



QUEENSLAND FRUIT  
& VEGETABLE GROWERS

# Queensland Inquiry into Supermarket Pricing

12 April 2024

# TABLE OF CONTENTS

About Us.....	5
Representation .....	5
Context .....	6
Recommendations.....	7
Response .....	10
<i>a. Rising grocery prices in Queensland and discrepancies between retail and wholesale and farmgate prices including different sized businesses.....</i>	<i>10</i>
Market Power Impact .....	10
Why do growers plant so much and cause and oversupply?.....	11
Grower evidence .....	12
<i>b. The variability in supermarket offerings and pricing across the state, particularly in regional Queensland and in remote Aboriginal and Torres Strait Islander communities.....</i>	<i>13</i>
<i>c. The long term trends in profits accruing along the supply chain for perishable produce with particular regard to impediments to the profitability of primary industries.....</i>	<i>13</i>
The use of perishability as a weapon against profitability.....	13
<i>d. The conduct of retailers in negotiations with Queensland producers and the prevalence and effects of information asymmetry between these parties .....</i>	<i>15</i>
Purposeful oversupply .....	15
Promotions/specials.....	15
Rebates.....	15
Retail Specifications .....	16
Unbranded/ home brands.....	16
Agreements are not contracts (but are used as such) .....	17
Commercial Retribution (real or perceived) .....	18
Asymmetry of national data: He who owns the data, owns the market .....	18
<i>e. Improvements to Queensland’s policy environment to increase transparency for producers including what data will reduce information asymmetry and/or reduce prices for consumers.....</i>	<i>19</i>
Energy and water .....	19
Natural Disasters.....	19
What our Regional Grower Groups say:.....	20
<i>f. Additional relevant information provided to other reviews and inquiries as they relate to Queensland producers and impacts .....</i>	<i>21</i>
Food and Grocery Code: Emerson Review – Interim Report .....	21
Grower Wellbeing .....	22
Final words from a grower:.....	23

12 April 2024



Committee Secretary  
Supermarket Pricing Select Committee  
Parliament House  
George Street  
Brisbane Q 4000

By email via: [spsc@parliament.qld.gov.au](mailto:spsc@parliament.qld.gov.au)

## **RE: Supermarket Pricing Inquiry 2024**

Dear Committee Secretary,

On behalf of the growers of fresh fruit, vegetables, and nuts in Queensland we thank the Queensland Government for establishing the Select Committee on Supermarket Prices (the Committee).

We would like to say from the outset that as a sector we sincerely acknowledge the value of supermarkets in our supply chain as they afford the majority of Queenslanders accessibility to fresh produce.

We also understand their role as major employers and appreciate their responsibility to maximise profit for their shareholders. An enduring relationship between these large-scale providers of fresh produce and the growers who provide the food for them to distribute, is essential to get right for future generations of Queenslanders.

Beyond their role as a major employer and their responsibilities to shareholders, the pivotal role supermarkets have assumed in the provision of an essential human need—fresh produce—means they cannot shirk their **duty of care** to Queenslanders/ Australians.

We are grateful that this government has recognised that it is in the state and national interest to ensure its people can, at all times, avail themselves of fresh produce given that humans cannot survive for more than several weeks without the nutrients derived from fresh fruit, vegetables, and nuts.

We acknowledge the importance of examining the causes and effects of increased supermarket prices and to identify opportunities to increase transparency in the supermarket sector for growers and consumers.

Whether it is the everyday household looking to shop for affordable Australian-grown fruit, vegetables, and nuts, or the grower in the field working to supply this produce, supermarkets must conduct business in a matter befitting what it means to be Australian: openly and fairly.



Queensland Fruit & Vegetable Growers Ltd ABN 51 090 816 827

Head Office: Level 2, 231 George Street Brisbane Qld 4000 | PO BOX 12101 George Street QLD 4003  
Tel: 07 3620 3844 Fax: 07 3620 3880 Email [qfvg@qfvg.com.au](mailto:qfvg@qfvg.com.au) Web: [www.qfvg.com.au](http://www.qfvg.com.au)

Our domestic markets have for some time been failing to deliver the fairness and equity Australians demand from those who play a role in national food security.

In 2023, Queensland Fruit & Vegetable Growers adopted **profitability of growers** as our number one priority, as it became increasingly evident that the industry was on a knife-edge.

The prices that growers receive for their produce is only one part of the equation. Growers' margins have also been squeezed through substantial increases in the cost of production. Growers have been operating in a business environment where there has been very little increase in revenue for many years with some growers reporting no price increases on their crop for 15 years while absorbing input cost increases between 30 and 65%.

In any business model, this projection would be unsustainable for all who operate within it. Growers by their very nature are both risk takers and optimists. The more we investigated growers of all size across multiple commodities, the more we worked out the sector, regardless of size and scale, has nothing left in the kitty. They have reached the tipping point of viability impacting future food security.

Maintaining the status quo is not an option. This term of government must use findings from these inquiries to implement fundamental changes to redress this imbalance. We have heard of growers who are sitting out 2024 awaiting the results of these inquiries as a year out of farming – will save them money. A dire thought.

We look forward to furthering your understanding of the issues and unpacking some of the deep rooted, systemic, and sneaky supermarket behaviours which impact our growers, both in terms of their profitability as well as their mental wellbeing.

