

**Public Submission
to
ACCC Grocery Inquiry**

By

Southern Sydney Retailers Association Ltd

Contact : Craig Kelly 0413 433 288

On

14th March 2008

**WHAT HAS HAPPENED TO THE PRICE OF EGGS
IN AUSTRALIAN SUPERMARKETS ???**

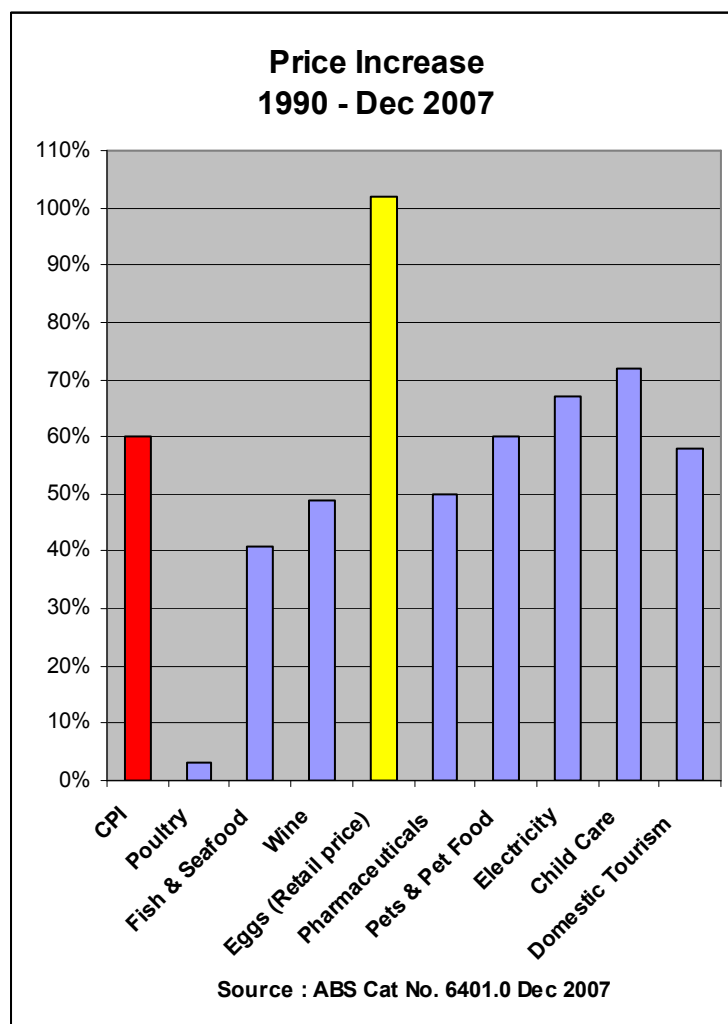


WHAT HAS HAPPENED TO THE PRICE OF EGGS AT SUPERMARKETS IN AUSTRALIA ??



“History shows, that while the claim of reducing prices to the consumer has always been advanced in defence of monopolistic interests, actually the reverse occurs. The price the producer receives (farmgate prices) continues to remain depressed while the prices to the consumers are often raised to an exorbitant degree.”

