

Tesco warns of 'unprecedented' inflation but drops price of milk

The impacts of higher prices are being felt in the Tesco boardroom as profits have fallen despite an increase in sales.

High energy and labour costs, along with [food inflation at 17.5%](#), have hurt the company's earning power.

But the retailer also announced a reduction in the price of milk for the first time since May 2020. The cost has dropped from 95p to 90p a pint and from £1.30 to £1.25 for two pints. Prices on more than 1,000 everyday items will be frozen until early July.

The chain also announced it will buy back another £750m worth of shares in addition to the £1bn it has already bought back.

It reported profits of £2.63bn, down from £2.82bn the year before despite revenues rising to £65.7bn over the year, an increase from £61.3bn a year ago.

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"Our results reflect our continued investment in delivering great value and quality for our customers, whilst at the same time looking after our colleagues," chief executive Ken Murphy said.

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“This is despite unprecedented levels of inflation in the prices we have paid our suppliers for their products, and the cost of running our own operations.”

At the same time Tesco’s preliminary full-year results said it is “at the most competitive we have ever been” and Tesco prices were “meaningfully lower” than 17.5% food inflation rate.

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Mr Murphy also said inflation would fall later this year, as oil and grain prices fall, but the price of rice and protein would stay high.

The retailer is pushing suppliers for price cuts and has a team to closely monitor the costs facing suppliers, The Sunday Times reported on Sunday.

In an effort to save £1bn by February 2024 hundreds of manager roles across shops [have been cut](#) and all remaining food counters and hot delis have been closed.

Increases in delivery costs are to be introduced. Both the minimum spend and the fee for ordering groceries online will rise from 2 May.

A £4 charge is applied when the £40 home delivery minimum spend threshold isn’t reached. The minimum spend will rise to

£50 next month and the fee for not meeting it will top £5.

Tesco still enjoys a 27% market share, the largest of any supermarket, despite increasing competition from low-cost German retailers Aldi and Lidl.

The billions of profits made by Tesco in a cost of living crisis have come in for criticism.

Unite general secretary Sharon Graham said they are “another example of excessive profiteering fired up by astonishing corporate greed”.

“It’s this rampant profiteering which is driving inflation, and cranking up the cost of living crisis for workers and their families,” she said.

“How can it be that at a time when millions are struggling to feed their families Britain’s biggest supermarket is profiteering as never before.”