

This is an uncorrected proof of evidence taken before the committee and it is made available under the condition it is recognised as such.



SUPERMARKET PRICING SELECT COMMITTEE

Members present:

Mr TJ Smith MP—Chair
Ms A Leahy MP
Mr SJ Minnikin MP
Ms JE Pease MP
Mr TJ Perrett MP
Ms JC Pugh MP

Staff present:

Mr T Horne—Committee Secretary
Ms K Guthrie—Inquiry Secretary

PUBLIC HEARING—INQUIRY INTO THE SUPERMARKET PRICING

TRANSCRIPT OF PROCEEDINGS

Monday, 22 April 2024

Bundaberg

MONDAY, 22 APRIL 2024

The committee met at 9.04 am.

CHAIR: Good morning. I declare open this public hearing for the committee's inquiry into supermarket pricing. My name is Tom Smith, member for Bundaberg and chair of the committee. I would like to respectfully acknowledge the traditional custodians of the land on which we meet today and pay our respects to elders past, present and emerging. We are very fortunate to live in a country with two of the oldest continuing cultures in Aboriginal and Torres Strait Islander people whose lands, winds and waters we all share. With me here today are Ann Leahy MP, member for Warrego and deputy chair; Joan Pease MP, member for Lytton; Jessica Pugh MP, member for Mount Ommaney; and Tony Perrett MP, member for Gympie.

This hearing is a proceeding of the Queensland parliament and is subject to the parliament's standing rules and orders. Only the committee and invited witnesses may participate in the proceedings. Witnesses are not required to give evidence under oath or affirmation, but I remind witnesses that intentionally misleading the committee is a serious offence. I also remind members of the public that they may be excluded from the hearing at the discretion of the committee. These proceedings are being recorded and broadcast live on the parliament's website. Media may be present and are subject to the committee's media rules and the chair's discretion at all times. You may be filmed or photographed during the proceedings and images may also appear on the parliament's website or social media pages. Please turn your mobile phones off or to silent mode.

BLACKBURN, Ms Helen, Mayor, Bundaberg Regional Council

McPHEE, Ms Tracey, Councillor, Bundaberg Regional Council

CHAIR: Good morning to you both. I invite you to make an opening statement.

Ms Blackburn: Thank you very much to the committee for being here. My name is Helen Blackburn, Mayor of Bundaberg region. I am going to speak quickly because Ann said I did not have a lot of time, but she also said that you would probably have a lot of questions. Some of the questions that she has foreshadowed that you may have I believe might be answered in my statement, so if there is anything that you need me to go over again let me know.

I speak today on behalf of Bundaberg Regional Council and wish to make the following comments as per our recent submission. Council welcomes the inquiry and looks forward to the government adopting any recommendations made by the select committee that supports farmers and households in the Bundaberg region. I believe it should be noted by the select committee that Bundaberg is not only one of Australia's largest agricultural-producing regions but also one of the most socially disadvantaged and pension-income-reliant regions in Queensland. These factors expose our region inequitably to both the cost-of-living crisis and the unfair pricing behaviours of the major supermarket retailers towards our growers.

Each season Bundaberg farmers dump large amounts of produce that could otherwise reach supermarket shelves in Queensland. In January 2024 local producer Trevor Cross dumped 20,000 tonnes of pumpkins grown for retail supermarkets. Other local growers have expressed to council that one of the issues relating to rising prices of fresh food are consumer expectations set by the supermarkets for perfect, blemish-free produce. This reduces the volume of produce that is made available to consumers, as B-grade produce is not accepted by supermarkets from growers. If the major retailers could educate consumers about the nutritional and taste equivalent of blemished produce, this would significantly increase the volume of produce that could be supplied to supermarkets by the Bundaberg growers. This would in turn place downward pressure on prices through increasing market supply. There needs to be recommendations made to the government for new policies and market-based mechanisms to encourage the supermarket supply chains to utilise produce that is currently wasted. This would increase revenue and profitability for growers in Bundaberg.

In January 2024 Australia's leading consumer advocacy group Choice made a submission to the Australian government regarding supermarket pricing. Council supports a number of recommendations from this submission that would help level the playing field for consumers, including Bundaberg

compelling major supermarkets to publish historical price information to allow consumers to track pricing changes over time; a ban on misleading promotional tactics; strengthening and enforcing pricing requirements so consumers know what they are getting for their money; mandatory standards for clear and consistent pricing information; and requiring supermarkets to prominently disclose the change in price or size of a product. Those recommendations would improve transparency in supermarket pricing and assist households in Bundaberg when making choices at the supermarket.

Bundaberg farmers have expressed to council the large discrepancies between farm gate and supermarket prices. While some growers acknowledge the role major supermarkets play in storing, distributing and selling produce, many have firsthand experience with inflexibility in the negotiation of prices with supermarkets. For example, as labour and fuel input prices continue to rise for growers and supermarkets, there have been examples where local growers have been expected to reduce their margins to ensure shelf prices remain competitive for consumers while supermarket margins remain inflexibly high. An onus needs to be placed on supermarket retailers to share margin loss in situations where lower prices are being demanded by consumers.

Bundaberg is one of the most socially disadvantaged and pension-income-reliant regions in Queensland. Given this, the Bundaberg region requires special attention by the committee when formulating its recommendations to the government. Examples may include additional cost-of-living support for disadvantaged households in the Bundaberg region. Similarly, industry support programs that help diversify farm incomes would also assist our region's farmers to increase profitability. With regard to where profitability of local producers is being squeezed by the major supermarkets, local growers have told us that that often occurs through farmer-supermarket contractual arrangements. For example, costs such as marketing and promotion of produce are often pushed to growers. This type of cost should be a shared cost between producers and supermarkets. The committee should recommend a state review of the contractual arrangements between farmers and supermarkets to ensure fairness and equity. New model contractual arrangements could then be mandated between growers and supermarkets if the review identified an issue.

For the region's producers, greater transparency in supermarket behaviour is also required to support local growers. Council has heard examples from local growers where, after putting produce in transit, they were then advised the price to be received at the destination, and this is unacceptable. Had the grower known the end price, they would not have loaded the produce into the trucks given the eventual price did not cover the production and transport costs. Supermarkets and wholesalers should be required to provide greater price certainty to growers to avoid the above situation. In that example, price certainty for three to seven days would have avoided a significant financial loss by the local grower.

Finally, the select committee should review findings from all other recent inquiries into supermarket pricing and cost-of-living pressures facing Queenslanders and, where beneficial to our farmers and households, incorporate them into its recommendations to the government. Thank you very much for the opportunity to present this morning.

CHAIR: Helen and Tracey, you are both born and bred Bundy locals. You have seen Bundy transform over your years. Maybe just as a bit of an opening picture, how has Bundaberg diversified from cane to small crops over your time and how do you think that has changed the shape of the local economy in terms of agriculture and horticulture?

Ms Blackburn: I do not want to speak for Tracey, but both of us have worked in the fields as young people.

Ms McPhee: I grew up in a packing shed.

Ms Blackburn: And I grew up in a tomato field. We have always had small crops, to my knowledge. I was 10 when I started picking tomatoes and Tracey was eight when she was working in the packing sheds

Ms McPhee: I was going to say it probably has not diversified from cane and small crops. I feel like it has always been cane and small crops for the last 50 or 60 years, but it has diversified into tree cropping more recently.

CHAIR: Is there any general comment about how you have seen that change in terms of the local economy? Where we have seen greater investment into tree crops, have we seen that suffer at the hands of small crops and cane, or do you think that is playing a role in terms of the pressure that growers are facing where they are susceptible to more weather conditions when we talk about tree crops and so forth? Do you feel that is putting more pressure on our farmers and that they then do not need the added pressure of the supermarkets coming over them?

Ms McPhee: Absolutely. The tree cropping only came here when we got secured water through Paradise Dam, so that is potentially going to be adding more pressure to the tree croppers. Small crop growers can choose to plant depending on what the weather is doing. The trees are in the ground already and they need water all the time.

Ms Blackburn: Further to that, when you are talking about the pressures on our agricultural industry and the small croppers in our region, they have problems with securing pickers and farm workers and I know that we have a lot of seasonal workers who come in from overseas, but that does leave them vulnerable if they cannot get the required number of staff that they need to be able to adequately pick that crop.

Ms LEAHY: Thank you, Mayor and Deputy Mayor, for coming to us today. You talked about small crops and then there are tree crops as well and obviously those tree crops need water throughout the year to sustain them. Have you seen the cost of irrigation water increase at all?

Ms Blackburn: I am going to have to take that question on notice.

Ms McPhee: The cost of electricity has definitely increased—the cost to power the irrigation. I do not know about the actual costs of the water.

Ms LEAHY: Do you have any figures at all that you have heard from people in relation to the increased energy costs?

Ms McPhee: I just know from being in small business 10 years ago that our electricity costs increased 30 per cent and there have been more increases in the last couple of years, but I do not know to what percentage. If that is happening in small business it is certainly happening in the agricultural sector.

Ms Blackburn: There has been a real push by AgForce to try to mitigate those energy costs across the agricultural industry and I know that they made a concerted effort, and they had a bit of a win with that, but I could not give you the details of that. Hopefully you have some other people coming in today who will be able to speak to that matter.

Ms LEAHY: Across the community are you seeing any uncertainty around water access because of the impact of Paradise Dam? Is that affecting confidence in your community?

Ms Blackburn: I think we are seeing a pulling back of confidence. As Tracey has mentioned, the trees are in the ground already. Once they are in there, you are stuck and you have to find the water allocations that you require to keep them flourishing. I would say that that lack of confidence is potentially in starting something new, going into tree cropping and looking at how big the tree-cropping process could be for particular parts of the industry.

Ms LEAHY: Is tree cropping as labour intensive as small cropping? You said that picking tomatoes is heavy work, so is tree cropping as intensive or is it more mechanised?

Ms Blackburn: Very mechanised, so the comparison would be less than one to 100. You can have tree cropping over many hectares and only require 15 staff.

Ms LEAHY: Whereas if you had tomatoes?

Ms Blackburn: If you had tomatoes, you would have in the range of 300 or 400 staff.

Ms McPhee: It is difficult, too, because you only need that many staff for a certain period of time when you are picking and packing. When the crop is growing you may not need that, so getting your labour force is difficult because of the nature of the work. You cannot keep them all on all of the time because there is just no work to be done.

Ms LEAHY: Has that been difficult for this region, because I know, for instance, that in Mareeba it has been very difficult?

Ms McPhee: Absolutely. When COVID came, we lost our entire workforce.

Ms LEAHY: I know the Lockyer Valley struggled as well.

Ms Blackburn: We are really reliant on those seasonal workers who come in from overseas— from the Pacific Islands, Vanuatu and Fiji. We are definitely reliant on them. They become a part of our community. They are on the nine-month visas, but some of them stay here anywhere up to two decades.

Mr PERRETT: Thank you to both the mayor and deputy mayor for being here this morning. Obviously we touched on agriculture production and ultimately viability. Something I am interested to hear from council, particularly given my background with council, is in and around land use planning and that interaction between council and the state and the impact that that may be having on the

confidence of agricultural producers with regard to land values and conflict between urban growth and agricultural production and having that certainty in and around that. Are you seeing additional pressure particularly where there are financial impacts on farmers looking perhaps to sell that land that has been under agricultural production for a long time into other markets and potentially being taken out of agricultural production?

Ms Blackburn: I am going to take that as a question about valuations and the particular land use. Our planning scheme obviously is what directs where we are having our urban growth. By and large, we do not look at agricultural land as land that can be used for future use unless it is very close to our urban areas. In terms of cost imposts—either what development or different development of our agricultural land is—we have had valuations just come in. For our agricultural industry, in 2020 those valuations went up by up to 235 per cent and this valuation period they have gone up by a further 50 per cent. Most of that is not anything to do with the development industry or any urban spread but more to do with the increased value of the cropping that is occurring on that land.

The tree cropping that the deputy mayor spoke about is to do with macadamias, which are a more high-value product, and that has put a lot of pressure on land values. That up to 235 per cent increase that happened in 2020 was directly as a result of purchasing-up for tree-cropping purposes, so a lot of cane land was purchased for tree cropping for macadamias. That has put a lot of pressure on our agricultural industry as a whole because, if you did not sell your land for tree cropping or move into tree cropping, you now have valuations that are much higher and in line with that tree-cropping value even though you are still doing sugar cane. That of course puts a bit of an onus on the council and the way that they are rating that industry, which is something for us to be concerned about, but thank you for your question.

