

SUBMISSION NO. 19

Horticultural Code and Farm Gate to Plate

Submission to the Horticultural Code and Farm Gate to Plate

House of Representatives

Standing Committee on Agriculture, Resources, Fisheries and Forestry PO Box
6021 Parliament House Canberra ACT 2600

By email: arff.reps@aph.gov.au

Dear Committee Secretary,

I am sending this submission as a first hand example of a system crippling Australia's primary industry. A system so bias towards the interests of the middle man that it must have been established at the time of First Settlement, struggling farmers with no option but to send their cash crop through the central feudal markets and take the price the Lord decided to give them, with no recourse to bargain or to the challenge the amount paid. This sounds like a dramatisation but it's not, that's how it works here in Australia now.

Background

Between 2004 and 2009 [REDACTED] was a small supplier of both bamboo shoots to the Sydney Flemington markets and Bamboo poles to the Brisbane flower markets.

1. The poles were sold at auction in Brisbane and I was sent a cheque with an auditable statement that included the sale price and buyer number, less fees and charges.
2. The shoots were sold by an agent at Flemington and I was sent a check and a statement that only provided a price per kilo, to me; always a whole number if the price was above \$2.50.

It was the marked difference between the two models that initially attracted my attention, I couldn't believe that this was how our whole system worked.

I always rang the Flemington agent before shipping and asked about price. There was always a significant difference between the discussed "going" price and the eventual paid price. I did not have and still do not have any way to verify or otherwise understand how the price paid to me was arrived at.

After becoming frustrated with the situation I asked the agent about how the price was derived. Part of that discussion included asking why the paid price was always a whole number of dollars, was it just nominated? The reason for the question was that I had formed the opinion that the agent was not calculating a price but "nominating" a figure to pay me. He denied this was happening but my next payment was not a whole number of dollars.

In approximately 2008, when I discovered the new Horticultural Code of Conduct existed, I rang the agent to discuss how we would use this approach for the coming year. He told me that the Code was not binding and that we would be doing business the same way as last year.

The Effect on Bamboo Growers

From the late 1990s the number of small to medium sized growers increased and shipped the produce to the conventional marketing system. By 2008 the number had dropped significantly. In 2009 I rang a member of the Bamboo Association to ask if the situation was the same for other growers. He said that I was the only person he knew (from the original South East QLD/Northern NSW) that was still shipping them. The reason they stopped was simple economics, “a mugs game”, no floor price, all had the impression they were being ripped off by an opaque system that could not be verified. Promised reasonable prices that did not eventuate, always a good reason such as “a big shipment arrived just after you rang me”, “the buyers are looking for bigger shoots this week” etc. The shoots always sold however, I never had produce rejected.

One small grower I spoke to had built a direct marketing chain to Sydney restaurants and was receiving \$15/kg for them. Growers using the central markets were lucky to receive more than \$2.50 to \$3.00/kg during peak season.

Now that I have experienced the current market practices, I cannot understand why anyone would go into business under this arrangement if they were told the following

1. You will invest heavily and work hard to produce fresh produce and ship it to an agent you have probably not met, with no contact price, only a discussed current market rate.
2. The Agent will sell it but will not tell you how much he received.
3. The Agent will send you a cheque for a price per kilo that is always less than the expectation he set before shipment and
4. You have no ability or right to know the details.

No aware businessperson would enter into this arrangement or consider it a viable business model. Equally, I find it difficult to understand how anyone fair-minded person or organization can argue that changing from this model to an arrangement similar to those on use for the rest of the business world can be a bad thing for growers i.e. agreeing on a binding price before shipment. It will however be a bad thing for any agent or business that is now taking produce from farmers and telling them what they will be paid only after they have sold it on. Agents and wholesalers are effectively “dialing-in” their own margins, it is understandable that any business in that situation would attempt to defend that position to the end.

The submissions to the Standing Committee I have sourced and researched from those organizations against reform have a couple of things in common;

- [REDACTED]
- [REDACTED]

Cutting through the vested interest rhetoric, any organization that attempts to keep the growers in the untenable position of sending produce to agents without a binding contracted price, clearly does not have the interest of growers in mind. The situation is embarrassing for me because it challenges the sanity or business acumen of anyone who willingly tries to support themselves or a family under these conditions.

I cannot understand why some apparently farmer based organizations submitting to this committee are against reform [REDACTED], are against ACCC Recommendation 3, proposing to give the farmer either a fixed price or a method of calculating a price. A calculation method protects both sides, but removes the ability of the Agent to set his own profit margin after the sale, it has to be agreed. A simple percentage would be a start, with set fees and charges, similar to the one used by the Brisbane Flower Auctions. The position taken by the [REDACTED] is an example of the illogical, why would any farmer organization be against the current situation? I can only conclude that the organizations are no longer completely representative of the ordinary farmer, at least not the small to medium farmers.

The views expressed by the Mareeba District Fruit and Vegetable Growers Association is in line with the experience I have had but I no longer harvest bamboo shoots because of the current corrupt marketing system.

In closing, I know that this is just another variation on the stories of others who triggered the need for new legislation. So please, take the business generated self-serving business rhetoric for what it is and move to implement, decent fair legislation to remove this illogical, unfair trading system.

Yours faithfully

Ron Fawcett

30 January 2012