

The Senate Select Committee on Supermarket Prices

To the Committee:

Thank you for the opportunity to make a submission to this important inquiry.

My concerns are mainly about the concentration of market power of the few, and mainly two, supermarkets around the country; the adverse effects the lack of competition has on the producers and growers of fresh produce; and the longer term bad effects on food security in Australia that result from this situation.

For most of my life I have been interested in the food industry, although I am a participant in this by being a consumer, as are the majority of people in this country. The numbers of people actually working to provide us with fresh vegetables and fruits has steadily been decreasing over time. This in itself is concerning.

Growing vegetables and fruits is very hard work, requiring many costly inputs, and farmers and growers really don't get time off: crops keep growing and require constant maintenance.

The weather is an unpredictable and unknown variable that can help a crop, or, at times, destroy an entire crop if rain, floods, high winds, hailstorms, etc come at the wrong time in the growing cycle.

Supermarkets make agreements with growers to supply certain amounts of vegetables and fruit at harvest time. Supermarkets have many unrealistic standards for the sizes and appearance of fresh produce. These standards are very harmful, and cause consumers to believe that fruits and vegetables need to look perfect and unblemished, be the same size, colour and shape. However, this is not the way nature actually grows fruits and vegetables. Consequently, buyers reject produce that doesn't conform to their unrealistic standards. The outcome is that huge amounts of perfectly fine, edible vegetables and fruits are discarded and never make it to a store. It is unacceptable to waste food in such quantities, particularly in a country (and a world) that needs fresh fruit and vegetables to maintain its population in a healthy state.

If a supermarket buyer decides that the harvested fruit or vegetables does not meet the supermarket's standards, they can reject the produce. This means that the grower or farmer does not get any payment for the entire crop, which has cost the farmer a great deal in inputs -- labour, water, fertilizers, machinery, among others. The power imbalance in the relationship is destructive. This sort of outcome contributes to food insecurity in Australia because an anticipated harvest is not available to the consumer. If the buyer rejects the crop, the cost of harvest and packing may not even be covered. We have seen news stories about farmers having to dump produce (which is perfectly good, edible food) in pits because the supermarkets say "no". This is unacceptable.

A supermarket buyer can amend the price the supermarket company pays to the producer. The agreements are not contracts. The grower or farmer has no power; the supermarket has all the power in the matter of agreement on price paid to the grower or farmer. The farmer has no alternative if the buyer offers a low price; the farmer can't sell to another market, because there isn't one. The price the farmer is coerced to accept by the buyer may not cover the farmer's costs of producing the product.

The average age of farmers and growers in Australia is in the 60s, and the numbers of farmers and growers continues to decline.

Because there are so few supermarket businesses in Australia -- four, but mainly just two which carry almost all the weight -- Woolworths and Coles. They are currently making large profits, and their CEOs are receiving very large incomes. They are entitled to a profit, but importantly they need to redistribute this profit in a much more equitable way. The profits need to flow to the producers and farmers who are truly the sources of the profit in the first place. It is almost as if the supermarkets are "shooting themselves in the foot". They are killing their own source of fresh produce.

If there were much greater levels of competition on the side of potential buyers of farmers' products, and the payments were fairer and truly represented the costs of production, it would be more attractive to younger growers, and they would be more likely to go into farming. Growing food for Australians is very important work. If the numbers of producers continues to diminish, Australia would be forced to import more food. This would increase the likelihood of food insecurity in this country in future.

In summary:

- ☐ Supermarkets have too much power because of their market concentration in Australia. They use this power to ensure the farmers and growers get unfairly low prices for their produce. Yet the supermarkets charge consumers unfairly high prices for this same produce. The profits need to be redistributed more fairly to the producers.
- ☐ Unfair treatment of growers and farmers results in waste of perfectly good food because the rejection of a crop, or a price that is very low, cannot cover the farmers' costs of harvest and packing. Supermarkets' unrealistic standards for fruit and vegetables is also a cause of waste of a perfectly good harvest when buyers reject the produce.
- ☐ The unfair treatment of farmers and growers by supermarkets in Australia will increase Australia's food insecurity as time goes on because the numbers of producers will continue to decrease.