



## The Price of Milk

Lately there has been a great deal of controversy over the retail price of milk. Families with children have been particularly hit by what appears to be a rapid rise in the price of milk.

It has now become a political issue. Parliament's Commerce Select Committee is conducting an inquiry, and at the same time a group of inter-departmental officials are reviewing Fonterra's enabling legislation and the Raw Milk Regulations. Even the new CEO of Fonterra is bothered about the perception that the price of milk is too high, and has said that he would take a fresh look at the issue so as to make milk more affordable and available. In the year to the end of August 2011, the price of milk rose by 3.2% according to the Food Price Index of Statistics New Zealand.

Some 96 percent of milk is supplied by farmers to Fonterra, or to other milk processors under an arrangement with Fonterra. To ensure there is competition in the milk market, Fonterra is required by law to make milk available to other milk processors. Packaged milk is sold in a variety of brands owned by the milk processors, including Fonterra, and in brands owned by retailers such as supermarkets, who set the price to the consumer.

This makes the final price of a carton of milk somewhat less than transparent, and it is very difficult for the consumer to unravel the factors behind any increases in the price of milk at any one time. Fonterra adjusts their prices so that the return to the farmer is the same irrespective of where the milk ends up, so that export prices for dairy products have the potential to significantly influence milk prices in New Zealand. Furthermore, competition at retail level, where prices can vary substantially from one day to another, also makes it difficult for the consumer to determine who to blame for increases in the milk prices.

Research New Zealand decided to find out who or what in particular gets blamed for the increase in milk prices. Two questions were asked: Do you personally believe that the price you pay for milk is fair; and what are the main factors behind the rise in milk prices.

### **Most people believe the price of milk is not fair**

Some 32 percent believe the price they pay for milk is fair; males more so than females (35 percent as against 29 percent). Conversely, 61 percent of the sample believe that the price is not fair (57 percent of males as against 65 percent of females).

Those in the age group 35–54 year are more likely to regard the price of milk as not being fair, at 66 percent compared to the sample as a whole at 61 percent. This is undoubtedly related to the fact this is the age group that is most likely to have dependent children.



There are no major differences by ethnic groups or region. However, those earning less than \$40,000 per year are more likely than the other income groups to consider that the price they pay for milk is not fair, at 68 percent, compared to 53 percent of those earning \$80,000 or more per year.

However, when considered in terms of the number of persons living in the household, and whether there are children under 16 in the household, the picture is even clearer. Where there are three or more persons in the household, 69 percent believe the price is not fair, and in the case of households with children under 16 year of age, some 70 percent believe the price is not fair.

### **Opinions about the reason for the price increase vary**

When it comes to the reasons for the price increases, some 46 percent of the sample blamed the prices charged by Fonterra. A similar proportion blamed the price increases on the rising prices for milk products in the international market place. Some 35 percent blamed them on the profit made by supermarkets on milk sales, and 31 percent blamed them on lack of competition between the supermarket chains.

Females were more likely than males to blame the price rises on Fonterra, at 50 percent, compared with 43 percent of males. Males were more likely, at 51 percent, to blame them on the rising prices of milk products in the international market place than were women, at 41 percent. Women were also less likely than men to blame lack of competition between the supermarket chains for the price rises (27 percent as against 34 percent).

Those in the age group 55 years were more likely than others to blame the prices increases on the profits made by the supermarkets on milk sales, at 43 percent compared with the 35 percent of the sample as a whole.

There were no notable differences between the ethnic groups.

When considering the regions, the main difference was that a higher proportion of respondents in the Lower/Central North Island, 58 percent, felt the rising prices of milk products in the international market place were to blame, compared with 46 percent for the sample as a whole. Those earning \$80,000 or more per year were also more likely, at 54 percent, to blame the rising prices of milk products in the international market place, than were respondents earning less.

When it comes to size of households and the presence of children under 16, we found that a higher proportion blamed Fonterra (51 percent and 50 percent respectively), compared with 46 percent for the sample as a whole.

“These are the perceptions of the public”, said Research New Zealand Director Emanuel Kalafatelis. “It will be interesting to see what conclusions the various inquiries arrive at.”



*The Research New Zealand poll of 500 people aged 18 and over was conducted by telephone on 4–10 October 2011. The maximum margin of error for the sample as a whole is +/- 4.8 % (at the 95% confidence level). The data has been weighted to ensure it is an accurate representation of New Zealand's general population. The poll was not taken on behalf of any organization, but as part of Research New Zealand's monthly survey of attitudes and opinions.*

**Contact:** Emanuel Kalafatelis  
Director  
Research New Zealand Limited  
P O Box 10-617  
Wellington 6143  
Ph. 04-462-6401 (DDI); 027-500-4401 (M)



**Table 1:**

*Q5d. The price of milk has been going up. A number of factors have been blamed for this. Do you personally believe that the price you pay for milk is fair?*

	Total	Male	Female
Base =	500	250	250
	%	%	%
Yes	32	35	29
No	61	57	65
Don't know	7	8	5
Refused	1	1	1
Total	100	100	100

Total may not sum to 100% due to rounding.

**Table 2:**

*Q5d. The price of milk has been going up. A number of factors have been blamed for this. Do you personally believe that the price you pay for milk is fair?*

	Total	18-34 years	35 to 54 years	55 years and over
Base =	500	90	161	249
	%	%	%	%
Yes	32	30	27	39
No	61	61	66	55
Don't know	7	8	6	6
Refused	1	1	1	0
Total	100	100	100	100

Total may not sum to 100% due to rounding.

