Australian Competition and Consumer Commission

GROCERY PRICE INQUIRY HEARING

EXCERPTS FROM CONFIDENTIAL TRANSCRIPT OF TASMANIAN INDEPENDENT RETAILERS

CONDUCTED AT: GRAND CHANCELLOR, HOBART
DATE: 11:00 AM, THURSDAY, 10th APRIL, 2008

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MR O'DONOVAN: Now it doesn't supply Woolworths with 100% of its, I suppose, dry grocery requirements, does it?

MR HINCHLIFFE: That is correct. The decision – Woolworths are under no obligation to range products through Statewide Independent Wholesalers or purchase those purchases through Statewide Independent Wholesalers. [redacted] Woolworths by making a decision to range products in their Hobart DC or to source products from their mainland DC is their decision. From the independents perspective, from TIR's perspective, if Woolworths choose not to range a product, we can range that just for the independents.

MR O'DONOVAN: Sorry, you can then, or you can't?

MR HINCHLIFFE: We can. We can range any product that we want through Statewide Independent Wholesalers so long as we've got a slot to put it in. So the independent retailers are not disadvantaged by Woolworths' decision or decisions not to range our products through Statewide Independent Wholesalers.

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MR O'DONOVAN: Then focusing on that which you have a recollection of, tell us how the independents got over the problem of Woolworths not ranging [redacted] of the category?

MR HINCHLIFFE: It's truly not a problem from our perspective because all we do its their [redacted] products ranged for both Woolworths and the independents to be able to draw on. The remaining [redacted] products we would have ranged are only ranged for the independents to draw on. Obviously there's less volume associated with those [redacted] products if they're only being drawn by the independents, that for all intention and purposes when we're talking about warehousing terms and volume discounts and those sort of things, it doesn't make any difference because your volume discounts are not product specific, they are through the supplier, so you meet a certain buy, then you're able to take advantage of those volume discounts in the majority of cases.

So in this instance the independents wouldn't have been disadvantaged by Woolworths' decision not to range those products through Statewide. [redacted] a decision is made to range some products at that DC, and some products at two other DCs, but that's an internal decision for Woolworths to make. It's not anti-competitive from our perspective, it doesn't restrict our business, it doesn't disadvantage our business in any way, shape or form.

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MR HINCHLIFFE: [redacted] every customer that purchases from Statewide Independent Wholesalers purchases at the same wholesale price. The only adjustment to wholesale price that is made is a service fee that is applied and –

MR O'DONOVAN: Just if I can stop you there. How's the service fee calculated?

MR HINCHLIFFE: The service fee is calculated pro rata to turnover and the service fee brackets vary from between I- I just want to quote the correct figures – it various between [redacted] to [redacted]%.

MR O'DONOVAN: [redacted]

MR HINCHLIFFE: [redacted]

[redacted]

[redacted]

[redacted]

MR HINCHLIFFE: [redacted] obviously the service fee's pro rata to turnover and no different from a wholesaling – from the supplier's perspective. They offer volume-related discounts because that recognises the benefits to them of going around their warehouse and putting it all onto one truck and sending it off to the wholesaler or wherever it's got to go to.

Now Statewide operates on exactly the same premise in that there's a high cost associated to go around a 14,000 square metre DC to pick products. If you're only picking one, there's obviously a cheaper cost if you pick two or three units at that time. So it's a fair and equitable system that is in place. I mean yes it does add to the cost of independents, but Statewide as an organisation would simply not exist if we did not recognise that additional cost because no customer, whether it be a Woolworths or independent customer, should be disadvantaged from the price perspective or subsidised the higher picking cost for a customer that might only have a 50 carton order compared to a customer that might have a pallet order.

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MR HINCHLIFFE: Yes. Generally speaking, those retailers that would elect for a higher price file, and bearing in mind we're talking very minor differences in retail prices, but for those retailers that would elect to go into a higher retail price [redacted] in the vast majority of cases it would be based on the fact that their service fee or their freight component is higher than some retailers in other areas. I mean obviously I mean retailers have to maintain a margin at the end of the day. [redacted]

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MR HINCHLIFFE: Well, I mean, as I say, I mean if you look at an average independent retailer from a margin perspective, if you're selling products anywhere with a margin of [redacted]% or below, you're not going to be around for long, so on average, when you're talking dry grocery products, for example, be it frozen, chilled or normal dry grocery, you'd want to be working on an average of, let's say, anywhere from, as I said, anywhere from [redacted] up to [redacted]%. That would be the average margin. I mean you have to also take into consideration the average retailer, the cost of doing business would be around about, in my opinion, [redacted] to [redacted]%, or higher dependent upon their wages, which is obviously the biggest cost structure. So there's not a lot left at the end of the day, depending upon what your mix of business is.

