

SUPERMARKET PRICING SELECT COMMITTEE

Report No. 1, 57th Parliament

Inquiry into Supermarket Pricing

QUEENSLAND GOVERNMENT RESPONSE

On 31 May 2024 the Supermarket Pricing Select Committee (the Committee) tabled in the Legislative Assembly its Report (No. 1, 57th Parliament).

The Committee was established by the Legislative Assembly on 7 March 2024 to investigate the causes and effects of increased supermarket prices in Queensland. The inquiry's terms of reference included consideration of:

- rising grocery prices in Queensland and discrepancies between retail and wholesale and farmgate prices, including different-sized businesses;
- the variability in supermarket offerings and pricing across the state, particularly in regional Queensland and in remote Aboriginal and Torres Strait Islander communities;
- the long-term trends in profits accruing along the supply chain for perishable produce, with particular regard to impediments to the profitability of primary producers;
- the conduct of retailers in negotiations with Queensland producers, and the prevalence and effects of information asymmetry between these parties;
- improvements to Queensland's policy environment to increase transparency for producers, including what data will reduce information asymmetry, and/or reduce prices for consumers; and
- any other reviews or inquiries occurring in Australia regarding this matter, with a view to complement these analyses by focusing on potential Queensland Government responses.

In undertaking its inquiry the Committee received and accepted 52 written submissions from stakeholders; conducted public hearings in Bundaberg, Cairns and Brisbane; conducted a private hearing in Brisbane; engaged with community leaders in Yarrabah; and received a written briefing from Counsel assisting the Committee.

The Committee's report contains eight (8) recommendations, of which all are supported by the Queensland Government, with only one subject to first considering outcomes of related national-level inquiries that are yet to be finalised.

RESPONSE TO COMMITTEE RECOMMENDATIONS

Recommendation 1: The committee recommends that the Queensland Government support measures to strengthen the Food and Grocery Code of Conduct, including by making it mandatory and improving its enforcement.

The Queensland Government supports this recommendation and has previously advocated for making the Food and Grocery Code of Conduct (the Code) mandatory, including through a submission to the Federal Government in February 2024. The Federal Government's June 2024 response to the 2023–24 review of the Code states that it will introduce a mandatory code for supermarkets with an annual Australian revenue threshold exceeding \$5 billion.

To ensure the Queensland Government's support for the mandatory Code is effective and non-duplicative, it will be considered in further detail by the Office of the Queensland Food Farmers Commissioner (as outlined at Recommendation 2 below) which will advise of any opportunities to support effective implementation the Code in its mandatory form.

Recommendation 2: That the Queensland Government investigate the establishment of the Office of the Queensland Farmers' Commissioner to perform relevant functions such as, but not limited to:

- a) acting as a central point of contact for Queensland based agricultural and horticultural producers navigating industry standards, practices, imposed regulations, and liaison with peak body stakeholders***
- b) publishing comparative data related to farmgate, wholesale, and supermarket price points***
- c) requiring traders recognised under the Horticulture Code of Conduct (merchants and agents) to register with the Office of the Queensland Farmers' Commissioner when operating within Queensland; listing terms of trading on the Commissioner's website to uphold the Code, as well as publishing upheld breaches of traders against the Code***
- d) administering mediation under the relevant industry codes***
- e) possessing powers to lodge complaints and act on behalf of Queensland based suppliers in dispute with supermarkets and wholesalers via Code Arbiters; and make requests of the Independent Reviewer under the Food and Grocery Code***
- f) possessing powers to submit complaints on behalf of Queensland based farmers to the Australian Competition and Consumer Commission***
- g) reporting to the Government concerns of improper collusion, behaviours, and business practices adversely impacting Queensland farmers and subsequently Queensland consumers.***

The Queensland Government supports this recommendation noting evidence received by the Committee which highlights the complex nature of legal arrangements and relevant industry codes that govern the relationship between supermarkets, suppliers and growers. The reported fear of retribution by Queensland producers due to significant power imbalances is also noted.

