Supermarkets Inquiry Summary of Key Issues Raised at Supplier Roundtables

This document is not a verbatim record of the roundtables, but a summary of the key issues raised by participants. The views and opinions summarised in this document are those of participants and not those of the ACCC.

Introduction

On 1 February 2024, the Treasurer, the Hon Jim Chalmers MP, directed the ACCC to hold an inquiry into markets for the supply of groceries (the Supermarkets Inquiry). The Supermarkets Inquiry is examining competitive dynamics in the retail supply of groceries and in associated supply chains. The ACCC is particularly interested in how prices are set at different levels of the supply chain, and the associated margins.

The ACCC must give to the Treasurer a final report by 28 February 2025.

Broad stakeholder consultation is an important part of the Supermarkets Inquiry process as it expands the ACCC's understanding of key issues. Key stakeholder groups include supply chain participants, such as perishable goods suppliers and representative bodies.

This document provides a summary of the key issues raised during several supplier roundtables (both virtual and in-person) held on various dates as identified in the table below. It is not a verbatim record of those discussions.

Roundtable locations

Roundtable	ACCC Commissioner attendees
Toowoomba 30 May 2024 - In -person	Chair: Mick Keogh Anna Brakey
Shepparton 3 June 2024 - In-person	Chair: Mick Keogh Catriona Lowe
Renmark 5 June 2024 - In-person	Chair: Mick Keogh Catriona Lowe
Launceston 12 June 2024 - In-person 19 June 2024 - Virtual	Chair: Mick Keogh Anna Brakey
Bunbury 13 June 2024 – In-person	Chair: Mick Keogh Anna Brakey
New South Wales 4 July 2024 – Virtual	Chair: Mick Keogh Catriona Lowe
National 5 July 2024 – Virtual	Chair: Mick Keogh Anna Brakey

Each roundtable was chaired by ACCC Deputy Chair Mick Keogh.

This summary does not identify individual participants or organisations.

The views and opinions summarised below are those of participants and not those of the ACCC.

The ACCC has not reached conclusions about any of the views and opinions summarised. The ACCC is considering these issues and gathering further information, including by using our compulsory information gathering powers. This ongoing work will inform any conclusions and recommendations in our final report.

Summary of Key Issues Raised

Buyer Power

Many participants submitted that primary producers are usually reliant on supermarkets to purchase their products because they have limited access to other sales avenues, particularly given the perishability of their products.

Many participants submitted that this means that primary producers often must accept the terms offered by retailers and have very limited ability to negotiate prices. These participants further submitted that where they find terms and prices to be unsuitable, primary producers usually face pressure to agree to the terms and prices regardless, because they consider that if they don't, one of their competitors will and they may lose their opportunity to supply the retailer in future. Many participants submitted that a lack of price and margin transparency further reduces the bargaining power of primary producers.

Some participants submitted that there are significant barriers to switching between supplying supermarkets where they are dissatisfied with the terms they are offered. Many participants submitted that the barriers for primary producer suppliers to switch to alternative buyers include some supermarkets':

- packaging requirements, which also prevent suppliers from branding their own produce
- preferred third party distribution and freight arrangements
- varied and opaque quality assurance systems
- inconsistent auditing and accreditation requirements
- access to information that suppliers don't have (i.e. information asymmetries).

Participants also submitted that in many cases the perishability of fresh produce is also a significant barrier to seeking to sell through another channel, for example, if a supermarket rejects the produce and particularly if it is in branded packaging, which must be changed.

Some participants suggested there was a need for the ACCC to have more power to 'level the playing field' in negotiations with retailers. These participants suggested a form of collective bargaining as an option, with the support of skilled negotiators to match those employed by the supermarkets. However, these participants also noted that this proposed solution would involve a cost, which should not increase the financial burden on suppliers.

Many participants also expressed the view that greater fairness and transparency is needed, but unless there are legally enforceable rules around how this happens, it is unlikely to occur.

