Food - Marketing O.S.

FOOD MARKETING SYSTEMS

IN SYDNEY

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PREFACE

This bulletin is based on a paper prepared for the UN Food and Agriculture Organisation Expert Consultation on the Development of Food Marketing Systems for Large Urban Areas in Asia, held in Kuala Lumpur, Malaysia, in March 1975.

The paper was one of 13 case studies presented at the Consultation, each describing the food marketing systems of a major Asian city. The paper was presented by Dr. D.E. Maccallum, Chief, Division of Marketing and Economics.

We wish to acknowledge the help of Dr. Maccallum, Messrs. S.T. Beal, P.B. Booker, D.W. Crowfoot, P.S. Hill, M. Joseph, P.J. McMahon, and H.G.S. Todd, whose comments on the paper permitted us to make some revisions for this bulletin.

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1 INTRODUCTION

1.1 THE SYDNEY AREA

Sydney, Australia's largest city and the capital of the State of New South Wales, has a population of 3 million.[1]

The main urban area is approximately 1400 km^2. Housing predominantly consists of single level dwellings but there is increasing development of multi-level apartment dwellings.

Sydney's communications include modern port and airport facilities, electric rail system and a modified grid system of predominantly sealed roads.

There are over 400 suburbs each with at least one community shopping centre with speciality food shops, supermarkets, consumer durable and service stores. In addition there are a number of suburban shopping malls embracing all of these facilities and major department stores within a single building complex. Scattered throughout the urban area are many independent general groceries or 'corner stores'. The central city business district also provides considerable shopping facilities.

1.2 CONSUMER CHARACTERISTICS

Two factors which have an important bearing on food consumption in Sydney are: the population is predominantly of European origin; and incomes are relatively high. Household income per head of population in New South Wales for 1972-73 was $A2673 per annum.[2]

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[1] Provisional estimate at June 1973 for the total of the two statistical divisions: Sydney, with an area of 4075 km^2 and a population of 2.87 million; and Outer Sydney, area 8321 km^2 and population 0.14 million. New South Wales Handbook of Local Statistics, 1974. Australian Bureau of Statistics, Sydney, June 1974, p.8.

Expectations are that the population will be 4.9 million by the year 2000 - Population Projections for New South Wales 1971-2000. State Planning Authority of New South Wales, Sydney, Technical Bulletin No. 4, 1973, p.16. This represents a projected average rate of population growth to year 2000 of about 1.5% per annum.

[2] From Australian National Accounts. National Income and Expenditure 1972-73. Australian Bureau of Statistics, Canberra. Reference No. 7.1. Table No. 63, p.68. The international standards followed are those described in A System of National Accounts. Studies in Methods, Series F, No. 2, Ref.3. Statistical Office, Department of Economic and Social Affairs, United Nations, New York, 1968. Household income is the total income received by individuals. It includes mainly wages and incomes from unincorporated enterprises and transfer incomes such as cash social service benefits and interest. Although household disposable income for New South Wales for 1972-73 was not yet available it was estimated to be about $A2250 per head on the basis of it being about 84 per cent of household income as in previous years. Household disposable income can be loosely defined as household income less direct taxation.

These factors largely account for a dietary pattern which includes a high level of protein consumption, particularly meat.

Consumption per head of population of selected foodstuffs is shown in Table 1 (data only available for Australia as a whole).

TABLE 1

ESTIMATED CONSUMPTION OF FOODSTUFFS PER HEAD OF POPULATION - 1972-73 AUSTRALIA

Meat	96 kg
Poultry	13 kg
Fish	6 kg
Eggs	218
Milk, fluid whole	124 litres
Milk, condensed and powdered	12 kg
Cheese	5 kg
Butter	8 kg
Margarine	6 kg
Sugar, refined	21 kg
Vegetables	119 kg
Fruit	92 kg
Breakfast foods	7 kg
Flour (largely in form of bread)	75 kg
Rice	3 kg

Source: Apparent Consumption of Foodstuffs and Nutrients 1972-73 Australian Bureau of Statistics, Canberra. Reference No.10.10. January, 1975, pp.5 and 6.

The total expenditure on food per head of population in New South Wales for 1972-73 was $350.[3]

With regard to food pricing and marketing differences between income sectors in Sydney, there is little available evidence of significant or consistent price differentiation as far as the conventional retail outlets are concerned.[4]

A factor associated with the rapid growth of restaurants and businesses concerned with the provision of prepared foods in Sydney is the fact that just under 50 per cent of married women now participate in the workforce.

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[3] Derived from Australian National Accounts. National Income and Expenditure 1972-73 Australian Bureau of Statistics, Canberra. Reference No. 7.1. March, 1974. P.78.

[4] There is however, access to some lower-priced markets. For example consumers can buy at the Sydney Fruit and Vegetable Markets. There have also been some pilot attempts to set up "open markets" (mainly fruit and vegetables) operating on premises during hours when they are not being used for their primary purpose - such as drive-in theatre parking areas.

A feature concerning retail food marketing and one that creates problems associated with supply is that food purchasing activity is greatest towards the end of the week. This is associated with the fact that most of the labour force, which comprises about 40 per cent of the population are paid on either a Thursday or a Friday. Also food retail stores are open on Thursday night (the only night of the week that food retailers are generally open outside normal business hours) and Saturday morning, providing the most convenient times for much of the population to undertake their food purchasing.

1.3 FOOD RETAILING

Food retailing in Sydney includes five broad types of outlets:-

(1) Supermarkets: Selling all types of food items including fresh fruit; vegetables; meat; packaged, canned and frozen groceries; dairy products; as well as some pre-cooked lines.

(2) Small grocery and mixed businesses: Staffed primarily by owners and trading particularly on the basis of customer convenience.[5]

(3) Speciality Shops: Including those specialising in fresh meat products, fresh fruit and vegetables, and bread and associated bakery lines.

(4) The catering sector: Including (a) Hotels, motels and restaurants (b) Staff and institutional canteens, cafeterias and "milk bars" (c) "Fast food" outlets, including shops and restaurants selling prepared fish and oriental dishes, and "take-away" centres for prepared poultry and red meat dishes, operated either individually or as chain groups.

(5) Home delivery services: These are provided for part of the total consumption of bread, milk and fruit juices.

Department stores play a significant minor role in food retailing. There has been some recent development of consumer co-operative buying of food. The Government have no stores retailing food to the public.

1.4 FOOD WHOLESALING

A major characteristic of food wholesaling is the large diversity of methods employed with different products and an apparent specialization within products. Statutory authorities, producer co-operatives, producer agents, contract wholesalers, multi-national food converters, other food processors and some retailing corporations are involved in traditional wholesale functions.

In the main, wholesalers provide services in addition to the collection, movement and distribution of products. Most food entering the marketing system is wholesaled by the processor who carries out quality control and provides assistance to inventory management. Food retailers operating as

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[5] Many of these businesses stay open for up to 12 hours per day. Customers are prepared to pay higher prices for this convenience.

"symbol groups" receive supplies from either private wholesalers with whom they have contractual agreements, or through wholesaling co-operatives established by the retailers.

