

UNEDITED TRANSCRIPT

THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON GROCERY MARKETS AND PRICES MET IN DEVONPORT ON WEDNESDAY, 27 AUGUST 1997.

**Mr GRAEME PILGRIM WAS CALLED, MADE THE STATUTORY
DECLARATION AND WAS EXAMINED.**

CHAIRMAN (Mr Benneworth) - Graeme, thanks for coming in. By way of background, you have sighted the select committee's terms of reference?

Mr PILGRIM - Yes, I have.

CHAIRMAN - Well, we have been going around Tasmania speaking to a lot of people. Mrs Hollister suggested that we might like to have a talk to you and you could give us your version. But perhaps before you do that, you might just set a scene - what you do, who you own and what market you are competing in.

Mr PILGRIM - Okay. I am a retail butcher, have been for the last 23 years, in Devonport. In that 23 years I have seen a lot of things happen. The retail

meat industry itself has changed quite a lot in that time, a bit more more value-adding to try and hold our market share, which we are not doing very well anyway.

We have been victims of change, whether that be through the aggressive marketing of larger supermarkets or just dietary change, lifestyle change. Most retailers have tried to keep up with it, but the figures that are about are showing that we are doing a good job. Our profitability is falling away and, just doing a rough count before I came down, in northern Tasmania in about the last three years 28 retail shops have closed.

CHAIRMAN - Butchers?

Mr PILGRIM - Yes, which is sad because it is a great employer of people.

CHAIRMAN - Yes.

Mr PILGRIM - I have some notes here - and I did plan on reading them out to you -

CHAIRMAN - Please do.

Mr PILGRIM - but I think I am coming down with that dreaded disease, so I had some copies made. I think it would be easier for me - I do not know about you - if you read them and then I can answer questions on that, if that is okay.

CHAIRMAN - Yes, sure.

Mr PILGRIM - There should be enough copies there for everybody. As you will see in there, a supermarket meat-room that is turning over about \$40 000 in meat per week would employ around about six people - and some of those could be casuals. If that was a retail butcher shop, they would be employing around fifteen. That is the difference.

Even with the supermarkets, they have moved away from actually cutting the meat down from carcass form - this is within the supermarket situation - and having it done in boning rooms centrally. So again that cuts their staff level down once again and, because it is in the centralised boning rooms, it is more a Henry Ford production line style of thing. People are losing their jobs within the industry at a reasonably fast rate.

CHAIRMAN - Could you just give me one minute; I will get these copied so that the people at the back can have a copy. I just might have a quick read of this while they are being copied.

Mr GOODLUCK - Can I just -

CHAIRMAN - Yes, please do.

Mr GOODLUCK - Our prices for meat in Tasmania compare pretty favourably with the mainland, do not they, Graeme?

Mr PILGRIM - Reasonably the same, yes.

Mr GOODLUCK - Some say that they are cheaper.

Mr PILGRIM - Compared to the larger centres, as in Melbourne and Sydney - the central city - yes, we are because of rent and things like that. That makes a lot of difference there.

Mr GOODLUCK - We heard evidence this morning, Graeme - and you could probably answer it - would you be able to compete on the same level - a level playing field - with say, for example, Wards? Have they got a better buying power? How does it work?

Mr PILGRIM - They have. They can buy in larger quantities because of the centralised boning that goes on these days of carcass meat. There are two main suppliers in Tasmania - SBA Foods at Longford and Blue Ribbon in Launceston and Smithton. They could buy 500 cartons -

Mr GOODLUCK - I see.

Mr PILGRIM - where I could buy one or five or whatever, so they will get a -

Mr GOODLUCK - We heard evidence this morning too which surprised us - well, it did not surprise us - we were talking to the farmers' federation and they were virtually saying that the farmers are not making a buck.

Mr PILGRIM - I think that would be quite right too.

Mr GOODLUCK - It just does not add up, does it?

Mr PILGRIM - No, no. I have family that are farmers that are not making any money at the moment.

Mr GOODLUCK - Meat is the cheapest in Australia; we all eat meat - well, most people eat meat. You are having a battle, the farmers are having a battle. Who is making the money?

Mr PILGRIM - I wish I knew.

Mr GOODLUCK - Is that a difficult question?

Mr PILGRIM - It is difficult. Some of the reasons why the prices for meat are held reasonably low is, what can we think of this week; one of the larger supermarket chains has rump steak at \$4.99 a kilo. For me to buy that in carton form, it would cost me about \$4.70; say 25 cents. That is to buy. What a lot of people do not understand is there is meat and there is meat. Most smaller retailers like to use yearling - we talk beef - beef because of the chances of it being tender and all those things -

Mr GOODLUCK - Good quality.

Mr PILGRIM - Yes, it is good quality. But the larger chains, they will have a buy on rump steak. Rump can be yearling; it can be anything from thereon - from old cows. It is still rump steak. We do not have any legislation within this State to say that this is yearling rump, this is steer rump or cow rump; we do not have any of those sorts of things.

We still have problems with mutton being sold as lamb. It is part of the industry, and has been ever since the industry began. If we had legislation, say, for strip-branding of lambs so they were branded from one end to the other as lambs or mutton, that would look after the consumer because if one outlet has legs of lamb for \$2.99 a kilo, another has legs of lamb for \$5.99 a kilo, and one is mutton and one is lamb, you have a problem. Usually when the retailer is questioned they say, 'Why are yours \$5.99 when I can get them down the road for \$2.99?' It does not matter what story you try to put across in the truth of how it is, even though you have been telling the truth, you are perceived as the fibber.

CHAIRMAN - Yes. It is like politics, isn't it?

Mr GOODLUCK - There is a perception out there, which is working against you at the moment, that housewives are going into Purity - I should not say Purity - into the larger stores, like Woolworths and so forth, and they are making comparisons, are they not? They are making comparisons with - what you have said there, people do not realise, I do not think, for going for that cheaper meat or whatever is on special. Then they make a comparison with you -

Mr PILGRIM - That is right.

Mr GOODLUCK - and then they say, 'The local butcher is dearer'.

Mr PILGRIM - Yes.

Mr GOODLUCK - So they are steering away, are they not?

Mr PILGRIM - Exactly. They make unfair comparisons. Because a large chain has rump steak on special for \$4.99 this week - I could have had it on

for \$5.99 last - they expect me to have it on for \$4.99 this week as well. Those sorts of things happen.

Mr GOODLUCK - The world has gone mad.

Ms GIDDINGS - Graeme, could I ask you about the unit cost you have here. You say that if the Weights and Measurement Act was changed -

Mr PILGRIM - Yes, at the moment we cannot -

Ms GIDDINGS - Can you explain that a bit more, especially that example that you have given as well.

Mr PILGRIM - Right. At the moment in Tasmania, and most other States, you are not allowed sell, for example, a leg of lamb for \$9.00; it has to be per kilo. That is not a real problem looking at it just like that. But when you look at a supermarket, and I have to have a tray of rump steak for \$10.99, but they have a tray of meat with one slice of rump steak for \$2.00 - theirs was probably \$11.99 - but the print per kilo, who is looking for that anyway; I only want to know how much that piece of rump steak is. If the legislation could be changed that I could have a tray of rump steak and a sign there saying 'average cost per slice \$2.00', but I cannot do that as it stands.

CHAIRMAN - Why can you not do it but they can do it?

Mr PILGRIM - They cannot sell rump steak on an individual slice, but because they are selling them prepacked on a tray as an individual slice. Do you understand what I am saying?

CHAIRMAN - Yes.

Mr PILGRIM - And of course the tray price is in bold writing; the per kilo price is not bold.

CHAIRMAN - Why will Weights and Measures not change? Have you asked them?

Mr PILGRIM - I think it is more of a political thing. The Government has to do this, not just Weights and Measures, from what I have been told.

CHAIRMAN - Right.

Mrs HOLLISTER - This is really interesting because I have been arguing to the other people who have come into this committee, I have been speaking to people who are in supermarkets asking for the price per kilo for washing powders and things like that, because the people going in and looking at 250 grams or a half a kilo or 1.5 kilos, they are trying to look at the prices and calculate, whereas if it is there as a flat unit - as a flat kilo level - the consumer can see straightaway what the cost per kilo is to work that out extremely quickly.

But you have presented a different problem to this whole scheme, and I was not aware of that. Certainly people look at that price; they have to look very closely at the price per kilo -

Mr PILGRIM - And it could be a lot more than the local butcher shop.

Mrs HOLLISTER - Yes.

Mr PILGRIM - It could be, because you look at it and say, 'Oh well, there are four chops on that; there are two of us for dinner tonight; that's enough and it's \$1.50' - not that it is \$20.00 a kilo; it does not mean a thing to you. So that is a problem.

Mrs HOLLISTER - So, Graeme, what have you done to - I mean, what is very obvious to us as we have been taking evidence, is that the larger chains are now subsuming so many of what were our small speciality businesses, such as the florist, the newsagent, the butchers, the bakers and now, perhaps, petrol - and it goes on - and a connection with alcohol et cetera, so it sort of goes on and on. What have you done as a surviving butcher to try to keep your clients and to attract more clientele?

Mr PILGRIM - We have probably one of the largest product ranges - within Tasmania definitely, but within Australia - to try to give the consumer just more choice. We have pan ready, oven ready; we actually cook roasts for people; we will do anything to try to keep ahead. But over the years, slowly the supermarkets are doing the same. They can outsource the supply.

Chicken - I remember going back quite a few years when chicken fillets were not in the demand that they are today. The supermarkets were not particularly interested in them; butchers started to sell a few and, from my memory - this would be at least ten, probably fifteen years ago - I was charging something like \$16 a kilo for chicken fillets because they were costing for me to produce. Then all of a sudden the supermarkets came on board and chicken fillets were used as a loss leader. So all of a sudden chicken fillets you can buy them for \$10 a kilo anywhere - probably less - because they saw the market for that - and that is fine; I do not have a problem with that, but I have a problem with everything the retailer does eventually they catch it on.

Roast meat - that is, meat and vegetables for people - I have been doing that for the last three or four years, but on the mainland the supermarkets are doing it now. So it slowly just encroaches. You try to create new business but slowly they sneak in.

At the moment, the largest supermarket chain in the State last week announced they have moved into wholesale. Traditionally butchers have had the clubs and the pubs, restaurants and hospitals or whatever; all sized butcher shops have catered for them and serviced them. Last week when it was announced that this chain has moved into wholesale, where they were offering alcohol, fruit, vegetables, meat and groceries, they can do it as a package for a hotel and so I am lost.

One particular chap I know in Hobart who has a reasonably-sized wholesale business, supplied Calvary Hospital down there, and had done for fifteen years and never had a complaint. It has moved to someone just down the road from Calvary Hospital, which were traditionally retail - and that is the sad part. There is not anywhere for the small business to turn.

Mr GOODLUCK - We are being inundated with people saying, 'People leaving Tasmania and God knows what'; unemployment is bad and the media continually write it up - and understandably so; we all know that. But what you are saying is there is a revolution occurring, is there not? It is occurring in the service station industry. A fellow once said to me, 'Bruce, in twenty years' time, service stations will sell everything'. I said, 'Oh, don't be stupid', but he was pretty right. They will be selling meat soon.

Mr PILGRIM - Well, some do now.

CHAIRMAN - It is the other way around - there will be no service stations but supermarkets will be selling petrol.

Mr GOODLUCK - Safeway are selling petrol in Victoria for 2 cents a litre.

Mr PILGRIM - Yes. But from how I understand -

Mr GOODLUCK - You have to buy \$30 worth of -

Mr PILGRIM - Yes, \$30 worth of groceries, show your receipt and you receive the 2 cent discount per litre. I know in European countries - or I have been told - because parking is a premium, if you use their car parks, show the receipt, free parking. If you do not, you pay. So it makes it very hard for the smaller person to compete against them.

Mr GOODLUCK - And people are not aware of this, you see; people are only interested in the almighty dollar. If they can save a few bob they will, will they not?

Mr PILGRIM - Yes, I guess everybody is a bit that way.

Mr GOODLUCK - Sorry, am I talking too much?

CHAIRMAN - No, not at all; I was just about to come in. On the pricing side of meat, Graeme, what has happened in the last ten years to the cost of meat to the consumer?