Supply chain relationships and trading terms and practices

Supply chain relationships with supermarkets

Some participants reported having relatively good relationships with the supermarkets with forward commitments on volume and price, although some expressed the view that their relationships with the supermarkets have become progressively more difficult. Participants operating in other supply chains reported having no firm contracts for volume or price with changes to orders being received daily.

Some participants submitted that there has been a shift in the relationship and buying practices of the supermarkets over the last 15 to 20 years, which they attributed to national buying strategies controlled by the supermarkets' central headquarters rather than through local relationships.

With respect to fresh produce, some participants suggested that competition at the retail level has increased since ALDI commenced selling these product categories. However, there was also a view expressed that the increased competition between the supermarkets has come at the cost of farmers because the supermarkets are not lowering their own margins when they lower their prices for consumers.

In relation to horticulture (primarily fruit and vegetables) some participants noted that some supermarkets have 'tier 1' and 'tier 2' suppliers, in particular they submitted that:

- Tier 1 suppliers trade directly with the supermarkets and tier 2 suppliers supply through an intermediary, which may be a tier 1 supplier.
- The supermarkets only allow a certain number of suppliers to be tier 1 suppliers. One tier 1 supplier stated that if they want to purchase from a new tier 2 supplier, they need to let the supermarkets know first.
- Some tier 2 suppliers are also packers and submitted that they would be capable of supplying directly to the supermarkets if the supermarkets allowed it. The requirement to supply through a tier 1 supplier means that some tier 2 suppliers lose value in the supply chain.

Some participants explained that they supply the supermarkets via a merchant or an agent, with whom they have a Horticulture Produce Agreement (HPA) but that these HPAs don't specify a price for the produce. Some participants reported positive experiences with their agents despite having limited visibility of the prices that the agents negotiate with the retailer on their behalf.

One participant stated that the some supermarkets were very strict about dealing with 'one key distributor', and it was very difficult to get a direct supply agreement with the supermarkets. Therefore, they have little or no choice but to supply through a wholesaler or distributor [aggregator].

Many suppliers of fresh fruit and vegetables raised the role of wholesale (central) markets, noting that this is an alternative sales channel to selling directly to supermarkets.

Many participants submitted that supermarkets have specific size and quality requirements in relation to fresh produce whereas a greater variety of size and quality in each product category can be offered for sale through wholesale markets.

Some participants submitted that fresh produce sold through wholesale markets tends to be in broadly two categories – higher quality or niche product lines and produce that doesn't meet the quality specifications of the supermarkets or has been rejected by the supermarkets.

Price negotiations with the supermarkets

Some participants submitted that the price they receive for their fresh produce has not risen in many years, and in some cases has fallen. Participants contrast this with what, they submitted, are significant increases in their input costs. Participants stated that, for example, the cost of inputs including labour and water has risen substantially. For example, some participants noted the substantial impact of minimum wage increases on their costs. Many participants also submitted that the costs associated with some supermarket sustainability and ethical practice requirements also continue to rise.

Some participants submitted that it is difficult for them to invest in their businesses to improve efficiencies when their profit margins are squeezed. Participants cited concerns about farmers exiting the industry because of constant downward pressure on prices by supermarkets.

One supplier submitted that they believe some supermarkets may employ tactics such as creating over supply in the market to drive prices paid to suppliers down. They also stated that once the price paid to suppliers for a category of produce is reduced, it is very hard to get supermarkets to pay a higher price for that produce in the future, even where production costs have increased.

One participant stated that they were concerned about the current focus by Government and the community on reducing grocery prices. They suggested that supermarkets might try to pay suppliers even less rather than decreasing their own margins to accommodate lower prices for the consumer.

Participants also submitted that the price that some supermarkets agree to pay a supplier for their product is often not reflective of the true price the supplier ultimately receives. This is because the supplier often feels obliged to contribute to other supermarket expenses such as rebates, promotions and to use specified third parties for services such as freight and pallets. One participant described these trading terms as the 'cost of serving' a supermarket and many participants expressed the view that these trading terms are a means of some supermarkets extracting additional revenue from them.

