

28 February 2024

Grocery Code Review Secretariat
Market Conduct and Digital Division
The Treasury
Langton Crescent
PARKES ACT 2600

By Email Only: GroceryCodeReview@treasury.gov.au

Dear Dr Craig

AUSTRALIAN GOVERNMENT REVIEW – FOOD AND GROCERY CODE SUBMISSION

Thank you for the opportunity to make a submission in regards to the Food and Grocery Code of Conduct (the Code) review. The growing concern surrounding this issue is prevalent within our municipality and Greater Shepparton City Council appreciates the review into this matter.

Greater Shepparton, the 'Food Bowl of Australia', plays a critical role in Victoria's agricultural sector, contributing 25 per cent of the state's agricultural output. Fruit and vegetables contribute to over 47 per cent of the agricultural production in Greater Shepparton. Furthermore, milk and livestock hold the position of the second and third most substantial contributors to agriculture production, creating 19 per cent and 13 per cent respectively of the overall commodity output. Graphs have been attached to this letter to emphasise how pertinent and relevant the agricultural industry is within our region, underscoring the industry's significant contribution to the national economy.

Council understands that the inception of the Food and Grocery Code of Conduct in 2015 was prompted by the inequality in market power between major supermarkets and their suppliers. With Woolworths, Coles, and Aldi, along with wholesaler Metcash supplying IGA, collectively dominating 82 per cent of the Australian market. The upcoming review of the Code is crucial and timely for the ongoing regulation of this industry, especially considering the automatic sunset provision scheduled for 2025.

The Code aims to tackle detrimental practices in the grocery industry, yet it is apparent that it is failing to safeguard smaller entities, being our farmers. Major supermarkets are placing substantial pressure on the sector with high profit margins, limited data disclosure, and market saturation, widening the gap between farmer income and supermarket revenues. In 2023, Coles and Woolworths reported billion-dollar profits, in stark contrast with our local farmers who are struggling with the rising costs of inputs and overheads, escalating living costs, climate-related challenges, staffing issues and more frequent and more extreme weather events making it considerably more difficult to financially prosper within the industry.

Greater Shepparton City Council endorses the National Farmers' Federation's call of urging the adoption of the Australian Competition and Consumer Commission's (ACCC) recommendations in relation to the Code.

These recommendations outline the necessity of mandating the Code, removing the ability to be excluded from the Code, introducing significant civil pecuniary penalties and providing genuinely independent dispute resolution.

The rising dominance of the supermarket industry presents a growing challenge for local farmers. The limited options for farmers to sell their produce supports the argument that smaller suppliers are hesitant to raise disputes under the Code due to fears of their products being delisted from supermarket shelves. The 2018 review of the Code highlighted these concerns, noting that only a minimal number of suppliers had lodged disputes under its provisions due to these concerns. Introducing genuine independent dispute resolutions, penalty provisions and mandating the Code will encourage suppliers to raise disputes and incentivise greater compliance by the supermarkets and ensure fairer treatment towards the smaller suppliers.

Moreover, the unequal power dynamic between supermarkets and suppliers is highlighted by Ross Marsolino, a zucchini grower from Greater Shepparton. Ross explains that he breaks even at \$2.00 per kilogram for his zucchinis, yet major supermarkets purchase the produce from him at \$2.20 per kilogram, subsequently selling it at \$6.50 per kilogram. This purchasing behaviour is facilitated solely by the significant market power held by the supermarkets. Such dominance results in an unsustainable business environment for growers, a decrease in consumer demand, and diminished supply from producers. The ripple effect on consumers, particularly the most vulnerable, leaves them unable to afford nutritious foods. Council has been advised that certain farmers have not had a price increase from supermarkets for more than 15 years.

The National Farmer Priorities Survey indicated from the results that competition is the biggest issue farmer's face at present. Small family farming businesses feel like they are at the mercy of large corporates that dominate Australia's food supply chain and that the cost of living is accelerating and therefore the power imbalance and lack of price transparency needs to be an immediate priority. Farmers believe that there needs to be effort towards ensuring that how prices are determined is clear to them and to the consumer.

The division between the supermarkets and our local farmers is a pressing concern for our community and addressing the ACCC's recommendations for the Code is essential for the well-being and economic stability of the Greater Shepparton agricultural industry and our wider community. Greater Shepparton City Council acknowledges and is grateful for your efforts in reviewing the Code.

