



**ACCC INQUIRY INTO THE COMPETITIVENESS OF  
RETAIL PRICES FOR STANDARD GROCERIES**

**NFF SUBMISSION**

March 2008

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# Executive Summary

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Agriculture is a key stakeholder in the Australian domestic food supply chain and has a strong interest in ensuring there is transparency within the domestic food supply chain. It should be remembered that Australian agriculture is not homogeneous and significant variations exist between and within different agricultural sectors. Transparency, competition and fairness through the complete supply chain must be addressed in order to ensure that the farm sector, as price takers, do not incur the major impact of any price reductions at the retail end of the chain.

## **Key grocery pricing issues for the National Farmers' Federation (NFF)**

*Farm-gate share of retail food prices* – The farm sector currently attains only a small portion of the end retail price of food products. There appears to be an increasing gap between farm-gate and retail prices.

*Retail prices do not always reflect the prices paid at the farm-gate* – There will not necessarily be a direct and immediate relationship between the price of the raw farm product or input and the final good. The NFF welcomes further input and analysis from the Australian Competition and Consumer Commission (ACCC) on the reasons behind this.

*Farm-gate prices have many drivers – drought is just one* – Contrary to popular belief, drought does not always lead to a lift in prices that farmers receive. Likewise, consumers must not expect that food prices will automatically recede when seasonal conditions improve. The factors driving domestic food prices are complex and will vary by commodity. The NFF urges the ACCC to provide a comprehensive analysis on the complete set of drivers underpinning domestic food prices.

*Balance between rationalisation and market power* – The NFF recognises that there are benefits in shortening food supply chains to ensure that consumer market signals are effectively delivered to farmers as well as to deliver food chain efficiencies. However, the NFF realises that with such rationalization, market power issues can also arise. A balance between supply chain rationalisation and market power must be attained.

## **Trade Practices Act**

*Collective bargaining* – The NFF has welcomed changes to the Trade Practices Act (TPA) to further encourage and support farm businesses in collective bargaining through the new Notification process and the streamlined Authorisation. The NFF is, however, disappointed by the minimal interest in the collective bargaining Notification process, suggesting that the new legislation may need to be reviewed to provide further flexibility.

*Misuse of market power and unconscionable conduct provisions* - The NFF has welcomed efforts to tighten Section 46 and 51AC of the TPA with a view to addressing some of the competition and contractual issues arising from market power imbalances. The NFF recognises that industry itself has a clear role to play in mitigating situations that may lead to accusations of misuse of market power.

### **The Horticulture Code of Conduct**

*Background to the Code* - The Horticulture Code of Conduct (the Code) has improved the transparency and clarity of transactions between growers and traders of fresh fruit and vegetables. The Code has the full support of the NFF. It is NFF's view that it is far too early to assess the overall effectiveness of the Code.

*Code Coverage* - To reduce complexities with the administration of the Code, the NFF believes that the Code should apply to all parties involved in the first transaction from the grower.

# The National Farmers' Federation

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The National Farmers' Federation (NFF) was established in 1979 and is the peak national body representing farmers, and more broadly agriculture across Australia.

The NFF's membership comprises of all Australia's major agricultural commodities. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations collectively form the NFF.

Each of these state farm organisations and commodity councils deal with state-based 'grass roots' issues or commodity specific issues, respectively, while the NFF represents the agreed imperatives of all at the national and international level.

## Introduction

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The NFF welcomes the opportunity to provide comments to the Australian Competition and Consumer Commission (ACCC) on the competitiveness of retail prices for standard groceries. Australian agriculture, supplying approximately 93% of Australia's domestic food supplies, is clearly a key stakeholder in this issue and has a strong interest in transparency within the domestic food supply chain.<sup>1</sup>

In 2006-07, the drought induced gross value of farm production was \$34.6 billion. In addition, \$27.8 billion was derived in the same period from agricultural exports. Global markets purchase the predominant share of Australian agricultural production, consuming on average approximately 70% of total Australian farm production.<sup>2</sup> However, while export markets may dominate for some agricultural commodities, the domestic market is just as vital and represents a major customer base for our agricultural producers.

Through this Inquiry, it should be remembered that Australian agriculture is not homogeneous and significant variations exist between and within different agricultural sectors in areas including the following:

- Marketing and pricing mechanisms;
- Exposure to the domestic and international marketplace;
- Length of supply chains;
- Product quality variability;
- Domestic competition;
- Import competition; and
- Consumer demand.

