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National Association of
Retail Grocers of Australia
9 March 2011

Approximate costs in the milk supply chain in ^{Western}Australia

	Chains	Independents
Processor's cost to produce 2 litre bottle of milk: \$1.40		
Distribution cost (vendor delivery)	\$0.04/unit	\$0.10/unit
Marketing cost 2% on wholesale price	Nil	\$0.07/unit
Wholesale price to Coles (private label)	\$1.50 (approx)	
Wholesale price to independents (proprietary brand)		\$3.50
Cumulative costs to retail point of sale	\$1.54	\$3.67
Coles retail price	\$2.00	
Independents' retail list price		\$4.29

As this table illustrates, the major cost differential in the drinking milk supply chain occurs in the discriminatory and anti-competitive price differential offered by the processor to the large supermarket chains and the independents. It is the same milk, from the same processor, in the same packaging. The only genuine difference is the label.

Clearly, independent retailers and their customers, the buyers of branded milk products, are being obliged to cross-subsidise the major supermarket chains and their customers.

The price differential is unrelated to economies of scale.

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