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The milk war is an urgent wake-up call to toughen the Trade Practices Act.

Picking teams in Australian policy debates used to be as simple as picking sides in old movies; the good guys wore white, the bad guys wore black, and the audience knew where everybody stood.

But life just isn't that simple especially when we consider the milk price war that is raging at the moment.

Am I on the side of cheap milk or do I instinctively oppose a big retailer like Coles? Should I be on the side of the small farmer or big business? But if I side with the small farmers doesn't that put me on the side of the Japanese corporate giant Kirin Holdings which owns Lion Nathan National Foods which in turn owns the Dairy Farmers brand?

Of course, Lion Nathan National Foods, which also owns the PURA Milk and Farmers Union milk brands, argues that we should be concerned about the impact of the milk price war on all the small dairy farmers.

However, when it comes to talking to their shareholders it is hard to find such concern for all the little farmers. For example, in describing the performance of National Foods in 2010 we are told that "the business is still some way from achieving acceptable [profit] margins". It goes on to say that "input costs remain relatively high by historical standards".

If I were a dairy farmer the above statements would make me pretty nervous. Rather than wearing a white hat in the shoot-out against Coles, it seems that LNNF thinks that its own profit margins are too low and that the "input prices", such as milk, are too high.

It gets worse.

The other good guys in this debate are the corner stores who, we are told, will be driven out of business as everyone goes to Coles and Woolworths to buy their milk.

However, Woolworths, which wants the milk price war to end, obviously doesn't believe this argument.

The proof? Both Coles and Woolworths are still charging much higher prices for exactly the same milk if we buy it from the shops in their branded petrol stations.

They know we will pay for convenience.

Woolworths are walking a tightrope in this debate. On the one hand they are trying to stand up as the farmers' friend, but they have to be careful about sounding too much like a friend of the corner store.

Why? Because along with Coles, Woolworths has spent the last few decades growing at the expense of those exact same corner stores.

Coles and Woolworths are opposed to any new restrictions on their ability to expand at the expense of smaller retailers.

While Woolworths wants to be seen as wearing a white hat in this high profile battle over milk prices they will be happy to wear a black hat in the lower profile fight against small business in the coming years.

But wait, there's more.

While Coles, Woolworths and LNNF are fighting it out to see who has the right to fleece the actual dairy farmers (as opposed to the Dairy farmers brand), even the dairy farmers are happy to join with the big guys when it comes to fleecing consumers. How? By playing along with the idea that there is special "branded milk", for which we should pay a premium price, and lower quality poor people's milk that sells at discount.

The ability to get different people to pay different prices for identical things is known as price discrimination. It used to be illegal, but it is now just considered to be smart business practice.

If there really are big differences in the quality of milk then consumers should be told this. We are told whether our eggs come from free range chickens or caged hens, so why shouldn't we know if our milk comes from high-quality or low-quality cows?

Rather than give us real information about where our milk comes from, however, LNNF's strategy for boosting its profit is to "focus on brand investment". What that means is spend more money on advertising to convince us their milk is special.

So, whose side should you be on?

Are Coles the big retailer that is trying to destroy the livelihood of farmers or are they the underdog fighting against a much bigger and more profitable Woolworths?

Are Lion Nathan National Foods really the farmers' friend or are they just waiting for their turn to milk them for higher profits?

Should I love my children enough to buy them the highest price milk or should I be a penny-pincher who thinks it's all the same?

Welcome to the new world of "too big to fail economics".

Once upon a time governments told us that if we deregulated all the markets fierce competition between companies would drive prices and profits down and choice and quality up.

The companies had a better idea.

Rather than compete they merged. Australian banks, retailers, airlines, petrol stations and phone companies are now all dominated by a small number of giant players. However, in the age of "consumer power" they are all desperate to describe themselves as the underdog.

So what should we do?

A good start would be to toughen up our Trade Practices Act and give the Australian Competition and Consumer Commission the power that US regulators have to break up companies before they become too big to fail, or too big to be fair.

As for milk? Just buy the cheap stuff with the long expiry date. It's the only thing they can't exaggerate on the fancy label.

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