

## RE: Real Pet CPI request

**From:** Elissa Xu <[REDACTED]@coles.com.au>  
**To:** Paul Carroll <[REDACTED]@coles.com.au>; Cost Price Increase Requests <costpriceincreaserequests@coles.com.au>  
**Cc:** Tim Bell <[REDACTED]@coles.com.au>  
**Date:** Fri, 04 Feb 2022 17:27:35 +1100  
**Attachments:** Summary - VIP Petfoods R3.xlsx (164.34 kB)

Hi Paul,

I've reviewed the analysis with the additional kangaroo data provided by the supplier and have also extended the period of analysis to January 2022 as we do recognise the continued cost pressures in the past few months. Overall, this increases the validation amount to 10.0% (previously 8.8%).

Regarding the supplier's third point on the difference caused by the ranging date, the main drivers are the Lamb and Chicken Proxy (Wheat Feed) indices. These commodity prices in August 2018 were relatively high compared to the prices now so the overall movement in this period shows a low price increase or in some cases a price decrease.

Additional commentary on commodities which may be helpful:

- The supplier is likely to have faced sustained and continued pressures in the past two years for their major commodities. For example since Jan 2020 Beef has increased ~63%, Lamb ~10%, Kangaroo ~80%
- The supplier is also unlikely to have experienced any major cost benefits or relief from other commodities in this period to counteract these increases
- On a SKU level, we can see that in some cases the supplier's requested increases may be lower than the entire cost pressures they are facing
- Therefore overall, a slightly higher validation amount could be supported but you may wish to consider other commercial aspects and impact to category sales/margins in determining your appropriate feedback to the supplier

Thanks,  
 Elissa

**From:** Paul Carroll <[REDACTED]@coles.com.au>  
**Sent:** Friday, 4 February 2022 3:27 PM  
**To:** Cost Price Increase Requests <CostPriceIncreaseRequests@coles.com.au>  
**Cc:** Elissa Xu <[REDACTED]@coles.com.au>; Timothy Bell <[REDACTED]@coles.com.au>  
**Subject:** FW: Real Pet CPI request  
**Importance:** High

Hi Elissa

Appreciate your support on this.

Can I ask that you please take into consideration the kangaroo pricing index change they have provided and canning cost price timeline change to revalidate the CPI request.

After this I have agreed there will be no more questions will go back to the CPI team and we will conclude our negotiations ourself!

Appreciate you've got a few under me but this view is the biggest priority given they are going live Monday and now stopping trucks.

Thankyou again for your amazing insight

**From:** Simon Russell <[REDACTED]@realpetfoodco.com.au>  
**Sent:** Thursday, 27 January 2022 6:34 PM  
**To:** Paul Carroll <[REDACTED]@coles.com.au>; Cost Price Increase Requests <CostPriceIncreaseRequests@coles.com.au>  
**Cc:** Chad Burke <[REDACTED]@coles.com.au>; Lauren Murtagh <[REDACTED]@realpetfoodco.com.au>  
**Subject:** RE: Real Pet CPI request

Hi Paul & VMO team,

Thank you for the response below. Although we are grateful that you partially acknowledge the COGS impact we are facing, unfortunately the \$4.4m PA COGS increase referenced below is not sufficient to recover the unprecedented cost pressure we're facing. As we have shared, even at 100% of the current CPI proposed to Coles, we are not recovering the full value of the cost pressures we are already absorbing. Separately but relevantly, the latest 2022 outlook has further deteriorated since we communicated the current increase.

In specific response to your feedback, please see our below response and further supporting data as requested. It may be easier if we were able to meet for a telco so we can work specifically through some of the information below (particularly point 3). We are happy to meet at a time to suit you, please advise.

1. Future pricing- although in some instances we have included a forecast outlook, we have not based any of the existing increases on futures. These are for information only
2. Kangaroo pricing- in lieu of an index as you mention below, please see attached publicly available supporting information which includes both independent newspaper articles quoting w/sale prices plus a NSW govt report which confirms w/sale prices at end of Nov 2020 (post our last increase which used data based on July 2020). Using this new data, please confirm you are now able to authenticate our increases for those products containing Roo?

**Tracking w/sale Roo carcass prices via publicly available information**

**March 2018-** article confirming price **0.70 per kg**

<https://www.theland.com.au/story/5285265/top-roo-shooter-says-harvesting-is-a-low-paid-job/>

**Feb 2020-** article confirming Roo price doubling to **\$1.10 per kg** (triggering our last price rise, communicated in July 2020 with prices at that point around the \$1 mark)

<https://www.theland.com.au/story/6617066/jumping-returns-roo-meat-price-doubles-for-harvesters/>

**Jan 2021-** article (and quote from Macro Meats) confirming prices in 2020 have risen to **\$1.30 per kilo** and continue to rise

<https://www.stockjournal.com.au/story/7096660/popularity-jumps-what-next-for-kangaroo-meat/>

**Feb 2021-** 2020 annual report from NSW government which quotes; "Prices paid by dealers to harvesters for kangaroo carcasses **reached record levels in late 2020 with \$1.30–1.40 per kilogram being paid**. This was likely to result from several factors, including sustained dealer demand, improved competition, and decreased supply. Supply decreased largely due to wet weather, lower numbers due to drought and, to a lesser extent, COVID-19 impacts on harvesters.

