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## **MEDIA RELEASE**

### **National Foods retains Woolworths private label milk contract in all states except Queensland and ACT**

Woolworths has awarded its private label milk supply contract for the year beginning 3 September 2010 to National Foods in all states except Queensland and 29 stores in the ACT region.

General Manager Milk Sourcing and Inbound Logistics, Murray Jeffrey, said, "Whilst we are pleased to retain around 75% of the Woolworths Private Label milk business, we are disappointed with the outcome and implications for Queensland and the ACT region. This will have major implications for Queensland dairy farmers currently supplying National Foods.

"This decision means the amount of milk we have a market for in Queensland reduces by more than 25% and in south-east Queensland that figure is around 33%.

"We will continue to buy all the milk our suppliers want to sell us, but as new contracts are agreed, there will be a reduced volume for which we can offer the higher farmgate price for market milk. A greater percentage of the milk we buy will attract the lower 'break-even' price for surplus milk that is sold to another processor, usually for conversion to milk powder."

National Foods will cushion the impact on suppliers to some extent by not renewing its agreement to buy some milk from another processor when that contract expires in September 2010.

"We believed we submitted a competitive tender and Woolworths has made a commercial decision," Mr Jeffrey said.

"In negotiations with customers and suppliers, we always look for outcomes that we think will be sustainable over the long term for everyone in the supply chain and we now have to work through this issue with our suppliers."

#### **For more information:**

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