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NATIONAL ASSOCIATION OF FOOD DISTRIBUTORS AUSTRALIA CHIEF BRAD LEE

Picture: TONY GOUGH

Rivals unite in bid to block

DEALS
JOHN DAGGE

WOOLWORTHS' move to muscle in on the supply of groceries to restaurants, child-care centres and aged-care facilities threatens the livelihoods of hundreds of food producers and thousands of jobs, rivals say.

A trio of food service suppliers is calling on the competition watchdog to stop Woolworths expanding into the \$13bn-a-year business-to-business grocery sector.

The call for action comes as Woolworths shells out \$552m

for a majority stake in the nation's second-biggest food service distributor, Melbourne-based PFD Food Services.

Its key customers include restaurants, cafes, aged-care and retirement villages, convenience stores, schools and kindergartens.

National Association of Food Distributors Australia chief Brad Lee said Woolworths was making a long-term play that would ultimately result in the wholesale grocery supply sector being taken over by the two major chains.

"It would be a disaster for

the industry and the consumer," he warned.

"We have seen what Woolies have done in retail.

"They have consolidated brands, they have pushed private label and it would not behave any differently in the out-of-home food sector.

"Hundreds if not thousands of small, bespoke food producers who are currently supported would find it a significant challenge to be able to meet the supply criteria that Woolworths demands.

"For the consumer it would mean reduced range and a proliferation of private label

Woolies' move on supplier

across the out-of-home food sector."

The industry association is a buying group for 70 food service suppliers dotted across Australia. It has united with rivals Countrywide Food Service Distributors and The Distributors to lobby the Australian Competition and Consumer Commission to block the PFD acquisition.

Mr Lee said Woolworths was taking advantage of the coronavirus pandemic to move in on a sector that had been hard hit by it.

It was clear Coles was also eyeing off the sector, with

speculation it was set to make a bid for Melbourne-based Superior Food Services, he said.

"We have already been kicked in the guts because of COVID," Mr Lee said.

"We are still dealing with closures and restrictions while the two supermarket giants have made massive profits out of COVID."

Woolworths said the food service market was highly fragmented and a wide range of providers would underpin strong competition and choice for customers.

"We have no presence in food service right now and be-

lieve our investment will not only help PFD grow its business, but also raise the bar on service levels across the industry," a spokesman said.

PFD chief Kerry Smith said there was nothing in the company's deal with Woolworths that would fundamentally change the sector's competitive landscape.

"If the deal receives regulatory approval, there will be no more — and no fewer — competitors in the sector than there are today," she said.

"Customers will continue to be able to exercise choice on who they partner with."