Mr PILGRIM - Last year the US market closed down; there was lots of publicity at the time about retailers not dropping their prices, and it was not necessarily the truth. Because, again talking of the different standards of meat produced, the US buy a different standard of meat than the consumers in Australia are used to. But all of a sudden this was left and dumped on the

local market. The larger retailers snapped that up because it was dirt cheap. They put it out at lower prices, again dragging the guy that was selling the quality - we will say quality - product. His margins were reduced where the larger retailer actually probably increased his margin but still selling the meat at cheaper than ever before prices. Do you understand what I mean?

Mr GOODLUCK - I understand.

CHAIRMAN - Well, can I come at you this way. Twenty years ago if you were buying a lump of steak, in relativity terms was it dearer then than it is now?

Mr PILGRIM - I do not have any figures -

CHAIRMAN - A gut feeling?

Mr PILGRIM - but personally I would say it was cheaper today.

Mrs HOLLISTER - Graeme, has your organisation or industry looked at attracting consumers? The point that Bruce made before I think is a real important one because it is more than just the cost of groceries and getting good produce; it is about employment in your local community. We know very well, from having taken evidence, that if you can bring prices down in certain areas and put people out of business then you have that monopoly; you can do whatever you want to with the prices. So as we squeeze out our independent butchers - I mean, it would be a dreadful case if we came to the fact where there were not any left in Tasmania and you were just dealing through supermarkets - have you any national program or awareness campaign to try and get the customers back into the butcher shops?

Mr PILGRIM - Not as such, not as clear cut as that.

Mr GOODLUCK - You would find it hard.

Mr PILGRIM - Within Tasmania three or four years ago we formed a group of retail butchers. We started off with 28, I think it was; we are now down to 15 members of that group. The costs of trying to run a group network are just so high and, because of the times we are in, to ask these people for money every week, and then because your numbers have dropped, they cannot pay as much; you cannot advertise as much. So you are lost.

Nationally we have had generic advertising of meat through the AMLC. We have a new Government in Canberra who have decided to do away with the AMLC, which has caused problems - is going to cause problems - because there will be no domestic marketing of meat in Australia unless it is paid for - well, it was paid for before through a levy system. The levy system is taken away, retailers have no input into the new system that is there - no direct input - and there is no way, at this stage, where retailers can collect a levy to promote the product domestically. So that is a real problem. It cannot be done on a voluntary basis because it would not work; it has to be mandatory.

Mrs HOLLISTER - Is this story that you are telling us the same; that it is happening in other States too?

Mr PILGRIM - All States; that is nationally.

Mr GOODLUCK - It feels like a train going downhill. Sometimes as a politician you feel like a gutless wonder because you know what is happening and you cannot stop it, can you.

Mrs HOLLISTER - No.

Mr GOODLUCK - You cannot stop it.

Mr PILGRIM - Because it is compoundable; there has been a decrease in their consumption of meat, full-stop.

Mr GOODLUCK - Oh yes, there are other things.

Mr PILGRIM - Because we have to have, say, Macdonalds -

CHAIRMAN - What is happening to the trade itself - the butchers' trade? Are there still as many butchers around - except they are all working for Coles?

Mr PILGRIM - No.

Mr GOODLUCK - They are closed down everywhere, Tony.

CHAIRMAN - Where do they go?

Mr PILGRIM - To the pulp. That used to be where all the butchers worked
-

Mrs HOLLISTER - Where?

Mr PILGRIM - Into the pulp at Wesley Vale -

Mr GOODLUCK - And that has closed down.

Mr PILGRIM - or Risdon.

Mr GOODLUCK - And that has reduced.

Mr PILGRIM - They were the places where the butchers went. They did their trade and off they went to these other places.

CHAIRMAN - But all the blokes and ladies that are working in Coles and Vos, they would all be trades men and women - well, you would have to be, I guess, would you not?

Mr PILGRIM - Well, that leads into another problem. In a retail butcher shop, to employ anyone that is not a tradesman or an apprentice, the cost per hour or however is far greater than if they worked in any other food outlet. In a supermarket they have their tradesmen and apprentices, but then they have their packers, their wrappers and all these sorts of things, because it is a production line system, is it not.

CHAIRMAN - Sure.

Mr PILGRIM - For a retail butcher to employ a junior - I should have checked on the figures - they are around \$7.60 an hour; Macdonalds is \$4.50 or something - or last I heard it was just over \$4.

Mr GOODLUCK - How long is the apprenticeship for a butcher?

Mr PILGRIM - Four years.

Mr GOODLUCK - And there would be a decreasing number?

Mr PILGRIM - And a decreasing number. There is a traineeship system that is being implemented. The fear of the trade is that because of the three levels that they go through for their traineeship, the supermarkets will only want level two; they will never want level three, which is as good a tradesman. They will only have them trained up to level two, and that is where it will stop - to keep the costs down.

Mr GOODLUCK - It used to be a very proud profession, did it not?

Mr PILGRIM - Yes. It is one of the oldest, Bruce.

Laughter.

Mr GOODLUCK - Yes, one of the oldest. And a lucrative one, relatively speaking, in the early days.

Mr PILGRIM - Yes, definitely.

Mr GOODLUCK - If you were a butcher in a town, that is it; if you were a bookmaker, that is it. They are all gone.

Mrs HOLLISTER - My dad was both of those, Bruce.

CHAIRMAN - A butcher and a bookmaker.

Mrs HOLLISTER - Yes. He was a butcher first.

CHAIRMAN - I have a nephew doing his butchering.

Mrs HOLLISTER - Graeme, how many lines do you sell?

Mr PILGRIM - I could not - it would be about 150.

Mrs HOLLISTER - Right. And you do your own smoking of products?

Mr PILGRIM - Oh yes, smallgoods as well.

Mr GOODLUCK - Let us hope everything goes well for you, Graeme, and you survive.

Mrs HOLLISTER - I just noticed glancing through your report - I have not had a proper chance to read your report - the six-day trading situation and the proposal in some areas for seven-day trading. I notice that when you had a meeting -

Mr PILGRIM - It was Monday night.

Mrs HOLLISTER - It was Monday night - that the participants from that - is that the National Meat Association's Retail Council?

Mr PILGRIM - Yes, the Retail Council.

Mrs HOLLISTER - Right. For the people who attended that, the move to six-day trading had not improved their level of trade?

Mr PILGRIM - No, about a 30 per cent decrease in most. That is a 30 per cent decrease in their yearly trading since the six-day trading had arrived. That is not just through six-day trading but there is a fair proportion of that. Just myself, my turnover of a Saturday - when I traded until one on Saturdays - I used to take about \$1 000 of a Saturday morning. Now I still trade - I did trade until four but I only took \$500. I am still taking about the \$500 but I close at one. There just was not any uptake.

CHAIRMAN - No market.

Mr PILGRIM - No. There was a loss.

CHAIRMAN - It is a very common story across the little man right across the State.

Mr GOODLUCK - The little man has had it.

CHAIRMAN - Tell me, the backyarders you mentioned in here, is there a bit of that going on?

Mr PILGRIM - Yes, that is -

CHAIRMAN - Increasing?

Mr PILGRIM - It increases when the price of stock is down without a doubt. If we have higher stock prices that does level out. That has been a problem forever.

CHAIRMAN - It has been around a million years, yes. DPI went out after these blokes, did they not?

Mr PILGRIM - Yes. Well, they probably tried but did not have the resources; that would be the answer.

CHAIRMAN - They got four in the north east.

Mr PILGRIM - Yes, but there are probably another 24 they missed.

CHAIRMAN - Yes.

Mr GOODLUCK - That is just the bloke in the backyard cutting up a sheep.

CHAIRMAN - That is right.

Mr PILGRIM - Yes. It is taking from everybody, but the health risk there is just so great.

CHAIRMAN - Are there any other major considerations you would like us to take out of here, just to put on the record, because we will actually have this incorporated in the *Hansard* if you like, so it is on the record.

Mr PILGRIM - Yes, that is fine.

Mr GOODLUCK - You have done a good job. You have depressed me, but you have done a good job.

Mrs HOLLISTER - The dumping issue, I think, is the important one.

Mr PILGRIM - That is related to the dumping issue, and it is obvious, once you know to look, in advertisements for these larger people in the newspapers - sorry, with the largest of them, not the other. If it is a Tasmanian product, they put 'Tasmanian rump steak'. If they do not have 'Tasmanian' -

CHAIRMAN - It is not.

Mr PILGRIM - it is not -and the consumers do not know this of course. If it is yearling they will have yearling.

Mr GOODLUCK - Do you think there is much meat coming from outside Tasmania?

Mr PILGRIM - Yes.

Mr GOODLUCK - That is an interesting point.

CHAIRMAN - How much would you estimate of the Tasmanian consumption would not be non-Tasmanian?

Mr PILGRIM - I could not - I could find out for you.

Mr GOODLUCK - But it is coming over.

Mr PILGRIM - It is.

CHAIRMAN - Would it be 50 per cent?

Mr PILGRIM - No, it would not be that high; it would probably be close to 25 - at certain times of the year too, I guess.

CHAIRMAN - Is that because the mainland meat is cheaper, even when imported?

Mr PILGRIM - Yes.

CHAIRMAN - No freight subsidy, no nothing; it is still cheaper.

Mr PILGRIM - It is still cheaper, yes. It is about 20 cents a kilo to bring cartoned meat into Tasmania.

CHAIRMAN - And that is being brought in by the big boys for exclusive use in their shops?

Mr PILGRIM - Yes. But it could come through the processors here of SBA or Blue Ribbon; they could bring it through as well.

CHAIRMAN - So you could buy it?

Mr PILGRIM - Sometimes. If there is a shortage of rump - I keep going back to rump, I will stick with one cut - usually created because someone said a give-away - they would bring it in from the mainland to -

Mr GOODLUCK - Well, that is very alarming really.

CHAIRMAN - To your knowledge, is there any difference between meat prices across the States of Australia?

Mr PILGRIM - No, they are comparable. The only thing that really makes a difference in Melbourne, Sydney and Brisbane - in the hearts of the city where the rents are high -

CHAIRMAN - It is a bit dearer.

Mr PILGRIM - Yes, it has to be dearer.

CHAIRMAN - We have found this crazy situation here six weeks ago where Coles had minced meat at 99 cents in Launceston and \$1.99 in Hobart. What would cause that? Incidentally, that is not the correct figures, but there was a difference.

Mr PILGRIM - Also in the papers you will notice that - I think there were three quotes: one down at Huonville, one retail butcher in the area of a supermarket, the supermarket checked his prices every day because he is displaying them - which he has to do - and they would go and undercut him straightaway. The largest meat retailer in Launceston and in the State has great problems with the supermarket that is over the way from him - over the mall or shopping centre from him - actually physically taking his signs and putting them around the corner.

Mr GOODLUCK - That is how it works.

CHAIRMAN - Yes. That is competition and I can live with that, but what I cannot live with -

Mr PILGRIM - Taking signs away is not competition.

Ms GIDDINGS - I cannot.

Laughter.

CHAIRMAN - I used to do it all the time when I was in the game.

Mr PILGRIM - You are a politician.

CHAIRMAN - Yes, but I was not always a politician.

Mrs HOLLISTER - That is why he lost his previous job - taking the signs.

Laughter.

Mr GOODLUCK - Do you realise Coles are open 24 hours a day in Melbourne?

Mr PILGRIM - Yes.

CHAIRMAN - The thing that disturbs me though, Graeme, is not the fact that a Coles supermarket will undercut your - well, that disturbs me - butchery next door; it is that Coles supermarket will advertise minced meat in one half of the island at 50 cents and in the other half of the island at 60

cents. What I want to know is, why is that?

Mr PILGRIM - Because they have probably targeted a retailer in the south that is quite competitive. There are some of them and there is one in Launceston - the guy in Launceston you will probably work out who he is - but he would have a bigger turnover than the supermarket, and they physically carry his signs and put them around the corner. And in Launceston we will have different prices for meat than Devonport.

CHAIRMAN - All right. If there are no further questions, thanks for coming in and giving us that information. As I said, we will have your submission put into the *Hansard* as if you had delivered it anyway, so it is on the record.

Mr PILGRIM - That is fine.

CHAIRMAN - We do thank you for giving up your time and your information was very valuable.

THE WITNESS WITHDREW.

UNEDITED TRANSCRIPT

THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON GROCERY MARKETS AND PRICES MET IN DEVONPORT ON WEDNESDAY, 27 AUGUST 1997.

