FOODSA
Feeding connections

Key issues for consideration for presentation to the Senate Food Processing Inquiry

Unauthorised Deductions
Coles, Woolworths and Metcash all take deductions from suppliers and deduct them from the invoice presented to them. This means the supplier has no control to negotiate, has great difficulty in getting through to anyone for an explanation about the deduction and if it is a promotion, is taken in advance of the activity.

It should be illegal for big retailers to deduct money off a suppliers invoice. Instead the retailer should raise an invoice to the supplier for any trading terms, scanned sales promotional money, ullage and markdown in relation to each invoice

The supplier would then pay the invoice on the same trading terms that the retailer pays them. By the retailers deducting terms off payment as is the current practice, the suppliers have little negotiating leverage and it severely impacts cash flow. The retailers hold their money and do not adhere to standard payment terms of 30 days.

Trading Terms
Many businesses have trading terms with the retailers which are longstanding. It seems that unilaterally they are able to adjust the trading terms and there is very little recourse for the supplier. Home branded products do not have any associated trading terms as the retailer is the supplier in this instance. Inherently the cost of branded products is more expensive than home brand because of the lack of trading terms applied. Can a level playing field be created whereby trading terms get eliminated?

Mediation
Just like there is an industrial relations tribunal, there needs to be a third party mediator who can be called in if required by either party to business review negotiations.

The mediator's job is to protect the weaker party in a performance review in the same way as an employee has the right to ask for a third party representation during verbal warning for performance issues by their employer.

The mediator would not be paid for by the supermarkets or the company going to the review but by the government in order to ensure independence. It would provide protection for the weaker party in the same form as a lawyer might give a defendant during evidence.

Price Increases
Consistently suppliers have difficulty in getting price increases through to the retailers. If they are rejected by one retailer then others will not accept them and sometimes revert to the lower price. If price increases are accepted, they often take months to get through with much justification. In many instances suppliers are requested to supply 'open' costings, an invasion of privacy and intellectual property. Could a system be put in place whereby a process is established for supermarkets to justify why they will not accept a price increase within 30 days and if that doesn't occur then it can be escalated to an independent mediator?

Code of Conduct

Could the Australian Government introduce a mandatory code of conduct to include all of the issues outlined above? A voluntary code from experience will not be strong enough.