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Inquiry into Constitutional Corporations (Farm Gate to Plate) Bill

Introduction

The VFF appreciates the opportunity to comment on the **Constitutional Corporations (Farm Gate to Plate) Bill**. The Victorian Farmers Federation (VFF), Australia's largest state farmer organisation and only recognized consistent voice on issues affecting rural Victoria.

Victoria is home to 25 per cent of the nation's farms. They attract neither government export subsidies nor tariff support. Despite farming on only three per cent of Australia's available agricultural land, Victorians produce 30 per cent of the nation's agricultural product. The VFF represents the interests of our State's dairy, livestock, grains, horticulture, flowers, chicken meat, pigs and egg producers.

Principle vs. Practise

The VFF is supportive of the principle of this bill. The highly concentrated nature of the fresh fruit and vegetable market often raises concerns on the potential for oligopsonistic market power.

We see the principle of the bill is to raise awareness of the consumer on the margins being applied to fresh fruit and vegetable in the retail sector. Displaying the average price paid for the product at the farm gate will create transparency in the supply chain costs associated with fresh fruit and vegetable. This could also raise awareness within consumers on, in many cases, how little of the retail price is passed back to the producer.

There would be many cases where customers will be genuinely surprised with the farm gate value. Some recent research that was reported in the Sydney Morning Herald¹ showed that farmers receive as little as only 17% that of the retail price. For example, Sebago potatoes were \$1.98/kg in the supermarket but farmers were only paid 35c/kg and farmers were paid 50c for Cos lettuce but was being sold for between \$1.75 - \$2.48 in the supermarket.

¹ September 28, 2011, based on values from NSWFarmers and Coles and Woolworths online prices

While we are in favour of the principle, the VFF has concerns on the practical implementation of the Bill.

1. Added cost of administration for the program will be passed back on to grower.
2. Loss of market for small growers. There is the concern that the large retailers will favour only large producers for sourcing produce for ease of administering. This may mean a reduced market available
3. Process to assess average price may be cumbersome and meaningless in a volatile market

The VFF cannot support this Bill due to the serious questions on the impact of the operational impacts this pricing regime will have and its flow-on effects on fresh fruit and vegetable producers. It would be useful for research to be conducted on the impacts of the bill the bill before the bill is considered.

Conclusion

While this bill is an interesting approach to deal with a problem that the VFF agrees with and would support added transparency on food pricing, we would require additional research in the operational effects of this pricing before we could support the Bill.

The VFF will be happy to work with government and industry in the future to improve price transparency and particularly improve supply efficiencies into the future.