One participant suggested that some supermarkets know the prices they are providing suppliers are not sustainable to their businesses – especially for those that grow perennial products and are "locked in" to supplying that type of product.

Some participants described exponential increases in the gap between the price paid to suppliers for their produce and the price paid by consumers for that produce over the past decade.

Prices set through formalised contracts

Many participants stated that negotiation with some supermarkets is very challenging in all aspects, including on price, marketing, promotions, and packaging. Many primary producers consider themselves to be price takers rather than active negotiators unless they have significant scale or supply niche or specialist product lines. One participant stated that being

of significant scale means the supermarkets have to be an important part of your business because that is where the most volume is sold.

In this respect, several participants submitted that the ability to negotiate with supermarkets differs between unbranded and branded products. Where the supplier supplies a product that is of particular value to the supermarkets (usually branded products in the grocery context), they tend to be able to leverage that in negotiations.

Several participants stated that negotiations generally occur at the category manager level. One participant stated that larger suppliers have better connections with senior managers which allows for streamlined negotiation above the category manager level and often results in more favourable trading terms.

Many participants explained that when they seek price increases from some supermarkets to reflect increases in costs of production, the supermarket will often require the supplier to provide evidence (such as invoices) to support the claimed increase in production costs. Participants submitted that they are often required to disclose highly detailed information about their businesses (even information unnecessary to a buyer and seller relationship) which would allow the supermarket to know the supplier's cost of production.

Some participants noted that conversely, the supermarkets do not provide suppliers with any details about their own businesses e.g. their profit margins on the supplier's products.

Participants also submitted that some supermarkets have not accepted some supplier requests for a price increase (which was requested due to an increase of input costs), because the supermarket has claimed to have access to another supplier's input costs which indicated that the input costs could be lower. However, the supplier requesting a price increase has no way of verifying this information or understanding whether it is a like for like comparison of input costs.

Less formal trading arrangements

Seasonal Volume Forecasts

Participants noted that supermarkets will often provide suppliers with indicative seasonal volume forecasts. Participants raised concerns about a lack of transparency about how these forecasts are arrived at. Suppliers also noted that the consequence of any oversupply by growers would be lower wholesale prices for the supermarkets.

Some participants suggested that growers of fresh fruit and vegetables may unknowingly be contributing to oversupply issues because of their limited access to information and their attempts to reach/maintain profitability through increasing volumes supplied.

Several participants also contended that not all suppliers have access to the same data regarding forecasts.

Weekly tenders on price

Participants noted they deal with the supermarkets through online portals where they can nominate their price and volumes each week. They stated that there is no transparency around this process and generally where one supplier submits a lower price that price becomes the price the supermarket expects all suppliers to match for that week.

Some participants also expressed concerns that if they do not accept the lower price stipulated by some supermarkets, they may not have an order placed with them in future weeks. Some participants referred to this as being placed on 'holiday' by the supermarket and noted that this is a risk the supplier must carry.

Some suppliers said that following a 'holiday', a supplier may be left with limited choice but to offer a lower price (in the subsequent buying period) for the produce they were unable to sell during the 'holiday' and they suspect that supermarkets may then use this lower price as a benchmark for the market price when negotiating with other suppliers.

Some participants stated that they are contractually prevented by the supermarkets from talking to other suppliers so they cannot investigate whether the prices the supermarkets say have been offered to them by other suppliers are genuine.

Participants also noted the contrast between prices being set week to week and them having to make production decisions months or years in advance without any certainty about the price or volume they will be able to sell, and the difficulties with making investment decisions in this uncertain environment.