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<sup>1</sup> Department of Agriculture, Fisheries and Forestry 2007, *Australian Food Statistics 2006* Canberra.

<sup>2</sup> ABARE, 2008 *Australian Commodity Statistics*, March Quarter 08.1 Canberra

As a result, there is a significant variance in industry views on key drivers and competitive forces behind domestic grocery prices within the agricultural sector. For this reason it is prudent to undertake specific analysis on individual representative industries. The NFF is currently undertaking research, in conjunction with its members, on determining the appropriate sectors for the ACCC to review in isolation. These will be determined by availability of data, sectors which face a cross-section of industry issues and demonstrate a variety of market structures.

The NFF has been concerned that the ACCC, through this Inquiry, may be tempted to focus predominantly on driving retail food prices down, however, this would be to the detriment of the farm sector. We are encouraged by the ACCC issues paper, which acknowledges that it is impossible to look at the retail sector in isolation when dealing with the issue of grocery price competitiveness. Transparency, competition, fairness and understanding of price determination through the complete supply chain must be addressed in order to ensure that the farm sector, as price takers, do not incur the major impact of any price reductions at the retail end of the chain.

Indeed, in many cases, the farm sector's direct exposure to the retail sector is limited and it is operations within the processing or wholesale sectors that have the greatest bearing on producers and the competitive forces they face. These issues are just as important when looking at the competitiveness of retail prices for standard groceries. The food supply chain is only as strong as its weakest link and in this regard it is vital that all participants are profitable and sustainable in the long term. The ACCC must ensure that analysis is undertaken through the complete chain so that this balance can be attained. Doing so will provide the incentive to innovate, invest and grow in all major food categories, in the interests of all consumers.

The NFF also urges the ACCC to show caution in making direct comparisons with retail prices in other OECD countries. Globally, agricultural trade is the most distorted sector of trade in goods, with average tariffs on agricultural products more than three times higher than those on non-agricultural goods. Australian agriculture's level of domestic support is one of the lowest in the OECD at just 4 per cent of farm income, compared to 33% in the European Union, 18% in the United States and 56% in Japan. Clearly, Australian agriculture is more exposed to the market than many of our OECD counterparts and this will be reflected in domestic food prices.<sup>3</sup> As a result, there is a significant variation in the market dynamics underpinning different country's agricultural prices.

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<sup>3</sup> [www.dfat.gov.au](http://www.dfat.gov.au) – accessed on 11/03/08

# Key grocery pricing issues for the NFF

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## *Farm-gate share of retail food prices*

It has long been a frustration for agricultural producers that our sector attains only a small portion of the end retail price of food products. Indeed, a study by Whitehall Associates in 2004 titled *Price Determination in the Australian Food Industry*, found that the farm-gate component of the retail price of a basket of food products ranged between 5% and 40%. They also indicated that there appeared to be an increasing gap between farm-gate and retail prices.<sup>4</sup>

Similar figures have been experienced internationally, with the United State Department of Agriculture (USDA) estimating the bill for marketing domestic farm foods at \$498 billion in 1999. This amount covered all charges for transporting, processing, and distributing foods that originated on U.S. farms. It represented 80% of the total amount consumers spent for these foods. The remaining 20%, represents the gross return paid to farmers. In addition, between 1990 and 2000, the USDA estimates that the bill for marketing domestic farm foods rose by 57%. This additional cost represented approximately 92% of the increased expenditure of US food during the same period.<sup>5</sup>

While market concentration and competition issues cannot be discounted as being part of the reason behind this increasing gap, the NFF also acknowledges that there is an array of supply chain costs pressures that are being felt by the non-farm sectors which help the consumer to access the end food product. Such costs include marketing, transport, processing, packaging and labelling.

More recently it has been reported in the Queensland Country Life newspaper that the price of bread has risen by approximately 70c/loaf in the past 12 months as a result of the higher prices of wheat. Calculations by NFF member organisation, AgForce Queensland suggests that the increase in the farm-gate price of grain during the same period, from \$200/tonne to \$400/tonne has only contributed approximately 10.7cents/loaf to the cost increase.<sup>6</sup> Therefore, farm-gate prices, and in particular drought, cannot be blamed as the complete cause behind the recent lift in retail prices and should not be purported to be the only, or even the major cause of higher prices for many food products.

