

Public Submission  
to  
ACCC Grocery Inquiry

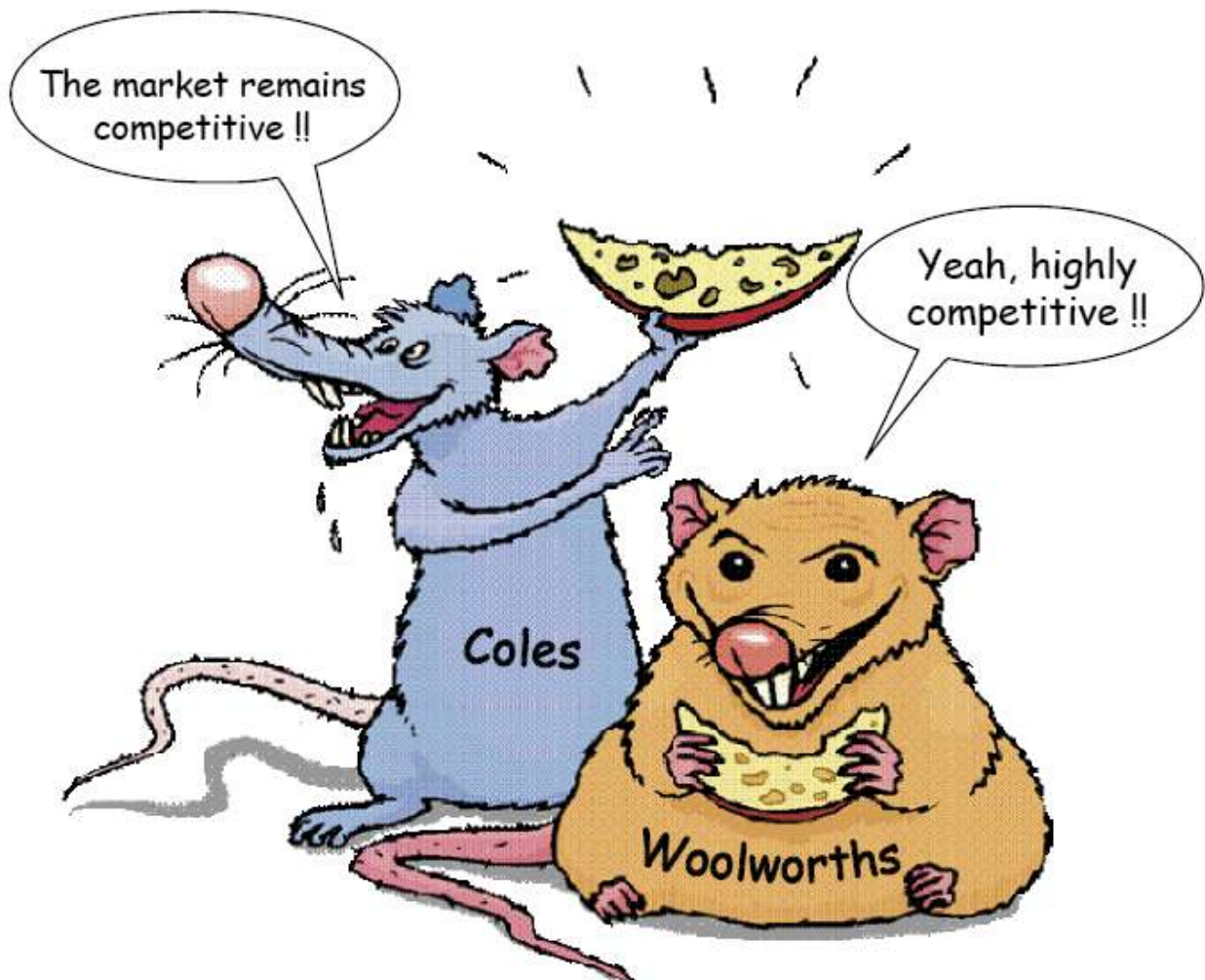
By

**Southern Sydney Retailers Association Ltd**

Contact : Craig Kelly 0413 433 288

28<sup>th</sup> April 2008

## WHO STOLE THE CHEESE ?



## The skyrocketing price of Cheese in Australia.

In the latest highly disturbing official inflation figures released by the Australian Bureau of Statistics (ABS), a standout item that requires further investigation is the skyrocketing price of Cheese which has surged in price by **15%** in the last 12 months alone.