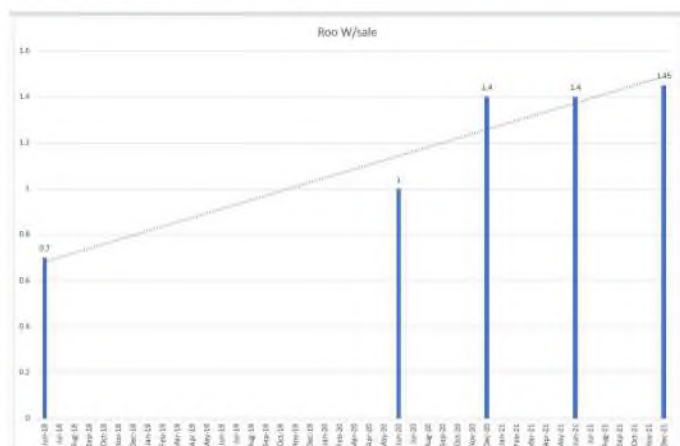
<https://www.environment.nsw.gov.au/-/media/OEH/Corporate-Site/Documents/Animals-and-plants/Wildlife-management/Kangaroo-management/2020-annual-report-nsw-commercial-kangaroo-harvest-management-plan-2017-21-210166.pdf>

Note the above factors have been further compounded through 2021 and have seen **prices hold at \$1.40+**.

**Aug 2021-** article discussing the continued climb of Roo prices impacting Wild Dog trapping and making the use of Kangaroo for this purpose unsustainable

<https://www.theland.com.au/story/7404818/deer-donkeys-and-camels-on-wild-dog-bait-menu-due-to-roo-meat-price/?cs=4941>

**Above data into chart format**



Note that these increases are just our w/sale prices paid to shooters and do not include additional processing, shipping and storage costs which further accelerate the increase as in line with the internal information we previously shared.

3. Canned Food has been significantly impacted over the last 36 months in particular (outstripping the amounts we are passing on). However, in your analysis you have stated that similar products (some in the same promo group) are impacted differently depending on a ranging date (for Natures Gift 700g SKUs; Nov 16 justified, Aug 18 not). An example of this is below

Last cost price change	Segment	SKU No	SKU Name	Last 12 months COGS \$	Increase request from supplier	CCT Recommendation
Nov-16	Wet	2067261	NATURE'S GIFT ADULT ALL BREEDS WET DOG FOOD LOAF DUCK- CHICKEN & VEGETABLES 700GRAM:DUCK CHICKEN & VEGETABLES:700 GRAM	\$ 833,135	17.9%	\$ 149,131
Nov-16	Wet	7875398	NATURE'S GIFT ADULT ALL BREEDS WET DOG FOOD LOAF LAMB- PASTA & VEGETABLES 700GRAM:LAMB PASTA VEG:700 GRAM	\$ 899,429	17.9%	\$ 160,998
Nov-16	Wet	7007325	NATURE'S GIFT ADULT ALL BREEDS WET DOG FOOD LOAF KANGAROO- RICE & VEGETABLES 700GRAM:KANGAROO RICE & VEG:700 GRAM	\$ 1,177,044	17.9%	\$ 210,691
Nov-16	Wet	2825133	NATURE'S GIFT ADULT ALL BREEDS WET DOG FOOD LOAF WITH CHICKEN- TURKEY & VEGETABLES 700GRAM:CHICKEN TURKEY & VEGETABLES:700 GRAM	\$ 958,278	17.9%	\$ 171,532
Aug-18	Wet	3320620	NATURE'S GIFT ADULT ALL BREEDS WET DOG FOOD CASSEROLE GRAVY BEEF- VEGETABLES & BARLEY 700GRAM:BEEF VEGETABLE & BARLEY:700 GRAM	\$ 759,157	17.9%	\$ 133,829
Aug-18	Wet	3320631	NATURE'S GIFT ADULT ALL BREEDS WET DOG FOOD CASSEROLE GRAVY LAMB- VEGETABLES & BARLEY 700GRAM:LAMB WITH VEGETABLE & BARLEY:700 GRAM	\$ 841,877	17.9%	\$ 150,896
Aug-18	Wet	3320642	NATURE'S GIFT ADULT ALL BREEDS WET DOG FOOD CASSEROLE GRAVY KANGAROO & VEGETABLES 700GRAM:KANGAROO & VEGIES:700 GRAM	\$ 944,414	17.9%	\$ 169,050
Aug-18	Wet	3213654	FARMERS MARKET ADULT WET DOG FOOD CHICKEN STEW WITH VEGETABLES & BROWN RICE 400GRAM:CHICKEN STEW WITH VEG & BROWN RICE:400 GRAM	\$ 375,932	16.4%	\$ 61,653
Aug-18	Wet	3313643	FARMERS MARKET ADULT WET DOG FOOD LAMB STEW WITH VEGETABLES & BROWN RICE 400GRAM:STEW WITH LAMBE VEG & BROWN RICE:400 GRAM	\$ 582,069	16.4%	\$ 95,459
Aug-18	Wet	3313698	FARMERS MARKET ADULT WET DOG FOOD CHICKEN LOAF WITH CARROTS AND PEAS 400G:ROAST CHICKEN CARROTS & PEAS:400 GRAM	\$ 540,179	16.4%	\$ 88,589

