From: Glenn White [redacted]
Sent: Wednesday, 8 February 2017 12:35 PM
To: Dairy Inquiry
Subject: Supermarket Milk Prices

Sir/Madam, the ACCC has for many years now allowed Australia's Oligopolistic banking, insurance and grocery sectors to flourish in limited competition. Whilst this is part of the problem with milk pricing it is not necessarily all of the solution.

Loss Leading on staples is a legitimate strategy to improve market share for a retailer. The problem with Loss Leading in an Oligopoly is that nobody is willing to blink and give farmers any chance to stay in business. Supermarkets hate milk as a product because of the amount of shelf space it consumes and would probably rather they use their power to push milk production from fresh milk to UHT. They do not care that the long term consequence of sending marginal farmers broke is higher long term milk prices. Their margins in this scenario can be higher and the amount of refrigerated shelf space smaller as poorer consumers switch to UHT or stop buying milk.

Loss Leading used in this manner can be used to manipulate all staples and drive down costs for the Oligopoly and drive up profits for shareholders. Consumers do not benefit overall since the savings on milk are spent on other groceries. The size of the weekly shop remains largely as per original budget. If as a consequence Australian diets do not contain sufficient dairy product then the consequence could be a long term public health liability.

I would submit that it should be unlawful for any supermarket retailer to maintain a loss leading strategy on any consumer staple (definition required) for longer than two weeks per month and no more than 4 weeks per year.