**Mr NEIL ARMSTRONG, WAS CALLED, MADE THE STATUTORY
DECLARATION AND WAS EXAMINED.**

CHAIRMAN - Neil, thank you very much for making your time available to come and speak to the committee. You are aware of our terms of reference, which are quite wide. Our normal practice is to simply let you say to the committee what you would like to say and then we will ask questions. But if you want us to just start asking questions, that is up to you.

Perhaps before you even do that, you might just set the scene for *Hansard* - Forth Farm Produce, what it does; how it got into existence; what its future is, in your opinion - not for any confidential reasons.

Mr ARMSTRONG - Forth Farm Produce is a company formed sixteen years ago principally for the marketing of fresh vegetables from Tasmania and within Tasmania. We are a major vegetable wholesaler in Tasmania. We also are a major vegetable supplier to certain mainland markets and overseas

markets basically.

CHAIRMAN - Okay. Do you mind if we just ask you some questions?

Mr ARMSTRONG - Please do.

CHAIRMAN - Just on that one point. We spoke to John Gee this morning from the Tasmanian Farmers and Graziers Association who, in his own way, indicated to us that there may well be a market there for a single-desk marketing company for all Tasmanian produce. Is that really what you are doing anyway?

Mr ARMSTRONG - There are other companies doing similar things to what we are doing - the onion packers and various fruit companies of course. If you want me to give you an opinion on single-desk marketing, I do not think it works. It is an anathema to normal fresh vegetable trading which has, in the past anyway, been very much an open market supply and demand type production.

For sure we consolidate products from hundreds of growers I suppose in Tasmania, and because of that there are efficiencies of scale in single packing sheds and volume shipping and things like that. But it is still very much free trade. Single-desk marketing has been tried and has failed many times.

CHAIRMAN - So Tony Benneworth, who grows a few bunches of broccoli at Scottsdale, can actually come to you and ask you to do his marketing for him now, can he?

Mr ARMSTRONG - Yes.

CHAIRMAN - Okay. Where do your tentacles spread then?

Mr ARMSTRONG - It is a little bit more involved than that because as all good businesses and good companies should be, it is market lead . If Tony Benneworth grows broccoli by rights he should have a market for it before he grows it. So then he would talk to us and say, 'Can you handle it?' and we would say, 'Well, in this time-slot you are not going to market it because it's not going to be good enough for the market at that time. But, yes, if you want to grow it then we can handle it and pack it and distribute it'.

CHAIRMAN - Okay. Well, from your experience then, has Tasmania enough people out on the world stage looking for markets, identifying markets and then coming back and saying, 'Well, Di Hollister, we would like you to start growing these, and Benneworth you start doing this?'

Mr ARMSTRONG - Tasmania has in the past, especially in vegetables and fruit, been held up as the yardstick in Australian horticulture, and the fact that we are probably, or have been in the past, the most successful exporters.

Mrs HOLLISTER - Why is that, Neil?

Mr ARMSTRONG - It is because of need, I think. It is a bit like New Zealand; why are they so good at what they do? It is because they have a very small domestic market or local market, as in the case of Tasmania. If you have to put it on a ship to get to a market, it does not make much difference if you ship it to Victoria or if you ship it to Japan.

Mrs HOLLISTER - I was just going to follow that through by saying that we have had people who have been pioneers in export marketing, have we

not?

Mr ARMSTRONG - Yes. We have had some very good entrepreneurs in this area.

Mrs HOLLISTER - So that, I guess, has developed that trend as well.

Mr ARMSTRONG - Yes.

Ms GIDDINGS - Is our market share dropping though?

Mr ARMSTRONG - Yes, I would say so. Without having the actual facts, I would say that we are exporting less of the horticultural product out of Australia than we were five years ago.

Ms GIDDINGS - Do you know why that could be?

Mr ARMSTRONG - The increase in horticultural exports out of Australia has been mainly in tropical areas and fruit.. It is mangoes, it is avocados, it is grapes, it is oranges. It is products that Tasmania is not very strong in. We cannot grow them so we do not have them, and that is why we are falling behind. Coupled with the fact that we are in a very temperate climate and our main competitor is either southern Australia - it is really Victoria - or New Zealand. New Zealand, over the last ten years, have just had a very rapid change in culture growth. You know the story; they are more competitive and we are getting knocked off by New Zealand rapidly.

CHAIRMAN - Are there any outstanding identifiable reasons why that is happening?

Mr ARMSTRONG - This is general knowledge but, in my opinion, their dollar has been very competitive against the Australian dollar. It has come a little bit closer over the last few years which makes it a little bit easier. Their labour market is deregulated - not that their labour is cheaper but it is a lot more useable - user friendly. Their wharves, as you know, seven or eight years went through a lot of pain, but now their wharves are half as expensive as Australian wharves. Besides getting into the tax regimes and things like that - GST, the whole lot - it is a lot easier doing business and succeeding in New Zealand than it is in Australia.

The other biggest one is that all our competitors around the world - whether it be the United States, New Zealand, Chile, China - have all got a labour force that is willing to do manual work. They have pickers, they have packers. In New Zealand, it is not native New Zealanders or Maoris; they allow people to come in from the islands and from India to do that sort of work. In America it is Mexican labour that comes through.

Horticulture per se is a very labour-intensive business; you need pickers. Broccoli has to be hand cut; you cannot machine cut it, and apples have to be hand-picked. One of the major areas restricting our growth is the fact that we have the highest unemployment in Tasmania - maybe Australia - along the north-west coast. We cannot get people to pick. It is not because the people do not want to or cannot, and it is not because of the money; it is because we are competing with the social security system. It is just too hard for people to go and pick for a week because they lose too many benefits. It is Australia.

Mrs HOLLISTER - This is probably a very silly question I am about to ask you, but with the Federal Government's work-for-the-dole scheme that they are looking at, have any of your producers looked at using that scheme to service a particular industry that needs pickers at that time?

Mr ARMSTRONG - No. But from what I have read about it, it is really not for that type of work. From what I have read about it, it is more -

CHAIRMAN - And I think you are right.

Mrs HOLLISTER - It is more of a training.

Mr ARMSTRONG - Well, it is community service - councils and people like that. I do not think it is for -

CHAIRMAN - How many jobs are out there that are not being picked up - seriously?

Mr ARMSTRONG - Put it this way, we employ in the field in the season upwards of 200 people. The majority of those people are married mothers, because they are the only people in this community who do not have a fall-back position, and so they work. Their pay is okay and they are willing to work. But they are the only people that reliably come and work for us, and you work around their school-times and things like that.

CHAIRMAN - Is that just your company?

Mr ARMSTRONG - This is just our company. It is a major factor in our planning on what we grow. Japanese squash is kabotshu. It is very intense. For six weeks you need lots of people picking up kabotshu. We only grow - it is not the acres, it is not the markets; it is the amount of people we can get to harvest it.

CHAIRMAN - That is a bit of an indictment, isn't it?

Mr ARMSTRONG - This has been mentioned many times.

CHAIRMAN - Yes. It is quite a tragedy.

Mr ARMSTRONG - Tasmanians are good workers. People do not want to work but it is the type of work. If it rains there is no work. From what I understand, if they work for two or three days, they lose their social security benefits and they lose all sorts of benefits. We put up different propositions to the powers that be to overcome this but it is too hard.

CHAIRMAN - You have upwards of 200 people working for you. If you did not have this competition with the social security system, how many more jobs -

Mr ARMSTRONG - How many could we -

CHAIRMAN - Yes.

Mr ARMSTRONG - The New Zealand onion industry has beaten Tasmania on quality over the last ten years. As well as price and that, it has also been a quality thing. They hand top their onions. They have people out there. It is not that expensive but the fact that they do it, they put out a better quality article than what we can do, because we have to put them under machines and you do damage and things like that. I have seen fields over there of 500 people trimming onions and you could not do it here. If you wanted to do it, if it was affordable and people said, 'Listen, we'll give you \$200 a ton more', we just could not get the people to do it, and this is on the north-west coast where there are a lot of unemployed people.

Mrs HOLLISTER - Can I ask -

CHAIRMAN - Yes, please do.

Mrs HOLLISTER - I am just sort of moving off this. As a mother of a daughter who worked for three months on Japanese squash -

Mr ARMSTRONG - Packing or -

Mrs HOLLISTER - No, she did the lot - planting, pruning, right through - just in a university holiday. It is interesting work, is it not, because it makes or breaks you in the first couple of weeks, I think -

Mr ARMSTRONG - It is hard work.

Mrs HOLLISTER - and you either stick with it or you do not.

Mr ARMSTRONG - Work is hard anyway. I do not care if you are a politician, it is probably the hardest. But Tasmania was built on that work ethic. Tasmanians definitely are not lazy. I believe that all the youth of Tasmania used to go up cutting cane and things like that. Times have changed. The work is hard but it is not like it used to be; there are lots of machines now.

Mrs HOLLISTER - If I could go off on to some other matters. Can I ask your opinion on appellation schemes for our produce. We have an appellation scheme with the wine industry. Do you think an appellation scheme should be extended to some of our fine produce that your company is producing and, secondly, what do you think about specific labelling so

that people know that they are purchasing Tasmania products? It was put to us by John Gee this morning that a little labelling device with a Tasmanian tiger on it or something, so that consumers who would like to support local products would be more likely to identify where those products came from and therefore support local businesses.

Mr ARMSTRONG - Yes, I would agree. But in fresh vegetables as different to fruit, because with fruit you can put stickers on it, fresh vegetables are generally sold not in a container. Onions are sold loosely, potatoes, broccoli, you really do not know where it comes from. It is done with apples, and I suppose it has been tried to be done with onions. It is a very difficult thing. How do you label each carrot that has tumbled out on to a -

Mrs HOLLISTER - Yes, it is much more difficult with vegetables than it is with pieces of fruit.

Mr ARMSTRONG - Than a bottle of wine or a jar of jam or something. It is not packaged; they are generally sold wholesale. Even to the extent that the supermarkets will not let you put a brand on your product; they have their own brands.

Mrs HOLLISTER - I see that as a problem -

Mr ARMSTRONG - So do I.

Mrs HOLLISTER - because if we want consumers to support locally-grown products and to keep that money virtually within the local economy, if there is a labelling of some type so they know they are buying strawberries that are Tasmanian strawberries rather than strawberries from New South Wales or lemons from California or whatever the situation may be, that is to the benefit of our economy. But it just seems to be too hard in many cases for this to take place.

Mr ARMSTRONG - That can be done with manufactured goods. Speaking as if I was a supermarket, the biggest problem is there are not many producers around that can supply the long lines of produce at a certain quality to have consistently their own product there. So they have to have many suppliers to guarantee supply.

I would like to see it happen in Tasmania because at times there is a lot of product that gets here that can be grown in Tasmania that is not. But I still do not know how you label a lettuce; if you have to, it is going to add a fair bit to it. This may change; there is a whole raft of changes happening with, say, food and things like this, and maybe the loose sell will diminish and more prepacks will come in. But that again is a cost factor.

Mrs HOLLISTER - The other thing I was going to ask you, which came forward this morning from John Gee from the TFGA quite clearly, was that the Asian markets are looking at chemical residue in produce that is being sent into those markets. He was saying that we must be authentic in what we are sending over. Would you like to make a comment about the authenticity of trying to cut back our chemical use in the agricultural area?

Mr ARMSTRONG - Well, maybe they do not need cutting back. Authenticity is very important and you have to stick within the limits that are allowed. With Tasmanian growers, because there are not many growers there that are individual - sorry, they are all individual growers, but they are not independent growers; they are always growing for a packing company such as ours, or Edgells or something, and it is pretty well controlled. The recommendations of sprays - and we have some excellent services here in Tasmania; it is very monitored and very controlled.

Mrs HOLLISTER - Do you have an organic lime?

Mr ARMSTRONG - No, we do not - and there are lots of reasons for that. We would like to. There is a world trend - and I have studied the trends and have been overseas looking at them, and it can be done. But Australia's organic guidelines are not in line with the rest of the world - what they call organic. They are just too prohibitive. The largest thing prohibiting us from organics is finding a nutrient source. You need large quantities of organic nutrient, which we do not tend to get in Tasmania. You need feed lots or intensive dairies or piggeries or using human waste - sewerage - and Tasmania seems to be too spread out. Where it happens though, like in Europe, all the animals are housed so you have lots of organic waste.

