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Inquiry into food pricing and food security in remote indigenous communities

TAH Northern Trading is a born and bred Territory grocery wholesaler 22 years young. TAH Northern Trading is unique to food wholesaling as we specialise in supplying remote community stores and takeaways. We totally understand the logistics, trends and challenges of remote stores. As of December 2019 we are now majority indigenously owned. We are actively “Bridging the gap”.

TAH Northern Trading sources all stock from leading Australian manufacturers and a small portion from overseas. We are very flexible in sourcing products at the best price to provide remote stores best value for money while still remaining commercially viable.

We are additionally fortunate in that the directors both manage and own several remote stores. This gives us the unique insight of the complete supply chain from manufacturer to end user.

COVID-19

In mid-March when the COVID-19 panic purchasing in major cities began draining our suppliers of our core products, we worked with our manufacturers daily – reminding them of how essential our orders were to the most vulnerable communities in Australia. We were placing repeated orders daily to capture delivery windows and every opportunity without being guaranteed the order would be supplied. Residents of remote communities have no other option for supplies unlike the city people who can commute easily to the next suburb for groceries or visit another café for uber eats. While our suppliers did their best to accommodate – they themselves were under enormous pressure to supply the National heavy weights – Woolworth/Coles etc. These stores were consuming a weeks’ worth of stock within hours of it landing on the retail shelf.

Most communities routinely carry additional stock to cater for the unexpected and expected (cyclone/flooding/delayed transport). The extra funding to keep people on community and also encourage people to return to community during the pandemic was a wise move. However the extra pressure this put on the supply chain was alarming to say the least. Unlike mainstream Australia, consumers in remote areas are extremely brand loyal and are not always receptive to substitutes. In smaller communities there is only one store and Takeaway. Sourcing food from an alternative store is anything from a 20km walk, to an expensive charter flight to the next community. Most people in communities still have skills to hunt and gather but again this is not always successful as any fisherman will tell you.

As a wholesaler we were already putting an enormous amount of pressure on our suppliers to fulfil our regular orders and we are very thank full for their support. The additional demand reached critical point and the “COVID-19 food security group” was established bring key people together to unite on solutions.

We are as prepared as we can be for the second wave of COVID-19 by carrying additional stock. We have already been informed by 5 manufacturers that their production/distribution has been adversely affected by COVID-19. We are approaching our Wet Season and stores traditionally carry additional stock to carry them through the Wet Season where interruptions to supply is expected for anything from 1 week to 4 months. We extent up to 3 months credit to assist the store with their cash flow while stock sells down.

COVID-19 has added costs to some store’s as staff movements that were essential, required them to quarantine for 2 weeks at a cost of \$5000 per couple. Other stores were unable to source essential staff as the community was locked down for several weeks and for the sanity of the managers, some stores traded on reduced trading hours.

Another casualty of COVID-19 in some communities has been the heavy usage of the internet and the speed being to slow for practical use by the afternoon.

Outside of COVID-19 – the normal

Remote Stores provide a large range of products and services that stores in the cities can specialise in with stronger purchasing power.

The range of services that stores may be required to provide, range from the Sale of Power for electricity to private homes on the community, phone credit, fresh fruit and Vegetables, takeaway food, general groceries, white goods, camping equipment, hardware, clothing, travel bookings/assistance, donations and sponsorship to local causes, computers, furniture, vehicles etc etc etc. The store is the hub of the community.

Stock orders in most communities arrive once a week by truck barge or plane, but some are still fortnightly (there is insufficient freight for a carrier to viably and financially provide a weekly service). Some communities are placing stock orders 10 - 12 days ahead of expected delivery date. The stock can be in transit for up to 5 days, multiple changes in transport increase the opportunity for damage and integrity of the product. Some products arrive with limited date life –Fruit and vegetables, milks and dairy. In the Wet Season it is not possible to stock fresh milk unless it is flown in by charter flight with the fruit and Vegetables and other perishables and mail. Store managers can't always reject compromised stock as the expense, timing and logistics of returning it is impractical. The stock is dispatched from supplier in good condition but with multiple movements between warehouse and retailer back door, it can encounter damage at several points.

A typical journey for a pallet of groceries dispatched from TAH Northern Trading is as follows

1. Stock is loaded from the warehouse into our truck and delivered to the barge company
2. Stock is removed from the truck and loaded into a container or prepared to travel on deck in a loading area at the freight company
3. For containerised stock, when the container is full (or restacked to make all the other deliveries from other companies fit for transit) it is sealed and loaded onto the large
4. During the barge trip some unavoidable events can occur like, heavy seas are encountered and the bottom layer of stock is squashed from the barge smashing onto large waves, the delivery day is postponed by a day or two while the barge seeks shelter, delays in landing the barge due to tides being unfavourable to unload etc
5. Stock is forklifted out of the container and loaded onto the stores vehicle/truck
6. Stock is freighted to the store by corrugated dusty or muddy dirt road (adding stress to the pallet of stock) and forklifted into store. Any stock that arrives in a compromised state has to be dealt with at the store and salvaged as best as is possible. Nobody wants to pay the return freight for replacement or credit of the damaged pallet that has already cost **at least** \$350 in freight.

