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Senate Select Committee on Supermarket Prices
Box 6100
Parliament House, Canberra ACT 2600

QUEENSLAND
FARMERS'
FEDERATION

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Dear Committee Chair

Re: Inquiry into price setting practices and market power of major supermarkets

Queensland Farmers' Federation (QFF) welcomes the opportunity to provide comment on the Senate inquiry into price setting practices and market power of major supermarkets. Whilst there are many factors currently directly impacting on the viability of many producers across Queensland, improving market transparency and working to ensure fair trading terms for producers is a very important, particularly for producers of perishable food products.

QFF take this opportunity to express support for our members QFVG and eastAUSmilk who have made detailed and informative submissions to the Senate as expert industry leaders in their specific commodity areas.

QFF points to the importance of supermarkets as a food retailer, and how critical a transparent, fair and balanced relationship between producers and these market retailers is. For both consumers and producers. The power imbalance between farmgate and supermarkets has become distorted over a long period of time. As peak industry bodies, our members QFVG and eastAUSmilk represent Queensland farmers in the fresh produce and dairy product lines and are very aware of the individual experiences of producers large and small in dealing with current commercial practices.

Following Coles and Woolworths reporting profits exceeding \$1 billion last financial year, the significant gap between the earnings of these retail giants and the returns to the farm gate of producers is of significant concern among the Australian public and the Australian Competition and Consumer Commission (ACCC).

It should also be a significant concern to consumers and to government. The future viability of producers and the sustainability, or lack thereof, of Australia's food production system, will ultimately impact consumers and their ability to access and afford Australian food. Whilst, as a nation, we currently are complacent when it comes to food security, in comparison to other nations around the world, statistics show that food insecurity has risen sharply in Australia since COVID and many are already struggling to afford many Australian food items and being forced to look for cheaper, imported alternatives or are turning to less nutritious 'food fillers' due affordability.

As we continue to grapple with nation-wide health and obesity issues, continue to work to reduce emissions, having access to fresh, nutritious food that is low on food miles and produced in sustainable ways, should be a priority for our nation. Our farmers lead the world when it comes to sustainable food production and a whole range of ESG considerations, as articulated in the ABARES' Environmental Sustainability and Agri-Environmental Indicators – International Comparisons report [Read ABARES report here](#)

MEMBERS

Canegrowers
Cotton Australia
Qld Fruit & Vegetable Growers
Nursery and Garden Industry Qld

eastAUSmilk
Turf Queensland
Australian Cane Farmers Association
Queensland United Egg Producers

Queensland Chicken Meat Council
Pork Queensland Inc
Qld Oyster Growers Association
Irrigator Groups Across Qld

This gap between retail giant's profits and poor farm gate returns has developed over time in many ways, most apparently through cost shifting along the supply chain. The transfer of operating costs, risks, or reductions in profit margins back onto producers by extending payment terms, imposing additional fees for shelf space, or requiring suppliers to absorb the costs of discounts and promotions, has left farmers often in a situation of having little to no bargaining power and subject to unconscionable trading practices and unsustainable farm gate returns.

Due to their dominant market position and limited alternatives for farmers to sell their products as well as their control over various stages of the supply chain and access to extensive market data and consumer trends, these supermarket giants have a large advantage over producers during negotiations. Additionally, deliberate mechanisms such as purposeful oversupply of produce serve to ensure supply while saturating the market, thereby facilitating negotiations for lower farmgate prices. This manipulation skews the supply and demand margins and effectively controls the marketplace, not to mention exacerbating issues of waste, conflicting with the federal Recycling and Waste Reduction Act 2020 and the overall desire of industry and consumers to reduce food waste.

This conduct is compounded by the fact that majority of producers do not feel they are able to speak up to provide real-time evidence during this inquiry due to fear of commercial retribution. Simple case studies and discussions with the nation's food providers would shine a light upon the enormous divide between producer and market pricing, and the major power imbalance contributing to this. QFF stands with its members in suggesting the following recommendations result from this inquiry:

- (i) The Australian Food and Grocery Code of Conduct (FGCC) needs to be altered and extended – QFF acknowledge that ACCC has taken steps in the past to regulate these retailers including the introduction of the FGCC to protect suppliers/producers from unilateral changes to agreements. The current Code is voluntary in nature and it is apparent this is not working to maintain and create a fair work standard across markets. QFF supports our members' recommendations for this code to become mandatory. QFF also supports increased penalties for breaches of the FGCC and the Competition and Consumer Regulation 2015, in order to more effectively deter these practices occurring again.
- (ii) Dispute resolution must be independent – As a result of the very real hesitation of any farmers to publicly speak up regarding their experience with these retail giants, it is imperative that dispute resolution and complaint processes are made independent. QFF urges the Federal government to accept the recommendations put forward during the review of the *Competition and Consumer (Industry Codes-Food and Grocery Code) Regulation 2015*, to create an entirely independent dispute resolution process in place that does not allow supermarket representatives to have any part in the selection of resolution officers.
- (iii) Empower the regulator – The ACCC should be further empowered to have greater oversight and investigative powers for potential breaches of the Competition and Consumer Regulation 2015.
- (iv) Horticultural and nursey markets require targeted strategies – The perishability of nursery and horticultural products creates additional levels of complexity with constraining processing time frames. Producers face added layers of difficulty when organising transport, export and/or alternative markets and buyers, in particular in cases of oversupply. This needs to be addressed through fair contracts to ensure producers are not unfairly disadvantaged by distortions in market power and the ability for large retailers to hold producers at the mercy of their decisions.

QFF calls upon the Senate to facilitate a comprehensive and meaningful inquiry into these disparities within the market and to consider the issues raised within the broader context of the many factors that are placing considerable pressure on the viability of many farming enterprises. There is a pressing need for greater market transparency regarding how costs are factored into negotiations and agreements with supermarkets, and an investigation into the cost shifting occurring between the two. QFF brings to the attention of the Senate that many of the issues being raised in relation to supermarkets exists in other areas of the agricultural market where there is a dominance of large retailers and in relation to both ends of the supply chain.

QFF advocates for government support to empower farmers with the necessary tools and education to negotiate fair supplier contracts. There is a desperate need for a rehaul of the image of growers and producers in the nation. They are the backbone of nation's food security and yet are ensnared in debt and unbalanced partnerships, afraid to speak up out of concern of retribution.

QFF calls on the Senate to thoroughly consider the issues and recommendations brought forth by industry stakeholders, prioritise the needs of the nation to have a sustainable, viable domestic food production system moving forward.

Yours sincerely

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