

Response ID ANON-FTNX-YRYJ-E

Submitted to Supermarkets inquiry issues paper
Submitted on 2024-03-28 12:21:44

Introduction

What is your name?

Name:
Colin Bettles

What is your email address?

Email:
[REDACTED]

What is the name of your organisation?

Organisation:
Grain Producers Australia

Are you responding to this survey as:

Other

If other, please specify: :
Grain Producer Representatives

What is the size of your organisation?

Small business – less than \$10 million annual turnover

Do you wish to publish your submission anonymously?

Yes - please suppress my name and organisation name

Guided submission - Tell us about yourself

Your response:

Please provide some background information about yourself:

Grain Producers Australia represents the interests of an estimated 22,500 grain producers who grow broadacre, grain, pulse and oilseed crops throughout Australia, contributing to the economic strength of their communities. GPA advocates national policy outcomes with benefits for grain producers and to deliver a more profitable, sustainable and globally competitive Australian grains industry.

As a not-for-profit company limited by guarantee, GPA is governed by a board that's elected by producer members, representing the major grain producing regions. GPA's membership comprises direct producer members and producer members of the Grains Councils of State Farming Organisations. The elected leaders of these groups – backed by professional staff – also represent their members' interests, via the GPA Policy Council.

GPA's State Members include:

- AgForce Grains
- Grain Producers SA
- NSW Farmers Association
- Victorian Farmers' Federation Grains Group
- Tasmanian Farmers and Graziers Association
- WAFarmers Grains Council
- WA Grains Group

This robust representative process also engages and enables producers to advocate their views and deliver policy outcomes via various GPA Sub-Committees and Taskforces, such as the GPA Biosecurity Committee and GPA Pesticides and Technology Sub-Committee.

GPA's objectives are to:

- Provide a strong, independent, national advocate for grain producers based on a rigorous and transparent policy development process.
- Engage all sectors of the Australian grains industry to ensure operation of the most efficient and profitable grain supply chain.
- Facilitate a strategic approach to research, development and extension intended to deliver sound commercial outcomes from industry research.

GPA's responsibilities representing the interests of Australia's 22,500 levy-paying grain producers are legitimised under federal legislation.

This includes; managing biosecurity for the Australian grains industry through Plant Health Australia as a signatory to the Emergency Pest Plant Response Deed (EPPRD); as a joint Representative Organisation responsible for overseeing the Grains Research and Development Corporation's performance and strategic investment, with matching Federal Government funding, in RD&E activities, under the PIRD Act; and managing the risk of chemical residues and environmental contaminants in grain products, to help facilitate access to domestic and export markets and protect product integrity and export reputation, via the National Residue Survey.

Further information: <https://www.grainproducers.com.au/>

Is there any confidential information you would like to provide in support of your response?

Please provide any confidential background information if applicable here:

No.

Why is this information confidential?

Please provide reason for background confidential reason:

-

Guided submission - Market structure and impact on level of competition

Your response:

Please provide response to question on market structure and impact on level of competition:

-

Is there any confidential information you would like to provide in support of your response?

Please provide confidential response on market structure if applicable:

-

Why is this information confidential?

Please provide reason for confidential response to market structure question:

-

Guided submission - Price and non-price competition

Your response:

Please provide response to price and non-price competition question :

-

Is there any confidential information you would like to provide in support of your response?

Please provide confidential response to price and non-price question if applicable:

-

Why is this information confidential?

Please provide reason to confidential response of price and non-price competition question:

-

Guided submission - Pricing and margins

Your response:

Please provide response to pricing and margin question:

The following is from our submission to the Senate Select Committee on Supermarket Prices, which can be of use to your work here.

Introduction

GPA policy supports the need for a transparent, competitive and cost-effective supply chain.

However, there are no mechanisms in place to provide clear understanding of retail pricing and transparency between the grain that's delivered by producers into bulk grain handling systems and then on-sold by grain traders to various buyers, to be processed in different ways, to produce multiple products. Many of these products such as bread, noodles, pasta, flour, breakfast cereals, baking products, soy-milk, beer etc. etc. are also sold by the major supermarkets. Grains to feed livestock such as poultry and beef also contribute greatly to create many food products that are sold and supplied to consumers, including in restaurants.

