

The Hon Robert Brown MLC
Committee Chair
Portfolio Committee No 5 - Industry and Transport
Parliament House
Macquarie Street NSW 2000

5 December 2018

Dear Committee Chair

Thank you for your letter of 28 November 2018 following Woolworths' appearance before Portfolio Committee No. 5's public hearing for its inquiry into the dairy industry in New South Wales. In addition, Ms Rebecca Main's email of the same day has sought a response to questions taken on notice during our appearance before the Committee on 26 November.

Regarding provision of our contract of supply with Parmalat, given the confidentiality provisions and commercial sensitivities involved, we respectfully decline the opportunity to provide a current contract. We note that section 6 of the ACCC report on the Dairy Industry covered the relationship between supermarkets, processors and farmers, and believe that this, rather than one individual agreement, provides a comprehensive overview of supply chain profit analysis in that part of the dairy industry.

Regarding answers to questions taken on notice, we offer the following responses:

What is Woolworths' share of total fresh milk sales in New South Wales?

Woolworths represents approximately 46.5% of retail milk sales in NSW. For clarity, this is a sales \$ market share % for the white milk category as defined by IRI Australia. Accordingly, it covers all products in the fresh white milk category for the following retailers: Woolworths, Coles, IGA and estimated sales for ALDI. Note that this market share number does not include independent small retailers, cafes or any other food service businesses outside the retailers stated above.

Is Woolworths open to expanding its Farmers Own arrangements / direct arrangements with farmers?

Farmers' Own currently represents 5.2% of the category in retail sales. We value the differentiation in the marketplace that this model offers us and maintaining a presence of Farmers' Own in all states is part of our future plans.

Woolworths is open to expanding Farmers' Own arrangements. To do so in a meaningful fashion, however, would of course require consumer demand for the Farmers' Own milk to continue to grow. Expansion is also not without its complexities - including further developing our existing business model to recruit and manage a larger number of farmer relationships (with related resourcing requirements) as well as managing other related commercial risks. All such considerations remain under active consideration by Woolworths.



How many litres would a farmer be providing on a monthly basis who is receiving the minimum \$1,000 monthly payment under our current Drought Relief Milk levy?

QLD	27 Farms (Volume range 3,171 Litres to 29,641 Litres)
NSW	5 Farms (Volume range 3,390 Litres to 29,450 Litres)
VIC	4 Farms (Volume range 22,931 Litres to 28,055 Litres)

Yours sincerely

Christian D. Bennett
Group Head - Government Relations and Industry Affairs