Role of wholesale (central) markets

Many participants submitted that some supermarkets also use wholesale (central) market prices as a benchmark in negotiating prices with suppliers. Participants expressed the view that wholesale market prices are not an appropriate benchmark for prices paid by supermarkets, for reasons including:

- the supermarkets and other buyers now source much of their fresh produce directly from growers, accordingly there is less volume going through wholesale markets
- produce sold at these markets do not always meet the quality and specification requirements of the supermarkets
- the greater costs associated with selling to supermarkets (for example, packaging, freight requirements, auditing requirements).

Information asymmetry

Participants noted that the supermarkets have access to complete information about the volume and price each supplier is offering whereas suppliers are unable to verify whether the price sought by the supermarket is a true 'market price'. Participants said that they do not know whether the lower price the supermarket claims has been offered by another supplier is genuine, or the nature of the offer – for example whether it is only for a small quantity. Regardless, participants submitted that this price becomes the price the supermarket seeks from all other suppliers.

Several participants also noted a lack of transparency surrounding rebates and promotions and how their mandatory contributions to these are used.

Participants raised concerns that these information asymmetries between themselves and supermarkets adversely impact suppliers' abilities to plan, invest and make informed business decisions.

Some participants submitted that uncertain trading terms and a lack of transparency about these trading terms has a negative psychological impact on suppliers, especially smaller suppliers. One participant stated that they chose to close their business as there was very

little if any transparency over how much they would earn because of unclear and unsecure trading terms.

Potential improvements to these trading relationships suggested by participants included an increase in price and cost transparency, a code of conduct for category managers in their dealings with suppliers, and the ability for suppliers to collectively bargain with the supermarkets. Some participants expressed the view that fairness and transparency is needed, but unless it is legislated it won't happen.

Some participants suggested making their farmgate price more transparent, for example, to have the produce sold with the retailer's price and the farmgate price (what the retailer bought the produce for) on the price tag for consumers to see and compare.

Participants also raised concerns about the information asymmetry surrounding customer demand for products. Participants stated that they want access to supermarket scan data so they can make informed business decisions based on customer demand. However, participants submitted that the supermarkets charge prohibitive costs to allow suppliers to buy product scan data. Participants said that representative groups also cannot purchase scan data for their members, because supermarkets prohibit them from sharing the data.

Supermarket product specifications, quality assurance and rejections processes for fresh produce

Transfer of produce ownership

Participants raised concerns that they bear the risk of produce being damaged, and consequently rejected, after it has left their farms. Participants cited examples of produce leaving their farm in what they considered to be good condition but being damaged when being transported by the supermarket's nominated freight provider.

Participants also stated that they remain responsible for the produce even if it is damaged at the supermarket's distribution centre or just before it goes onto the supermarket floor.

Several participants stated that some supermarkets build in ways to recoup additional losses in their contracts e.g. they take a percentage for spoilage and suppliers are even responsible if the product isn't sold by its best before date. Some participants were of the view that, in practice, they only relinquish ownership of their produce once the retailer has sold it.

Many participants suggested that produce should become the responsibility of the supermarket as soon as it leaves the farm. Participants stated that they cannot control the retailer's logistics and handling of their produce and therefore shouldn't be responsible for it.

Product specifications and quality assurance

Several participants submitted that costs associated with meeting a supermarket's quality assurance requirements are a significant expense and are therefore a barrier to seeking to supply other supermarkets. Participants submitted that while some quality assurance standards are common across supermarkets, each generally has their own requirements.

Many participants suggested that supermarkets apply quality standards subjectively, and that they may reject produce based on quality concerns but may not provide clear or valid

reasons as to why the produce was rejected. Some contended that rejections are a method by which supermarkets can manage volumes where they have ordered too much.

Several participants stated they have had produce rejected and sent back, but 'like for like' produce has been accepted on other occasions. Two participants stated they have had produce rejected and then the grower had sent produce from the same batch to the same supermarket another day and it had been accepted.