GPA notes there's been ongoing debate over many years about the farmers' share of the retail dollar, such as the \$1/litre milk, which has seen multiple inquiries conducted by independent agencies such as the ACCC Agricultural Unit, in response to public and political pressures. However, there's been no such public focus or regulatory action to investigate transparency in retail pricing, and prices paid to farmers, for the wide range of grain-based products.

We recognise this inquiry is looking at the major supermarkets raking-in record profits and increasing pressure on household consumers due to the current cost-of-living crisis. Added to this are concerns about the need to ensure Australian farmers receive their fair share of the retail dollar which has led the Federal Government to trigger several actions in response, including an ACCC inquiry, recently announced by Prime Minister Anthony Albanese.

The ACCC will now investigate allegations of price gouging and competition in the supermarket sector to "ensure Australians are paying a fair price for their groceries". One of the key matters to be considered by the competition watch-dog includes: 'Factors influencing prices along the supply chain, including the difference between farmgate and supermarket prices'. We are unsure if this scrutiny includes fairness of pricing for grain related products?

The Prime Minister said: "When farmers are selling their product for less, supermarkets should charge Australians less. That's why the ACCC will use its significant powers to probe the difference between the price paid at the farm gate, and the prices people pay at the check-out." Treasurer Jim Chalmers said: "We want a fair go for families and a fair go for farmers."

Added to this ACCC inquiry is the recent announcement of a review of the Food and Grocery Code of Conduct to be conducted by former Labor Minister, Dr Craig Emerson. In addition, more than \$1 million will go to consumer group CHOICE to provide price transparency and comparison reports on a quarterly basis for three years.

Pricing Transparency for Grain Producers

We are interested to know whether such transparency and pricing fairness can extend to grain producers. Our concerns are heightened by the fact our requests for an independent, proactive inquiry into the Australian grains market in recent years, to improve pricing transparency and optimise competition, have been rejected by successive governments.

In addition, the government recently announced the second review of the Wheat Port Code. In doing so, they also said the findings of the first review – which were handed down six years ago - won't be implemented now because so much time has lapsed, since 2018, that the review's 12 recommendations are now out of date.

There seems to be a contradictory approach to transparency and fairness for farmers, in the context of a comparative market share between large regional grain buyers and bulk grain handlers in the major grain producing states who have also returned record profits in recent record harvest years – and the major retail supermarkets.

GPA's submission to the Wheat Port Code review highlights concerns raised by the ACCC, in their report/submission, to the same process that's currently occurring.

The ACCC report clearly underscores the need for this improved oversight and transparency in raising concerns about the potential for misuse of market power in future due to the dominance of the three major bulk handling companies over the local supply chain, as below.

"...the ACCC notes that 3 vertically integrated PTSPs (CBH, GrainCorp and Viterra) continue to provide the majority of bulk grain export port terminal services nationally, and in their respective regions of operation. The ACCC is mindful that despite increasing numbers of PTSPs and port terminal facilities, market concentration and vertical integration continue to feature in certain grain catchment areas and may give rise to competition concerns."

We also note major food manufacturing companies that supply these different products to supermarkets, having purchased grains off grain producers, also tend to feature the trusted 'brand' of Australian farmers, in their advertising and promotional campaigns. However, the share of the retail dollar that's subsequently shared back to the farmers, is not clearly apparent, as a result of this overt commercial marketing to consumers. There are cases of some product manufacturers contracting farmers directly and paying a premium for the supply of that produce – to form a genuine paddock to producer relationship. However, such examples are extremely rare in the grains sector. A fairer share of the retail dollar returned to the farmer directly – instead of being price takers across the supply chain – would also support the delivery of public good benefits, including environmental stewardship.

Biosecurity Tax and Farmers as 'Beneficiaries'

One of the key concerns raised by GPA has been the government's moves to introduce a new Biosecurity Protection Levy (BPL) on all Australian farmers, which will come directly off our bottom lines. The Productivity Commission released a report late last year which agreed with industry's view that this is a tax, not a levy, and has fundamental design flaws. These flaws have not been addressed in the government's recently announced changes with a new calculation of the rates, now based on farm GVP, to distance itself from the original rate being an added 10 per cent of current producer levies (as detailed above, for grains at 1.02pc). This policy is also deeply flawed due to its undermining and causing of unintended consequences for the existing levy system where producers already contribute hundreds of millions of dollars to deliver multiple public good benefits – including environmental, biosecurity and tax generation for the nation, through increased farm production and sustainability.