From time to time forklift damage to the pallet is encountered although not deliberate. Bad weather (rain) can make these stock movements between modes of transport even more challenging. Tides dictate when unloading can occur and this can be outside of normal working hours or on public holidays. Road conditions can be challenging, the truck gets bogged causing delays in its expected arrival. When a community is not peaceful, vehicles can encounter rocks being thrown at them resulting in smashed windscreens. Store managers can expect any one of these events to occur during their tenure although rarely/never all in the same journey.

Community stores are either community owned or are privately leased from the TO's. The store is either locally managed by the community/committee and/or a management company managing the store on behalf of the community. Both methods have their merits and weaknesses and can both

exist within the same community. The success of the store always falls upon the quality of the managers on site not the organisation overseeing the service.

Privately leased stores are often criticised for their higher prices but this is due to the high rent they pay, longer trading hours and higher labour costs. Despite these costs privately managed stores are still required to offer the full range of items deemed necessary at competitive prices to comply with accepting the "BasicCard". Food security is increased via longer trading hours and resilience to being closed due to staff commitments for ceremony. High rent is paid to the TO's (traditional owners) thus injecting their money back into their community under their control.

All remote stores are encouraged to provide a healthy range of eating options in a responsible manner. Generally the community health workers and police will share information with the store managers that is relevant to the service the store provides to the community. Again the quality of the manager on site delivering this service is the key to the success.

The price of fruit and Veg is frequently criticised for price, quality and availability. When volume permits we source direct from the interstate markets. This has been effective in achieving the best quality, price and minimising transit and handling times that compromise the integrity of the product. Most stores provide fruit and Veg at the best price they can and in the best way that they can. Sometimes these essentials are sold at cost. Again it is the quality of the store manager on site that determines this success.

The logistics of reaching and delivering any service in a remote community will always result in higher prices than a major city such as Sydney or Melbourne. A city retail store expects free delivery within 24 hours from its wholesaler. Flights to Melbourne can cost as little as \$99 from Darwin (4 ½ hours or approx. 3000km travel) Flight to remote communities average \$400 for a 1 ½ hour flight and up to 700k.

Insurance is becoming increasingly difficult and expensive to obtain given our location in Cyclone zones, Public liability and building insurance is essential to hold. Quotes for Workers Compensation insurance at one of the stores, ranged from \$21000 to \$31500. At another store the broker was unable to offer building insurance for accommodation. Fortunately, the landlord was able to secure insurance but at a significantly higher cost. At another store that survived a cyclone without physical damage, 2 of 4 companies declined to offer insurance at all. The other two offered insurance at a higher rate than the previous year. The reason given was because of significant events on the east coast the previous year.

Break-ins can be a regular occurrence and become very costly in aging buildings. (My record was 6 break-ins in 7 days and one assault on a staff member.) Insurance is not always claimed in fear that

the premiums will become even more expensive. This was experienced at a store that put a claim in for lost frozen and chilled stock due to power being cut to the town for a few days while the cyclone passed over.

General preventative work for refrigeration services require specialists to be flown into the community and the added expense of travel time, overnight penalties and travel itself continues to add to the running costs. In worst case scenario's when refrigeration goes down, stock must be discarded and a week or two will elapse until replacement stock arrives. Generally stores do run sufficient alternative refrigeration/solutions to cope with this annoying occurrence. The time and cost to repair the fault may only be \$200 but the additional costs to attend the remote location easily add up to \$2000 and more.

While EFTPOS machines add to the functionality of the community but are not necessarily an expense, (apart from the fees all retailers absorb) I am always amused when the technician at the end of the phone assures me there will be a replacement machine delivered within 4 hours!! I am yet to have this promise delivered. It usually takes about a week for a replacement terminal. Internet has occasionally gone down for up to 3 days. But there are contingency plans in place for people that have a "BASIC CARD" to ensure people have access to basic food supplies if they don't have access to cash.

Remote stores are obliged to provide accommodation to their managers, unlike major city retailers. There are costs associated with this essential provision – repairs, insurance, etc.

A recent situation will add to the cost of operating remotely. Some stores provide their own trucks to transport freight from the barge landing to the store. These vehicles still need to comply with registration to be on public roads. This store found that there was no one on the island that could perform a rego compliance check on heavy trucks and was informed to freight the truck back to Darwin. Police are able to approve light vehicles but not heavy trucks. Freight will set the store back by about \$4k and will mean they will be without the vehicle to transport stock between the barge and the store or alternatively will need to fly in an authorised inspector.

While freight and rent is the biggest contributor to the cost of operating a remote store, nearly every other cost is substantially higher than a regional store and these costs need to be included to run a healthy sustainable store.

Stores with small turnover struggle to cover the running cost and even higher retail prices can be expected to keep the store financially viable.

On the whole, store operators and service providers work as efficiently as they can with the resources they have. The fact is it is undeniably more expensive to operate a viable store in any remote regions.