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MR HINCHLIFFE: Well, if the independent wants to compete and if they want to sell a particular product below the recommended retail price that Woolworths and Coles are, at the end of the day that's a decision for the independent operator to make.

Now what I was going to say was that the major chain supermarkets, given that they can subsidise their operations, have greater ability to be able to lower their prices and sustain those prices at a lower level than what the independent retailer can operate at.

I mean to give you an example, I mean maybe a good example would be if I just give you some prices on milk; okay, good staple line. Now this is based on TIR's recommended retail price, it was a price comparison that was done a couple of weeks ago. Now Pura 375 ml milk, Woolworths are selling at $1.05, Coles are $1.06, the independents are selling at a dollar, and milk is not a product that is supplied through our supply chain, direct to vendor. Pura 600 ml, Woolworths are $1.49, Coles are $1.49, TIR is $1.45, and I won't go through all of them, but I'll just give you two more examples. One litre whole, Woolworths are $2.12, Coles are $2.12, TIR is $2.06, and two litre milk, Woolworths is $3.85, Coles is $3.85 and TIR is – our recommended retail is $3.71.

So there's an example of where the independents have positioned themselves to be able to sell that product at a cheaper price, but also with less margin. I mean our average margin on those lines vary from between [redacted]% up to [redacted]%, so we're selling them at a cheaper margin. So independents have the ability to do that if they're prepared to accept at least a lower margin.

MR O'DONOVAN: Sure. But that's a product that's not sourced through Statewide?

MR HINCHLIFFE: No.

MR O'DONOVAN: So if an independent wants to compete, it has to be in that other set of products or it's easier in that other set of products where they don't have the exact or slightly worse supply terms than Woolworths?

MR HINCHLIFFE: Not necessarily. They might just say that they're prepared to accept a lesser margin. I mean it depends on the individual operator and how they want to position themselves in the market. I mean – okay I'll use another example with milk. Those price comparisons are Chicken Feed. I'm not sure whether you're aware of the Chicken Feed operation. It sells a lot of, what would we say –

UNKNOWN SPEAKER: Similar to the $2 shop.

MR HINCHLIFFE: Yeah, similar to that sort of thing, okay.

MR KING: Silly Sollies.

MR HINCHLIFFE: To give you an example of what they do, Pura 1 litre whole milk, Woolworths sell at 2.12, Coles sell at 2.12, Chicken Feed selling at $1.48. Okay, now we're selling at 2.06 with a [redacted]% margin. Our cost is $[redacted]. Now I would ask the question as to how they can sell it at 1.48, but at the end of the day that's a decision that they've made. Whether they're getting additional support from the supplier or whether they're getting support from their vendor, whether they're just selling that at a loss, I don't know. I'm not privy to their information.

But another example, two litre whole milk, Woolworths is selling at $3.85, Coles are selling at $3.85, we're selling at $3.71 with a margin of [redacted]% and a cost price of $[redacted]; Chicken Feed are selling it for $2.75. So they've made a decision that they want to be seen in the marketplace to be seen as far cheaper than Woolworths, Coles or independents.

Now how they're in a position to do that, I don't know. Again, I don't work for Chicken Feed, I haven't got access to their information, but that's just another example of where an organisation separate to us, they don't have any association with Statewide Independent Wholesalers, or Tasmanian Independent Retailers, they're completely separate, but they have a separate arrangement or separate policy or different policy with respect to all. We can't sell at those prices. The retailers would be giving the product away.

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MR O'DONOVAN: And in terms of margins, have you seen margins widening? Has it been easier for the independent IGAs to get a margin on goods in the last two, three, four, five years?

MR HINCHLIFFE: No, I put in my notes I firmly believe this to be the case, that I think margins, generally speaking, remain constant for the independent retailers.

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MR HINCHLIFFE: I think the reason why I'm talking about Woolworths and Coles in Tasmania, the reason why they're so dominant is because of the fact that they're so highly concentrated in the metropolitan areas around Tasmania, as I indicated 42

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stores. Launceston, seven stores within a seven to ten minutes drive, and potentially you've got another eight major chain supermarkets that may be developed over the next two to three years.

