

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 100

Topic: Retail Inflation

Hansard Page: E6, E9

Senator Joyce asked:

Senator JOYCE—Can you explain why Australia has the highest level of food inflation in the western world?

Senator Sherry—Really, Senator. The markets group do not have oversight of inflation, particularly food inflation. We will have to take it on notice. The officers are not here for those particular issues because they do not deal with those issues.

Senator JOYCE—Outcome 1 is ‘Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people’. Do you think food inflation will have anything to do with the wellbeing of the Australia people?

Senator Sherry—We do not have officers here who can answer questions about food inflation in the markets division. I do understand that sometimes it is difficult at estimates to identify areas for questioning. There are difficulties, but we just do not have the personnel here. They are in the Macro and other areas of Treasury, so we will have to take it on notice.

Senator JOYCE—Do you believe the current retail environment is working effectively?

Senator Sherry—In a competitive sense?

Senator JOYCE—Yes.

Senator Sherry—There may be some response we can give you. When you say retail, what areas of retail do you mean?

Senator JOYCE—Retail of food—

Senator Sherry—Shopping?

Senator JOYCE—Shopping.

Senator Sherry—Do you have any comments on that?

Mr Murphy—Generally the economy seems to be holding up. Most people can purchase goods they wish to buy and suppliers are providing the goods that people wish to buy. You would have to say on general observation that the retail sector is progressing reasonably well at the moment, in a global financial crisis—I think that has got to be said. Obviously there are going to be strains on the economy given the downturns overseas.

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Senator JOYCE—Do you believe the competitive pressures in the retail sector of the market are evident and working on behalf of consumers' interests?

Senator Sherry—If you have issues around the operation of markets as distinct from outcomes, we may be able to help you, but, as to observations about the issues you are going to, we will take it on notice because it is not the appropriate area.

Senator JOYCE—Do you think a question to be asked on the retail sector would be inside the scope of outcome 1, 'Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth'? Do you see that as being within that scope or, if not, can you explain why it is not?

Senator Sherry—I have already explained, and we will take your question on notice. I am not going to repeat myself.

Senator JOYCE—You will take a question on notice on why the outcome is relevant is not.

Senator Sherry—Yes, we will take it on notice.

Senator JOYCE—You will take that on notice as well? Can you answer questions about fuel or are you going to take them on notice as well?

Senator Sherry—We are taking it on notice.

Senator JOYCE—You are taking questions on fuel on notice as well?

Senator Sherry—Yes.

....

Senator JOYCE—Do you acknowledge that Australia has the highest form of food inflation in the Western world and the most centralised retail market in the Western world? Doesn't this run counter to what you—

Senator Sherry—The issue of food inflation is not an issue for these witnesses. We can take the question on notice to get the detail. You assert things, Senator.

Senator JOYCE—That is not—

Senator Sherry—You asked, 'Do you acknowledge that Australia has the highest level of food inflation?'

Senator JOYCE—Do they?

Senator Sherry—I do not know that there would be an officer here who can provide us with that factual information.

Senator JOYCE—You can take it on notice. I will close with: does Australia have the highest form of food inflation in the Western world?

Ms Holdaway—Unfortunately, as the minister suggested, we cannot actually provide that as a fact. But certainly there was an extensive report done by the ACCC on food inflation within Australia as part of the grocery inquiry. The report suggested that huge components of the inflation in food prices could be attributed to the drought that

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Australia has experienced. In fact, a lot of other things, such as international factors, prices of fuel and prices of input actually contributed to that as well.

Senator JOYCE—That would suggest that the farm gate price of food has also gone up, but has the farm gate price of food gone up in any way, shape or form to the margin that the shelf price of food has gone up?

Ms Holdaway—I would have to take that particular question on notice. I do not know the exact detail about that.

Ms Holdaway—I would have to take that particular question on notice. I do not know the exact detail about that.

Senator JOYCE—You can check the assertion I am making here: that the farm gate price of food has not gone up, even marginally, to the extent that the shelf price has gone up, which means there is a capacity in the market to gouge, which is brought about by the overcentralisation of the retail market. Is the ACCC able to deal with this issue?

Ms Holdaway—Once again, I will have to take you back to the conclusions of the report, which clearly showed that the contribution to the food price inflation, which was attributable to the profit increase of retailers, was marginal. Once again, I am happy to put in writing what that proportion was, but it clearly showed that the food price inflation was as a result of a lot of external factors.

Senator JOYCE—If it is not the farm gate, where are the external factors that push up the price of food or are we now in a position where we are importing food?

Senator Sherry—There may be some information that the officers can give you, but you are mixing issues. I do not know whether or not you read earlier the overview of the outcome, but in this—

Answer:

Australia does not have the highest food inflation in the western world.

Since the beginning of 2008, Finland has experienced consistently higher rates of growth in food prices than Australia, while Iceland, New Zealand, South Korea and the UK have experienced higher rates of growth in food prices in four of the past five quarters.