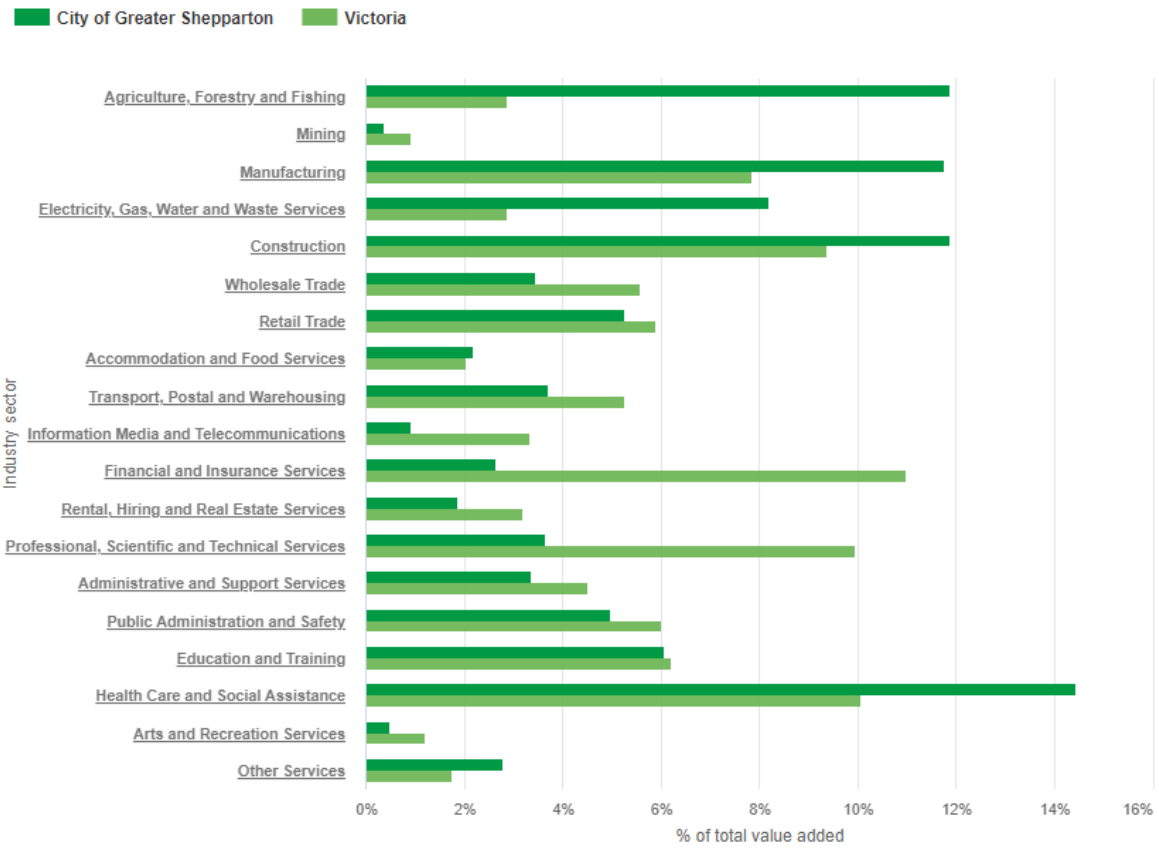
Should you wish to discuss this matter further or discuss the content within this submission, please do not hesitate to make contact with me on 0434 866 888 or shane.sali@shepparton.vic.gov.au and Chief Executive Officer, Ms Fiona Le Gassick on 0474 520 641 or fiona.legassick@shepparton.vic.gov.au.