Mrs HOLLISTER - One witness who came to give evidence talked about the Victorians capturing a \$70 million organic market in South-East Asia and -

Mr ARMSTRONG - They have not sold anything. There would not be that much organic produce in Victoria. In Tasmania you might be able to buy \$20 000 worth. There are markets there, I could say that. Every week we get markets for organic products. But in Tasmania where do you find land that has not had fertiliser on it for five years that is half good, so you have to leave it out of production for five years. It can be done.

I was in organic farms in America last year. They were 2 000 acres; they were growing 700 acres of spuds. They had high-tech organic. They had helicopters spraying on predatory bugs. It can be done but their rules are different. Also they have a labour source; anywhere where they do it they have to have labour because there is a lot of hand weeding of it.

Mrs HOLLISTER - That is right.

CHAIRMAN - Freight distribution centres or centre have been mentioned both in the newspapers and again this morning. How urgent do you think we need one, or do we need one, or are you running one anyway?

Mr ARMSTRONG - We run one. I cannot see the point in having a freight distribution centre of any note at any airport in Tasmania unless it can land jumbo jets - 747s I am talking.

CHAIRMAN - End of story.

Mr ARMSTRONG - End of story.

CHAIRMAN - It really must go Tasmania Asia bank(?) to be any good.

Mr ARMSTRONG - Yes.

CHAIRMAN - I would tend to agree with that. What about when John was talking about the old airforce station there at Geelong where they can actually put a -

Mr ARMSTRONG - At Avalon. Yes, that may be very interesting. Most of the products we handle will not tolerate that level of freight. You may get it in high-value fish and maybe high-value fruits like cherries or something. But vegetables are a very low price commodity. The highest thing we had was probably broccoli and that is still only a couple of bucks a kilo. On most of these things you are talking about, just to get it across Bass Strait is about a dollar a kilo, whereas we can ship it across overnight, which is a very good service. It is a fourteen-hour trip for 10 cents a kilo, so why would you -

CHAIRMAN - What percentage of the vegetables that we are eating in Tassie are not Tassie made? Has anyone tried to work that out?

Mr ARMSTRONG - There would be very good statistics because to get into Tasmania everything has to go through quarantine, so there are very good figures on vegetables and fruit coming in. The only vegetables that can be grown in Tasmania that come into Tasmania are the just out-of-season product. We get a pretty good run; we do not import many vegetables.

CHAIRMAN - That is good.

Mr ARMSTRONG - Not many at all. Tasmania can grow reasonably good celery for six months of the year, but for the other six months you have to bring it in because we just do not have the climate. With lettuces, there are some good lettuce growers who nearly grow them twelve months of the year. But you still have to top up a little bit with lettuce.

CHAIRMAN - So are you saying to us that the major supermarket chains are actually buying Tasmanian if they can?

Mr ARMSTRONG - Definitely.

CHAIRMAN - And you as a producer are getting good service from them?

Mr ARMSTRONG - Yes. They get better service from us than we get from them.

Laughter.

CHAIRMAN - I realise that, because that is actually leading me to my next question which is, of course, pricing.

Mr ARMSTRONG - Again we have a \$130 to \$140 per ton buffer on prices. If they have to buy it from Melbourne, we can be fairly competitive with \$100 a ton.

CHAIRMAN - Is the farm gate in vegetables getting the return that the supermarkets are?

Mr ARMSTRONG - No.

CHAIRMAN - Right.

Mr ARMSTRONG - Put it this way, Woolworths are making profits but not many farmers are. But Woolworths are running a business. They are competitive; they have competition; they are not a monopoly.

CHAIRMAN - But is Mrs Consumer paying too much?

Mr ARMSTRONG - For vegetables nobody is paying enough.

Laughter.

CHAIRMAN - That is a very diplomatic answer to what is a - one of the terms of reference of this committee is to -

Mr ARMSTRONG - Tasmanian vegetables are very, very competitively priced with the mainland.

CHAIRMAN - And yet the producer is not getting a fair return. Is that the next part of that?

Mr ARMSTRONG - As I first said, fresh vegetable marketing is the epitome of supply and demand. You have a lot of it one week; it is not going to keep until next week so caulis sell for 40 cents. Next week there are no caulis and people will pay \$2 for them. It is a stockmarket; it is very volatile; it is supply and demand.

Okay, companies like us that invest in cool storage and things like that, we try and balance out the ups and downs a little bit, and to guarantee supply to our customers. But it is still supply and demand and it is pretty volatile. But things like potatoes and onions, they are of lower volatility.

CHAIRMAN - What percentage of your product then goes offshore?

Mr ARMSTRONG - Sixty -

CHAIRMAN - That much.

Mr ARMSTRONG - A bit more.

CHAIRMAN - Okay. That probably leads me then to the questions of help. Do you need any? What can be done to make the farm gate better for the farmer? That is a nice open question for you; here is your opportunity.

Mr ARMSTRONG - Growers, as you know, are always complaining but they are doing it pretty tough at the moment.

CHAIRMAN - Yes, we hear that. Why is that?

Mr ARMSTRONG - It is not what local supermarkets are paying; we are playing a much bigger stage than that. It is a world market. If you are growing potatoes for chips, America and New Zealand are not far away these days, and if you cannot compete you will not get the business.

CHAIRMAN - Almost a world shrinkage is causing the problems there? Where do you see this problem going?

Mr ARMSTRONG - It is not a world shrinking. It seems ridiculous that Australia should not be competitive in world food prices, especially to Asia, but the fact is we are. We have a little bit of out-of-season markets; that is all. Generally we are out of the picture. Our shipping is too expensive; our cost of production is too expensive. It all goes back to the infrastructure in Australia. We pay tax on our inputs; it makes it too expensive. You have heard the story; tractors are twice as dear as they are in America. It all costs. They are struggling under a heavy weight of extra burdens. There are always improvements to be made - and that happens. But they just do not get a return on their capital or their labour or their efforts.

CHAIRMAN - From your experience, and your vast experience around the world, our grower is as efficient as anyone in the business, or getting there?

Mr ARMSTRONG - The top 20 per cent of Tasmanian growers would be as efficient as they can be in this situation, but the world is changing very quickly. Just with what is happening along the Murray River with irrigated

crops, it is phenomenal; it is exciting, and we are being left behind. We are getting to a stage where we are not going to be competitive on some things. But Tasmania still has a real advantage in other things; we have a good climate, and we do grow a good quality product.

Just for example, for five months of the year we have the best broccoli in Australia and South-East Asia. New Zealand would have equally as good, but they do not export as much like us. That is something Tasmania has. Carrots are another crop that is really showing some great promise in Tasmania. This is because of the quality and flavour of our carrots, and we are topping the markets in Brisbane, Sydney and Asia. There are some good things happening, but it is not probably happening quick enough.

Mrs HOLLISTER - What about niche products, Neil? Are you investigating those openings and suggesting that growers look at specialised products?

Mr ARMSTRONG - Except for what we supply the Tasmanian market, which is a commitment to our customers I suppose, and also the Tasmanian market is here. That is a twelve-month thing; we are sort of commodity suppliers there. But most things we sell interstate and export are niche products. Whatever Tassie grows well is a niche product. We are not very big; we are very small players in this industry.

Our niche products are we pre-pack carrots especially and pre-pack one kilo spuds. It is things that the bigger players, even in Australia, will not do because it is too fiddly. They would rather sell hundreds of tons instead of kilos I suppose. But we supply that to our customers. We pre-pack carrots and send them to Singapore and Hong Kong. We put them in 500 gram bags; they are pretty small packs. That is niche marketing; it is going straight to them. We cannot compete; we do not have the scale of production. We cannot compete in commodities, if that helps. Even the broccoli we grow, it is still niche marketing.

Mrs HOLLISTER - Right - because of the size.

Mr ARMSTRONG - Yes.

Mr GOODLUCK - What percentage do you export overseas?

Mr ARMSTRONG - About 30 per cent of what we grow - 30 to the mainland and 40 stays here.

CHAIRMAN - In a taxation review, what would your producers and you be looking for in an overhaul of the tax system?

Mr ARMSTRONG - Tasmanian?

CHAIRMAN - Yes.

Mr ARMSTRONG - We pay a lot of payroll tax, but our producers would not because they are not up to that level. Payroll tax is -

CHAIRMAN - Is the big killer.

Mr ARMSTRONG - Well, it seems strange when you employ people you have to pay tax on them.

CHAIRMAN - Yes. It is the most wicked tax in Australia; we know that. We have to get it down, I know. What about a national taxation review of which they are talking?

Mr ARMSTRONG - One is desperately needed, but that is a lot bigger than me.

CHAIRMAN - Yes, okay. Nothing stands out that would assist you?

Mr ARMSTRONG - Look, I am not of any political persuasion, but the way I read 'Fightback' four or five years ago, we would not be having this discussion now, I do not think, because it does not tax the producer; it taxes the user. At the moment everything we buy is taxed, so it makes it that much more expensive to produce anything.

Mr GOODLUCK - You support GST do you, Neil?

Mr ARMSTRONG - The way it was written back then I did. They are all different.

Mr GOODLUCK - They are all different. Do you sell much -

Mr ARMSTRONG - But it seems wrong. If you have a buyer - why do tractors cost twice as much here as they do in the United States? Well, I do not know whether they are twice as much or not.

Mr GOODLUCK - They are not, are they?

CHAIRMAN - They nearly are actually.

Mr GOODLUCK - Are they. I have not brought one.

CHAIRMAN - I know dirty great tractor tyres are too, but that is another story, isn't it.

Mr ARMSTRONG - Yes.

Mr GOODLUCK - I might be duplicating myself.

Mr ARMSTRONG - Fuel.

Mr GOODLUCK - Fuel - well, the Royal Automobile Club said that we have the cheapest fuel in Australia. That is a lot of bull.

Mr ARMSTRONG - Who said that?

Mr GOODLUCK - The Royal Automobile Club. Have you ever heard such rot? I come up here and I see LPG 38.9 cents a litre. In Melbourne at service stations it is 21.9; that is LPG. Do you sell much to Purity, Woolworths?

Mr ARMSTRONG - Mm.

Mr GOODLUCK - Do they screw you down or what?

Laughter.

Mr ARMSTRONG - No, they are major buyers.

Mr GOODLUCK - I am sorry.

Mr ARMSTRONG - No, they do not. They are our biggest customer.

Mr GOODLUCK - They are your biggest customer; that is the reason why I asked.

We hear a lot of evidence that small people are being put out of business because they cannot compete, that this is a monopoly and they can dictate the terms. That is business though, isn't it.

Mr ARMSTRONG - That is business everywhere. If you do not compete anywhere, you can be put out of business.

Mr GOODLUCK - Can they buy anywhere else in Tasmania?

Mr ARMSTRONG - Oh yes, there are lots of buyers. We are not a major supplier; they would have a lot bigger suppliers.

Mr GOODLUCK - There are not many processors, are there?

Mr ARMSTRONG - Yes. But in Tasmania you do not need to process caulis; you just pick them and take them in, do you not.

Mr GOODLUCK - Yes, pick them.

Mr ARMSTRONG - Competition is pretty fierce.

CHAIRMAN - Pretty fierce in your market, is it?

Mr ARMSTRONG - Yes, worse luck.

CHAIRMAN - Where would you sit in size?

Mr ARMSTRONG - Without having the facts to back it up but just a feeling, we would have to be the biggest fresh vegetable packer - well, we are - in Tasmania. But a lot of it does not stay in Tasmania. There are lots of other substantial packers.

Mr GOODLUCK - Any major competitors?

Mr ARMSTRONG - It is a little bit - let me explain it. In the other capital cities there is a central market - a wholesale market. In Tasmania there is not one because of our decentralised population. I suppose if you had 500 000 people in Hobart you could afford one. So all fruit and vegetables in Tasmania are distributed through secondary wholesalers. They are the

people who supply the retailers and the restaurants. In Hobart you have your Chung Sings, Stokes and Hammonds, and up here you have Squibbs. There is a pretty good network, which is very, very competitive and fairly efficient. We do not sell to retailers, except the change; we sell to the secondary wholesaler, so we are a primary wholesaler.

The north-west coast is the main vegetable growing area for Tasmania so we act as a - we deliver to Hobart every day - to everybody. We deliver to all the wholesalers and all the -

Mr GOODLUCK - You deal through an agency?

Mr ARMSTRONG - No, we just sell to the secondary wholesalers.

Mr GOODLUCK - Yes, well, they are a wholesaler, are they not? They are an agent, are they not?

Mr ARMSTRONG - Well, they are not an agent; they are a buyer; they are a customer.

Mr GOODLUCK - Will they sell to the shops?