Mr PERRETT: The reason I asked that is because in the region that I represent I am seeing land that was under agricultural production now moving out based on lifestyle as opposed to anything else. That is placing pressure on production—particularly, as you mentioned, the cane industry in this region—in respect of growing volumes. I think most sugar mills or processors like to see growth, but you have seen that shift from some cane land into trees and how that is affecting confidence within the agricultural community just generally when farmers move out from properties. That is why I asked that question about whether you are seeing that lifestyle component moving into this region as well.

Ms Blackburn: I think we do have some of our larger growers moving to one side because we have multinationals and superannuation funds—international superannuation funds—coming in and buying in to the region. It gives you a level of confidence in the region when you have multinationals or international superannuation funds coming in to purchase up big swathes of tree cropping, and that then allows what could be generational farming or farmers to move on to do something else. To your point, that would be my comment.

Ms PEASE: Thank you very much for coming in and talking to us today. My question is very simple: for those people out there watching today who do not understand the difference between tree cropping and other cropping, can you explain what tree cropping is and what sort of produce it produces?

Ms Blackburn: Tree cropping is anything that grows as a tree and then crops, so you have macadamias, mangoes and avocados—the three primary tree crops that we would be growing in our region. Everything else is a small crop when it is grown on the ground in that it operates for a season and then we plough it in or pull it out—pumpkins, tomatoes, zucchinis, capsicums and those types of things are our small crops—and then of course we have cane.

Ms McPhee: With your tree cropping in terms of your return on investment, you do not get anything back for four to five years, so it is a very long-term return on investment.

Ms PEASE: Yes, and I know that at this time, particularly with avocados and macadamias, there is a glut in the market, so there is a very low return rate on them.

Ms McPhee: Yes, I think macadamias have started to come back up a little bit.

Ms PUGH: Thank you very much for your submission. I want to turn first to page 2 where you talked about the need for the government to make new policies and potentially look at some market-based mechanisms to encourage supermarket supply chains to utilise produce that is currently wasted. I think this is a really good point, because obviously we know food wastage can happen at home, but there is also probably a significant portion of produce that is wasted either because it never gets to market or, at the back end, the supermarkets may be throwing it out as well. I am keen to hear if you had any thoughts around what that sort of policy or what those mechanisms

might look like, because I think it is a really good point you raise. Is there anything you wanted to put to the committee in that space? Alternatively, I am happy to run you through some things that have happened in other countries.

Ms McPhee: I do not know exactly about that, but the Woolworths and Coles websites, for instance, step it out in fine detail what they will accept for a banana—the curvature, the colour, the spots, the length. It is the same for every piece of fruit and vegetable. We all know that just because something looks like something on the outside does not mean that that is what it looks like on the inside. I think there needs to be a big education piece. I think that that needs to be changed. The mayor spoke earlier about produce not even getting to market. I am of the belief that the farmers are in contracts with the big supermarkets. If they are not taking their produce, the farmers are not even allowed to sell it anywhere else. I believe that possibly they are not even able to donate it—I would need to get clarification on that—but those points need to change because that produce could be used locally by food banks instead of letting it rot on the ground.

Ms PUGH: Can I then extrapolate from what you have just said that you would like to see farmers, especially in those instances of wastage that we have read about in multiple submissions, released from those exclusivity contracts?

Ms McPhee: Absolutely.

Ms PUGH: Great, albeit being able to donate to one of those fantastic food charities like OzHarvest, Foodbank or similar?

Ms McPhee: Yes.

Ms Blackburn: For those farmers in the region who have the seconds produce, they would generally be selling that at the farm gate or at local markets, which I know the member for Bundaberg and myself have been at for many months—many months for me but many years for him. They cannot sell it all. We cannot sell all of the seconds locally. There is just too much produce to be selling it just locally, so it does need to be considered that the supermarkets take on some of that burden from the region. Maybe they should have a dual pricing system for seconds versus first grade, because that would help with the cost of living.

Ms PUGH: Absolutely, so you are talking about the odd bunches in the supermarkets, but all members of the committee have noted that it is a fairly small section of the supermarket.

Ms McPhee: We call that virtue signalling.

Ms PUGH: Virtue signalling. I know that I go there, but it is hard to find, isn't it?

Ms Blackburn: Yes, as opposed to having first grade there and second grade beside it and a different price for each potentially.

Ms PUGH: So side by side, yes. Okay; great.

Ms PEASE: Just for clarity, the member for Mount Ommaney made a point with regard to being released from their contractual arrangements with supermarkets. Are you saying that they are not able to make a decision with the disposal of their items?

Ms Blackburn: That is true.

Ms PEASE: They are actually locked in if they have an oversupply or if Woolies decide that they do not want it, so the farmers have no say what happens?

Ms Blackburn: They have no say.

Ms McPhee: Correct.

Ms Blackburn: I am hoping that you have submitters who are coming in who are primary producers in our region. I am expecting that you would. They will be able to speak to that far more knowledgeably than we would, but our understanding is that, absolutely, the contracts disallow them from being able to sell on that produce to others.

Ms PEASE: You mentioned in your opening statement about the cost of getting it down there and then if they decide that they do not want it the farmer would have to then be liable for the cost of getting it back and disposing of it.

Ms Blackburn: Yes. The farmer that I have mentioned in my submission, Mr Cross, last year alone lost \$9 million, and that was all due to the supermarket and the contractual arrangements. It is extraordinarily difficult to stay in business if you have to underwrite the major supermarkets.

Ms PEASE: The possibility of a loss?

Ms McPhee: Yes.

Ms PEASE: Someone making a decision.

Ms Blackburn: That is why on my first day as mayor I asked for a submission to come to you because I feel so passionately that we need to look after our region and look after the agricultural sector within our region. That is the beating heart of who Bundaberg is as a region—agriculture. That is what you drive through every day—our canefields, our small crops and our tree crops. For me, we must try to do as much as we possibly can to keep them viable.

Ms PEASE: Thank you. Sorry to interrupt, but I just wanted to clarify that.

Ms PUGH: Not at all. At the bottom of page 3 of your submission you say that price certainty for three to seven days would avoid the situation that you call unacceptable where growers are loading items on to trucks and then in transit getting told that they are getting a much lower price. I was in the restaurant game for many years and to me that is like sending a rib fillet out to the table and then getting told as it is on its way to the customer that they are only going to pay \$20 instead of the \$40 that is on the menu. I do not understand how growers can operate with that kind of uncertainty.

Ms Blackburn: It is definitely a concern, as I have said. How can you operate with that lack of certainty? You have had to put the crops in the ground, and you have had to make sure they have grown adequately well with whatever nutrients you had to put in there to make sure you get a good crop. You have then had to pay someone to pick it and pay someone to sort it and pack it, and then you have had to put it on transport in good faith, and then to lose out. You will hear about it today.

Ms PUGH: All you are really asking for there is a price certainty that goes between three and seven days. That would basically ensure the growers were able to have the certainty they need to keep their businesses viable.

Ms Blackburn: Yes. When they are picking, they are generally picking in the two days before they are about to pack and send. To ensure the produce is fresh for everybody, that process of picking, packing and sending is very short, so the three to seven days would work for our region, I believe.

Ms LEAHY: I want to talk about two things. The first is about seconds, which I think is really important. For the second issue, I will use Trevor Cross as an example. Where did he dump those pumpkins that he had to dump? Given this is council, they do not go to landfill.

Ms McPhee: They do not go to landfill. They get ploughed back in.

Ms LEAHY: Okay. If any dumping does have to occur, it actually gets ploughed back in?

Ms Blackburn: Yes, back on the farm.

Ms LEAHY: In relation to the contracts that the farmers cannot be released from, are they contracts for fruit and veggies that are going to Woolies and Coles and they cannot be released from them so that the avocados, as an example, can be used by somewhere that makes avocado oil? They cannot then be released for a secondary use?

Ms Blackburn: Not to my knowledge.

Ms McPhee: That is to my knowledge as well, although I would not swear my life on it.

Ms LEAHY: Are there any secondary processes in this region for those seconds—like people who make macadamia nut oil or avocado oil? Is there that value-adding?

Ms Blackburn: We do not have oil makers, to my knowledge, but we do have freeze-dried processing that has just occurred last year which allows for the strawberry industry to use seconds to go through that freeze-dry process. People do not want strawberries that are blemished because they are soft et cetera, but if they are freeze-dried you do not notice. That has occurred recently.

Ms McPhee: Austchilli process all of the avocados that you buy in the tubes from Woolworths. Simpson do chargrilled vegetables. There are a lot of value-adding opportunities in our region.

Ms LEAHY: Has there been much investment in those opportunities? Is that all private investment? Has there been any stimulation from federal or state governments for that investment that you are aware of?

Ms Blackburn: Not that I am aware of in those processing facilities. Macadamias Australia did receive some funding for their value-add for macadamias, but that is as far as I understand it.

CHAIR: I might just add to help answer that as well. AvoFresh through Austchilli received I think about a million dollars in state government grants. We will have one last question.

Mr PERRETT: I know you were talking earlier about fixed costs, like fertiliser and electricity, and the impact that is having, particularly on those horticultural businesses, being pumping of water and obviously cold storage. They are significant increases. What are your thoughts and suggested solutions to that from what you have observed, if you have any? I know it is a significant issue generally but particularly with electricity costs.

Ms Blackburn: I would have to say that I have not thought of what the solution is. If I had that magic wand and had the solution, then I probably would not be sitting here. For me, I do not know. I do not believe there is a singular solution to the problem that our farmers are facing with their fixed costs. I think it needs to be a deliberate attempt by all parties to get together and look at the possibilities.

Ms McPhee: If I may just add a couple of statistics, the mayor spoke to our large pension base and disadvantage. We have 25 per cent of our rate base here in Bundaberg on some type of pension, whether it be disability or aged, and 10 per cent of our population need assistance with core daily activities. This is generalising, but often that demographic of people are low socioeconomic as well. We have the highest rates of domestic violence in the state here in Bundaberg. Cost-of-living pressures are obviously not the only cause of domestic violence, but they certainly add to the pressure of those relationships. As far as statistics go, our people in our region certainly need to see some relief at the cash registers when they are doing their groceries each week.

CHAIR: Thank you both for attending. There was one question on notice about whether there has been an increase in the cost of irrigated water.

Ms Blackburn: If you have any grower groups coming in here, they would have that information to hand so they would be able to speak to that probably more adequately than council could.

CHAIR: Member for Warrego, would you still like that question on notice?

Ms LEAHY: No. Let us just ask the grower groups because they will have the answer.

CHAIR: Okay. Thank you both for attending.

SAYRE, Mr Tim, President, Bundaberg and District Chamber of Commerce

CHAIR: Welcome. I invite you to make an opening statement before we go to questions.

Mr Sayre: Thank you very much for the invitation to appear here today. The Bundaberg and District Chamber of Commerce represents the interests of the local Bundaberg business community, regardless of size or sector. From the outset, let me reiterate that the chamber believes that in a free market economy such as ours no government should have the power, capacity or ability to determine what price a business is able to charge a consumer for their product or service. The ability to determine a price for a product or service is a basic business principle and a fundamental value of our capitalist-based society. We also believe that it is the right of every business to generate profits—profits that businesses are using to pay for their increases we have seen in wages and salaries, insurance, electricity and interest rates. It is profit that stimulates business growth and generates employment opportunities. In some of our regional areas, it is the local supermarket that can be the largest employer in that community.

It is also the right of a business to protect profit margins in order to stay in business. Should prices become too high, consumers correct the market by looking elsewhere for goods and services, including groceries. We would suggest that grocery prices, like many other goods and services, have risen due to the economic headwinds and ongoing inflationary pressures seen both here and overseas. We also believe that our farmers and primary producers have accepted low prices for their product and produce for far too long. This has resulted in financial stress and mental health issues—the cost being business failures, family breakdowns and lives lost.