Wright Patman, US Congressmen 1936



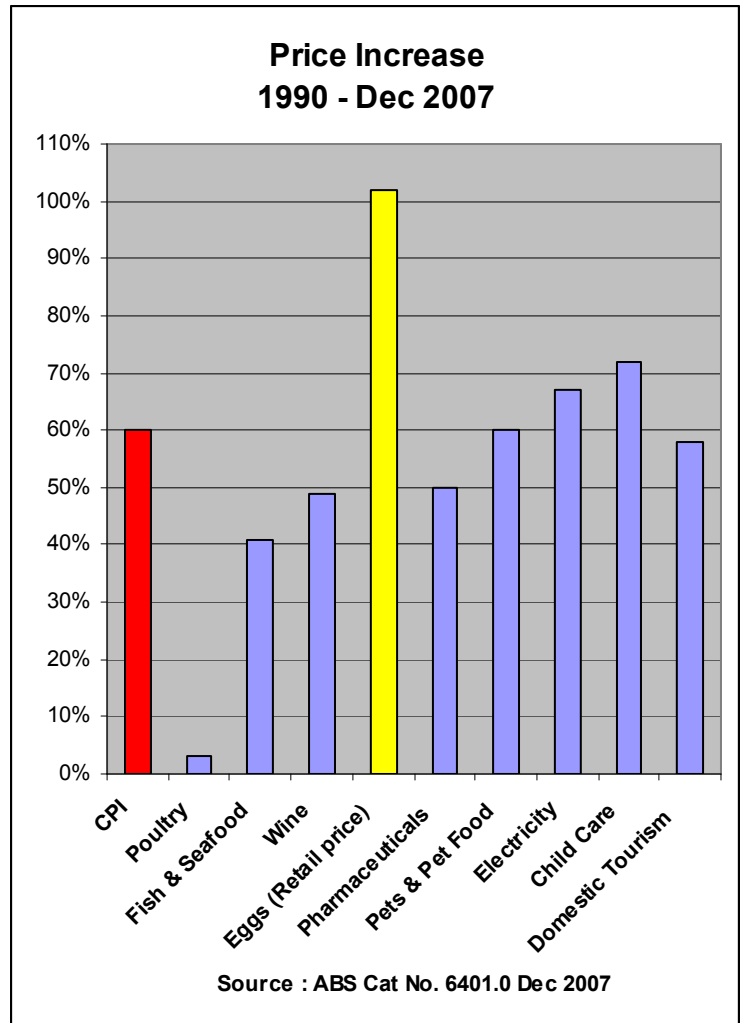
1. What has happened to the Retail Price of Eggs in Australia ??

Australian Bureau of Statistics (ABS) figures¹ show that between 1990 and 2007, the retail price eggs has increased **102%** - yet general inflation (CPI) has only increased **60%**

Further, in comparison to the **102%** increase in the retail price of eggs, other items that our supermarket giants Woolworths/Coles don't dominate (as yet) such as; Fish & Seafood, Pharmaceuticals, Electricity, Child Care & Domestic Tourism, have all had prices increases that are similar to the increase in the Consumer Price Index (CPI).

The increase in the retail price of eggs (a product line dominated by the supermarket giants) is for some reason totally out of alignment with increases in the prices of other items *not* dominated by the supermarket giants. Why ?

Who is the guilty culprit, responsible for punishing Australian consumers with these massive increases in the retail price of eggs, that is adding to inflation, and placing upward pressure on interest rates ?



A first simplistic consideration, is that the supermarket duopoly can't be blamed, as they are forever talking about "increasing efficiencies", "savings from volume buying", "rollback" and they claim to be lowering prices for consumers, in the world's most competitive retail market.

There are also claims that something called "project refresh" a scheme run Australia's largest supermarket chain, has delivered \$5.3 billion in savings which have been "passed on the consumer in lower prices".

Therefore if this is all true, and it is also true that "Australia has the most vigorously competitive food retailing market in the world" – how is it possible that the retail price of eggs has risen **102%** since 1990 – when the CPI as only increased **60%**. Something doesn't add up.

Given that there is little processing evolved in eggs between the farmer and the retailer, other than a quick wash and placing them into a box, for there to be such a huge discrepancy between the increases in the retail price of eggs and general inflation rate – there can only be two possibilities.

1. There has been a **huge** increase in the farmgate price of eggs (blame the drought ?) which has pushed up the supermarket price.
2. The supermarket giants have been engaged in one of the longest running hoodwinks in Australian history. Competition has collapsed in the retail sector, through the failure of the

¹ Source : ABS Cat No. 6401.01 (p20-22)

[http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/47D2F38DCCA27D81CA2573220017FFB7/\\$File/64010_jun%202007.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/47D2F38DCCA27D81CA2573220017FFB7/$File/64010_jun%202007.pdf)

Trade Practices Act and its administration – and consumers are being price gouged every time they buy a dozen eggs at the supermarket, which adds to inflation, placing upward pressure on interest rates.

