



Australian
Competition &
Consumer
Commission

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NEWS RELEASE

ACCC NOT TO OPPOSE CELLARMASTERS SALE

The Australian Competition and Consumer Commission announced today it does not intend to oppose Woolworths Limited's proposed acquisition of The Cellarmasters Group.

The ACCC concluded that the proposed acquisition would be unlikely to substantially lessen competition given the presence of several significant competitors in wine retailing, production and associated services.

In forming this view the ACCC consulted widely with competitors, suppliers and customers of the merger parties as well as relevant industry associations.

Woolworths and Cellarmasters are both retailers of wine, but with minimal overlap in their retail channels. Woolworths has an extensive network of 'bricks and mortar' liquor retail stores but negligible existing online liquor sales. Cellarmasters operates an online and direct wine sales business with no bricks and mortar retail operations. Cellarmasters also operates a winemaking business (Dorrien Estate) and businesses which provide services such as bottling and logistics to winemakers.

The ACCC examined whether it was appropriate to consider the impact on competition in retail markets for the supply of liquor, retail markets for the supply of wine or retail markets for the online sale of wine. Regardless of the approach taken to market definition, the ACCC's ultimate conclusion was unchanged.

The ACCC's review found that Woolworths and Cellarmasters were not particularly close retail competitors regardless of how the relevant market was defined, and there would remain several significant competitors in the retail sale of wine following the proposed acquisition.

Wesfarmers (Coles), Metcash-supplied banner groups, independent bricks and mortar retailers and a range of online retailers would continue to impose competitive pressure on Woolworths following the proposed acquisition. The ACCC also noted that there was scope for new entry.

The online wine sales industry has been characterised by new entry and growth in recent years and the ACCC considered this trend was likely to continue in the near future.

Cellarmasters produces the vast majority of the wine it sells itself and did not appear to be a particularly important retailer for any wine producers. Cellarmasters' share of acquisitions of wholesale wine represents a very small fraction of the wholesale wine acquired by Woolworths.

Woolworths' buying power at the wholesale level of the market will not be substantially increased due to the proposed acquisition.

As competition at the wholesale level of the market was not likely to be substantially changed, the ACCC did not consider that the upstream wine grape acquisition market would be materially impacted by the proposed acquisition.

The ACCC also considered whether the acquisition by Woolworths of Cellarmasters winemaking and wine services businesses would raise competition issues. The ACCC concluded that any attempts by Woolworths to deny access or raise the price of wine or wine services to retail competitors would be likely to be unsuccessful since there are a significant number of existing competitors to Cellarmasters' wine production and wine services businesses in operation.

A Public Competition Assessment outlining the ACCC's reasons for its decision will be available on the ACCC's website in due course.

Media inquiries

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