

SE **Business**
 HD **Retailers 'will lose out to Chinese'**
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 WC 432 words
 PD 29 July 2014
 SN The Australian
 SC AUSTLN
 ED Australian
 PG 18
 LA English
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AGRICULTURE Minister Barnaby Joyce has warned supermarket retailers they need to start paying farmers a decent return on production or they will lose out to higher-paying customers in **China**.

Speaking outside a grains industry conference in Melbourne, Mr Joyce said the \$1 per litre price for house-**brand milk** introduced by supermarket giant Coles in 2011 and quickly matched by Woolworths and Aldi was unsustainable when NSW **milk** co-operative Norco was flying fresh **milk** to Shanghai to sell for a minimum of \$7 per litre.

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"I think where **dairy** is going though is that the market will sort itself out, because we are moving **milk** by air into **China**," Mr Joyce said.

"In northern NSW it (the export) is up to 16,000 litres a week, and they want to go up to one **million** litres a week, and they are getting between \$7 and \$12 a litre when it's landed in Shanghai.

"This is sending a signal to the marketplace that if you want to pay people \$1 a litre, you're not going to be in **business** much longer because there is a vastly greater demand out there, an insurmountable demand." Mr Joyce said that unless the supermarkets paid farmers a reasonable price for their **milk** it would probably be converted to powdered form and **sold** into the export market.

"The smart thing for Coles and Woolworths to do is to pay more money to the farmers, make sure it gets to the farmers, and lock in a long-term supply position so that it secures the farmers' standard of living and secures Coles and Woolworths and any other supermarkets' access to supply," Mr Joyce said.

"Otherwise you're going to see some big processors coming into place, and more and more **milk** will be converted to a dry commodity to the exclusion of domestic suppliers, and what was a great trick for a few years there will turn into a very bad **business** plan in the long term." Coles has signed a 10-year supply deal with Victorian **dairy** co-operative Murray Goulburn which has not only locked in the \$1 per litre price but also given the co-op the cashflow needed to build new processing facilities in Melbourne and Sydney at a cost of \$160 **million**. Meanwhile Mr Joyce said he was pleased the Australian Competition & Consumer Commission was taking Federal Court action against Coles over allegations of unconscionable conduct relating to its treatment of suppliers in contravention of the Australian Consumer Law.

CO colsgj : Coles Group Ltd | wsfrm : Wesfarmers Ltd

IN i4131 : Non-frozen Dairy Products | i413 : Dairy Products | i010010502 : Dairy Cattle Farming | i0 : Agriculture | i01001 : Farming | i0100105 : Cattle Farming | i41 : Food/Beverages/Tobacco | icnp : Consumer Goods | ifood : Food Products | ilsfarm : Livestock Farming | i64 : Retail/Wholesale | i656 : Mixed Retailing | i6560002 : Department Stores | iretail : Retail

NS ccat : Corporate/Industrial News

RE austr : Australia | china : China | nswals : New South Wales | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia

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AN Document AUSTLN0020140728ea7t0003I