

Supermarket Pricing Inquiry

Submission No: 21
Submitted by: The Bundaberg and District Chamber of Commerce
Publication: Making the submission and your name public
Attachments: See attachment
Submitter Comments:

11th April, 2024

From the outset, the Bundaberg Chamber of Commerce believes that no Government from any side of politics should have the power, capacity, or ability to determine in a free-market economy such as Queensland's, what price any business can charge a consumer for a product or service that the business provides or delivers.

The ability of a business to set a price for a product or service is a fundamental value of our society and a basic principle of business.

We would contend that grocery prices, like the prices of many goods and services, have risen on the back of global economic headwinds and a failure of Federal government policy to manage wage increases and inflationary pressures in general.

Wages, power prices, insurance, and transportation costs have all contributed to the ongoing pressure on businesses of all sizes, and the increasing number of insolvencies and closures of businesses across Queensland and Australia highlights the impact of this pressure.

All businesses, regardless of size, sector, or position within the supply chain, should be able to generate a profit, a profit that allows a business to not only pay the wages and salaries of staff, but to repay loans, investors, and shareholders, while being able to reinvest in the business.

Profit is what allows a business to grow, and profit is what allows for increased employment opportunities. For many remote areas of our state, the local supermarket can be the largest employer in that region.

As a Chamber, we also believe that the prices our farmers and producers have been offered for their produce and products, have been too low for too long, causing undue hardship, financial stress and mental health struggles that have cost businesses, farms, families, and lives.

This is a complex issue, which is compounded by the price volatility that has always existed in our agriculture sector and in our perishable goods market in particular. The Bundaberg Region has seen numerous sugar market collapses, and we know full well the impact these fluctuations have on the entire local economy.

Wages rises and picker shortages have done little to alleviate the financial hardships that the agriculture sector continues to face. Environmental factors such as too much or too little rain can influence supply and demand and the end price a consumer pays. The most recent example of this was experienced in the beef industry, both during extreme flooding in the north, followed by predictions of a drier summer, which saw

significant destocking in many parts of the state. All the while, increases in transport costs flow through the supply chain, impacting pricing and profit margins, and increasing the debt levels carried through the entire chain.

Supermarkets are but a single, last link in this complex supply chain, a chain where products pass through many organisations before being placed on the shelves of our supermarket stores across Queensland and throughout Australia. They are an easily identified target in an overly complex supply chain.

We would argue that many of the issues resulting from unfair pricing sits with the central wholesale market, and the prices that are offered to producers here, more so than the supermarkets.

It is here, not at the supermarket shelf, that farmgate prices are set and it's here that a producers or agents' ability to negotiate a fair price for their produce is first tested.

It is at this central market where the negotiation of a fair price can be hampered by industry influence and purchasing power, an influence that can have a devastating impact on industries and entire sectors. The \$1 milk wars of 2011 are an excellent example of this and demonstrate just how devastating this influence can be to an industry, an industry that remains in turmoil to this day, yet is an essential product for millions of Australians.

The Bundaberg Chamber would propose to this committee, that the Government establish an independent body made up of industry representatives and be tasked with determining a fair farmgate price, one that takes into account rising input prices, production costs and supply chain handling, in order to essentially set a recommended wholesale price for identified perishable and essential products, set over a 6-month period, allowing for growing cycles and input fluctuations.

We would suggest that the wholesale price that is determined through this independent body, could either be displayed on supermarket shelves or available on the independent bodies' website, providing consumers with transparency regarding the mark up the supermarkets are applying to a product, and allowing the consumer to make the decision on the appropriateness of that mark up.

This independent body could ensure that discrepancies between retail, wholesale and farmgate prices are minimised and the profitability required along the supply chain for all identified products, including perishable produce, is no longer impediment to the profitability of primary producers, regardless of the size of the business.

By establishing a fair farmgate price for the identified products and produce, this independent body can ensure that the conduct of wholesalers and retailers in negotiations with Queensland producers is fair, transparent, and profitable for all.



With regards to the variability in supermarket offerings and pricing across the state, particularly in regional Queensland and in remote Aboriginal and Torres Strait Islander communities, the Bundaberg Chamber would suggest that the biggest cause of this variability is, as it always has been, the increased cost of transportation to areas outside the southeast population centres.

In the last 12 months alone, Bundaberg businesses have reported increases of over 200% in transport costs alone, costs that have had to be passed onto consumers, as businesses have little in the way of cash reserves, with many are still recovering from the impacts of COVID lockdowns.

These transport costs are on top of increases in wages, electricity, and interest rates, all of which have driven up running costs, which in turn, have driven up prices, across many sectors.

The Chamber has long advocated for relief from diesel prices for transportation companies and owner drivers and continue to advocate for bowser relief.

We would contend that bowser relief for transport companies, would not only assist regional Queensland communities, including Aboriginal and Torres Strait Island communities, to see a reduction in grocery prices, but these communities would see a reduction in the price of a wide range of products, produce and services.

In summary, with regards to the Inquiry into Supermarket Pricing, the Bundaberg and District Chamber of Commerce would recommend the following:

1. That the Queensland Government establish an independent body to identify perishable produce and products whom setting of a fair farmgate price is deemed as essential for the Queensland economy and necessary for the continued success of the industry.
 - 1.1. The make-up of this body would include relevant parties including growers and producers from the sector, relevant grower groups, agents, and central market buyers.
 - 1.2. The body would establish a fair, transparent, and profitable price, for the next 6 months, reviewed after that time for the next 6 months, allowing for the incorporation of any market fluctuations during that time.
2. That the Queensland Government explore options for a reduction in bowser pricing 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 entire state.

Regards,



Tim Sayre

President – Bundaberg and District Chamber of Commerce

