

MEDIA RELEASE



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Coles' proposed acquisition of two Saputo milk plants raises concerns

The ACCC has identified preliminary competition concerns about Coles' (ASX:COL) proposed acquisition of two Saputo milk processing plants located in NSW and Victoria, in a [Statement of Issues](#) published today.

Coles currently acquires raw milk from farmers in both Victoria and NSW, and processes it at these plants under an arrangement with Saputo. A significant number of industry participants have raised strong concerns about the proposed acquisition, particularly given it will result in a major structural change as the first time a supermarket owns and operates its own milk processing facilities.

The ACCC is closely considering these concerns and whether the acquisition would give Coles the ability to influence the market in a way that is currently not possible via its current position as a retailer of dairy products and purchaser of raw milk.

"For NSW dairy farmers, concerns have been raised that this acquisition may change Saputo's incentives to continue acquiring raw milk in NSW. If Saputo does exit NSW as a result of the acquisition, this would leave limited competition in regions of NSW, which could result in farmers receiving lower prices for their raw milk." ACCC Deputy Chair Mick Keogh said.

The ACCC is carefully considering whether or not Saputo would be likely to exit NSW after the acquisition.

"We have heard strong concerns across the industry about how the acquisition will strengthen Coles' position in the dairy supply chain," Mr Keogh said.

"Many industry participants have expressed concerns that the acquisition will result in Coles consolidating its private label milk production, which would increase its bargaining power in negotiations with dairy processors and dairy wholesalers."

The ACCC is concerned that Coles' increased bargaining power could lead to reduced competition at the wholesale level, impacting on processors long term viability and with the potential for flow on impacts to farmers in Queensland and regions of NSW.

The ACCC invites submissions from interested parties in response to the statement of issues by 3 August 2023.

More information, including the statement of issues, is available at: [Coles - Fresh milk processing facilities from Saputo Dairy Australia](#).

Background

Coles proposes to acquire Saputo's fresh milk processing facilities in Laverton North (VIC) and Erskine Park (NSW). While Coles is by far the largest customer of these two facilities, they do supply a range of other milk products to retailers.

Coles is a major supermarket chain and one of Australia's largest grocery and general merchandise retailers. Coles supplies branded and own brand fresh milk products at the retail level through its supermarkets. Coles is the distributor for its own brand fresh milk to Coles stores, produced under tolling arrangements with producers including Saputo. Coles does not currently own or operate any dairy processing facilities. Coles is listed on the Australian Securities Exchange.

Saputo is a wholly-owned subsidiary of Canadian based dairy product company Saputo Inc. Saputo is one of the largest dairy processors in Australia with 10 manufacturing facilities. Saputo produces and wholesales a wide range of dairy products for the domestic market including fresh drinking milk, cheese, extended shelf-life milk and cream products, cultured products and dairy ingredients. Saputo products are sold under brands including Cheer, Devondale and Sungold.

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