The agricultural sector is a complex market, one that has experienced price volatility since the first crops were grown and the first cattle were domesticated. It is a volatility that Bundaberg knows well, with the impact of fluctuations in the sugar market well documented. It is a market that is influenced by many factors, and our supermarkets are the last link in a complex supply chain that starts with our primary producers. We would suggest to this committee that it is the central wholesale markets where the issue of unfair pricing starts and needs to be addressed. It is also at this point where price can be influenced by industry purchasing power and economies of scale—something that was seen in the \$1 milk wars of 2011.

To counter these influences, the Bundaberg chamber would propose that the government establish an independent body made up of industry representatives, one that would be tasked with determining a fair farmgate price for a set of essential produce. It would consider input prices, production costs and supply chain handling in order to set a recommended minimum wholesale price for identified perishable and essential produce over a six-month period. The body would identify the profitability in the supply chain market for all identified products able to be met, bringing certainty to primary producers while ensuring that the conduct of wholesalers and retailers in negotiations with Queensland producers is fair, transparent and profitable.

With regard to the variability of supermarket offerings and pricing across the state, the chamber would suggest that the biggest cause of this variability is the increased cost in transportation to areas outside the central wholesale markets, many of which are located in the south-east corner. In the last 12 months alone, Bundaberg businesses have reported increases of over 200 per cent in transport costs. We would suggest that diesel price relief for transport companies would not only assist regional Queensland communities to see a reduction in grocery prices but deliver reductions in the price of a wide range of products, produce and services.

In summary, the chamber would recommend the following: first, the Queensland government establish an independent body to identify perishable produce and products for whom setting of a fair farmgate price is deemed as essential for the Queensland economy and necessary for the continued production of that product or produce. The make-up of the body would include relevant parties, including growers and producers from the sector, relevant grower groups, agents and central market buyers. The body would establish a fair, transparent and profitable price for the next six months. The second recommendation would be that the Queensland government explore options for a reduction in diesel price for transport companies and owner drivers who transport goods and produce throughout Queensland to assist with the lowering of prices in remote communities across the state.

CHAIR: Could you explore that independent body further? Would it be something that is legislated and members of that board are appointed by the minister? How do you reflect the great diversity between regions across Queensland?

Mr Sayre: That is what we are elaborating to. The independent body would be appointed by government and would be made up of those people who are essentially involved in that section of the entire supply chain—that is, the growers and producers from those sectors that the produce has come from, grower groups, agents and so forth who are in that centralised marketplace.

Ms LEAHY: Thank you for coming in and addressing us today. I am curious to know if you have any bakers who are members of your Bundaberg and District Chamber of Commerce.

Mr Sayre: I believe we do, yes.

Ms LEAHY: Have you heard anything from them in relation to the increased costs to their businesses due to food labelling changes? Do you have any businesses other than bakers who are really struggling with those food labelling changes?

Mr Sayre: Yes. Even though there was a grace period or a period of time where it was coming in, they are finding that a lot of their labelling is no longer compliant. Some of them are small businesses that did not have an awareness of this happening until it did. That is back on them to be informed, but more can be done. Many are now looking at the profitability of their business to become compliant and the changes that they need to make. We have one in particular which is looking to destock many items just so they can become compliant in the shortest possible time. It is a significant issue that we are facing in some of those sectors at the moment.

Ms LEAHY: I will use bakers as an example because I am sure you have heard from them as well. The wrapping for bread is no longer compliant, so they actually have to dump all of those packaging materials.

Mr Sayre: Yes. The costs are significant and they flow on through many sectors. One that we have been working with is a health food type shop. In just their packaging alone, in order to become compliant the label no longer fits on the product. It is things like that that are significant costs in overheads to our businesses. They are throwing out good produce. It is changing components within your business for significant costs.

Ms PEASE: Thank you for coming in and thank you for the chamber's submission. How many members do you have in your chamber?

Mr Sayre: We have approximately 260 members.

Ms PEASE: What is that made up of? Do you have any primary producers who are members?

Mr Sayre: Yes, we do.

Ms PEASE: What sort of producers are they?

Mr Sayre: We have some small crop producers such as tomato growers and so forth. It is not a big number. We are predominantly small and medium enterprises and we have BFGV that looks after our fruit and vegetable growers. We do have a couple in the chamber, yes.

Ms PEASE: In terms of your support for small business, how did you put together this submission? Did you put a survey out to your members?

Mr Sayre: We interviewed a spattering of our members. Obviously we do not have the opportunity within the time frame to go out to all our members. We discussed what several options might be to come to some sort of recommendation for the committee and canvassed a generalisation of our membership. That might be the way to put it.

Ms PEASE: In terms of the development of your membership, do you provide any training for business modelling, how to work out what your profit and loss is going to look like?

Mr Sayre: We actually partner with Regional Business HQ for some of those things plus we are also in partnership with Brisbane Chamber Queensland, which offers some of those services as well. So yes, but through other parties.

Ms PEASE: Back to the questioning in your survey, did you engage with some of the primary producers?

Mr Sayre: I believe we did but I could not tell you who.

Ms PEASE: Could I perhaps get that as a question on notice? Would that be possible?

Mr Sayre: Sure.

CHAIR: I am happy to take that as a question on notice—that is, which primary producers and chamber engagement in relation to the submission. Just noting that this and any further questions on notice need to be back by Tuesday, 7 May. The secretariat will set them out for you.

Mr PERRETT: Thank you to the president of the chamber for being here. I will focus on a couple of issues that directly relate to the chamber and your membership, and you mentioned them in your opening address. You explained very well about the transportation, the diesel costs and your thoughts around that. The other two I would really like to hear from you about is around electricity and insurance costs of your members, with some of those being primary producers. I also noted that the major retailers, being Coles, Woolies and others, are not immune from those costs either. I would like to hear a little more around that in respect of the increases that they are experiencing and the pressure that is placing on their profitability and whether you have any suggestions with respect to how they are trying to mitigate that and what governments should be doing around that to try to lessen those costs.

CHAIR: I will note before the answer that it is going a little bit outside the scope. However, I will allow the president to answer that. In future, questions need to relate back to supermarket pricing and matters further outlined. I will allow Mr Sayre to respond to that.

Mr PERRETT: Chair, I am directly responding to what the president raised in his opening statement. I think it is fair I ask about those given that they have raised that as an issue.

CHAIR: I am flagging that it is starting to get to the point where it is straying slightly, but I am very happy for the president to answer that.

Mr Sayre: Let me answer your insurance question part first. Insurances in our community for a number of years have been increasing. We are seeing more and more businesses that are actually looking to overseas firms to get their insurance. We know we have businesses in town that cannot afford insurance and are operating without insurances. We have heard from sources within government that in Queensland one in four businesses does not have WorkCover insurance. Insurance is a significant cost that some businesses are going without. What that number is at the moment within the Bundaberg region we are still working through.

With regard to electricity pricing, electricity has become the second greatest outlay behind wages, overtaking rent for a lot of our businesses. Everything has been mounting up on our businesses, reducing our profits. It is that culmination of costs that sees one of three things happening, and that is a raising of prices regardless of what the business is, a diminishing of services or a closing of the business in general. In the quarter to September 2023 we lost 90 businesses in this region. It is something that is starting to have an impact on us. We are monitoring carefully how businesses are going forward with all of their price points and inputs into their businesses such as power and so forth.

Mr PERRETT: I move now to another topic but one that was covered clearly in your presentation about the independent body—and I know other members have asked about it—to review or look at certain things. Two things: do you believe that this regulated body if it is appointed by government should have regulatory powers to be able to set minimum prices? If so, should it have statutory authority then to be able to do that?

CHAIR: I am going to allow the question. In the wording you mentioned 'should', which is seeking an opinion. Perhaps, Mr Sayre, you could respond to that by saying in your view what powers the regulatory body should have.

Mr Sayre: Sure, not a problem at all. Again, with regard to anything that is able to set a minimum price and so forth, what we looked at is what might be a possible way to ensure that our primary producers are able to receive a fair price for the products and services they produce or products and produce, bearing in mind that anything that sets a minimum or anything that involves any sort of price altering and so forth will have an impact to the end consumer. Even though we have suggested this, it is with trepidation simply for the fact that what we have attempted to do is identify a solution that will help our primary producers. As we saw from the Premier the other day with the tomato grower, the watermelon growers and so forth, it is cheaper to leave the crops on the vines or on the ground, which is not something we want to see. We want to see that our producers are able to pick their products, take them to market and receive a fair price.

Should that have statutory powers? I would leave that up to the powers that be. We would see this might be something that would be of a temporary nature or something that would be set for industries that are in danger of collapsing and so forth as a support mechanism for some of those.

I go back to the instance of the milk wars of 2011 where we saw the number of dairy producers diminish right across the state. If we were to see something like that again, that would be an area where something like this could be instigated in order to protect Queensland's ability to produce some of those produce and products. In terms of powers and so forth, it would need to have some sort of

legislative power behind it to be able to identify the minimum price that could be charged for something and how that might then flow through the market. I leave that up to people who are far more involved in these things than me.

Ms PUGH: Thank you so much for making the time to appear before the committee today. In paragraph 2 of your submission you talk about the ability of the business to set a price for a product or service that is of fundamental value to our society. I am really interested to hear your thoughts as to what extent you think our growers are having to take prices rather than make prices. In large part they are dealing with two major corporations in Coles and Woolworths versus a much more large and diversified market that we see. For instance, if I want a plumber, there are five I can call in my suburb. If I want to go to the grocery shop, like most Queenslanders and Australians, I have two options. What impact is that having on our growers' ability to charge a fair price for their produce?

Mr Sayre: We know it has a significant impact on them and we have seen it for many years. That is what I was trying to say with the volatility around the market and also those influences from the supermarket chains in that price setting. Even though the chamber is opposed to any sort of price setting, we recognise that something needs to be done to ensure that our farmers and our growers are actually able to receive a fair price. That is why we have suggested that we would look at setting some of these prices at the wholesale centralised market in order to minimise some of that impact and that influence by our larger supermarkets. They would be able to purchase those sets of products at this particular price. What they put it on the shelf for is down to their own profitability margins and so forth. What they purchase it from at the wholesale supply end should be at a price that enables our growers and producers to be able to produce those products at a sustainable price for that sector and industry.

Ms PUGH: Absolutely. I note in your submission you say that for many remote areas of our state the local supermarket can be the largest employer, and that effect would certainly be bolstered by the fact that there are only two major players in the market. Would you like to see more competition in the supermarket space? Do you think that could have a positive flow-on effect to growers and to consumers as well?

Mr Sayre: In some of our smaller communities it is not Woolworths and Coles that are out there; it is the FoodWorks, the IGAs and those sorts of ones that are locally based supermarkets. In our larger centres, we tend to find that we have price differences in different suburbs or you have a third choice, which is Aldi or again FoodWorks and IGA. We are quite lucky in somewhere like Bundaberg.

In terms of how that might translate into some of the smaller communities where there is only one supermarket and that is it and some of our more regional and remote communities, I do not know whether increased competition in those areas would work. I do not know if there would be the population to sustain more than one business. That is my concern with that one. There might be a possibility in some of our larger rural towns to see more than one, but again that would be something that would be driven by market. We do know that we see people from outlying regions who travel to Bundaberg to do their larger shop. They pick up the day-to-day stuff but they will come to the areas like Bundaberg to do their larger shop.

In our smaller areas and, in fact, even in places like Bundaberg, I do not think there is an ability to increase competition to have the effect that you are hoping for. Again, it comes back to that wholesale price and what can be done there and then how that is marked on and put out on the shelves. We did suggest in our submission that there might be an ability there for supermarkets to identify what the mark-up is that they are putting on those prices. In relation to the independent body that we are talking about, there might be the ability for consumers to find out what the wholesale price is and then determine whether the mark-up that the supermarket is putting on is appropriate or not. That would then allow them to shop around, again, by going to other locations, other communities and so forth.

Ms PUGH: My concern is in large metropolitan areas where you have two players dominating the market; shopping around can only get you so far when you are going between Coles and Woolies.

Mr Sayre: Absolutely. Competition is good. To hark back to your example of plumbers, it is very hard to find a price difference between plumbers at the moment. They all seem to be really expensive.

Ms PUGH: They are your words, not mine.