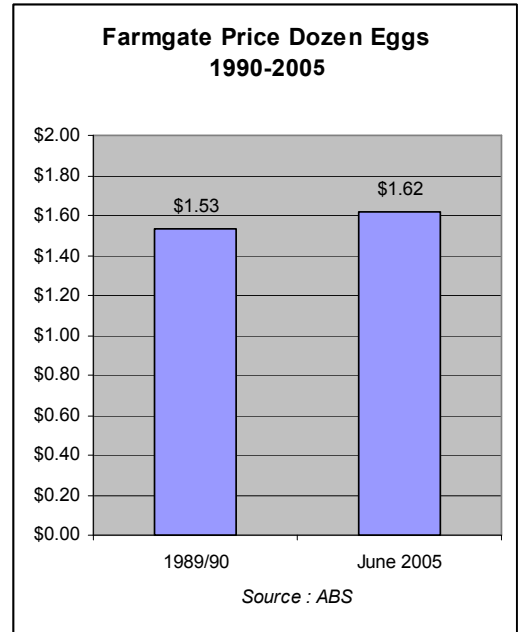
2. Increases in Farmgate prices for Eggs in Australia.

The only excuse the supermarket giants have is if there has been a **massive** increase in the farmgate price of eggs – otherwise the supermarket giants are guilty of price gouging consumers, and misleading the Australia public – and the Trade Practices Act and its administration has failed.

Fortunately, the Australian Bureau of the Statistics (ABS) publishes data on farmgate prices for eggs. In 1989/90 the ABS reported that the average farmgate price for a dozen eggs² was **\$1.53**

Fast-forward to June 2005 (the most recent ABS figures published on the farmgate prices for eggs³) – and the average farmgate price had increased just \$0.09 to **\$1.62** - an increase of on a miniscule **6%** for the farmer over a 15 year period – when the CPI has increased **48.4%** over the same period.

The ABS figures make it clear, there has been no massive increase in farmgate prices – to the contrary, that farmgate price of eggs has remained suppressed. Therefore, a competitive retail market should have delivered in retail prices increasing at less than the general inflation rate.



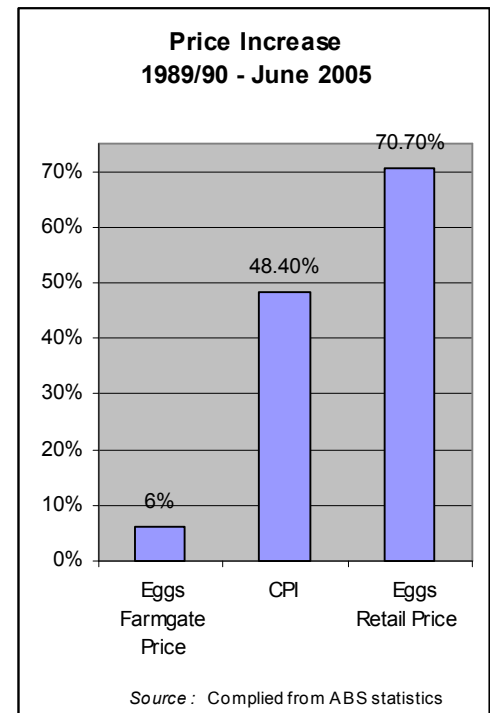
3. Increase in Retail Prices of Eggs 1990-2005

ABS figures also enable a comparison to be made with the changes in the retail prices of a dozen eggs over the same period of time.

While the farmgate price of a dozen eggs increased just **6%**, and the CPI has increased **48.4%** - the ABS figures record that the retail price of a dozen eggs has skyrocketed by an incredible **70.7%**. The only conclusion is that competition has collapsed. Both the Australian consumer and the Australia farmer are being duped.

Yet again, the true champion of free enterprise, Wright Patman has been proved correct.

