

GEOFFREY THOMPSON FRUIT PACKING COMPANY PTY. LTD.

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FRUIT PACKERS, PACKERS & EXPORTERS
Cool Stores and Packing House

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4/6/2008

Grocery Prices Inquiry – Horticultural Code Submissions
Australian Competition and Consumer Commission
GPO Box 520
MELBOURNE VIC. 3001

To Whom It May Concern:

RE: Horticulture Code Public Submission.

Dear Sir / Madam,

I would like to make the following submission for consideration by the Committee regarding the compliance of Packing Houses and Co Operatives operating as “Merchants” under the Horticultural Code of Conduct.

Our Company has been in the fruit packing business since 1949, and currently has 83 growers supplying fruit for packing and marketing. We have 30 growers that supply less than 100 bins of fruit, with the smallest grower supplying 6 bins, and the largest grower 10,800 bins. In a normal average day we process 300 bins of fruit. The various grower lines of fruit have always been kept separate, in order to determine the various quality grades and sizes of the fruit, but the sales prices have always been pooled in order to determine an average price to apply to each growers packout, by the different grades and sizes of fruit within the pack. This payment calculation process has meant when the prices move during the selling period, due to either oversupply, undersupply, or when there are supermarket promotions running, there is no disadvantage or advantage to any grower due to the timing of packing their fruit. However by now marketing the growers fruit according to the Code of Conduct, there could be a substantial variation in the price paid to any particular grower, due to the timing of packing their fruit, which is largely out of the control of the grower. This can result in a price on the day that is significantly below the growers cost of production if the growers fruit is packed when the selling price is distressed. The larger the grower, the less of an impact the Code will have on the growers payment, due to the fact that their fruit will usually be packed over the full supply window for a particular variety, which in reality has the effect of averaging their price over the season. Conversely the smaller the grower, the larger the likely price fluctuation due to their entire crop being packed on one particular day.

FRUIT MERCHANTS, PACKERS & EXPORTERS

I do not feel that the mechanism used by packing sheds for calculating pool payments has been fully understood by the Committee hearing submissions. I will try to provide a brief description on how price pooling has operated in our packing shed for the last 59 years. Every time a growers fruit is packed, a comprehensive report is stored in a database recording the grade and the size of fruit packed from each production run for that grower. As the fruit is sold throughout the year the selling price for each particular variety is stored in a database for every grade and size of package sold. Once all the fruit in a pool is packed and sold, the average sell prices are applied to the various grades and sizes for each individual grower based on their own particular quality and size profile. We do not pool or average a growers quality or size packout profile with other growers fruit, we only ever pool or average the sale price by size and grade for all growers fruit sold in a pool. By calculating the pool in this manner, the grower that supplies high quality fruit in a premium size range receives a significantly higher bin price than the poor quality grower. The fruit delivered by a grower could be packed over the production lines anywhere from on the day of receipt, up to 12 months after receipt, depending on variety, fruit quality and market conditions.

In order to comply with the Code of Conduct we have had to drastically change the trading relationship we have had with our growers, which we feel has resulted in a significant disadvantage to our smaller growers. It has also resulted in significant cost to our business with substantial software changes and compliance costs. Our growers had an overwhelming view that they do not wish to trade with us under an Agents Agreement, but rather that we trade under a Merchants Agreement, so that they can have some price certainty. We have therefore entered into a Storage and Handling Agreement, alongside a Merchant Agreement with each of our growers, with the definition of delivery being when the fruit has passed down the packing line and the final packout of the fruit is known. We are then providing each of the growers whose fruit has been packed for the day, a firm price for that particular batch of fruit. The grower then has the opportunity to take their fruit away if they are not satisfied with the price paid.

We have had some growers elect not to supply fruit our packing shed this season, because we have told them that we cannot trade with them without having a compliant Code of Conduct Agreement in place. They have given us the explanation that other packing sheds are more than willing to conduct business with them without the hassle of signing Agreements, so they have decided to shift their fruit to those packing sheds instead. There are around 80 packing sheds in the Goulburn Valley, and it is our understanding that the vast majority of these packing sheds are not Code of Conduct compliant, and have not taken the issue seriously. We feel this is having a negative impact on our business because some of the smaller less educated growers think that it is our packing shed that is creating the extra compliance costs and paperwork by choice, rather than being a function of our business complying with legislation.

If you require clarification of any of the above please contact me. Thank you for your time.

Regards,

Garry D Parker

Garry D Parker.
Managing Director