Further, since the time of Sydney Olympics (March 2000) while the increase in the CPI has been 29%, Cheese prices have skyrocketed an amazing **58%**.

Clearly something is terribly wrong with the competitiveness of grocery market dominated by Woolworths/Coles if Australian consumers are being punished with huge price increases for everyday items such as Cheese.



## What about price increases for cheese in other Countries ?

However, there may be an excuse. Woolworths/Coles and their apologists may seek to excuse these horrendous price increases by blaming “international factors” for the pushing up the supermarket price of cheese in Australia.

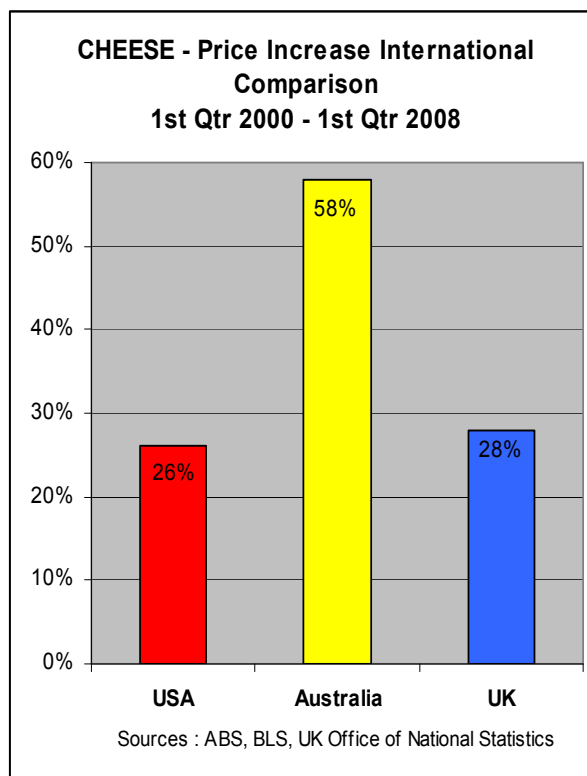
Now if there is any merit in Woolworths/Coles’ excuse, then surely other developed countries would have experienced similar increases in the price of Cheese that has occurred in Australia since the time of the Sydney Olympics, and if so, this would show there is no problem with competition in Australia.

Alternatively, if Cheese prices have increased substantially faster in Australia than in other countries, then Woolworths/Coles are engaged in a fraud upon the Australian public, the “cosy duopoly” has been exposed of price gouging consumers, and competition has collapsed.

Yet again the evidence is shocking.

In the United Kingdom, the UK Office of National Statistics shows that Cheese prices have increased **28%** since March 2000.

While in the USA, their national statistical agency, the Bureau of Labor Statistics (BLS) records that cheese prices have increased **26%** over the same period.



Why would prices increase **58%** in Australia, but only **26%** in the USA, and **28%** in the UK ? .Yet again the only conclusion is that competition had collapsed in Australia and that Trade Practices Act and its Administration is in complete disarray and Australian consumers are being price gouged on the price of cheese.

## Is there any further evidence that Woolworths or Coles are price gouging Australian Consumers on the Price of Cheese??

Since 2000, the price of Cheese has increased 29% higher than the CPI in Australia. And further, the evidence from the international comparisons shows that the prices for Cheese have surged at least **30%** higher than what a competitive market should have delivered.

However, despite this evidence being overwhelming and irrefutable, is there any other **further** evidence which demonstrates that Woolworths/Coles are exploiting the failure of the Trade Practices Act and its Administration by overcharging Australian consumers 30% on the price of Cheese ?