Mr Sayre: Again, it is those market forces that set it and people have the ability to shop around as much as they can. As I said in terms of rural and remote communities, when I was a kid growing up in the coalfields we used to go into Mackay and so forth to pick up the grocery shopping and pack it into eskies and so forth to get cheaper prices. There are things that people can do. It may not be in their local area, but it is certainly something that they have the ability to do.

Ms PUGH: Shopping around. Thank you.

Ms LEAHY: Do you have any independent fruit and veggie shops across the district in your membership?

Mr Sayre: I do not think we do. I think in town we only have about two or three. We had one close down for reasons late last year, but I do not think they are members of the chamber. I would love them to be, but I do not think they are members of the chamber.

Ms LEAHY: So there are independent fruit and veggie shops. You talked a lot about transport. We are in the heart of fruit and vegetable production here and I would have thought that those independents would have been reasonably competitive against the major supermarket chains.

Mr Sayre: They are. A lot of it comes down to, I suppose, convenience for people. You talked about bakers, butchers and so forth. A lot of people go to Woolworths and Coles because it is all in the one shop. You get your bread, you get your meat, you get your fruit and vegetables and you substitute, in some examples, quality for your ability to be able to pick it up right there and then. We probably need to do a lot more to encourage people, but in some respects it is probably easier to hold back the tide than change people's attitudes when it comes to doing that type of shop. Convenience is a wonderful thing. It is all well and good to say, 'I'm going to go and pick up some bananas', and that sort of stuff from the independents, but when you are walking past them in the supermarket the temptation is to pick them up and put them in your bag.

Ms LEAHY: That leads to my next question: are planning laws favouring convenience over cost? I know—and I will use meat as an example—that the local butcher is consistently below the cost of Woolies and Coles. Is it planning law when those developments are done that maybe is favouring convenience over basically better value for consumers?

CHAIR: You are referring to competition laws?

Ms LEAHY: When a developer comes in and plans, there will be Woolies and Coles and then they will have the pharmacy, they will have the baker, they will have the butcher. They will all be in the one whereas in the past it used to be you did not have those large developments and you had the butcher, the fruit and veggie shop and then you had your non-perishables. I am curious to know what your view is.

Mr Sayre: We are quite lucky here in that our most popular shopping centre, being Hinkler, has our two independents basically across the road. We recently also have been involved in a promotion of small businesses on our radio stations and the butcher that won best butcher was one that is not near a shopping centre. I understand what your question is, but we are quite lucky here in that we have some very strong centres of shopping. It is just, again, I have to go from one car park across the road to the other. It is that convenience that leads people to do it in the one shop. Whether we could bring those independents into shopping centres and that would be allowed in their competition rules and their rentals and so forth, that is something to be seen.

CHAIR: We very much do appreciate you coming in. We do have one question on notice. As I mentioned earlier, if your response could please come in by Tuesday, 7 May 2024. The secretariat will be in touch with you around that. Do you need that question on notice repeated?

Mr Sayre: No. We will get that to you.

HANSEN, Mr James, member, Bundaberg Fruit and Vegetable Growers

McPHERSON, Ms Tina, member, Bundaberg Fruit and Vegetable Growers

RANDALL, Mr James, Chair, Bundaberg Fruit and Vegetable Growers

WATSON, Ms Bree, Chief Executive Officer, Bundaberg Fruit and Vegetable Growers

CHAIR: Good morning. We have all read your submission, but if you would like to give an opening statement before moving on to questions you may.

Ms Watson: Thank you very much for having us here today. First off I would like to thank the committee for choosing Bundaberg as one of the two regional areas for you to stop in and visit and speak to growers. We are the largest production region in Australia for five different commodities and we are the largest irrigated horticulture area in Queensland, so it is vitally important that growers get the opportunity to have a say in their home town. As much as we would encourage growers to travel to Brisbane for opportunities like this, it is incredibly difficult for them to do so and I know that you can greatly appreciate that.

In putting together the submission we did speak with many growers and it was met with mixed commentary. There are a number of growers that want it to be clear and say that they extremely value the relationship that they have with the major supermarkets and they have not had a lot of challenges, but there have also been a lot of growers that have had a lot of challenges over the years with dealing with the supermarkets. And, to be fair, sometimes there is a difference in the size of the businesses that are dealing with the supermarkets and how much of their business that relies on doing business with those supply chain partners.

As an organisation, we represent the fruit, vegetable, herb and nut farmers. We have been around since 1948 and we do have very much grassroots-led discussions with farmers. Based on the fact that there are a lot of people who are concerned to share their stories in a public setting like this, we have requested a closed session. I have spoken to a number of growers this morning who would be interested in attending that. I really do hope the committee takes that on board and if, I would say, you are quite genuine in your desire to hear from growers, I think it is important that we do have that opportunity.

CHAIR: Thank you for that. That is absolutely something that we want to make sure occurs. If growers need to give a private submission, we want to hear those stories. I will move to the deputy chair. Before doing that, I do need to declare that I have had the greatest strawberry ice cream ever at Tinaberries. I just want it on record that there is no bias there.

Ms LEAHY: You mentioned being one of the largest irrigated areas in Australia. We were talking earlier with council. I want to know about the costs of irrigated water, the actual cost per meg of water. Could Bundaberg Fruit and Vegetable Growers give us a bit of a thumbnail sketch of what has happened with the cost of irrigation water?

Mr Randall: From the point of view of irrigation, it is a cost, along with a number of other issues. For farmers it is more about security of water than it is actually cost. I certainly do not see it as a major component that drives the actions or has driven the actions of retailers, but it certainly is a cost and it is more about security. That is what I would say about it.

Ms LEAHY: How many megs per hectare would tomatoes use as opposed to a tree crop?

Mr Randall: I am an avocado and lychee grower.

Mr Hansen: Pretty much if you listed it out on an annual basis and you are double cropping those sorts of crops, melons and tomatoes, on a dry year almost everything works out to eight megs a hectare, give or take. Avos can be a bit more. On a crop of tomatoes it is half a year, but on an annual basis, in a drought year, you really need six to eight megs.

Ms Watson: I would say avocados are the thirstiest of the crops. We form part of the Central Queensland growing region, which is the largest region for avocados, and they can take up to 14 megalitres a hectare.

Mr Randall: The rule of thumb I use is 10.

Ms LEAHY: I want to come to the contracts that growers actually have with the supermarkets. We heard earlier that often the contracts are so tight that even if the product is rejected then the farmer cannot actually send that produce to juicing or somewhere else; they actually are restricted to having to basically dispose of that fruit and veggie product. Can I get a little bit of an understanding of the contracts?

Ms McPherson: I am not the person to answer that question because I do not supply the supermarkets. I would like the inquiry to know that I am here representative of the growers and my grower friends who I contacted last week and said, 'Will you sit before the inquiry?', and they said, 'No, absolutely not, unless it is a closed, anonymous session.' The people who do have contracts are very scared to say in public what they are really thinking. I am here as a grower of 18 years of small crops and now a tree crop and so I cannot answer specifically with regard to supermarket contracts.

I can answer specifically with regard to my experience as a passionfruit grower. We are no longer passionfruit growers because it was no longer viable to be a passionfruit grower. I will speak from a passionfruit rejection point of view. You send that produce to the Melbourne markets and if it gets rejected there is nowhere for it to go. You cannot tranship that to a juicing plant, whether that juicing plant be in Victoria or whether it be back up here at the Sunshine Coast. It is completely cost prohibitive to actually onship that to somewhere else. If the product is rejected, the chances are it is rejected based on one tray or one box or one carton in a whole pallet, or perhaps more. That is all they will look at. You, of course, have no control. You are here growing the product. That product is down there. So, no, you then pay for the cost of disposal of that product after producing it and shipping it. Just for the record, I am a strawberry grower and now a macadamia grower. Strawberries use about four to six megs of water per year.

Mr PERRETT: Thank you to the Bundaberg Fruit and Vegetable Growers for being here and your submission. I just want to touch on size of businesses and that then linking into viability. If you could just give the committee a breakdown of the issues that confront those businesses, particularly on their size, and then ultimately the debt levels that some of those businesses may be carrying and their long-term financial sustainability within the industry?

Mr Hansen: Sorry, but what question would you like answered first—the size of businesses?

Mr PERRETT: It was indicated earlier that obviously some of the larger businesses have a greater ability to be able to maybe manage through some of the price discrepancies and fluctuations that are there. Presumably the smaller ones may struggle, if that is the case, and then that linking that into your knowledge as a representative group of the debt levels that some of these growers may be carrying and the impact on their long-term viability.

Mr Randall: Rather than a globalised statement, I would like to deal with a specific statement that may start to answer some of your question. One of the key issues for us—and I am a medium to small grower—is the cost of compliance. Whether I grow 50 tonnes of avocados or five tonnes of avocados, I am required to have that compliance. That compliance started many years ago by a group of farmers who wanted to set some standards of fruit quality and fruit safety, and it started out with things like Freshcare. It was a very good system. Subsequent to that, many elements within the distribution chain got involved in making those standards much more complex, so each year a new set of standards or an additional set of standards came out which required training of people, certification of people, auditing and a large number of things. For me personally I have estimated that it is something in the order of \$20,000 to \$25,000 a year in terms of resource and time to be able to maintain my Freshcare certification. For me to sell into the larger chains, I must have that certification, so I am putting out \$20,000 to \$25,000 in order for a number of retailers to put advertisements on television about how green they are and how much they are doing about the quality of fruit coming through.

The next thing I would say is that somebody like Jamie, who services the domestic market and the overseas market, is required to have more than just that one thing. There are other standards as well that we need to meet, so if I bundle up all of those costs—for me it is \$25,000—that is a big issue for me. For a bigger guy who is producing thousands of tonnes a year, it is still the same cost. My solution to this is that somehow that cost needs to be spread across the distribution chain all the way through. I am certainly not proposing to change the distribution chains. That is great for us. Getting our product out there is great. We need the people within that chain to recognise that there are a number of people are making their living, particularly at the low end—the lower feeders, which is us—and that we do not want to go the way that the corner store has gone to find that there are no family farms anymore. I am not giving you that as the whole problem; that is a specific thing that I see as endemic across the chain.

Ms PUGH: I have a follow-up question on compliance, and I think it is a very quick answer. You are talking about compliance. Can you just clarify where that requirement is coming from? Is that part of your supplying arrangement with the major supermarkets, or is that a government cost?

Mr Randall: No. What happens is I sell stuff through an agent and the agent tells me that he cannot onsell that unless I provide him with a Freshcare certificate, a half certificate or whatever the requirement is. That is where it comes to me from my agent, but it is driven by who the agent is selling to.

Ms PUGH: Yes, thank you. I just thought that there will be lots of mums and dads at home watching who will want to know the answer to that.

Mr PERRETT: With regard to debt levels—and you may or may not have that—and viability, I am interested to hear whether you have as a grower group from your members an idea on the debt levels that they may be carrying and the impact that that will have on them in being able to survive if there are ongoing issues.

Mr Hansen: It is the same as the size. There is everything from hobby farms to corporates in this town, and the debt levels range the same way. The smaller producers struggle with what Jim talked about, but, likewise, the larger producers have a tiered management system on top of a system that is not making money, largely due to compliance. There are border issues, disease, flood, fire, famine. Farmers are used to that; we deal with that, but this compliance stuff is snowballing out of control. We have compliance for our food safety driven largely by supermarkets. We have OH&S driven by the government. We have reef regulations driven by the government. They are all almost identical, but they are all \$2,000 to \$5,000 to \$10,000 each to do plus what is becoming months of our time. It is ridiculous. In terms of debt levels, when things get tight, a small to medium farmer can do up their belt buckle, reduce their costs and hunch over to ride it out whereas the corporates are getting money from pension funds in Canada. They are taking over this district. The family farms in my area are disappearing as quickly as you can look at them.

Ms PEASE: I thank everyone very much for coming in and giving up your time today, particularly the growers who are here today. I can imagine it is not easy to get away from your properties. For clarity, I would like to try to understand the actual process, because we hear about going to the centre markets but we also talk about the relationship with supermarkets. Are there two ways of selling produce? Could someone explain that?

