



Friday, 5 February 2021

## AA1000530 – QDO Submission – Further Norco Response

Dear interested party,

Norco Co-operative Ltd, provides this further submission in response to the Queensland Dairy Farmers' Organisation Limited application AA1000530. We understand that there has been interim authorisation granted for a licensing scheme to apply a 'Fair Go Dairy' device to milk and other dairy products.

As a 100% farmer owned co-operative, we are genuinely committed to the improvement of financial outcomes for dairy farmers. To do this we rely on the support from consumers and our customers to do this. The QDO's Fair Go Dairy logo will erode the value that Norco will be able to and pass onto its farmer owners, because consumers will be misled as to what brands/companies are supporting their farmers with a sustainable milk price.

By way of example we highlight the following items;

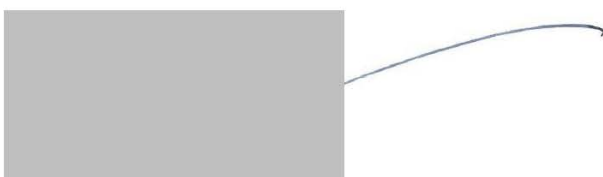
1. The Fair Go Dairy logo discriminates against Norco as we will not be able to meet the 80% Queensland milk hurdle due to the location of our farmer members. It should not be the case that we are required to tell farmers that we will no longer collect their milk because they are south of the Queensland border (their milk has been going into the Queensland market for decades), all to receive a logo that if we don't display, will mislead consumers. Consumers are well aware of our North Coast of New South Wales heritage dating back to 1895, and have supported our brand to become one of the largest white milk brands in Queensland. This growth is due to the support we continue to provide our farmers, and the knowledge that any profits made by the co-operative are for farmers. Yet the QDO logo does not recognise the value we create as a business, and instead sees to limit the supply we can take from our traditional collection areas, yet consumers readily accept the location of some of our farmers with strong support and growth;
2. Norco has shown, acknowledged by the industry, that it is a processor providing inflation to farm gate milk prices in NSW and QLD, yet the QDO logo could wrongly see consumers move away from our brand and place a downward pressure on milk prices as only smaller Queensland only based businesses can qualify. We see this damaging milk pricing in Queensland and New South Wales;
3. The calculation method has already shown to be flawed, as it needed to be changed before it was introduced, and certainly does not currently represent the cost to farmers of operating their farms. A logo cannot move at the pace that seasons and on farm conditions change. Certainly the lag associated with the QDAS data exacerbates this, and will mislead consumers as to the true cost of production, and what companies are paying a milk price higher than the cost of production;

4. The move by the QDO to use a two year period only further creates a divide between the real cost of production and the farm gate milk price payable to qualify for the Fair Go Dairy device. The expansion to two years was provided due to the calculation of the SFFP was not reasonable in the first place, and shows the damage that this device registration will do in terms of misleading consumers, and sets in place a misaligned pricing regime in the milk market;
5. We are not aware of any processor paying the revised SFFP for a full 12 month period, therefore inflation will follow to consumers if it is introduced. Particularly the economic times that we operate in now, we need to be careful when we go to the consumer for more money, as this could risk adverse consumer sentiment;
6. [REDACTED]  
[REDACTED]  
[REDACTED] As an industry, we need to be very careful that we do not price branded milk out of reach for consumers;
7. The benefits of a farmer being in a co-operative and receiving other financial returns is not calculated in the SFFP. For example, dividends, interest free loans, discounted stock feed and farm supplies;
8. The market value change of a farmer's shareholding in the co-operative is also not incorporated into the SFFP. Based on the valuation of recent other dairy company transactions, this could be very material for a co-operative member, and indeed could be eroded by the introduction of the Fair Go Logo.

We renew our request for the ACCC to respectfully decline the QDO's application.

We also renew our offer of engaging with the ACCC and the QDO to see if there is a system design that would work well for farmers, processors and consumers, as we do not believe the proposed Fair Go Dairy scheme will do anything but risk the current value generated by the industry for the majority of farmers in Queensland.

Yours sincerely,  
**NORCO CO-OPERATIVE LIMITED**



**Michael Hampson**  
Chief Executive Officer