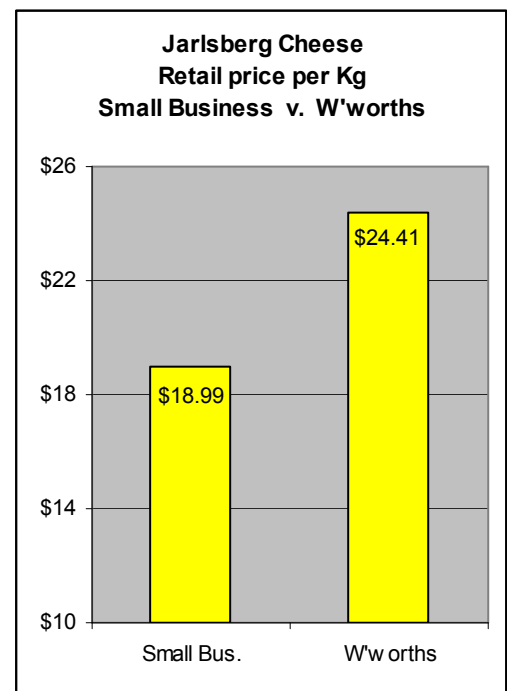
Before the release of the lasted shocking inflation data was released by the ABS, by co-incidence our Association was doing a price comparison on the popular 'Jarlsberg' cheese. On the 19<sup>th</sup> April 2008 we purchased a section this cheese from Woolworths. The following day we purchased the same Jarlsberg Cheese from a small local independent that operated **outside** of a major shopping centre.

The important parameter was that the independent be located outside a shopping centre, where they were unlikely to be victim of anti-competitive price discrimination in retail rents (where small business pay rents 1000% higher than Woolworths/Coles) that artificially handicaps small business, and throws up an umbrella of protection for Woolworths/Coles to hide behind.

The Jarlsberg Cheese purchased from Woolworths and the small independent, was produced by the same company, it was imported by the company, and came in the same packing. They were almost identical weights, and both were regular prices and not on 'special'

The small independent retailer with just one small shop was selling this at **\$18.99kg**.

But at Woolworths with their so-called 'economies of scale', and their promise of "low prices that I could count on everyday" - the price was **\$24.41kg** an incredible **29%** higher than the small independent, and almost exactly the same percentage that both international comparisons, and comparisons with the CPI indicate that Woolworths/Coles have inflated the price of cheese by, to exploit Australian consumers.