If we want to talk about margins with respect to product that's sourced through Statewide Independent Wholesalers, I mean as I've indicated, I mean independents basically buy at the same wholesale price, but there's adjustments to that wholesale price depending upon service and freight.

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Australian Competition and Consumer Commission

GROCERY PRICE INQUIRY HEARING

EXCERPTS FROM CONFIDENTIAL TRANSCRIPT OF CAPILANO HONEY LIMITED

CONDUCTED AT: GRAND CHANCELLOR, HOBART
DATE: 11:00 AM, THURSDAY, 10th APRIL, 2008

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MR O'DONOVAN: All right, if we can get straight then into generic contracts. Firstly, going back 10 years, what were the generic contracts for products like [redacted]

MR MASTERS: [redacted]

MR O'DONOVAN: All right. And in terms of how they affected your business, did they affect the branded side of the business at all?

MR MASTERS: Not essentially. There was a fairly distinct split and there was a – there were price lowering agents and tended to maintain a fairly steady fast tracking. There was a gap between the private label on-shelf price and the branded on-shelf price. I mean, fairly clearly stated it produced a movement between [redacted] to [redacted] per cent.

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MR O'DONOVAN: Okay. And in terms of the, I suppose pressure on the branded price, did that market structure with obvious Home Brand generics place downward pressure on the price of branded honey?

MR MASTERS: It could do within that – that one too much. I mean, we knew that there were certainly price buyers of honey. [redacted] But on the whole I think they tend to sit by side fairly comfortably.

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MR O'DONOVAN: Yes. All right. Now, in terms of the margins that you were making on the branded product, how did they differ to the margins you made on the Home Brand product?

MR MASTERS: I would say that there probably was only about [redacted] per cent difference.

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MR O'DONOVAN: Okay. So in recent years can you just describe how the market has changed in terms of the introduction of generics, say in the last five?

MR MASTERS: Well, more particularly in the last – well, since 2005 there has been a bit of ..... strategy by the supermarkets to – and it's been detailed in the press – to push into the private label or the Home Brands territory, more so than they have in the past [redacted]

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MR MASTERS: Yes, it has reduced. We've seen a shedding of our brand of products in favour of private label over the last two years. There's been a fairly consistent physical shift and that has a multiplying effect, if I can say that, we may be supplying private label product in ..... supermarket and you're losing the same kind of product because you're ..... private supermarket, therefore it doesn't take very long before you find a lot of market pressure. [redacted]

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MR MASTERS: [redacted]

[redacted]

[redacted]

[redacted]

[redacted] ..... because there's no doubt that my national sales manager, who has had 20 years' experience in this game, was very loath to upset the supermarket because of fear of retribution against either our branded products or what might happen with [redacted]. We couldn't afford to not do something. So I took it up with the [redacted].

MR O'DONOVAN: So if I can just stop you there. In terms of the retribution, the concern would be that if you effectively enforced the contract according to its terms and stopped supply at the end of [redacted] that they would just – that would guarantee you would not get the contract when it came up again?

MR MASTERS: That's what we felt. We didn't want to see deletion in our brand products.

MR O'DONOVAN: Sure. And why do people have that concern? Have things been said or done in the past that lead suppliers to think that?

MR MASTERS: That's been the experience of my sales managers. [redacted] This is a culture issue. I mean, we have within Capilano's ..... quite a good – I'll call it governance program within our own company to make sure everyone is aware of the ATTT considerations which apply within customers. I wish that supermarkets had the same. That's being pretty blunt. But I feel there's a lot of power at buyer level. Perhaps it's because of the way the KPIs are structured. It's ..... I've got no idea, but there's no doubt that I've never struck a national sales manager that hasn't basically lived in fear of what the buyer might do. [redacted]

MR O'DONOVAN: Right. Can you give us a specific example where you've seen it or do we need to speak to your sales managers to - - -

MR MASTERS: Well, sometimes I wonder why would – why would a company [redacted] decide to delete – certainly they have deleted one of our top selling products because it's not producing sufficient margin for themselves. [redacted]

[redacted]

MR O'DONOVAN: Right.

MR MASTERS: ..... as well, unless the margin was improved. Now, to improve a margin from our end there's only one way it can happen, and that's cost reduction, which we have to drive back to our suppliers. It also occurs at the time when they're trying to launch their own private label products as well.

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MR MASTERS: Because if you look at what a beekeeper needs to operate, besides some labour, one of his major costs is diesel because they drive. The costs of diesel have doubled in the last year I believe.