The level of frustration at this BPL proposal is why 50 farmer groups across the full range of commodities have unified to send a joint letter to the Prime Minister, Treasurer and Agriculture Minister, Murray Watt, calling for this fundamentally flawed policy to be urgently reversed.

This letter urged the Treasurer to conduct economic analysis and modelling to provide some basic transparency for producers and industry – at least to justify their policy claim that producers are the only 'beneficiaries' of biosecurity and should therefore pay this new tax.

We are yet to see a response, but remain hopeful this tax will be scrapped before it's due to be implemented by July 1 this year, given this recent talk about fairness of returns for farmers and politicians being able to break their promises and commitments, to do the right thing.

Many Other Beneficiaries Not Paying

This cost-of-living debate and the prices farmers receive is also especially hard to endure when you consider Australian barley producers only receive about 0.20 cents (1.33 per cent), at best, from a beer that's costing upwards of \$15 in many metropolitan bars.

So where does the other \$14.80 (98.67pc) go to?

From the farm where the barley is produced, through to the beer drinker in the city, there are multiple beneficiaries of that commodity's generation of economic activity across the supply chain, with multiple touchpoints. This includes the level of tax generated for the Australian Government from the excise duty rates that are applied to alcohol sales. Also, the law indexes the excise duty rates for alcohol twice a year, based on the upward movement of CPI.

Unfortunately, there's no such mechanism between the farm-gate and consumers to ensure the barley producer gets a fairer, increased share of that rapidly escalating beer price twice a year. And beer is one of many, many consumer products made from Australian grains.

Given the barley producer only receives .20 cents from that \$15 beer, it is highly irregular and illogical for producers to only be hit with this new biosecurity tax, whilst saying we're the only 'beneficiaries'. Big and small brewers, and their staff, are also clearly significant beneficiaries of strong biosecurity – as would be big and small bakers etc. etc.

The fundamental flaws with this policy, and the fact others in the retail supply chain and the economy, are also significant beneficiaries of strong farm biosecurity, was highlighted by Senator Matt Canavan at Senate Estimates hearings for the Senate Rural and Regional Affairs and Transport Legislation Committee, on Tuesday 13 February 2023. He suggested Coles and Woolworths should also support the funding scheme, which will see funds re-directed off producers and into government consolidated revenue.

Senator CANAVAN: This is interesting. I can see some merit in saying we're going to share the burden across more players. It does raise a more general question, though: why are we only penalising farmers? Why are we only levying the agricultural industry when there are other sectors in this country that benefit from clean, green, fresh available produce. In particular, our supermarkets benefit from it so why isn't there a levy being applied to Coles and Woolworths to help fund this? Why do they get off scot-free?

Senator Watt: I don't know if you were here before the break. I think you were. I was going through the rationale for charging the levy with Senator Rennick. I think it would be fair to say that the existing levy collection mechanisms that are in place for producers meant this was a relatively efficient way of imposing this new levy as well.

Senator CANAVAN: Senator McKenzie might have missed this. Just to bring her up to speed, I proposed that we don't put a new tax on our farmers but on Coles and Woolies. So they're already paying under the system? Great. That's easy. It's not even going to cost any more to make those amendments to the legislation.

Ms Mitchell: The impact analysis says the regulatory cost burden for industry, the regulatory cost burden for primary producers or intermediaries—intermediaries are those levy collection agents—in relation to the proposed levy is estimated to be negligible where they're already within the levy arrangements. And for industries not within the levy arrangements, impacts are expected to be higher for those commodity sectors not currently within the existing statutory arrangements, noting some have entered into voluntary arrangements with relevant rural research and development corporations or, as noted above, are subject to similar reporting or charging arrangements. So, that's what I was talking about before.

An opinion article by Mark Allison – the Chair of Agribusiness Australia and managing director of farm services business, Elders – also takes this concept of shared responsibility and beneficiaries (which is key intent of the government's policy), to the next level, by suggesting farm input providers and food processors, are "a key link in our biosecurity defences". The article says they "must not be overlooked and both aware of, ready and able to play their part".

