

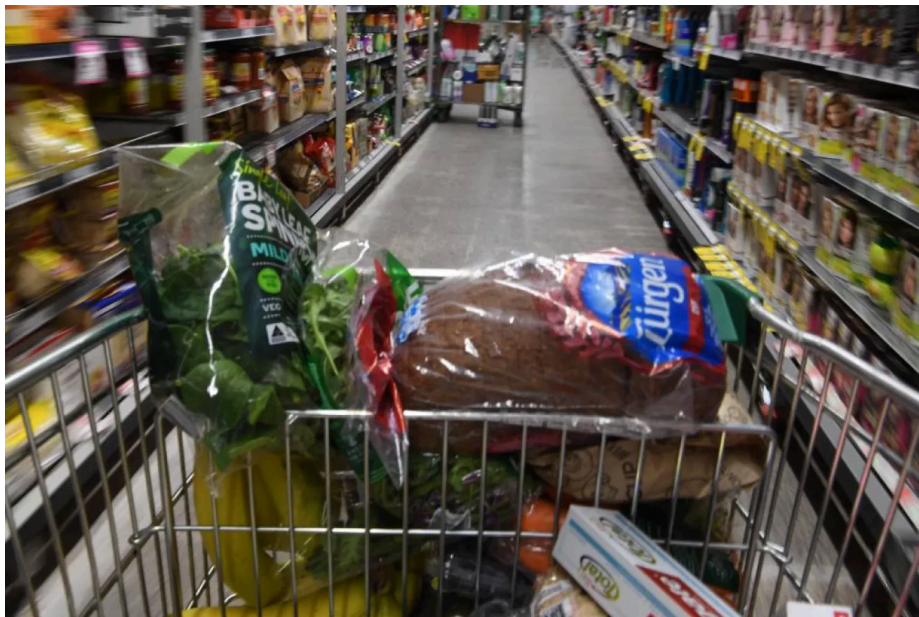
CONSUMER

‘Unclear’: Coles, Woolworths crackdown a win for farmers, but consumers still paying too much for groceries



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The government has vowed to crack down on anti-competitive behaviour in the supermarkets sector. *Photo: AAP*

Treasurer Jim Chalmers says a crackdown on Coles and Woolworths ripping off suppliers will lower grocery

from a review of the food and grocery code of conduct, which published its report on Monday, including possible multibillion-dollar fines.

Pressed on Monday to describe how much grocery prices will fall under the crackdown, Chalmers claimed they will deliver relief for hard-hit families who have suffered huge bill hikes.

“My job is to make the sector as competitive as it can be, and this is an important part of that,” Chalmers said on Monday.

“If it’s more competitive, if it’s more transparent, if people are getting a fairer go, then we’ll see better outcomes for people at the supermarket checkout.”

But while experts agreed the reforms will help address long-standing problems in Australia’s food supply chain, it won’t be enough to deliver a significant price fall unless Chalmers goes further.

University of Technology Sydney associate professor Sanjoy Paul said that without an effort to seriously disrupt the dominance of Coles and Woolies, Australians will keep paying too much.

That’s because neither chain feels enough competitive pressure to drive prices lower, he said, pointing to a report last week from Choice showing both big chains have similar pricing.

That could lead to reduced pricing at the end, but at this moment it is very unclear how it will propagate through the chain to the checkout.”

Business Council of Co-operatives and Mutuals chief executive Melina Morrison has also taken the view that consumers won't see lower grocery prices under the code reforms, warning it doesn't go far enough.

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“Concentration of market power needs more than a regulatory stick,” Morrison said.

“We need an environment that encourages competition from a diverse range of businesses models.”

Code reforms unpacked

The report published on Monday contains a series of changes aimed squarely at improving the dealings between suppliers and supermarkets, with an eye towards levelling the playing field.

New penalties will also be legislated that could levy penalties upwards of \$5 billion (based on their revenue) on the big supermarkets if they're caught engaging in systemic wrongdoing.

Paul explained that improving transparency and boosting protections for suppliers, particularly a new provision that protects their identity, will be key in improving how supply chains work.

"The supermarkets will think twice before breaching anything," he said.

Wider reform needed

But the key issue remains that Coles and Woolworths are still the default grocer for most Australians, controlling upwards of two-thirds of the market with similar levels of pricing.

Aldi is considerably cheaper, at least according to a taxpayer-funded survey from Choice, but Paul said the problem is that the German giant has a much smaller slice of the market.

"[Coles and Woolworths] are still dominating the market," he said.

Chalmers on Monday poured cold water over suggestions that the government might take tougher measures to reduce grocery prices, such as considering forced divestiture laws.

"We think this is the best way to go about it," he said of the supplier code crackdown.