MR O'DONOVAN: And in terms of how the category is now structured, [redacted] what's the rough break up between I suppose the budget generic, the – the premium house brand and the branded product [redacted]

MR MASTERS: I'm not sure I can give you [redacted] I can give you overall. The overall market is roundabout – we've got a [redacted] per cent market share of brand product and private label in the last two years – probably two-and-a-half years has grown to about [redacted] per cent to about [redacted] per cent within [redacted] Those figures from AC Nielsen excluded one major private label seller, [redacted] Now, I would estimate that there's probably another [redacted] per cent [redacted]

MR O'DONOVAN: So it hasn't been like a dramatic wiping out of the branded product, the introduction of the premium generic?

MR MASTERS: ....[redacted] per cent – [redacted] per cent market share, but as a substantial – those were ..... .

MR O'DONOVAN: Right. Of about [redacted] of your - - -

MR MASTERS: I would say [redacted] per cent back down to about that [redacted] per cent.

MR O'DONOVAN: Right. And in what timeframe?

MR MASTERS: Two-and-a-half years.

MR O'DONOVAN: Two-and-a-half years, okay.

MR MASTERS: So it's been quite a difficult process to manage from our point of view.

MR O'DONOVAN: Right. And observing the retail prices that have been generated in this last period, what sort of margin [redacted] have been making on the premium generic as opposed to the branded product?

MR MASTERS: I don't know the split up between the actual premium and – I've actually found some schedules in advance of this comparing supermarket margins in private labelling between 2007 – 2004 [redacted]

MR O'DONOVAN: And has that margin growth all come out, been extracted from you?

MR MASTERS: Yes.

MR O'DONOVAN: Okay. And has any - - -

MR MASTERS: Most of ..... prices have perhaps gone up with products, but the product called – we've got [redacted] was replaced [redacted] – it went from [redacted] to [redacted] ..... gone down.

MR O'DONOVAN: So it's retail prices that have gone from [redacted] to [redacted] and its supply price has dropped?

MR MASTERS: Yes.

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MR O'DONOVAN: And so in terms of the pricing dynamic you would expect, when supply prices are dropping so dramatically, why is there no tension in the retail market that causes prices to come down?

MR MASTERS: Sorry, will you repeat that question.

MR O'DONOVAN: With supply prices dropping away it seems, pretty dramatically, why is there no tension in the retail market that brings that down, why is it that [redacted] appear to have stretched for margin and not put pressure on retail pricing?

MR MASTERS: Well, I don't think – it depends upon, you know, the competition that exists [redacted] You know, looking over the shelf to find what price is next door, why would you drop ..... and in fact if it was dropping it would just drive it back to us because we're the ones who supplied it at that price in the beginning, it just means that we ..... business first. I might add that the honey price too in '03, this is the price we pay our suppliers, was ..... the high $[redacted] in 2003. In 2004 it went up to as high as $[redacted] as an average. It's now back to about $[redacted] so it's very clear that it's our producers that are the ones who are supplying that profit to the supermarkets.

MR O'DONOVAN: And would it be fair to say there's been little benefit passed on to the consumer

MR MASTERS: Not a lot of benefit being passed. Again, if that – if that price did translate across to the brands and we would – we could not fully operate so we were cross-subsidising ..... and making .....

MR O'DONOVAN: Yes.

MR MASTERS: And we, as I said earlier, were at that point really where – how long can we bear that cross-subsidisation because our own company is running ..... we used to make [redacted] dollars profit. We haven't had a dividend in three years and that's pretty clear today.

MR O'DONOVAN: And I mean, these figures and the ability to stretch margin does suggest very weak competition at the retail level. Would I be missing something if I drew that conclusion?

MR MASTERS: I don't think so.

MR O'DONOVAN: Okay. All right. [redacted] as your brand started to lose market share in response to the introduction of the premium house brands, what did you do in relation to your wholesale pricing?

MR MASTERS: .....

MR O'DONOVAN: Yes?

MR MASTERS: Make a ..... stayed almost the same really because you can't stack up – if we put our wholesale prices up then it's going to have an affect on shelf, a higher price, it should. If there – and it's the basic price on shelf. If in fact they don't increase the price but they're trying to hold it back to be in line with the private label what they're doing is they're losing margin on those, on the ..... their response to that is well, it's a low margin we'll .....

MR O'DONOVAN: Okay.

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MR O'DONOVAN: Yes. I understand that you did try to introduce a price reduction at one stage with one of the major supermarkets?

MR MASTERS: When you say price reduction, what do you mean?

