AFPA Submission to:

ACCC Supermarkets Inquiry

April 2024

Australian Fresh Produce Alliance

Growing a healthier Australia

About the Australian Fresh Produce Alliance

The Australian Fresh Produce Alliance (AFPA) is made up of Australia's key fresh produce growers and suppliers. The members include:

- Costa Group
- Perfection Fresh
- Montague
- Pinata Farms
- Fresh Select
- Mackay's Marketing
- Driscoll's
- Australian Produce Partners
- Premier Fresh Australia
- Rugby Farming
- Fresh Produce Group.

These businesses represent:

- half the industry turnover of the Australian fresh produce (fruit and vegetables) sector - $10 billion total
- a quarter of the volume of fresh produce grown in Australia - 1 million of the 3.9 million tonne total
- more than a third of fresh produce exports - $410 million of the $1.2 billion export total
- more than 1,000 growers through commercial arrangements, and
- more than 15,000 direct employees through peak harvest, and up to 25,000 employees in the grower network.

The key issues the AFPA is focusing on include:

- packaging and the role it plays in product shelf life and reducing food waste landfill,
- labour and the need for both a permanent and temporary supply of workers,
- market access to key export markets for Australian produce,
- product integrity both within and outside of the supply chain,
- pollination and research into alternative sources, and
- water security, including clear direction as to the allocation and trading of water rights.

The AFPA's aim therefore is to become the first-choice fresh produce group that retailers and government go to for discussion and outcomes on issues involving the growing and supply of fresh produce.

Products grown by AFPA Member companies include:

Apples	Blueberries	Cherries	Nectarines	Raspberries
Apricots	Broccoli	Fioretto	Onions	Salad leaf
Asparagus	Broccolini	Green Beans	Oranges	Spinach
Avocado	Brussel Sprouts	Herbs	Peaches	Strawberries
Baby Broccoli	Butternut	Lemons	Pears	Sweet Corn
Baby Corn	Pumpkin	Lettuce	Pineapples	Table grapes
Bananas	Cabbage	Mandarins	Plums	Tomatoes
Beetroot	Cauliflower	Mango	Potatoes	Water Cress
Blackberries	Celery	Mushrooms	Cucumber	Wombok

Summary

The Australian Fresh Produce Industry (AFPA) welcomes the opportunity to provide feedback to the ACCC (Australian Competition and Consumer Commission) Supermarkets Inquiry (the Inquiry). The AFPA's submission provides an overview of the operation of industry, context on the current trading environment and factors affecting the price of inputs along the supply chain for groceries.

Australia's economy is in the midst of a challenging period. As widely publicised, many Australian families are experiencing cost of living issues, having to make difficult decisions around how to allocate their household budgets, which often make food expenses discretionary, following the payment of mortgages, rent and utilities. The result of food, and fresh produce more specifically becoming a discretionary item is the softening of demand for fresh produce (fruits and vegetables).

At the same time, the cost of producing fruit and vegetable has increased on average by 18.9% over the past four years, largely driven by increases in labour (20.7%), energy (20.0%), capital (22.3%) and other production input costs (19.3%), such as fertiliser. Labour costs account for around 52% of the total cost of production of fresh fruit and vegetables. Over the last two years, the cost of labour has increased by 12.1%; these increases are not as a result of challenges from the COVID-19 pandemic. Drivers of the recent rapid labour cost increase are due to both economy-wide changes, such as increases to the National Minimum Wage as well as more specific changes to the industry, such as amendments to the Horticulture Award and migration policy, notably the Pacific Australia Labour Mobility Scheme.

Given the labour intensity of the fresh produce industry compared to other sectors of the economy, the significant and rapid rise in labour cost, coupled with overall (economy wide) reduction in productivity are having a profound impact on the cost to grow, harvest, transport and market fresh produce. At a high level, the 12.1% labour cost increase experienced over the last two years, is alone equivalent to an overall 6% increase in the cost of production of fresh produce based on the average labour intensity within industry.

In addition to the cost increases, the industry is also experiencing a volatile period and uncertain future, created by rapid and successive policy, regulatory and other changes introduced over the past two years. The Federal Government has introduced numerous changes and flagged several more across key policy areas, including industrial relations, energy, environment, and agriculture, creating challenges and ambiguity for the industry. One example, changes to the Pacific Australia Labour Mobility Scheme has increased the cost and administrative burden of utilising the program to secure essential harvest workers. These changes, coupled with the Government's intentions to change the Working Holiday Maker (Backpacker) visa conditions, are creating great uncertainty in the industry about where it will source its harvest workforce over the coming years, without which there will be a significant shortage of fruit and vegetables. This uncertainty and the impacts of rapid changes are impacting consumer prices.

This softening consumer demand, increasing production costs and uncertainty, coupled with other challenges experienced by many growers, including extreme weather events and supply-chain disruptions, has created an incredibly difficult operating environment for many fresh produce businesses, testing the industry's viability and resilience, and leading calls for greater support for the industry.

The fresh produce industry is reliant on the domestic market; of the fresh produce grown in Australia, approximately 60% is supplied to the domestic market for fresh consumption, 30% goes to processers and only 10% is exported. Of note, 97% of fresh fruit and vegetables consumed in Australia is grown in Australia. This near 100% saturation of the local market, and limited overseas market access for fresh produce, mean that the industry's growth is confined to Australia's population growth and that the fresh produce industry, unlike broader agriculture which exports around 72% of their produce, is significantly dependent on the domestic grocery retail sector.

Like many sectors of the Australian economy, the domestic grocery retail sector is highly concentrated. However, growers have been operating successfully in this environment for decades. In 1995 the share of products sold

through Coles was 26% and Woolworths 32%[1] and in 2022-2023 it was Coles 28% and Woolworths 37%[2]. There is understood to be around four hundred direct suppliers of fresh produce to the major supermarkets. Direct suppliers must meet a range of health, safety and ethical sourcing requirements and specifications and have invested in infrastructure and resources to enable them to meet orders and transact reliably, as well as work with other growers to aggregate produce for supply. The majority of direct suppliers rely on third-party supplier growers to meet orders and can therefore also be considered wholesalers as well.

The broader fresh produce industry is very diverse. ABS data indicate there are around 18,300 fruit nut and vegetable growing business, 96% are defined as small businesses (non-employing or employ between 1-19 people). The industry is spread around Australia, making the most of our varied climate and ideal growing regions. In terms of industry composition, it is noteworthy that the members of the AFPA have a collective revenue equal to that of half of the sectors turnover – this demonstrates the significant aggregation of industry, and contextualises the large number of small businesses (both in terms of revenue, employment and production) in the sector.

Fresh produce businesses are becoming increasingly interlinked through vertical supply arrangements and service agreements. The increasing prominence of branded produce and licensing agreements based on intellectual property (IP) and varietals is also adding another layer of complexity to the industry. At the same time, these trends are creating a much-needed opportunity for product differentiation between growers – enabling consumers to have clearer preferences and build brand loyalty, providing growers greater negotiating power.

The fresh produce industry and its ongoing supply of nutritious and safe fruit and vegetables plays a crucial role in the health and well-being of Australia’s population, underpins national food security and is a major contributor to the economy. It is in the national interest to support is ongoing viability and the AFPA is willing to work with Government, industry and ACCC to ensure the industry remains profitable and successful into the future.