However, there's been no comment by organisations such as Agribusiness Australia, following the announcement in last year's budget that revealed producers will be forced to pay the BPL. These organisations also benefit significantly from the increased farm production and output that's been delivered through the producer levy system which funds RD&E, biosecurity and grain quality/market access ie 1.02pc of a grain producer's total sales.

Data provided by the Australian Export Grain Innovation Centre (AEGIC) shows there's been a significant increase in the size and value of the Australian crop, which coincides with the start of the GRDC levy-collection system more than 30-years ago. In the late 1980s the gross value of crop production was only around \$4 billion, but growth in value means it now reaches \$20 billion, AGEIC says. "Additional grain production since the early 2000s has not come from increased plantings of crops. Rather the increase in production is attributable to the persistent increase in crop yields." Many participants in the Australian grains industry have benefitted from grain production that's hit record highs of more than \$32 billion in recent years, including tax generation for the nation, but only farmers are being forced to pay the BPL. This is a common concern for all producers who've stated repeated opposition to its implementation.

In addition, GRDC's new five-year RD&E Plan 2023-2028 has identified biosecurity as a key threat and risk to growers. This Plan is currently lifting overall RD&E investment funding by about 30pc over the next year, from \$180m to \$230m. In 2022/23, the GRDC invested \$42.3m into biosecurity projects and initiatives, including those identified by the government as targets for the BPL.

“GRDC will continue to proactively invest to mitigate current and emerging threats in areas such as, biosecurity preparedness, weed, pest and disease control, resistance management, and sustainable use of resources”, it says. Information provided to GPA shows about \$220m has been spent over GRDC’s last six years of investment in biosecurity-related research, development and extension, as follows.

Summary

GPA has serious questions about the proposed BPL in relation to the government’s policy labelling producers as the only ‘beneficiaries’ of good farm biosecurity, when it is abundantly obvious there are multiple beneficiaries across the supply chain – including tax generation for the nation. This is clearly articulated in the example provided for the production of a low value commodity such as barley where for a beer priced at \$15.00, the farmers’ share is only about 1.33 per cent (0.20 cents). We support the committee examining these matters further in regards to the fair share of the retail dollar that grain producers receive – and consider any moves to increase fairness and transparency. Consumers are also strong beneficiaries of good biosecurity, as any impact on production would reduce supply and increase prices – and this may also create the need to import farm produce from overseas, to maintain supply.

We thank you for considering these matters and welcome the opportunity to discuss them further, at your convenience.

GPA Contact

Colin Bettles | Chief Executive Grain Producers Australia

[REDACTED]
[REDACTED]

Is there any confidential information you would like to provide in support of your response?

Please provide confidential response to pricing and margin question if applicable:

-

Why is this information confidential?

Please provide reason for confidential response to pricing and margin question if applicable:

-

Guided submission - Industry trends

Your response:

Please provide response to Industry trends question:

-

Is there any confidential information you would like to provide in support of your response?

Please provide confidential response to industry trend question if applicable:

-

Why is this information confidential?

Please provide reason for confidential response to industry trend question:

-

Guided submission - Barriers to entry and expansion

Your response:

Please provide response to barriers to entry and expansion question:

-

Is there any confidential information you would like to provide in support of your response?

Please provide confidential response to barriers to entry and expansion question if applicable:

-

Why is this information confidential?

Please provide reason for confidential response to barriers to entry and expansion question:

-

Guided submission - Consumer experiences

Your response:

Please provide response to consumer experience question:

-

Is there any confidential information you would like to provide in support of your response?

Please provide confidential response to consumer experience question if applicable:

-

Why is this information confidential?

Please provide reason for confidential response to consumer experience question:

-

Guided submission - Grocery supply chains

Your response:

Please provide response to grocery supply chain structure question:

-

Is there any confidential information you would like to provide in support of your response?

Please provide confidential response to grocery supply chain structure question if applicable:

-

Why is this information confidential?

Please provide reason for confidentiality response to grocery supply chain structure question:

-

Guided submission - Competition in grocery supply chains

Your response:

Please provide response to competition in grocery supply chain question:

-

Is there any confidential information you would like to provide in support of your response?

Please provide confidential response to competition in grocery supply chain question if applicable:

-

Why is this information confidential?

Please provide reason for confidential response for competition in grocery supply chain questions:

-