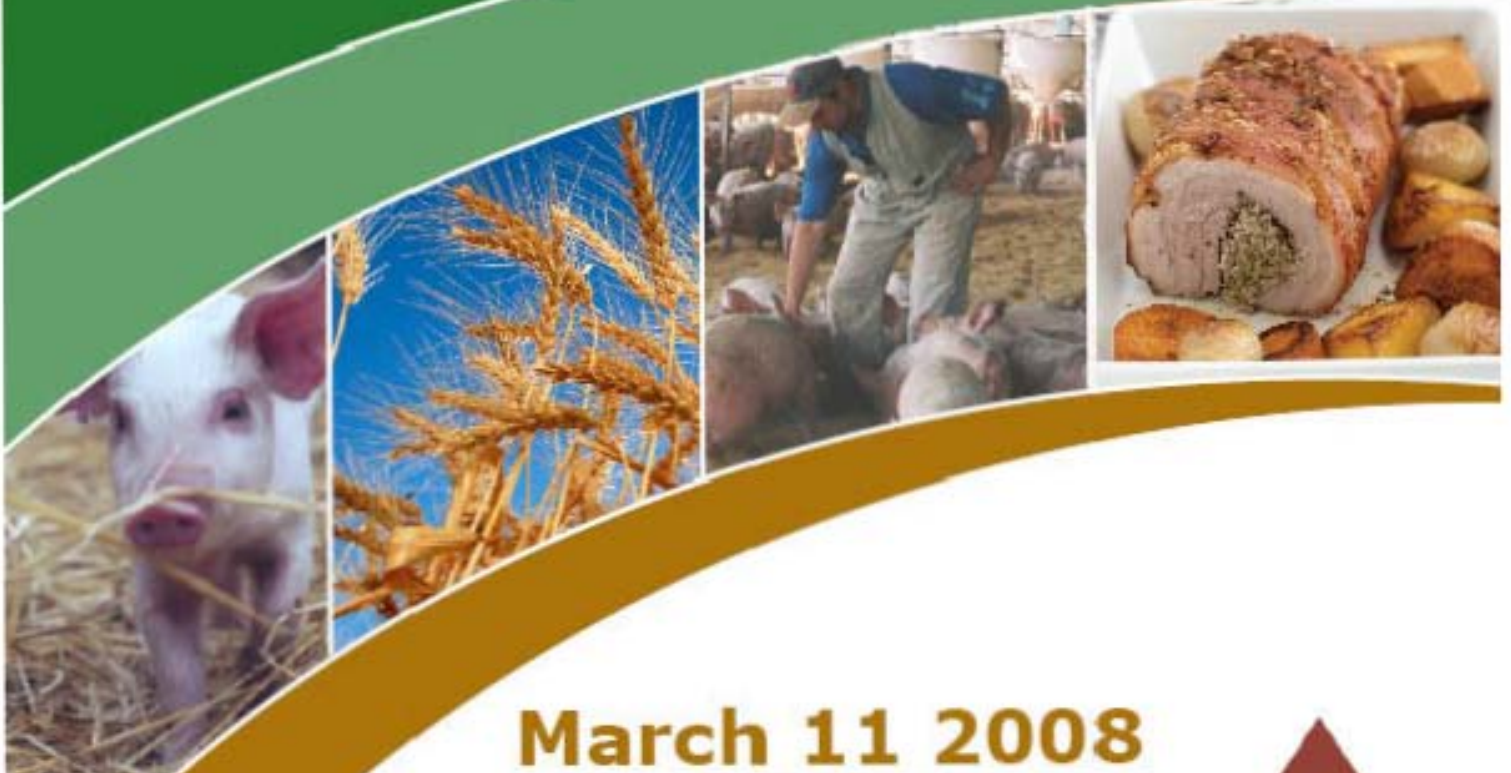


# **AUSTRALIAN PORK LIMITED**

## **Public Submission to The Australian Competition and Consumer Commission (ACCC)**

### **Grocery Inquiry into the Competitiveness of Retail Prices for Standard Groceries**



**March 11 2008**



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## Preliminary Submission

11 March 2008

### **Outline to Australian Pork Limited – Submission into the ACCC Inquiry into the Competitiveness of Retail Prices for Standard Groceries**

Australian Pork Limited (APL) welcomes the opportunity for comment into the Australian Competition and Consumer Commission (ACCC) inquiry into the competitiveness of retail prices for standard groceries.

APL acknowledges that grocery pricing is complex. However, the ACCC has highlighted a dramatic rise in food prices in recent years compared with other developed countries when it announced the terms of its inquiry into the grocery industry. Certainly, to some extent the domination of the retail sector by two supermarkets chains will impact on pricing of food goods and their associated raw materials through their relative buying power. Pork producers have long complained that their prices are low and have in part attributed this to supermarket dominance.

The arguments, however, cannot be viewed so simplistically since grocery pricing is complex and factors such as producer risk management strategies, supply chain engagement, industry structure, drought and international developments all play a part and are interdependent.

Certainly over time the engagement by national retailers with sole producers, producer groups and vertically integrated producers have provided efficiency improvements in supply chain management, with some corresponding effect on quality and price.

Further emphasis on a strong, coordinated relationship from retailers and primary producers has encouraged efforts by retailers to protect their supply channels including increased pricing for some fresh food resulting from the drought.

There is a divergent market for fresh pork and processed pork leading to different pricing structures and different drivers. This impacts significantly on pricing.

In contrast to the fresh market, the domestic processed pork sector is unable to leverage sufficient market power. Uncompetitive pork processors unable to sustain cost pressure from retailers have encouraged processors to import cheaper pork inputs. The pork industry has suffered through retailer preference for loss leaders, in particular bacon, to generate store traffic and which in turn has built further pressure to import.

Current Country of Origin Labelling (CoOL) laws hinder consumers from identifying the imported product, enabling imports to take over the manufactured sector more readily. There are suspicions of mislabelled imported pork products being sold as Australian and APL believes that a review of law enforcement on this matter is needed, ensuring fair pricing and fair trading in the Australian meat market.

APL considers that without accurate and informative labelling, the integrity of transparency and fairness of pricing throughout the value chain is compromised.

Assuming margins hold steady, higher prices for producers will lead to higher consumer prices. For some commodities including pork, this will put pressure on sales or consumption if substitute proteins do not have similar price pressures.

APL encourages healthy levels of competition through the supply chain and retailers that enhance sustainable margins for pig producers and competitive pricing at the consumer level. The ACCC should also consider that pricing for both the fresh and processed pork are interdependent. The pricing of processed pork has significant impacts on producer profitability and the fresh pork market.

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