



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

29 January 2021

Australian Competition & Consumer Commission
23 Marcus Clarke Street
Canberra ACT 2601

via email: mergers@acc.gov.au

Dear Sir/Madam

WOOLWORTHS – PROPOSED ACQUISITION OF 65% OF THE SHARES IN PFD FOOD SERVICES

We reiterate our opposition to the proposed acquisition of an equity interest in PFD Food Services (PFD) by Woolworths Group Limited (Woolworths). The proposed deal will add to Woolworths' already substantial bargaining power in its dealings with food manufacturers and will dramatically impact on food distributors. Many of these distributors are small and family businesses, especially those outside the major cities.

Barriers to entry and expansion in the wholesale food distribution sector

One major barrier to entry and expansion in the food distribution industry is the cost of developing a network of distribution centres. A key strength of PFD identified by Woolworths is its already established national distribution network.¹ We note that Woolworths proposes to acquire a 65% equity interest in PFD from PFD's current owners, for an initial outlay of \$302 million, and to acquire a number of freehold properties from PFD itself, for \$249 million.² That injection of funds into PFD would give PFD the leverage to continue to expand and develop its distribution network and market strength so as to lessen the viability of both local and national competitors.

Red meat sales

Woolworths has noted that currently PFD is not "meaningful" in selling red meat, but that Woolworths already has "fantastic" capability and access in the red meat segment via an existing national partnership with a major meat processor. Woolworths indicated that by giving PFD access to that arrangement it could enhance PFD's range of products.³ However PFD would then gain significant market advantage over smaller distributors already operating in the red meat segment and impact meat processors already supplying food service customers.

Thank you for the opportunity to comment. If you would like to discuss this matter further, please contact Mike Kearney on 02 6213 7443 or michael.kearney@asbfeo.gov.au.

Yours sincerely

Kate Carnell AO

Australian Small Business and Family Enterprise Ombudsman

¹ Analyst and investor call, Woolworths, 19 August 2020

² ibid

³ ibid