relating to the above authorisation.

Parmalat has no objection to the Draft Determination being approved.

There is, however, one aspect of the Commission's assessment that Parmalat disagrees with. In section 6.6 the Commission states;

"....historically, the Australian dairy industry could be separated into state or smaller regionally based markets. However, the ACCC considers that deregulation and improved transport technology have combined to change this market delineation."

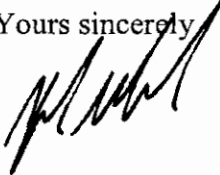
Parmalat believes this statement is incorrect, particularly in relation to processed milk. The reasons why Parmalat believes the statement to be incorrect are:

1. The actual retail market for processed milk is still principally state based. A majority of milk processed in one state is sold and consumed within that state. Also, most significant customers are either based in one state or, even if nationally coordinated, source their milk on state by state basis.
2. Customer requirements for milk with a specified shelf life make it difficult to transport packaged milk significant distances. The issue here is not the availability of technology but time and cost. The longer it takes to transport the product the less shelf life the product has once it reaches its destination. In relation to cost, the refrigerated transportation of packaged milk on a cents per litre basis is prohibitive. It is acknowledged as a competitive imperative in the fresh milk market that the processing of milk occur close to the market in which it is sold. The cost of transporting unprocessed raw milk by tanker is less expensive on a cents per litre basis.

3. The significant rise in non-branded or generic/house brand products has introduced a new, albeit fragmented, competitor to the market. These products now account for more than 33% of the processed milk market and are available from a number of retailers. However, with the exception of the products available from Woolworths, these products are processed locally, intra-state and do not usually cross state boundaries.

Based on the above, Parmalat remains of the belief that the market for processed milk remains principally state based.

Yours sincerely



NP ULRICH
General Manager Legal

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