

QFF MEMBERS

Australian Prawn
Farmers Association

CANEGROWERS

Cotton Australia

Emerging Primary
Industries Group -

- Biological Farmers
of Australia
- Flower Association
of Queensland Inc
- Queensland
Aquaculture
Industries
Federation

Growcom

Nursery and Garden
Industry Queensland

Qld Chicken Growers
Association

Qld Dairyfarmers'
Organisation

Qld Irrigators Council
Association Inc

Qld Chicken Meat
Council

11 March 2008

Mr Graeme Samuel
Chairman
Australian Competition and Consumer Commission
GPO Box 520
MELBOURNE VIC 3001

Dear Mr Samuel

Re: Grocery Prices Inquiry - Submissions

Queensland Farmers Federation (QFF) welcomes the inquiry by the Australian Competition and Consumer Commission (ACCC) on the competitiveness of retail prices for standard groceries. We see this inquiry as an important mechanism for recognising and acknowledging market failures in retail grocery pricing, issues relating to the lack of transparency in the value chain, and the associated impacts on individual producers and intensive agricultural industries.

Due to the limited timeframe made available for industry to provide input, QFF has been unable to make a detailed response to this inquiry. However, we are supportive of the submissions provided by our member bodies such as Growcom.

QFF believes it is important for the ACCC to consider why food prices paid by consumers have been rising much faster than the prices paid to farmers. Over the last four years to June 2006, retail food prices had risen on average by 17.8% while average prices received by farmers rose by just 2.3%. Food prices also rose much faster than inflation, with 17.8% for food compared to 12.1% for everything else. These increases have not been felt by farmers, who over the same period, have been struggling with the worst drought in a century which saw their cost of production rise by 16.5%.

Food prices are not delivering fair results for either consumers or farmers. Farmers have little market power and are known to be price takers; taking whatever price is imposed by the big retail chains, wholesale agents, processors and the world markets. There is also a clear trend for the major retailers to use their market power to push costs, risks and responsibilities back down the supply chain. Producers' profit margins continue to decrease, while the profit margins of the major retailers remain at record highs.

Overall, producers want to feel confident that they are not being exploited by other supply chain participants who are in a position to do so either because of a power imbalance or a trading environment that impedes market signals. Considerable effort is required by government and industry stakeholders to ensure farming enterprises can operate in a reasonable business environment with opportunity for fair competition. Efficient and effective markets are in the best interests of producers, consumers and Australia as a whole.

QFF looks forward to seeing the outcomes of this inquiry.

Yours sincerely



Gary Sansom
President