

Media Release

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Coles Supports More Dairy Farmers with Direct Purchasing Contracts

Coles to buy milk direct from farmers for Coles Brand cheese; follows direct sourcing for Coles Brand milk

Coles is recruiting more dairy farmers from Victoria, the south east corner of South Australia and the Riverina in NSW to supply milk for the production of Coles Brand Australian cheese, offering transparent farmgate contracts of up to three years to provide farmers with greater confidence over their future income.

Coles launched its direct sourcing model in Victoria and Southern and Central New South Wales in 2019, contracting directly with local farmers to supply milk for Coles Brand fresh white milk in those markets and offering a competitive farmgate milk price.

Under the direct sourcing model, Coles offers a farmgate price directly to farmers, and pays dairy processors to process the milk under a toll processing agreement.

The model was rolled out in South Australia and Western Australia in 2020, with all Coles Brand fresh white milk in both markets now coming from directly-contracted farmers within their respective states.

Coles Brand Australian cheese is made using 100% Australian milk, and is currently sourced from dairy processors who purchase milk from farmers, under contracts that allow the processor rather than Coles to set the farmgate price.

Under the new sourcing model, Coles will offer a farmgate price directly to farmers, and pay Saputo to make Coles Brand cheese at its two Victorian facilities from the milk supplied by Coles under a toll processing agreement.

Coles has similar toll processing arrangements in place for Coles Brand milk sourced directly from farmers in Victoria, Southern and Central NSW, SA and WA, and is in the process of putting a similar structure in place in Tasmania.

Dairy farmers supplying direct to Coles can decide between one, two or three-year contracts, with transparent pricing, providing them with greater confidence over their income so that they can plan for the future.

Dairy farmer Peter Delahunty from Alvie in Western Victoria said that his three-year supply contract with Coles, signed in July 2020, was a game-changer for his dairy farm.

"Having direct access to the Coles Dairy Team was important to my business as it gives true meaning to 'working as a team'," he said.

"The financial certainty of a three-year price and the day-to-day support of my farm has been the best I have experienced in my 46-year farming career."

Charlotte Rhodes, Coles General Manager for Dairy, said the success of direct sourcing for Coles Brand milk and positive feedback from dairy farmers had prompted the expansion of the model to Coles Brand Australian cheese.

“Every time we have been to market looking to buy milk directly from farmers the response has been very positive, and we really value the relationships we have been able to build with our dairy farmer suppliers,” she said.

“We currently have over 60 Australian dairy farms supplying milk to Coles under direct contracting arrangements, and by sourcing directly for Coles Brand Cheese we expect to lift this number to around 100 Australian farms across the country supplying us with more than 400 million litres of milk every year.”

“Extending our direct-sourcing model is part of our commitment to investing in a sustainable future for the Australian dairy sector, and our farmers have told us that it has made a real difference for their businesses.”

In addition to creating a dedicated milk pool, Coles has established the Coles Sustainable Dairy Development Group, through which Coles invests directly in on-farm sustainability projects in consultation with dairy farmers.

Dairy farmers can find more information about Coles' direct sourcing model at www.milkdepartment.com.au/

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For further information, please contact

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