In the case of the marketing of fresh fish, eggs, fruit and vegetables some producers become personally involved in wholesaling their produce but even for these products it is generally the case here that agents act on behalf of the producers in carrying out the wholesaling functions.

1.5 FOOD PROCESSING

Food processing (for example, bread and groceries) is dominated by large companies, many multi-national, who have integrated vertically their functions in the marketing system. These large processors contract supplies of raw materials and undertake the wholesaling function. Significant differences exist between the different industries, and these are described in Section 2.

Most processing is undertaken within the Sydney area, or near to it.

1.6 PRODUCTION, RURAL ASSEMBLY AND TRANSPORT

A large part of the basic food requirements for Sydney are produced in New South Wales, or, in terms of distance, within a radius of about 500 km. Food supplies from the other States are principally sugar, tropical fruits, fruit and vegetables, and some dairy products.

There is regular importation of some speciality canned and processed foodstuffs from overseas.

Australian producers of foodstuffs are generally responsible for the initial transport of their produce. For example: livestock are delivered to auction markets; grains are delivered to nearby railway assembly points; produce under supply contracts is delivered direct to processors; and fresh fruit and vegetables are delivered direct to the Sydney Wholesale Markets.

Transport of food from rural areas to Sydney is predominantly by rail or road. There is limited transport of fruit and vegetables by sea and air from interstate. Road transport is assuming greater importance than rail because of the use of larger and more efficient road haulers and the economies to be gained in a reduction of multiple handlings.

1.7 GOVERNMENT LEGISLATION

Government in Australia, both at the state and national levels, is involved in the regulation of food production and marketing for Sydney.

While accepting the principle that the market remains the most effective method of allocating resources in the food sector, Government intervention seeks to improve the manner in which the market operates and to protect both producer and consumer from the consequences of imperfections inherent in the market system.

Government plays a role in the surveillance of and the provision of services for animal and plant, pest and disease control, including quarantine.[6]

Government exercises control over product quality including fitness for human consumption, packaging standards, and the accuracy of transactions involving weights and measures.[7]

Of particular relevance to the marketing of rural produce in New South Wales is the Marketing of Primary Products Act, 1927-64 which makes provision for the setting up of marketing boards for specific rural products if a majority of producers desire it. These boards may be given exclusive power to market the product within the State.

The Act also makes provisions for a market intelligence service. This includes the collection and dissemination of wholesale and retail prices of selected rural products in Sydney.[8]

State marketing boards have been constituted for eggs, rice, citrus fruits, tobacco-leaf, wine grapes, grain sorghum, barley, oats, oilseeds and sheep meats.

The Co-operation Act, 1923-69 defines the scope of activities and the mode of operation of co-operative societies including the producer co-operatives which play a significant role in the marketing of dairy produce, rice, and fish.

The Factories, Shops and Industries Act, 1962-as amended makes provision for the supervision and regulation of factories and shops in relation to the health and safety of employees. It also prescribes the hours during which shops may remain open.

A number of Acts are concerned with protecting the interests of consumers.

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6 Legislation providing for such measures includes: the Stock Diseases Act, 1923; the Plant Diseases Act, 1924; the Quarantine Act 1908-61; the Noxious Microbes Act, 1900; the Pastures Protection Act, 1934-as amended; the Noxious Insects Act, 1934-as amended.

7 Examples of such legislation are: the Pure Foods Act, 1908 which provides for the supervision of the quality and standards of food for sale for human consumption and the conditions under which they are manufactured, stored, and distributed; the Meat Industry Act, 1915-as amended, the Meat Industry Authority Act, 1970, and the Cattle Slaughtering and Diseased Animals and Meat Act, 1902-as amended which among other things, provide for the control of conditions under which stock are slaughtered and the inspection of meat for fitness for human consumption; the Fruit Cases Act, 1912-as amended which provides for regulations fixing the dimensions and capacities of fruit cases; and the Weights and Measures Act, 1915 which provides for the supervision of the correctness and accuracy of consumer transactions involving weights and measures.

8 Further details of the market intelligence services provided are given in Appendix.

These include the Consumer Protection Act, 1969 which has provisions regulating the description and advertising of goods.

The Prices Regulation Act, 1948-49 provides for the appointment of a Prices Commissioner with the power to regulate and fix maximum prices for any goods and services. However bread is the only food product controlled under this New South Wales Act. The Act is designed to protect consumers from unwarranted price increases.

Australian Government legislation, the Prices Justification Act 1973-74 provides for a Prices Justification Tribunal to hold enquiries into prices charged or proposed to be charged or proposed to be charged for the supply of goods and services by companies in Australia.

Another Australian Government Act, the Trade Practices Act, 1974 includes measures to prohibit or control restrictive trade practices with the object of preserving market competition.

In Section 2 there is discussion of legislation having specific relevance to the production and marketing of individual foodstuffs.

2 MARKETING OF INDIVIDUAL FOODSTUFFS

This section describes the structure and organization of the major components of the food marketing system on a commodity basis. Meat, milk and dairy products, fresh fruit and vegetables, fish, eggs, poultry meats, rice, bread and manufactured groceries are considered with regard to industry structure, government involvement, product supply and pricing, and marketing developments.

Considerable variations exist between these foodstuffs with regard to the involvement of government and authorities, the activities of producer groups in processing, marketing and distribution, and the organization and structure of wholesaling and retailing outlets.

A synopsis of the major developments in the marketing of each foodstuff is presented first in order to provide some perspective to the detailed treatment which follows. Details of price determination, supply controls, and barriers to entry into the industry are summarized in Table 2 (p.16).

2.1 SYNOPSIS OF MAJOR DEVELOPMENTS IN THE MARKETING OF EACH FOODSTUFF

Meat: There has been a decline in the number of specialist butcher shops with an increasing proportion of meat being sold in supermarkets. Also, as a result of expanded and improved abattoir facilities in rural areas a declining proportion of the city meat requirements is slaughtered at local Sydney abattoirs.

Milk and Dairy Products: Product diversification and the introduction of new packaging methods highlight recent development in the dairy industry. Home deliveries of milk are declining with increasing quantities of milk being sold in supermarkets.

Fresh Fruit and Vegetables: The pending move to a new wholesale market site during 1975 will greatly improve the efficiency of the wholesale markets. There is a trend to pre-packaging of fruit and vegetables with the increasing volumes of fruit and vegetables being sold by supermarkets.

Fish: The growth of producer co-operatives, the cleaning and filleting of fish prior to marketing and an increased processing of fish constitute the major developments in the fish industry.

Eggs: The recent introduction of hen quotas to control production and a trend towards the bulk handling of eggs are the major developments.

Poultry Meats: The major development in the poultry meat industry has been the structural change in the industry to a greater degree of vertical integration with processing companies having a dominant role in contractual arrangements to provide feed and bird replacement. The two main retail outlets for poultry meats have been in the form of frozen products and poultry meat for the fast food trade.

Rice: The role of specialised wholesalers is diminishing with an increase in the direct delivery of rice from mill to retailer. New long grained rice varieties have been developed.