QFVG are also valued members of AUSVEG, APAL, QFF and the National Farmers' Federation. We have strongly supported their submissions to the various Inquiries currently underway.

We would welcome an opportunity to further discuss any part of our submission and draw your attention to our **We Give a Fork** campaign launched in November 2023. The campaign covers all the abovementioned issues, and more: [www.wegiveafork.com.au](http://www.wegiveafork.com.au).

Please contact Rachel Chambers, CEO QFVG via email [rchambers@qfvg.com.au](mailto:rchambers@qfvg.com.au) or phone 0488 034 344.

Kind regards,



Rachel Chambers  
QFVG CEO

## About Us

Queensland Fruit & Vegetable Growers (QFVG) is the state industry body representing Queensland's commercial fruit, vegetable, and nut growers. To us, horticulture is the most vital industry in the world. We exist to ensure strength in the horticultural industry for generations to come. We provide the trusted voice for horticultural growers in Queensland and are a valued service delivery partner.

Queensland grows over 100 different fruit, vegetable, and nut crops, from Stanthorpe in the south to Cooktown in the far north. Queensland supplies one-third of the nation's fruit, one-fifth of the nation's vegetables, and one-tenth of the nation's nuts.

Queensland is the key producer of Australia's Pineapples – 99%, Ginger – 98%, Bananas – 94%, Avocados – 70%, Capsicum – 66% and Macadamias – 66%.

These crops are produced by 3,500 agribusinesses and 25,000 direct workers. Indirectly, the primary production of horticulture provides significant direct and flow on economic benefits in regional areas.

## Representation

QFVG supports, represents, and coordinates grower members across each of the core growing regions in Queensland including:

- Lockyer Valley – Lockyer Valley Growers
- Granite Belt – Granite Belt Growers
- Wide Bay Bundaberg – Bundaberg Fruit & Vegetable Growers
- Central Queensland
- North Queensland – Bowen Gumlu Growers
- Far North Queensland – FNQ Growers

QFVG is a key member of the Queensland Farmers' Federation (QFF) and National Farmers' Federation Horticulture Council (NFF Horticulture Council), and is the state member for AUSVEG, Apple & Pear Australia Ltd (APAL), and Freshcare.

# Context

## Australia's always had plenty of fresh produce supply. What's the problem?

**Through a consumer lens:** Australians are experiencing a cost-of-living crisis with the majority most noticing the impact in our grocery basket.

**The model has changed over a relatively short period of time.**

Brisbane Markets were established in 1868 with fresh produce bought and sold under the public eye.

This well-worn historical model (not also without its' issues) has changed with many growers now bypassing this open market in favour of selling directly to supermarkets.

One impact of this move has been a reduction in the visibility of pricing and fundamentally changed market dynamics.

**Through a grower lens:**

Grower returns have remained relatively unchanged for over a decade and throughout most of this time, input costs also remained relatively stable. Since 2020, however, supply chain disruptions and global issues have impacted the sector with all growers reporting input cost increases of between 30 and 65% since that time.

With growers experiencing such dramatic increases in cost of production without significant revenue increases, simple business 101 says that if income stays constant whilst expenses increase, a business will go backwards. This has been the case now for almost four years with growers reporting that they have now expended all their reserves with nothing else left to draw upon. Growers are now in crisis.

**Horticulture is uniquely diverse**

Unlike other agricultural commodities where data and decision making is based on a singular commodity—like cotton, cane, or grazing—horticulture in Queensland alone represents over 100+ different fruit, vegetables, and nuts.

Horticulture does not have the luxury of clarity afforded to singular commodity groups. If we were to talk about avocados, mangoes, tomatoes, bananas, or macadamias, we would be able to give you detailed information on their needs and some specific solutions.

Horticulture is so complex that by way of example, the same strawberry can be grown both in water or in soil, each with different labour, water and fertiliser needs, not to mention the many models of business operations in farming.

Such variabilities and intricacies pose a significant challenge in speaking as a collective. Every effort is made to speak to the nuances of different actors and scenarios within Queensland horticulture. The sector is approaching its current challenges as a united front.

## Recommendations

QFVG recommend the following areas for further investigation, consideration and support:

1. Investigate the role of supermarkets in how they contribute to fresh produce oversupply and thus waste.
2. Investigate how actual grower cost of production is factored into negotiations.
3. Investigate growers' agreements to ascertain how these may contribute to oversupply and lack of ability to plan. Investigate how growers who aren't afforded even indicative agreements are currently planning their operations.
4. Investigate the quantum of supermarket cost shifting to growers: Growers are paying for CHEP pallets, stickers, modern slavery reporting, promotions, and compliance to name a few.
5. Investigate governments' own role in the impact of policies, regulations and legislation as part of the burden on growers' shoulders, "we can't get the income to pay for the expectations."
6. Investigate the use of promotions or 'specials' in fresh produce ie. how they are managed, who bears the expense and whether they are overused.
7. Investigate claims of third party forcing within the supply chain.
8. Investigate payment terms for CHEP Pallets: supermarkets charging practices for pallets and their care of and duration of use.
9. Investigate instances of retailers imposing conditions requiring suppliers to also acquire goods or services from a third party (forcing them to do business with them). Examples of this include freight, pallets, bins, crates, compliance programs. In addition, investigate the mechanics of claims/ reimbursals due to negligence or fault.
10. Investigate the allocation of compliance costs between growers and supermarkets, particularly regarding modern slavery obligations, ESG and product labelling.
11. Investigate rebates and conditions to reveal any imposition of rebates by supermarkets on growers for various conditions and their impact on fair trade practices.
12. Investigate Tier 2 and 3 growers including the role of wholesale markets in retail supply chain pricing.
13. Investigate if Australia really has an oversupply issue, whether supply is being artificially manipulated or if it is in fact is an under-consumption issue and how if we considered it in this light, our thinking and actions may be different.
14. Investigate how/if natural disaster events are captured in growers' cost of production – is one state different to another and how does/should that impact cost of production?

