

PETERS AND BROWNES GROUP, MILK PRICE RISE

1106. Hon MURRAY CRIDDLE to the Minister for Agriculture, Forestry and Fisheries:

Is it true that Peters and Brownes Group is seeking a retail price rise of 5c a litre in the price of milk and is intending to pass on only 0.5c to the producer? What is the Government's attitude to this?

Hon KIM CHANCE replied:

I thank the member for some notice of this question. I did anticipate the question and we have been able to obtain limited information on the issue. Media reports appeared today confirming that those were the broad dynamics. I was a little shocked when I heard the reports, but I thought I should first check the facts with Peters and Brownes and, anticipating that we would get a question today, try to get them into some form so I could advise other honourable members who I know will be interested. The advice we have from Peters and Brownes, even though it is fairly limited and has come to hand recently, is that the reports are generally accurate. Peters and Brownes is seeking an increase of around 5c a litre at the retail end and are proposing to pass on only 0.5c to producers.

Hon Dee Margetts: Shame!

Hon KIM CHANCE: Indeed. However, I will go through how the 5c is proposed to be broken up. It is proposed that the first 1.5c go to an increased retail margin; that is, to the supermarkets. The next 1.5c to 2c a litre will be retained by Peters and Brownes to compensate for lost markets as a result of the price rise, or at least to compensate for lost markets for whatever reason but it could be argued that it is for the price rise. The next 1.5c will go to growers; however, because that 1.5c will be spread over Peters and Brownes' buying system, which is whole of production - it does not simply buy liquid milk; it has one price for the whole of production, which is something I thoroughly support, so all of the group's less profitable lines of the milk are paid for at the one price - that means that with a proportion of Peters and Brownes' contract that is sold as liquid milk being roughly 33 per cent, the return to growers will be 0.5c a litre on all milk supplied, whether for liquid milk or other purposes. I welcome Peters and Brownes' initiative in this matter, but my office has had only a limited opportunity to discuss the announcement with the company. Although I welcome the direction of the company's change, because this is something I have been speaking to processors and the major retailers about for some time, and this is broadly in line with what I was seeking, although I was seeking the whole of the 5c to be passed on to growers, I have great reservation about, firstly, the proposal to lift the retail margin because that increase in retail margin, however justified it may have been, has already been taken post-deregulation and I cannot see how supermarkets can justify charging another 1.5c; and, secondly, the question of the necessity for Peters and Brownes to compensate for its lost markets might or might not be acceptable, but it cannot be acceptable in the long run, because for everyone who has lost markets, somebody must have picked up markets, and across the board there should be no adjustment for that factor at all. That is something I hope to speak to Peters and Brownes about.

One of the other issues that has arisen in this context is the huge disparity in the retail price now between Western Australia and the eastern States where milk is much more expensive. That is something I am discussing with the Department of Agriculture now, with a view to raising that issue with the Australian Competition and Consumer Commission.