

INQUIRY INTO FRESH FOOD PRICING

Organisation: Public Health Association of Australia

Date Received: 25 May 2018



Public Health Association
AUSTRALIA

Public Health Association of Australia submission on inquiry into fresh food pricing in New South Wales

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25 May 2018

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Preamble

The Public Health Association of Australia

The Public Health Association of Australia (PHAA) is recognised as the principal non-government organisation for public health in Australia working to promote the health and well-being of all Australians. It is the pre-eminent voice for the public's health in Australia. The PHAA works to ensure that the public's health is improved through sustained and determined efforts of the Board, the National Office, the State and Territory Branches, the Special Interest Groups and members.

The efforts of the PHAA are enhanced by our vision for a healthy Australia and by engaging with like-minded stakeholders in order to build coalitions of interest that influence public opinion, the media, political parties and governments.

Health is a human right, a vital resource for everyday life, and key factor in sustainability. Health equity and inequity do not exist in isolation from the conditions that underpin people's health. The health status of all people is impacted by the social, cultural, political, environmental and economic determinants of health. Specific focus on these determinants is necessary to reduce the unfair and unjust effects of conditions of living that cause poor health and disease. These determinants underpin the strategic direction of the Association.

All members of the Association are committed to better health outcomes based on these principles.

Vision for a healthy population

A healthy region, a healthy nation, healthy people: living in an equitable society underpinned by a well-functioning ecosystem and a healthy environment, improving and promoting health for all.

Mission for the Public Health Association of Australia

As the leading national peak body for public health representation and advocacy, to drive better health outcomes through increased knowledge, better access and equity, evidence informed policy and effective population-based practice in public health.

Introduction

PHAA welcomes the opportunity to provide input to the Inquiry into fresh food pricing in NSW. The reduction of social and health inequities should be an over-arching goal of national policy and recognised as a key measure of our progress as a society. The Australian Government, in collaboration with the States/Territories, should provide a comprehensive national cross-government framework on promoting a healthy ecosystem and reducing social and health inequities. All public health activities and related government policy should be directed towards reducing social and health inequity nationally and, where possible, internationally.

PHAA Response to the Inquiry Terms of Reference

(a) Trends in pricing, comparable to other states in Australia and internationally

There is a commonly held belief that healthy foods are more expensive than less healthy foods, and so healthy diets may be unaffordable for some people. However, research has shown that healthy diets would be 12-15% cheaper than current (unhealthy) diets for a family of two adults and two children, with the majority of households' food budget currently being spent on discretionary food such as sugary drinks, takeaway foods and alcohol. However, for low-income families, even the less expensive healthier diet is unaffordable, costing up to 31% of their disposable income.¹

This highlights the critical importance of retaining the exemption of Goods and Services Tax (GST) on basic healthy food in Australia.¹ In New Zealand, where basic, healthy foods are not subject to exemption from GST, the price barrier to uptake of healthy diets is much greater than in Australia.² Overall, food prices in Sydney are more affordable than in other Australian cities assessed to date,^{3,4} however a national survey using standardised, comparable methods, is required urgently.^{1,5} Food prices in rural and remote areas have been consistently shown to be at least 30% higher than in capital cities.⁶

Temporary price discounts should also be considered when examining current trends in pricing. These price promotions are used ubiquitously by Australian supermarkets (and internationally) with evidence suggesting they are more commonly found on unhealthy products.^{7,8}

Food choices are influenced by more than just price – with factors such as convenience and promotion important in determining food choices.¹

(b) The relationship between wholesale prices paid to farmers and the retail price paid by consumers

Wholesale prices result in thin profit margins and create significant pressure on farmers to reduce costs in a variety of ways, with the potential for detrimental effects on food quality. Farm-gate prices rarely keep up with inflation or the average retail prices charged (milk is the product for which most research in this area has been conducted).⁹ When prices paid to farmers reduce, they may not always be passed on to consumers. Examination of annual reports suggest that fresh foods are one of the most profitable arms of major retailers.

This clearly suggests that fresh food could be available from major retailers at lower cost, which would help to make healthier food more affordable.

(c) Payment arrangements between growers, wholesales and fresh food retailers

One of the primary concerns around payment arrangements between growers, wholesales and fresh food retailers is the lack of transparency in these arrangements. To fully inform any policy improvements, there must be a clearer understanding of current arrangements, and processes in place to ensure transparency into the future. This would help to highlight any power imbalances which may exist in the grower, wholesaler and retailer relationships. The recently released Australian Competition and Consumer Commission report from the Dairy Inquiry notes:

“The dominant picture that has emerged is one of significant imbalances in bargaining power at each level of the dairy supply chain. This begins with the relationships between retailers and dairy processors, and progresses down to the relationship between processors and farmers.

