

## Supermarket Pricing Inquiry

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### **Submission to the Supermarket Pricing Select Committee**

I write on behalf of Bundaberg Regional Council in response to calls for submissions by the Supermarket Pricing Select Committee regarding its inquiry into supermarket pricing in Queensland.

I welcome the inquiry and look forward to the Government adopting any recommendations made by the Select Committee that support farmers and households in the Bundaberg region.

As context to this submission, 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 unevenly to both the cost-of-living crisis and the unfair pricing behaviours of the major supermarket retailers towards our growers.

In alignment with the Terms of Reference for the inquiry, this submission makes the following points. The submission was also informed by engagement with local growers.

#### **1. A select committee, known as the Supermarket Pricing Select Committee (committee) be established to:**

##### **(a) examine the causes and effects of increased supermarket prices;**

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<sup>1</sup>.

Local growers have expressed to Council that one of the issues related to rising prices for 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.

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<sup>1</sup> ABC Rural, 8 January 2024, posted online.

If the major retailers could educate consumers about the nutritional and taste equivalence of blemished produce, this would significantly increase the volume of produce that could be supplied to supermarkets by 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.

**(b) identify opportunities to increase transparency in the supermarket sector for consumers and producers.**

In January 2024 Australia's leading consumer advocacy group, Choice, made a submission to the Australian Government regarding supermarket pricing<sup>2</sup>. Council supports a number of recommendations from this submission that would help level the playing field for consumers, including;

- compelling major supermarkets to publish historical pricing information to allow consumers to track price changes over time,
- a ban on misleading promotional tactics,
- strengthening and enforcing unit pricing requirements so consumers know what they're getting for their money,
- mandatory standards for clear and consistent pricing information,
- requiring supermarkets to prominently disclose the change in price or size of a product.

The above recommendations would improve transparency in supermarket pricing and assist households in the Bundaberg region when making choices at the supermarket.

**2. In undertaking the inquiry, the committee consider:**

**(a) rising grocery prices in Queensland and discrepancies between retail and wholesale and farmgate prices, including different-sized businesses;**

Bundaberg farmers have expressed to Council the large discrepancies between farmgate 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.

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<sup>2</sup> <https://www.choice.com.au/shopping/everyday-shopping/supermarkets/articles/supermarket-pricing-submission-to-government>

An onus needs to be placed on supermarket retailers to share 'margin loss' in situations where lower prices are being demanded by consumers.

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

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 regions farmers to increase profitability.

**c) the long-term trends in profits accruing along the supply chain for perishable produce, with particular regard to impediments to the profitability of primary producers;**

One example of where the profitability of local producers is being squeezed by the major supermarkets is 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 identifies an issue.

**d) the conduct of retailers in negotiations with Queensland producers, and the prevalence and effects of information asymmetry between these parties;**

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, was advised of the price to be received at the destination.

Had the grower known the end price, it would not have loaded the produce onto the truck given the eventual price didn't cover production and transport costs. Supermarkets and wholesalers should be required to provide greater price certainty to growers to avoid the above situation.

In the above example, price certainty for three to seven days would have avoided a significant financial loss by the local grower. Supermarket retailers and wholesalers should be required to disclose a forward pricing schedule that can be relied upon by producers.

- e) improvements to Queensland's policy environment to increase transparency for producers, including what data will reduce information asymmetry, and/or reduce prices for consumers; and**

This submission has made several policy recommendations that would reduce information asymmetry, and/or reduce prices for consumers.

- f) any other reviews or inquiries occurring in Australia regarding this matter, with a view to complement these analyses by focusing on potential Queensland Government responses.**

The Select Committee should review all other current and recent enquiries into supermarket pricing and cost of living issues facing Queensland and Australia.

For further information regarding this submission please feel free to contact myself directly on [REDACTED]

Your sincerely

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Mayor Helen Blackburn  
**Bundaberg Regional Council**