One participant contended that supermarkets at times source produce through the wholesale market that has not met the supermarket's usual strict ethical sourcing requirements when there is a short supply of a particular product. Another contended that the supermarkets have very stringent quality control standards for their local suppliers, but do not expect the same from their overseas suppliers.

One participant noted they decided to stop supplying some supermarkets because of their approach to quality assurance. They submitted that while strict expectations were put in place, they considered no detail was provided as to why produce was rejected even when the supplier felt they met the specifications required.

Many participants stated that the quality specifications and standards applied to fresh produce, which is a natural product, do not reflect the inherent variation of the produce and such specifications are more appropriate for manufactured products. These participants submitted that the supermarkets could find fault with their produce if they want to, but also use their discretion to waive quality control standards as it suits them.

One grower stated that supermarket specifications have always been difficult to meet but that they have recently become even more difficult. This grower submitted that supermarkets make requests to suppliers to change all their packaging but at the same time they'll knock out whole pallets because they found an internal issue in 2 pieces of produce.

Some other participants submitted that supermarkets allow for variations in their quality standards. If a supplier is aware that they have a problem in a specific crop, they can submit a variation to the supermarket.

In relation to product quality, one participant stated that supermarket specifications regarding how fresh produce is presented (i.e. appearance, including size and colour) means that a supplier seeking to reduce costs may take shortcuts that reduce the quality of the fresh produce, such as taste, while still meeting the physical specification requirements.

Some participants also stated that a level of quality control is important for unbranded homogenous products as a poor-quality batch from one participant could impact consumer purchasing of that product type more generally.

Several participants submitted that greater transparency and objectivity could be introduced into the supermarkets' quality assurance processes by having quality testing conducted by an independent person. Some participants stated that some vegetable processors have adopted this model and that it has created fairer quality assurance processes.

Impact of rejected produce

Noting the perishable nature of fresh produce, participants submitted that the return and repackaging process required for rejected produce can result in spoilage or damage to the produce and means that the produce is closer to its spoilage date when offered for sale elsewhere. This impacts the price that suppliers can sell it for to an alternative buyer.

Many participants submitted that their alternative sale options for rejected produce are limited, particularly having regard to the perishability of fresh produce. Participants also stated that if their produce is rejected the supplier needs to arrange and fund the transport for the return of the produce, remove the supermarket preferred packaging and then arrange for transport to an alternative buyer (if available) such as a wholesale market, all of which adds additional cost to the supplier. The supermarkets' packaging requirements also mean that the produce needs to be double handled (unpacked and repacked) if the supplier wishes to seek to then sell it through other channels, for example at a central market.

Other trading terms and trade spends

Rebates

Some participants submitted that some supermarkets charge them rebates (i.e. a percentage of the price suppliers receive from the supermarket) and that there is little understanding of the purpose of these rebates. Some submitted that suppliers just accepted these rebates as a cost of supplying to the supermarkets. Some submitted that the rebates remain during the life of the trading relationship, with supermarkets not agreeing to renegotiate the level of the rebate.

Participants explained that the volume rebate is contained in the onboarding agreement but raised concerns that volume rebates do not appear to necessarily be related to the actual volume of supply and may be applied at a consistent rate to all new suppliers regardless of their respective volumes. Many participants claimed the costs associated with rebates have also increased over time, which has served to increase the supermarkets' profitability and erode the margins that suppliers earn on their sales.

Some participants stated that they pay rebates to receive prompt payment terms. Concerns were raised in relation to some supermarkets stretching out payments to suppliers by up to 90 days, requiring suppliers to pay additional rebates for more favourable payment terms.

Participants also described rebates which they understand are for promotional activities. They raised concerns that there is no transparency about how the funds collected through these rebates are used or what benefit the supplier receives.

Promotional activities

Many participants raised concerns about their expected or required involvement in some supermarket funding promotional activities (separate to any rebates).

Many participants explained that they are required to fund some supermarket promotions, advertising and online marketing. One participant also raised that suppliers are being asked to cover a new charge for advertising through retail media. This includes physical and digital advertising in store, in shopping centres and online.