Broadly speaking, the current conditions being experienced within the fresh produce industry can be described as a challenging period of market adjustment. The impact of rapid cost increases on growers and the wider supply chain, alongside the broader inflationary environment and economic challenges softening consumer demand, has created a ‘perfect storm’ of issues, straining the industry and consumers alike. If supply and demand were in equilibrium, the average farm gate price of fresh produce would need to be at a minimum 20% higher today to match the increased cost of production (compared to 2019).

The cost increases associated with production are likely to persist for some time before stabilising, for two key reasons; industry is still grappling with recent changes while looking ahead to a pipeline of policy adjustments, reforms and new hurdles laid out by governments in key areas; and household budgets are forecast to remain under pressure, continuing to supress consumers’ purchasing power. Balancing soft demand with increasing production costs and other burdens is the impossible challenge facing producers.

Despite the current conditions, industry remains innovative and forward-looking. Domestic pressure can be relieved through pragmatic and considered policy and decision making by Government, and the ACCC’s inquiry can support all parties to reach such informed conclusions. The terms of reference for this inquiry allow for consideration of factors affecting the price of inputs along the supply chain for groceries, and therefore the AFPA recommend the ACCC take into consideration the evidence provided in this submission relating to the increase cost of inputs and its relationship to Government policy and decision making.

[1] *2020 Industry at the crossroads (2011)* – Australian Food and Grocery Council

[2] Independent Review of the Food and Grocery Code of Conduct 2023-24 Consultation Paper – Commonwealth Treasury

Contents

1. Introduction

The Australian Fresh Produce Alliance (AFPA) welcomes the opportunity to provide feedback to the ACCC Supermarket Inquiry. The ACCC serves a vital role as Australia's competition regulator and consumer protection authority, overseeing fair trading practices, competition enforcement, and consumer rights under the *Competition and Consumer Act 2010*. It actively monitors and investigates anti-competitive behaviour, such as price fixing and cartel conduct, while also ensuring fair market competition through assessments of mergers and acquisitions. Additionally, the ACCC safeguards consumers by enforcing laws against misleading advertising, unfair contract terms, and unsafe products, issuing recalls or bans when necessary. AFPA supports the contribution of ACCC to shaping competition and consumer policies in a way that fosters a balanced and transparent marketplace to the benefit both of businesses and consumers alike.

As part of its role, the ACCC plays an important role in the regulation of the food and grocery sector, and the AFPA acknowledges its historic work to create a fairer trading environment. This timely inquiry into the supermarket sector should provide valuable insights into the current state of the sector, competition, pricing practices, and the overall functioning of the industry. The AFPA aims to help inform these insights with accurate and current information.

The purpose of this submission is to provide important context on the make-up of the industry, supply-chain, realities of doing business in the fresh produce industry, current trading environment and other background information. The AFPA will not address all of the terms of refence, specifically because members have committed to not discussing:

- matters relating to the price of any of our [their] respective products.
- acting collectively in relation to any purchase or supply arrangements.
- the terms of any of our respective supply arrangements with any of our customers; or
- the terms of any of our respective purchasing arrangements with any of our suppliers.

Beyond this submission, the AFPA would welcome the opportunity to continue engaging in this Inquiry and any forthcoming outcomes.

2. Industry Background

Horticulture is Australia's third largest agricultural sector by value and includes fruit, vegetables, nuts, flowers, turf and nursery products. The focus of this submission will be on the fruit and vegetable (fresh produce) industry within horticulture.

The fresh produce industry and its ongoing supply of nutritious and safe fruit and vegetables plays a crucial role in the health and well-being of Australia's population, underpins national food security and is a major contributor to the economy, particularly in regional communities. A profitable and sustainable fresh produce industry is in Australia's national interest.

The following key facts and information, sourced largely from Hort Innovation's *Australian Horticulture Statistics Handbook 2022/23*[3], provide valuable context and a snapshot of the fresh produce industry:

- In 2022-23, the total production value of the fresh produce industry was $12.15 billion, and it is estimated to directly support between 65,000-80,000 full-time-equivalent positions[4].
- Australia produced 6,237,739 tonnes of fresh produce, the majority for fresh supply to the domestic market (61.6%) or for processing (28.9%).
- Unlike Australia's broader agriculture industry that exports around 72% of its production[5], the fresh produce sector only exports 9.7% of its volume to overseas markets (due to several reasons, including limited market access, despite free trade agreements with several key trading partners).
- Australia only imports 2.9% of produce for fresh supply, meaning 97.1% of fresh fruits and vegetables consumed in Australia are grown in Australia.

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[3] Australian Horticulture Statistics Handbook 2022/23 - Hort Innovation
[4] Contribution of Australian horticulture industry – Hort Innovation
[5] Snapshot of Australian Agriculture 2023 - DAFF

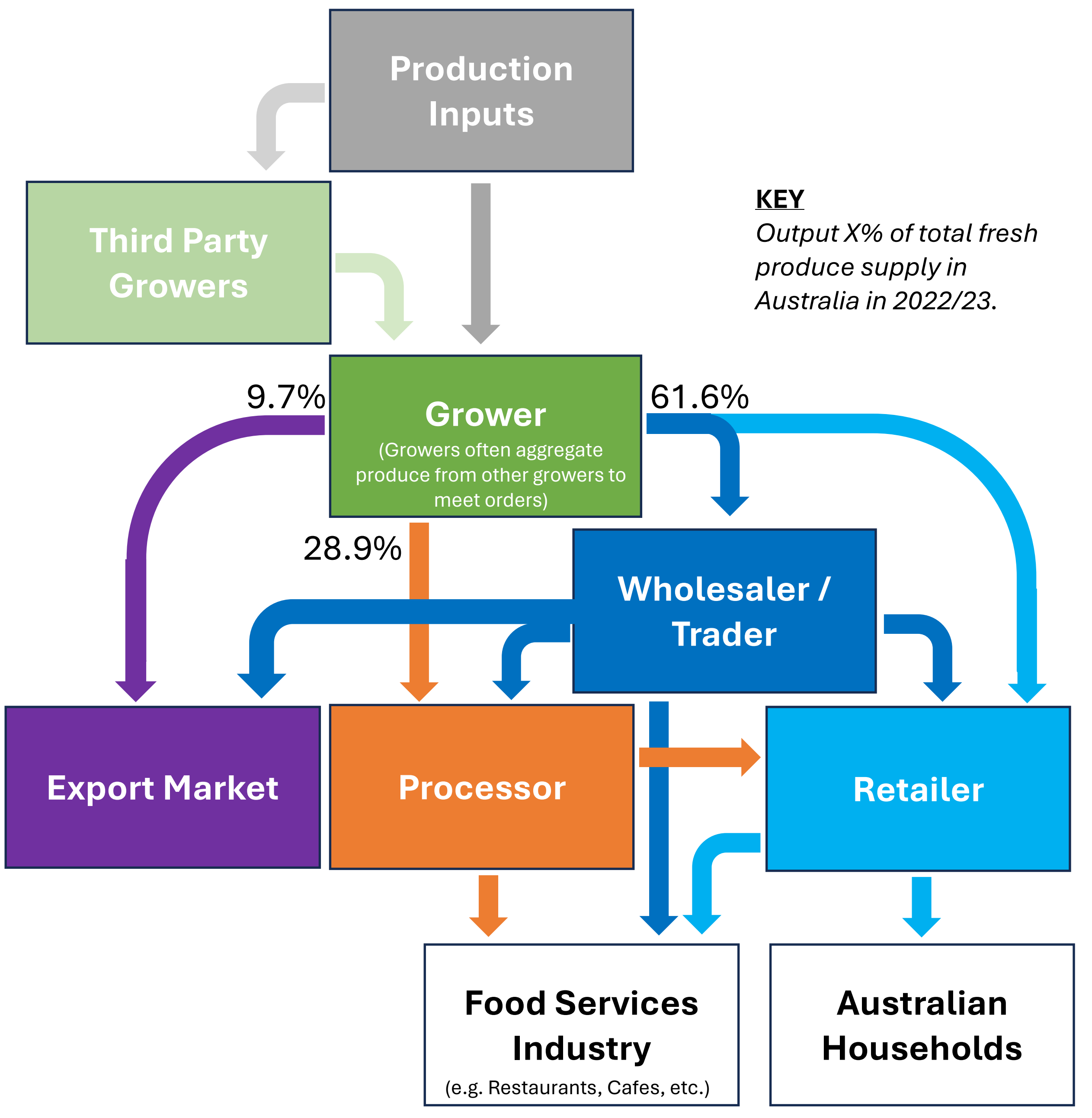
- Of note, the lack of overseas growth opportunities and near 100% saturation of the local market mean that the industry's growth is confined to Australia's population growth. This is a key challenge to the long-term viability of the sector and aggravates domestic competition issues.