TABLE 2 : PRICE DETERMINATION, SUPPLY CONTROL AND BARRIERS TO ENTRY FOR SYDNEY FOODSTUFFS

FOODSTUFF	PRICE DETERMINATION	SUPPLY CONTROL	BARRIERS TO ENTRY
EGGS	Determined by the N.S.W. Egg Marketing Board at wholesale and producer levels.	Maximum quota of hens per producer determined under the Egg Industry Stabilization Act.	Entry restricted by licensing to obtain quota.
BREAD	Maximum retail prices are determined under the N.S.W. Prices Regulation Act 1948-49.		The Bread Act requires: licensing of manufacturers; restriction of baking hours; bakers to be qualified.
MILK & DAIRY	Producer, wholesale and retail prices for milk are set by N.S.W. Minister for Agriculture. Equalization of producer return for butter and cheese.	Milk quotas for the liquid milk market are determined under Dairy Industry Authority Act.	Dairy Industry Authority licenses suppliers, manufacturers and distributors.
FISH	Most wholesale prices determined by auction, some by private treaty. No control on retail prices.		All fresh fish intended for sale to the public in N.S.W. must be sold through a Fishermen's Co-operative or the Fish Markets Authority but exemptions may be granted.
FRESH FRUIT & VEGETABLES	Wholesale prices determined by private treaty. No control on retail price.		Quarantine restrictions on inter-state trade. Licensing of produce agents at wholesale markets.
RICE	Producer returns are based on equalization of domestic and export sales. Wholesale prices determined by negotiation between Ricegrowers Co-operative Mills and the buyer.	Maximum farm acreage limited by control of irrigation water supply.	License required for irrigation water.
POULTRY	Grower contracts specify returns per bird or per kg produced.	Grower contracts based on specified production.	Industry characterized by need for growers to contract with meat processors.
MEAT	Farm-gate and wholesale prices determined by auction or private treaty.		Slaughter houses licensed under Meat Industry Authority Act. Regulation of retail establishments required by health authorities.

<u>Bread</u>: The structure of the bread industry has undergone a dramatic change in recent years with the rapid introduction of mechanised production and a reduction in the number of bread manufacturers. The bread industry in New South Wales is currently the subject of a comprehensive Government enquiry examining pricing, production and distribution.

<u>Manufactured Groceries</u>: There has been a major swing away from the "corner grocery store" to the large supermarkets in the retailing of manufactured groceries. Such events as the trend towards central warehousing and private labelling of products are prominent developments in the industry.

2.2 MARKETING OF MEAT

Sydney's meat supply is derived almost entirely from New South Wales farms. Livestock farms are numerous and are throughout the State. Each producer markets only a small share of livestock sold, entry into livestock production is easy and expansion by existing producers occurs quite readily so that the ability of individual producers to influence market operations is negligible. A simplified chart of the meat marketing channels in New South Wales is presented in Figure 1 on page 18.

Most livestock are sold by auction, at selling facilities operated by local government authorities in producing areas, or at the Homebush Saleyards, operated by the Metropolitan Meat Industry Board and located about 17 km from Sydney's central business district. The Homebush livestock market provides for the sale of sheep, cattle, pigs and calves and is the principal single livestock market in New South Wales, although its importance has diminished somewhat with the development of country abattoirs and selling centres. The Homebush livestock market is part of a complex also including abattoirs and wholesaling facilities.

The meat wholesaler provides the link between the livestock producer and retail butcher. The wholesale butcher selects, purchases and slaughters livestock to produce meat for the requirements of the retail trade. There are 3 main types of wholesale butchers.[9]

(i) The vertically integrated large companies which operate their own abattoirs as well as operating as wholesalers through Homebush and using the facilities of service abattoirs. Some such firms may be integrated into livestock production and/or meat retailing.

(ii) The partially vertically integrated corporate wholesalers operating at Homebush or other service abattoirs, and with interests in retail butcher shops.

(iii) The unintegrated wholesalers operating wholly at Homebush service abattoirs.

All abattoirs operating in the State are required to be licensed under the New South Wales Meat Industry Authority Act, 1970. The Homebush State Abattoir has operated solely

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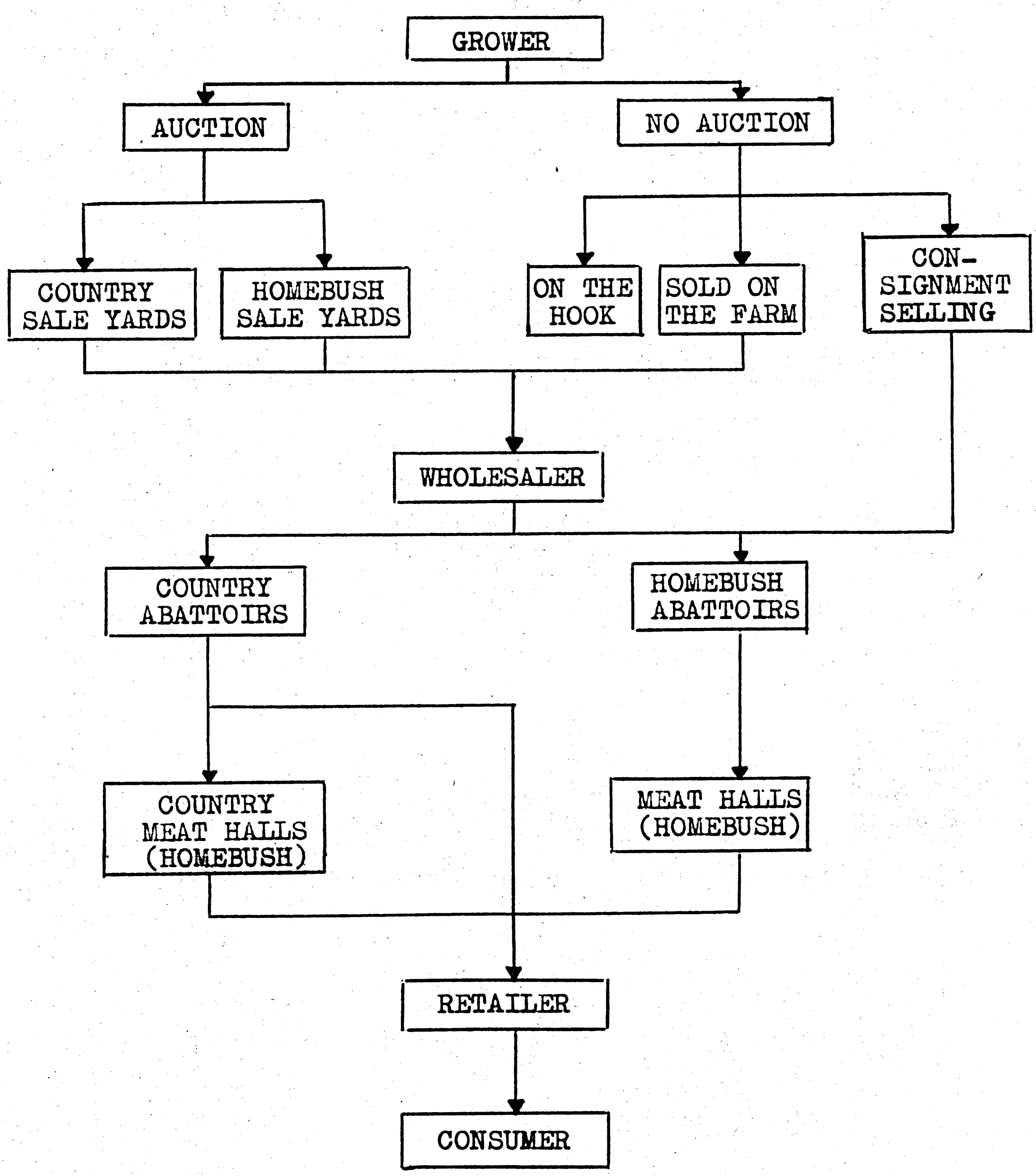
9 See New South Wales Parliament, <u>Report from the Select Committee of the Legislative Assembly upon the Meat Industry</u>, 1972, Part 1, page 39.

