

## Coles should drop prices after \$594m half-year profit

The ACTU calls on Coles to reduce its prices following today's announcement of its half-yearly profit of \$594 million.

The profits generated on items increased, with underlying gross margins up by 7bps to 26.6% and its EBIT margins up since pre-pandemic.

Supermarkets and grocery-related submissions received the most complaints to the ACTU-commissioned Inquiry into Price Gouging and Unfair Pricing Practices, chaired by Professor Allan Fels AO, with 325 submissions raising issues about the major retailers.

Professor Fels' report noted that Australia has a highly concentrated food and grocery sector, considerably more concentrated than comparator countries like the UK, Germany, and the United States. Despite the entry of Aldi, Woolworths and Coles still account for more than 65 per cent of the market. This compares to the United Kingdom, where 65 per cent of the market is shared by four grocers instead of two.

The report highlighted that the supermarket duopoly has a mutual incentive not to reduce prices, particularly on goods with high price recognition. While Coles justified their pricing by noting the role of external pressures, this contrasts with their profit margins being higher than international competitors. Professor Fels further observed that "there has not been a price war between the major supermarkets in some years."

The disproportionate market power held by Coles is also evident in its capacity to set terms and prices for farmers. The perishability of products and lack of alternatives means farmers are often forced to accept prices that do not adequately cover their costs. The supermarket duopoly, due to its size and customer reach, exercises enormous bargaining power as a primary buyer of farmers' produce.

### Quotes attributable to ACTU Assistant Secretary Joseph Mitchell:

"Working families have had a gutful of Coles and Woolies making up excuses for price gouging farmers and customers, all while they rake in mega profits.

"The Price Gouging Inquiry found that supermarkets would raise prices like rockets when faced with increased costs but on the other side, they drop like feathers. It's well past time for Coles and Woolies to be passing on the benefits they've received in falling inflation and it's timely the Albanese Government has the ACCC looking into their pricing practices.

"Peter Dutton spent the last decade in power doing absolutely nothing about the supermarket duopoly and Australians are now paying the price for it. The Liberals are always on the side of big business, not workers."

**ENDS**

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