



Submission by the South Australian Farmers' Federation (SAFF)

in response to

The ACCC Inquiry into the competitiveness of retail prices for standard groceries

South Australian Farmers' Federation
Level 3, 122 Frome Street
Adelaide, SA 5000
Telephone: 08 8232 5555
Facsimile: 08 8232 1311
Email: saff@saff.com.au
Website: www.saff.com.au

Postal Address:
PO Box 6014 Halifax Street
Adelaide SA 5000

MARCH 2008

ACCC Inquiry into the competitiveness of retail prices for standard groceries

The South Australian Farmers' Federation (SAFF) wishes to endorse the submission made to the ACC Inquiry by the National Farmers' Federation (NFF).

In summary, the NFF submission states –

Agriculture is a key stakeholder in the Australian domestic food supply chain and has a strong interest in 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.

In addition to supporting the NFF stance, SAFF also wishes to highlight the following:

- **Dominance of the supermarket industry**

The dominance of the two major retailers, Coles and Woolworths, means that these two companies have 85% of the market share and therefore they set all the benchmarks. It is this duopoly which is a major contributor to the industry's problem. Fruit and vegetable growers in particular have been facing decreased margins, with some operating on negligible profit margins. Compared to the prices received at the farm gate, what the consumer is paying at the checkout is extortionate. As an example, a packet of Weet-Bix in the supermarket costs \$5.18 for a one kilogram packet with 97% wheat. For wheat, this is equivalent to \$5,330 a tonne. As farmers are getting \$400 a tonne, this means a mark-up of 1332%.

Supermarkets need to offer fair prices all year round instead of holding a one day charity. Profits from the Woolworth's National Drought Action Day were donated to drought affected farmers. Australian farmers would much prefer better prices over charity.

- **Limitations of the Trade Practices Act**

During 2006, SAFF established the Rural Sustainability Task Force following a Summit on the Sustainability and Viability of Agriculture. The Task Force examined the Trade Practices Act and identified four areas where changes are required if there is going to be true competition:

- lifting of competition test to apply to existing businesses;
- unconscionable conduct to be expanded (the Wine Inquiry had recommended this – need to draft legislation and then have a test case in court);
- Australian Competition and Consumer Commission (ACCC) must be properly funded so that it can take unconscionable conduct cases to court (individual growers cannot afford this); and
- industry codes of conduct need to be mandatory with penalties (even jail terms).

- **Need to increase demand for local produce**

During its deliberations, the Rural Sustainability Task Force also considered a discussion paper on food localisation and labelling, both of which are required to increase demand for local produce.