- Of the total local fresh supply (3,938,334 tonnes), 83.5% goes to retail for household purchase, this encompasses supermarkets, green grocers, farmers markets, etc., and 16.5% goes to food service, such as cafes, restaurants, hotels, etc., typically via the wholesale markets in each state and territory.

Fresh Produce Industry Supply-Chain

In the simplest form, Figure 1 (below) depicts the Fresh Produce Supply Chain, however in reality it is not this linear or segregated, and there is frequently multiple layers of supple arrangements and business / trading relationships which occur concurrently within the industry. The following sections of this submission will provide some key background information on the industry, supply-chain arrangements and provide other relevant information and examples.

Figure1: Basic Diagram of Fresh Produce Supply Chain



Fresh Produce Growers

A large number of small businesses and a small number of large businesses

Australia's diverse climate and geography enables more than 100 varieties of fruit and vegetable to be grown productively in regions around the country. This advantageous environment has enabled a large-number and wide-variety of fruit and vegetable producing businesses to be established. When considering regulation and policies for the fresh produce industry, it is important to consider the diversity and profile of the sector.

As of 30 June 2023, ABS data[6] indicates there were 18,325 fruit, vegetable and nut producing businesses in Australia. Around two-thirds, 12,371, are non-employing entities and 5,217 employ between 1 to 19 people, which means 96% of the industry are 'small businesses' by ABS definition. Of the remaining 4% of businesses, 709 employ between 20 and 199 people and only 29 businesses employ over 200 people. **This data demonstrates that the fresh produce industry is made up of a large number of small businesses and a small number of large businesses**, which is further validated by additional ABS data provided in *Table 2: Fruit, vegetable & nut businesses categorised by total turnover* (below).

Table 1: Fruit, Vegetable & Nut Businesses by employment size

Non-Employing	1 to 19 Employees	20-199 Employees	200+ Employees	Total Businesses
12371	5217	709	29	18325

Table 2: 2023 Fruit, Vegetable & Nut Businesses by total turnover

Zero to $49k	$50k to $199k	$200k to $1.99m	$2m to $4.99m	$5m to $9.99m	$10m or more	Total Businesses
5,913	5,169	5,782	870	319	270	18,325

It's also worth noting that a range of production techniques are utilised by growers, from traditional open-field practices to modern, controlled indoor systems, depending on the produce, location and other factors. The most common categories of horticulture farms in Australia are orchids, row crops (typically vegetables), vineyards (table grapes), covered crops, greenhouses and hydroponic and aquaponic systems. Within each of these categories would be subcategories of farm types depending on the produce, region, and other factors.

A country-wide network of growers support Australia's year-round supply of local fresh produce.

Delivering year-round supply of local fruits and vegetables to Australian households and businesses takes a national effort. All fruits and vegetables require the right combination of climate, soil, and growing conditions to thrive. Australian producers over many decades have been working to identify the optimal region, time of year, and cultivation practices to produce different fruits and vegetables successfully.

Some produce can be grown productively year-round in a single region, like bananas in North Queensland, while some produce must be grown in multiple regions across the country at different times of the year to provide continuous supply. For example, Australian supermarkets are stocked with local blueberries year-round. To support this year-round supply, blueberries a grown as far south as Tasmania to as far north as central Queensland depending on the time of year, with the main production hub being around Coffs Harbour, NSW.

As the production window for many staple fruits and vegetables moves around the country throughout the year, larger growers tend to operate in multiple regions to provide year-round supply of a product. While smaller growers may only operate in one concentrated area, specialise in one to two types of produce, focus on making the most of a seasonal period, and work with other growers or wholesalers to supply produce to consumers during the peak-season. It is this national network of production across the country that ensure year-round supply of fresh produce

[6] 8165.0 Counts of Australian Businesses, including Entries and Exits - ABS

and greater food security. Supporting a diverse industry, with small and large businesses, utilising different growing techniques and so on, is also in the national interest, supporting food security and promoting economic resilience.

Third Party / Partner Growers

The fresh produce industry is becoming increasingly interconnected, and growers often use multiple channels to sell/distribute their produce, including to other growers. Direct suppliers (also growers) to retailers, domestic wholesale or export markets, frequently aggregate produce from third-party or partner growers (both large and small businesses) to meet demand. Third-party growers play a pivotal role in supplementing the supply chain, particularly for larger growers either under formal arrangements, or when facing fluctuations in demand or seasonal variations. These third-party growers often specialise in specific crops or regions, leveraging their expertise and resources to cultivate high-quality produce to meet the stringent standards of the industry/retailers. Through agreements or other arrangements, larger growers often source produce from these third-party growers to ensure a consistent supply of fresh produce to their customers. This collaborative approach not only strengthens the resilience of the supply chain but also provides opportunities for smaller growers to access larger markets and distribution networks.

Licencing and Branding Produce

The licensing and branding of fresh produce plays a crucial role in distinguishing products and creating market competitiveness. One avenue through which this is achieved is through the utilisation of Plant Breeder's Rights (PBR), which provides intellectual property protection for new plant varieties. Australian growers and breeders invest significant time and resources into developing new varieties of fruits and vegetables that offer improved traits such as flavour, yield, disease resistance, and shelf-life. PBR grants exclusive commercial rights to the breeder or licensee of new variety for a specified period, typically 20-25 years. This protection incentivises innovation and investment in plant breeding, fostering the development of high-quality and commercially viable produce and supply chains.

Additionally, branding initiatives allow growers to differentiate their products in the market, build brand recognition, and command premium prices. By leveraging PBR and/or implementing effective branding strategies, Australian producers can enhance the value proposition of their fresh produce, attract consumers, and drive market success in both domestic and international markets. Examples of licensed fresh produce varieties that are well known to consumers include Pink Lady® or JAZZ™ Apples and Broccolini®.

