

Thursday 3 November 2011

Senate report highlights consumer benefit of lower milk prices

Coles Managing Director, Ian McLeod, noted comments in the final Senate Inquiry report into supermarket pricing that “the benefits gained by consumers have not received sufficient attention in the debate about milk prices.”

“Coles has led retail prices lower on key grocery items in weekly shopping baskets which has helped Australians combat rising living costs without hurting Australian farmers,” Mr McLeod said.

“Coles has invested hundreds of millions of dollars in funding lower prices for our customers and in many cases paid food processors and farmers more to secure long term contracts for quality Australian product.

“Coles is committed to building long term sustainable relationships with Australian farmers and under our ‘Australia First’ Policy, Coles’ sources 100 per cent of our fresh milk, meat and bread and 96% of our fresh fruit and vegetables from Australian farmers. We only import when the product is not grown or produced in Australia.”

Coles notes key findings of the final Senate Inquiry report into milk discounting, including:

- In general price discounting is likely to be pro-competitive and of benefit to consumers. Provided it does not constitute predatory pricing, a retail price cut should not be discouraged. The January 2011 price cuts in a staple product is undoubtedly good news for consumers in the short term. Attempting to predict with any certainty any longer term impact on consumer welfare is difficult, if not impossible;
- It is apparent that when looking at the dairy industry at a national level, most dairy farmers will not be significantly worse off because of the price cuts;
- Although (milk) processors are undoubtedly in a challenging position, the management of their branded products and the terms on which they supply private label milk to the supermarkets is a matter for them; and
- The Committee is not of the view that the specific price discounts by Coles which were the subject of this inquiry warrant legislative amendments. It is not clear that the amendments proposed during the inquiry would actually provide a ‘remedy’ to the milk pricing issue.

The final report follows statements by the Australian Competition and Consumer Commission on 22 July 2011, and in subsequent appearances before the Senate, that Coles had not engaged in predatory pricing nor misleading advertising and that the January 2011 Coles brand milk price cuts were pro-competitive.

The final report ends more than two years of intense inquiry into supermarket milk pricing. Coles will wait for the Government response to the report before providing any further comment.

Further information,

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