15. Investigate how efficient is the model of supermarket operations and how much is this adding to consumer costs eg. outdated distribution centres and logistics.
16. Investigate transfer of ownership, risk, and liability along the supply chain.
17. Investigate how supermarkets account for the distribution of income and profits across all store categories.
18. Investigate how modern slavery statements apply or do not apply to growers as suppliers.

## Considerations:

- Ensure perishability is adequately addressed in any proposed solution.
- Consider how real-time price data may provide unintended consequences such as collusion or other anti-competitive practices. QFVG opposes the idea of 'real-time' price data but acknowledges the value of periodic information disclosure to an impartial entity to act as a 'watch dog'.
- Consider implementing the need for agreements and contracts to be legally binding documents as is accepted practice in other agricultural sectors, to protect both parties.
- Consider government funding of industry to support growers in increasing their capability and understanding of retail practices and negotiation skills through training and other activities.
- Consider reviewing the role of retailers in a duty of care to Queenslanders/ Australians to promote healthy eating.

## Support:

QFVG requests assistance with the following calls for advocacy support:

- Change to the Australian Food and Grocery Code of Conduct (FGCC) to provide growers with a robust framework. These changes could include it being made mandatory however this would not be effective unless it was combined with:
  - Significantly strengthened penalties (to impact shareholders),
  - A guarantee that the process of dispute resolution was timely and not financially burdensome for growers (given the greater legal resourcing of retailers along with the perishability of produce)
  - arbiters were fully independent of those they were reporting on.
  - An extension of the code in the supply chain
  - Civil penalties for retail staff breaching the code
- The real possibility of a new code for fresh produce or a separate provision within the current code to address perishability nuances.
- Imposing significant penalties for breaches of the Competition and Consumer Act, including divestiture of assets; learn from lessons from the past and grant greater investigative powers to the ACCC.
- A National Food Donation tax incentive as the current tax system misses an opportunity to motivate food producers, manufacturers, retailers and food service to donate their surplus to food relief. Current tax regulation treats



donation as no different to dumping. There is no tax recognition for contributing to the transportation, storage and other logistics required in donating to charities. This makes redirecting surplus to food relief a cost that growers often cannot carry.



**Queensland Fruit & Vegetable Growers Ltd ABN 51 090 816 827**

Head Office: Level 2, 231 George Street Brisbane Qld 4000 | PO BOX 12101 George Street QLD 4003  
Tel: 07 3620 3844 Fax: 07 3620 3880 Email [qfvg@qfvg.com.au](mailto:qfvg@qfvg.com.au) Web: [www.qfvg.com.au](http://www.qfvg.com.au)

## Response

To speak frankly, the relationship between supermarkets and their "fresh produce" suppliers bears resemblance to Corporate Stockholm Syndrome, characterised by a significant power imbalance.

In this dynamic, growers find themselves tethered to retailers but are hesitant to address legitimate concerns for fear of jeopardising their relationship.

### **a. Rising grocery prices in Queensland and discrepancies between retail and wholesale and farmgate prices including different sized businesses**

#### **Market Power Impact**

A significant proportion of national data, particularly concerning supply and demand – the very pricing levers our industry is founded on – is shared between two entities. This data can be used to provide significant market insights and enable the supermarkets to make informed decisions, placing them on a very firm negotiation platform. We cannot find a position where the grower has more favourable terms than the supermarket.

Growers only have their own growing data and must rely on the relationships they have with supermarkets to inform them.

A grower's opportunity to engage outside this system, is limited.

The size of the supermarkets also means they are far more resourced than growers in negotiation training and legal counsel.

Market share power impacts to consumers also appears to be the result of data collection. Financial services have been one vehicle in conveying data to supermarkets about the buying habits of consumers, once again deepening their knowledge of consumer patterns.

A decision by Coles around 2008 has had fundamental implications on industry. The moment in time has been best captured by Malcolm Knox in Supermarket Monsters.

*“John Durkan, upon joining McLeod at Coles observed: “We also needed to get back to being customer facing; the company had drifted away from the core retailing principle of making sure the items customers wanted were there for them to buy, rather than just offering them what suppliers had available. In the first few weeks we held hundreds of meetings with suppliers to get feedback, and while they clearly wanted a resurgent, successful Coles, they had to also accept that they would have to supply what the customers wanted rather than what suited them to supply.”*

The authors response to this enlightens the reader as to the sheer strength of strategy these retailers have at their disposal.