The Wholesale Markets

Australia's major retailers' source ~10% of their produce from wholesale markets[7], this is separate from ongoing, formal direct supply arrangements that Australia's major retailers may have with wholesalers.

Australia has five central wholesale markets that serve as hubs for the distribution and trade of fresh produce across the country. These markets help to connect farmers, wholesalers, retailers, and consumers, and facilitate the trade of fruits and vegetables. The markets are based in Australia's major capital cities, Sydney, Melbourne, Brisbane, Adelaide and Perth, and are of particularly importance to hospitality businesses and small retailers. These wholesale markets also play a role in to price discovery, market transparency, and support the overall efficiency of Australia's fresh produce distribution network.

The Retail Sector

While the wholesale market plays an important role, it is understood that Australia's major supermarkets source approximately 85-90%[7] of their fresh produce from growers/suppliers directly, and the remaining amount is "spot purchased" from the wholesale markets. This means that the majority of Australia fresh produce is now traded directly to either Woolworths, Coles or Aldi, circumnavigating the wholesale markets. Metcash, will source a higher proportion of produce via the wholesale markets, effectively using the market network as a distribution centre and network.

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[7] Woolworths Group Submission - Senate Select Committee on Supermarket Prices

Market Concentration

The Australian supermarket sector has long been dominated by two major players, Woolworths and Coles. In 1995, the share of products sold through Coles was 26% and Woolworths 32%[8]. In 2022-2023, the share of products sold through Coles was 28% and Woolworths 37%[9]. While ALDI's entrance in 2001 to the Australian market can be credited for reducing the dominance of Coles and Woolworths during the early 2000's, which peaked at a combined market share of around 88%, there has been little change to the fact that producers have been dealing with a highly concentrated market for over three decades. This has occurred during a period of further economic deregulation, especially in the agricultural sector.

Market concentration is not unique to the supermarket sector. Australia, for a variety of reasons, has several sectors in its economy where there is high market concentration such as banking, telecommunications, airlines, energy, media, etc. Factors contributing to this trend include Australia's relatively small population, vast geography, global isolation, and (related and other) challenges for new entrants to establish a presence. Similar factors also make it advantageous in Australia for companies to achieve economies of scale, particularly when significant infrastructure and real estate is required to operate, such as distribution centres and shopfronts. This has led to a number of mergers, take-overs and the like in Australia, creating companies with superior market concentration.

There have been multiple government inquiries and reviews into Australia's concentrated markets, including the supermarket sector, and progress has been made to improve competition and consumer outcomes. However, the reality is Australia's market characteristics are unlikely to change in the near future, and therefore market concentration will remain in many sectors, including supermarkets. Creating a fair environment for trade in these sectors is crucial.

Retailer supply-chain

Australia's major retailers have established and operate extensive distribution networks supported by strategically located distribution centres to allow for efficient sourcing, storage, and distribution of fresh produce to meet consumer demand. In the vast majority of instances, direct suppliers (growers) are responsible for transporting produce to a retailer's distribution centre, where it is assessed before being accepted and entering their supply-chain. Larger growers will likely supply multiple distribution centres across a range of different geographic locations, for example it is not uncommon for a Victorian vegetable grower to supply retailer distribution centres in Victoria, Tasmania, New South Wales and Queensland directly (i.e. the grower is responsible for the road freight to these distribution centres). From the distribution centre, retailers will then distribute produce to stores within relevant geographic locations to the distribution centre.

Product specifications and standards

Supermarkets require that fresh produce suppliers meet agreed product specifications and standards, which ensure the quality, safety, and consistency of produce supplied to consumers. These specifications typically cover various aspects such as size, colour, shape, maturity, packaging, and labelling. Supplier growers are also expected to adhere to specific guidelines regarding pesticide residues, chemical treatments, and handling practices to minimize food safety risks and comply with regulatory requirements. Packaging and labelling requirements often aim to ensure traceability, with clear identification of origin, variety, and relevant certifications. Packaging standards are increasingly influenced by state and federal government regulation aimed at reducing plastic and other environmental objectives. Additionally, supermarkets may also require growers to implement sustainable farming practices. Australia's major supermarkets frequently refer to consumer expectations and purchasing preferences as the basis for many specifications and standards.

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[8] *2020 Industry at the crossroads (2011)* – Australian Food and Grocery Council

[9] Independent Review of the Food and Grocery Code of Conduct 2023-24 Consultation Paper – Commonwealth Treasury

Direct Suppliers to Retailers

There is understood to be around 400 direct suppliers of fresh fruit and vegetable to the major retailers (Coles, Woolworths, and ALDI), with approximately half of these businesses being high-volume suppliers, across multiple product lines. Not all suppliers have arrangements with every retailer, some deal exclusively with one, some deal with multiple.

Direct suppliers are primarily responsible for ensuring produce meets the standards and specifications required (described above), and will have invested significantly in their infrastructure, machinery, and workforce to enable them to deal in large quantities of produce. Direct suppliers are often referred to as “Tier 1” growers. Third Party / Partner Growers are often referred to as “Tier 2” or “Tier 3” growers.

Depending on how a Tier 1 grower’s business operates and what arrangements they have with third-party growers, by some definitions they can also be considered a wholesaler, this includes some grower suppliers operating trading or wholesaling businesses within Australia’s wholesale markets.

Relationship Between the Wholesale Markets, Retailers and Price

The fresh produce industry, similar to many agriculture sectors, operates in a supply/demand market, which in turn impacts price. For example, the low supply of a product in fresh produce, often due to a weather event, will create an imbalance in the market that sees often a rapid and temporary increase in price until supply stabilises.

A recent example of this market in effect was the “$12 iceberg lettuce” period in 2022, where significant rain and floods in Queensland created a shortage of iceberg lettuce that created an increase in price for growers and to consumers due to scarcity of supply.

Prices can change rapidly within the fresh produce market, as it is very sensitive to fluctuations in either demand or supply. The market sensitivity is in part driven by the short shelf life of produce, meaning that most produce cannot be left unpicked, or held in cool rooms as inventory in an attempt to achieve a better price; this heightens the impact of all market shocks.

Similar to other agriculture sectors (i.e. cattle auctions), Australia’s fresh produce wholesale markets, based in each state, are often credited with setting a “market price” for each product line based on the daily price achieved through the market. This market price typically reflects product volume both currently within the physical market, but also takes into account intelligence shared by growers with their wholesalers about future quantity and quality of product.

The wholesale market price, due to its availability both through collected data (public and purchased), and simple engagement in the market is, by default, what is often used to give an indication of an average price for a particular product line. This means that while a comparably small volume of produce utilises Australia’s central market system, it is typically the price setting mechanism. As a result, the market price information often becomes distorted, and it is not properly representative of what is occurring in terms of volumes and price at retail.