Several participants stated that retailers regularly place produce on promotion (in the form of a lower retail price) and that suppliers are expected to contribute to funding the reduced retail price. Participants reported having to factor planned promotions into their pricing, and that promotional periods can run for long periods of time. For example, one participant said promotions can run for 26 weeks even where, for example, the supplier had only factored in 13 weeks to contribute to promotions.

Several participants confirmed that they had experienced that the length of promotion periods can be subject to change after the supplier's tender has been accepted and that

suppliers are facing pressure to fund additional promotional periods, effectively further lowering the prices they receive from the supermarkets. One participant stated the supermarkets will not give them any volume allocation if they do not drop their wholesale price to fund a promotion. Participants submitted that they feel obliged to accept these increased promotional periods, and consequential lower wholesale prices for their produce, to not risk their ongoing commercial relationship with the supermarket.

Two participants claimed that the supermarkets reap the benefits of the promotions, but the suppliers carry the cost. Fresh produce in supermarkets is largely unbranded, meaning that suppliers of homogenous products cannot build brand loyalty through promotions.

Some participants stated that the supermarkets respond to one another's promotional programs, and at times will put a product on unscheduled promotions to match the price of their competitor, with the supplier expected to drop their price to fund the promotion or risk not having their produce purchased by the supermarket.

Some participants noted a more recent initiative by some supermarkets to expand their in-house retail media services. This includes physical and digital advertising in store, in shopping centres and online.

Some participants reported feeling obliged to agree to offers from supermarkets to pay for promotional activity in their product category using these media services. They also reported a lack of transparency surrounding how their contributions to these services are used. For example, participants who supply homogenous produce reported that supermarkets request a contribution to total spend on the campaign on all produce in a category but they have no awareness of whether their required contribution is proportional to that of other suppliers of the same product. Nor do they have any awareness of how the funds are spent, beyond seeing the public promotions the supermarkets undertakes.

Branding

Some participants submitted that in addition to being required to use the packaging as stipulated by some supermarkets they are prevented from applying any branding of their own to the fresh produce they supply. Some participants stated there has been an increase in the use of supermarket branding and a decrease in the use of supplier's own branding.

One participant noted that they would prefer to brand their produce and build customer loyalty, and therefore would be more willing to pay for promotions so they could invest in their own brand rather than the supermarket's brand. Some participants submitted that such promotions could be run more strategically.

Participants also submitted that the lack of branding, and therefore the homogeneity of fresh produce from the consumer's perspective, eliminates opportunities for suppliers to innovate. Some suppliers noted that fresh produce suppliers who supply a branded product can leverage the value of their branded product and have more ability to negotiate with the supermarkets. One supplier noted that removing this branding takes the supplier's leverage away in negotiations.

Freight and logistics

Participants also raised concerns about using freight providers nominated by the supermarkets. One participant noted that the suppliers cover the cost of transporting the produce to a supermarket's distribution centre, which could be hundreds or thousands of kilometres (e.g. from regional areas to capital cities in other states).

Many participants expressed the view that they cannot negotiate the terms, including the price and conditions of using the supermarkets' preferred freight providers. Participants expressed concerns that they have very limited oversight over how the freight provider transports their produce, for example, the temperature that their produce is transported at and what other produce is transported simultaneously, which they said can have a direct effect on the quality of their transported produce. Participants stated that they continue to accept the terms of the freight providers nominated to maintain their commercial relationship with the supermarket. Participants expressed that they should be free to choose their own transport provider.

Some participants stated that they are required to use a pallet and crate provider nominated by the supermarkets. One participant stated that growers do not have an option other than the one selected provider to pack and send their produce to the supermarket.

One participant stated that at times the supermarkets require growers to hold onto these pallets for an additional 6-7 days after they have been used. During this time, the grower continues to pay hire fees for the pallets when they are not needed. The supplier stated that the pallets could have already been returned and re-hired out during this period.