FIGURE 1

MEAT MARKETING CHANNELS FOR SYDNEY SUPPLIES



as a service abattoir with no authority to trade.[10] Most of the abattoirs are located in producing areas and are operated by local government authorities as service abattoirs, or owned and operated privately, or as producer co-operatives.

Retailing

Meat retailing in Sydney is undertaken by specialist butcher shops and by company owned supermarkets or chain stores.

Most of the retailing is still conducted through small specialist butcher shops, with cutting up of carcasses taking place at the retail store. Supermarkets and chain stores are becoming increasingly involved in retailing of meat, some of which is pre-packed at country abattoirs by wholesalers, or at central processing works operated by the chains, at which carcasses are broken down and to some extent pre-packed direct for retail sale.[11]

The number of butchers shops operating in Sydney is declining. During the 12 months ending June 1974 the number of specialist butcher shops declined by 88 or approximately 5 per cent.[12]

As a proportion of total retail food and grocery sales, meat has tended to be maintained at around 21 per cent of total turnover.[13]

Australia's per capita consumption of meat is amongst the highest in the world. Beef consumption is higher than either mutton, lamb, or pigmeat (see Table 3, p. 20).

Source of Retail Supplies

Most retail butchers in Sydney obtain their supplies from wholesale butchers through the meat markets at Homebush, or direct from country abattoirs. In some cases, retail butchers (and supermarket chains) may buy livestock direct from producers either "in the paddock" or at auction and arrange for the slaughtering themselves.

The meat industry tends to be characterized by "areas of specialization" - of production, slaughtering, retailing - with the exception of the activities of some of the major wholesalers, who have integrated into retailing, and also with the exception again of some of the major wholesalers who operate private abattoirs.

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[10] Legislation is currently being introduced to give the Abattoir the authority to trade.

[11] Supermarkets made 10 per cent of fresh meat retail sales in N.S.W. in 1968/69. This data, the latest available, is from Census of Retail Establishments 1968/69, Australian Bureau of Statistics, Canberra.

[12] Figures supplied by the Meat and Allied Trades Federation (N.S.W. Division).

[13] From Mulligan, D., Report of a study group into the N.S.W. meat industry. Australian Farm Management Journal Vol. 9, No. 2, June 1973, p. 19.

TABLE 3

MEAT CONSUMPTION PER HEAD OF POPULATION - AUSTRALIA
(kg per head)

	Average 3 years ended:			
	1966-67	1969-70	1972-73	1972-73
Carcase meat -				
Beef and veal	41.9	40.3	39.5	39.3
Mutton	20.1	18.3	18.3	14.8
Lamb	17.9	20.9	22.3	18.7
Pigmeat	5.8	7.2	7.2	7.9
Total	85.7	86.8	87.3	80.6
Offal	5.3	5.2	5.6	5.7
Canned meat[1]	2.2	2.3	2.6	2.5
Bacon and ham[2]	3.5	3.6	4.8	4.8
Total[3]	98.6	99.5	102.7	96.1

Notes:

1 Canned weight
2 Cured carcase weight
3 Converted to carcase equivalent weight

Source: Based on Australian Bureau of Statistics Apparent Consumption of Foodstuffs and Nutrients 1972-73, A.B.S., Canberra. Reference No.10.10., January, 1975, p.5.

Pricing

Livestock and meat are marketed under competitive conditions. However, it appears that meat retailers are able to engage in some degree of price "averaging" and price "levelling" in the short term with the result that retail prices fluctuate to a lesser extent than do wholesale and auction prices.[14]

There would appear to be no encumberance to entry to meat retailing in Sydney, beyond the need to satisfy regulatory requirements within shop operations. It is apparent that "meat retailing is competitive and profitability of traditional butcher outlets is low relative to the retail

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14 Evidence for price "averaging" and "levelling" in Sydney meat marketing is given in Griffith, G.R., Sydney meat marketing margins. Review of Marketing and Agricultural Economics, December 1974. This is based on an analysis of monthly meat marketing margins published in Griffith, G.R., and R.A. Whitelaw, Sydney Meat marketing margins, 1971 to 1973. N.S.W. Department of Agriculture, Division of Marketing and Economics, Miscellaneous Bulletin No. 20.

sector as a whole".[15]

Developments

A major recent development within the meat industry has been the expansion in facilities and throughputs of livestock markets and abattoirs located in producing areas. Associated with this development has been a relative increase in the quantities of meat being delivered direct from abattoir to the Sydney retail outlet - most meat thus delivered is in carcase form, but the future will see more meat being cut up at the abattoir for delivery as primal cuts. Such a development would be likely to have implications for the operations of retail butcheries. At present butcher shop operation is highly labour intensive and the operator is involved in preparation of meat for sale, as well as consumer contact. Rationalization of these aspects of shop operators activities is likely to see a continued decline in the number of specialist butchers shops and the emergence of larger retailing units than are currently in operation.

2.3 MARKETING OF DAIRY PRODUCTS

Milk moves from the farm to the consumer in three stages. The first involves the assembly and transportation of milk from farms to processing plants. In the second stage, milk is processed and packaged or is manufactured into various dairy products. In the third stage, packaged milk and manufactured milk products are distributed to consumers.

The Dairy Industry Authority of New South Wales

The Dairy Industry Authority of N.S.W., constituted under the Dairy Industry Authority Act, 1970, is responsible for the regulation and control of the quality, supply and distribution of milk to ensure the wholesomeness and purity of milk and dairy products in the interests of public health. All milk supplied for human use in the production or manufacture of dairy products in New South Wales is marketed by the Authority. The Authority does not handle milk but authorises agents to act on its behalf.

Milk production for liquid milk consumption is controlled by production quotas granted to individual milk producers, and controlled by the Authority.

