



Dairy Farmers Milk Cooperative

PO Box 72
Lidcombe NSW 1825

Tel: 02 8732 5206
Fax: 02 8732 5055
Mob: 0458 487 228

MEDIA RELEASE

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Woolworths contract announcement impacts New South Wales dairy farmers

Recently, Dairy Farmers Milk Co-operative (DFMC) became aware of the results of the tender for the Woolworths Private Label milk supply contract. National Foods, who are supplied by DFMC, retained the Woolworths Private Label contract in Victoria and South Australia however they have been unsuccessful in securing the contract in New South Wales (NSW).

DFMC Chairman, Ian Zandstra, said the Woolworths decision to award the future contract to Parmalat was of concern to DFMC as a high percentage of the milk produced by DFMC members is currently utilised by National Foods to supply Woolworths' private label milk products.

DFMC recently negotiated with National Foods for contracted milk needs in NSW for 2011/12 of 333 million litres, but this was dependent on National Foods securing the Woolworths private label contract.

"DFMC farmer suppliers in NSW currently produce over 370 million litres of white milk per annum. This announcement now means DFMC suppliers have a secure home for only 268 million litres and we are now reliant on the two processors, National Foods and Parmalat, coming together to ensure the milk needed to fulfil the Woolworths contract is acquired from within NSW," said Mr Zandstra.

"Parmalat does not have the supply volume in NSW to service this contract and we look forward to working with them to ensure the viability of DFMC farmers and to support a sustainable national dairy industry.

"For DFMC suppliers in NSW, we are not in a position to inform them what their individual contract volumes are for the 2011/12 season until National Foods and Parmalat come together to negotiate terms for the possible transfer of milk volumes to Parmalat to meet the Woolworths contract.

"We have enjoyed some constructive preliminary discussions with Parmalat and we are confident DFMC milk will find its way into Parmalat processing facilities. The last thing the dairy industry wants to see is a situation where Woolworths' milk products in NSW are supplied by milk sourced from outside of the state when we know that there is sufficient milk in NSW to fulfil the contract.

"The farming community has seen recently with the growth of supermarket private label milk and the unsustainable retail pricing of milk at \$1 per litre how they are exposed to retailer activity and decisions," said Mr Zandstra.

"There is great concern among dairy farmers that this switching of retailer contracts will lead to a major reduction in farmer contracts, as happened in Queensland recently. Such an outcome would be very detrimental to the dairy industry and would also create alarm among NSW consumers who we know want to continue to be able to buy milk produced by local farmers."

DFMC represents 1,820 farmer members from 780 dairy farms that produce one billion litres of milk per annum. Since the sale of the Dairy Farmers business to National Foods in 2008, DFMC has supplied its milk to National Foods.

“We will do everything possible to work with all parties associated with the Woolworths contract to ensure that our NSW suppliers, who produce 370 million litres of milk per annum, get the best commercial deal and stay relevant and viable in the dairy industry,” said Mr Zandstra.

“On behalf of our members we have had discussions with Woolworths, National Foods and Parmalat about these supply arrangements and we are sure wise heads will prevail to ensure we have a home for all of our milk associated with the private label contract.”

For more information contact:

*Greg Griffith
Executive Officer
0458 487 228*

greg.griffith@dfmc.org.au

*Ian Zandstra
Chairman
0400 100 852*

ian.zandstra@dfmc.org.au

Dairy Farmers Milk Co-operative (DFMC) represents 1,820 members from 780 dairy farms in New South Wales, Victoria, Queensland and South Australia. DFMC is a true farmer Co-operative that for more than a century has worked to maximise the value of the milk produced by its members. Collectively, DFMC members produce over one billion litres of milk per annum and DFMC is the largest single supplier to the Australian fresh dairy market.