



26 June 2020

Mr Julian Lesser MP  
Chair  
Standing Committee on Indigenous Affairs  
Parliament House  
Canberra ACT 2600

Dear Mr Lesser

### **Inquiry into food pricing and food security in remote Indigenous communities**

The Australian Food and Grocery Council (AFGC) welcomes the opportunity to provide comment on your current inquiry into food pricing and food security in remote Indigenous communities with a particular focus on the role of Australia's food and grocery manufacturers and suppliers in ensuring adequate supply to Remote Communities.

Food, drink and grocery manufacturing plays an integral role in Australia's economic and social fabric. The sector is an essential industry during the coronavirus pandemic and working to ensure that the supermarket have the products to keep the shelves stocked. It is characterised as diverse, dynamic and resilient, with an annual turnover of \$122.1 billion.

AFGC is the peak body representing Australia's largest manufacturing sector, the food, beverage and grocery manufacturing industry. It comprises more than 200 member companies, subsidiaries and associates, whose total output accounts for 80 per cent of the gross dollar value of the sector as a whole.

More than 273,300 Australians are employed in the food, drink and grocery manufacturing industry – almost 40 per cent of total manufacturing employment. It is the lifeblood of many regional and rural communities, where 39.3 per cent of these jobs are based.

While this inquiry does not have a specific link to the COVID-19 pandemic, many issues around food prices and food security in remote Indigenous communities came to light.

The food and grocery manufacturing sector takes the issue of supply and equality of access to food and grocery products very seriously and were quick to act where possible, when COVID-19 highlighted issues of supply into remote Australian communities.

While the responsibility for what is available for purchase in the retail setting is outside of the manufacturers direct responsibility, the sector worked 24 hours a day 7 days a week in light of the COVID-19 pandemic to help ensure that products were available to go into these areas as soon as possible.

This stress and test on the supply chain unveiled issues that we welcome this committee to look into and the AFGC would like to take this opportunity to outline recommendations within our sector's areas of interest to see action on.

#### **ISSUES IN RESPONSE TO DISCUSSION PAPER**

While the AFGC supports this inquiry, this submission will focus on the one area that is of particular relevance - term of reference 7 (a, b, c)

1. The role of Australia's food and grocery manufacturers and suppliers in ensuring adequate supply to Remote Communities, including:
  - a. identifying pathways towards greater cooperation in the sector to improve supply;
  - b. the volume of production needed for Remote Communities;
  - c. challenges presented by the wet season in Northern Australia as well as any locational disadvantages and transport infrastructure issues that might be relevant;
  - d. geographic distance from major centres;

The fast-moving consumer goods (FMCG) industry understands concerns raised by Government in relation to the access of products (food, beverage and grocery) in rural, regional and remote areas and the potential for these areas to have limited product availability.

The food and grocery suppliers have little say in where their products are shipped and sold. The retailers and wholesalers order products from the suppliers (manufacturers and importers) which are usually delivered to the retailers' distribution centres (DCs).

Supermarket retailers and wholesalers then decide to which stores the product is sent, based on their forecasting and sales demand. Supermarket retailers and wholesalers also determine on which products to place purchasing limits.

In essence, the retailers and wholesalers have the greatest influence over where product is sent down the supply chain, with suppliers having little influence.

Of course, in remote areas the retailer segment is more fragmented with a greater proportion of independent retailers. They order product primarily through wholesalers, with Metcash the major wholesaler. Wholesalers order from suppliers, but again the suppliers have no influence over where their products are retailed.

The shortage of supply has been caused primarily by the sizeable uplift in consumer demand across Australia, which has been met with uplift in suppliers' output. Suppliers have responded by moving to, in many cases, 24 hour 7 day a week operation in their manufacturing and distribution facilities; focusing on limiting product lines and pack size variants to increase production of products in highest demand; developing alternate supply options through deliveries direct to stores and to temporary distribution centres; and negotiating the lifting of transport curfews.

Suppliers allocate product between retailers and wholesalers on fair and equitable basis ensuring all their customers are receiving product, this was particularly the case during the height of the demand surge. The significance of the demand increase and the impact on supply chains did result in some orders not being met in full for a period, however, allocation principles were applied.

While there was a great effort by many stakeholders to help ensure supply to remote communities, a key response by government that helped create better pathways and improve supply was the ACCC interim authorisation. The AFGC recognises the assistance provided by major supermarket retail business in providing product to the wholesaler to service remote communities.

In addition to help improve supply, the AFGC took up a seat on behalf of the food and grocery manufacturing sector with the COVID-19 Food Security Working Group chaired by the National Indigenous Australians Agency. Direct line of sight was then possible and allowed the AFGC to advise members of products that were needed in remote communities. Businesses were quick to respond and stock was pre-allocated and ring-fenced for these communities when the wholesaler placed an order with the manufacturer.

While volume was high into these areas, it was not significantly sizeable in comparison to the demand in major population areas and manufacturers were able to respond quickly. This was further assisted by calls from the AFGC for FMCG businesses to have greater transparency in forward demand and forecasting, this was realised and greatly assisted the response.

There were and still remain some residual concerns with products specifically purchased in communities, that are not high-volume product lines outside these areas. During the height of the demand surge manufacturers prioritise high volume lines over lesser product lines to maximise production efficiency. Product substitution was available during this period.

In terms of challenges presented by the wet season in Northern Australia as well any locational disadvantages and transport infrastructure issues, this was managed primarily by the wholesaler and the community retailers. While the manufacturers have a responsibility to get stock to the distribution centres, it is from there that the wholesale sector allocates stock to their stores.

### **Current Government Policy:**

As detailed above the ACCC granted the Supermarket industry an interim authorisation in March, permitting Supermarket operators to coordinate to ensure consumers have reliable and fair access to groceries during the COVID-19 pandemic. The interim authorisation was successful in ensuring supermarkets were able to coordinate with each other when working with manufacturers, suppliers, and transport and logistics providers.

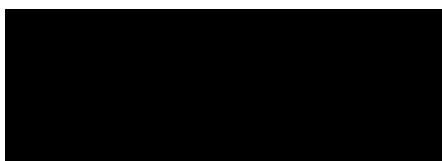
The AFGC wishing to acknowledge and congratulate the ACCC for their swift response to the application for an interim authorisation, enabling retailers in Australia to work together to provide food and grocery products to all parts of the country, including to those in vulnerable positions and in rural and remote regions.

Helping to ensure food supply, there have been a few government initiatives that have assisted in the delivery of product into communities as well as actions by suppliers and retailers. These being:

- Interim Authorisation
- Establishment and then manufacturers participation on the co-ordinating group (NIAA)
- Fair and equitable allocation by manufacturers, further strengthened by the ringfencing of product
- Substitution of products - where one wasn't available, another was,
- Improved transparency of product demand.

A coordinated effort by all stakeholders should go some way towards helping to ensure adequate supply into Remote Communities and the food, beverage and grocery manufacturing sector welcomes the ongoing opportunity to assist in ensuring supply of essentials are available to those in remote and indigenous communities.

Kind regards,



Geoffrey Annison PhD

Acting Chief Executive Officer