*“This sounds very reasonable and warm, a way of putting the customer first. In fact, it was putting the retailer first. Coles had its eye on the fat margins and comfortable terms it thought its suppliers were enjoying. McLeod and his team had a genius for increasing sales and profitability at a time prices were failing. In 2012 they lowered prices by an average of 10 per cent, and Cole’s revenues took off. Who was paying? Not customers certainly. And as long as customers were paying less, we and our political representatives stopped asking the question.”*

- “Supermarket Monsters”, Page 88

Feedback from our growers has included some disillusionment around the need to grow for year-round supply now rather than quality. This decision made by a retailer has had immense market outcomes and should be considered when reflecting as to how market power decisions can impact a market in both the short and the long term.

Being in a predominantly domestic market per volume, means the lack of choices available in the domestic market will always have a “whole of industry” impact.

### ***Why do growers plant so much and cause and oversupply?***

As previous stated, growers are negotiating in a supply and demand market without any data on supply and demand, other than what is on their own farms. Whilst retailers enjoy having all the data in regard to both available supply and consumer demand.

We’ve been asked why growers plant so much if oversupply impacts price? And in short – **the lack of data available to them to make good decisions.**

Trust us, growers don’t want to overplant as an oversupply drives down prices. However, retailers also need consistency of supply. In fact, somewhat ironically, the optimal result for a retailer is to have an oversupply situation. Not only does this then ensure supply but it would also have the additional benefit of driving down buy price. without any information as to what the consumer demand is and the available supply as it pertains to their own operation, how can they plan? They must plan for weather events including hail losses, floods, cyclones, and bushfires. They must plan for crop losses due to plant health issues. They plan as best they can.

We are now questioning how retailers may be *manipulating free market conditions* by using supplier agreements as one tactic to purposely ensure oversupply and therefore depress farmgate prices.

Once there is deemed to be no retail market for the produce the grower is left with perishable product and only three options:

1. Put the produce on the wholesale market – which then floods the central market with retail spec produce and impacting prices right across the central markets;
2. Plough in the waste (only if they haven't already picked and packed it);
3. Donate to hunger relief charities (at grower cost).

What it means for supermarkets:

- Consistency of supply – no risk.
- Ability to negotiate growers down due to oversupply in market.

What it means for growers supplying the supermarkets:

- Causes a marketplace surplus which causes market prices to fall.
- Multimillion dollar losses.
- Food waste.

What it means for growers supplying the wholesale market:

- Unexpected additional produce of retail quality dumped onto the central markets. Market prices of those who only supply the central markets are detrimentally impacted along with the ability to move stock readily.

What it means for consumers:

- Consistency of supply on supermarket shelves.
- We are unable to comment on how this reflects on pricing as this is a question only retailers can answer.

### **Grower evidence**

QFVG have received numerous examples of growers citing direct evidence of aggressive buyer tactics, explicit directives to not build market- supplier relationships, bullish bonuses and KPIs based on achievement of low-price targets per category.

A conversation involving one of the executives of one of the major supermarkets have been cited publicly boasting that there was no general marketplace but only a “XXXX marketplace” as they deemed themselves as their own market due to their market share power.

The aforementioned factors along with the additional impacts to cost of production after the pandemic have led us to the point of:

- depressed prices at farmgate equivalent to 70s prices,
- very low or negative profit margins for horticulture growers
- higher prices for consumers at checkout; leading to
- the perception of increased supermarket profits riding on the back of perishable produce

## **b. The variability in supermarket offerings and pricing across the state, particularly in regional Queensland and in remote Aboriginal and Torres Strait Islander communities**

From our state-wide industry and community engagement the following observations and feedback has been gathered:

- Higher prices on average for fresh produce in regional communities in comparison to metro centres.
- Even higher again for remote Aboriginal and Torres Strait Islander communities
- Quality of fresh produce in both regional and ATSI communities is lower than metro (even in communities which grow fresh produce)
- Growers do not receive any additional returns at farmgate.
- Fresh produce diversity is limited and variable in regional and ATSI communities.

Growers have indicated their disgust that their healthy quality, fresh produce is being exploited and overpriced at checkouts creating unaffordability and increased cost of living pressures.

Fresh produce should be affordable to each and every Queenslanders to ensure health benefits regardless of their postcode.

Growers are strong in their view on this food security and affordability issue, “supermarket margins should be fairly shared between:

- Grower
- Consumers
- Supermarkets

QFVG holds the belief that everyone involved in the fresh produce supply chain has an implicit responsibility/duty of care, to ensure that food, as a fundamental necessity, remains affordable and accessible to all people.

Growers love their produce; they are innately proud of turning nothing into something highly nourishing for humans. Growers want all consumers to be able to afford to enjoy fresh produce!

## **c. The long term trends in profits accruing along the supply chain for perishable produce with particular regard to impediments to the profitability of primary industries**

### ***The use of perishability as a weapon against profitability***

Growers face strategic challenges due to the perishable nature of their produce, leading to a power imbalance and unequal negotiation power. Perishability forces growers into decisions they otherwise wouldn't make to achieve business sustainability.

Yes, growers always have the right to refuse but when they've already spent the money to that point and the options available to them at the point of sale are limited, many times a less than production amount is accepted by the grower just to help with cashflow.

Verbal negotiations take precedence over written negotiations, offering supermarkets a level of protection. This makes it very difficult to find written evidence of unconscionable behavior even though we are absolutely certain that these behaviours exist and are widespread and systemic in nature. These verbal negotiations also keeps much evidence away from arbiters.

This lack of transparency suggests a tactic whereby buyers could provide untrue facts about the market leaning on the grower to lower pricing and their profitability. Growers have no way of knowing if the buyer is being truthful about the market forces and buyers have no accountability to tell them the truth.