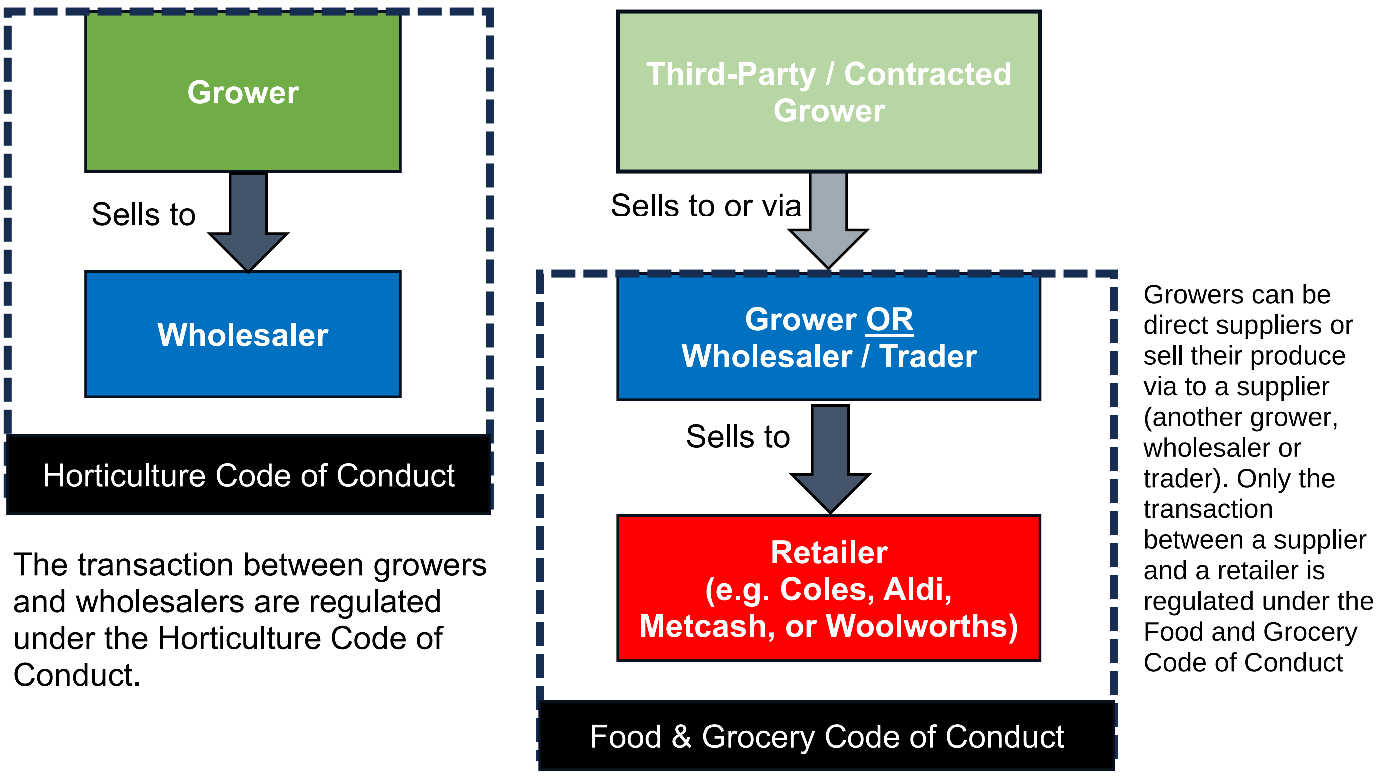
While there is often a relationship between the wholesale market price and the price of produce sold directly to retailers, the two are not necessarily the same price. Direct to retail prices typically reflect a tender methodology, where suppliers of a product line provide major retailers a weekly quote for the price and volume of product they would like to sell. This price will reflect a range of things, including the different (and typically more expensive) requirements that have been met by that supplier to meet the retailers’ standards.

The produce sold within the wholesale market is typically not directly comparable to the produce sold directly to retailers meaning that the wholesale market price cannot be used reliably as anything other than a market indicator. It is not a suitable benchmark by which to determine average pricing for the retail market.

Industry Regulation

There are two Codes of Conduct that currently operate in the horticulture industry, the Horticulture Code of Conduct (Hort Code) and the Food and Grocery Code of Conduct (Grocery Code). These Codes serve different purposes, and apply to different components of the supply chain, as outlined in Figure 2 below. The operation of both of these Codes mean that the majority of transactions in the horticulture supply chain are regulated.

Figure 2: Horticulture Code and Food and Grocery Code of Conduct



The Horticulture Code of Conduct

The Hort Code is of most relevance to businesses that operate in one of the five central markets around Australia. These businesses are typically referred to a 'wholesalers' of fresh produce. Under the Horticulture Code of Conduct, there are two types of transactions that can occur when growers sell produce to a Wholesaler:

- Agent Transaction: In this transaction, the Wholesaler operates as an extension of a Grower's business and sells produce on the Grower's behalf. Typically, the Grower does not know for certain what the return/price of their produce will be until it is sold; the Agent is tasked with getting the best price. This is similar to selling on consignment.
- Merchant Transaction: In this transaction, the Wholesaler purchases produce from a grower at a fixed volume for a fixed price. The grower is aware of the price, volume and quality requirements before selling the goods to the Merchant.

The Hort Code is a mandatory code. The core focus of the Hort Code is ensuring that growers and traders accurately identify their supply relationship (i.e. Agent or Merchant), as clearly defining this relationship enables greater transparency between traders and suppliers. In addition to defining the trading relationship, the Hort Code also requires all suppliers be provided a Horticulture Produce Agreement (HPA) which clearly outlines terms of trade, including methodology for agreement or reporting of price; prior to the Code's introduction the most common complaint from suppliers was that their trading terms, and relationship with wholesalers was not transparent.

The Hort Code also covers transactions between two growers as, stated previously, it is not uncommon for a grower to purchase additional product from another grower of the same produce when they need to 'top-up' their own stock/orders. Despite neither party being considered a wholesaler or trader in terms of language or commonly understood definitions within industry (i.e. neither business operates in the central market system), this transaction and both parties are still covered by the Hort Code.

The Food and Grocery Code of Conduct

The Grocery Code is a set of industry guidelines and principles aimed at fostering fair and transparent relationships between retailers and suppliers. The Grocery Code seeks to address power imbalances in the supply chain and outlines certain obligations for retailers and wholesalers, promoting fairness, efficiency, and competition within the industry. While the Grocery Code provides a framework to support fair dealing, it does not set specific prices, margins or strictly dictate terms for transactions between retailers and suppliers.

Since being introduced in 2015, all major supermarkets, Woolworths, Coles, and ALDI, and Metcash have signed-on, collectively representing 82% of the grocery retail sector. The Code automatically covers direct suppliers to the signatories, however not third-party growers that provide produce to direct suppliers, e.g. wholesalers, (depending on the type of transaction between the third-party grower and direct supplier, it may be covered by the Hort Code).

Since its introduction, the Code has been subject to scrutiny, formal reviews, and updates, is currently under review. The AFPA has mad submission to the Food and Grocery Code Review with 14 recommendations that can be made available to the ACCC. The AFPA's submission provides feedback to the Grocery Code's purpose, coverage, voluntary nature, dispute resolution process, penalties and deterrence tools, and, among other issues, calls for increased resourcing to be provided to the ACCC to support its monitoring and enforcement of the Code (if required).

The AFPA also strongly recommended that the Hort Code and Grocery Code be maintained as a distinct and separate regulatory instruments. This is because the fresh produce industry is a unique environment and challenges that warrant specialised attention and tailored regulations. Combining the Hort Code with the Food and Grocery Code would diminish the potential of both documents to deliver on their purpose.

3. Examples of the Fresh Produce Supply-Chain in operation

The following examples are intended to demonstrate the different arrangement and relationships within the fresh produce supply chain and are not based on any specific AFPA member businesses or arrangements.