The Supply of Milk and Dairy Products

The number of dairy farms and factories has been declining over recent years. Under the Dairy Industry Act, 1915-1960, administered by the N.S.W. Department of Agriculture, all factories manufacturing milk products must be registered. This Act provides for the qualification of cream graders and requires all cream to be graded according to quality. Butter manufactured from such cream must be packaged with the grade and the name of the butter factory shown. The mixture of grades in the manufacture of butter is prohibited.

About half of the milk produced in New South Wales is consumed as liquid milk and half as dairy products. At present, New South Wales produces about 30 per cent of its

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[15] Mulligan, D., and others, Report of a study group into the N.S.W. meat industry. Australian Farm Management Journal, Vol. 9, No.2, June 1973, P.34.

butter requirements, the remainder being shipped mainly from Victoria. The quantity of cheese imported from overseas into New South Wales is increasing.

Consumption

Annual per capita milk consumption in Sydney was 118 litres for 1972/73.[16] Butter consumption for 1972/73, available for Australia only, was 8.3 kg.[17] The consumption of both has declined over the last 10 years.

Pricing

Wholesale and retail milk prices in New South Wales are determined by the Minister for Agriculture on the advice of the Prices Tribunal of the N.S.W. Dairy Industry Authority. Prices enquiries provide the basis for setting the prices structure for the market milk industry in New South Wales. This provides for prices paid to dairymen, allowances for freight, treatment (collection, pasteurization, refrigeration, and bottling), administrative costs and the selling prices upon which wholesale agents, vehicle vendors and shops operate.

An equalization scheme for dairy produce trading in Australia and overseas is administered by the Commonwealth Dairy Produce Equalization Committee Limited. The primary purpose of the Equalization Scheme is to effect an equalization of values by ensuring to manufacturers, as far as possible, equal rates of returns for their butter, irrespective of the market on which the product is sold.

The Equalization Committee meets at the beginning of each financial year and considers the likely level of production for the ensuing year, the marketing situation, the butter and cheese prices in Australia as determined by the Australian Dairy Industry Council, and the amount of subsidy and guaranteed price agreed upon by the Australian Government, in determining an interim equalization scheme. The Australian Government subsidy will be terminated on 30th June, 1975.

The Dairy Products Act, 1933 - as amended facilitates the application of the equalization scheme in N.S.W. The Minister for Agriculture is empowered under the Act to fix the proportion of butter and cheese which each manufacturer may sell on the more lucrative home market (and consequently the proportion which must be exported) so ensuring the fair distribution of returns to each manufacturer. A Dairy Products Board is set up under the Act to advise the Minister on fixing quotas of butter and cheese for sale on the home market.

Prices for dairy products such as ice-cream and yoghurt are set by the manufacturers.

Distribution

There are 1650 milk vendors in Sydney registered by the Dairy Industry Authority to deliver milk to homes. In Sydney home delivery of milk is declining in importance as a means of retail distribution. Supermarkets and other retail stores are gaining an increased share of the milk market.

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16 From Dairy Industry Authority of N.S.W. records.

17 From Apparent Consumption of Foodstuffs and Nutrients 1972-73 Australian Bureau of Statistics, Canberra. Reference No.10.10, January 1975, p.6.

The milk vendors receive their supplies of milk from processing companies (co-operatives and private companies) which act as agents for the Dairy Industry Authority. The largest co-operative processes about 60 per cent of Sydney's fresh milk requirements.

Co-operatives are of major importance in the field of dairy product distribution. In Sydney, the Producers Co-operative Society Limited (P.D.S.) and the Norco Dairy Co-operative Society Limited are the two largest distributors of butter and cheese. The Dairy Farmers Co-operative Limited is the largest distributor of milk, ice-cream and yoghurt.

The role of P.D.S. is typical of these large distributors. P.D.S. wholesales dairy and other products (ham, honey, bacon, and frozen foods) on behalf of other co-operative processing factories. P.D.S. has an annual Australian turnover of $50m in dairy products of which $30m is for Sydney alone. P.D.S. distribute their products either direct to the retail stores or to the central warehouses of the chain stores. They prefer to deliver products direct to the retail outlet rather than risk product deterioration which could result at a central warehouse.

<u>Packaging</u>

Data from the N.S.W. Dairy Industry Authority shows that for 1973, 67 per cent of milk was sold in bottles, 23 per cent in cartons, 8 per cent was sold bulk and 1 per cent in satchets.

<u>Developments</u>

Some likely developments in the dairy industry in the next 5 - 10 years are as follows:

(1) Legislation is currently being prepared concerning food packaging. New requirements such as better sealing of packages, better labelling of contents and specification of the dates of manufacture are being considered.

(2) At present, insulated bulk delivery trucks are in use. In the future it is expected that refrigerated trucks will be made compulsory.

(3) The trend towards central warehousing is likely to continue with co-operatives still playing a significant role in packaging and distribution.

(4) Relaxation of the restrictions on margarine production would probably lead to a further decline in butter consumption in Australia.

2.4 MARKETING OF FRESH FRUIT AND VEGETABLES

Trends in the production of fruits and vegetables since 1950 have included increased output, a declining number of farms, and shifts in production locality for some fruit and vegetable crops. These trends represent responses to changing consumer preferences, regional comparative advantage in the production of fruits and vegetables and shifting marketing patterns.

Fresh fruit and vegetables consumed in the Sydney Metropolitan Area are received from interstate as well as from New South Wales production areas. Produce is consigned to Sydney from production areas predominantly by rail and road. Road transport has increased in importance over recent years. There is limited transport by sea and air.

Production of fruit and vegetables for canning, freezing, and other processing does not seem, to date, to have caused a significant drop in supplies of the fresh product to the wholesale market, except in the case of peas, beans, and more recently, citrus.

The Sydney Wholesale Markets

The administration of the Sydney wholesale fresh fruit and vegetable markets is the responsibility of the Sydney Farm Produce Marketing Authority which was established in 1968 under the Sydney Farm Produce Marketing Authority Act. Under the Act, the Authority is responsible for the operation and control of the Sydney Fruit and Vegetable Markets, and for the provision and maintenance of the market facilities.

The Sydney Fruit and Vegetable Markets are situated about 2.5 km from the commercial centre of the city. These markets provide facilities for the sale of fresh fruit and vegetables by grower-sellers, grower co-operatives, and farm produce agents.

Bona fide producers and the grower co-operatives are permitted to sell their own produce in the growers market section. Transport is almost entirely by road so selling is carried out directly from the vehicles. Some produce is consigned by rail, and this has to be re-loaded and trucked to the Markets site. Space is provided for 500 selling stands with the occupancy on the busiest day being about 440 stands. The average daily occupancy of the stands is 368.

TABLE 4

FRUIT AND VEGETABLE CONSUMPTION PER HEAD OF POPULATION - AUSTRALIA. (kg per head)

Year	Fruit	Vegetables
1962-63	86.0	120.1
1963-64	82.3	111.4
1964-65	82.0	110.4
1965-66	80.6	118.5
1966-67	82.3	122.6
1967-68	84.7	118.6
1968-69	92.4	131.9
1969-70	84.0	126.6
1970-71	101.1	127.1
1971-72	95.3	131.0
1972-73	91.7	118.6

Source: Apparent Consumption of Foodstuffs and Nutrients 1972-73 Australian Bureau of Statistics, Canberra. Reference No.10.10. January 1975, p.5. 1962-63 data from earlier issue.

