

HISTORY – Vegetable Grower

Started business in [REDACTED] on family farm till [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1970s Overview of Industry

Most vegetables were sold through “Auction” firms based in all major towns – the biggest were Turners & Growers, Market Gardeners Ltd, Radleys, Produce Markets etc.

Product sold by auction to the highest bidder (most fair system, 10% commission was charged).

Growers got 50% of their containers’ cost from the “Market”, on charged to the Retailer.

When hire crates were introduced, Growers paid 50%, Retailers paid 50%.

Growers got paid for their produce every fortnight. No restriction on which company growers could deal with, you just sent your product into their auction floors. Also, anyone could “buy” on the auction floor as long as you paid cash.

1990 Onwards

Supermarkets started up.

- (1) Foodtown
- (2) Woolworths (Singapore based)
- (3) 3 Guys - Gubays (Welshman)
- (4) Progressive
- (5) Foodstuffs

Foodtown wanted to buy direct from the grower and cut out the middleman (markets, T&G etc). Started charging the growers a promotion fee. Growers had to drop their prices for specials.

Supermarkets would overbuy on non-perishable vegetables (carrots, onions, potatoes, kumara etc). When specials finished, they still had “cheap” stock. Up to this period, Chinese growers grew 80% of the green vegetables (lettuce, cauliflower, cabbage, silverbeet, spring onion).

Most Chinese growers then were small to medium growers. One chain – Progressive, encouraged more European growers to grow for them, shutting out the Chinese growers. In this period, three supermarket chains became two and I always blamed that on the Commerce Commission.

Also, the Commerce Commission deemed the growers had a collective agreement with the retailers over the cost sharing of produce containers. We had the most equitable container system in the world being destroyed because of the Commerce Commission ruling. They obviously did not know how powerful the supermarkets would become.

In the end, growers had to pay the full cost of any product container. Our growers' organisation worked it out that an average sized grower lost the cost of a new car every year. What would it be now, three new cars!

The supermarkets have seen how weak the growers have become, also crate companies – so they just increase cost whenever they want to. Supermarkets have dictated to the grower - if you want to supply us you have to use a certain crate, all the cost on the grower even though they use the crate in the supermarket for display purposes. Supermarkets have made growers use single tier crates instead of double layer crates, doubling our container costs overnight.

Also, our pallet costs and transport costs have gone up as a consequence. These costs are not recoverable by the grower because we are PRICE takers. If the supermarket is buying produce from the markets/T&G etc, you get the markets screwing down the price to the grower.

During the Auction System, the better quality you grew the better the price you got. Now there is no incentive to grow high quality vegetables because it cost you and you just get the same price as everyone else.

Code of Conduct (MANDATORY)

Vegefed Fresh Sector tried to get a code of conduct implemented 20 years ago when England and Australia were implementing theirs. Canada also has one.

- (1) Should cover all Buyers and Retailers of fruit and vegetables (supermarkets, fruit and vegetable shops).
- (2) Wholesale Markets. Some wholesale markets just give growers' produce away, some growers don't know how much their produce is sold for until they get paid. Growers can lose more money from wholesalers because some wholesalers take possession of your product and sell it at their price. The industry standard has been 10% 12%, 15% commission. Now it can be anything. Growers do not have a luxury of multiple wholesalers to deal with.
- (3) Code of conduct should encompass dealings between wholesaler and retailer.
- (4) Exporters of fruit and vegetables.
- (5) Must be MANDATORY. Must be independent so suppliers are not afraid to speak out.
- (6) Growers need to be able to collectively talk about pricing because, at the moment growers' prices are being set by supermarkets and wholesalers, not growers.
- (7) The Fair Trading Act has not been fair on growers. It has increased our costs (containers) and made our industry weak. That is why the supermarkets and wholesalers have just put the boot in (and crate companies).
- (8) Some of the things that have happened to growers could be considered criminal. Most growers have been too "scared" to put an initial submission in because they could lose most of their business.

What has happened to me:

- (1) Had a verbal contract to grow green cauliflower for a major supermarket. Was told to put in 1000 plants a week. Their "preferred" supplier had cauliflower ready before mine so ended up taking hardly anything. Because it was a new product, we couldn't sell to anyone else and ended up destroying most of our crop.
- (2) Found out from a major wholesaler that our company was blacklisted by a supermarket for 5 years.

Conclusion:

Mandatory Code of Conduct For:

- (1) All Retailers that buy fruit and vegetables direct from growers.
- (2) All Marketing Agents/Wholesalers of fruit and vegetables.
- (3) Exporters of fruit and vegetables.

Change Commerce Act to:

- (1) Allow growers to collectively bargain.
- (2) Make retailers pay for time hire containers because they keep containers longer than growers.

OPINION

- (1) NZ too small for another supermarket. Need to fix what we have got.
- (2) Should limit profit margin on fruit and vegetables because they are healthy products. When a cabbage is plentiful, supermarkets make 50c a cabbage. Why is it when cabbages are expensive, they make \$1.50 to \$2.00?
- (3) Supermarkets are making 20-25% on capital. Growers are only making 1-3%. We know the mark up on groceries is quite low so how much are they making on fruit and vegetables?
- (4) Some growers ship their produce from Levin to Auckland and then the Supermarkets send that produce back down to Rotorua or Taupo. Who pays for the carbon tax?