To: Grocery Prices Inquiry
Sent: Mon Mar 10 17:22:17 2008
Subject: submission/Hooper

Public Submission to ACCC Grocery Inquiry by Peter Hooper on March 10, 2008.

To Whom It May Concern,

There are two points at least that should be examined. First, that fresh produce is now giving a highly variable return on investment due primarily to quality issues. This consequently increases retail sales price.

And second, that the retail consumer pays more due to the structure of the major chain retailers.

One considerable reason prices, especially fruit & veg, have risen is due to lack of availability of a high standard of quality produce. It is unfortunate that while consumers naturally base their purchase on produce quality (mostly by how it looks), retailers usually have to buy based on volume of produce (unless they personally inspect it and if they did they probably wouldn't buy it). The consumer rarely gets to glimpse at the food waste that goes to the tip yet they ultimately and directly pay.

From my measurements, the majority of the produce that enters our shop has low brix values despite it looking ok, so in essence, the consumer is bearing the cost of produce that has a nutritional value that is questionable and probably won't contribute to their good health.
Additionally, the fresh foods that go into packaged goods need to meet certain production standards so obviously the cost of these goods must also naturally rise.

Secondly, the structure of the grocery industry has developed to the point where the two MSCs (Woolworths and Coles) have devastating leverage over suppliers. This is primarily due to their vertical integration mechanisms and how suppliers are shut out of the entire system unless they comply to the will of the MSC.

I've noticed in recent years that multinational suppliers are putting more effort in the 'route trade' and independent retailers. I can only assume this is due to the lessening profitability of dealing with the MSCs (perhaps due to having their markets canibalised by generics).

While for the MSCs, I suspect that vertical integration apparently adds to their bottom line, but only to a point. If you were to ask a F&V manager at a MSC what their real throw out rate is, they would state some horific figure and then say "...this huge load of produce just turned up!". In these organisations you'll find people (often very good people) who have to make decisions worth thousands of dollars and who aren't pay a princely sum and yet they still have to cover their backs at every moment. Therefore mistakes happen nd this is where distortions (ie. increases) in price enter.

To fix these problems: firstly a system where farmers are paid for quality and quantity (I've heard this is happening with the New Zealand kiwi fruit being sold to Japan) needs to be developed and secondly, the wholesaling divisions of the two MSCs should be split from their retailing divisions and separate and competing companies formed. This would also allow deeper competition to form between wholesalers.

Ultimately, this should wipe away distortions in the market, allow retailers more choice in major suppliers and consequently allowing consumers vastly more choice in suppliers of a range and quality of goods at reasonable prices.

Yours sincerely,
Peter Hooper