## *Retail prices do not always reflect the prices paid at the farm-gate*

While the farm-gate price of food often represents only a small portion of the end retail price, the NFF notes that movements in farm-gate prices do not always reflect

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<sup>4</sup> Whitehall Associates 2004, *Price Determination in the Australian Food Industry*

<sup>5</sup> USDA 2002 *Agriculture Fact Book 2001-02*, Profiling Food Consumption in America

<sup>6</sup> The Australian February 28, 2008, *Paying dearly for our needs*

retail price movements. Within the ACCC's *Examination of the prices paid to farmers for livestock and the prices paid by Australian consumers for red meat* it was acknowledged that the supply of red meat to consumers involves a long and complex supply chain. The ACCC therefore stated that there will not necessarily be a direct and immediate relationship between the price of the raw product and the final good. The same can be said of many agricultural commodities.<sup>7</sup>

Members of the NFF have noted that the following range of factors may explain why price movements at the farm-gate are not immediately seen at retail level. The NFF would welcome further input from the ACCC on these areas:

- Retailers often look to gain consistency in price and quality of product;
- Major retailers do not have an opportunistic approach to sourcing agricultural produce through the supply chain;
- The farm-gate price is often a low proportion of the retail price;
- Longer term contracts can often mask the effects of spot price movements; and
- Retail market concentration.

### *Farm-gate prices have many drivers – drought is just one*

Drought is just one of many factors that influence the price of food in Australia. Contrary to popular belief, drought does not always lead to a lift in prices that farmers receive. Likewise, consumer must not expect that food prices will automatically recede when seasonal conditions improve. The factors driving domestic food prices are complex will vary by commodity.

At the farm-gate, drought can lead to short supplies of grain leading to an increase in the price of products such as wheat, barley, sorghum and canola. This farm-gate price increase can flow through to the prices consumers pay for grain and oilseed - based products such as bread, flour and margarine.

It must also be noted that drought can also lead to higher input costs on intensive livestock sectors including pork, poultry and feedlot beef production. This increase in costs is not always reflected in the prices offered at the farm-gate or at retail level as it does not necessarily adjust supply availability of intensively produced products faced by the upstream buyers.

During drought, prices for products such as beef and lamb actually tend to decrease, as the availability of good pasture is reduced, forcing farmers to liquidate their herds. In the longer-term however, when farmers begin the process of rebuilding their herds following drought, there tends to be an increase in the price of beef and lamb. Therefore it is inaccurate to suggest that in the period following drought,

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<sup>7</sup> ACCC 2007 *Examination of the prices paid to farmers for livestock and the prices paid by Australian consumers for red meat*



prices for all food products will automatically decline. We hope that the ACCC, through the course of this Review, will extinguish these consumer expectations.

The NFF urges the ACCC to provide a comprehensive analysis on the complete set of drivers underpinning domestic food prices. The NFF draws the ACCC's attention to the following key factors:

- *Global agricultural commodity prices* – With Australian agriculture exporting 70% of all domestic production, the prices attained on global markets are a key determinant of their end price. On this front it must be noted that the *Westpac NFF Commodity Index*, measuring export prices of a basket of major Australian agricultural commodity exports, is now sitting at record highs, 21.8% above year ago levels and has experienced solid growth in the past three years (see chart below). These strong prices have been driven by a number of factors including:
  - Growth in global demand for biofuels;
  - Strong economic growth in developing countries driving demand for protein;
  - Global population growth leading to urban encroachment on arable land; and
  - Drought in key agriculture production nations such as Australia.

As a result of these factors, global grain stocks are at 30-40 year lows and prices of most agricultural commodities have lifted.

**Graph 2. Historical Index: Average Of 1997/98 = 100.**



- *Exchange rates* – With such a high dependence on the global marketplace, the value of the Australian dollar against our major trading currencies also has a bearing on the price of domestic food. On this issue it must be noted that the Australian dollar has appreciated 12.7% against the US dollar in the past 12

months which has had the effect of deflating domestic agricultural prices (as demonstrated by the above chart).