It also keeps key evidence from those who could assist them eg Hort Code arbiters.

The fresh produce supply chain is complex. Profit along this chain has not ever been well mapped nor understood. The horticulture industry requires profit across every link of the supply chain to be sustainable however as primary producers, it often seems that every other link sees profit at the expense of the grower.

## **d. The conduct of retailers in negotiations with Queensland producers and the prevalence and effects of information asymmetry between these parties**

### ***Purposeful oversupply***

There is evidence of supermarkets using overinflated projections and indicative supply amounts in *Supply Schedule Agreements* (SSAs) to ensure a market oversupply and skew the supply and demand market indicator.

From the data given to us by growers we are seeing a convincing pattern emerging – with the figure of 60% of the indicative agreed upon amount, being committed to retailers in the end.

What it means for supermarkets

- Consistency of supply – no risk
- Ability to negotiate growers down due to oversupply in market

What it means for growers

- Causes a marketplace surplus which causes market prices to fall
- Multimillion dollar losses
- Food waste

### ***Promotions/specials***

It is important to know that growers themselves pay for promotions (or specials) ie they are passed through to the grower to cover and growers have little material influence on timeframe, price, or volume.

It is alleged that a long-time buying tactic for category buyers is to simply put on more promotions than reasonable to help achieve a lower average price for the year in their own category.

We would argue that it is not really a free market if prices are being decided six months out, nor being agreed to by the growers.

Supermarkets can also use pricing/specials to suppress demand.

### ***Rebates***

Rebates of between 3.5% and 5% have been widely reported across the sector as an “unfair cost” of doing business with the retailers. Rebates are reported as being used as charges to grower invoices and can determine how quickly you can be paid however many growers can’t actually answer what the rebate they are being charged is for as there’s very little transparency or ability to re-negotiate/negotiate.

## ***Retail Specifications***

Retail specs are an important piece in retailers' ability to reject grower produce. The supermarkets can adjust their own specs to suit their own needs at any time.

Growers also site issues with retailers not using 'like for like' quality and ethical sourcing specifications as a basis to their purchase price. The use of the wholesale market prices as a benchmark for retail pricing is fraught with issues.

Unlike retail, the wholesale market has no specifications on produce quality and specs (including sizing).

Unlike retail, the wholesale market has no specifications on ethical sourcing.

However, the wholesale market does have to abide by food safety regulations.

## ***Unbranded/ home brands***

We pose that there has been a systematic and purposeful removal of all identity to disconnect the consumer from the grower and to promote the supermarket.

The lack of ability to brand their own fresh produce prevents suppliers from engaging directly with consumers considering the gathering of feedback and suggestions for enhancing products. This situation also fosters the perception among consumers that products within the same category are interchangeable, discouraging individual grower investment in quality as there is no financial or reputational return to do so.

The lack of branding of these products plays into existing power imbalances and further undermines the ability of suppliers to negotiate on price or any other matter.

The impacts of which include but would not be limited to:

- The grower unable to identify their produce quality.
- The grower unable to tell their story and develop a trusted relationship with the consumer.
- The grower unable to establish provenance and region of origin.
- The grower unable to have messaging on their produce.
- The grower who used to grow for quality now must accept they are only growing for supply.
- The supplier is able to substitute between growers as their product is essentially 'homogenous'.



## **Agreements are not contracts (but are used as such)**

Growers are offered supplier agreements not contracts. And not all growers are offered agreements. In fact, it is not unusual for growers to operate without any formal agreements or contracts in place.

For those who do have an agreement, these contain indicative production volumes without pricing or volume commitments. The agreements also have many exit options for the supermarket usually based around price, quality, and service.

Can you imagine pouring money into a business with no idea if, when and how much you may get paid?

The power in the agreement firmly sits with the buyer. We would argue the legality of such an agreement. The new unfair contract terms (UCTs) reforms that commenced in 2023 are a good step forward, however they do not typically address anti-competitive behaviours in the horticultural supply chain as they only apply to contracts and not 'agreements'.

Even when an agreement as to an indicative supply volume exists, growers are left to negotiate weekly prices at the time of harvest. Despite submitting their weekly quotes with volumes and prices, growers are often informed by retailers that they won't receive orders unless they lower their prices to match those deemed competitive by the retailers. This process lacks transparency, leaving growers unsure if the prices they're given are arbitrary. Even when prices are agreed upon, retailers continuously pressure growers to lower prices for unplanned promotions or to match competitor prices.

Changes in quantity can be made with extremely limited notice. Reductions of an average of 40% has been evidenced by multiple growers. This figure is now a pattern in our collection of data.

With each reduction in quantity comes an increase in the unit cost of production to the grower. For example, if it costs \$1,000 to grow 500 lettuces and they all are sold, each lettuce has cost \$2 to grow. However, if you grow the same 500 lettuces but only sell 250 and dump the rest – each of those lettuce now has a cost of production of \$4 each.

We believe growers should be afforded similar business stability as is offered other businesses across the globe. Growers should be entitled to supermarkets committing to buying what they committed to buy; to pay on time and in reasonable terms to that committed order; to work with growers to agree on fair specifications and to pay what was agreed.

