



12 March 2008

To the ACCC

This is a submission on behalf of the members of **GrapeConnect**, an organisation of table grape growers in Qld, that is responsible for approximately 70% of the production of table grapes in the early part of the Australian domestic season. Generally we see reasonable transparency with direct sales to supermarket chains, but we have no idea what our product is on sold for compared with the price we are told is the market price of the day. Should be the same!

In order for the supplier (grower) of fruit or vegies/meat, to understand the pricing structure of the supply chain there needs to be transparency of sales along the chain.

As producers we are now issued with a tax invoice of the gross sale of our product at the market, less the commission charged and other deducted costs – handling per tray/ripening charges/tray, promotional levies and DPI&F levies and GST. The net price is the banked amount.

The producer would like to see a breakdown of the costs of the wholesaler to ascertain the cost per unit of product to the wholesaler in relation to the charges imposed on the producer.

The wholesaler then passes this product to the retailer but there is no transparency of the price per unit mark up that may take place when this sale takes place. ***The producer would like to see documentation from the retail level of the price paid for goods received from the market. The grower should be able to trace their product to see how much the retailer paid for the product in relation to the price they received.***

The retail price is plain to see as this is what the consumer pays.

Suppliers of horticultural products – fresh fruit/vegetables struggle to compete as a business because the price per unit is completely dependant on supply and demand. Natural disasters which can devastate one area can mean another's fortune.

Cost of production may or may not be met in each season and any profit to be made is entirely dependant on the average price across several seasons.

Producers are price takers – selling to the wholesale market where prices are fixed by the supply and demand on a daily/weekly basis. All produce within a market appears to be subject to an average with good quality product price being affected by supply of below specs. product which forces prices down at the market.

This price however is not necessarily reflected at the retail level.

All costs and risks are with the grower – no risk is taken by the wholesaler. In most Horticultural Produce Agreements ownership of the product remains with the producer until a sale is made and even then if the product fails to come up to standard for some reason then the producer will not be paid the agreed price. Price return can be reduced to nothing and there is no accountability or traceability for causes of deterioration of the product, this is despite the implementation of Freshcare/HACCP/SQF2000.

Under the Horticulture Code of Practice wholesalers are either agents or merchants. Merchants take ownership of the goods on point of delivery for an agreed price. They still reserve the right to refuse product if on arrival it does not meet their standards. ***The supply chain from farm gate to market is another area where the farmer wears the responsibility and risk without having any real control for the condition of the product en route.***

Quality product from a grower is the key to good returns but the market climate we are now subject to in Australia, even good product does not ensure an equitable share of the profits for the producer, that are made by other parts of the supply chain.

How can producers who are at the bottom of the supply chain, but in fact are the foundation of the chain, get a fair share of the profit.

Only by transparency of the process which goes on with the sale of their goods and by shifting some of the responsibility and ownership of product to the next step in the chain so the product is looked after and thus may reach the consumer in the best possible condition.

How often have we seen high prices of product on the shelves which is not of good quality?

How often have we seen low price return to the producer only to see the same product sold for a high price at the retail level?

This must reflect a mark up in the on selling of product and also the power of the supply chain to make a profit on sale of goods.

We trust we are on the right track in the sort of information required, and apologise for the summary nature of the submission, but we are a relatively small part of the big picture, and our time frame from post harvest meeting to now has been relatively short. If you require more information, please contact Richard Lomman, Chair of GrapeConnect, or Sue Allan on the contacts numbers below.

Yours Sincerely Richard Lomman, Sue Allan

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