- *Seasonality of production* – Agriculture, more than most sectors, is subject to significant seasonality issues. This seasonality creates potential variation in the matching of available supply and demand and may create fluctuations in prices through the chain.<sup>8</sup> The NFF urges the ACCC, through its analysis, to ensure that trend, rather than spot data is taken into account in order to smooth the seasonality effect.
- *Retail market dynamics* – The NFF acknowledges that it is difficult to analyse the pricing of specific food products without acknowledging the complex nature of category management strategies utilised by Australian retailers. The utilisation of techniques such as loss leaders, private labels and margin generators has made it difficult to gauge pricing discrepancies with products in isolation. The NFF acknowledges that there are times when retailers may absorb costs in certain products in order to boost overall sales and profits.
- *Import competition* – The NFF acknowledges that in order to preserve Australia's strong animal and plant disease status, that quarantine restrictions exist with some products that prohibit or restrict imports. This can have a bearing on the domestic price profile of some food products.
- *Increasing consumer demands* - Now, more than ever, consumers are demanding additional services and products adhering to new checks and balances. For example, through-chain testing and labelling, comprehensive traceability of food sources and production of new varieties of functional foods are all consumer-driven expectations. Consumers are also demanding even more environmentally-sustainable production in the face of climate challenges (exacerbated by the emergence of an Emissions Trading Scheme). Consumers must understand that these new and changing demands inevitably add to the cost of food at the check-out and that this must result in some increase in prices.
- *Input costs* – Agriculture, like many sectors, is experiencing a rapidly increasing cost base, eating into margins and adding to the risk profile of the sector. A demonstration of some of the cost increases can be seen in the following:
  - Fertiliser and chemical prices have more than doubled in the past 12 months;
  - Labour wage rates have lifted on the back of 30 year lows in unemployment;
  - Fuel prices have quadrupled since 2003, recently punching through the US\$100/barrel level; and

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<sup>8</sup> Whitehall Associates 2004, Price Determination in the Australian Food Industry

- Official interest rates have lifted by 1.75% in the last 2 years (these have been combined with unilateral increases in rates issued by the major banks.

Combined, these factors comprise over 56% of total farm cash costs and are being reflected in global agricultural prices.

- *Market concentration* – The NFF believes it is prudent that the ACCC examine the impact of market concentration on prices through the complete supply chain, not just the retail sector. A study by PriceWaterhouseCoopers highlights that the rate of price increase in food as a whole and in fresh food in particular can be traced to an increasing concentration of the retail grocery market and the vertical integration of fresh food supplies.<sup>9</sup> The NFF believes that it is prudent to also look at the correlation of farm-gate prices with concentration through the retail and processor sectors in particular.

While the NFF is eager to demonstrate that drought is just one of a multitude of factors underpinning food prices on retail shelves, we should note that severity and length of the current drought is unprecedented. It is indeed rare that the impact of drought within Australia is so far-reaching. There are few sectors or regions supporting Australian agriculture that have not been touched by the current, prolonged drought, regardless of whether that be dry land cropping or irrigation. Such a circumstance is highly unusual.

The impacts of reduced water allocations in the Murray Darling Basin in 2007-08 will be particularly noteworthy in terms of its impact on food prices. Products such as rice are totally irrigation dependent and grown entirely in the Basin. Fruit and vegetable crops grown in the Murray Darling Basin are also highly dependent on irrigation water, as is dairy, which sources approximately a quarter of production from the Murray Darling Basin.<sup>10</sup>

While reduced water allocations may lead to reduced food supplies from the Murray Darling Basin, this does not suggest that prices will automatically increase. A combination of issues such as import competition, substitute availability, product mix adjustment and consumers ability to adjust their expenditure patterns may offset any price increases as a result.<sup>11</sup>

### *Balance between rationalisation and market power*

The NFF recognises that there are benefits in shortening food supply chains to ensure that consumer market signals are effectively delivered to farmers and to deliver food chain efficiencies.

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<sup>9</sup> PriceWaterhouseCoopers 2007 *The economic contribution of small to medium-sized grocery retailers to the Australian economy, with particular focus on Western Australia in 2007*

<sup>10</sup> ABARE 2007 *Australian Commodities* vol. 14 no. 2 June quarter 2007

<sup>11</sup> ABARE 2007 *Australian Commodities* vol. 14 no. 2 June quarter 2007

Australian farmers are proud of the fact that they have been able to meet the terms of trade challenge and have remained internationally competitive largely through productivity growth. The productivity of Australian agriculture has more than doubled over the past 14 years, and with annual average productivity growth of 3.8 per cent, is consistently outperforming other sectors of the Australian economy.<sup>12</sup> Therefore it is vital that efficiencies within the farm production sector are not constrained by inefficiencies in related sectors such as transport, processing, retail, food service or export. In effect, our agricultural supply chain is only as strong as its weakest link, and we recognise that rationalisation through the supply chain can deliver genuine efficiency benefits.