Neither the existing provisions of the Competition and Consumer Act 2010 (CCA) nor a voluntary code of conduct sufficiently address these market failures. Therefore, the ACCC makes eight recommendations for improved transparency and allocation of risk in the commercial relationship between Australian dairy processors and farmers. Most significantly, the ACCC recommends that a mandatory code of conduct be introduced to address the market failures we have identified”¹⁰

(d) The prevalence of food insecurity in New South Wales

Food insecurity, defined as when someone runs out of food and cannot afford to buy more, is regularly measured in New South Wales. In 2014, 6.9% of people reported experiencing food insecurity in the previous 12 months. This is alarming enough in a wealthy country such as Australia, but a closer look shows that while food insecurity was reported by 6.5% of non-Aboriginal people, it was reported by 18.5% of Aboriginal people in NSW. This gap in food insecurity has been observed since at least 2002.¹¹

The incidence of food insecurity increases as remoteness increases, and as socioeconomic status decreases, with more than 10% of people in remote areas and in the most disadvantaged socioeconomic quintile reporting having experienced food insecurity in the previous 12 months.¹¹

There are a number of underlying causes of food insecurity in Aboriginal and Torres Strait Islander communities, including factors such as low income and unemployment, inadequate housing, overcrowding, lack of educational opportunities, transport, high food costs, cultural food values, and food and nutrition illiteracy, knowledge and skills.¹²

(e) The identification of ‘food deserts’ and any efforts to address them

Studies often use supermarket access as a proxy measure of healthy food accessibility, and the identification of food deserts, with improving access to supermarkets (through measures such as urban planning or other legislative requirements) usually suggested as a means to improve access to nutrition.⁹ However, research has shown that large scale food retailing does not positively affect fruit and vegetable consumption and may actually restrict food choices. Data from Brisbane have demonstrated that unlike overseas experiences, no difference seems to exist between access to major food retailers in different socio-economic areas in Australia, however, small differences do exist in access to smaller specialised retailers such as greengrocers, with slightly lower access in more disadvantaged areas.^{13, 14}

PHAA suggests that any identification of food deserts and efforts to address them appropriately incorporate small-scale and specialised retailers (e.g. green-grocers, butchers and markets). These sectors increase options, improve accessibility and reduce prices for perishable food. While there are often government initiatives to increase these options, these usually focus on development of “boutique” options (i.e. artisanal farmers’ markets) rather than developing options that are accessible and affordable.

(f) The impact on fresh food prices in New South Wales of:

(i) transportation costs

Geography in Australia necessarily means that high transportation costs are a risk for any retailer. Increasing the availability of small-scale and specialised retailers in the fresh food sector, may help to increase the availability of locally grown food, with accompanying decreases in transportation costs.

(ii) the level of competition between retailers

Lack of competition in the supermarket retailer sector is a significant issue in Australia, which has one of the highest market concentrations in the world. This may adversely affect affordability, accessibility, quality and choice of healthy food options for consumers. While this situation continues, public health education programs aims at encouraging people to consume higher quantities of healthy foods may be ineffective.¹⁵

(iii) drought, climate change and extreme weather events

Examples of drought and extreme weather events affecting the price and availability of particular fresh food products in Australia are not difficult to think of in recent years. Climate change will ensure that these events continue to occur, and most likely will do so with increased frequency and severity. Farmers may be able to take steps to alter their processes and practices to reduce the impact of these events and increase the environmental sustainability of their operations. However, such changes inevitably involve investment in time and capital. Where farmers are not being adequately compensated for their produce, they may not be in a position to make these required investments.

(iv) new retail operators such as AmazonFresh

The availability of smaller and specialised fresh food retailers such as markets may increase consumption of healthier, fresh food. While large scale retail operators such as AmazonFresh may appear to be less expensive and more convenient options for those who have access to them, they are less likely to encourage locally grown options (minimising transportation costs and emissions), and diversity in fresh food options. This indicates the need for support for smaller and specialised fresh food retailers.

Conclusion

PHAA supports the broad directions of the inquiry into fresh food pricing in NSW. We are keen to ensure support for high quality, affordable fresh food availability throughout the state, in line with this submission. We are particularly keen that the following points are highlighted:

- farmers must be adequately compensated for their produce
- transparency is required in payment arrangements between growers, wholesalers and fresh food retailers
- support should be provided for smaller and specialised fresh food retailers, especially focusing on locally grown produce

The PHAA appreciates the opportunity to make this submission and the opportunity to contribute to better availability of affordable fresh food in NSW.

Please do not hesitate to contact us should you require additional information or have any queries in relation to this submission.

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25 May 2018

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