

We are a small scale vegetable grower based in Queensland . We produce between 5000-10000 Cartons of zucchinis per season. We are currently reviewing our future due to market and climatic conditions having endured seven of drought and unresponsive market prices, inspite of widely publised shortfalls of vegetables and alledgely record prices.

We are quality assured and have had one rejection of produce in five years . Our product is aimed at a premium market for first grade product which is hand harvested and packed. Alledgely the top end of the market. We liase with our agents daily in respect to both supply and other market trends. In the last 12 months we have supplied a second grade line when market prices have justified sending the product. We supply both the Sydney and Brisbane whole sale markets. Our product is frequently sold before despatch due to its quality. Our products are also exported after on selling by the wholesaler, throughout the asia pacific region.

Based on the prices received by us after deduction of wholesaler costs, the mark up at the retailer ranges from 300%-1000 %. Yes 1000% or 10 times the price received by us! This event occurred 4 years ago when we received 70cents per kilo and the local Woolworths was selling a lesser product at \$6.99 per kilo. Even allowing for the add on costs of wholesale charges and freight (30 cents/kg) into the Woolworths distribution centre, the mark up is still 700%. It was further infuriating that the product was a lower quality than that sent by us.

This year we were supplying yellow squash, receiving from \$2.00- 3.00 kg (Wholesale) for the medium large size, the same product consistently is marketed from \$8.99-\$12.99 kg at the local Woolworths in the same period, a 4-500% increase.

Any collection of data on wholesale prices when compared to retail prices will show comparably extreme mark-ups.

Why are we concerned with the disproportionate sharing of income through the production chain?

We cannot continue production at these levels of income sustainably.

We cannot afford realistic wages for maintaining farm labour and more specialised employees. Consequently some growers are resorting to illegal employment practices which not only disadvantages individuals but also creates an anticompetitive environment for growers.

We are cutting investment into our industry to the point where we are creating environmental degradation .eg Murray Darling, salinity, loss of biodiversity.

We are losing farmers at a rate where long term security of food for this country is a real concern.

We are faced with increased costs from inputs at historically unprecedented levels.

We are not operating in a free market , consequently Market forces are distorting the decision making processes resulting in extremes of supply levels.

We are price takers.

Reasons the chains will present to your enquiry as to why there appears to be a distortion of the prices at various points in the supply chain market

### ***Loss of produce .***

*Fresh produce is prone to losses from breakdown and we have to build in a waste factor as we may have to throw much of it out, particularly if we can't sell it promptly.*

All suppliers must have a quality assurance program, the principle effect is to prevent the delivery of produce that is prone to spoilage under a specified time frame. For Zucchini's this is 14 days. Over ordering is not a problem for companies with adequate purchasing software. When large chains have over ordered, they have been known to return the product to the sender.

### ***Price averaging***

*We have to average our prices because we are sourcing product from numerous suppliers.*

True. But what is the average and how is it calculated? With the quality assurance programme we and the chains have in place we should be able to trace every consignment all the way to the consumer in the event of a contamination scare. In theory we should be able to identify which store and on what dates our product is sold at the retail level.

### ***The cost of distributing fruit and Vegetables***

*We have a lot of add on costs due to our distribution chain.*

True, a grower also has a lot of costs, they actually create the product and send it to the market place. A grower probably pays a higher freight cost than a large chain for comparable distances. The large chains also have the economy of scale with their distribution centres. Is it really conceivable that the costs (and profit taken) could ever justify a ten fold increase over the cost of actually growing the product?

### ***First Grade product***

*We only sell top quality product, so market prices do not always reflect what we pay*

This is a blatant untruth. The chains are consistently shown to dump 2<sup>nd</sup> grade product into their stores, usually in the lower socio economic areas where their customers are not as critical, or there is no competition. As a grower I do spend time in stores other than my local so as to compare prices and quality. There are major variations in Quality but not price. Price is consistent across several stores, even when quality and hence wholesale price is not.

Should farmers get a bigger share of the profits.

As an individual grower I would say generally yes, but this is too simplistic a view and the problem is more complex. I feel that while at times our returns are reasonable and at other times inadequate, it is my decision to farm. However the real question is why are we allowing such excessive profiteering by one or two companies at the expense of the Australian public. . Based on a wholesale to retail mark up of 100%-150% across the board for fruit and vegetables, any competent business should be able to make a reasonable profit . What would this mean for fruit and vegetable prices? Based on a average family consuming vegetables and fruit at recommended levels s, this could reduce the weekly grocery bill by \$15 -\$30 per week . The equivalent of a interest rate rise of 25-50 basis points, or a reduction in the price of petrol from \$1.40 to \$0.90 cents per litre. There are also significant social benefits in that the consumption of F&V could increase with a long term gains in health prospects for the nation. The excessive prices of F&V depresses consumption which is not in the interests of growers or the consuming public.

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