There are 175 agents licensed to trade in the Fruit and Vegetable Markets operating under the provisions of the Farm Produce Agents Act, 1926-1952. This Act provides for the regulation of their activities as such. The agents sell farm produce on a consignment basis for producers at set commissions, and merchant basis by purchasing the produce themselves.

The annual turnover in fresh fruit and vegetables at the Sydney Markets is approximately $130 million.

More than half the week's trading (up to 60 per cent of fruit sales) at the markets is carried out on Mondays. This places a great deal of strain on space, marketing facilities and staff as well as creating congestion problems, both inside and outside the buildings.

There is a trend towards larger buying units, comprising mainly retail chain stores and department stores, single buyers handling the combined orders of 20 or more stores and a number of large private retail outlets who operate in some outer suburbs. Most of the fresh fruit and vegetables sold at the markets is bought, handled and transported to the retail outlets by the retailer himself. Other large buyers referred to as providores operate on behalf of ships, hospitals, and other institutions. Nevertheless, the large number of small shop-keepers still account for the greater part of the buying of fresh fruit and vegetables.

There is a small, but increasing volume of trade direct between the grower and the retailer bypassing the Sydney Wholesale Markets. This trend to direct buying has apparently been caused by increased marketing, freight and packaging costs. However, direct buying has a major disadvantage in that it is very difficult for the retailer to be guaranteed continuity of supply.

All selling in the Sydney Fruit and Vegetable Markets is by private treaty.

<u>Fresh Fruit and Vegetable Consumption Trends</u>

Fresh fruit and vegetable consumption levels are not available for Sydney but those for Australia as a whole are given in Table 4 on p.24. This shows that per capita consumption levels for fresh fruit and vegetables have shown considerable variation from year to year.

<u>Grading and Packaging</u>

The N.S.W. Government exercises control under the <u>Fruit Cases Act</u>, over the types and sizes of packages for fruit. Additionally the <u>Dried Fruits Act, 1939</u> and the <u>Plant Diseases Act</u> require that fruit be packed according to size and quality. At present, there is no quality or size control in the packaging of vegetables.

<u>Developments</u>

Owing to congestion in and around the existing Sydney Fruit and vegetable Markets, traffic problems and other factors, new markets are being built 16 km from the present site. There are a number of advantages which the new site has to offer:

(1) The new site is located much closer to the centre of Sydney's population.

(2) It will be much easier to transport fresh fruit and vegetables to and from the new markets because of the lower traffic density in that area.

(3) A railway siding has been provided directly onto the market site which will permit an increase in the amount of produce consigned to Sydney by rail and also avoid the need for re-handling rail consignments.

(4) Since the new market site is self enclosed, policing of trading hours in the wholesale market will be considerably easier.

Facilities on the new site include: five buildings for grower-sellers, commercial sellers and banana ripener-sellers; a $3m banana ripening-cool store complex; an administration complex and a commercial development complex. The provision of these new facilities will not significantly change the overall system of fruit and vegetable marketing. However, the role of the Sydney Farm Produce Marketing Authority should be made easier and the overall system should allow for increased operational efficiency.

2.5 FISH MARKETING

During the 1940's fishermens' co-operatives were developed with official encouragement at major coastal centres in the State and in 1949, the Government authorised co-operatives to conduct their own markets in their own areas, subject to some supervision.

The New South Wales Fish Marketing Authority

In 1963 an amendment to the Fisheries and Oyster Farms Act provided for the establishment of the New South Wales Fish Authority[18] to be responsible for the conduct and management of the fish markets.

The Authority is empowered to establish and maintain markets for the sale of fish and to arrange for the sale of fish to other persons. It is also authorised to make advances (loans) for the benefit of the fishing industry and to devise schemes in connection with the marketing and distribution of fish and the development and improvement of marketing and distribution.

All fish intended for sale to the public in New South Wales must be sold through a Fishermen's Co-operative or the Fish Marketing Authority, with exemptions as approved by the Government on the recommendation of the Fish Marketing Authority.

The Fish Markets and Market Operations

The Sydney Fish Markets are located less than 2 km from Sydney's central business district. At these premises the Authority has its own refrigerated rooms for the holding of fish and prawns. Some cleaning and filleting of fish takes

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[18] Now known as the N.S.W. Fish Marketing Authority.

place at the Markets using facilities rented by the Authority, but this is now often carried out at the Co-operatives' port-side premises.

The Authority sells 90 per cent of fish by auction but is also authorized to sell fish:

(a) Forwarded to the Fish Marketing Authority for sale on a consignment basis, on behalf of fishermen or other persons, to nominated buyers at stipulated prices;

(b) By private treaty where such fish have previously been submitted for sale by public auction; and

(c) To persons or bodies, being buyers acceptable to the Authority, at agreed prices.

The rate of commission charged by the Fish Marketing Authority at auction sales at the Sydney Fish Markets varies according to the type of fish sold but averages between 6 and 7 per cent. Auctions are held five days a week and between 400 and 500 buyers operate on the auction floor.

Supplies of Fish

About 75 per cent of the fresh fish and prawns marketed in Sydney by the Authority is supplied by the 21 Fishermen's Co-operative Trading Societies operating along the coast of New South Wales, the remainder being supplied by individual N.S.W. fishermen and from Queensland and Victoria.

Retailing

Most of the fresh and cooked fish currently consumed in Sydney is retailed by speciality fish shops. Fish products have traditionally been a major fast food line through many of these shops.

It is expected that the sale of frozen fish products by supermarkets will increase.

Per Capita Consumption

Annual per capita consumption, available only on an Australia-wide basis, is 6.0 kg average for the 3 years ended 1972/73.[19]

In the opinion of the N.S.W. Fish Marketing Authority the Sydney per capita consumption is well above the Australian level and the Authority claims that the increased demand for fish and crustaceans in Sydney in recent years has been assisted by its promotional activities.[20]

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19 From data for individual years (ending June) in, Australian Bureau of Statistics, Apparent Consumption of Foodstuffs and Nutrients, 1972/73, A.B.S., Canberra. Reference No.10. 10, January 1975, p.6.

There is evidence of an increasing trend in fish consumption. The 3 year average ending 1967/68 was 5.6 kg.

20 Personal communication, officers of the N.S.W. Fish Marketing Authority.

Developments in the Fishing Industry

The major future development in the fishing industry is expected to be at the production level with a probable involvement of large companies in fishing, operating especially outside the continental shelf.

It is also expected that there will be a greater capital investment in fish processing plants and investment in trawlers and that there will be an increasing amount of fish processing done at the ports. Additionally, a more centralised system of fish packing is likely to be developed.

Non-returnable waterproof waxed corrugated cardboard cartons and plastic crates have replaced the wooden fish boxes used by fishermen when forwarding fish to markets.