MR O'DONOVAN: As in either a wholesale price reduction that would go – that could then be passed through to consumers in one of your products?

MR MASTERS: I think in one price there was a discount that was offered.

MR O'DONOVAN: [redacted]

MR MASTERS: No, [redacted] with the price, and prices reduced. This was, I think money that was offered like, a discount, which you'd expect to translate on shelf. My most recent exercise when we were asked the question, is there any ..... whatsoever ..... that it wasn't passed on and his response was there was one but he rang up about it and said, you know, this has gone on but we haven't passed it on. It hasn't .....

MR O'DONOVAN: Right.

MR MASTERS: [redacted]

MR O'DONOVAN: [redacted]

MR MASTERS: [redacted]

MR O'DONOVAN: [redacted] And is this a situation where a promotion had been agreed with the supermarket in terms of a special price which was being funded by a lower price from Capilano, is that - - -

MR MASTERS: I understand that is the case.

MR O'DONOVAN: Right, okay, but - - -

MR MASTERS: I don't think it's a regular occurrence .....

MR MASTERS: I understand that's the case.

MR O'DONOVAN: Right. Okay, but - - -

MR MASTERS: I don't think it's the regular price. I .....

MR O'DONOVAN: Right. So normally a reduction in – where you pay them to promote – it is passed through to consumers?

MR MASTERS: Yes.

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MR O'DONOVAN: All right. Now, with the introduction of the generics, was there any change to the shelf location of your products?

MR MASTERS: Yes. [redacted] We have quite a number of products deleted which were big sellers and our actual ..... taken out, because we still, even with the small faces we have, we still dominate the sales of our product, as in, you know, to the retailer – to the consumer. It just means that if we cut the shelf space down to a very low exposure we just run out quicker. [redacted]

[redacted] I suppose it's all done by computer, but what they're doing basically is pushing the cost of carrying inventory back to the supplier, which we expected and we – you know, we ..... but by making it from the store level, there's basically a re-order point that's put in the computer at the store level.

If that's not put in properly then it doesn't re-order. What we found ourselves ..... actually pull our [redacted] manager off the floor and said, "What is going on?" because I couldn't understand why the stock ..... continued. And what happens is that if a self-perpetuating computer got a glitch, you're pretty much short selling stocks when you've got a, you know, an ..... sells. If you've got stocks running out, you then go into the sales, because it's nothing but a bar. So it sets the re-order point lower. So it's not that the demand has gone, but there's no stock to actually sell. [redacted]

MR O'DONOVAN: And in – I mean, looking at it from the outside, that might suggest [redacted] is deliberately not stocking enough Capilano Honey to force people into the higher margin [redacted]. Do you think that's what was occurring, or do you think it was a genuine computer error?

MR MASTERS: Well, I'd like to think it was an accident, but it's had a severe impact on our company, that brand of market research look costs us our private label profits - - -

MR O'DONOVAN: Yes.

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MR O'DONOVAN: And in terms of [redacted] are you in a position to either alter their terms to reflect the fact that you're not getting the exposure that you want or is their market share too big to enter into a negotiation like that?

MR MASTERS: We can't ....

MR O'DONOVAN: [redacted]

MR MASTERS: No, they'd say take your product off the shelf, don't deal with us.

MR O'DONOVAN: Okay. All right. Now, - - -

MR MASTERS: They would replace the product. [redacted]

MR O'DONOVAN: Now, if I can then just turn briefly to product deletions, you've obviously had some products deleted [redacted]

MR MASTERS: Yes, I've got an idea it was [redacted] and prior to that deletion that pack was number 1 in round-figure value of all type of brands and it was the second highest seller on the shelf.

MR O'DONOVAN: All right. Was there any negotiation surrounding the deletion or did they just tell you it was going?

MR MASTERS: Said it was going.

MR O'DONOVAN: And that was it?

MR MASTERS: Yes.

MR O'DONOVAN: Was that a – I suppose was that an invitation from them to suggest you should drop your margin?

MR MASTERS: No, it wasn't like that.

MR O'DONOVAN: No? They just heard it was going?

MR MASTERS: Yes. And the other one was [redacted] it's ranked number 5 for the last 26 weeks in 30 weeks ..... well, we've been told it's in deletion – or danger of deletion due to the low gross margin of profit returned [redacted]

MR O'DONOVAN: Yes.

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MR O'DONOVAN: All right. Now, can we just talk briefly about [redacted] is its presence in the market had any positive or negative effect for you?