“History shows, that while the claim of reducing prices to the consumer has always been advanced in defence of monopolistic interests, actually the reverse occurs. The price the producer receives (farmgate prices) continues to remain depressed while the prices to the consumers are often raised to an exorbitant degree”



² Source : ABS Cat No 7503 (1992-93) p 20

[http://www.ausstats.abs.gov.au/ausstats/free.nsf/0/0DB4F11F5018D893CA25722500073A26/\\$File/75030_9293.pdf](http://www.ausstats.abs.gov.au/ausstats/free.nsf/0/0DB4F11F5018D893CA25722500073A26/$File/75030_9293.pdf)

³ Source : ABS Cat No 7503 (2005)

[http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/758410C5AB68DCA9CA2571E6001C8F0F/\\$File/75030_2004-05.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/758410C5AB68DCA9CA2571E6001C8F0F/$File/75030_2004-05.pdf)

4. Eggs Prices - Worldwide Trend ??

In defence of Woolworths monopolistic interests, the Woolworths CEO Mr Luscombe has recently claimed that;

“rising grocery prices were part of a worldwide trend”⁴

Therefore, is the rising price of eggs at Australian supermarkets part of this “worldwide trend”, that Woolworths claim ?

Since 1990 and today - have supermarkets in comparable economies to Australia also experienced a **102%** increase in the retail price of eggs – or this unique to the world’s most concentrated supermarket sector (excluding North Korea) where just two giants are gatekeepers of the 80% of the nation’s supermarket shelves.

Has competition collapsed in Australia – punishing Australian consumers with a 102% increase in the price of eggs at the supermarket ??

Also, is the suppression of the price the Australian farmers receives for eggs, also part of a “worldwide trend” – or is the Australia farmer being driven into the dirt, a result of the failure of the Trade Practices Act and its administration ??

5. Comparison with Canada

Canada provides an opportunity to benchmark these trends in Australia, to determine if what is happening in Australia, is actually part of this “worldwide trend” (as the CEO of the company that sells the largest number of eggs in Australia proclaims) - or whether there is some fundamental problem with competition Australia, through the failure of the Trade Practices Act and its administration, to the detriment of **both** consumers and farmers ??



Canada is perhaps the most comparable nation to Australia to make a study of worldwide trends.

- Australia and Canada both share a common British heritage, with a Westminster parliamentary system. (although Canada has recently banned all political donations)
- Populations are similar (Australia 20 million v. Canada 31 million).
- Living Standards are similar (GDP purchasing power parity per capita⁵ - Australia US\$33,013 v Canada US \$35,280).
- We are of similar geographic size (Aus. 7.5million km² – Can. 10million km²) with a similar population distribution.
- Both countries are rich in mineral resources, and both currently enjoying the benefits of the minerals boom.
- Both Canada and Australia have recently recorded unemployment rates at 30 year lows.
- Both the Canadian and the Australian dollar have appreciated in value in comparison to the US\$ in recent years.

⁴ Source : <http://www.smartcompany.com.au/Free-Articles/The-Briefing/20080122-Grocery-inquiry-terms-of-reference-released.html>

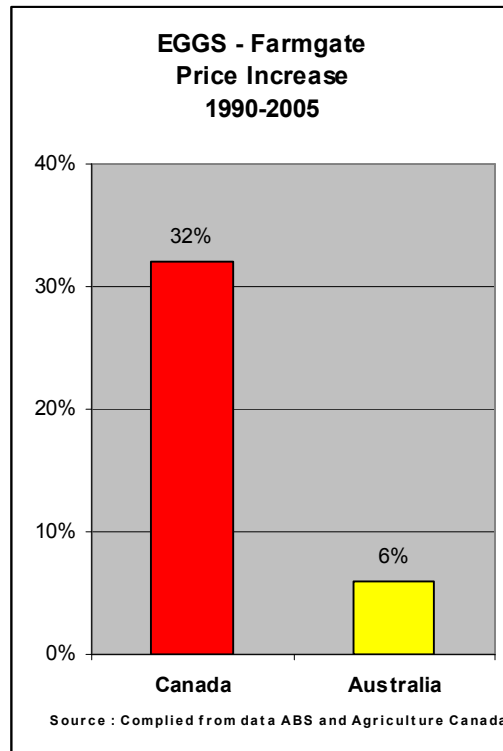
⁵ http://www.nationmaster.com/graph/eo_gdp_pur_pow_par_percap-purchasing-power-parity-per-capita

Therefore, if there is any truth in this “worldwide trend” - rising eggs prices should be at least similar in Canada as they are in Australia.