The Queensland Government will create a statutory Queensland Food Farmers Commissioner to undertake functions including, but not limited to:

- promoting understanding of, and helping producers to navigate, the existing arrangements governing the relationships between supermarkets and their suppliers
- developing relationships with other institutions, including the Australian Competition and Consumer Commission (ACCC) and supermarket Code Arbiters to enable the referral of disputes on a confidential basis

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- monitoring and advising the Queensland Government on developments in the national arrangements governing the relationships between supermarkets and their suppliers
- reporting concerns of any improper behaviours and business practices adversely impacting Queensland farmers and consumers
- scoping the need and feasibility of a process for mediation of disputes between supermarkets and rural suppliers.

As referred to in Recommendation 1, further consideration will be given to opportunities for the Queensland Food Farmers Commissioner to support the Code, such as enhancing dispute resolution and advocacy. Pending the conclusion of the Queensland Fruit and Vegetable Grower's *Geared Up Growers* pilot project, delivered in partnership with the Queensland Government, there could be opportunities for the Queensland Food Farmers Commissioner to advise the Government on the merits of continuing initiatives under the project on an ongoing basis, which include: publishing comparative data related to farmgate, wholesale and retail prices; negotiation training for producers; and cost of production information and horticultural health check initiatives.

The Commissioner will also provide advice on the merit of municipal markets as a direct measure to diversity food and grocery retail options in the State, with consideration given to the need, location, and form of any Government support.

Recommendation 3: That the Queensland Government engage with industry and discuss its role alongside industry in developing a Northern Dairy Industry Strategic Plan.

The Queensland Government supports this recommendation, and through the Department of Agriculture and Fisheries has provided a \$50,000 grant to EastAusMilk to undertake the development of a Queensland Dairy Industry Plan (the Plan) with industry stakeholders. The Department of Agriculture and Fisheries will support the development of the Plan's strategic intent, and provide input to areas where applied research, development and extension efforts have been directed.

Noting the desire from key industry stakeholders for development of a broader Northern Dairy Industry Strategic Plan which incorporates parts of northern New South Wales, the Queensland Government will continue to engage with industry through and post-development of the Plan.

Recommendation 4: That the Queensland Government reflect on statements provided by industry representatives to the committee and assess the viability of how planning guidelines could generate further competition in the supermarket sector, providing an expanded variety of product and price choice for Queensland consumers.

The Queensland Government supports this recommendation and has undertaken an initial review into how the State's planning frameworks might support increased grocery retail competition.

Opportunities have been identified to embed supermarket competition considerations into the planning framework. This includes measures to address anti-competitive behaviour such as land banking and frustrating competitor appeals in the Planning and Environment Court, and removing barriers to entry for smaller market participants. Further consultation is required to inform legislative and/or regulatory reforms. The Queensland Government will release a consultation paper on reforms by mid-September 2024.

Planning reform is a longer-term measure to complement the other actions being taken by the Queensland Government and potentially the Federal Government, and the Queensland Government intends to introduce legislative reforms following the conclusion of the ACCC's *Supermarkets Inquiry 2024-25*.

Recommendation 5: That the Department of Transport and Main Roads ensure freight subsidy schemes continue to exist where necessary and viable considering the increased competition of freight services to particular regional and remote areas of Queensland.

The Queensland Government supports this recommendation and is continuing to subsidise freight transport for communities in regional and remote areas to assist with cost-of-living pressures.

Following a review of the previous Regional Freight Transport Services Contract, the Department of Transport and Main Roads (DTMR) has developed and is implementing a new approach to enhance the delivery of subsidised freight services across the state through three separate regional assistance packages.

These packages will replace the Regional Freight Transport Services Contract approach and refocus statewide freight funding assistance to target freight-related cost-of-living pressures in disadvantaged communities in Northern Peninsula, Torres Strait and Gulf, Central West Queensland and South West Queensland regions. The packages are being delivered separately for each region.