**Table 3:**

*Q5d. The price of milk has been going up. A number of factors have been blamed for this. Do you personally believe that the price you pay for milk is fair?*

	Total	NZ European/ Pakeha	Maori/Pacific	Other
Base =	500	368	53	79
	%	%	%	%
Yes	32	32	31	31
No	61	61	66	55
Don't know	7	6	0	14
Refused	1	1	3	0
Total	100	100	100	100

Total may not sum to 100% due to rounding.



**Table 4:**

*Q5d. The price of milk has been going up. A number of factors have been blamed for this. Do you personally believe that the price you pay for milk is fair?*

Base =	Total 500 %	Lower/Central North		
		Upper North Island 211 %	Island 88 %	South Island 201 %
Yes	32	31	34	31
No	61	60	58	63
Don't know	7	9	6	5
Refused	1	0	2	1
Total	100	100	100	100

Total may not sum to 100% due to rounding.

**Table 5:**

*Q5d. The price of milk has been going up. A number of factors have been blamed for this. Do you personally believe that the price you pay for milk is fair?*

Base =	Total 500 %	Income			
		Under \$40,000 189 %	At least \$40,000 but less than \$80,000 140 %	\$80,000 or more 127 %	Don't know/refused 44 %
Yes	32	24	33	38	41
No	61	68	62	53	50
Don't know	7	8	4	8	3
Refused	1	0	1	0	6
Total	100	100	100	100	100

Total may not sum to 100% due to rounding.

**Table 6:**

*Q5d. The price of milk has been going up. A number of factors have been blamed for this. Do you personally believe that the price you pay for milk is fair?*

Base =	Total 500 %	No. of persons in HH		Children under 16 years	
		1 - 2 285 %	3 or more 213 %	Yes 157 %	No 264 %
Yes	32	42	23	23	37
No	61	52	69	70	56
Don't know	7	6	8	7	6
Refused	1	1	1	1	1
Total	100	100	100	100	100

Total may not sum to 100% due to rounding.



**Table 7:**

*Q5e. Which of these do you believe are the main factors behind the rise in milk prices?*

	Total	Male	Female
Base =	500	250	250
	%	%	%
The prices charged for milk by Fonterra	46	43	50
The profit made by supermarkets on milk sales	35	38	33
The rising prices of milk products in the international market place	46	51	41
Lack of competition between the supermarket chains	31	34	27
Something else	4	3	5
Don't know	3	2	4

Total may exceed 100% because of multiple response.

**Table 8:**

*Q5e. Which of these do you believe are the main factors behind the rise in milk prices?*

	Total	18-34 years	35 to 54 years	55 years and over
Base =	500	90	161	249
	%	%	%	%
The prices charged for milk by Fonterra	46	42	49	46
The profit made by supermarkets on milk sales	35	27	36	43
The rising prices of milk products in the international market place	46	36	53	45
Lack of competition between the supermarket chains	31	33	29	31
Something else	4	7	3	3
Don't know	3	2	2	4

Total may exceed 100% because of multiple response.



**Table 9:**

*Q5e. Which of these do you believe are the main factors behind the rise in milk prices?*

	Total	NZ European/ Pakeha	Maori/Pacific	Other
Base =	500	368	53	79
	%	%	%	%
The prices charged for milk by Fonterra	46	45	52	48
The profit made by supermarkets on milk sales	35	35	35	36
The rising prices of milk products in the international market place	46	48	35	44
Lack of competition between the supermarket chains	31	26	39	47
Something else	4	3	7	5
Don't know	3	2	6	1

Total may exceed 100% because of multiple response.

**Table 10:**

*Q5e. Which of these do you believe are the main factors behind the rise in milk prices?*

	Total	Upper North Island	Lower/Centr al North Island	South Island
Base =	500	211	88	201
	%	%	%	%
The prices charged for milk by Fonterra	46	45	42	49
The profit made by supermarkets on milk sales	35	33	37	38
The rising prices of milk products in the international market place	46	39	58	48
Lack of competition between the supermarket chains	31	30	29	32
Something else	4	4	4	4
Don't know	3	3	2	3

Total may exceed 100% because of multiple response.



**Table 11:**

*Q5e. Which of these do you believe are the main factors behind the rise in milk prices?*

	Total	Under \$40,000	At least \$40,000 but less than \$80,000	\$80,000 or more	Don't know/refused
Base =	500	189	140	127	44
	%	%	%	%	%
The prices charged for milk by Fonterra	46	50	49	41	41
The profit made by supermarkets on milk sales	35	28	41	36	49
The rising prices of milk products in the international market place	46	41	46	54	40
Lack of competition between the supermarket chains	31	29	32	31	29
Something else	4	3	3	4	10
Don't know	3	6	2	1	0

Total may exceed 100% because of multiple response.

**Table 12:**

*Q5e. Which of these do you believe are the main factors behind the rise in milk prices?*

	Total	No. of persons in HH		Children under 16 years	
		1 - 2	3 or more	Yes	No
Base =	500	285	213	157	264
	%	%	%	%	%
The prices charged for milk by Fonterra	46	41	51	50	44
The profit made by supermarkets on milk sales	35	38	33	33	37
The rising prices of milk products in the international market place	46	46	45	43	49
Lack of competition between the supermarket chains	31	30	31	33	31
Something else	4	5	3	3	4
Don't know	3	3	3	4	2

Total may exceed 100% because of multiple response.

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