

## **Additional Comments by Senator Nick Xenophon**

1.1 This report of the Committee is a good body of work with sensible and pragmatic recommendations flowing from it. The Committee and the Secretariat are to be commended for their work.

1.2 Whilst broadly supporting the recommendations of the report, I do not think the Committee has properly captured the devastating effect of Coles and Woolworth's \$1 per litre milk price war and the impact it has had on so many in the dairy sector. In the context of a tough world market this loss leader campaign has thrown a spear into the heart of so many dairy farmers.

1.3 There can be no mistake that \$1 per litre milk creates a misleading perception as to the value of milk. Under this supermarket concocted regime the retail cost of bottled milk per litre is less than the retail cost of bottled water, and that just isn't right.

1.4 There is no question that the enormous market power of Coles and Woolworths, which, combined, control approximately 80 per cent of Australia's dry packaged grocery market, has allowed them to engage in pricing, procurement and marketing behaviour that significantly disadvantages smaller retailers and, in particular, farmers and processors.

1.5 The effects test changes to competition laws are welcomed but it needs to be followed up with effective access to justice provisions and divesture laws as a last resort remedy in abuse of market power cases.

1.6 In this regard, I also attach the additional comments that I and other Senators made in the 2011 Senate Economics References Committee inquiry into the *The impacts of supermarket price decisions on the dairy industry*, an inquiry that I instigated, and I do not resile from those. I ask that these comments also be taken in consideration in the context of this inquiry.

**Senator Nick Xenophon**  
**Senator for South Australia**