But the evidence is to the contrary – and its shocking, an appalling indictment of the Trade Practices Act and its administration for the last two decades.

Farmgate Price Increases for Eggs – Australia v Canada.

Between 1990 and 2005 in Canada the farmgate price of eggs in Canada has increased **32%** - compared to just **6%** in Australia. So it's a fact that Australian egg producers have been done over - while their Canadian farming cousins have received increases almost in line with inflation.

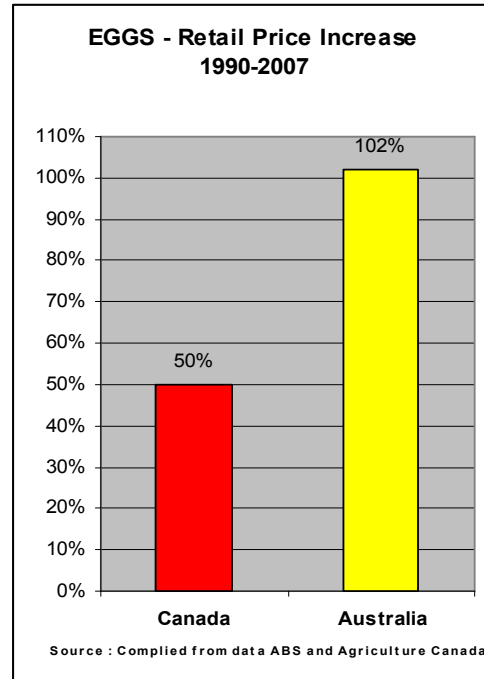
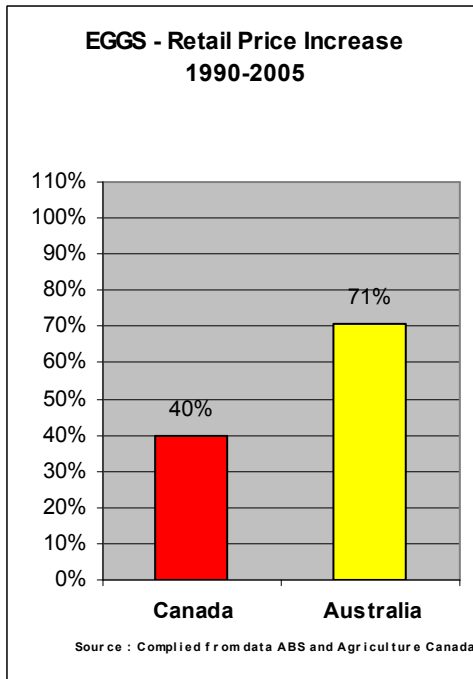


Therefore, a competitive retail market should have delivered lower supermarket prices to Australian consumers, than Canadian consumers.

If the farmgate price of eggs has increased 32% v 6% in Canada v Australia, it should be expected that the retail price in Canada would have risen much higher than it has in Australia – but it's the complete opposite.

