

14 December 2011

Committee Secretary
House of Representatives Standing Committee on
Agriculture, Resources, Fisheries and Forestry
PO Box 6021
Parliament House
CANBERRA ACT 2600

**SUBMISSION TO PARLIAMENTARY COMMITTEE INQUIRY
COMPETITION AND CONSUMER AMENDMENT
(HORTICULTURE CODE OF CONDUCT) BILL 2011**

Freshmark, the NSW Chamber of Fruit and Vegetable Industries Inc, is a not for profit industry association representing wholesalers and other supporting businesses located at Sydney Markets. We trace our origins to the 19th Century and have existed in our present form since 1935.

Freshmark has been involved in the Horticulture Code since it was first proposed and subsequently introduced several years ago. We have a very good understanding of the practicalities of the Code from assisting our members and growers as they attempt to function under its regulations.

'Unworkable when it was introduced and unfortunately politically motivated, it still fails the industry in most aspects of its operation' is how we best summarise the Horticulture Code today.

The changes to the existing Code proposed by the Member for Kennedy, Bob Katter, are well meaning but will do little to assist the intended operation of the industry, apart from adding cost and more confusion. We understand many aspects of Mr Katter's Bill have been adopted from a South African concept, known as the 'Durban model', which bears little resemblance to the diversity of the Australian Central Market System.

First hand observation of the Durban Market's operations reveals that its contribution to the effective marketing of fresh produce is illusionary. In the Durban Council controlled air-conditioned building, an oligopoly of five wholesalers market produce from selected major growers to relatively few main buyers. Outside in the surrounding car parks is where the real business takes place in a 'free for all' as hundreds of growers, traders and buyers vie for the best deal in a totally unregulated market answerable to no one. This is in a city with a population of 3.5million. The 'Durban Model' only works because there are so few wholesalers involved and it only supports a relatively small number of growers

Contrast this with Sydney Markets where 120 wholesalers and nearly 400 growers market fresh produce both locally grown and from all over Australia in a strong competitive environment where growers large and small can be properly accommodated.

It appears that few people understand or fully comprehend the operational nuisances of the Australian Fresh Fruit and Vegetable Industry. Each individual State Market operates quite uniquely with different demands, geographical influences, supply chain strategies and retail requirements. Each Market also has a unique management /ownership structure with different transaction/financial institutions and credit arrangements. In other words, each Marketplace reflects the very nature of a free trade, non price regulated industry that is largely controlled by supply and demand.

Further, the difference between Grower, Wholesaler and Retailer is becoming blurred with many companies in the industry being involved right across the industry spectrum in all three areas of operation. The Sydney Markets is a classic example; supplying over one third of the nation's produce with over 60% of its 120 Wholesalers involved in multiple facets of the industry.

Similarly, most Wholesalers have long term arrangements with Growers, often spanning several decades; virtual partnerships that are built on trust and reliability. As a result Wholesalers tend to protect their Growers, making sure they have a reliability of supply and quality. Basically, when a Grower suffers a Wholesaler suffers and Retailers have to cope with the flow-on effect.

Clearly a more involved, objective study of the industry needs to be undertaken, taking into account the unique nature of the industry which is quite different to anywhere else in the world. Major issues of consideration are:

- In Australia we have a vast growing area from the Northern Territory to Tasmania, from Queensland to Western Australia with the major restriction being that of a reliable water supply.
- As a result we can grow most of our own produce which means supply and demand tends to reflect a feast or famine.
- Along with water supply, unpredictable weather is our greatest problem with daily changes, as well as seasonal variation playing havoc with consistent, even pricing. A product may start the week at \$20 per case and end up at \$8 when the weather dramatically changes.
- There is a clear misconception that the Market is merely a distribution point for produce, when in fact there is a great deal of repacking, sorting and ripening of produce that takes place. Sydney Markets, for example, has over 200,000 cubic meters of cool room space and the equivalent of dry store space, simply to handle product.
- Being a free trade market, Growers are able to choose their Wholesaler not only from one Market but from any market. As a result good Growers end up with good Wholesalers, who in turn have good Retailers, as one would expect from a free market. Those that tend to continually chase price and not focus on building long term relationships usually end up disappointed with their outcomes.

- The link between supply and demand also becomes exacerbated by improvements in growing methods, transport and refrigeration efficiencies, packaging and handling developments which mean more competition at the Market end of supply and demand to service a relatively small population base.
- Then there is the emerging “battle” between the major retailers that results in price and marketing moves that often bare little relationship to supply and demand.
- There is also the typical Australian overlay of ‘pole driven’ Government Policy that bares little relationship to the industry requirements. The origins of the Horticulture Code unfortunately reflect such decision making with minority groups having disproportionate influence on Government policy.

Unfortunately, when we organise visits to the Sydney Markets with either Politicians or Government Departmental Officers we are mainly confronted by people who have little knowledge of the actual workings of the industry, from ‘Paddock to Plate’.

There is much myth and folklore concerning the operation of our Central Market System, but basically it operates as it always has; on supply and demand with price being dictated by availability, quality and seasonal variation. Competition is so intense on the market floor there is little room for large scale manipulation of the marketplace; basically supply and demand rules.

We do not have a problem with written terms of trade and agreements between growers and those they supply. However, effective competition which benefits the grower, will only be achieved if all participants in the supply chain are subject to the same requirements; not just one group as is the case with the present Horticulture Code.

Although, Mr Katter’s idea, of making the Horticulture Code better, might be well intentioned, his impractical, uncompetitive ‘Durban model’ is just not applicable to our free market, Central Market system in Australia.

As a long term organisation in the industry we believe we can contribute constructively to the debate and would like to be directly involved in any Government review of the current Horticulture Code.

Yours sincerely,

William F Chalk
President