- **Northern Peninsula, Torres Strait and Gulf region:** The Remote Communities Freight Assistance Scheme is designed to reduce the weekly financial burden of additional freight costs in moving essential goods to these remote communities. This scheme provides point of sale discount on essential items at retail outlets, with the government committing to increase the percentage discount from 5.2 per cent to 20 per cent later this year. The Queensland Government will continue to engage with key stakeholders including retailers on effective implementation and monitor the impact of the scheme.
- **Central West Queensland region:** In the Central West Queensland region, relevant local government areas will continue to receive subsidised rail freight services to reduce freight-related cost of living pressures. Ongoing rail freight assistance will be provided for goods delivered from Rockhampton to Emerald, Alpha, Barcaldine, Longreach and Winton.
- **South West Queensland region:** Following a competitive procurement process, DTMR has awarded a new Remote Community Freight Contract to a Queensland-based freight services operator. The Remote Community Freight Contract will support key communities by providing subsidised road freight services to destinations along the Warrego Highway and Balonne Highway in the region. This initiative is part of the Queensland Government's commitment to relieve cost of living pressures for hard-working communities and businesses, including those in the Balonne, Bulloo, Murweh, Paroo and Quilpie local government areas.

Recommendation 6: That the Queensland Government continue to support and strengthen its record of delivering supply chain infrastructure in regional and remote Queensland, including in the Torres Strait and Northern Peninsula Area.

The Queensland Government supports this recommendation and is committed to continuing to support supply chain infrastructure in regional and remote Queensland, including in the Torres Strait and Northern Peninsula Area.

The Queensland Transport and Roads Investment Program (QTRIP) is published annually, providing transparency to the community, industry, government and organisations about current and planned investment in transport infrastructure across Queensland over the next 4 years.

The \$37.4 billion QTRIP for 2024-25 to 2027-28 was released after the Queensland State Budget last month, and spans road, rail, maritime, public transport and active transport infrastructure across state, national and local networks. QTRIP 2024-25 to 2027-28 includes \$1.637 billion programmed

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in DTMRs' Far North District. QTRIP outlines a steady and sustainable pipeline of road and transport infrastructure which is estimated to support an average of 28,000 direct jobs over the life of the four-year program.

The Queensland Government is supporting supply chain infrastructure in regional and remote Queensland through a range of other initiatives including:

- completing the \$323.1 million Stage 2 of the Cape York Region Package, which prioritises critical infrastructure upgrades on the Cape York Peninsula including the Peninsula Developmental Road and a number of community access roads
- \$12.6 million provided in grants to local governments as part of the Aboriginal and Torres Strait Islander Transport Infrastructure Development Scheme to upgrade primary access infrastructure to remote Indigenous communities, including the Torres Strait Islands
- continuing delivery of the \$40 million Torres Strait Islands Marine Infrastructure Program for marine infrastructure improvements in the Torres Strait and Northern Peninsula Area.

Recommendation 7: That the Queensland Government support the Office of Fair Trading to provide Queensland's consumers with education and information about:

- *the benefits of purchasing so called 'ugly' or imperfect, non-premium produce*
- *how to make use of unit pricing and make complaints when it is missing or inadequate*
- *their consumer rights more generally.*

Consumer education must be available and accessible to people across the state, including Aboriginal and Torres Strait Islander peoples, people living in regional and remote areas, people from culturally and linguistically diverse backgrounds, and people living with a disability.

The Queensland Government supports this recommendation, with implementation to be split between an enhanced consumer information campaign by the Office for Fair Trading, and other existing channels for information relating to the benefits of non-premium produce.

The Office of Fair Trading currently provides a range of consumer advice and awareness material, and these channels will be leveraged to provide an enhanced information campaign focusing on the value of unit pricing and general consumer rights. The campaign will be tailored to impact regional culturally and linguistically diverse communities, and is expected to commence by the end of 2024.

The Queensland Government will provide separate advice to consumers on the benefits of imperfect or non-premium produce through other existing channels, to ensure the Office of Fair Trading's impartiality is maintained.

Recommendation 8: That the relevant standing portfolio committee examines in greater detail the impact of click and collect and home delivery services on small and medium sized businesses competing within the supermarket sector.

The Queensland Government acknowledges concerns raised with the committee on the competition impacts of the expansion of the click-and-collect and home delivery service market, and supports this recommendation subject to the findings of the ACCC's *Supermarkets Inquiry 2024-25*.

The Queensland Government also recognises that these services provide important supports for various community members, including people with disability.

As the ACCC inquiry is ongoing, and the ACCC has the remit and powers to investigate competition issues, the Queensland Government will engage with the Federal Government and revisit this recommendation, if necessary, upon completion of the inquiry.