Scenario 1: Bananas

Australians consume approximately 5,000,000 bananas every day[1]. Ninety-four percent (94%) of the national banana production occurs is North Queensland, in and around the areas of Tully, Innisfail, Atherton Tablelands and Lakeland Downs. Banana production occurs year-round in these locations. The following is an example of the arrangements and stages of a supply chain for Australian bananas.

1. **Farming and Harvesting**: Company A, a large banana grower and direct supplier to Australian Retailers based in North Queensland, operates their own farms, and works with other banana growers in the surrounding regions to meet Retailer demand. As part of agreed supply agreements, Company A is provided a forecast from a Retailer of the volume of bananas the Retailer anticipates requiring during an upcoming period. Company A considers their production capacity, taking into account a range of factors including historic yields, anticipated weather conditions, access to inputs, etc., and determines how much of the requested volume they can meet, and how much they will need to source externally. Company A engages six other banana growers in region to contribute to the supply order from a Retailer.

   All of the six growers have entered into a merchant arrangement with Company A, meaning they will receive a fixed price for a fixed volume and quality. This transaction is covered by the Horticulture Code of Conduct.

[1] All about bananas – Australian Banana Council

One of the growers in Innisfail request Company A take responsibility for the transport of their bananas from their farm to Company A's processing facility. The Innisfail grower will be provided a lower price for their bananas to accommodate the service/transport costs.

2. **Consolidation, Packaging and Grading**: Bananas are harvested in bunches that average 150 to 200 pieces and weigh approximately 35-50 kilograms; these bunches are manually processed into smaller clusters for handling and transport. Company A and all external growers sort and grade their own bananas according to Retailer's size, quality, and general specifications. The bananas are then packed, which typically involves labelling and placing the bananas in cardboard boxes or plastic crates designed to protect them during transport. Bananas that do not meet the required specifications are collated and sold to alternative markets including national wholesale markets, food service or sold to a processor to be turned into products such as banana-bread, smoothies and muffins.
3. **Transportation**: Each grower is responsible for transporting their packed bananas from their farm in north Queensland to a ripening facility in Sydney, except for the Innisfail Grower, which has requested Company A manage this component for them. Company A outsources the transportation of their bananas and the Innisfail Grower's bananas to a freight business that has a national fleet of refrigerated trucks, which are used to maintain the bananas at an appropriate temperature to prevent ripening during transit.
4. **Ripening and distribution to Supermarkets**: The purpose-built ripening facility in Sydney was established as a joint venture between a Retailer and Company A. When the bananas from the six growers arrive at the ripening facility, they are inspected by Company A against the agreed specifications and standards. Within this facility, the conditions are carefully regulated to maintain freshness & shelf life, allowing them to be ripened in a managed cycle to meet daily Retailer requirements. Other producers that supply products to this Retailer also use this facility (for an agreed fee) to ripen their produce for the Retailer, including avocados and mangos.

   Once ripened, the bananas are transported to the Retailer's local distribution centre on a daily basis, 365 days a year. On arrival the bananas are inspected by the Retailer and, if accepted, the Retailer takes ownership of the bananas, completing the transaction.

This is only one example of numerous variations of the banana supply-chain. The ripening arrangements for produce is especially complex and varied. For example, in NSW some retailers own and manage their own ripening facilities and take responsibility for the transportation and ripening of the bananas from north Queensland to these facilities and to their distribution centres. Other retailers in NSW expect ripened produce to be delivered to their distribution centres and have no involvement in the ripening process or transport from north Queensland. Other states and territories also have different arrangements compared to NSW. For example, Company A might also operate their own ripening facility in Victoria or use a facility of another company, including facilities owned by different companies in joint ventures with retailers. In each of the aforementioned scenarios, the "farm-gate" price would be different, depending on what point the retailer took ownership of the bananas, e.g. at the farm, at a ripening facility, or at a distribution centre and reflect the different level of cost borne by the Company A.

The "farm-gate" price would also be different depending on whether it's being considered from the perspective of the supplier growers or the larger grower (Company A). The supplier growers would consider the "farm-gate" price to be the amount received for their produce by the large grower, which was a fixed amount pre-agreed. The large grower would consider the "farm-gate" price to be the point at which they sold their produce, along with the supplier growers' produce, to the retailer.

Scenario 2: Blueberries

Blueberries are produced in all states at different times of the year to provide year-round supply to retailers. The following scenario provides an insight into how growers work together with a Marketing company to supply their produce to retail and wholesale customers, and how an agency trading arrangement works.

1. **Supply Arrangements:** Company B, a marketer of produce, partners with a range of other large and small growers across the country to enable year-round supply of blueberries. Company B and the growers enter contractual arrangements including Agency terms of trade as required by the Horticulture Code of conduct.
2. **Farming, harvesting and packing**: The growers are responsible for producing their own blueberries and responsible for the packing of the product into grade specifications in accordance with the requirements set by the contractual arrangements., e.g. product specifications, branded packaging, etc. The growers invest in their own infrastructure, e.g. berry tunnels and irrigation, machinery, e.g. tractors, and workforce, e.g. harvest labour, as well as investing in cooling and packing equipment.
3. **Transport:** Once harvested and packed the blueberries are delivered to Company B's regional distribution centre where Company B arranges for the transport of the packaged blueberries to customers (retailer distribution centres) across Australia on behalf of the growers.
4. **Agency sale and distribution of funds:** Under contractual arrangements the growers have agreed, Company B is responsible for marketing and selling the blueberries and is therefore responsible for negotiating the price with the final customer. It is in the interest of Company B to get the highest price possible for each grower of blueberries, as Company B retains only a minor percent of the final sale price for arranging the distribution and sale of the produce to end customer. Once sold, the grower receives the vast majority of the final sale price as payment in line with contracted terms of trade.

In this scenario, the "farm-gate" price is the amount the customer paid for the blueberries, less the agreed commission retained by Company B for arranging the sale and distribution. If Company B had grown the blueberries, which can also be true, the "farm-gate" price would be the full amount the customer paid for the blueberries (production, plus distribution and costs to arrange the sale).

Scenario 3: Apples and Plant Breeder Rights / Licensing

Apples are a significant component of the fresh produce industry in Australia, with various regions across the country contributing to their production. Here's how a licensing arrangement might work in the Australian apple industry:

1. **Licensing and Farming**: Company C, an apple producer based in South Australia, owns several orchards in a region. Company C has developed a new apple variety through extensive breeding efforts, for which they hold Plant Breeder Rights. To expand its market reach and ensure year-round supply to retailers, Company C enters into a licensing agreement with a smaller orchard owner in Tasmania (Tasmanian Orchard). The agreement grants Tasmanian Orchard the right to grow and sell the proprietary apple variety exclusively licensed by Company C, subject to the terms outlined in the Plant Breeder's Rights Act.
2. **Orchard Management and Harvesting**: Tasmanian Orchard manages the cultivation of the licensed apple variety on their orchard, adhering to guidelines provided by Company C regarding cultivation practices, pest management, and harvest timing.
3. **Quality Control and Packaging**: Once harvested, the apples are transported to Tasmanian Orchard's packing facility, where they undergo sorting, grading, and packaging according to Company C's specifications to maintain the high-quality (premium) standards. Packaging materials that bear branding and labelling consistent with Company C's marketing standards are used.
4. **Transportation and Distribution:** Tasmanian Orchard arranges transportation of the packaged apples to various distribution points, including retailer distribution centres and wholesale markets across Australia.
5. **Sales and Revenue Distribution:** Under the licensing agreement, Company C assumes responsibility for marketing and selling the licensed apple variety. Company C negotiates prices with retailers based on market demand and quality standards. Upon sale, revenues generated from apple sales are shared between Company C and Tasmanian Orchard according to the terms of the licensing agreement, which may include royalties owed

to Company C for the use of the proprietary variety. For example, if the apples are sold to a retailer for $3.00 per kilogram, Company C would retain a portion as a licensor fee, including royalties for the use of the plant breeder rights, as well as a portion to cover costs associated with marketing and sales facilitation. The Tasmanian Orchard receives the remaining portion.

