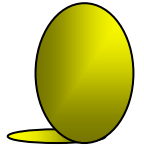


The Commercial Egg Producers' Association of Western Australia (Inc)

Affiliated with The Western Australian Farmers Federation



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11th March 2008

PUBLIC SUBMISSION TO THE ACCC GROCERY INQUIRY BY THE COMMERCIAL EGG PRODUCERS' ASSOCIATION OF WA ON 11th MARCH 2008

The major supermarket chains (MSC) dominate the purchasing of eggs in Western Australia taking nearly 80% of the States production. It is unclear as to what degree they compete against each other and whether the market is of sufficient size to sustain another MSC.

The advantage of vertical integration for the MSC is that there is more centralisation of buying products. The centralised nature of the MSC means any competition at a state level can be eliminated putting more pressure on the producer and less choice for the consumer. This is demonstrated when stores first open and a protracted period of below cost specials are run to remove local competition before prices are returned to normal.

The Association would like to commend the ACCC in undertaking periodic surveys of retail prices of groceries. It is important that a survey is undertaken from the farm gate to the retail level to show exactly where along the supply chain the price increases occur. There is little evidence to suggest that there are any cost savings flowing through the supply chain to the consumers. The producers and consumers are the two groups who are paying the high price of MSC existence and their monopolistic power.

Over the years the cost of producing eggs has risen together with the gap between the farm gate price and the consumer price widening. The industry has seen amalgamation and vertical integration between and within the supermarket chains. Mergers and acquisitions have meant that there is less competition amongst the wholesalers and retailers for the product. As a result, egg producers have become price takers and cannot set a proper margin for return on capital and are unable to sell their product elsewhere.

There have been numerous surveys undertaken that show WA consumers prefer to purchase WA produced goods such as eggs compared to those from the Eastern States. When major MSC stores purchase eggs on a national level, eggs from the Eastern States are placed on limited shelf space reducing customer ability to purchase eggs produced in WA.

The introduction of home brands has seen a reduction in producer returns. Increasing demand for lower priced home brand eggs paid to producers has seen a reduction in the purchase of branded product by consumers. The retail price gap between home brands and branded product seems to be excessive.

The cost of production and quality of eggs is the same for the home brand and branded market. Producers are unable to differentiate eggs into the two different categories. As such, producers cannot offset the lower price received for home branded eggs. The Association believes that this area needs attention for a sustainable egg producing industry.

It is important that there is an equitable and transparent tender process allowing a more realistic price for eggs paid along the supply chain.

Statistical information will be forthcoming in the next week.

Yours sincerely

JOHN SIMPSON
President