Ms McPherson: I am a small to medium grower and I am more than happy to give my personal opinion on the member for Gympie's question on my personal situation later on. With regard to supplying, as a small to medium grower we do not supply the supermarkets. We made a very deliberate choice many years ago to not supply the supermarkets because we had no control. We also grow a high-quality product and a high-quality product does not get the returns from the supermarkets that it deserves. To get a premium for a premium product, you need to be selling into a premium market. I am speaking as a passionfruit grower, which we are no longer because it was no longer viable, yet we grew five per cent of the nation's produce 10 years ago, so we were considered a large passionfruit grower.

As a strawberry grower, we were a medium grower. There is no such thing in Queensland anymore as a medium strawberry grower. It is not viable. We are a small grower. The reason that the chair of the inquiry has enjoyed ice cream at our farm is because the only way to remain viable is to actually move into agritourism, which has its own problems; otherwise we would not be in existence like many of the smaller farmers that I could name for you across Queensland who have gone out of business just this year. That does not answer your specific question. We chose to sell through agents. We are quite particular about the agents that we have used in the past. We want to get a good return, but we also want an agent who is selling into quality high-street fruit and veg growers—in our particular case, in the Melbourne markets. Melbourne buyers tend to be more discerning than New South Wales or Queensland buyers for their fruit and veg.

Ms PEASE: In that instance, I assume your agent goes to the market—

Ms McPherson: It will go to the wholesale market in Melbourne, yes.

Ms PEASE: Do you have to have the Freshcare certificates?

Ms McPherson: Absolutely, yes. That is an industry standard and has been. The cost of that compliance, as the other growers here today have attested, has grown exponentially. Six years ago you paid \$500 or \$600 and spent considerable time on your processes and then paid \$500 or \$600 for your compliance certificate and your audit. That cost has now risen to somewhere between \$2,500 to \$3,000 and many more weeks because the compliance is onerous. Freshcare is your very base level of food safety certification, and it is important as an industry to have some base level. Selling into the agents, I only required that Freshcare. If we had decided to supply the supermarkets, we would have possibly needed a higher level of certification, but these are the decisions that then cause

you to decide how much you are going to grow and how much you are going to supply. There are three tiers of grower size that you may or may not be familiar with. If you are at a certain tier, you require more certification to sell into the supermarkets. We deliberately made a choice not to do that because it is too onerous.

Ms PEASE: So can someone else then explain what happens with the supermarkets? Does the producer sell directly to a supermarket? You have a relationship with the—

Ms McPherson: You will either sell to an agent or a—

Mr Hansen: We have not done that either for the same reasons as Tina has done it, but there are direct supply contracts straight into the supermarket.

Ms PEASE: Okay, so that does exist?

Mr Hansen: Pretty much.

Ms PEASE: Some of your members would have that.

Mr Hansen: Yes. Some it goes there anyway because that is where the fruit gets sold.

Ms Watson: That is right. If they cannot pick up their full supply through direct supply, the supermarkets will get it through indirect supply going through the central markets, which is what they have been talking about.

Ms McPherson: But you will use a different terminology. With respect to my colleagues, there is a terminology that is not 'agent' that I cannot remember.

Ms Watson: Yes, or merchant.

Ms McPherson: Yes, a merchant, so you sell to a merchant and the requirements are different and then the merchant has the agreement with the supermarkets. One of the growers that I spoke to who would not appear today has a merchant and the merchant has the relationship with the supermarkets, but it is just as onerous.

Ms PEASE: Thank you. I now turn to your submission, and thank you very much for taking the time to do that. One of the things that you talk about is the impact that wages have on costs for the producer. I have a friend who was a picker, and she raised her family. I knew her through hockey. We were a hockey family and she put her girls through school and then the daughter was a representative hockey player. She worked her entire life on a property up here. What do your workers who are pickers look like? I know you talked about your reliance on backpackers et cetera. What is the face of your general picker?

Mr Randall: In my case, family—paid family, other than me—paid friends and backpackers.

Ms PEASE: The reason I raise that is that there was some commentary in the submission with regard to the increase in the minimum wage and how that has impacted on you. I am trying to understand what that looks like at the end of the day for those pickers if you are not going to pay them a minimum wage, particularly family members and friends. How does that play out?

Mr Randall: From my point of view, we pay the minimum wage. We do not scrimp on that, because that is the real issue. It really makes us look at the amount of overtime, which is zero—I cannot afford to pay people overtime—and on public holidays or weekends it gets difficult to pay them. It is very constrained in what we can use them for because the wages that we pay certainly eat away at the margins, like everything else. That by itself will not make us go out the back door, but it does eat away. Certainly when you get to double time, it really is not worthwhile picking fruit at that cost.

Ms PEASE: I bring you back to your submission because it actually states that farm wages are amongst the highest expensive input cost for farmers and that wages have increased by 17 per cent. Is your organisation looking at reducing the minimum wage for workers?

Ms McPherson: That could not happen.

CHAIR: Perhaps the question that the member may be asking is this: does the industry oppose the recent increase to the minimum wage?

Ms McPherson: I think the answer possibly is that that just becomes another one of the factors that make it very difficult to remain viable. In the case of strawberries, you measure the return as an industry standard at what you get for a 250 gram punnet. Up to 12 or 14 years ago you were getting \$1.80 to \$2.20 back to the farmer per 250 gram punnet. I cannot remember the exact wages, but I think that when we started it was \$13 something per hour. It has gone up considerably since then so now we are at \$28.26 an hour. You are still getting \$2.20 maximum per 250 gram punnet. There is the increase in the wages, but the return is the same as it was a decade ago.

Ms PUGH: That dovetails really nicely into my line of questioning. In your submission you also outline—and I think you are the author of the submission, Bree—being price takers not price makers. I am keen to understand exactly why that is because, I suppose as a Brisbane-based MP and a Brisbane-based grocery shopper, you hear over and over again that you have really two major options when it comes to doing your groceries. Is the fact that the market is dominated by two players a factor, do you think, in being price takers rather than price makers and would you like to see more competition in the market to potentially alleviate that?

Mr Hansen: We are price takers regardless. We would like to see more competition, but the fact is that when the fruit turns up then if there is lots of it the price is less. This is where your compliance stuff comes in. If you are a builder—everyone is suffering from it; medicine, tourism—the house is worth \$600,000 and not \$500,000 now, whereas we cannot put up our price. It is what the market says it is and that is it. To the wages, we would propose that it would be a waste of our time and effort to oppose a wage rise, but what it does is it changes our behaviour. I grow lychees and this year our wages cost per kilo was \$3 up from \$1 five years ago. If we can get productivity increases then you can bring it back down, but it is a burgeoning cost that is going to change growers' behaviour in what they do grow. That is the simple answer, if that makes sense.

Ms PEASE: I have a question on that. You say that it has gone up by that much. For the consumer in the retail outlet, like Jess and me and everyone in this room, prices in the supermarket have gone up, but you are not actually seeing the benefit of that increase at that end and that is the purpose of this inquiry. We are talking about wages having gone up. We have put wages up to make sure that people can actually afford to go shopping and buy groceries, but you are saying that you are still seeing the same price that you got five years ago.

Mr Hansen: A lot of people are. That is correct for most people. The lychee price we got this year was the highest I have ever seen, but it all went overseas.

Ms PEASE: So we did not see it in the supermarkets.

Mr Hansen: That is why I grow lychees—to avoid supermarkets. One of the key decisions we made in our business 20 years ago was to avoid supermarkets because it was so unfair and non-transparent. Even though that price was the highest price I have ever seen, at the end of the day, when it all washed up, I thought that if it goes back to what was considered a good price then I would not get out of bed for it. If one applicart turns over, you are out the back door.

Mr Randall: I would add an analogy. When you go to the supermarket and an avocado is at \$1.50, you cannot negotiate that. You either buy it or you do not. We are the other end: there is the price and you take it or you do not.

Ms PUGH: Yes, and I think you are getting at the heart of the problem there where you are talking about the fact that unless I want to drive 10 kilometres to another grocery shop then I have to take that price from the major supermarkets. It sounds like that is what you are saying: at the other end, you do too; is that correct?

Mr Randall: That is where I see the price taker comment coming from.

Ms PUGH: Following on from Joan's question, in your submission, Bree, you note the challenging part about those sustained low prices is that you see how much those products are being sold for at the other end, usually by the big two, and obviously that would be incredibly frustrating. Do you have a comment on why you think that is? What is driving that disparity?

Ms Watson: It comes down to supply and demand again. When there is increased supply that is generally when they are going to be offering us a lower price and generally it is going to be below the cost of production. We are very much a supply and demand driven industry. As an organisation, we do push back on any input costs going up and up and up. That is our key role: to advocate for our farmers and to advocate for a fair price and to ensure that they are sustainable businesses. It is our role to help people understand what the impacts of some of those price rises would be. At the end of the day it could potentially be people planting less, selling farms and getting out of the industry.

Ms PUGH: When you talk about input costs, are you talking about the cost of water, the cost of electricity, the cost of wages?

Ms Watson: There are so many inputs that go into it: fertiliser, transport, packaging.

Mr Hansen: All your inputs.

Ms Watson: I guess that is terminology that we are used to and perhaps the panel is not, but it is all the different aspects that are required to get that product to market. It is the packaging, it is the branding, it is the agronomist, it is the pest scout who comes out. At the end of the day, they are all inputs that have to go into the product before the farmer even knows what they are going to get for it.

Ms PEASE: And it is all well and good that you have a business plan and say, 'This is the beginning of the year. This is what I am going to do. This is what I am going to charge. This is what it is going to cost me', but at the end of the day when the supermarket says, 'No, we are not going to pay that', your business model is just blown out the window.

Ms Watson: That is right.

Mr Hansen: We have had discussions with supermarkets in different forums over the years. We grow it, pick it, package it, transport it to their door and that is our cost. Then they take it through their door and double and triple the costs. I was at a meeting a long time ago where I said, 'I'm happy to open the entirety of my books to you. You bring your books and we'll see whether—' They always say, 'Yes, yes, yes'; but when it comes to the book opening bit, 'No, no, no.' We do not see that. From a grower's perspective, where is the cost to put a pallet jack under my fruit and go through the door and put it on your shelf? We are bearing the most cost. I grew up with it being generally accepted that the cost got doubled but now it is essentially, in many cases, triple and quadruple—the store price versus what we get paid.

CHAIR: Thank you for coming in. I do appreciate the fact that there are growers out there who want to talk with confidence. I think that is very important. I have heard from many Bundy growers and the tactics that are being put on them are akin to mafia tactics, they really are. I do have one final question before we wrap up. Ms Watson, you wrote articles for *Bundaberg Today* indicating that you did not support the recent changes to the Horticulture Board. Do you still stand by those articles?

Ms Watson: As an organisation we have put in those comments.

CHAIR: Under your name. Do you still stand by the column that you wrote?

Ms McPherson: To be fair, she is our CEO and she represents us as growers and so if her name is—

Mr PERRETT: What does that have to do with it, Chair?

CHAIR: I was just wondering if the column—

Mr PERRETT: Point of order. What does that have to do with the inquiry?

CHAIR: Because it is about supermarket prices—

Mr PERRETT: What does that have to do with the inquiry, Chair?

CHAIR: Member for Gympie, I will warn you if you continue. The question has been answered, I think.

Mr PERRETT: I am raising a fair point of order.

CHAIR: Your point of order is not a point of order. It is not taken. It is completely relevant to a question of wages that has been asked before. Thank you very much for appearing. If we do have members of the gallery who would like to appear between 10.50 and 11.20 as invited witnesses then that would be very much welcomed. We are also happy if you would like to mention to the committee those farmers who would like to appear in confidence. Thank you very much. No questions were taken on notice. Thank you all for appearing.

Proceedings suspended from 10.39 am to 11.22 am.

CROSS, Mr Trevor, Private capacity

CHAIR: Trevor, thank you for being here. I note we had a bit of an intermission before you coming along. To my left we have the member for Warrego, Ms Ann Leahy, and the member for Gympie, Mr Tony Perrett. To my right is Ms Joan Pease, the member for Lytton, and Ms Jess Pugh, the member for Mount Ommaney. This hearing is subject to the parliament's standing rules and orders. As you can see, media are present. They are subject to the committee's media rules and the chair's directions at all times. Trevor, could you introduce yourself to the committee, tell us what you do in the community, your occupation and then give any spiel you would like around the challenges facing your operations, and then we will open up to questions.

