

JCRA Media Release

2 November 2005

JCRA Welcomes Jersey Dairy's Message to Retailers

The JCRA is encouraged by the voluntary action of Jersey Dairy to contact over 100 retailers in Jersey reminding them that, under the provisions of the Competition (Jersey) Law 2005 (the Law), retailers must set their own retail prices for the products they purchase from Jersey Dairy, including milk.

Part 2 of the Law, which became fully effective on 1 November, prohibits anti-competitive arrangements, which include agreements between manufacturers and retailers to fix retail prices, known as resale price maintenance. Currently, Jersey Dairy sells its products to Jersey retailers based on its own retail price minus a trade discount. In the run-up to 1 November, the JCRA expressed concerns to Jersey Dairy that this pricing system could violate Part 2, if it had the effect of discouraging retailers from discounting or otherwise competing on price for products such as milk.

In response to these concerns, on 28 October 2005, Jersey Dairy sent letters to all of its retail customers stating that 'it is entirely a matter for you [to decide] what price you charge for Jersey Dairy products.' Jersey Dairy also informed its customers that in the coming months it will implement an entirely new pricing system, which will remove any reference to retail prices. Finally, Jersey Dairy stated that it will be continuing its efforts to improve its own efficiency and implement further price reductions for its customers.

Bill Brown, Executive Director of the JCRA, said:

'Resale price maintenance is a potentially serious violation of Part 2 because it prohibits retailers from competing against each other on the basis of price. The JCRA is encouraged by Jersey Dairy's clear message to its customers – that retail price is a matter for each retailer to decide individually. We also look forward to Jersey Dairy's planned reform of its own pricing system, and will monitor the situation to ensure this change is implemented. Finally, we support Jersey Dairy's continuing efforts to improve its efficiency, and would expect savings to be passed on to

customers in the form of further reductions in milk prices. The cumulative effect of these changes should give retailers greater scope to compete with each other on price, and we hope they will take up this opportunity.

The JCRA hopes that Jersey Dairy's actions will be the first of many examples of voluntary efforts by businesses to comply with the Law, now that it is fully in force.'

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