The retail debate

Supermarkets: friends or foes?

If we want to fully reap the public health and environmental benefits of organic food and farming we need organics to become the norm rather than the exception, writes BFA nutritionist SHANE HEATON.

Farmers' markets, home delivery, independent retailers and organic chains are important players in the organic retail scene. But going mainstream means organics needs to be available to people wherever they shop for food. Which means big players will increasingly be involved. Supermarkets, those bastions of cheap, mass-produced food, may not be the most obvious place to promote organics. But the fact that more than 90% of people buy their food in supermarkets guarantees them a place in any scenario in which organic food is the norm rather than the exception.

In the United States more organic food is sold through conventional retailers than specialist shops. Global food corporations have also moved in, with a report revealing that the eight largest food companies – including Cadbury Schweppes, Coca-Cola, Kraft, General Mills, Heinz and Mars – own the 38 biggest organic companies. Might we even eventually see an organic McBurger? Would that be a travesty, or an indication of the organic industry's success?

And what's happening with Australia's biggest players in the retail food game – Coles and Woolies? The short answer is: they're starting to take a more serious interest.

"Coles began stocking organic products in 2003 based on overseas trends and the growing customer interest in purchasing organic foods," Coles spokesperson Kate Bowman says. Coles Supermarket has launched its own generic organic range featuring 100 product lines, including organic soup, pasta, juices and dairy products. This is all in addition to a small range of organic fresh produce and what Bowman calls "hundreds" of other branded organic products they carry.

In Woolworths, the exact number of lines of organic products in each store is similarly vague. It fluctuates depending on supply and on the location of the store. But, generally speaking, it too is in the hundreds, according to Woolworths spokesperson Natalie Faber-Castell.

"We continue to expand the category year on year. A main barrier has been lack of consistent availability from producers, although this is improving all the time. Irregularities of volume and range can be a problem for a major supermarket chain," says Faber-Castell. She cites higher prices as a limit to growth in consumer demand but confirms that, in its eagerness to please customers, Woolworths will expand its organic offerings "in correspondence with demand and product availability".

And that's the bottom line really. While the supermarkets will never push the organic barrow, they're happy to sell it if people want to buy it – so long as it's available in the quantities they need.

Interest in organics from the supermarkets presents enormous opportunities for Australia's organic producers, although dealing with them can also be a considerable challenge. Suppliers of organic products must conform to stringent QA systems and meet other requirements in relation to consistency of supply, specifications, delivery schedules and so on. Price negotiations can become very one-sided and many fear that pressures to lower organic standards will follow to make it 'easier' for producers to meet them, thus ensuring supply and lowering prices.

I think ultimately supermarkets are necessary allies in the organic industry's mission to change agriculture and the way people eat. Managing that alliance will be a challenging, rewarding and important role for the industry in the years ahead. ■

Market report

HORTICULTURE: The zucchini price has been unseasonably high and, in some areas, the highest it has been in recent years. This is due to a lack of supply into the market, which has mainly been affected by poor weather in Northern Queensland. The story is similar for tomatoes, with wholesalers finding good quality fruit difficult to get hold of due to poor weather and disease. However, the supply of potatoes has been good and there are also plenty of apples, bananas and oranges making their way on to the market.

CROP	PRICE $
Apples	2-3 per kg
Bananas	18-24 per 13kg carton
Navel oranges	20-30 per 18kg carton
Broccoli	25-34 per 8kg styro
Carrots	26-30 per 18kg carton
Headed lettuce	18-22 per 12
Onions	31-33 per 20kg bag
Potatoes	14-22 per 20kg bag
Tomatoes	38-45 per 10kg box
Zucchinis	35-45 per 10kg box

All prices are return to grower prices. These prices should be used as a guide only, as local variations will apply depending on supply and demand and seasonal factors.

LIVESTOCK: The past quarter has seen prices fluctuate in some areas due to the drought. Producers may have been forced to sell stock before they were finished, leading to a reduction in quality and lower prices. The price has increased since the rain in some areas as producers are holding on to stock longer whereas in drought periods they may have been happy to get rid of them earlier. There is a feeling that the price will settle as we come into spring as numbers of stock increase.

Organic meat production is a value chain and everyone has to make money. The retail price is not high enough to cover the livestock price, and this has knock-on effects down the chain. At the moment many processors are not making money on organic meat. It is important to keep the integrity and quality of organic meat products high to ensure that retailers are able to charge a premium price.

In some areas prices are stable and have been for a couple of years, although new export markets are likely to alter prices.

BEEF	QLD	NSW	VIC
Domestic	$3.80-$5.00/kg	$4.20/kg av	$4.20/kg av
Export	$3.60-$4.50/kg	No prices	No prices
LAMB			
Domestic	No prices	$5.60/kg av	$5.60/kg av
Export	No prices	$5.70/kg av	$5.70/kg av
MUTTON			
Domestic	No prices	$3.15/kg	$3.15/kg
Export	No prices	No prices	No prices

Prices are a guide only and vary depending on region, and quality, as well as supply and demand factors.

Mediation can help avoid long disputes

Disputes can arise even in the best business relationships; how you deal with them will be important to the success of your business. Good business management involves good dispute management.

Early resolution is a key. It is important that issues are discussed directly with the other party at the time. However, if this proves unsuccessful, the matter should be progressed formally using the internal dispute resolution procedures of the other party, if available.

The Produce & Grocery Industry Code of Conduct provides a framework for industry participants to define acceptable business practices. If the parties are still dissatisfied with the outcome of their negotiations, the code allows for the dispute to be mediated by an ombudsman.

The code covers all industry participants in the Australian produce and grocery industry in their vertical supply relationship with one another. This includes businesses involved in the production, preparation and sale of food, beverages and non-food grocery items, including primary producers, manufacturers, processors, wholesalers, importers, distributors, brokers, agents and grocery retailers.

Produce and Grocery Industry Ombudsman

The role of the ombudsman is to facilitate solutions to disputes in accordance with the code. In particular, the ombudsman will determine whether a dispute is covered by the code and whether it is suitable for mediation. Provided that the dispute is covered by the code and is suitable for mediation, the ombudsman will, in consultation with the parties, arrange a time and place for the dispute to be mediated.

A $50 application fee applies when you lodge your application (this may be waived on grounds of serious financial hardship).

In the past four years the ombudsman has dealt with about 400 dispute enquiries, most of which were resolved in direct discussions between the parties following encouragement by the ombudsman. Some 116 matters have been mediated, of which 102 have settled and nine are proceeding. A matter settled means that both parties have entered an agreement as to the resolution of the dispute.

The ombudsman's office has been able to resolve a number of disputes to which organic growers have been parties.

HOW TO MAKE CONTACT

Bob Gaussen and David Holst share the duties of the ombudsman. They are available to speak with you confidentially and will never raise a concern with the other party without your prior knowledge and consent. Phone: 1800 004 444, email: < ombudsman@pgio.com.au >, web: < www.pgio.com.au >, post: GPO Box 1422 Sydney, NSW, 2001.