Please can you share specifically, which commodities you believe are driving the impact down over the period Nov 16 to Aug 18, so we can send further supporting information as your analysis is incorrect.

Thank you and we look forward to hearing from you.

Simon

From: Paul Carroll <[REDACTED]@coles.com.au>

Sent: Tuesday, 25 January 2022 8:41 PM

To: Simon Russell <[REDACTED]@realpetfoodco.com.au>

Cc: Cost Price Increase Requests <CostPriceIncreaseRequests@coles.com.au>; Chad Burke <[REDACTED]@coles.com.au>; Lauren Murtagh

<[REDACTED]@realpetfoodco.com.au>

Subject: Real Pet CPI request



Hi Simon,

I hope you are well. I wanted to let you know that the VMO have reviewed your additional information you provided . Feedback below.

Hi Paul,

Having a quick look at the additional information provided by the supplier, some general comments:

- The provided commodity charts are consistent with the commodity indexes we have access to, and we have taken the price movements into account in our analysis
- However the charts also include forecasts for future prices, in general we do not recommend accepting price increases based on forecasts as there is no guarantee which way the prices will go
- The supplier may have taken this into account in their request which may explain some of the difference between our recommendation and their requested %

In our initial analysis we did not include Kangaroo as there is no publicly available indices or practical substitutes. Based on the minimal additional information provided, we have estimated this impact and can revise our recommendation to 8.8% (8.5% previously).

Please let us know if you have any questions, otherwise happy to leave with you..

Thanks,  
Elissa

Based on this information, I have reviewed it satisfactory to extend my allowance from +8.5% increase to 8.8% in line with the VMO recommendation . Please note this is a dramatic increase to real Pet, an approx. COG benefit of +\$4.4m across a calendar YoY. I must state this is subject to some incremental promotional activity being agreed in order to ensure Real Pet Food lines remain commercially viable. Im happy to have Emma and Lauren work this up.

I feel the time is right to cease discussions with the VMO and discuss how you wish to proceed.

Kind regards,

**Paul Carroll**

Senior Category Manager - Pet

800 Toorak Road Hawthorn East Victoria 3123 Australia

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From: Simon Russell <**REDACTED**@realpetfoodco.com.au>

Sent: Friday, 7 January 2022 6:48 AM

To: Paul Carroll <**REDACTED**@coles.com.au>; Cost Price Increase Requests <CostPriceIncreaseRequests@coles.com.au>

Cc: Lauren Murtagh <**REDACTED**@realpetfoodco.com.au>; Emma Bates <**REDACTED**@coles.com.au>

Subject: FW: RPFC - Additional Information Supporting Cost Increase

Hi Paul,

I have updated the pack that I sent through at the end of last year with an additional slide highlighting the cost impact on Kangaroo meat that we are experiencing.

Happy to discuss further when you are back on-board next week.

Cheers

Simon

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From: Simon Russell

Sent: Friday, 17 December 2021 7:44 PM

To: Paul Carroll <**REDACTED**@coles.com.au>; Emma Bates <**REDACTED**@coles.com.au>; Lauren Murtagh

<**REDACTED**@realpetfoodco.com.au>

Subject: RPFC - Additional Information Supporting Cost Increase

Hi Paul,

Trust you have had a good week.

Thanks for your email earlier in the week. I wanted to provide you with some additional information pertaining to the cost increase that was recently submitted. Please find attached a document that provides supporting rational to the increase in commodity costs that we are experiencing.

RPFC has been absorbing these costs now for 6-9 months plus and does not expect these to revert at any time in the foreseeable future. As a result, it is no longer sustainable for the business to continue to absorb these costs.

If you have any questions, lets set up some time to discuss.

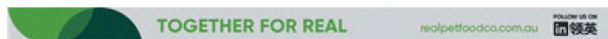
Cheers,

Simon

**Simon Russell**  
Customer Business Manager Coles



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