

FARM GATE TO THE PLATE



IT'S NO SECRET THAT THE COST OF LIVING HAS BEEN INCREASING IN RECENT YEARS IN AUSTRALIA. WHILE UNLEADED PETROL PRICES HAVE BEEN ONE OF THE MOST VISUAL SIGNS OF GROWING COSTS TO CONSUMERS, GROCERY PRICES HAVE ALSO BEEN ON THE RISE.

The ACCC will conduct a broad examination of all issues affecting the final price of goods on store shelves.

WITH INQUIRIES into the petrol industry now complete (see page 16), national concern about the growing issue of the cost of basic supermarket goods has led the government to call on the ACCC to try and deliver some answers to consumers.

On 22 January this year Assistant Treasurer and Minister for Competition Policy and Consumer Affairs, Chris Bowen, directed the ACCC to conduct a formal inquiry into grocery prices looking at all aspects of the supply chain from the farm gate to the check-out counter.

In announcing the inquiry, Minister Bowen said overall inflation in Australia had generally been low in recent years, but there was evidence that the cost of food had been increasing faster in Australia than it had in other countries, prompting the need to take a close look at the industry.

The government has asked the ACCC to conduct a broad examination of all issues affecting the final price of goods on store shelves. The inquiry will examine the current structure of the industry at the supply, wholesale and retail levels, including looking at mergers and acquisitions between national retailers.

That examination will include looking at the state of competition at all levels, including the position of small and independent retailers and their ability to compete in the market against larger national rivals.

In response to concern about the influence of the major supermarket retailers, the inquiry will also look at the pricing practices of the major chains.



It will not be the first time the ACCC has held an inquiry into the cost of food. In February 2007 the ACCC issued a report into the cost of red meat after the former Minister for Agriculture raised concerns about a widening gap between the prices being paid to farmers for livestock and the price of meat being charged to customers.

That inquiry found the cost of fresh meat involved a long and complex supply chain, where the cost of livestock was only one component of the total cost incurred by supermarkets. Issues such as increases in other production costs and high feed grain prices had played a role in the end price of fresh meat sold to the public.

The review of grocery prices will also consider how well the recently introduced mandatory Horticulture Code of Conduct is operating, and whether it should be extended to include other larger retailers.

The code became law in May last year and is designed to improve transparency of dealings between growers and wholesale traders.

The ACCC is also working on the potential development of a periodic survey of grocery prices at supermarkets for a typical shopping basket and investigating the most appropriate methods of providing that information to the public.

ACCC chairman Graeme Samuel and commissioners John Martin and Stephen King will head the inquiry, which will call for submissions from all interested parties. Following those submissions, the commissioners will travel around Australia for a series of public hearings to gain insights from growers, consumers, retailers and wholesalers. Commissioners will also have the power to require witnesses to give evidence to the hearings.

The ACCC is due to report to the minister on its findings by 31 July 2008. More information will be posted on the ACCC website in coming weeks. ●