This licensing arrangement benefits both parties by leveraging Company C's proprietary apple variety, protected by plant breeder rights, while allowing Tasmanian Orchard to diversify its product offerings and access broader distribution channels. Additionally, consumers benefit from consistent access to high-quality apples sourced from different regions throughout the year.

4. Context - Current trading environment

The volatility experienced in the economy over the last 3-4 years has created significant challenges across the fresh produce supply chain, especially in the last 12-18 months. These challenges are driven by:

- increased production costs,
- reduced business confidence due to uncertainty in the economy and operating environment as a result of rapid and successive changes in key policy areas including industrial relations, energy, environment, and agriculture,
- broad cost of living challenges in the economy, reduced consumer demand for fresh produce,
- over production for fresh produce in some lines, creating an oversupply of produce and
- limited overseas market access.

Increasing Production Costs

Fresh produce growers rely on a myriad of production inputs to cultivate healthy and high-yielding crops. These inputs encompass a wide range of resources, including labour, energy, water, seeds, fertilizers, chemicals, machinery, finance, land, etc. Many of these inputs overlap with other sections of the economy, such as energy, while other inputs such as fertiliser or specialised chemicals (e.g. pesticides), are unique to the agriculture industry, and therefore when there are issues with these inputs it is isolated to the industry.

The fresh produce industry, like many parts of the economy that manufacture or produce goods (or food and beverages) for sale, is sensitive to price changes in production inputs. Over the past several years, in many parts of the economy there have been price increases in key inputs, raw materials and other resources – this has occurred in the fresh produce sector, and in some cases to a greater extent than other parts of the economy.

While AFPA members are some of the largest producers in Australia, they also work collectively with around 1,000 other third-party growers to supply retailers directly, as well as supply the wholesale and export markets. To support the AFPAs engagement in the inquiries relating to grocery prices, members have collated data on production input cost changes over the last four years, between 2018/19 and 2022/23, and have determined that, on average, the cost of producing fruit and vegetables in Australia has increased by 18.9%.

Major cost increases have occurred in labour, energy, capital, and other production inputs, which have largely contributed to a steep increase in the total production cost, as outlined in Table 3 (over the page).

While this steep increase in costs was initially a result of the COVID-19 pandemic and international events, the drivers behind these cost increases are now increasingly domestic, for example the greatest proportion of the increase in the cost of labour has occurred in the last two years, by 12.1% since 1 January 2022.

On average, labour is the largest input costs, accounting for 52.1% of total production. Changes of specific relevance to the industry's workforce, such as alterations to Piece Rate provisions within the Horticulture Award and changes to the Pacific Australia Labour Mobility (PALM) scheme, as well as economy wide changes, such as the increase of the National Minimum Wage have made a significant contribution to the overall increase in the cost of production.

Table 3: Cost increase over the last four years (2018/19 to 2022/23)

	% Cost Increase
Total Production Costs	+18.9%
Labour e.g. wages, super, allowances, administration, etc	+20.7%
Energy e.g. Electricity, gas, fuel, etc.	+20.0%
Capital costs e.g. Irrigation, machinery, infrastructure, etc.	+22.3%
Other production inputs e.g. Fertilizers, chemicals, packaging, water, etc.	+19.3%

Economy-wide, Australia has also seen a fall in labour productivity of 5.7% (GDP per hour worked) between 1 January 2022 an 30 September 2023[10], suggesting more people in general have been required over the past two years to produce the same amount of goods, again adding to labour costs.

Energy costs has also increased significantly since 1 January 2022, by 22%. Like all manufacturing industries, fresh produce processing, packing and transportation, as well as refrigeration, requires a significant amount of energy and fuel, and gas is a major component of glasshouse production, which has also spiked in price during this period.

Most growers have never experienced cost increases of this scale in such a short duration, and it is coming at a time when the industry's resilience has already been tested on many fronts by successive challenges, including severe weather events, such as floods across the east coast, supply-chain disruptions, and labour shortages. Between 30 June 2019 and 30 June 2023, the number of fruit, vegetable and nut producing businesses in Australia declined by 8%[4], demonstrating the challenging operating conditions of the past several years.

Also of note, but not included in Table 3 above, is the increasing cost of compliance with government and retailer standards, regulations, and requirements. This includes implementing food safety management systems, ethical sourcing standards, and conducting regular audits and inspections to maintain compliance.

Additionally, meeting government regulations, such as those related to pesticide use, water, and other environmental protections, requires further investment in equipment, training, and administrative processes. The costs of compliance can vary depending on the size and complexity of the operation, but they often represent a significant portion of growers' operating expenses.

While direct suppliers (Tier 1 growers) have adapted to managing a level of compliance and assurance measures as part of their business, Tier 2 and 3 growers (third-party growers) are increasingly required to meet Tier 1 standards (e.g. ethical sourcing standards and audits). Increasingly, Tier 1 growers must support their Tier 2 and 3 growers with resources and guidance to ensure compliance with these standards, increasing the cost of produce. Despite the financial burden, growers recognise the importance of compliance in maintaining international market access, ensuring consumer confidence, and upholding industry integrity. Therefore, investing in compliance measures is considered essential for long-term sustainability and success in supplying fresh produce to retailers and meeting regulatory requirements set by government authorities, but the cost, and its impact on the overall price of food for consumers, must be recognised.

[10] Australian National Accounts: National Income, Expenditure and Product - ABS

Rapid and Successive Changes in Policy, Regulation and Legislation.

Over the past two years, the new Federal Government have sought to make or initiate numerous changes in key policy areas, including industrial relations, energy, environment, and agriculture. The rapid pace and continuous nature of change has challenged the industry and created a growing uncertainty about the future of operating environment.

The following is a sample of changes that have occurred or are underway of relevance to industry's workforce:

- The Horticulture and Nursery Award is currently under review by the Fair Work Commission as part of a broader review of C14 rates in Modern Awards. It is anticipated that the Level 1 wage in the Horticulture Award will be made transitional, effectively moving all workers up to a Level 2 wage after a period (equivalent to a 2.74% pay increase). This will be further to other recent changes to industry base pay including:
    - Changes to the National Minimum Wage at the Annual Wage Review in 2023 (an increase of 5.75%)
    - Increase to the Superannuation Guarantee (an increase of 0.5% every year from 2021 to 2025)
    - Industry Award changes, including the alteration of Piece Rate provisions and a new minimum wage guarantee and new record-keeping obligations.