Mr ARMSTRONG - Yes.

Mr GOODLUCK - What about overseas - the same thing?

Mr ARMSTRONG - No, it is different - everything -

Mr GOODLUCK - Keep going.

Mr ARMSTRONG - Overseas, I will take all day. So we are not only selling to Purity; we sell to Coles. When it goes to Coles, it does not go to Coles direct because it goes to Devlon; they distribute for Coles. When it goes to Roelf Vos, it goes to Fresh Grow and they distribute to Fresh Grow. We just have one drop to the distribution centre. Then we deliver to the Launceston wholesalers and Hobart wholesalers, so it is very competitive. We are not just selling to the one customer. So if Purity want to get it (inaudible) it is our choice; we do not have to sell it to them. We can sell it to anyone. There is a market operating in Tasmania.

Mr GOODLUCK - You see the bottom line of our committee - sorry to ask these questions - is the consumer out there, the housewife -

Mr ARMSTRONG - The consumer is getting very cheap vegetables.

Mr GOODLUCK - Well, that is what we are asking; they are, are they?

Mr ARMSTRONG - Yes.

Ms GIDDINGS - Is there a concern that - well, you do not see too many greengrocers nowadays do you -

Mr ARMSTRONG - No.

Ms GIDDINGS - that there is a problem within, for example, butcher shops, that they are finding it difficult to compete with the major supermarkets now and many are going -

Mr ARMSTRONG - It is the same with the greengrocers.

Ms GIDDINGS - Yes. Well, I guess one of the concerns is that when you have the two major players - Coles and Purity here - that the competition might not be so good in terms of the end price for the consumer. From what you are saying the competition on your level - what you are dealing with - seems to be fairly good. But the concern there is once it gets to the shops and the retailers that Purity and Coles perhaps are not as competitive as they could be, which is why our prices are higher here - well, one of the reasons anyway of why our prices are higher. Can you comment on that at all, or not wanting to?

Mr ARMSTRONG - If I owned the supermarkets, I would be doing the same. That is their strength, is it not. If you have set yourself up - they all started off fairly small - if you can be successful to that extent then I suppose that is your aim. You are not there as a public service.

Ms GIDDINGS - No.

Mr ARMSTRONG - But, trust me, they are very competitive on our level. Now whether they are at retail I do not know.

Mr GOODLUCK - Well, they watch each other and they monitor the prices, do they not?

Mr ARMSTRONG - Yes. They do not only watch each other, they watch - there are enough other stores out there and they watch those very closely

too. In Hobart you have some very big vegetable retailers, like Salamanca Fruit Market.

CHAIRMAN - I think just winding up, do you see the trend in vegie sales going into supermarkets as a concern, or is that indeed a benefit to both you and the consumer, because I suppose ten years ago it was nowhere near the size in the supermarket, was it?

Mr ARMSTRONG - No, it is a concern.

CHAIRMAN - It is getting bigger and bigger and bigger.

Mr ARMSTRONG - Australia wide there are concerns. They are now - you now have two buyers who might have 60 per cent of the business. Now that is a concern.

CHAIRMAN - It is more like 80.

Mr ARMSTRONG - Australia wide probably. Probably Tassie, fruit and vegetable - no, it would not be fruit and vegetable. But anyway.

CHAIRMAN - Yes, it is way up there.

Mr ARMSTRONG - Yes, that is a concern.

Mr GOODLUCK - It is business though, isn't it?

Mr ARMSTRONG - Yes. But can something be done about that?

CHAIRMAN - No, frankly it cannot.

Mr ARMSTRONG - So you have to live with it.

CHAIRMAN - If we want to live in Russia you can, but under a free enterprise system -

Mr GOODLUCK - I made the remark this morning - and I stick by it - that we have a committee, we are looking at prices. But you compare, we are 500 000 people, Melbourne 3.3 million people. There is a bit of a difference.

Mr ARMSTRONG - We are decentralised too.

Mr GOODLUCK - Exactly.

CHAIRMAN - Neil, thank you very much indeed for making your time available. Actually, it was very, very good information because it really does come from a different angle that we have been looking at, and I really appreciate you coming down and talking to us. Thanks very much indeed.

Mr ARMSTRONG - I am glad to be of service, if I was useful.

CHAIRMAN - It was.

THE WITNESS WITHDREW.

UNEDITED TRANSCRIPT

THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON GROCERY MARKETS AND PRICES MET IN LAUNCESTON ON WEDNESDAY, 27 AUGUST 1997.

Mr JOHN GEE, PRESIDENT, TASMANIAN FARMERS AND GRAZIERS ASSOCIATION, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIRMAN (Mr Benneworth) - We have a fourth member, which is Mrs Hollister, but she is not here, and I am a bit conscious of your timing. How are you off for time?

Mr GEE - I have another meeting at about 10.30.

CHAIRMAN - Well, we have a quorum so we can start without her.

Firstly, could I thank you for coming. The select committee into grocery markets and prices is a little bit of a misnomer in naming because we are looking at a lot of other aspects of food in Tasmania. The committee would

like to hear from you with specific reference to item 2 on the terms of reference, which talks about the importance of a viable local processing and manufacturing sector; with item 3, which talks about opportunities to improve economies of scale in the Tasmanian food and grocery sector; and item 4(c), (d) and (e), which talk about freight, the identification of existing and new markets, and the identification of opportunities, potential incentives and mechanisms to assist in the development of organic food and beverage - if you want to talk about it. Then of course item 7 is wide open to you to just talk about whatever you like.

It is our normal practice to simply throw the ball to you and you just tell us what you would like us to hear. So thanks for coming and welcome.

Mr GEE - Thank you, Mr Chairman, and thank you for the invitation. I cannot stress enough - and I think we all know it - the importance of the agricultural industries and their dependent downstream processing to Tasmania. It accounts for 33 per cent of the gross State product, and directly and indirectly 35 per cent of the employment of this State.

The agricultural industry is a strongly export oriented industry, and the unprocessed agricultural exports constitute 8 per cent of Tasmania's overseas exports and 4 per cent of interstate exports. Tasmania's food companies sell in excess of 70 per cent of their products to interstate and overseas markets - and I will come to the shipping later.

In terms of total exports to all markets, processed and unprocessed, agricultural exports amount to 31 per cent of Tasmanian exports. But we had better remember in that we also then feed the whole of Tasmania. So when you count it all up, it is fairly significant.

It is important to consider the total contribution of both the farming and dependent downstream industries when government considers its policies in relation to either sector because it is a bit of a balancing act, is it not. To understand that producers, processes and government must work to the benefit of all those that are there. If one gets out of kilter with raising a tax

or whatever, it has a reflection on who is producing what.

Obviously the processing sector is dependent upon primary producers in the State. For the manufacturing sector to function well, it is critical for them to make sure the rural sector is working well. I will come to that later when you come to vegetables.

We are very concerned - actually very concerned - at the 'stickiness' of prices paid to the production sector - that is, farmers; very concerned. The rises in prices to consumers are never reflected in the high returns for farmers; they just do not come through. The costs to the production sector - that is, farming - continue to increase without a concurrent increase in returns. While the State Government has been doing a good job to reduce State charges -

Mrs HOLLISTER - I am sorry I am late, Mr Chairman.

CHAIRMAN - We have only just started. We were a little bit conscious about Mr Gee's time. But thanks for your apology; it was recorded.

Mrs HOLLISTER - Good. Please go on, John.

Mr GEE - We were just talking about State charges to the rural sector. The abolition of stamp duty I think is tremendous. That is right across the total community now and that will put a bit of a reflection into the finance sector. The payroll and land tax are still high costs and charges levied by the local government and the Federal Government. Those things we all work at them all the time. The two major costs that diminish Tasmania's competitive edge are transport costs and labour costs. Both State and Federal governments must work harder to diminish these costs to the production sector.

Export opportunities. As you probably know, we went away to Taiwan - our executive and Minister Bonde - and we have identified that there are enormous opportunities for export markets in Asia. Research shows the future of Tasmania's trade in agriculture, both in the medium to long term, lies in the Asian region. It really does; it is there. The total income in developing Asia accounts for around 7 per cent of the world income, and will account for 25 per cent in the year 2020, and it will increase dramatically, like 45 per cent, in 2040. They are the figures that are coming through.

We realise that Tasmanian production - we have signed a memorandum of understanding with the Provincial Farm Association, Taiwan, that we are never going to flood them with production; that we have quality produce. But it is getting it there that is the problem; that we are unique in what we can supply. The growth in demand for food could average 4.5 per cent per year over the next 40 years. That is a fairly significant increase.

The strong growth and demand for agricultural products will be accompanied by a declining growth in agricultural production in those areas. Why - because they are building houses on them. In Taiwan they have already had a look; it is massive the expansion that is going on there because there is such a mass of millions of people on an island half the size of Tasmania. It is not until you see it that you fully realise what is taking place. But they have already graphed it when they are going to run short of certain food stuffs. The difference between food output and demand is likely to be in the vicinity of \$3 000 billion by the year 2050.

With falling barriers to trade as a result of the Uruguay GATT, there will be strong international competition for these market opportunities for all major agricultural exporters. So we are not the only ones that are out there trying to get in them; there are a lot of others, so we have to be better than they are. That is what it is all about.

Clearly there are major opportunities for Tasmanian products in Asia and the efforts and successful exporting strategy ways have been recognised. Tasmania has a competitive edge in marketing particular products with increasing competition from other States, especially Victoria, and that

competitive edge could be lost. To assist with improving trade it is recommended the State Government increase the allocation of financial resources to - progress its proactive policy to support and participate in trade delegations to Asia. That is very important. We all know they love the high Parliament, they love the ministers and that, and that is what we found when we went along. Do not go on your own; it is just not on.

Enhance development of an export culture in the State. That is something that we must continue to do. We must all join together to do that. We are global. We must remember we are global and get there quickly. Collate, interpret and disseminate strategic information for the target markets to Tasmanian business; a coordinated focused approach to identify target markets where Tasmania has a competitive advantage and the capacity to supply demands. The Tasmanian Government must work in partnership with the producers to protect and enhance our advantages.

What we have been working at quietly is trying to get airfreight up for Tasmania. We have been working quietly with people at Geelong. That is a big step in the right direction. We are working quietly maybe to get Hobart or Launceston airports up with a freight distribution centre. It will not be big for a start but it will be quality frozen products. Maybe it will cost \$1.30 or \$1.80 per kilo to get it out. But the rest of the world wants what we have, and if we can build on that we have alternative production and systems that we can put in place and build on, which is extremely important. The only thing we need occasionally is a little bit of finance to do some studies back from the customer of how well we can put that together. It is very important that we realise that that is the way the world is moving because Holland, they fly a big Jumbo out every night. We would like to be small and gradually build it up.

Bass Strait has its advantages to us, but what I would like to touch on that freight equalisation is that it is so massively costly to us. Maybe through B-Doubles and better work practices on our waterfronts we are getting it better, but it is still costing an enormous amount of money. It is costing 5 cents per kilogram on beef to get it over per container; \$1 250 per container. It is cheaper - much cheaper - to send that from Melbourne to Japan than take it across Bass Strait. It is just one of those horrific costs.

What we are saying to our Federal Government and our State Government is, why can we not look at the same cost as what it is from Melbourne-Adelaide. A similar cost, Devonport-Burnie-Bell Bay-Melbourne, because we have those big processing factors; we have a good infrastructure of putting that altogether, yet it is costing us so much to put it across the strait. Maybe we should look at it pretty permanently and lock it in concrete, because there is nothing worse than having an inquiry into it, as is going on at the moment. It is making everyone pretty nervous, because everyone is not making too much money out of what they do, especially with El Nino hanging around.

CHAIRMAN - Are you actually saying that freight equalisation is not doing the job?

Mr GEE - It is doing the job but it could do the job so much better. It needs locking into concrete, Mr Chairman; that it is there for the benefit of all Australians - not just Tasmania but all Australians - because we supply in excess of 70 per cent of the frozen vegetables to the mainland, and that is a big number.

CHAIRMAN - So freight equalisation, you would be recommending that it becomes an act of parliament - locked in?

Mr GEE - Totally locked in.

CHAIRMAN - Okay. And that is actually your goal?

Mr GEE - Yes, very much so, and it has to have built in that still the competitive edge, that it has to be competitive freight wise too because there is no good getting something locked in in the sense that that is there for ever and a day. Lock it in without having too many reviews in it, but still keep it competitive, because that freight is very competitive at the moment. But it is still costing too much to get Tasmanian produce over - much too much.