2.6 MARKETING OF EGGS

The Egg Marketing Board for the State of New South Wales was established in 1928 under the provisions of the Marketing of Primary Products Act, 1927, to control the handling and marketing of all eggs and egg products in New South Wales.[21] The Board determines wholesale prices and recommended retail prices and arranges for equalised basic prices for all producers.

Methods of Marketing

All eggs produced in New South Wales are vested in the Egg Marketing Board. In 1973/74, 23 per cent of the total production of 83.32 million dozen (999.78 million)[22] eggs controlled by the Board was marketed under the producer agent system, that is, by producers especially authorised by the Board to candle,[23] grade, pack, and deliver their eggs direct to specified retail outlets.

All eggs not marketed under the producer agent system are delivered to one of the Board's 13 handling plants throughout the State. Some of these eggs are delivered already candled, graded, and packed under the producer packer system, that is, by producers especially authorised by the Board to carry out these operations themselves. The remainder are candled, graded, and packed at the Board's facilities and delivered direct to retail outlets by contract trucking.

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21 In addition to the State marketing board there is also the Australian Egg Board which co-ordinates and controls all exports of eggs and egg products from Australia as a whole. In 1965 the Federal Government established an equalisation scheme recommended by the Council of Egg Marketing Authorities of Australia, a non-statutory body comprising all members of the various State egg marketing boards and recognised by the Government as the principal producer organisation (see Bureau of Agricultural Economics, Rural Industry in Australia, Australian Government Publishing Service, Canberra, 1971, p.91).

22 Personal communication, Secretary, The Egg Marketing Board for the State of New South Wales, Sydney.

23 To "candle" eggs is to subject them to an external and internal quality inspection.

Stabilisation Scheme

The Egg Industry Stabilisation Act, 1971, designed to stabilise production, provides for the licensing of egg producers and the setting of maximum quotas of hens which each producer may keep.

Pricing

Cost of production is taken into consideration in the Egg Marketing Board's pricing policy to the extent that supply and demand conditions and export realisations will allow.

Supplies of Eggs

New South Wales requirements for eggs are amply provided for. Of the total egg production under the control of the Egg Marketing Board, about 80 per cent is sold on the domestic market, the remainder being available for the export trade.

Per Capita Consumption

Annual consumption, available only on an Australia-wide basis has been very constant for the 5 years ended June 1973, during which it has ranged between 218 and 220 eggs per person.[24]

Retailing

Supermarkets are increasing their share of the total retail egg market. They accounted for about 30 per cent of the retail market for Sydney in 1964 and this rose to approximately 45 per cent for 1974.[25]

Developments

The egg industry is in a state of change. Severe economic conditions of recent years in the industry have led to a decrease in farm numbers and an increase in average flock size. The recent introduction of hen quotas (August 1974) will temporarily accelerate the change in the structure of the industry. Net returns to producers are expected to increase under this stabilization scheme and should provide more incentive for adoption of new production techniques.

The introduction of bulk handling of eggs has proved successful and it is likely to become much more common.

2.7 MARKETING OF POULTRY MEATS

Poultry consumption per head in Australia is rising at a rapid rate. From 1964-65 to 1972-73 it increased from 5.2 kg to 13.3 kg at an almost constant rate of 1 kg per annum (see Table 5, p.30).

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[24] Australian Bureau of Statistics, Apparent Consumption of Foodstuffs and Nutrients 1972/73, A.B.S., Canberra. Reference No.10.10., January 1975, p.6.

[25] Personal communication from the Egg Marketing Board for the State of New South Wales, Sydney.

TABLE 5

POULTRY CONSUMPTION PER HEAD OF POPULATION AND AS PERCENTAGE OF TOTAL MEAT AND POULTRY CONSUMPTION - AUSTRALIA

	64-5	65-6	66-7	67-8	68-9	69-70	70-1	71-2	72-3
Poultry[1] kg/head	5.2	6.2	7.4	8.4	9.0	10.5	11.4	12.6	13.3
Meat[2] kg/head	102.1	98.2	95.4	98.7	102.4	97.3	105.1	106.8	96.1
Total[3] kg/head	107.3	104.4	102.8	107.1	111.4	107.8	116.5	119.4	109.4
Poultry as % of total	4.8	5.9	7.2	7.8	8.1	9.7	9.8	10.6	12.2

Notes:
1 Dressed weight
2 Total meat consumption, including offal, canned meat, bacon and ham, converted to carcase equivalent weight.
3 Total = combined consumption of poultry and meat.

Source: Derived from Apparent Consumption of Foodstuffs and Nutrients 1972-73 Australian Bureau of Statistics, Canberra. Reference No.10.10., January 1975, p.5.

During the same period a radical change was taking place in industry organisation, ownership, and control with the development of vertical integration.[26]

A few processors have expanded their activities to such an extent (including the take-over of other processors) that the two largest now supply about 75 per cent of the poultry requirements for the Sydney market, with one of these supplying nearly 50 per cent. The extent of the vertically integrated activities of one of these large companies is shown in figure 2, p.31.

Most chickens produced in N.S.W. are grown under contract between processor and grower, with the chickens at all times remaining the property of the processor. Typically contracts provide for growers to be paid either (1) a pre-arranged fee per unit of liveweight produced, or (2) the actual growing costs (covering specific items) incurred by the grower. Growers have expressed concern with their lack of bargaining power in the determination of these growing fees.