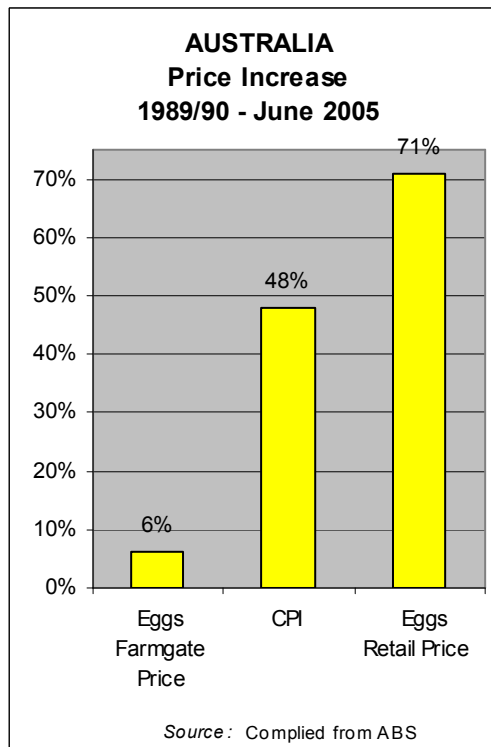
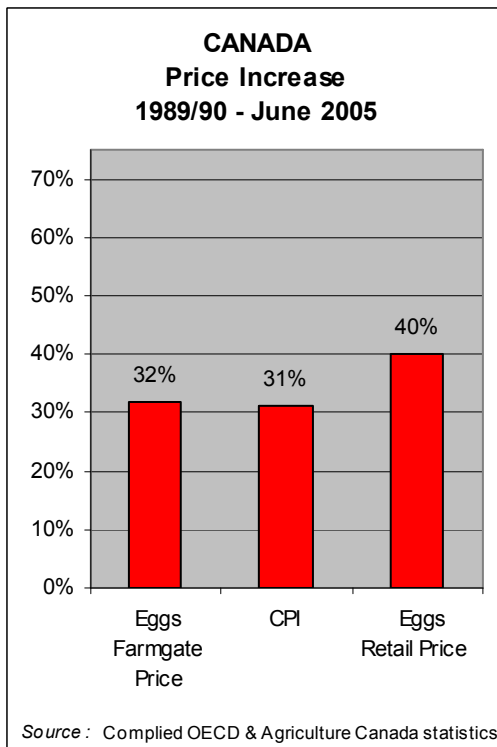
Retail Price Increases for Eggs – Australia v Canada

Since 1990 Canadian families, have not been slugged with massive price increases at the supermarket as Australian families have. And we are not talking just a few percentage points – since 1990, the increase in the retail price of eggs in Australia has been incredibly *more than double* the increase in Canada.



Therefore, claims of a “worldwide trend” of increasing supermarket prices, is a complete furphy, a hoodwink and a deception of the Australian public. Those involved with legislative setting of the Australian Trade Practices Act and its administration for the last two decades in Australia, should hang their heads in shame.

6. Something is dramatically wrong in Australia.



Clearly, something is dramatically and drastically wrong in Australia. Competition has collapsed.

As the Woolworths/Coles juggernaut rolls on, the evidence points under the weight of their market power, they are crushing both Australia consumers and farmers, adding to inflation and placing upward pressure on interest rates.

The Australian Trade Practices Act and its administration is in complete disarray, a situation that cannot be allowed to continue.

As inflation spirals upwards, the rising tide of market concentration in the Australian retail sector is now threatening to drown the entire economy.

Yet again, the true champion of free enterprise, Wright Patman has been proved correct.

“History shows, that while the claim of reducing prices to the consumer has always been advanced in defence of monopolistic interests, actually the reverse occurs. The price the producer receives (farmgate prices) continues to remain depressed while the prices to the consumers are often raised to an exorbitant degree.

7. What's Canada secret –??

How is it possible that Canada, while ensuring that its farmers are receiving a fair go, has also been able to keep retail prices in check for consumers, and still has a booming economy, and low interest rates (4%) - while in Australia, farmers are being driven into the dirt, and consumers face exploding prices at Woolworths/Coles, despite 12 back to back interest rate increases ?

What's different in Canada that could explain these massive discrepancies compared to Australia that are punishing both Australian families and also Australian farmers ??

What is Australia doing wrong ??

Does Canada have some magic bullet, or some secret recipe that keeps supermarket prices low, and therefore takes pressure of interest rates, while at same time providing a fair return for farmers, that Australia doesn't have ??

What does Canada do differently to Australia, that enables to Canada to protect consumers, farmers and competition – that keeps both inflation and interest rates low ??

And what can Australia learn from the true champion of free enterprise, Wright Patman ?

To be continued to in a supplementary submission.....