



## FIJI COMMERCE COMMISSION

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## FINAL DETERMINATION ON BUTTER PRICE FOR REWA CO-OPERATIVE DAIRY COMPANY LTD (RCDC) Date of Report: 8<sup>th</sup> October 2010

### 1.0 INTRODUCTION

- 1.1 On 12<sup>th</sup> October, 2008 the Fiji Commerce Commission referred to as "Commission" hereafter received and accepted an application from Rewa Co-operative Dairy Company Ltd (RCDC) for the review of its wholesale & retail price of butter.
- 1.2 This submission came in response to the former Prices and Incomes Board's (PIB) recommendation to the Minister of Finance earlier in September implying that the prices be retained to the existing price approved in April, 2010.
- 1.3 Based on the submission received the Commission proceeded to analyse the submission and make a determination.

### 2.0 LEGAL FRAMEWORK

- 2.1 The *Commerce (Control of Ex-factory Prices for the Wholesale Supply of Butter) Order 2010* empowers the Commission to control/regulate ex-factory prices of butter in the whole sale supply.

### 3.0 LAST PRICE REVIEW

- 3.1 The last price review carried out in April 2010 was based on the following;
  - Shipment cleared in February 2010 with a FOB of NZ\$5,520 per metric ton (MT)
  - Landing at cost of FJ\$7.898/kg
- 3.2 It is noted that the retail price of butter had an increase by 52 per cent in April of 2010. The increase was as follows;
  - 125 gram of Rewa butter increases from \$0.99 to \$1.37;
  - 250grams of butter from \$1.84 to \$2.71; and
  - 500gram butter from \$3.55 to \$5.40.
- 3.3 The increase in the prices was mainly due to sharp increases in international prices of butter-fat and salted butter that is processed in the local plant.

#### 4.0 ANALYSIS OF INFORMATION SUBMITTED BY REWA CO-OPERATIVE DAIRY COMPANY LTD (RCDC)

4.1 RCDC current submissions noted the following;

- I. Shipment cleared in September with an FOB of NZ\$6320 per metric ton (MT).
- II. Landed cost is FJ\$9.22/kg
- III. Inclusion of commission expense in costing analysis
- IV. Requesting a 13.7% increase in wholesale & retail price of butter

4.2 It was noted that RCDC sources its butter raw materials out of Fonterra Limited in New Zealand. An analysis was done of the New Prices of dairy products including butter. For August 2010, grocery food prices increased generally and the contributing products were fresh milk – 11.9%, cheddar cheese – 19.5% and butter – 50.1%. Generally it can be expected that due to the increase in prices of raw materials, local prices would also increase.

4.3 The Commission applied the weighted average costing (WAC) in this current review. Despite the rise in landed cost, the Commission considered that it is only fair to consider all other shipments which arrived from March to September, 2010 given the volume & associated costs.

4.4 Adoption of WAC as a standard measurement in this scenario is recommended as the quantum of increase shows only an increase in retail & wholesale price of butter by 2%. Only the cost of raw material (landed cost) is adopted in this review while all other costs remain unchanged.

#### 5.0 COMMISSION'S DETERMINATION

5.1 The Commission after analysing the Submission from RCDC and through its own research has revised and approved the following Wholesale and Retail price of Butter to be effective from 8<sup>th</sup> November, 2010.

**Table 2 – Recommended Wholesale Price of butter**

Particulars	Existing Retail price (April, 10)	RCDC Submitted retail price (October,10)	Recommended price (November 8 )
125g	\$113.04	\$128.07	\$115.30
250g	\$134.26	\$152.51	\$136.97
500g	\$142.97	\$162.60	\$145.86

**Table 1: Recommended Retail Price of butter**

Particulars	Existing Retail price (April, 10)	RCDC Submitted retail price (October,10)	Recommended price (November 8)
125g	\$1.37	\$1.55	\$1.39
250g	\$2.71	\$3.07	\$2.76
500g	\$5.40	\$6.14	\$5.51

The above or any other charges by RCDC will remain the same and no new charges should be introduced unless authorised by the Commission.

Commissioners:

			
Dr. Mahendra Reddy	Leba Mataitini	Krishan Shah	Sepeti Tagilala
Chairman	Commissioner	Commissioner	Commissioner

Date of Issue: 8<sup>th</sup> November, 2010  
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