CHAIRMAN - So even with freight equalisation, it still costs more to send your products from here to Melbourne than, say, Adelaide to Melbourne?

Mr GEE - There is no doubt about that - much too much.

CHAIRMAN - How much more? Do we know?

Mr GEE - And you see with our export lamb industry, we sent in excess of 350 000 heavy-weight lambs to Victoria for processing. Quite frankly we have a works at Longford; they are going to process them this coming year but they will still go to Melbourne for breaking down for exporting. We are exporting our jobs and we are not giving the incentive to the whole of Tasmania. And Flinders Island would be the secret of it this time of the year because it is warm, it can produce those lambs this time of the year - and has done before - and we could do it so much better for ourselves if we want and had a passion to do it.

Mr GOODLUCK - Mr Chairman, what response have you had from the Federal Government about freight equalisation, John? You realise that there is a lot of petty jealousy with freight equalisation. You know that the other States, and politicians from the other States, think that Tasmania is getting a good deal, and if they had their way they would probably try - that is why there are so many reviews each time.

Mr GEE - There is no doubt about that - yes - and we will keep having them. But it is our fear with all that strength that is building up all time, and it is there at the moment. I say, how dare they keep having reviews into it because it has been there long enough to lock it in.

Mr GOODLUCK - Yes, Nixon was the originator of that; you realise that.

Mr GEE - There is no doubt about it, and good luck to him for doing it, because it helped consolidate the vegetable and other industries here in Tasmania do it so well. But we must keep reminding the mainland - and I do not mind doing it - that not only do we feed them, but where would they get that produce otherwise at a cheaper rate?

Mr GOODLUCK - You need to keep lobbying on that each time.

Mr GEE - Very, very heavily.

CHAIRMAN - Can I come back to - while we are on freight, Mr Gee - the freight distribution centres that have been mooted. Could you work your way through explaining that for me? How that will assist Tasmanian producers?

Mr GEE - The one at Geelong - the big company that has that - that will be a hub transport wise because it is on the network of road transport; it is on the network of rail transport, and it is a very big long airport - and it can land Jumbos. But it has to work its way through that yet. We will then also have to still trans-ship to Melbourne and that will be -

CHAIRMAN - We would trans-ship to Geelong.

Mr GEE - Yes - at horrific cost because that is where we are buying freight equalisation - to get it over to get it out. We would much rather try and get it for Tasmania and move it maybe through Tullamarine or wherever. If you take our salmon industry, that has a ready-made market in Japan, and we can do so much other produce like that. We must do it better for Tasmania and not be so tied in to strikes or whatever may happen across Bass Strait. That

is a worry because your customer has so many other people wanting to supply to them. It is so important they are always right and recognise that they are right.

CHAIRMAN - So how would the freight distribution centre work? You would have a warehouse?

Mr GEE - All you would need - and they are available - are some coolstores and proper infrastructure. You would need to be bringing freight in as taking it out. But if it is coming into Melbourne; they are coming over here and picking ours up - we reckon on 747s or whatever at the moment, to build it up smaller with the modules going in; they can bulk it up at Tullamarine and fly it out.

CHAIRMAN - And what products specifically would be sold?

Mr GEE - We are looking at the meat industry at the moment. I know we export a massive amount of meat in big containers, but there is a very big market in Japan and other countries for fresh meat straight off the bone; it is quite amazing - and we all know that when that when we eat out. They just cannot get enough of it and they cannot get enough of our good apples at different times when they are fresh. It is the same thing with our cherries and the same thing with our broccoli and a lot of our other vegetables, because what has heightened our interests in this is that South Australia - may I mention it - are sending out 480 ton of freight a week - straight out.

Mrs HOLLISTER - And that is fresh and -

Mr GEE - Yes, fresh. They have cornered the broccoli market in Malaysia. We could have had it. These are the things we must go for.

CHAIRMAN - Okay. Who is coordinating this strategy?

Mr GEE - The Northern Regional Development Authority. We have had discussions with them, we have had discussions with other parties, but it is not the easiest one to know quite where it sits at the moment.

CHAIRMAN - Has government a role to play?

Mr GEE - Government has a role to play by offering some finance to have the study done - to work it back from the customer to see how well we could put this in place; yes, it has.

Mr GOODLUCK - What about the international airport in Hobart? Have you spoken much about that? Have you lobbied about that? That is a white elephant, John.

Mr GEE - Yes.

Mr GOODLUCK - What is it used for? You tell me.

Mr GEE - And that is a shocker.

Mr GOODLUCK - That is right. Could it not be utilised; could it not be pushed to make it a freight export centre?

Mr GEE - Well, this is the thing that we really do need; there is no doubt about it because we have a budding aquaculture industry and we have a

primary industry that is looking for niches and ways to do things. The technology is there; it is brilliant the technology today. You can plan to plant something to when you are going to take it, but the problem is how to get it there.

CHAIRMAN - Are the internal freight systems good enough for this to work - say, you had your distribution centre in Hobart?

Mr GEE - I think it would be; I think it very quickly would be. There is no doubt about it.

Mrs HOLLISTER - John, another person giving evidence to this committee was talking about a loss of market share that we perhaps could have moved into, which was the organic market.

Mr GEE - Yes.

Mrs HOLLISTER - I believe Victoria has a \$70 million contract with Asian companies for organic produce -

Mr GEE - Yes.

Mrs HOLLISTER - which this person put to us that we should have had a toe - more than a toe - in the water; that we had missed out. In your experiences in the Asian countries, can you give the committee an idea about the demand for organic produce?

Mr GEE - Yes. We have discussed that in the Meat Council. We have not got a great deal of production at the moment but it is there. It is a matter of

locking it into processing and then how you get it there because that demand, there is no doubt it is there. It is a matter of going after it, and that is what I am mentioning about this study - to work it back from the customers and find out how they want it, and then work it back through to the production systems. No doubt it can be worked up and it can be worked up well - very well - because the demand is there continually.

Mrs HOLLISTER - And, John, are you noticing that customers are looking at residue levels in our vegetables? Are there checks taking place at present to look at what chemical residue may be in the produce that we are selling there at present?

Mr GEE - Yes, we are very, very much aware of this, more so than most other States. We picked it up in Taiwan, and we have mentioned it to our DPI here. They have technology that within two hours, in their fresh vegetable markets, they know the content of the chemical in the vegetables, and if it is too high they toss it out. That is what we must be very aware of here. Our producers have a policy, that we work right through with, of chemical accreditation - of what they are putting on and minimal standards of how they do it. But we have not yet got anywhere near the tests of accreditations that they have in Taiwan. That is something we must have a look at.

Mrs HOLLISTER - So our authenticity has to prevail or we are going to lose those markets.

Mr GEE - Yes. What we are working on now is quality assurance through all those aspects. We have locked quality assurance in TFGA and are working through the DPI and government with it; that we are going to be what we say we are. And you can trace it right back, and that is very important to the meat, vegetable, dairy - the whole processing chain - because the customers are asking for it.

Mr GOODLUCK - Do you realise, John, that we have just formed a parliamentary friendship committee with Taiwan - only last week?

Mr GEE - It is very important.

Mr GOODLUCK - I beg your pardon to use the singular 'I', but I did start one up in the Federal Parliament, as you are aware of, to develop a cultural and economic relationship with Taiwan, and we have done that with Tasmania now.

Mr GEE - We are thrilled to bits.

Mr GOODLUCK - As you said, Taiwan is half the size of Tasmania with a population of 21 million. They have come from rubble to nothing - to what they are today - by hard work and their development. So I think there is great potential with Taiwan.

Mr GEE - Enormous; there is no doubt about that. May I just add to that and congratulate you on that, that we seem to have something in common - the Taiwanese and the Tasmanians. It just seems to come together; it is there. That friendship, it takes a little while. We have been at it for three years, and it is very close to fruition, because we are already sending our cherries, our apples and abalone in there.

Mr GOODLUCK - They have increased the quota on apples, did you realise that?

Mr GEE - Yes, it is enormous.

Mr GOODLUCK - They have doubled it.

Mr GEE - Yes. And through having Danny Read when we went over, they are not checking the containers now when they land there; they trust us, and that is everything.

Mr GOODLUCK - That is everything with them.

Mr GEE - Yes.

Mr GOODLUCK - Anyway, I just thought you might be interested.

Mr GEE - I am very pleased to hear it.

CHAIRMAN - Can I just come back to the general agricultural sector in Tasmania. I think it is pretty obvious that at the moment the whole sector has really bottomed out. What are the main reasons for that bottoming out? I think, just from the figures you gave us earlier, the fact is the Tasmanian economy is built around its agricultural sector.

Mr GEE - There is no doubt about that.

CHAIRMAN - It is totally, is it not?

Mr GEE - Yes.

CHAIRMAN - I have heard figures like - well, just in the last week - \$15 million to \$20 million down in apples alone. I am told that there are 100 000 beef cattle out there that have dropped in prices from \$900 to \$400. What is that actually doing to the economy of Tasmania? Secondly, what needs to be done to resurrect the whole sector across the State? What can we do? What can the Government do? What can the Federal Government do? What is the answer?

Mr GEE - I will give you one answer, and that is confidence, because quite frankly for the last seven years, the agricultural sector has been hit for six -

CHAIRMAN - By?

Mr GEE - by low commodity prices. We are global; we know we are global, and we are not frightened to be global. But we need patience and we need the security to know the Government and the banks are supportive of people that have been there for four or five generations. Do not scare them; have the confidence to back them -

Mr GOODLUCK - They have been scared.

Mr GEE - Yes. They know that these things have all happened in other centuries and other decades, and may I be so bold to say if we do not hurry up and get a bit of a graph higher up in this one, this will be the flattest decade we have ever had in farming. It is a shocker. But out of that has come a lot of resilience. As the old saying goes, 'When the going gets tough, the tough get going'. They have picked up the new technology and they are doing it well, but they are doing it at a tremendous cost.

CHAIRMAN - Have the banks walked away and left you?

Mr GEE - They have had a bit of a shock too for the simple reason that they thought they could get rid of people; the people have gone away from them and now they are fighting to get them back. But that is their problem. We need to have - this came out in the recent budget - we must be very receptive of our younger generation. We must somehow fit it in to get them into farming and let the older generation retire out gracefully. That is so important because you are getting farming properties now with the infrastructure with so much money, worth such a lot of money. How you must do it, by government guarantees or financing, to encourage the young people in. We have a very good structure for training - apprenticeships and everything - but it is a matter of how you finance them in. If they have a passion to go, let them go because they are brilliant.

Mrs HOLLISTER - John, could I ask a question flowing on from that?

Mr GEE - Yes.

Mrs HOLLISTER - How do we create an awareness and an appreciation by the community of the value of the rural sector? Also, are you working on anything whereby consumers are using their buying power to buy local products? Constantly I am having said to me, 'I went into the supermarket and I picked up these strawberries and I was just about to buy them and I saw they had California written on the bottom, or I bought some lemons and there was California there'. Those people are showing their consumer discretion in saying, 'I put them back down and I bought something that came locally'. I think this is a really important thing.

I know when times are tough, and you are going with a small amount of money to purchase these things, I think it is vital that consumers support our local economy. But with this there needs to be this awareness of how this money flows around in your community, that the dollar is put in. It is ensuring this security and confidence of our producers which is vital for our whole economic structure.

Mr GEE - There is no doubt about that.

Mrs HOLLISTER - Is your association moving and looking at any of these areas?

Mr GEE - We have looked at it. We would very much like Tasmania to decide within itself that it has a Tasmanian logo that is identifiable. Blue Ribbon can use it, we know Blue Ribbon, and we know UMT. But they all have their own brands. If they had one little logo - I am just throwing it in for what it is worth - if it is a Tasmanian tiger on there and it is on all the other ones, and then it is identified that we use something like that when we go global, we are identifying with Tasmania. Tasmanians are parochial; that is good. But we need to be able to identify very quickly because a lot of people do not have much time when they shop today -

Mrs HOLLISTER - No.

Mr GEE - but they would like to buy Tasmanian. It is so important.

Mr GOODLUCK - It is a very vexed problem, is it not - like with the orange industry.

Mr GEE - Yes.

Mr GOODLUCK - They are all going broke, but what people forget is the balance of trade. If we do not buy the orange juice from - where is it from, Cuba, is it?

Mr GEE - Brazil.

