



IGA RETAIL NETWORK LIMITED
ACN 095 630 970

NATIONAL BOARD

50 Waterloo Road
Macquarie Park
NSW 2113 Australia

PO Box 6226
Silverwater Business Centre
NSW 1811 Australia

T 61 2 9751 8200
F 61 2 9741 3027

8 March 2011

The Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir/Madam

IGA retailers have followed the milk price war initiated by Coles with growing dismay. While lower prices for milk are, for the time being, good for consumers, this price war is not part of the normal competition in grocery retailing. It appears to be part of a major and sustained strategic move or 'attack' by Coles' management with the potential to extend to a range of products where the big supermarket self-supply chains, Coles and Woolworths, want their house brands to replace the national brands and cut out smaller suppliers. This will have unforeseeable long term consequences.

If the price cuts are short term only, what has been gained apart from disruption and uncertainty, and possibly consumer resentment when prices return to previous levels?

If the price cuts are permanent, then who will bear the loss of margin that the cuts must necessarily remove from the milk production and supply chain? The loss will not be borne by the big self-supply chains or by the big milk processors. That leaves the dairy farmers, the independent grocery sector and small business bearing the loss.

If there is a significant move to house brands, the big self-supply chains will be the winners, further entrenching their buying power upstream and their retail and advertising power downstream.

And government and regulatory intervention may be worse than the problem that they try to solve. Coles have started something and we have to wonder if they know where it will end.

For and on behalf of IGA Retailers across Australia.

Michael Daly
Chairman