



Excessive Pricing Prohibition for Supermarkets

Department of the Treasury



The policy problem and preferred policy approach

- The final report of the Australian Competition and Consumer Commission (ACCC) Supermarkets Inquiry published in March 2025 found that the supermarkets sector is an oligopolistic market structure in which the two largest supermarkets – Woolworths and Coles – have limited incentive to compete vigorously with each other on price. This creates the risk that Coles and Woolworths will price their grocery products excessively so that consumers pay more than they would in a workably competitive market, harming consumer confidence in the sector. Existing Australian laws do not provide effective safeguards against this risk occurring.
- The preferred policy approach is to introduce an excessive pricing prohibition into the Food and Grocery Code for very large retailers (Option 2).



Impact Analysis

Impacts

- Option 2 introduces moderate compliance and administrative costs for Coles and Woolworths, with an estimated present-value cost of about \$7.2 million. These costs arise from the additional governance, monitoring and training obligations and are considered proportionate to the policy objective.
- Break-even analysis suggests even a small benefit to households would more than offset the estimated compliance costs for supermarkets. For the benefit to consumers to outweigh the compliance costs for supermarkets, households would have to benefit on average by \$1.27 per household in present value terms. These benefits may arise through lower grocery prices for consumers. Greater price transparency will also improve consumer confidence in the fairness of supermarket prices.
- Consultation feedback from consumers and advocates indicated broad public support for measures to prevent sustained excessive pricing, particularly noting the sector’s high level of concentration. Industry feedback reported concerns with the policy intent and emphasised the need for clarity in the law. The proposed approach aims to address concerns about clarity by incorporating a clearer standard for the prohibition where supermarkets are in breach if their prices are significantly in excess of the cost of supply and a reasonable margin.

Who is impacted

Individuals	Businesses	Community organisations
Consumers are expected to benefit from any price effects that may result from the supermarkets being deterred from charging excessive prices on groceries, as well as improvements to consumer confidence in the supermarkets sector.	Coles and Woolworths will incur moderate one-off establishment costs and ongoing compliance and monitoring expenses in ensuring compliance with the prohibition under Option 2.	No direct impacts are expected, as community organisations are not directly engaged in grocery retailing or subject to the regulatory intervention.

Other considerations and implementation

Option 2 implements the Government’s 30 March 2025 election commitment to prohibit excessive pricing by supermarkets. In this Impact Analysis, it is measured against Option 1, which is the status quo.