Mr GOODLUCK - Brazil - if we do not buy that, they do not buy our coal.

Mr GEE - That is true; there is no doubt about that.

Mr GOODLUCK - So what are we to do?

Mr GEE - The thing is they are allowed to bring that in from Brazil unconcentrated. They put the water with it here and then they call it Australian. The thing is, the few times I go in an aeroplane, I have a bit of a look at the fruit juice, and if it is not Tasmanian; I feel horrified. These are the things we must encourage.

Mr GOODLUCK - What are we to do? If they do not buy our coal what happens?

Mr GEE - That is right.

CHAIRMAN - You said earlier in your submission that you were concerned that the prices that are being charged in supermarkets across Tasmania are not finding their way back to the farm gate. What is the problem and what can be done to make sure this happens?

Mr GEE - It is the massive - I really do not want to enter into it but I will - buying power of the couple of big companies. Call it Independent Wholesalers up here at Prospect. It may not be known but Woolworths own 60 per cent of that, and 40 per cent is Independent.

I am a little shopkeeper. I go there with my orders and I will pay 5 per cent negative higher on that. The big boys go there, they get 2 per cent plus. If you have specials on, the big boys get a better rate on specials. That is something for governments to have a bit of a look at it because it is knocking out competition. It will just evaporate in Tasmania. We are seeing it happening, and we are seeing then it happen to our processing companies. When they go to deal with them, they are getting knocked for six. They are being told what they are going to be paid for. That is pretty discriminatory and that is big business.

CHAIRMAN - And that is flowing straight back to the farm gate, as you said earlier.

Mr GEE - Yes, and not only that either. Take the potato industry, it is hurting; it is really hurting, in the sense that the big boys are going out and being funded in the lighter country to put centre pivots in. They are doing it a lot cheaper than anyone else, but they still need the small producer for that quality produce to be put through. He is really hurting, and that is just market forces. This is why, in a sense, we would like to have a look at other avenues because they are very good at picking up and growing better crops on those acres. Let them get into another market if that is how the bigger companies want to go, because that is how the wheel often goes around.

CHAIRMAN - So who is making the money? If the farmer is missing out, and we suspect that poor old Mr and Mrs Housewife are missing out - the consumer - are you really saying that the bloke in the middle is grabbing an ever bigger slice of the cake?

Mr GEE - Yes. Let us have a look at the beef industry. This coming September - and we are into it next week - that is two years down price in the beef industry. We have been wearing it and it is a real shock. We might get 85 cents in the yard for cattle; that is \$1.45 or \$1.50 at the meat works. Meat is being offered now wholesale at \$1.70 or \$1.80. You go to buy it out of the shop and see what you pay. It is extraordinary that difference. We are

not actually being able to eat our way out of a beef slump. We are not giving the community the chance to buy cheaply because they are saying, 'If we move it down, when it goes up we'll have a job to move it up'. What an answer that is!

CHAIRMAN - So who is keeping that dough?

Mr GEE - The big supermarkets have 60 per cent of the trade so they are keeping it. They are saying because of the price of lamb being up a bit, beef is subsidising that. But that is not even an answer either. So that is why we have had four export boats come in, and it just loaded yesterday 12 000 head of cattle out. We had to do it. We have not hurt our meat works because we are turning off cattle quicker today. That is where it comes round. We are doing it with our stud breeders, genetically and grass-fed; we are doing it so much quicker and better. But that market eventually worldwide may, hopefully, come right. But we have not given our consumers in Tasmania a chance to have cheaper meat, or the restaurant trade or anywhere. They have held it up. There has been massive profit taking in that, but that is something we attack.

Ms GIDDINGS - What about the butchers then? Are they buying straight from slaughterhouses?

Mr GEE - Yes, they are having a pretty hard time. The simple fact is that the supermarkets target them a little bit and they are only putting through limited quantities. It is the smart butcher that is moving away into different trim lamb cuts and he is exercising reading where he is and putting package meals up that is starting to do well. There is a big place for the local butcher; there really is, but he has been doing it pretty hard.

Ms GIDDINGS - I guess - thinking it through from what you have said - that if the larger stores are keeping their prices artificially high, then surely the butcher could undercut the supermarket.

Mr GEE - Yes. He has the chance to undercut if he can do it on his turnover.

Ms GIDDINGS - But the problem is that people are not going to the local butcher for the turnover.

Mr GEE - Not to the same extent. Some are doing exceptionally well. There is one here in Launceston. He has lowered his prices right down continually all the way through - and I will give you an instance; 10 kilograms of mince for \$4. He has a massive trade; there is no doubt about it. But you see he is only one. It is up to market forces to do that; it is how you read it.

CHAIRMAN - Just on the same theme, has the buying out of Gilbertsons affected the trade in any way?

Mr GEE - Not greatly to any extent. It may open up avenues for the lamb industry because they are going to, as I have said, put a chain in there and train up another 30 people to do the small stocks kill. That is, as I mentioned earlier, for the lambs to go to the mainland to be broken down and exported overseas. But they will only ever pay as much as they have to pay, and that is nothing new with whoever owns it. They have picked the best grass-fed cattle in the whole of Australia with Altona, King Island and Longford; there is no doubt about it, and we just have to wear it how we are.

But we do have the option of the feed lot at Powranna. That is the likes of black cattle. That is the market. But we do not get the return out of those cattle; those people do. We just never will. They can buy them here at a reasonable price, they grow them out, they process them and it goes to Japan. That is where the money is made out of it. It is extraordinary. You get - I could not say how much a beast; I would hate it, but it is enormous. We have transferred ownership. You would not believe how we have done it, and not getting the return back through to the sectors that we should be getting it to.

Mr GOODLUCK - So the bottom line of our inquiries is to get cheaper prices for our consumers, but it is a vexed problem; it is a difficult problem, and we have found that out all the way through. Our low population -

Mr GEE - That is true.

Mr GOODLUCK - and our monopoly by certain people is making it very difficult to uncover it -

Mr GEE - There is no doubt about that.

Mr GOODLUCK - and you have helped us a lot this morning.

Mr GEE - The seriousness, Mr Goodluck, is that the big ones target the smaller ones and continually want to put them out of business, and it is my fear - as we have already noticed on the mainland - that if they get into petrol wholesaling like liquor, that they are going to hurt our community in Tassie to such a degree it is horrifying. Where does the employment come from? And there are not the benefits to the community that you think there is.

CHAIRMAN - If you were a young fellow just starting out, would you go into farming today?

Mr GEE - I think it is something in our blood; it is a shocking thing. Sometimes like horse riding or cricket and everything else, it is there, and this is why we do admire our young people to such a degree. The responsibility that they take on today - you take a dairy with 1 200 cows

today, we thought that was impossible. It is not. It is happening; it is being done. The same thing with the vegetable industry. They pick up the new technology and the machinery, the irrigation and everything, and they put it together. From where I sit, in the sense for the short period, is to see that Taiwan or Hong Kong or Malaysia - those markets; we are global - to get that percentage of it out to get a better return back through. Also for the Tasmanian housewife and consumer to have a quality product at a price that you can afford because by sending some of it out and getting better production it gives the consumer here a wider scope.

CHAIRMAN - You are no doubt aware of the doom and the gloom that is in the community. Can the agricultural sector pull the State around?

Mr GEE - There is no doubt about that. It has done it before and it will do it again, because the quickest way to remove that is seeing a little bit of movement in the wool market at the moment. It is giving a bigger perception right through and the confidence is coming through because that is the crunch back in 1989-90 that rolled everything. That rolled very quickly 12.5 per cent off the green pea price; they rolled another 5 per cent off recently. So that is 17.5 per cent back to the producer. That is horrifying in that period and there is no way out of it. Gradually through a bit of changing around the confidence drifts through. But it is one of those things.

You do not often get so many commodities down at the one time. But the projections we have been working on with our models is that the dairying industry looks pretty rosy up to the year 2000 and beyond; there is no doubt about it. With that new factory down there sitting with its quality and its production, we have to say what we are in Tasmania and do it better because our latitude lends it to it.

CHAIRMAN - And you have no fear of the big guys coming in and setting up the processing factories, like Simplot has now taken over basically all the spuds in the State; the Japanese basically own all our meat processors. This is not a concern?

Mr GEE - It is a concern in the way that Simplot is doing it, but there is nothing - we do not seem to be able to borrow that finance ourselves and do it. We would very much like to; there is no doubt about it because we would do it better. But what concerns us is - and we call it Dutch cupping - that they are still bringing produce in. You only need to bring, say, 8 per cent in to drop your price on 92 per cent, and that is what is happening.

That is what is happening to the pig industry; it is happening right across the board, because Bungie(?) on the mainland, that is owned by the Brazilians. They nearly ruined Tasmanian pig production. We only produce 47 per cent of the pigs for Tasmania, which is horrifying. We were exporting a number of years ago. These are the things our Federal Government need to be very much aware of. I know with all the trade barriers and everything else, and the comings and goings, we want to be very much aware of who does what within our own country, because it puts people out of work and it stops production.

Mr GOODLUCK - Are you aware of the other processor trying to start up in Hobart - Coal River? They had a few complications before, did they not?

Mr GEE - Yes.

Mr GOODLUCK - They were trying to start up in competition to the big one up here.

Mr GEE - Yes.

CHAIRMAN - Do we know what percentage of agricultural-based goods consumed in Tasmania are Tasmanian?

Mr GEE - We do not really. It would be fairly high because, as you mentioned earlier, Tasmanians love Tasmanian produce.

CHAIRMAN - One would assume - no, no, you are exporting more than we are consuming here. I was only thinking that if you could get into export replacement or even interstate replacement you would lift the economy. But in fact you are still exporting onto the mainland anyway, are you not?

Mr GEE - Yes. The main thing with it is to try and get away from a little bit of those niggling taxes that hit production all the time. Let it make a profit and then tax it.

CHAIRMAN - Just go through those again. What are the little niggers that really do get under your belt?

Mr GEE - A few of these FID taxes and things. If I sell stock, what happens when it goes through the parcel house is I get a bit taken out all the time. I go to put it in the bank, and I get a bit taken out. I go to bring it out again and I get a bit taken out. It is frustrating because I would like to spend that with my local chappie on a bit of something that would give a bit more production. When I make a fair bit of profit, I do not mind paying tax then. These niggling little ones, when you look at them, add up to quite a bit of money. We must encourage people, if they have a very good idea, to do things. That is what it is all about.

Mrs HOLLISTER - John, could I ask you about an appellation scheme. What are your thoughts, or your association's thoughts, about appellation? We already have an appellation scheme for our Tasmanian wines. What is the opinion of your association?

Mr GEE - I think it is unique and I think it is the way to go because everyone in those things have a better understanding and they all help one another. We are all into partnerships and we are all into alliances today with

our customers, and a better understanding through the total community. It is trying to get the total community to understand what everyone is doing and get behind it for the confidence to keep it going. That is what it is all about; it is very important. And not only that either, when people come here, like the wine industry, there is a wine trail - there it is - they can go to where they like, but they can easily find it. We are unique in Tasmania. You do not have to travel far to find something that is so different and wonderful; it is unique.

Mrs HOLLISTER - Yes, you do not have to tell me that; I agree 100 per cent. This is probably a little bit outside the area but I think it fits with what we have been discussing, Mr Chairman. With farmers being squeezed with contracts signed with the multinationals, are there any moves for farmers' cooperatives to fight back in some ways?

Mr GEE - Not actually because it has all been tried before. It is a very difficult process to be in because it is high finance and there is no guarantee that when you get all that gear and everything that it is your contract. When it rolls over, it rolls over in a big way. What we have built into our organisation is what we call the machinery ring. That is people that own machinery; that if they would like to hire it they can, or if they would like to go and do the work they can. They only charge 4 per cent over and above what the charges are for that, and that is working very well.

Also on the other side of that, we have a contractors' association, that they go in and do the work. So that is helping keep costs down to the producer by not having to own a lot of machinery himself. That machinery ring is an idea that came out of Scotland, and I think it is in about its fifth year now. It has hit a few snags. We would like a little bit of help, may I be so bold to say, from State government at the moment, just to help fund it because on projections it is turning over a huge amount of money. But there are costs in it, and to keep it running in these tight times is not the easiest thing to do. But that is helping get all that work done because the machinery today is high technology and it is high cost, and to replace it, it is just horrific for anyone that is only in a limited way. But it is something that is working uniquely in Tasmania - working well.

