

30 January 2024.

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

Dear Senator,

Gundamain Pastoral Co is an intergenerational family-owned beef, lamb, wool and cropping enterprise in Central West NSW. We also operate a cattle feedlot and we have been supplying Woolworths with grain fed beef for nearly 15 years, and for most of those years on a forward contract basis. Even prior to this, there were contracts done between the businesses from 1990 to 1995. As Woolworths is one of the “two supermarket chains” named in the Terms of Reference (b) we believed our view as a long-term supplier to Woolworths is important for this committee.

My submission is not intended to directly address most of the terms of reference for this enquiry, which are centred around customer responses and corporate concentration, but it does provide the perspective of a longstanding Woolworths supplier who is more than happy with the business relationship. I would like to address more directly:

h) frameworks to protect suppliers when interacting with the major supermarkets

We would be resistant to any extra impost on our business in the form of a framework that would be “protect” us from a solid and reliable business relationship that has worked successfully for many years. It would be another level of bureaucracy and an increased red tape burden on our operations.

For background: Our cattle are supplied on a weekly basis and our business is accredited and independently audited by Ausmeat auditors through the National Feedlot Accreditation Scheme (NFAS). We are also accredited through Woolworths own supplier program, the Woolworths Supplier Excellence Program – Industry Standard for Cattle Feedlots. This program accepts the majority of the standards under NFAS, but includes a few extra standards. We have also at times supplied Woolworths with lamb.

The use of a forward contracting system to supply grain fed beef is a way of managing our costs. Woolworths buyers are attuned to market prices for our major inputs, largely grain and cattle and actively seek feedback on pricing and markets and where our business is placed for supply. The cattle we supply to Woolworths are fed for either 60 days (heifers) or 70 days (steers) and on their exit are accompanied by documentation guaranteeing days on feed, ration, and certification under NFAS standards. A grid price is offered 3 months ahead of scheduled cattle exit. Our business model is to then manage our input costs, do a break-even analysis on input and overhead costs and decide to accept or reject the contract. We have never rejected a Woolworths contract as we have had no reason

to. The model is such that each party acknowledges what the other requires to support the supply and demand of product and maintain a viable margin.

Detailed feedback is provided to Gundmain Pastoral Co from Woolworths for each individual animal, and each is graded according to Meat Standards Australia (an eating quality grading system). The grid price is applied, and any discounts taken into account (weight, dentition) to determine a final price per kilo. This individual animal feedback is a fully transparent and an easily accessible process. Our software then allows us to determine where we could improve or where our strengths lie. This data feedback process is supplemented by phone conversations and face to face meetings with Woolworths to discuss any issues in standard and quality of cattle. Our system allows us to supply consistent quality grain fed beef year round.

There is no doubt there was a distinct disconnect during 2023 with the prices producers received for beef and lamb and the prices charged at the checkout. This producer share of retail spend was the lowest it had been for many years – and as a result producers felt a sense of unfairness, inequity and a lack of knowledge and profit transfer along the supply chain. From our producer perspective, the volatility in both the beef and lamb markets mid to late last year and comparisons with supermarket pricing is not necessarily always connected. Australia experienced high herd numbers nationally during a number of good years and a consequent herd rebuild. This was followed in mid to late 2023 by concerns on drying weather patterns. The sell off began. Production had increased, producers were offloading, and this meant volumes of product product being stored for longer and supermarkets taking longer to sell through this. There is often, along any supply chain, a lag between product sold at one end and purchased at another – and while we are all subject to increasing input costs, at times retailers must also manage through a surplus bought in at higher prices. And now- the producer share of the retail spend has recovered during the early months 2024, particularly for lamb but not yet for beef, and producer optimism appears to have risen as a result.

Our relationship with Woolworths has been a long and successful one – it concerns me to hear of populist ‘banning’, ‘boycotts’ or claims that we need to shop more locally. Woolworths suppliers are often your local farmer. We feel there is sufficient market transparency in our contract process with Woolworths and feel that a fair price is being paid for our product.

We provide this submission independently of any supermarket.

Tess and Andrew Herbert – Directors, Gundmain Pastoral Co