



**Dairy Farmers Milk Cooperative**

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## **MEDIA RELEASE**

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### **Changes in Woolworths milk supply arrangements threaten NSW farmgate prices**

Today, Dairy Farmers Milk Co-operative has written to its 320 farmer members in New South Wales (NSW) advising them to be careful in assessing any new contract offers from Parmalat to supply the company with milk in order to fill the Woolworths private label contract.

Parmalat recently won the contract to supply Woolworths' house brand products. This contract was previously held by Lion (formerly National Foods), which sourced more than 100 million litres of milk from DFMC members to supply Woolworths.

DFMC Chairman, Mr Ian Zandstra, said DFMC had been hopeful Parmalat would come to an agreement with Lion to continue to source milk through the Co-operative, but the negotiations between Lion and Parmalat had ended in a stalemate.

"Parmalat will now be out in the market trying to convince NSW dairy farmers to supply them directly without the support and assurance of working through a Co-operative. Parmalat's move creates uncertainty in the NSW dairy industry around the right contract terms and price for milk supplied to the local consumer market," said Mr Zandstra.

"DFMC's has serious concern that Parmalat's decision to abandon the Co-operative based supply and pricing arrangements will result in a reduction in farmer revenue in NSW. This risk is heightened by the continuation of the \$1 per litre retail price point that is being maintained by the major supermarkets, which is putting downward pressure on processor and farmer returns.

"NSW farmers must realise what the market value is for their high quality milk is in this State. The current DFMC Tier 1 price is \$6.65 per kilogram of milk solids, or around 47 cents per litre plus additional incentives which average 4 cpl. This should be the minimum any NSW farmer should require of Parmalat.

DFMC represents 320 dairy farmers in NSW who produce over 360 million litres of milk annually. Nationally, DFMC represents 780 dairy farms producing one billion litres of milk per annum. Through its relationship with Lion, DFMC is the largest single supplier to the Australian consumer dairy market.

DFMC Directors and Executive will be holding supplier meeting in NSW in the coming weeks in order to provide members of the Co-operative with a clear understanding of the value of their milk and the options available to them.

"We urge any DFMC member who is approached by Parmalat to first contact their DFMC Regional Manager or local Director to discuss their options prior to making any major supply decision," said Mr Zandstra.

"We have done everything possible and will continue to do everything possible to work with all parties associated with the Woolworths contract to ensure our suppliers receive a fair and competitive price for their milk" said Mr Zandstra.

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*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.*