Mrs HOLLISTER - Have there been any thoughts of setting up producers' markets? I know we do not have the population base of Melbourne, for example, and I suppose I see it as a fightback against the big supermarket chains taking over the small businesses of the butchers, the baker, the newsagents, the florists etcetera. Have there been any moves for producers' markets in the main centres? I know the logistics of getting the vegetables and perhaps the special varieties is probably difficult from the producer into a market, but is that being considered at all?

Mr GEE - We have some very good chappies operating in those markets at the moment. It is our worry in the sense that they have been so targeted, because it is nothing new that the big two go around, watch their prices and drop their own to take them on. That is a massive worry to us because if they go, then you do not get other people starting up very readily. This is something that is a mix-match of producers supplying those markets, trying to get a price all the time. We do not often get seasonal conditions that are adverse today. We have got very good at production, and that is why the community always has a very good supply of what it wants to buy.

CHAIRMAN - Are farmers now more market-driven than production-driven? I think the old farmer was just production-driven, was he not?

Mr GEE - That is a very good question.

CHAIRMAN - Is he more aware of the fact that he now has to produce -

Mr GEE - Yes, very much so - excellently. Maybe we want better poles and wires quicker in Tasmania because 52 per cent of the dairy farmers have computers, and the restrictions are that the wires are just not good enough a delivery. That is where most production is heading now. It is all mapped; it is all worked out on the computer. It is working out who the customer is and what they want and when they want it. That is worked right through the DPIF and our organisation, and it has been going well and excellently picked up. That is where training comes into it, and that is where training will come into it through our school systems, because it is the depth today;

that is the age we live in.

CHAIRMAN - Well, that is a good point and I think we perhaps should just investigate it. What is the Education department doing for the agricultural sector? Is it involved at all? Are you happy with the -

Mr GEE - Yes, it is joining in with us in our different commodities and picking up the State school people in the younger grades with the 'Adopt a Farm' system; taking them out to the farm and showing them when the cows are being milked or the dung beetles or the sheering is on and they do a project on it. They may not ever be farmers but the beauty of it is we lost a generation. We are finding that is picking it up and it is getting a much better understanding. But not only that, it brings their parents into it. It is extraordinary. The teachers are saying that when they are back in the classroom, they are much more receptive to being taught. It is unique. I think that needs encouragement right through.

CHAIRMAN - Yes. And milk does not come from a bottle.

Mr GOODLUCK - Just a personal question, John. We hear people complain about prices in Tasmania - food prices and so forth - but we have other unique advantages - rent, buying a home and so forth. I was over in Melbourne on the weekend - I have three daughters in Melbourne; I have five daughters, two in Tasmania and three in Melbourne. That seems to be the balance these days. I went to the Prahan market and they were selling tomatoes for \$1 a case. It ran through my brain the comparison - the population over there as compared to Tasmania; the ability of the market to be able to serve those people that we do not have in Tasmania. Are we focused right? Do you think we are on the right track trying to get the price for the consumer down when in fact we cannot?

Mr GEE - I think that is - in both Melbourne and Sydney they have those markets.

Mr GOODLUCK - And they have the population, have they not?

Mr GEE - Yes, they have the population. But they have had those markets for a long time. The only other one - we have the Salamanca one and we have the one at Evandale, but they are not the same scale - and never will be - because we just do not have the volume through. Not only that either, but in those big production areas on the mainland, they can move freight from Queensland down there and they just sell it; it has to go. Some of it comes over here but not very often.

CHAIRMAN - Finally, if I may just ask, are there any major negative factors that you would like to bring to the attention of the committee?

Mr GEE - Yes, and that is the environmental factors. We are having - and getting a real bashing at the moment through different departments - we have land care, we have all our land owners picking up and doing it well, but there seems to be no end to the progression and there is no proper State guidelines to where all that should sit. It is never-ending, and it is our worry that it is impacting on people's time so much today - and our time - that we would be much nicer to be looking at production systems and where we are sending our produce and spending so much time backing off people that are having a go at what we do all the time. They are just not quite understanding how we have lifted our game and how we are doing it so well. If I just may be so bold as to say, why do they not come in behind us instead of putting hurdles in front of us all the time. It is appalling.

Mrs HOLLISTER - John, can you expand this a little more. You mentioned land care - because this is important - is it the speed of pursuing those programs that are taking place?

Mr GEE - It is the horrific cost. It is quite a good model. Only 39 per cent of that is getting on the ground; 41 per cent is going in bureaucracy, and that is not on. The departments should not be taking the hype out because it is not going to go on forever those funds coming in here. This is our passion to have it spent on the ground. We know in Tasmania we are going to be

exceptionally short of water - unbelievably short of water - because we are centre pivots and the way of putting of water on, we will get around to having El Ninos and droughts and things. But we must have a look at how, through environmental flows - in rivers and everything - we better distribute that water, and how better we can do it. It is extremely important to our manufacturing bases we have here now that when they set their targets we supply the production, and we cannot do that without huge quantities of water today. We are just starting to run out of it, and it is not good.

CHAIRMAN - So what is the agricultural sector doing to get around this problem of water?

Mr GEE - We are logging very hard. Take the Meander; the dam site is up there - and we have been very foolish. If we put aside \$500 000 for the last ten years, we could have it built because now is the time to build it; people want to do things and do it cheaper. Then you would have an environmental flow down your river. You would be supplying your towns but you would have an outpouring of confidence in the rural sector of picking that water up and using it because we know how to do it today better than some years ago with channels. That is old hat.

Mr GOODLUCK - Like the Coal River.

Mr GEE - Yes. Look what that has done to the infrastructure - massive infrastructure. Who would have thought they would be producing so much as they are down there now.

Ms GIDDINGS - The Kempton irrigation scheme would be another example of that.

Mr GEE - Yes.

CHAIRMAN - So you are really calling for the old Meander scheme - what was that called?

Mr GEE - Just the Meander dam. The dam site is still owned by the State Government and it would not take a lot to put it in. But it would totally revitalise it all.

CHAIRMAN - Will Four Springs be of any benefit?

Mr GEE - Not in the sense - it has a bit of water in it at the moment, but it is more or less being held there for aesthetic purposes, which is a good thing; it is a big area. But that Meander one is sitting in an area back over Lake Mackenzie and those plateau areas that get big rainfall. It can be refilled quickly - and not only that, it can be absolutely managed to cut down on a bit of flooding. It is pretty rugged down that river. You have a massive base there, and I would also be so brave to put it in this coming year. With hydro storages somewhere around about 80 to 90 per cent full, why do we need to run Trevallyn? Let us knock Trevallyn out for the summer and let us use that water in those rivers for production for irrigation or the towns. It is very necessary because if you have to keep a certain flow in rivers, that means the Rivers and Waters bailiffs come in and say, 'Sorry, got to stop your irrigator'. It would only need to run for a few days to get the production up.

CHAIRMAN - Well, I think you have certainly given the committee a bit to think about.

Mr GOODLUCK - Yes, you have depressed me.

Mr GEE - Never.

Laughter.

Mr GEE - You see, we are so unique. We have such wonderful areas there wanting to do so much. We went up and visited Rushy recently. There is moonscape before; there is 680 acres of grass that high; there are three new dairies; there are three new houses and they have ordered 15 centre pivots from America to put the water on - a six or seven hectare ... They have all sorts of problems - I am not getting into with the departments - are getting it done, but they are employing another eleven people.

CHAIRMAN - Touch wood, it is fixed.

Mr GEE - But it is just a progression.

CHAIRMAN - You seem to be in a little bit of a catch 22 - that is, at the moment prices are low so it probably - well, you are producing for next to nothing - and yet at the same time you cannot produce enough because you have these other problems. It is a real catch 22, is it not?

Mr GEE - There is no doubt about that.

CHAIRMAN - So is the future in better and more production, or is the future in better and higher prices?

Mr GEE - The future is there to get our production costs to where they have them now with the efficiencies that we have in it and the efficiencies to get it through road transport, sea transport, through to the customer. It all has to be very much efficient. You need to be having a look at world production, and this is what Tasmania may be able to do - like that light up there - have a look at the rest of the world. They have had massive floods over there recently. It is not too late to plant onions on the coast; that is the thing we

are starting to look at. We are global; have a look. If something is falling over somewhere, we start putting it in here; we have the market. We do not always have it but we have a toe in the door. That is where New Zealand has been beating us.

We must have better communications, and it is my passion a bit that a communication has been building up in Tassie. That people who go around the world could have a book of what we produce in Tasmania - all of it. They need not have prices. We only need one room in Tasmania. The people who are interested come back into that and ask to be put in contact with whoever. They do it but they make sure it is followed up because too often we have found out they have sent an order in and no one has bothered to follow it up and do something about it. That is shocking, and you could do that -

Mr GOODLUCK - A lot of petty jealousy in Tasmania though, is there not?

Mr GEE - Yes, it is not on.

Mr GOODLUCK - Apples and -

Mr GEE - Yes, but it is not on today, because with the communications instantaneous today - 24 hours a day with computers - you can do that so easy that you would not believe it.

CHAIRMAN - Well, is there a single-desk distribution centre?

Mr GEE - No, there is not at the moment.

CHAIRMAN - Should there be?

Mr GEE - You could have a single-desk, one, with communications in, with a bit of support from government. Private enterprise could do that so well, because I know one chap on the mainland that is doing this in a big way - in 51 markets of the world. He is so profitable it is unreal. Whatever he has stored here, if it is in short supply he moves the price up a bit; if it is building up a bit he lowers the price. They have no idea overseas because he does not have a price on it; they have to phone in.

CHAIRMAN - So should we be looking at establishing a single-desk distribution centre in Tasmania?

Mr GEE - Yes, I think we could.

CHAIRMAN - Who would run it?

Mr GEE - It would not take many to run it because UMT, Blue Ribbon and that, they could all still be there. But they would be put in touch with it and then it would be followed up to see that they did something, and it would be followed up to see how it got through to the customer. It would not take a lot of doing.

Mrs HOLLISTER - Do you see that in conjunction with the food park that has been proposed?

Mr GEE - Yes.

Mrs HOLLISTER - You see it sitting to the side of that as an annexe?

Mr GEE - Yes, I think that food park is brilliant. At the Devonport Ferry Terminal, we have people going down there an hour-and-a-half before that ship sails and there is nothing there for them to look at. We are appalling. You want to go overseas; there it all is, and people are going through it all the time. And there they are. They are happy. They have a little bit to spend. Would it not go? It would be brilliant.

Mrs HOLLISTER - There was a small business that was selling a whole range of Tasmanian produce there as you pulled into the ferry, but unfortunately like a lot of small businesses it could not survive.

Mr GEE - I think, just speaking of that, if that ferry is going to do an extra trip - which it is for four months - we need to have a very good look at it. If it is coming in at ten o'clock at night where are those people going to stay? Let us have a look and do it better, that we get them to stay somewhere, because they will not be able to stay in Devonport. Who knows. If you get 1 200 people coming in, that is a lot of disembarkation at ten o'clock at night. We had better remember, when you were mentioning Melbourne, they run 24 hours a day. Why do we not start to jazz up and get like that because we need those people in here.

Mrs HOLLISTER - You will be pleased to know that tourist operators in Devonport have thought ahead for this and they have already had a meeting about how they are going to cope with this.

Mr GEE - Brilliant.

Mrs HOLLISTER - What is Austrade's role in this proposal - in all of this thing?

Mr GEE - It is winding them up. We go and see a lot of people, and you look at them and they say, 'Is that right?' and we say, 'Yes, it is'. I will give you a good indication. We were in Taiwan, and we go into a supermarket. There is the American meat tray with the meat on it. It has a recipe. It has the hot pot ingredients all on that tray. There is our Tasmanian meat, sitting on that tray looking shocking. There is the American stars and stripes distinctive and also they are helping them do it.

Mr GOODLUCK - And in their trade centre in Taiwan everything but Tasmania.

Mr GEE - 34 stores high - brilliant - and they will move trade around the world.

Mr GOODLUCK - That is right. They have Queensland and somebody else there too - New South Wales I think.

Mr GEE - Yes, and Queensland has a desk in there. These are the things we tell the Australian - and they will see this and say, 'Is that right?' We are sitting here telling you it is right. We had 70 per cent of that market, and we have dropped down to 51.

CHAIRMAN - John, I think we might call it quits on that note. I do thank you very much indeed for your evidence. It has been very, very valuable.

Mr GEE - It has been a pleasure.

THE WITNESS WITHDREW.