However, the NFF realises that with such rationalization, market power issues can also arise. As more rationalisation takes place within the supply chain, many farmers find themselves with an increasingly limited number of buyers of their produce within their region. Therefore, in a growing number of cases, farmers' complete turnover is being accounted for by their transactions by a single customer, increasing their exposure to market power issues.

A balance between supply chain rationalisation and market power must be attained.

## Trade Practices Act

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### *Collective bargaining*

The NFF welcomed changes to the Trade Practices Act (TPA) to further encourage and support farm businesses in collective bargaining through the new Notification process and the streamlined Authorisation.

Benefits to farmers from collective bargaining include:

- **More buying and selling power** – without compromising the individuality or integrity of their business;
- **Greater equality** – the ability to be on a more equal footing with larger business when it comes to negotiating terms, conditions and prices;
- **Flexibility** – to identify and negotiate the trading terms and conditions which suit their business;
- **Control** – greater control and support when it comes to making the deal; and
- **Efficiencies** – greater efficiencies are gained through time and cost sharing, including legal and accounting fees, with other small businesses in their collective bargaining group.<sup>13</sup>

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<sup>12</sup> Australian Government Productivity Commission, *Trends in Australian Agriculture 2005*.

<sup>13</sup> Department of Industry, Tourism and Resources 2007 *Collective Bargaining – making it easier to do business, whatever the size of your business*

The NFF is disappointed by the minimal interest by the farm sector in the collective bargaining Notification process, suggesting that the new legislation may need to be reviewed to provide further flexibility. The NFF does however recognise that the more streamlined Authorisation process may also be partially responsible for poor uptake of the Notification process. The NFF notes that since streamlining of the Authorisation process, Authorisations have been provided to a number of farm groups which is certainly encouraging.

### *Misuse of market power and unconscionable conduct provisions*

While market power is experienced throughout all sectors of agriculture, it is most prevalent in sectors where the market is dominated by domestic buyers and produce is perishable and therefore uneconomic to transport long distances in unprocessed form. In addition, the markets that farmers sell to are often concentrated, so that buyers can exercise market power by driving prices down or placing onerous contract requirements on farmers. The TPA and the ACCC play a vital role in restraining the ability of firms to abuse their market power.<sup>14</sup>

To this end, the NFF has welcomed efforts to tighten Section 46 and 51AC of the TPA with a view to addressing some of the competition and contractual issues arising from market power imbalances. However, the NFF also recognises that efficient and effective markets must also be allowed to operate without unnecessary constraints. Along these lines we believe a balance must be reached to ensure a clear distinction is made between the misuse of market power and the use of market power. As Mr Graeme Samuel, ACCC Chairman stated:

*“The Trade Practices Act (the Act) is not designed to protect small business from the rigours of normal, tough, competitive business. What it is designed to do is protect small business from unconscionable, harsh and oppressive conduct or misuse of power by big business.”*<sup>15</sup>

The NFF supported changes to the TPA through *Provisions of the Trade Practices Legislation Amendment Bill (No.1) 2007* to strengthen the TPA’s powers in the area of ‘Misuse of Market Power’ through section 46.

Australia’s farmers are proud of their strong record of productivity growth and recognise that they need a strong, competitive environment throughout the supply chain to effectively compete on domestic and international markets.

Small businesses must be able to secure a fairer operating environment and allow authorities to more effectively combat predatory pricing tactics, which undermine their viability. The NFF believes that strengthening the ‘Misuse of Market Power’

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<sup>14</sup> Under the Wheat Marketing Act 1989, permit conduct that would normally be an offence under the Trade Practices Act is exempt for the exports of Australian wheat. Section 51(1) of the Trade Practices Act provides that such conduct may be permitted if it is specifically authorised under this Act.

<sup>15</sup> National Small Business Summit 3 July 2007 – Graeme Samuel

provisions will ensure our competitive edge is maintained through retaining choice in the areas so vital to the Australian farm sector – including fuel distribution, retailing and transport suppliers.

The NFF also welcomed widening the Unconscionable Conduct provisions within the TPA to send a strong message to large business that they cannot simply back-out of contractual obligations on a whim. The targeting of unfair unilateral variation clauses in particular will help to ensure reneging on contracts will come under heightened scrutiny.

