

Senate Select Committee on Supermarket Prices

Parliament House

Canberra

ACT

Dear Senators

I am writing to the senate inquiry to provide you with an insight into our experiences as suppliers of prime lamb to Woolworths through the Greenstock Division. Our property is near Ararat in western Victoria and we will supply 10,000 lambs to Woolworths from October 2023 to April 2024. We are dedicated lamb producers, much bigger than your average lamb producer, and have no other enterprises.

Woolworths is our main customer and we have over the past two years developed a favourable relationship. By continuing to work with Woolworths through the Greenstock group we aim to continually improve our lambs and management so that they meet the ever-increasing consumer demands.

The prices we have received in the past two years would be the best that we could achieve in the industry if not better. The prices paid by both Coles and Woolworths are ahead of some of the other processors who have endeavoured to keep the prices down. In our relationship with Woolworths, we strive to continually improve our production system so that it ensures our lamb remains on the supermarket shelves.

We operate on a "spot price basis" and do not have contracts. In the past, I have witnessed very poor outcomes with contracts. Greenstock set tight specifications which we need to meet to ensure can deliver lambs to them. These specifications to supply are at a level that precludes a lot of lamb producers but for us, it is worth making the extra effort. We are rewarded for meeting these specifications.

As for the prices the supermarkets charge my wish is that consumers continue to purchase our lamb. I often buy lamb from Woolworths as I believe it is very close in quality to our own "home kill" and is excellent buying. I use the price for a leg of lamb as a benchmark for the price of lamb in the supermarket against what we receive.

Originally, we were wool producers but have moved to prime lamb as a result of the poor profitability and the failed "Reserve Price Scheme". It would be an

absolute disaster if the outcome of this inquiry was to have Government Intervention in price setting. The current model is not perfect but we need to have the free market remain which is influenced by "supply and demand". In the past top performance has not been rewarded because supply has been tight but the model, we operate with rewards top production. The result is that there is a better product on the supermarket shelf for the consumer.

The greatest problem for our enterprise is not the prices received but the massive increase in costs in the past twelve months. Some of these are influenced by the government. In particular labour, insurance, and energy prices.

Whilst prices have increased the greatest factors that could enhance our business are better roads and communications. Our freight costs have increased due to damage to trucks freighting lambs to slaughter from the poor state of our roads. The other opportunity missed is poor internet communication. The gain from increased genetic performance is lost through poor communication which prevents us from adopting some of the new developments in IT, i.e. facial recognition and pedigree management.

In conclusion, we have a great working relationship with Woolworths and it would be tragic to have any government intervention in controlling prices. It is not a "given right" to have our product on the supermarket shelf and the more we can do to ensure it stays on the supermarket shelves the greater viability for our business. I see our relationship with Greenstock and Woolworths as the key to our future.

Yours sincerely

Charles de Fegely