

Public Submission to ACCC Grocery Inquiry by Sue Allan on 10<sup>th</sup> March 2008-03-10

As a primary producer of Table Grapes and Mangoes for supply to the Australian Domestic Market I would like to make a submission to the ACCC Grocery inquiry.

My main concern is that the price paid to the farmer for their **product does not reflect a fair proportion of the retail price paid by consumers for the same product.**

Our product is sold on our behalf by an agent to the retailer.

The main concern with the transaction is the lack of transparency in the supply chain after our product changes hands from us to the agent.

The agent does not have to supply us with evidence of the price he asks for the same product when he on sells it to the next step in the chain.

It is my opinion that the price which the farmer is given, (which is a net price after commission and handling fees and ripening fees are deducted,) should be the same price the next person pays for the product, presumably the retailer.

Until we have evidence of the price paid by the retailer when they buy the product from the agent then we cannot understand the price structure.

My point is that if there is an increase in the price per unit of product between the price returned to the grower and the price paid by the retailer for the product, then the agent is causing an inflation. As the agent is charging usually 12.5% commission per unit, and all responsibility and risk is worn by the producer until and even after sale of the product if there is a return of the product, then the agent or middle man should not be able to make any extra \$ on the unit. The assumption is that the "sale" price is the price charged to the retailer by the agent on behalf of the grower for the product he is selling on behalf of the grower.

A point I would like to make is that producer cannot act as a business in the supply chain as we are traditionally price takers not price givers. If we could act as a business and command a profit on the production costs to our business for the supply of goods to the retailers then we would be able to have a fair proportion of the supply chain margin.

We rely on the wholesales to do the next step in the chain for us. Normally producers are too busy growing the product to be effectively involved in the distribution of their goods. However some bigger producers/Companies can and do have effective involvement in this area and as such may gain a fairer proportion of the profit margin.

All parts of the supply chain need to make profits, however the producer is the only one which cannot have control over this. Producers profit if there is a seasonal problem which causes an increase in demand for product but the agent and retailer command a set price per unit in any market situation. The producer is at the mercy of the market and can be forced to sell below cost of production.

Costs to producers increase with any price increases in the goods and services they use to run their business but the return for the product is not guaranteed and is subject to market fluctuations.

The fresh fruit market agent usually deals with selling our product as is where is without any value adding. Therefore the amount of handling of product is only a reflection of the normal necessary requirements of any fresh product i.e. refrigeration and storage of product.

Personally I have seen a remarkable difference between the price given to me at market and the price paid for the same product by a retailer. For example a mark up of \$10 - \$20 per tray on the price given to us as producers. This means the agent is taking commission on the price per tray of 12%, plus receiving extra \$ on each tray when sold on to the retailer. The retailer is then adding on their profit margin to the price per tray when sold to the consumer

If a grower gets for example \$25 per tray which equates to \$2.50/kilo, then the inquiry needs to look at the retail price for that product per kilo and trace the steps in the chain which gives the price the consumer pays.

All return prices to growers should be traceable to the point of sale at the retail level to make sure the growers sale return is reflected fairly in what the consumer has to pay.

The Horticulture Code of Practice failed to provide transparency on this level and without this the Code is not effective in protecting the grower.

As growers all our tax invoices which the agent provides only tell us the first step. We need transparency in all the movement in the chain of supply until the price is displayed at the retail level for the consumer.

Growers /producers need to be able to act as a business as do all the other parts of the supply chain and command a return on their product which at least reflects the cost of production.

How can growers compete in the market climate that now exists?