- New Pacific Australia Labour Mobility (PALM) Scheme Deed and Guidelines, which are the documents that set the standards and requirements for employers to engage pacific workers to fill workforce shortages in agriculture. Introduced in June 2022, the new Deed and Guidelines substantially increased the cost of operating and administering the program, with little benefit to the workers, and reduced the flexibility of the workforce, making the employment of PALM workers for harvest work less viable.

    - The Government conducted no regulatory impact analysis of the changes. Since the changes were introduced, the number over PALM workers engaged in the horticulture industry have reduced by 11.5% (over 3,200 workers). The decline in PALM workers is accelerating. PALM workers are more productive than other cohorts, because of their longer duration in the industry and ability to return year-on-year to an employer, building experience. This is contributing to decreasing productivity and escalating labour costs in the fresh produce industry.

- The Government is currently reviewing its Migration System and arrangements, with plans to significantly change the Working Holiday Maker (WHM) visa conditions – signalling changes to work rights and requirements for visa holders. In addition to PALM workers, WHMs are a key source of harvest workers. Industry fear drastic changes to the WHM visa in combination with changes to the PALM Scheme will lead to workforce shortages and productivity losses.

- Other changes to acts, regulations and instruments of relevance to the industry that are also yet to be fully understood or experienced, for example;
    - Amendments to the Fair Work Act (Closing the Loopholes Bill), changing how labour hire providers are engaged and employee rights (e.g. right to disconnect).
    - Amendments to the Modern Slavery Act, expanding mandatory reporting criteria and lowering the threshold to companies with a turnover of $50 million or more, capturing many major fruit and vegetable producers for the first time.

Other key changes creating uncertainty in the industry that have occurred or are underway include:

- The introduction of a Biosecurity Levy to collect $50m from the broader industry, currently before Parliament – the horticulture sector is unsure of its proportion, let alone each individual grower.
- New plastic and packaging regulations, i.e. NSW and SA currently considering a ban of plastic fruit stickers, which play an important role in product identification and meeting traceability requirements, the compostable alternatives are anticipated to be 60% more expensive.
- Consultation on (and anticipated action to support) an industry wide carbon emissions reduction sector plan.
- Natural Gas policy (current price-capping), a major input for glasshouse production.

- Growing ambiguity around renewable energy policy and investment at a business, state and federal level.
- Proposed new vehicle (fuel) efficiency standards, as farms typically have large fleets of vehicles (Utes).
- Increase in important and export fees and charges.

For clarity, the AFPA does not necessarily oppose all the matters referenced in this section, but seeks to convey that in combination, they are creating an operating environment that is increasingly difficult to predict and therefore plan appropriately.

Reduced consumer demand for fresh produce

Over the 12 months to the September 2023 quarter, all five living cost indexes tracked by the ABS rose between 5.3% and 9.0%[11], demonstrating there has been a significant rise in the cost-of-living over the last 12 months for all Australian households.

These cost-of-living challenges in the economy are having a dampening effect on the demand for fresh produce. With consumers grappling with rising expenses across all essential areas such as housing, utilities, healthcare, education, and transport, there's a noticeable and widely reported change in spending patterns. Many households are reallocating their budgets to prioritise necessities (e.g. mortgage repayments/rent, electricity, and fuel), leaving less room for discretionary purchases on fresh fruits and vegetables. Also, as household budgets tighten, consumers are becoming more money conscious – eating out less, opting for lower-cost food options or seeking value for money.

Over production creating an oversupply

During winter in 2023, the northern growing areas experienced an unusually warm winter, increasing the yield of some fresh produce crops, including capsicums, zucchinis, and tomatoes. The favourable conditions caused an oversupply, referred to as a "vegetable glut" by the ABC news[12], and led to reported supressed farm gate pricing.

In 2022, there where similar circumstances that caused an oversupply in some Queensland fruits, including mangoes and avocados. While it's not unusual for commodities to experience a period of oversupply every few years, it has been most acutely felt in the last 12-24 months in combination with the sharp increase in production costs, and unusually low consumer demand.

Limited overseas market access

Enhancing international market access for Australian fresh produce plays a pivotal role in mitigating domestic challenges, such as those posed by the high-market concentration of the grocery retail sector in Australia. Unlike Australia's broader agriculture industry that exports around 72% of its production, the fresh produce sector only exports a 9.7% of its volume to overseas markets largely due to fresh produce commodities having limited market access.

In most cases, to gain fresh produce market access, exporting and importing countries must agree on a set of protocols by which trade can occur. Achieving market access often takes several years as they require a lot of supporting data, industry consultation (in both countries) and negotiations. These negotiations typically address a wide range of technical requirements, including phytosanitary measures and quarantine protocols. Industry has long called for additional resources and a whole of government approach to supporting and hastening new and improved market access.

Given the saturation of produce domestically, opening new export markets, to access an increased pool of customers is vital for the fresh produce industry. The simplest and most effective solution to the market concentration of Australia's supermarkets, and therefore grower returns, is rapidly expanded and improved technical market access.

[11] Selected Living Cost Indexes, Australia – ABS
[12] Farmgate prices plummet as Queensland vegetable glut puts strain on growers - ABC

5. Conclusion – stability, certainty and pragmatic policy needed

Australia’s favourable environment has given rise to a large and diverse fresh produce industry. Fresh produce growers, small and large, are becoming increasingly intertwined by supply and service agreements. Many growers can now be defined as wholesalers, aggregating produce for sale to retailers, processors, other traders and international markets, creating a complex environment investigate and make determinations with regard to costs, pricing and margin.

Australia’s fresh produce industry is currently navigating through a very challenging period marked by significant production cost increases, a mounting regulatory and administrative burden, weaking consumer demand, and growing uncertainty in key policy areas. The cost escalations, originally exacerbated by the COVID-19 pandemic and international events, are now predominantly domestic, pose a significant challenge to government policy and decision-makers. Certainty and stability are also needed in many areas from Government, and industry requires time and support to catch-up with the “new norms” imposed on them.

The impact of these challenges is (rightfully) extending beyond the growers and producers to consumers, directly affecting them through price increases to fresh produce. Across the supply-chain, mounting production costs and regulatory burdens have contributed to higher shelf prices for consumers adding to affordability challenges.

Broadly speaking, the current conditions being experienced within the fresh produce industry can be described as a challenging period of market adjustment. The impact of rapid cost increases on growers and the wider supply chain, alongside the broader inflationary environment and economic challenges softening consumer demand, has created a ‘perfect storm’ of issues, straining the industry and consumers alike. If supply and demand were in equilibrium, the average farm gate price of fresh produce would need to be at a minimum 20% higher today to match the increased cost of production (compared to 2019).

The cost increases associated with production are likely to persist for some time before stabilising, for two key reasons; industry is still grappling with recent changes while looking ahead to a pipeline of policy adjustments, reforms and new hurdles laid out by governments in key areas; and household budgets are forecast to remain under pressure, continuing to supress consumers’ purchasing power. Balancing soft demand with increasing production costs and other burdens is the impossible challenge facing producers.

Thus, it is imperative for all stakeholders to collaborate and advocate for policies that support the long-term sustainability of Australia's fresh produce industry, while supporting continued accessibility of fresh produce for consumers.

The terms of reference for this inquiry allow for consideration of factors affecting the price of inputs along the supply chain for groceries, and therefore the AFPA recommend the ACCC take into consideration the evidence provided in this submission relating to the increase cost of inputs and its relationship to Government policy and decision making.