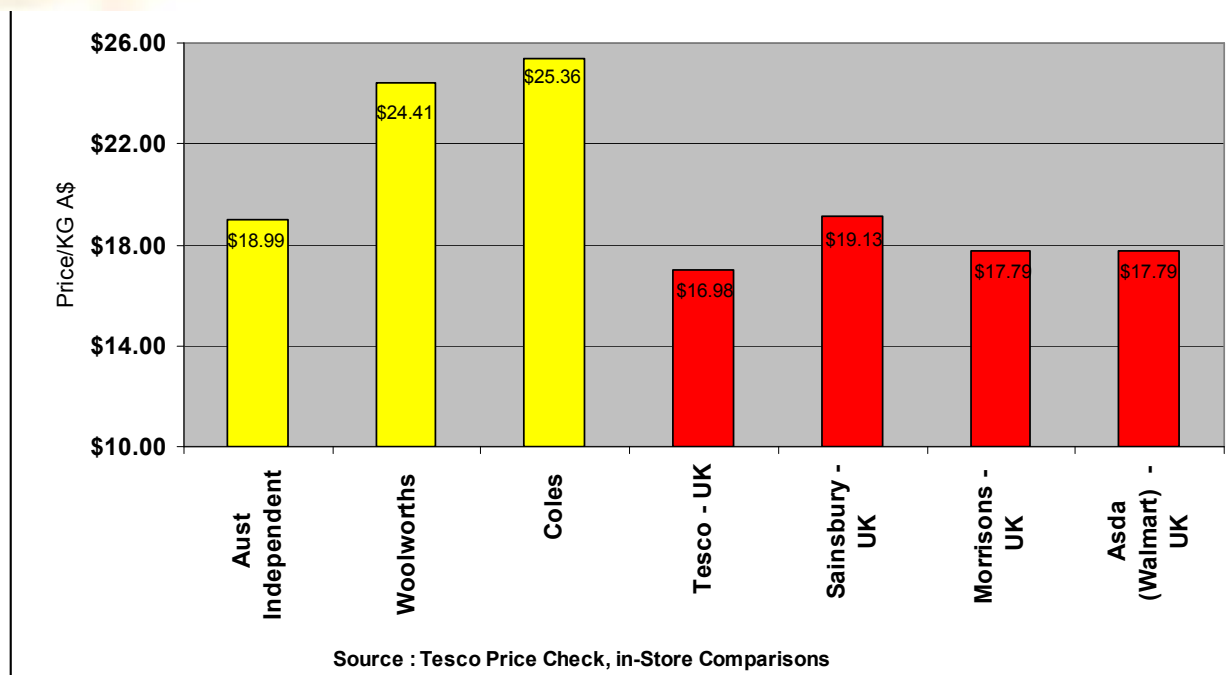


## What about the price of Jarlsberg Cheese in supermarkets worldwide<sup>1</sup> ?

The UK has some of the highest supermarket prices in the world<sup>2</sup>. Therefore, how do the prices of Jarlsberg Cheese compare between supermarkets in Australia and the UK ?



### Jarlsberg Cheese - International Price Comparison



In April 2008, Australian consumers were paying a **44%** higher price from Woolworth's in Sydney for Jarlsberg cheese, than British consumers were paying from Tesco in the UK.

At most, 10% of the higher price paid by Australians could be explained by the cost of the freight, (as the Jarlsberg cheese is made in Norway) but given a small independent in Australia could almost match prices of the giant UK supermarkets, this clearly shows that the higher prices that Woolworths & Coles are able to get away in Australia, is simply the result of the collapse of competition, and the failure of the Trade Practices Act and its administration.

Further, this example exposes the nonsense argument of the importance of "economies of scale" in grocery retailing. Certainly you can't operate a retail shop efficiently from a phone booth, but here we have a small business with just one shop in South West Sydney, slaughtering the bloated giants Woolworths/Coles and even matching it with the world's largest retailers in Wal-Mart and Tesco.

<sup>1</sup> Prices from UK supermarkets obtained from "Tesco Price Check" with prices collected by Tesco between 21<sup>st</sup> April and 23<sup>rd</sup> April 2008. Prices in English pounds converted to Australian dollars at A\$1.00 = £0.47.

<sup>2</sup> [http://ec.europa.eu/internal\\_market/economic-reports/docs/2002-05-price\\_en.pdf](http://ec.europa.eu/internal_market/economic-reports/docs/2002-05-price_en.pdf)

## So how much is being siphoned off from Australian consumer's pockets ?

We estimated that the annual expenditure on Cheese in Australia is around \$100 per person. That makes the market for cheese worth \$2 billion p.a.

Given the all evidence indicates that Australians are being overcharged 30% on the price of cheese as a result of the failure of the Trade Practices Act and its administration – we estimated that consumers being overcharged **\$400 million** annually for cheese.

## Conclusion – Whole Stole the Cheese ?

The fundamental claim, that the overly concentrated retail market in Australia dominated by Woolworths/Coles is disadvantageous to the consumer, that is to say to the community at large - has yet again been clearly demonstrated. The evidence is overwhelming and irrefutable.



Just like our previous submissions have clearly shown for; Milk, Bread, Beef, Eggs, Breakfast Cereals, Fish & Seafood, & now Cheese, everywhere the market has become over-concentrated where Woolworths/Coles have a combined market share of at least 50% - Australian consumers are the being done over, and done over big time.

Unless this inquiry has a pre-determined agenda to protect the vested interests of Woolworths/Coles and their camp followers, the only conclusion available to it, is to declare that Competition Law (the Trade Practices Act) has failed the Australian Consumer, and competition has collapsed. A complete re-write of the Trade Practices Act is required to ensure that Woolworths/Coles are no longer able to use their size to shield themselves from competition.

The sins of Woolworths/Coles, and their exploitation of Australian consumers are now so great, that clearly they cannot be allowed to continue in their current structure. The “Standard Oil option” – the undoing of the last 30 years of failed policy, by breaking up Woolworths & Coles into at least a dozen separate entities all forced to compete against each other, must now be considered to restore competition and to bring the current exploitation of Australian consumers to an end.