Mr Cross: I am Trevor Cross from Cross Family Farms in Bundaberg. We grow a wide range of products. We have nut trees, cattle, bees and zucchinis, melons, pumpkins, four lines of tomatoes and some cabbages. We farm nearly 3,000 acres of agricultural ground. We have on-farm storage and we have government water. A lot of our labour comes through contracting services. About 200 to 300 people, for most of the year, work for us or in our business, and that is directly. Indirectly, there could be up to 2,000 people on the line from transport, box manufacturers and agents then through to the retailers. Our company is was one of the largest donors to Foodbank. In the last 10 years we have provided probably about 13,000 tonne into Foodbank. Basically it is the 'odd bunch' lines that we have been supplying to Foodbank. A lot of that stuff goes into the schoolkids' programs and to homeless people, and there is a big cooking centre in Brisbane that turns it into meals for the handicapped et cetera.

This year we have had to pull all of our donations to Foodbank because it is unviable, if our industry is to survive, to continue to do that. The last two years we have seen a lot of our costs go from 30 to 40 per cent of our turnover to around 80 to 90 per cent. Our fertiliser went from, let's say, \$800 a tonne to \$2,500 a tonne. Our labour went up by about \$8 an hour. Fuel has gone up. Electricity has gone up. Then there are the prices we have been paid back in the last two years. It was spoken fairly well about the average prices of 1978 and 1979. Most of our business or most businesses have lost about 30 per cent of turnover. That is something that we have spoken about. When they were doing the 'We give a fork' campaign, those are the figures that have been given by everybody—for every million dollars, you had to find \$300,000 to pay the bills.

In 12 months, we lost over \$9 million. I went on the ABC and it was just one of those things that came out about how much money we lost. We had a foreclosure put on us in 10 days from Visa and a wind-up notice. I paid them the money that we owed them except for \$80,000, which we paid off. I still got a wind-up notice and it has made it hard to do business from that end. It just shows you why farmers do not speak out; you are better off saying nothing a lot of the time otherwise you get yourself into too much trouble. When they did that 'We give a fork' campaign, it was nearly squashed. None of this nearly got off the ground because no-one would actually talk to anybody about what was actually happening. Everyone was too scared. That is how we started with the program because we were the only ones. We are not direct suppliers to the supermarkets; we still go through the agent system. Our stuff will end up in the supermarkets anyway, but that is the only reason we spoke out. If we were direct suppliers then it would be hard to talk.

That is a bit of background on where we are at. I have been farming since I left school. We started off basically sharefarming. I started off in the garden. We did not come from a farming background, and this is where we are at today. We love what we do, and all farmers love what they do, but I think they all deserve a fair share of the work that gets put into doing the job. That is about it.

CHAIR: Trevor, thank you very much. I applaud you and Wendy on your bravery and courage in speaking out because you are standing up for the entire industry, and I know the pressures you face personally. A couple of weeks ago, the Premier visited your farm and you spoke to him about your tomatoes costing about \$1 to put together a punnet but you are getting a price of about 70 cents. Straightaway you are 30 per cent down. Could you talk about the pressure that is happening right across the industry? Is that pressure point on the price coming from the big supermarkets? Who is dictating the price that is hurting your business so badly?

Mr Cross: Basically, the system is a supply-and-demand system. If you take the demand out of a central buying place, then you have no more demand. When the supermarkets buy direct from growers and do not go into one spot, who sets the price? They use the oversupplied market, which the supermarkets do not support, to set the price they are going to pay the direct growers. There is no market supply and demand unless it is extremely short. Then they go and use that under-supported place to set the price. If everyone had to buy in one spot then you would actually create a price. If

you do not get it, you pay a bit more money to make sure you get your product, but when you bypass that then you do not need to worry about it. How else can I put it to make that easy to understand? Do you understand what I am saying?

Ms PUGH: You used the word 'they'. Can you clarify who 'they' are?

Mr Cross: You have to be careful because it is any of the buyers. All the supermarkets and some of your processors bypass; they do not go into the marketplace. If you do not have a proper marketplace, how do you get a proper market price? When people bypass that system, they use the market for the price but they do not use the market to buy in. If everyone had to go to one place and you were scared you were not going to get the product because someone else might buy it then you create an auction system which actually gets you the best money. 'They' are any of the buyers who actually bypass the market.

Ms LEAHY: Trevor, thank you very much for coming in and talking to the committee. I acknowledge what you have been through and what you are probably still going through as well. It is not easy for a family to do that. I am not sure if you are aware, but earlier we had a submitter who said in January 2024 you had 20,000 tonnes of pumpkins.

Mr Cross: It was about 4,000 of pumpkin we left behind.

Ms LEAHY: The information we were given was that 20,000 tonnes of pumpkins—and please do clarify if this is not correct—were dumped because they could not go to the supermarket. Can you tell us whether those pumpkins were going through the agent system or was that a direct contract?

Mr Cross: No, all agent. The pumpkin is the most overpriced thing in the supermarket. Most of the time, the grower might get 60 to 80 cents a kilo for pumpkin, yet it will be sold for \$3.99, \$4.99 and \$5.99. Sometimes a pumpkin will be \$30 and we cannot get 50 cents profit. It is one item they use to make a lot of money, but it is a bulky item; they do not want to sell a lot of it. That is why we left so much pumpkin behind. It is unviable to go and pick it because your pick, pack and freight is about 35 cents or if you are going to Melbourne it might be 45 cents. That is the initial cost without the growing. Then if you are to get 30 cents back, you will lose on that. The biggest problem our industry has is that if your cost to grow a box of tomatoes is \$2 a kilo and your picking, packing and freight is going to cost you \$10, if you can get \$11 then you can get \$1 back towards your \$10 loss to minimise your losses, and that is the hardest bit to do because you have already spent the money. The money has been spent four months earlier. It is all gone. We are price takers; we are not price makers.

Ms LEAHY: Was it your decision that those pumpkins did not leave the farm?

Mr Cross: Because we would lose money to actually harvest.

Ms LEAHY: So you made that decision?

Mr Cross: If we went and harvested them, we would lose more money and we would lose money on the freight so we would go backwards further.

Ms LEAHY: Yes. It was not quite written like that in the information we had received. That is why I wanted to clarify it with you.

Mr Cross: Yes. If you cannot get back the costs of picking, packing and freight and little bit above that then you will actually go backwards more.

Ms LEAHY: Do you use the agent system for all of your produce?

Mr Cross: For everything, yes.

Ms LEAHY: I want to go to some of the contracts. You may not actually have direct contracts with Woolies and Coles.

Mr Cross: No, I do not.

Ms LEAHY: I want to go back to Foodbank. You have made a decision not to donate further food to Foodbank. Did you get any tax deduction for any of those donations?

Mr Cross: You get a tax deduction, but we have already got another \$9 million or \$10 million last year. Yes, we did get a tax deduction but it does not make any difference. Why pick something and harvest it to actually go deeper into debt to do it?

Ms LEAHY: That is right. You were trying to stem the losses, basically?

Mr Cross: Yes. If you are making a profit and you have to give to somebody, it is not a big issue; but if you making losses, you are not going to pull more money out of your pocket.

Ms LEAHY: If a farmer is in a profit-making situation and they donate produce to Foodbank, they can attribute a tax deduction—you do not collect a tax deduction. They can put that on the books as a deduction or as a donation.

Mr Cross: Yes.

Ms LEAHY: In relation to other input costs such as electricity, insurance, crop insurance—

Mr Cross: No, we do not have crop insurance.

Ms LEAHY: You cannot get it or cannot afford it?

Mr Cross: Not really. It is unviable to get it. I do not think they do any hail insurance or anything anymore. You might get hail once in six years and then they go in and assess it. It is too hard to do that. You insure your machinery and all of that, but all of those insurances have gone up. Our rates have doubled from what they were. Fertiliser has come back. It has not come back anywhere near where it was three years ago, but fertiliser went up. Something that was \$800 a tonne went to \$2,500 a tonne, and you are not just buying one tonne; you are buying hundreds of tonnes.

We are all here talking about the supermarkets, but no-one has mentioned that Incitec made over a billion dollars profit and did not steal a cent from the farmers. Everyone has made good money. Seed has gone up about eight per cent in the last 12 months. They are making good money. Everyone below us is gouging. We buy at retail and we sell at wholesale. We do not sell at retail. Everything we buy we buy at retail level and then we sell at wholesale level. That is one of the biggest problems we have, too.

Ms LEAHY: What about your energy costs?

Mr Cross: Yes, all of that has gone up—energy costs.

Ms PEASE: Trevor, you have probably fed many Queenslanders and Australians over the years from the produce you are growing. You use an agent with regards to the distribution or selling of your produce as opposed to going directly through the supermarkets. Why did you choose to do that?

Mr Cross: We use a number of agents, not just the one agent. I actually thought the system would have gone back to the agent system. In regards to the system they are in, I brought it to everyone's attention—I had concerns probably about five to seven years ago—that the system is failing. I brought it up with our local board in town here. I said that what we should be doing is actually listing the prices that are getting paid by the supermarkets and then also reporting it and putting up on a media site what is getting charged to the customers. It was all a good idea. Then about a month later I asked, 'When are we going to start?' They had been told not to touch it; to put it to bed.

Ms PEASE: They were told by whom? Who are 'they'?

Mr Cross: I think everyone gives money from the supermarket level into all the associations. There are slush funds and joint partners and all of that. They are all partners with somebody. People above told me, 'Don't touch it.'

Ms PEASE: When you said you took it to your local organisation, what local organisation are you talking about?

Mr Cross: Fruit & Vegetable Growers.

Ms PEASE: You have chosen not to go through the supermarket directly but through the agent. To your knowledge, do the agents use merchants to sell back into—

Mr Cross: Some of the agents are in alliance with supermarkets and some are not. Some are just on the floor—just to other shops. We chose that way because, in the last 10 years, a lot of the big farmers have been built up and then they finished; the supermarkets dismiss them. They disappear. You have two of the largest farming companies in Australia in massive financial problems. One is up for sale at \$600 million; one is at \$800 million. They are never going to get a buyer for that. They are almost finished. They were the largest supermarket suppliers on two different lines. Some of the other big farmers down south, all direct suppliers, all finished up. Without a true system in place to control the price, you will not ever get the right price.

CHAIR: To elaborate on that, you are saying that the supermarkets help to build them up in terms of, 'We'll take mass volume' and then will leave them, abandon them?

Mr Cross: And then they do not take the mass volume. What happens when it goes on the market floor is they say, 'Well, the market floor is only \$12 now. You're going to give them to us for \$12.'

CHAIR: They are deliberately not taking the volume so it can drop?

Mr Cross: It is easy to manipulate that because what you do is tell them you are going to take 10,000 tonnes of their beans but in actual fact you only need five. What are they going to do with the other five? They are not going to get \$30 a box because if you put them back on the market floor they are going to be worth \$12. The supermarket then has a right to go back to them and say, 'Well, the market floor is \$12.' Easy! You can do whatever you want to do. The whole system—they do it with everything. They tell the zucchini growers, 'We're going to take 500,000 boxes' when in actual fact they only need 300,000. If you put 200,000 boxes on the floor then you bring the market to 14, 10: 'That's all you're going to get. That's all we're going to pay you.' The easiest way to control the price is by placing orders that you are never ever going to take; over-order and then say, 'We don't want them.'

Ms PEASE: Are you saying that they go directly to the supermarket?

Mr Cross: Yes, they go direct and the supermarket will give them an exact number of fruit they want them to grow. Then when it comes time to harvest, they do not actually want all that fruit, so then that grower will use the market, put it on the market—dump the market. Then the supermarket or anyone who is doing this can go back and say, 'The market floor is only \$2, not \$3, so that is all we will pay you because we can buy your stuff out of the market for that price now.'

Ms PEASE: To clarify, if a grower has a relationship with a supermarket, you are saying it is not a contract? They can say, 'We want this,' but then they do not actually have to take it?

Mr Cross: They do not have to take 100 per cent of it. There is always a clause that says they will not take it all because it is slow or they can reject perfect fruit. If it is good, all they do is tell them, 'It's rejected because we found something wrong.' Then all of that stuff is in their bags or whatever. You have to empty it all out or, even if it is not in their bags, it goes straight back to the market floor and is sold very cheaply. Then they can say, 'We can get your stuff there at that price. That's what it's worth now.'