Significant imbalances of power exist:

- Information asymmetry
- Mechanisms to collect data
- Perishability of products
- Limited branding opportunities
- Lack of alternate markets

## **Commercial Retribution (real or perceived)**

QFVG is regularly asked by media whether commercial retribution is real or perceived. Our question is – does it matter?

Isn't a threat or intimidation not acceptable in any Australian workplace?

After examining many submissions as part of the Food and Grocery Code review – the interim report mentions retribution 58 times.

An excerpt from the interim report foreword from Dr Craig Emerson “The Interim Report in 500 words”:

*“Fear of retribution is a major obstacle to Code effectiveness During the Review’s consultation process, many stakeholders highlighted a strong fear of retribution from supermarkets if they reasonably reject a request by a supermarket’s buying team, or make a complaint against it. This retributory action could take many subtle forms, such as being offered less-advantageous trading terms, reduced volume orders, poorer shelf location, limits on distribution across stores and having products delisted altogether (see Box 2). These concerns were more prevalent among small and medium-sized suppliers.*

*Box 2: Potential forms of retribution against suppliers • Delisting of a supplier’s products. • Requiring suppliers to make excessive contributions towards promotional or marketing costs. • Rejecting fresh produce at late notice for non-commercially genuine reasons. • Assigning inferior shelf space – products will no longer be at eye level or within easy reach. • Causing long delays to restock suppliers’ products on shelving once sold out. • Ceasing agreements with suppliers for the supply of the supermarket’s private label products. • Varying or significantly reducing the volume of stock ordered. • Cancelling grocery supply agreements altogether.*

Fear of retribution is real AND perceived, as made very clear in the code review, the process for reporting bad behaviour doesn't work. The subtle forms of retribution are hard to prove. Increased penalties are of no consequence if the process to report isn't trusted, and the items growers are reporting on can't be proven.

Currently it is an untrusted and unworkable system of promised protection.

### **Asymmetry of national data: He who owns the data, owns the market**

When supermarkets have all the information on national demand curves, along with national supply data combined with having all the resources available to them in the form of professional negotiators/buyers armed with this information the playing field is already majorly skewed.

Then to have this combined with incentive programs are drivers which rewards the supermarket employee/buyer for ensuring every last cent is screwed from the supplier to be placed into the hands of the buyer and you have a demonstrably unfair market.

Refer to a) for additional information.

## **e. Improvements to Queensland’s policy environment to increase transparency for producers including what data will reduce information asymmetry and/or reduce prices for consumers**

It is difficult to provide insightful commentary into policy environments which would support Queensland producers and consumers when it has only been less than six months duration that growers have been prepared to even discuss the issues contained within this paper.

We are certain that in the continuation of unpacking these issues, an astute government could start to understand how they could assist with and also how they could be negatively contributing to fresh produce pricing.

### ***Energy and water***

Given there is alignment between energy and water use and growing fresh produce, there is bound to be some policy improvements in that space.

### ***Natural Disasters***

Given the horticulture industry is heavily reliant on both temperature and water, any climate variability and natural disasters have a substantial impact across the sector.

The major climate concerns for horticulture growers are the increase in both maximum and minimum temperatures, and the increasing variability in rainfall impacting on soil moisture and general water requirements, availability and on-farm erosion.

The cumulative effects of extreme weather is also a major concern for the horticulture industry. The ***intensive*** nature of the industry makes it highly vulnerable to extreme weather events with severe damage and losses.

The frequency of extreme weather events in the last 15 years have put ongoing financial pressure on the industry, forcing growers to react, respond and recover quickly, rather than having the finances and time to implement adaptation strategies.

Growers are regularly reporting that impacts of natural disasters and extreme weather events have significantly increased their costs of production and bottom line. They state, ‘horticulture production used to have one good year out of three, this is now reduced to one good year in seven to ten years. While these and other input costs are increasing there is no capacity to ‘pass through’ these increases which is severely impacting on-farm profitability and viability.

We would like the government to pursue opportunities to create and support resilience, adaptation and mitigation measures in the Horticulture sector. Our suggestions include:

- **Maximise benefits:** Under a changing climate, the benefits of protected cropping are growing and are becoming more viable. Besides the advantages of climate moderation and protection from the extremes, protected cropping systems have benefits for the labour force (controlled climate systems) and optimal use of inputs such as water, fertiliser and chemicals.  
*Suggested actions: Modelling and data for climate adaptation specific benefits for protected cropping systems and case study development for easy interpretation.*
- **Enhance Drivers for change:** Holistic and effective grower engagement with focus on climate adaptation alongside climate mitigation, whilst maintaining farm profitability and business risk management. This will minimise risks of maladaptation /increase in emissions but also increase uptake of adaptation and mitigation practices.  
*Suggested action: Broaden the scope of the Farm Business Resilience Program.*
- **Consistent policy:** Currently there is disparity across the agriculture sector and what is deemed to be farm operational income. Eg Graziers grow beef and hence run cattle for slaughter and are able to access compensation (i.e., drought relief funding/disaster recovery grants) to restock cattle numbers to produce beef however, horticulturalists / orchardists are only able to secure compensation (i.e., drought relief funding/disaster recovery grants) for land preparation and not for seedlings or new tree stock to produce a crop.  
*Suggested action: Include horticulture crops in compensation programs for drought and disaster relief for replanting of seedlings and tree stock.*

### **What our Regional Grower Groups say:**

Regional grower are calling for the following:

- Simplification of industry auditing model to put a stop to the duplication (often) triplication of bureaucracy afforded by requiring multiple audits for different sales avenues.
- Consideration be given to the provision of freight and packaging subsidies for fresh food production.
- Consideration be given for regional funding for the development and use of local materials to reduce input costs pertaining to soil and water management.
- Industry streamlining/ standardisation for compliance modelling. Combining all the current auditors under one banner, would create a more harmonious, streamlined model, allowing for greater compliance, bilateral understanding of legal requirements and simplification for retailers. ie HARPS and Freshcare and Fair Farms.
- Payroll tax relief for horticulture growers
- Transport industry supports
- Water: Improved communication process with industry around regulatory changes or rollout of programs such as meter validations

- Regional water planning processes to place impetus on the rights of existing users and supporting regional economic growth rather than ideological policy to satisfy Brisbane based voters
- More robust support and assessment process for water infrastructure projects that support food and water security and have proven economic benefits.
- Improve state horticulture data as it is inaccurate at present.
- Support growers to understand costs of production to enable a negotiation position. ie Increase capacity of sector in negotiation.
- Energy efficiency incentive programs that cover horticulture growing regions
- Maximise industry productivity through increased utilisation of existing water allocations and improved water use efficiency including collaboration with industry and the State Government to identify barriers to uptake of water allocations.
- Regional cooperation of water development planning and associated investment attraction between councils to identify priority and sustainable water development and efficiency investments.
- Natural Disaster Policy
  - Review of eligibility regarding impact on longer term tree crops.
  - Multi peril insurance.
  - Review of the disaster declaration process.
  - Customised rather than pooled ie individualised support

## **f. Additional relevant information provided to other reviews and inquiries as they relate to Queensland producers and impacts**

### ***Food and Grocery Code: Emerson Review – Interim Report***

It was pleasing to see QFVG’s submission align with what has been discovered – an imbalance in market power, incentivised poor retailer market behaviour and real fear of commercial retribution. This is a validation for suppliers and the many gagged voices that make up our industry.

The central recommendation is that the currently voluntary Code be made mandatory and come with it substantial and enforceable penalties.

While ‘substantial and enforceable penalties’ are all well and good, the penalties that are in existence don’t work because the process of reporting is fundamentally flawed. And unless you get the reporting process right, where the grower feels completely protected to speak up, it doesn’t matter how big the penalty is at the end.

Another interesting observation that was noted in the report was the use of buyer incentives that “reward maximising retail margins and penalise low margins” effectively incentivising the category managers to squeeze suppliers (growers) as hard as possible.

For too long retailers have been asking our growers to be sustainable and cut costs. They have nothing left to give. The burden on our growers is enormous. How about we incentivise good market behaviour instead - behaviour change 101 really.

New KPI's are required for those whose decisions have substantial impact on our food supply. Let's write the sustainability of Australian fresh produce and producers into retailer requirements. Because let's face it, if they are not part of ensuring we have fresh fruit, vegetables, and nuts for generations to come then we (and they) have a huge problem because they are a major part of our supply chain.

There is a lot more work to do. If we can continue to gather and present large amounts of grower information and present those in themes to protect the grower, and empower the consumer, we may be able to change the current trajectory.

We believe that people working within the food supply system for all Australians should do it in a manner that is befitting of such a real and legitimate outcome for Australians.

### **Grower Wellbeing**

We are extremely concerned for our grower's wellbeing. Under these conditions, who would currently choose to be a grower of fresh produce in Queensland/Australia?

Our growers are trapped in debt, trapped in plantings, trapped in capital investment, trapped in generational decisions, trapped in a job they love and they're really good at.

It's this sense of entrapment that we worry will detrimentally impact the mental health of Queensland growers.

If a job ad for a grower went online the ad would read something like this:

*Wanted:*

*Risk taker. Generous nature required as the entire supply chain will need to be paid prior to yourself. Internal fortitude a non-negotiable as repeated natural disasters and inclement weather events will be inevitable. Project management, finance, IR, HR, marketing, and global political experience required. Strong negotiation skills necessary to have a fighting chance of making a profit in a price taking industry. Cost of production not a factor in sell price. Unbreakable spirit given the reputation of the industry is one of exploitation of others.*

*Weekend work; must work public holidays, actually no holidays are guaranteed. Salary not guaranteed.*

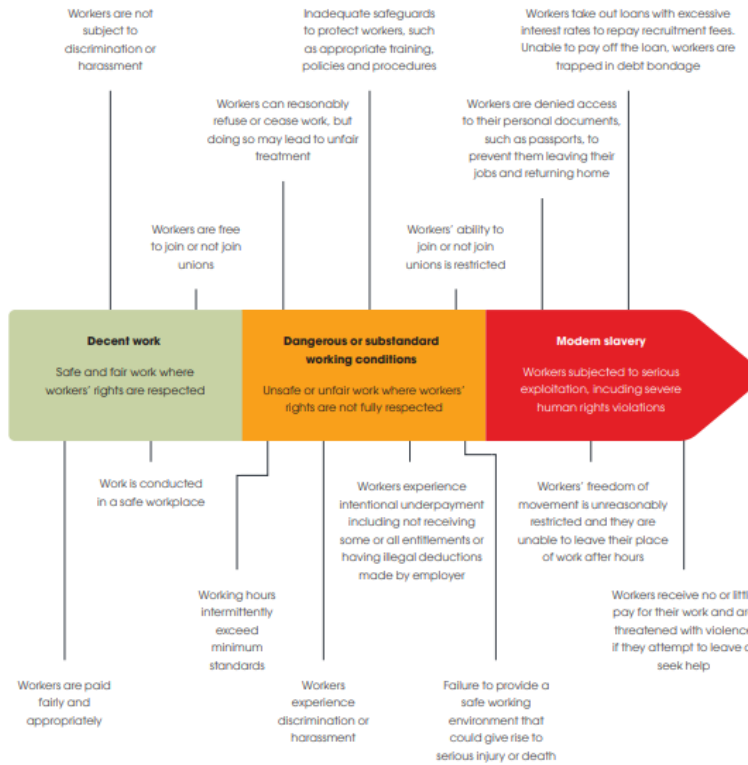
However, growers are not considered workers. If they were – retailers would have to consider the treatment of them in a different light due to their own modern slavery statements. Aren't our growers, humans too? Don't they deserve a system which allows them to be paid fairly?