Yours sincerely



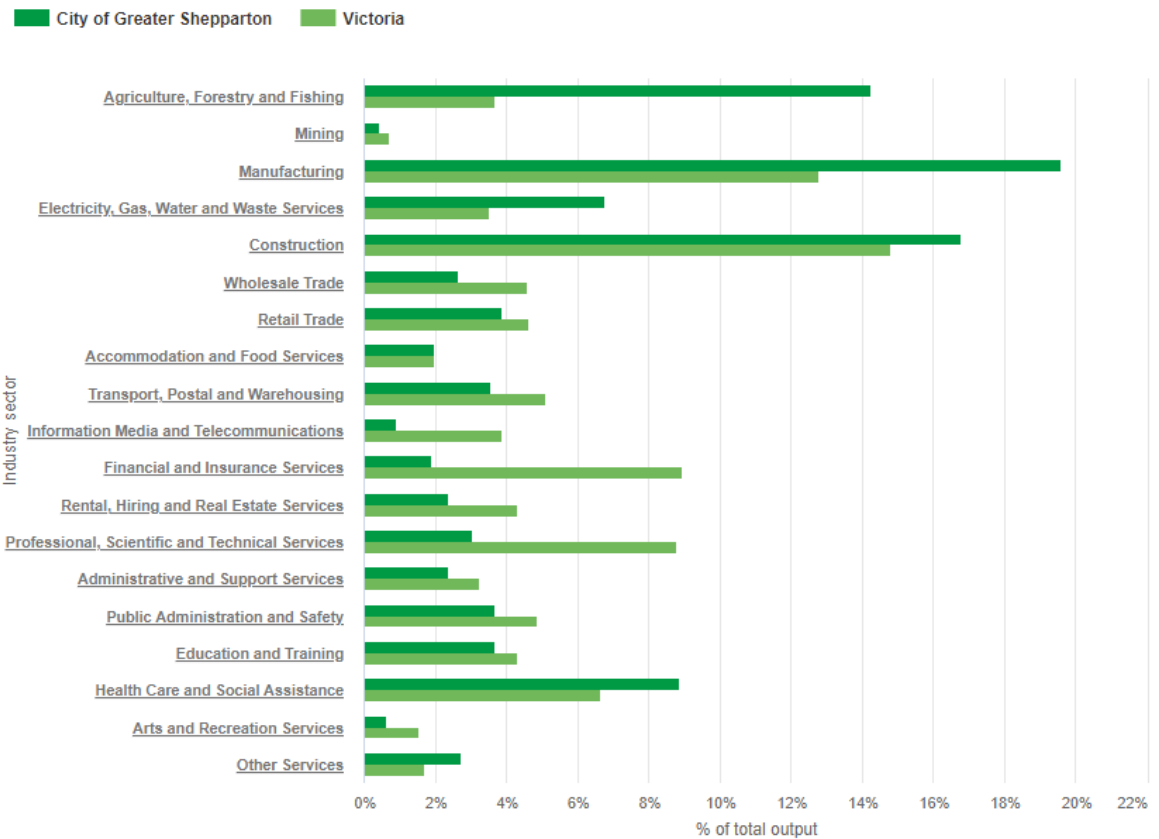
Cr Shane Sali
MAYOR

Value added by industry sector 2021/22



Source: National Institute of Economic and Industry Research (NIEIR) ©2023 Compiled and presented in economy.id by .id (informed decisions).

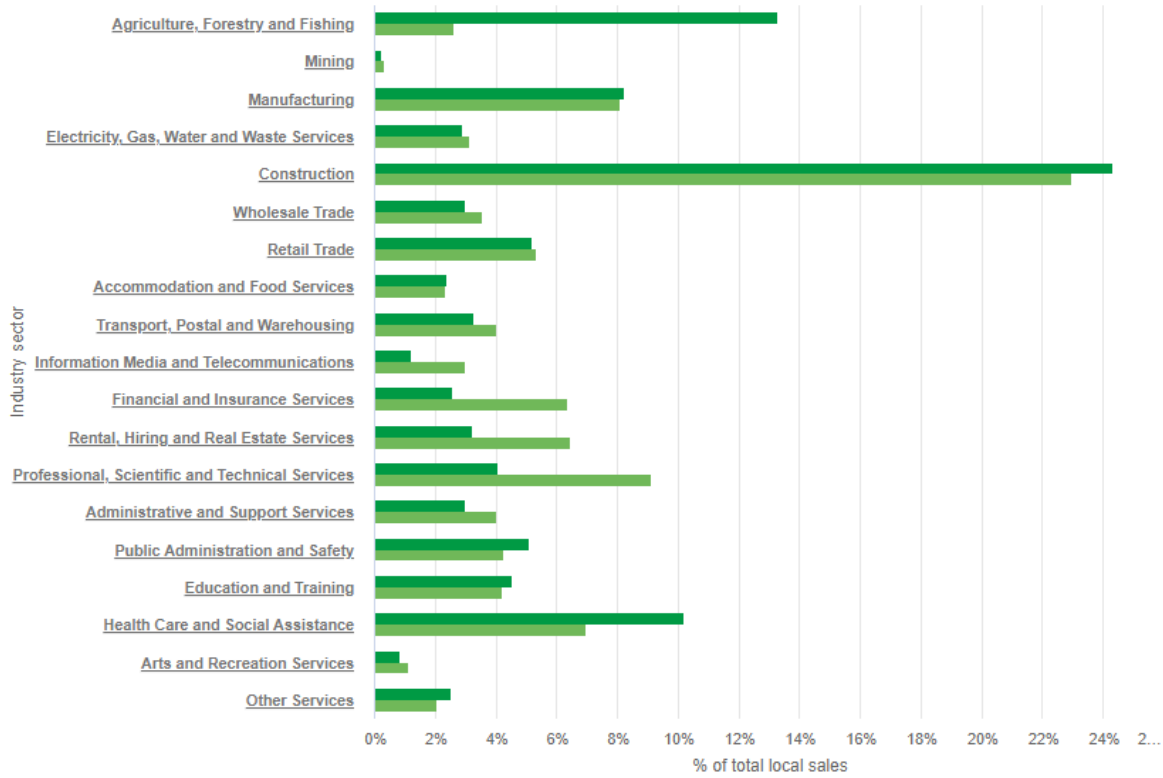
Output by industry sector 2021/22



Source: National Institute of Economic and Industry Research (NIEIR) ©2022. ©2023 Compiled and presented in economy.id by .id (informed decisions).

Local sales by industry sector 2021/22

■ City of Greater Shepparton
 ■ Victoria



Source: National Institute of Economic and Industry Research (NIEIR) ©2023 Compiled and presented in economy.id by .id (informed decisions).