Mr PERRETT: Thank you, Trevor, for being here and giving your practical testimony to the committee. I have a couple of questions, but I also want to follow up on the contractual arrangements between a grower and a supermarket and the get-out-of-jail clauses, and I assume that is what you saying in respect of the rejection. You mentioned before that they will indicate they may want to take about 10,000 tonne, which is obviously not contractual, and then they will take five. With the legal requirement where they have signed a contract with you as a grower and then renegeing on that, what recourse do you have as a grower? I know you do not deal directly with supermarkets and I get that, but presumably under contract law they have agreed to that at a certain price. How then—

Mr Cross: How do they get out of it? It is easy; it is just, 'It didn't fit our standards. We found too many bent beans.' There are always clauses. They are supposed to have a shelf life of an extra couple of days than it is possible to have a shelf life of and now they are a bit soft.' There are easy ways for them to get out of it.

Mr PERRETT: Is there a legal mechanism for the grower to then dispute that? I know you are dealing with fresh produce and it happens very quickly, but are you aware of any case law with respect to where they have renegeed? I am really interested in where they may be renegeing on contractual arrangements that then leave the producer in a very difficult financial position.

Mr Cross: Not that I am aware of. We have two different ways of looking at it. In defence of the supermarket—and this is an odd thing to say—why are the growers that stupid that they grow that much? Australia has only this population and some of the large growers are overgrowing. We are probably all overgrowing to a certain degree. They know the supermarket does the same thing every year so why do we all continue to do the same thing? If the supermarket is doing that to them and dumping fruit like I am saying, they should maybe cut back on that line as well. If the supermarket wants it and it is all pushing through the shops then they will take what they have ordered. If they do not, they just say there is something wrong with it and then it goes to the market. The true system is a market system—an auction system. The way the system is now, I believe there are two ways of doing this: either everything goes back into a true marketplace or the supermarket growers supply the supermarkets and they do not supply the market and that would control the pricing because, when you do both places, they are actually bringing the price down themselves.

Mr PERRETT: Trevor, on the cost of production, something I noted is that farmers are afraid to talk about how some of these matters appear, as you said earlier. You cited cost increases within your business, particularly around labour, fuel, electricity, fertiliser and seed. Has there been a point in time when you noticed that significant increase and then particularly it impacting the financial viability of your business?

Mr Cross: As soon as the coronavirus hit, that is when costs all went through the roof. Everything went up. People could do whatever they wanted to do in regards to prices. A tractor that 3½ years ago was worth \$300,000 is about \$650,000—same tractor—because the production slowed. It is supply and demand, so they can charge whatever they want to charge. That is when the spike hit. Honestly, during that period, just before the price of products went up, we actually started making some money—right on that coronavirus period—but our costs were still beating us. Once we came out of that, the money we got paid dropped straight down but our costs still stayed the same. That was the period when it went up. However, it did not go up by 20 per cent; it went up by 100 per cent for a lot of the stuff that you were doing. Even with respect to labour, a lot of the pickers went to lawyer rates; they were making big money because there were not enough pickers. Everywhere, we were getting gouged from everybody.

CHAIR: Trevor, I want to ask one more burning question because it does relate directly to the farmers. I have been told by Bundaberg farmers that, when the specials are on at Coles or Woolies, they will get a phone call a couple of months ahead of time to say, 'We're going to have a special on; it's time for you to drop your price.' A particular grower may have a 10-pallet deal. All of a sudden, Coles and Woolies want to buy 50 pallets at that reduced price. Do you know of stories like that in Bundaberg?

Mr Cross: Yes, the farmer always does the special.

CHAIR: Is it akin to mafia tactics or standover tactics?

Mr Cross: That must be the new way they have been educated because they never do the special; the farmer always does the special. I think every industry does the special—the biscuit company does the special, the milk company does the special. They do not do any specials.

CHAIR: Are the big supermarkets losing out when the specials are on or is it everyday Queenslanders?

Mr Cross: They never lose. To go on to a different business, Golden Circle has three years worth of canned pineapple and they are telling everyone not to plant. Three years worth all in cans. They cannot sell them because the cheaper stuff is on the shelf where you can see it. That is another big problem. Our own factories cannot sell their own stuff.

CHAIR: Trevor, thank you very much for appearing before the committee. We do appreciate it. We appreciate also what Cross Family Farms has done for vulnerable people across the region through Foodbank.

Mr Cross: One more thing: all farmers do not go to farm just for money; most farmers go to farm because they love doing what they do. That is what everyone out there has to get: we do not do this just for money; we love doing what we do, otherwise we would not do it.

Ms PEASE: I would like to echo the words of the chair on your support of Foodbank and OzHarvest. It actually is not far from where my electorate is so thank you very much for all of the work you have done. I paid \$4.90 per kilo for pumpkin the other day.

Mr Cross: And they are rotting in our paddocks still, yes.

CHAIR: Trevor, thank you so much for appearing before the committee. We do thank you for your time.

PLATH, Ms Judy, Private capacity

CHAIR: I now welcome Ms Judy Plath. Judy, thank you so much for being here. To my left is the deputy chair and member for Warrego, Ann Leahy, and the member for Gympie, Tony Perrett. To my right is Joan Pease, the member for Lytton, and Jess Pugh, the member for Mount Ommaney. As you can see, media are present. As are you, the media are subject to the standing orders and rules of the committee. Judy, I invite you to give an introduction, let the members know about your history in the area and your role, and then make any statement you would like. Then we will open it up for questions.

Ms Plath: Thanks, Tom. I am an agricultural scientist. I have a bachelor's degree and a master's degree in agricultural science. I have worked in this area with farmers for 25 years now. I could have gone into research, but I love working with farmers so much that I stayed in the paddock and then married a local farmer. We grow sugarcane and soybeans.

In 25 years of working with farmers, I have seen far too many heartbreaking stories of farmers going out of agriculture, going out of business or being hurt dramatically by supermarket behaviour. Most of my roles have been in industry development or agronomy in the paddock. When you are in the paddock with a farmer, they do not just talk about what fertiliser they want to use; they talk about what is going on in their business and a lot of times I have felt more like a counsellor. I have actually pursued a little bit of training in mental health support because I had come across so many mental health challenges in those 25 years because of the impact of being in the industry. Being in agriculture is a tough business anyway: the weather is out of your control and there are so many things out of your control, but supermarket behaviour is one of the biggest things that I have seen hurt farmers and ultimately hurt our community.

On a personal note, my uncle was a dairy farmer. His son took over when he died quite suddenly. It was right in the heat of the dollar per litre milk debacle. It is an absolute scandal that this country stood for that. I am not just talking about farmers standing for it; I mean the whole country standing for that. It was disgraceful, immoral behaviour. My cousin could not keep that farm going. His mother was in a nursing home at the time and he took two years to tell her that he had closed the farm down. Because she could not get to the farm, she did not know. He was so ashamed that he had let his father down. That was because of supermarket behaviour. His father was the best dairy farmer in the district. It was not because of poor practice; it was because of supermarket behaviour that he went out of business.

I have seen other very good, hardworking, solid dairy farmers go down the same path. One of those was a very good friend of mine. He was on the board of a large dairy processing company at the time. One of the supermarkets decided that the best-selling yoghurt in Australia, which this dairy company produced, needed to reduce in price by 25 per cent for no other reason than it suited their agenda. They went to this dairy company and said, 'This is what is going to happen.' The board of directors—my friend was on the board of directors—jumped up and down and said, 'You can't do that. We have a contract,' et cetera. That company essentially said, 'Take us to court. Have fun.' The company's lawyers said, 'They're going to tie us up in court for years. It will cost us more than we can afford to spend and we'll probably not win.' So they took the 25 per cent reduction to keep their yoghurt on the shelf because everything has a shelf life. They are not selling make-up or something that keeps forever. They are selling short shelf-life products, and the supermarkets know that they have all the power.

I brought along a little demonstration for you today. I have worked with pretty much every horticultural crop you can imagine, but the two that I have had a fair bit to do with are capsicums and bananas. I ran a capsicum packing shed for quite some time. We had 50 packers going and we had 100 pickers in the paddock so I know intimately what it is like from all aspects of the business. Coles and Woolies do not want to sell a capsicum like that with little scars on it; they do not want to sell a little deformed capsicum like that. It tastes no differently and cooks no differently. Everyone says, 'Oh, the consumer demands that.' That is not true. The supermarkets have trained the consumer to demand that that is not good enough and that, 'A perfect capsicum is the only one I will take.'

The other area where they have trained the consumer is to expect bananas to look like that. If anyone knows anything about the banana plant, it is actually a herb and not a tree. It is very hard to grow bananas that size and that perfect. They typically want to grow like that, but Coles and Woolies say, 'We don't want those; we want those.' I will tell you exactly why. That is 240 grams. The current price in Coles today is 96 cents or \$4 a kilo. That one is 130 grams at 50 cents. If you are a mother of three and your kids go to school and you want to put a banana in their lunch box every day, then you need 15 bananas a week. The supermarkets charge by the kilo. If you buy 15 of these bananas

at the kilo price, that is \$14.40 that Coles or Woolies have just made from you. If you buy this banana, 15 per week for your three children, that is \$7.80 that Coles and Woolies have just made from you, so double because they made you buy a bigger banana. Whose eight-year-old child can eat that banana? It does not happen.

Ms LEAHY: It does not fit in the lunch box either.

Ms Plath: It does not fit in the lunch box either, exactly. These used to and that is why mums love them, but you cannot get them at Coles and Woolies. However, now they have come up with a new clever marketing strategy that you can buy what is called a 'banana mini pack' that comes with six of these in a pack. Guess what? They charge another \$1.30 per kilo for the mini ones because you have to buy the pack. I bought this, by the way, at a local fruiterer who buys direct from farmers. You can buy 15 of those for the week for \$7.80 or you can buy the mini pack from Coles at their new \$5.33 per kilo price, which is more than the local chap, and you will be paying \$10.40, not \$7.80, for the mini banana. Many years ago, you could not even get those because they only want those.

What does a farmer have to do to produce a banana like that? He spends more on chemicals, more on fertiliser and more on wages for that to happen. What does he do with these? He dumps them. He either puts them onto the market at a very low price, tries frantically to sell them at a local market where some bloke will come along, pick them up and sell them at the market or they go to the cows. The inputs that go into that banana—

CHAIR: That is a large banana, for Hansard.

Ms Plath: Yes, the large 240 gram banana. All of that contains the inputs—fertiliser, chemicals et cetera—that farmers are being told every day by the Queensland government to stop using. On the one hand, Coles and Woolies are saying, 'We will not buy your bananas unless they look like that,' and the customer expects them to look like that now, with the skin being perfect. I meant to bring you a bruised banana with bruised skin—I do have some, but I forgot, I am sorry. The skin has to be perfect for Coles and Woolies—no bruises.

The Queensland government says, 'You need to cut back on your fertiliser and chemicals because you are harming the environment,' but Coles and Woolies will not buy your product unless you use that fertiliser and chemicals at those rates. The farmers are stuck in the middle and cannot please anybody. Meanwhile the consumer is being told by the Queensland government that it fines environmental vandals for pumping fertiliser and chemicals into their product to look like that. However, who is asking them for it to look like that?

CHAIR: So you are feeling the squeeze from the supermarkets, especially on that?

Ms Plath: Feeling the squeeze all the time. I will keep going with my little spiel here. I have seen a lot of large growers in this area go out of business, including the one that I ran the packing shed for many years ago. What happens is they start out as a small grower, they get a few contracts with Coles and Woolies, they put in a few more acres and the next year a few more acres, and then a few more. Coles and Woolies encourage them to do that: 'Grow, grow, grow. We support you.' They do little sweetheart deals to support them to grow. Then they get to a certain size where, without Coles and Woolies, they cannot function because no-one else will take the volume that they are producing. Then they are over a barrel. Coles and Woolies have all the power and the farmer is at the mercy of the supermarket. I have seen that many times and I have seen those businesses go broke. When that happens, it is not Coles and Woolies who are left out of pocket; it is the local fertiliser company, the local trucking companies, the little bloke who comes and cleans the toilets. All of those people are the ones who do not get paid.