Wherever the word 'worker' is mentioned in the diagram below, "Identifying modern slavery risks" replace it with the word 'supplier (grower)' and see how much work we have to do to get this right.

# Identifying modern slavery risks

The complexity of our operations and breadth of our supply chains means we are exposed to a range of potential modern slavery risks. We focus on identifying and understanding these risks, including assessing how they could occur in the retail sector and the ways that our actions and other factors may shape our risk profile.

Modern slavery describes situations of serious exploitation which happen when 'coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom'. Modern slavery occurs at the most serious end of the labour exploitation continuum. The boundaries of this continuum are not clear, which means it may be challenging in practice to understand whether a particular situation of exploitation meets the threshold for modern slavery. We recognise that exploited workers may not identify themselves as victims of modern slavery and that their experiences may move up or down the continuum over time.



SOURCE: [www.colesgroup.com.au/FormBuilder/\\_Resource/\\_module/ir5sKeTxxEONDzd00hWJw/file/Modern\\_Slavery\\_Statement.pdf](http://www.colesgroup.com.au/FormBuilder/_Resource/_module/ir5sKeTxxEONDzd00hWJw/file/Modern_Slavery_Statement.pdf)

## Final words from a grower:

“Last year we produced 446,204 kg of leafy veg and wasted a heap more, but no one thought I was worth feeding.”

“I paid leave, personal leave, redundancy payments, public holidays, even pay when we didn’t have work because of weather, but I wasn’t worth giving a holiday.”

“We are always understaffed for the task but overstaffed for the bank balance.”

“I pay super, but I can’t earn it. The farm is our super.”

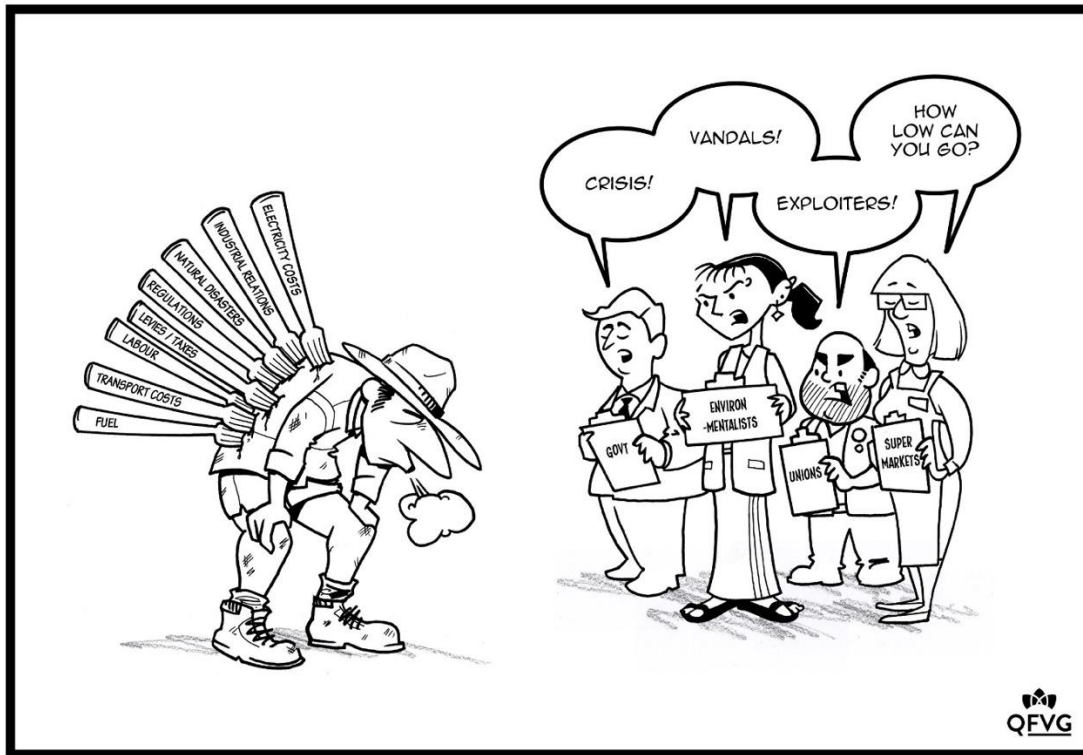


Figure 1 How a grower feels in 2024 – “Forked”.