29 February 2024

The Hon Dr Craig Emerson

Independent Reviewer
Review of the Food and Grocery Code of Conduct
The Treasury
Langton Crescent
PARKES ACT 2600

By email via: GroceryCodeReview@treasury.gov.au

Dear the Hon Dr Emerson,

RE: Independent Review of the Food and Grocery Code of Conduct 2023-24

On behalf of the Australian Macadamia Industry, we welcome the opportunity to make a submission in response to your review of the Food and Grocery Code of Conduct (FGCC), highlighting the needs, interests and concerns of macadamia growers in the supply of Australian macadamias to major supermarkets.

The major supermarkets, commonly considered to include Coles and Woolworths, but also both Aldi and Metcash as the other signatories to the FGCC, are an essential and valued part of the supply chain through which Australian consumers can purchase quality Australian produce, including macadamias.

It is critical that the supply chain from grower to retail shelf is well understood, and that effective mechanisms are in place to ensure appropriate apportionment of margin across that supply chain, ensuring all supply chain partners can continue to operate as profitable, sustainable, and reliable businesses.

Efficient, transparent, and fair prices deliver not just resilient supply chains, sustainable and innovative agricultural business, and secure regional jobs, but also wider public goods, including affordable, safe and nutritious food for households and food security for the nation.

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The Australian macadamia industry in summary:

- In Australia, there are more than 800 macadamia growers across three states, producing over 50,000 tonnes of nut in shell (NIS) per annum.

- 80% of the Australian macadamia crop is exported to more than 40 countries, as both NIS and kernel.

- Macadamias are grown along the east coast of Australia from the mid north coast of NSW in the south to the Atherton Tablelands in the north, and there are also a few small farms in Western Australia.

- The Australian macadamia crop is growing steadily as new plantings in new and existing regions come to bear. There are over 41,000 hectares of macadamias planted, of this 26,00ha is currently bearing.

- Queensland produces 71% of the Australian macadamia crop. The Bundaberg region alone produces 50% of the national crop and the region will continue to increase its share of production as new plantings come into bearing. Collectively Bundaberg and the Northern Rivers region of NSW produce around 80% of the national crop.

- The industry employs thousands of people along the supply chain and contributes millions of dollars to regional economies. Servicing the macadamia industry provides employment on-farm and in the local processing plants, and revenue across a wide range of support businesses which supply the local industry.

- Macadamias are the fourth largest Australian horticultural export and second-biggest nut export, an outstanding achievement for an industry that only established its first commercial processing plant in 1954 and was little known outside of Queensland before this time.

- This year (2024), the Australian crop is forecast to reach 53,000 tonnes in-shell @3.5% moisture (60,000 tonnes in-shell @ 10% moisture).
- In 2023, the industry farm gate value was estimated to be approximately $102 million, a per kilogram farm gate return well below the cost of production for most growers.

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The Australian Macadamia Society (AMS) as the representative body for the Australian macadamia industry is a member of the Australian Nut Industry Council (ANIC), and through ANIC is a member of the National Farmers Federation Horticulture Council (NFF-HC).

We refer you to the submission from the NFF-HC to this enquiry and support the recommendations contained within it as applicable to the wider Australian fresh produce industries.

In particular, the Council recommendation that **grower and supply chain welfare is added as an objective of the Australian Consumer Law** is strongly endorsed and is further supported by our observations following.

We also strongly support the Council observation that the rising cost of living being experienced by Australian households due to food prices is also being impacted significantly by other factors including recent government policies. These government policies have directly increased the costs of key agricultural inputs and the cost of doing business, which for many growers have resulted in returns being below their marginal cost of production.

We strongly endorse the recommendation that **the Committee inquire into the extent that policy decisions of government have applied increased pressure on primary producers and in turn upward pressure on grocery prices**.

The macadamia nut supply chain differs significantly from that of other fresh produce commodities, both in terms of supply chain steps to convert nut in shell at farm gate to raw, roasted, or value-added kernel on retail shelf, and in terms of product availability and shelf life. Whilst the Australian macadamia harvest takes place from March-September, Australian macadamia kernel is available all year round.

For Australian macadamia growers, and the handling and processing businesses they supply, the importance of whole of supply chain understanding and appropriate apportionment of margin is critical to ensure long term viability, continuity of supply and category growth.

In 2023, the farm gate price received by Australian macadamia growers (c $2.00 per kg NIS) was well below the cost of production, an unsustainable situation both for the growers and for a supply chain (processor and retailer) where continuity and consistency of supply is critical to build demand.

Against a background of the increased Australian and world supply of macadamias, continuing to work collaboratively with our domestic retailers is critical to grow consumer demand for Australian macadamias, locking in support with the Australian public for our 'native nut' and for the Australian producers. With less than 13% of Australian households currently purchasing macadamias, the opportunity for market growth is huge and is best addressed from a position of full supply chain understanding and transparency.

We would encourage you in making recommendations under this enquiry, to consult closely with individual supply chain businesses, both those operating directly under the FGCC and those with indirect (primary production) supply arrangements. This would facilitate a better understanding of current supply chain challenges and opportunities, and full exploration of the consequences of any proposed changes to the FGCC.

We would welcome the opportunity to provide additional information on the Australian macadamia supply chain, as a supply chain that directly impacts Australian growers, but which through its complexity also bridges the fresh produce to grocery product categorisation.

Please do not hesitate to contact me regarding any aspect of this submission.

Yours sincerely

CLARE HAMILTON-BATE | CHIEF EXECUTIVE OFFICER
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