MR MASTERS: It's probably had a negative effect in the respect that this is one more private label into the marketplace. [redacted] So if you want to supply [redacted] very, very low price and no, we haven't done it because frankly we couldn't supply at that price, not unless we had something to subsidise our company ..... .

[redacted]

MR MASTERS: [redacted]

[redacted]

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[redacted] I think I said earlier that we have a choice ..... Australia, a private label and supplying the US with ..... , that's where our honey will go because our beekeepers probably won't survive.

MR O'DONOVAN: Now, well, just looking at that, if your market in Canada and the US does grow to a point where you don't have to tender any more for generics, that would seem to push – it seems it can do one of two things. It can either push the margins down for – or I suppose push the price up to you that retailers are prepared to pay or they'll source it from China.

MR MASTERS: They'll do what they've done in any other country with honey and that's they'll source it from elsewhere, they'll source it from China.

MR O'DONOVAN: All right.

MR MASTERS: China is the largest honey producer in the world with roundabout 300,000 tonnes, topped by Argentina, followed by Mexico. Australia comes in a very low sort of fourth and a gaggle of a lot of others. And what you find is private-label suppliers predominantly use Chinese honeys and Argentine honeys. And, for example, we won't deal in Chinese honey because it's got an extremely bad record of residue contamination. Over the last two years since I've been involved in this industry, it's been banned from the EU for at least four of those years because of contamination problems.

MR O'DONOVAN: And that's pesticides and - - -

MR MASTERS: Well, it's more than pesticides - it was pesticides initially, but Pharfenacol, which is an antibiotic, for instance, ... is another kind. .....

MR O'DONOVAN: But if you were – so in making that prediction, your prediction is that quality will decline and retail margins will stay the same, is that – if you find alternative markets for quality honey - - -

MR MASTERS: Our brand will still be there because it's quality.

MR O'DONOVAN: Yes.

MR MASTERS: And the supermarkets can please themselves.

MR O'DONOVAN: All right. But would you expect that the existence of the US market as an alternative for you will push up prices to consumers, push down margins to retailers, push down quality?

MR MASTERS: I think our brand margins would stay the same within Australia. I think the retailers probably look at our – their pricing and then compare the brand. I think you'll find that they'll keep taking a flogging let alone a little bit of quality will go down. That's what the situation – certainly in the UK.

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MR KING: [redacted]

Why is it that you can be in a position where, you know, almost a few years ago, you know, [redacted] jars of honey sold in Australia were your honey, and yet all your evidence has been that over the last few years you have been beaten down by the retailers who just on market share they're smaller than you. Why has the big guy been at the mercy of the small guys, rather than vice versa?

MR MASTERS: Shelf space. No other supplier can walk up to a retailer and say, "Give me that shelf space." They can, because they're giving it to themselves, and they do it. They take out other brands to make it. Now, if you don't have shelf space you lose velocity and sales wise, you know, you don't have it taken off the shelf. And other products will take its place. It's self perpetuating too.

MR KING: But that's – the shelf space – the only suppliers are generics. If you had never tendered for the generics, could any of the others – let's say Beechworth or Leabrook, for example – would they have been big enough to actually supply the generics? Or would it have been a case, "If we don't have Capilano generics, we just can't supply generics"?

MR MASTERS: I'm sure that they'd have to gear up; you know, get a bigger packing line; possibly they could buy the honey, but they'd have to go out there and – you know, it's a bit hard to ask for it. Perhaps they could and in one way they couldn't. I must say I've never – I've never actually tried to say, "Well, we won't bid for this" and just sees what happens, just so you could and couldn't supply them. We've always talked about, you know ..... And [redacted] have gone overseas when we said we couldn't supply them. They got it within a month. They can source with that option if they want.

MR KING: Okay. So - - -

MR MASTERS: As in – but it's not Australian.

MR KING: From your perspective – and I know you're not in the retail, you're upstream, but how important is that in the consumer's eyes? I mean, if they see two bottles on the shelf; one 500 gram Australian honey – let's say $4, just to put a price on it. And there's 500 gram of overseas source, whether it's Chinese or Argentinean. In your opinion how much lower would that price of the imported product need to be to be competitive with the Australian?

MR MASTERS: I'm not sure of the price comparison, but there was a distinct preference for Australian honey. But there's also a consumer that will buy on price. And at that point if it's a price buyer then it doesn't matter where it comes from. [redacted]

...SECTION OF TRANSCRIPT REMOVED DUE TO CONFIDENTIALITY ...