The farmers are basically caught between the supermarket standards forcing them to do more and more and more, and everyone else's expectations of them being a perfect corporate citizen, treating their staff magically, removing the heat and the dust and the mud that you have to work in to come and work on a farm. They are just stuck in the middle, being pulled in every direction. There you go. I can rant on forever but I will finish there, thank you.

CHAIR: Thank you very much. We appreciate that.

Ms PUGH: Gosh! You have given us so much to work with there. You talked about blemished and imperfect produce so I will start there. You can take this on notice. Do you have any idea how much produce gets rejected because it is 'ugly'? Let Hansard note that I used rabbit ears quotation marks there because it is not ugly; it is beautiful. Look at it! How much gets rejected from farmers because it is considered imperfect? I am happy for you to take that on notice.

Ms Plath: Those kind of things are not measured in the industry because it is left in the paddock. Trevor was talking before about the pumpkins that he just left there. A classic thing that I hear from people who visit me from out of town and are not from a farming background is that, when

they drive past sweet potato paddocks, they are in awe of how much sweet potato is left in the paddock and they are disgusted with the farmer for leaving it there. They are always judgemental, saying that it is irresponsible to leave those sweet potatoes there. They are left there because it is not economical to pick them up. Any that do make it to the shed, like these capsicums, in the shed that I managed they would have been rejected. We had a truck out the back where all the rejected ones went. They went into that truck and a local pig farmer came and picked it up every now and then. The farmer did not get paid by the pig farmer. That was just to get rid of the waste otherwise they would have had to pay to dump it at the dump. The same with these small bananas: most of those get rejected in the shed before they go anywhere. The packers pull the good bananas out and throw the small or bruised ones away. None of that is measured, but I think we could easily say that 30 to 40 per cent of a farmer's crop of any horticultural product does not meet the food and market specs 90 per cent of the time.

Ms PUGH: Thirty to 40 per cent?

Ms Plath: That is off my gut feel from running a packing shed myself.

Ms PUGH: Wow! Thank you. You have outlined some of the predatory pricing tactics that supermarkets use around helping growers to grow their business to the point where they are solely reliant on them. Firstly, are they using exclusive contracts with a lot of those growers? Is there an exclusivity clause in place that the committee might need to look at, whether or not that is fit for purpose? Secondly, is the fact that there are only two major supermarkets in Australia at the current time contributing to their ability to use those predatory tactics?

Ms Plath: You have nailed it there in part B of your question. It is the duopoly that makes the farmers so vulnerable; they cannot go anywhere else. Everyone throws Aldi around occasionally, but that is a joke. It is nothing. A farmer cannot say, 'I am deeply offended by the price you have offered me so I'm going to Aldi,' and hang up on the phone.

There was a question that you asked Trevor before which I would like to add to. You asked whether there are any case examples in contract law. No-one takes the supermarkets to court because they will never sell them a banana ever, ever, ever again. They cannot afford to go into litigation with them if they want to stay in business. If they have all this infrastructure and all this money tied up in their business then they cannot afford the risk of litigation so it never happens.

Coming back to your question, the duopoly is the biggest threat. In terms of contracts and whatever, I do not know the details of that. With the packing shed that I ran, I was never involved in the negotiation side of the business. I was just the one who was told, 'Coles and Woolies have changed their spec today and those 15 pallets that you just packed are not good enough.' That was before they even left the shed. They use those techniques all the time, but I was never privy to the details behind the scenes.

Ms LEAHY: Thank you very much, Judy, for that. You summarised a couple of things like the standards of the fruit, the lack of consumer education, the fact that a lumpy capsicum is just as good as a smooth one, and some of the marketing tactics that are used. Do you have some idea on the ways to ameliorate or deal with some of those issues that would not place imposts or further squeeze back on primary producers and farmers? Do you have any ideas about the usage of seconds? You have seen a lot of seconds.

Ms Plath: I have seen plenty of seconds. We have a generational change that would have to occur. You mentioned lack of consumer education, but I actually think it is the converse. It is the supermarkets educating the consumer to expect perfect. If we go back two generations, my grandparents certainly did not expect supermarkets to be putting out that. They were probably growing that at home anyway, if they had it, but if they were buying it at the local fruiterer then it would have been imperfect and they would not have cared the bananas were that size. We have had two generations at least, and we have the third generation now as young consumers, who are expecting perfection. To overcome that is massive.

I was asked to tender for a project recently by the fruit and vegie industry, looking at consumer habits around fruit and veg intake for children. I decided not to put in for the project because it was just overwhelming. The research on the reduction in consumption of fruit and veg by children in this country is frightening. That is not just children in primary school or what have you but also the generation that has gone through processed food and are now young consumers aged 18, 19 and in their 20s. They do not see this kind of thing as part of their staple diet. That is what the research coming out of CSIRO is showing. How do you overcome that? It is a massive, massive challenge. I

do not have any clear answers on that. Again, that ultimately comes back to habits in the home. The CSIRO research showed that most kids are not having a home-cooked meal on a regular basis and are not seeing capsicum being chopped up and put into a stir-fry and, therefore, they do not have a connection to it. I could go on about that.

Ms LEAHY: What about seconds use? How can we better use them?

Ms Plath: Here is a classic example: Coles baby carrots. Isn't that lovely? Let's put all of our imperfect fruit into a manufactured product. Guess where that is made?

Ms LEAHY: Probably overseas.

Ms Plath: Product of France. It sounds great in theory. I know Tom is a passionate advocate for manufacturing and I support him on that. However, the capsicum shed that I ran supplied capsicums to a local manufacturing business, which has been successful for a long time, but they would have been through many challenges with the supermarkets because they use all the same strategies with the manufactured food. If you do not play the game this week, suddenly your grilled eggplant is going to be on the bottom shelf—all of that. They do those things all the time. I do not think manufacturing is a silver bullet, but it certainly is part of the package. However, all our manufacturing companies have slowly closed down. Trevor mentioned Golden Circle as a perfect example. It nearly went out of business. It has now been bought by a multinational. It was a grower owned cooperative. I have worked with pineapple growers who used to supply Golden Circle as a cooperative. Now they are dealing with a multinational. There are a lot of challenges there. EU have to work very hard to buy Australian pineapples in the supermarket. The food sector, like the manufacturing sector—especially restaurants et cetera—only get supplied by those big wholesalers with imported product because it is cheaper. If you get a ham and pineapple pizza at any well-known pizza joint in Australia, I will guarantee it is imported pineapple.

Ms PEASE: Thank you so much for coming in and thank you very much for your passion; it is just amazing. I have so many questions to ask you. You were just talking about imported products. I cannot find Australian-grown beetroot on the shelves in my local supermarket.

Ms Plath: Yes, another one.

Ms PEASE: It is just heartbreaking.

Ms Plath: Yes.

Ms PEASE: I want to pick up on what you said about how the supermarkets can make a decision that they are not going to take the produce. How do they make that decision before it has actually left the farm?

Ms Plath: That they are not going to take the produce?

Ms PEASE: Yes.

Ms Plath: They would be looking at their sales trends et cetera and looking at their volumes. Maybe an opportunity has come up where there is some very cheap product on the market floor, like through the agents that Trevor was talking about. If there is something cheap on the market floor and they are going to be able to make a better profit on that, they will take that. These are only stories I have heard second-hand. Obviously this is hearsay, but you hear these stories enough to know that they are true. They just use whatever manipulation tactics suit them at the time, but they are definitely forecasting all the time with sales. Then they say, 'Well, we have old mate up there in Bundaberg expecting to send his 15 pallets this week, but actually capsicums are not selling very well so we better come up with a reason for him to keep his pallets up in Bundaberg.'

Ms PEASE: On that, you talked about Trevor's suggestion around a different model for the way produce is sold. Do you have any commentary on that?

Ms Plath: It is very difficult. The market has been set up in such a way for a long time. Everyone is used to how the game is played. It would be a really big reshuffle of how the game is played. Sometimes those bigger farmers who are being coached by Coles and Woolies to move into their big-grower category are their own worst enemy, because when they are in that grooming phase Coles and Woolies seem like their best friend. They are flattered by it and their egos are stroked et cetera. It is not until they get right to the end that they realise they have been trapped. They never seem to learn from other farmers who they have seen go out of business and who had been trapped. They always get themselves caught. I have seen that happen multiple times. It is very difficult.

Ms PEASE: It is an interesting term that you use, the 'grooming phase'.

Ms PUGH: Yes.

Ms Plath: It is.

Mr PERRETT: Judy, you mentioned earlier the pressures on business and then the mental health and the anguish that flows from it. Presumably that is based around financial challenges and, ultimately, going out of business. Can you outline your observations from dealing directly with those farmers at the points in time that create that journey and the issues that lead into the mental health aspects of those challenges?

Ms Plath: I really appreciate that question because it is something we do not get to talk about often enough. I would say the reason I worked with farmers rather than going into research in my career was because, on the whole, they are incredibly decent people—salt of the earth, decent people—and they are a joy to work with. I respect them so much. There is nothing better than being in the paddock with a farmer who loves what he is doing, he is so passionate about it, he is so knowledgeable about it and I admire that so much. On the flipside, it is incredibly heartbreaking when you see them going through difficult times that are not of their own creation. I can understand a business going downhill because they are making bad decisions, but when someone is working really hard and doing a great job of what they do and they are in a system that is corrupt, essentially, that is just not right. My good friend who was on the board of that dairy company was one of the most passionate dairy farmers I have ever known and I have the deepest respect for him. Seeing what he went through over a period of years and coming, ultimately, to that heartbreaking decision of, 'I have to get out of farming,' was devastating. I was just onlooking; I was not in that family.

The reason I know so much about bananas is because another good friend went through a very similar process of having to accept that he was going to have to get out of farming. Some of the bigger ones have that ruthless edge to them and they will kick and scream and fight their way through all the horrible stuff. He did not have that. He was just a good farmer. He just wanted to grow his bananas. He loved them. He loved the green tree frogs that he would see in the orchard and everything like that. He loved being outside. He did not need to battle with a corrupt system to sell his product. He got out of farming and that was devastating.

I have had at least six farmers tell me in my career that they were thinking about suicide, which is why I sought extra training for myself to know how to handle that. I do not say that I do know how to handle it and I do not think there is any easy answer to that. Generally farmers are men and men take great pride in what they do. That is really important. We have to understand that and respect that. When what you do is being undermined by a corrupt system, it is devastating.

Mr PERRETT: The only other question I have is dealing with exports and you talked before about the baby carrots. I do not expect you to know volumes, but I refer to produce that is grown here, exported and then brought back into Australia to compete, so it is manufactured overseas. Are you aware of any of those sort of situations where it is sent overseas to be basically processed and then brought back in and competes directly with local goods?

Ms Plath: The classic example is nuts. I will not specify which nut, but there are a lot of nuts grown in Australia, exported to China for processing and then brought back as a processed product. There are small processors in Australia trying to produce their own processed nuts that are competing with imported product. That is a labour cost issue. Whilst Australia feels very proud of paying good wages—world-leading wages, probably—we are tightwads when it comes to the supermarket shelf and everyone balks at paying properly for produce. That is the crunch point, isn't it, when people's true values show up? Why is it that this lady cannot buy beetroots in her local supermarket? Because the local customers are not asking for Australian-grown beetroot. It is as simple as that. Why is it that Coles can get away with selling 'product of France' carrots? Because none of their customers are jumping up and down, aghast that Australian-grown carrots are not in that tin. It is as simple as that. The consumer is to blame for not demanding Australian-grown produce.

Another point is that a lot of stuff comes into Australia from New Zealand and it says 'product of New Zealand' or 'made in New Zealand' on it, but most of the ingredients in that product have come via China or Asian countries. We get a processed food product from New Zealand, which we think of as a clean, green country like ours and subject to the same tough regulations that we are, but most of it has come from an Asian country where their idea of chemical safety is vastly different to ours. I will leave it there, Tom.

CHAIR: On behalf of the whole committee, I thank you for coming in. Your passion and advocacy is one of the reasons I asked the Premier to be a part of this committee, so I thank you very much. That concludes this hearing. Thank you to everyone who has participated today. Thank you to our Hansard reporter. A transcript of these proceedings will be available on the committee's webpage in due course. No questions were taken on notice. I declare this public hearing closed.

The committee adjourned at 12.18 pm.