

SE News
HD **Retail duopoly comes at cost**
BY PHILLIP O'NEILL
WC 823 words
PD 15 September 2014
SN The Newcastle Herald
SC NEHR
ED First
PG 11
LA English
CY © 2014 Copyright John Fairfax Holdings Limited.

LP
opinion THEIR SAY

IN the Lower Hunter it started in the early 1980s. It was a dual assault. The shopping malls attacked from one side, the supermarkets from the other.

TD

Now there are few independent food retailers left standing. At Westfield Kotara, for instance, the last butcher shop has shut, and there is no greengrocer. If you want meat, or fruit and veg, you have no choice except to spend your dollars at Woolworths or Coles, Australia's giant supermarket oligopolies.

Venture away from the malls and Woolworths and Coles still dominate. The Woolworths store at Morisset and the Coles store at Kurri Kurri are investments for bigger populations than you find in these towns right now. Local competitors - nearby shops, out-of-town general stores - are blasted out of existence. It's market mayhem.

Last week the Australian Financial Review revealed that the supermarket giants control 73.7 per cent of all supermarket sales in Australia. Aldi has 6.8 per cent, and Metcash - which supplies IGA supermarkets - has 8.9 per cent.

It defies understanding how the Australian Competition and Consumer Commission has allowed Woolworths and Coles to become so large and powerful.

Using Australian Bureau of Statistics data on retailing sales, I measured the significance of the growth of Woolworths and Coles over the past 30 years. The results astound me. If the market share of the two companies had been held in check to the level it was in 1984, then the total Australian sales of food and groceries to specialist, independent retailers would be higher this year by more than half a **billion** dollars. Put another way, we would today have another 1000 independent specialist food and grocery retailers across Australia, each with a healthy annual turnover of more than half a **million** dollars.

Instead, the number of independent specialist food retailers is about half of what it might be. The butcher, the greengrocer and the independent baker, are threatened species.

But it's worse than this. Not content with annihilating specialist food retailers in our local shopping centres and in the shopping malls, Woolworths and Coles also pile pressure on farmers and manufacturers along from their supply chains. Contract price, shelf position, stock levels, everything is pushed to the nth degree. It's called market power.

I walked through Woolworths at Morisset the other afternoon, scratching notes on the back of a Telstra envelope. I looked in particular at the countries of origin on the labels of the food for **sale**.

Fortunately Australian quarantine laws prohibit the importation of many fresh foods. But, still, Woolworths has good stock of coconuts from Samoa and bagged red grapes from California.

In the chilled seafood cabinet I find New Zealand whiting, alongside battered fish wedges from **China**.

In the **dairy** section, and why would I be surprised, there was only Woolworths' home **brand** low fat **milk**.

Then in the dry goods aisles I find strawberry jam from Poland, organic peaches from the US, tinned cherries from Italy, and tinned peas and carrots from France.

Commonly, these imports sit in the best shelf spots and bear the Woolworths "Select" label.

Little wonder the Australian Food and Grocery Council - which represents Australian food manufacturers - is locked in negotiations with the ACCC for the establishment of a code of conduct to protect Australian suppliers of food products from heavy handed supply chain management by the supermarkets.

At **stake** is the food processing industry, thus far the nation's most resilient manufacturing sub-sector, with a long history of delivering jobs and income to rural towns across Australia.

The problem is that the food processors are reliant on shelf space at Woolworths and Coles to sell their product. And if they knock back the deal on offer by Woolworths and Coles, then their **business** is effectively ruined, the processing plant closes, the country town loses jobs and income, and the downward spiral commences.

Submissions to the ACCC on an industry-wide code of conduct closed last Friday. We should watch the ACCC's deliberations closely, for it has much catching up to do.

To me there is little doubt that the competition regulator has failed dismally to ensure the operation of a fair, efficient market in Australia for food and groceries. Two big, powerful, unchallengeable companies dominating a market can't be good for consumers or suppliers.

But the regulator isn't the only one to blame. We as consumers are also at fault. Every time we bypass an independent food retailer, every time we **buy** Californian grapes, every time we **buy** tinned peas from France, strawberry jam from Poland, we undermine the viability of an independent shop owner in our local shopping centre, and an Australian food processing plant in a country town.

Phillip O'Neill is a professorial research fellow at the University of Western Sydney

Twitter @philliponeill

CO albt : ALDI Einkauf GmbH & Co. oHG
IN i6560011 : Shopping Malls/Superstores | i6411 : Supermarkets/Grocery Stores | i64 : Retail/Wholesale | i641 : Food Retailing | i654 : Specialty Stores | i656 : Mixed Retailing | iretail : Retail
RE austr : Australia | nswals : New South Wales | apacz : Asia Pacific | ausnz : Australia/Oceania
PUB Fairfax Media Management Pty Limited
AN Document NEHR000020140915ea9f00017