Australian farmers have noted, and have become increasingly concerned about, players in the market trying to capitalise on the limited number of buyers within regional areas by including unfair clauses in their contracts with farmers. We need to see greater scrutiny on contract clauses that allow buyers to ‘opt out’ of their contractual obligations whenever they see fit, which leaves farmers unjustly exposed.

Examples have been brought forward involving ‘market disruption’ contract clauses that unfairly and without reasonable notice, suspend the growers contracts. Other examples within the horticulture sector have involved clauses that require growers to agree to allow a trader acting as a merchant to unilaterally reject produce because of a change in market conditions after a merchant has taken delivery<sup>16</sup>.

When such clauses are activated within a short timeframe of the harvest or in reference to perishable product, this can place the growers under considerable exposure, with few alternative buyers. The NFF refers to the Senate Rural and Regional Affairs and Transport References Committee Report on the operation of the wine-making industry for more information on the impacts on agricultural businesses.<sup>17</sup>

The NFF recognises that unilateral contract variation clauses will not be illegal in their own right under *Provisions of the Trade Practices Legislation Amendment Bill (No.1) 2007*. In isolation, each of these factors may not amount to unconscionable conduct. However, the proposed amendments do send a positive message allowing the courts to specifically consider unilateral contract variation clauses in determining whether the conduct is unconscionable. The NFF supports maintenance of the principle of ‘freedom of contract’ and believes that the Government should be extremely cautious of interfering with this freedom by going further by outlawing unilateral contract variation clauses altogether.

The NFF also recognises that the farm sector itself has a clear role to play in mitigating situations that may lead to accusations of misuse of market power. A growing number of tools are available for small businesses to use in ensuring they

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<sup>16</sup> <http://www.accc.gov.au/content/index.phtml/itemId/787979>

<sup>17</sup> Senate Rural and Regional Affairs and Transport References Committee report on *The operation of the wine-making industry* October 2005

obtain a fair deal. It is important that farmers are educated more effectively about the importance of the appropriate process of understanding, negotiating and protecting themselves when developing their contracts.

## The Horticulture Code of Conduct

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### *Background to the Code*

The Horticulture Code of Conduct (the Code) has improved the transparency and clarity of transactions between growers and traders of fresh fruit and vegetables. The Code has the full support of the NFF.

The Code was developed to address an obvious lack of commercial transparency in grower/trader transactions. The NFF believes that the Code is enhancing the relationship between growers and traders by improving business practices in the fruit and vegetable wholesale sector. Growers are also benefiting from better information about how traders buy and sell their produce.

The key requirements of the Code are simple and represent the 'minimum terms of trade' that are seen as general business practice in every other industry. As such, we believe the requirements of the Code do not impose unreasonable compliance costs, as they are the basic costs of doing business.

The NFF acknowledges that there have been some teething issues with the Code in areas such as the involvement of grower owned cooperatives, pooling and averaging, the definition of immediately upon delivery, and agents acting on behalf of third parties. These issues are being address by the newly formed Horticulture Code Committee.

It is NFF's view that it is far too early to assess the overall effectiveness of the Code.

### *Code Coverage*

The Code covers transactions between growers and traders of fresh fruit and vegetables in Australia. A trader is either:

- a merchant, who buys a grower's produce for resale, or
- an agent, who sells produce on a grower's behalf for a commission or fee.

The Code does not cover retailers, processors or exporters who buy a grower's produce. The Code also does not affect any existing written contracts between growers and traders entered into before 15 December 2006. However, the Code will apply to agreements entered into before 15 December 2006 that are varied on or after 14 May 2007.

To reduce complexities with the administration of the Code, the NFF believes that the Code should apply to all parties involved in the first transaction from the grower to wholesalers, produce merchants, brokers, retailers, exporters and processors. In our view, the major retail chains and processors already offer contractual clarity and transparency in their dealings with horticulture growers. Therefore, including these parties within the Code will not add any compliance costs or regulatory burden to these businesses.

## Conclusion

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The NFF looks forward to the ACCC's analysis of the competitiveness of retail prices for standard groceries. In doing this we urge the ACCC to address this issue from a complete supply chain perspective, and not try to drive retail prices down to the detriment of the farm sector. The NFF trusts that from this analysis, farm-gate prices, and drought in particular, should not be blamed as the sole driver behind the recent lift in retail prices and should not be purported to be the only, or even the major cause of higher prices for many food products.

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