Accreditation and Audit Requirements

Several participants submitted that they need to pass accreditation audits to supply supermarkets, which they claimed are onerous and expensive. Participants claimed they do not have a choice in who conducts the audits, and therefore the costs of the audits. They also stated that at times, auditors arrive unannounced for 'spot audits' on farm if their business has any red flags.

Several participants stated that there are multiple accreditation standards required to supply to supermarkets, and suggested that the supermarkets require excessive, overlapping and onerous accreditations that could be better harmonised across the industry.

Several participants noted they need to be involved in a number of different quality assurance / audit processes schemes and while they must pay for these, the benefits lay with the buyers and consumers. One supplier also stated they declined to supply another supermarket because they wouldn't be able to manage another lot of quality assurance requirements and fees.

Participants submitted that larger businesses are more readily able to comply with the audit systems imposed by supermarkets whereas smaller producers raised concerns with their ability to comply with numerous overlapping audits at the supplier's cost.

One participant claimed that the supermarkets receive the information about the audit before the supplier receives it, despite the supplier having to fund the audits.

Several participants suggested that harmonisation of the accreditation and auditing requirements between supermarkets would be more efficient and reduce auditing costs.

Codes of Conduct and fear of commercial retribution

Participants provided varied perspectives about the effectiveness of the Food and Grocery Code of Conduct (the **Food and Grocery Code**), the Horticulture Code of Conduct (the **Horticulture Code**) and the Dairy Code of Conduct (the **Dairy Code**).

Many participants noted they have not engaged with the dispute resolution frameworks under the Horticulture Code or Food and Grocery Code. One participant stated that suppliers are not willing to do so because their livelihood depends on their relationship with the supermarkets. Another supplier stated that fresh produce suppliers don't engage in the dispute resolution processes as it is far too slow when dealing with perishable produce. If there is a dispute, it needs to be solved immediately before the produce perishes.

Some participants shared anecdotes of suppliers experiencing retribution from supermarkets for raising issues or being 'troublesome'. Participants stated that supermarkets have other suppliers they can purchase from to avoid dealing with suppliers they believe to be difficult. These participants added a person would need to be 'highly motivated' and willing to lose their relationship with the supermarket if they were to pursue dispute resolution.

Several participants said that the supermarkets have so much power that when a dispute arises, other industry participants are afraid to be associated with those who have spoken out.

Some participants submitted that the voluntary Food and Grocery Code of Conduct is ineffective, particularly aspects relating to complaints and dispute resolution. Participants noted fear of retribution from the retailers if a complaint is made. One participant contended that many fresh food suppliers lack the understanding of what 'grocery supply agreements should include and what their rights are under the Food and Grocery Code. Another supplier stated that there is little awareness of the codes among growers, and further education is required.

Many participants supported the Food and Grocery Code being mandatory, however expressed scepticism about the prospect of further changes to strengthen the Food and Grocery Code.

With respect to the mandatory Dairy Code, several participants expressed the view that relationships between dairy farmers and processors have improved since the Code's implementation, largely because once prices are agreed on within a contract, those prices are now maintained rather than changing before the end of an agreement period. However, participants submitted even better outcomes can be achieved through genuine negotiations (with processors, wholesalers and retailers) rather than relying on 'take it or leave it' terms.

With respect to the mandatory Horticulture Code, several participants suggested that the Code has not achieved its aims as it still permits agents and merchants to undercut growers. However, these participants did note that one benefit of the Code has been receiving terms in writing which increases transparency around agreements. In addition, several participants felt that the Code has reduced competition because contracts are presented as a generic document on a 'take or leave it' basis.

More generally, many participants stated that they would be reluctant to raise any concerns with their trading relationship with the supermarkets, either directly or through a code dispute resolution process, due to concerns that doing so would jeopardise their ongoing commercial relationship with the supermarket.