

## **INQUIRY INTO FRESH FOOD PRICING**

**Organisation:** Country Women's Association of NSW

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- (a) **Trends in pricing, comparable to other states in Australia and internationally.** It would appear that Sydney fresh food prices are more expensive than in other capital cities; and prices in western New South Wales more expensive than in the east, but on a par with western Victoria. (*Recommended Minimum Amount of Money for food*). There is a significant difference in prices within and between regional areas which does not appear to reflect transport costs alone, but perhaps more a function of competition in particular areas. Small regional communities, and especially remote towns and villages, which usually have only one retail outlet for food, suffer much higher prices and reduced choice in fresh foods. Australia as a whole was once recognised as having some of the lowest prices for fresh food in the developed world, but is now among the highest.

[https://www.numbeo.com/foodprices/country\\_result.jsp?country=Australia](https://www.numbeo.com/foodprices/country_result.jsp?country=Australia)

[accessed 5 June 2018. Numbeo is the world's largest database of user contributed data about cities and countries worldwide. Numbeo provides current and timely information on world living conditions including cost of living

<https://www.numbeo.com/cost-of-living/>)]

- (b) **The relationship between wholesale prices paid to farmers and the retail price paid by consumers.** There is a lack of transparency between the prices paid to producers and those paid by consumers. The retail price frequently does not reflect the changing "farm gate" price and is usually slow to reduce at retail level when the wholesale price drops, despite reacting quickly in the opposite circumstance. This is particularly the case with meat prices. Unrealistic pricing of certain commodities by the large retail chains, especially of milk, results in significant hardship for primary producers, whose margins are constantly being reduced as costs of production rise and returns fall. Rising prices for staples such as bread bear no relationship at all to the returns received by the cereal growers.

The *Rural Industries Research & Development Corporation report 2016, Section 6.3 Scope for improvement page 141* lists some possible approaches for improving transparency in the way prices are determined. Link for the whole report: *From farm to retail – how food prices are determined in Australia* [file:///C:/Users/Owner/Downloads/16-013%20-%20Determining%20food%20prices\\_online%20%20\(1\).pdf](file:///C:/Users/Owner/Downloads/16-013%20-%20Determining%20food%20prices_online%20%20(1).pdf) [accessed 5 June 2018]

- (c) **Payment arrangements between growers, wholesalers and fresh food retailers.**

Refer to document referenced above. There are substantial gaps in transparency in these payments and, as already mentioned, little relationship in many cases, between prices paid to producers and those charged to consumers. Producers are often expected to bear the costs of packaging and labelling to suit the supermarkets and these items, such as packing crates for fresh produce, are not compatible with those demanded by another retailer, thereby locking the grower into a specific market. Large retail chains or wholesalers on occasion reduce the prices paid to growers despite an existing contract of supply at an agreed price. Penalties often apply to produce which is slightly outside the specifications, yet wholesalers will pay higher prices in the markets or saleyards for product which has no guarantee of quality.

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

The AMA's 2018 Position Paper includes a list of recommendations. *AMA position statement. Nutrition 2018.* [https://ama.com.au/position-statement/nutrition-2018;](https://ama.com.au/position-statement/nutrition-2018;pdf) pdf <https://ama.com.au/system/tfd/documents/Nutrition-2018-AMA-position-statement.pdf?file=1&type=node&id=47557> [accessed 5 June 2018]

The focus is, of course, on nutrition: in particular in specific groups, including children, the elderly, those with health conditions, e.g. type 2 diabetes, and aboriginal & Torres Strait Islander people. Parts of the document do address food insecurity. The paper states

"Food retailers should work with developers and local councils to reduce food deserts. ...Nutrition is an important public health issue."

**Statement on Food Security (p. 4 of the report)**

"Food insecurity occurs when people have difficulty or are unable to access appropriate amounts of food. It has been estimated that four per cent of Australians experience food insecurity; though it is likely the extent of the problem is much higher. Food insecurity is associated with a range of factors, including unstable living situations, geographic isolation, ...and poor health. It is more prevalent in already disadvantaged communities. **In households with limited incomes, food budgets can be seen as discretionary and less of a priority. [The emphasis here is mine]** This can result in disrupted eating habits and an over-reliance on less nutritious foods. Food insecurity can have significant health implications".

**Their statement on food deserts**

"Food deserts are areas where it is **difficult to purchase affordable fresh foods due to geographic distances to markets and supermarkets.** Difficulties in accessing fresh and healthier foods have flow-on effects including increased health complications, ... It should be **a goal of town planning and local and State governments to identify food deserts and to work with developers to ensure that access to fresh foods is improved, and to prevent future food deserts from occurring.** All levels of government play a role in nutrition and food policies. This includes investment in programs that seek to improve nutrition. Such investments benefit from strong collaborations with local communities who are aware of the needs at a local level. All programs benefit from consultation with representatives from their target audience to ensure messages are salient and practical. All governments should be canvassing opportunities to engage with food producers and retailers to further support improved nutrition.

**(e) The identification of 'food deserts' and any efforts to address them.** See above

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

- i. transportation costs: It's stating the obvious to say that the distance food travels will affect food prices. Regional, rural and remote consumers pay more for fresh food than those in the cities and larger regional centres, despite, in some cases, living in the area where the food is grown. The distribution system used by larger retailers often adds to "food miles" by transporting products over long distances to a central point then back to its area of origin. This will get worse given point iii below: drought.

- ii. Competition between retailers drives down prices to the consumers who, of course don't really care where the food comes from as long as it's cheap. In small communities, with no competition, prices are almost always higher.
- iii. drought, climate change and extreme weather events: as stated previously: if our food bowl dries up, we will be relying on cheap imports. Shortages of fresh produce due to weather events may cause price spikes and consumers should be made aware of the reasons for this. Drought adds to costs of production due to increased requirements and costs of livestock feed and water for stock and crops. Producers are rarely compensated for these increased costs while consumers expect to find the same availability and price for food on their supermarket shelves. An increasingly drier and hotter growing environment due to climate change, with more frequent extreme weather events including both floods and droughts, will make constant supply of fresh food both less reliable and more costly to produce. Seafood production is also being affected by changing climatic conditions and extreme weather events. Consumers need to be made more aware of the limitations to production of their fresh food and the importance of supporting the Australian producer.
- iv. new retail operators, such as Amazon Fresh: online retailers are likely to charge lower prices than "bricks and mortar" retailers due to their lower cost base, but are also likely to attempt to squeeze producers' margins even further. Some of these retailers are unlikely to operate in regional areas, so smaller communities will be even further disadvantaged

**(g) Related matters** see points above in relation to changing climate and farm gate pricing