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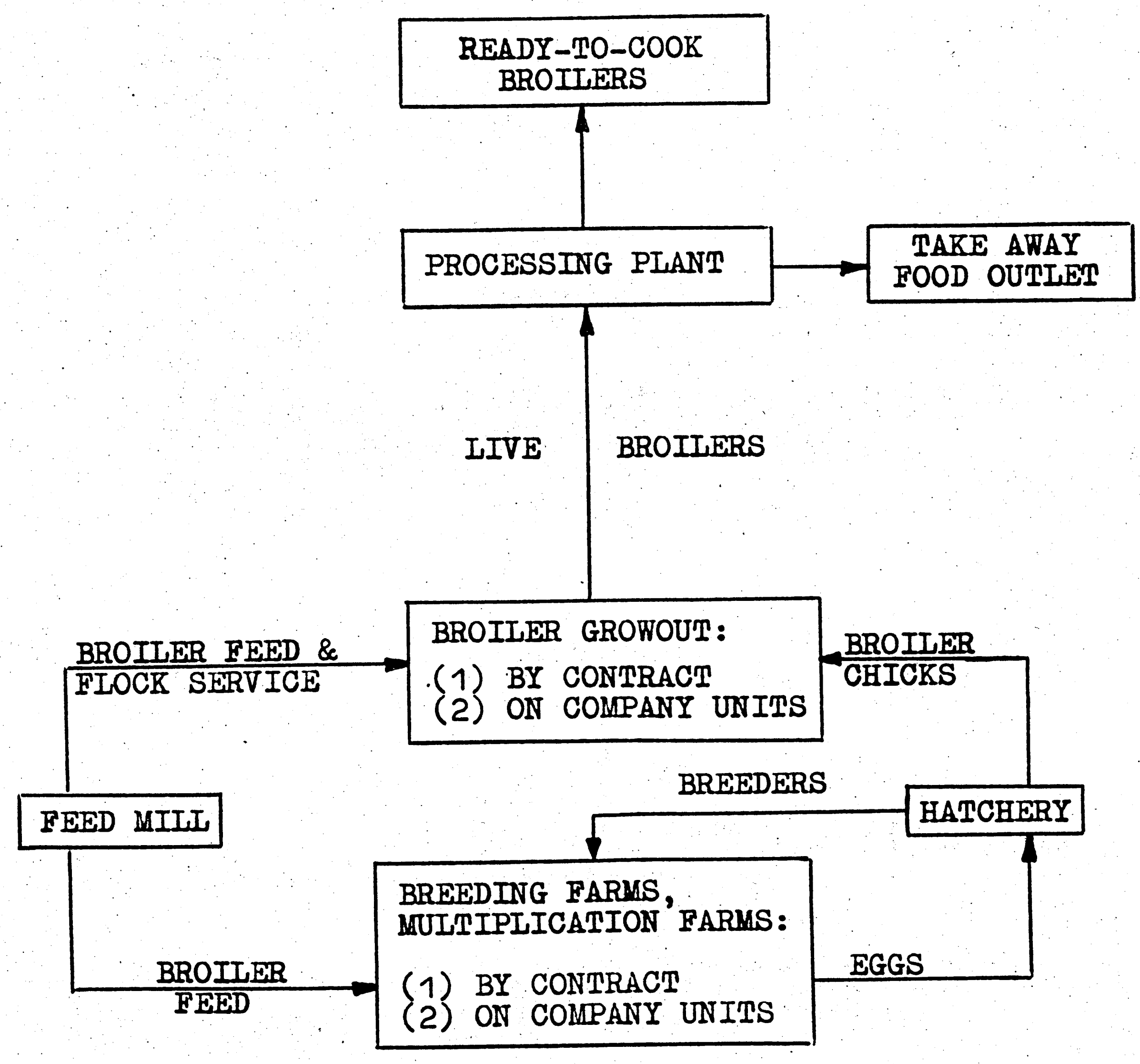
26 For details of the structure of the industry see Fairbrother, J.G., The structure of the poultry meat industry in Australia Food Technology in Australia 23:11, November, 1971, p.552.

FIGURE 2

THE EXTENT OF VERTICAL INTEGRATION IN ONE OF SYDNEY'S LARGE POULTRY COMPANIES



Note: Company ownership includes the following units - breeding farm, multiplication farm, hatchery, processing plant, feed mill, broiler growing farm, take away food outlet. The extent of vertical integration varies between the major companies.

Source: Fairbrother, J.G., The structure of the poultry meat industry in Australia. Food Technology in Australia, 23 : 11, November 1971, p.552.

At present, Sydney's poultry meat supply is primarily drawn from within 80 kilometres of the city, but urban expansion is continuing to cause relocation of production and processing units. The average size of growing units is becoming larger but there are still many smaller part-time producers.

Until recently frozen poultry meat accounted for about 90 per cent of total broiler retail sales. However, there is a swing occuring in consumer preferences towards fresh rather than frozen poultry meat and this is likely to affect marketing as the fresh product is less suited to bulk purchasing and retail "specialising" than the frozen product.

At present supermarket chains sell about 75 per cent of non-cooked poultry meat retailed in Sydney. The rapidly developing fast-food trade accounts for about 25 per cent of all retail sales of poultry (both non-cooked and cooked).

2.8 MARKETING OF RICE

Rice is a relatively unimportant foodstuff in Australia, annual consumption per person being only 3.2 kg in 1972-73. [27]

The New South Wales rice industry, which supplies about 80 per cent of Sydney's requirements, provides an interesting example of grower involvement in processing and marketing. Rice production in New South Wales is concentrated in irrigated areas adjacent to the Murrumbidgee River about 650 km south west of Sydney.

The Rice Marketing Board for the State of New South Wales, established under the Marketing of Primary Products Act 1927, receives all the crop, stores it and acts on the grower's behalf in the disposal of the "paddy" product to Ricegrowers Co-operative Mills Ltd a grower co-operative milling organisation which operates a number of mills throughout the producing area. The Co-operative is the only rice miller operating in N.S.W. and is responsible for both milling and marketing the rice products. Under terms of an agreement, when the paddy rice is purchased by the Co-operative, the Rice Marketing Board retains the right to oversee prices for which the milled product is sold. In return the Board, in effect, agrees to supply the Co-operative with unmilled paddy.

About 12 per cent of Sydney rice requirement is produced in other states and about 5 per cent is imported.

A major recent development in the rice industry has been the increase in production of long grain varieties, which at present account for about 27 per cent of total Sydney market sales.

Traditional wholesaling functions are tending more and more to be undertaken by processor and retailer with an increase in the direct delivery of rice from mill to retailer's warehouse.

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[27] This figure is the consumption of milled rice (excluding rice used in breakfast foods). It is the provisional figure for 1972-73 given in Australian Bureau of Statistics Apparent Consumption of Foodstuffs and Nutrients 1972-73 A.B.S. Canberra. Reference No. 10.10., January 1975, p.5.

2.9 MARKETING OF BREAD

The number of bread bakeries in Sydney has decreased during the past 30 years from 400 in 1940 to about 25 in 1974. The four largest bakeries supply 90 per cent of Sydney's bread requirements and are integrated with flour mills.

The major change in bread marketing and distribution over the past 10 years has been the swing from retailing to wholesaling on the part of the bakeries. There has been a substantial decline in the home delivery of bread which comprised 60 per cent of bread sales in 1960 and only 25 per cent in 1974. Home deliveries are presently carried out by contract vehicle vendors or by the bakeries themselves. Since bread is a fresh daily product the bakeries deliver it direct to the stores, by-passing the central warehouses of the chain stores. Additionally, the considerable control over the bread manufacturing industry appears to have made vertical integration, by retail chain operators, into this field unattractive.

Bread Consumption

Bread consumption per person in New South Wales declined 13 per cent from 72.6 kg in 1960 to 63.1 kg in 1972.[28]

Over the past 5 years the quantity of bread purchased by the catering sector (for sandwich making etc.) has increased considerably which suggests that bread consumption "in the home" has declined at an even faster rate.

Government Involvement in the Bread Industry

The N.S.W. Bread Act, 1969, provides for the regulation of bakery working hours and the times of bread delivery and makes provision to ensure the home delivery of bread when required. The Act also provides for the regulation of bread quality and loaf weights.

Regulations under the Bread Act require that any person engaged in the business of making and baking bread shall be the holder of a bread manufacturer's license. Bakehouse premises must, however, first be registered as a factory in terms of the Factories, Shops and Industries Act, 1962, and must comply with the Bakehouse Regulations and Bakehouses (Welfare) Regulations of that Act. The Bread Act is administered by the N.S.W. Department of Labour and Industry.

Pricing

Bread is currently the only food product in N.S.W. which is subject to prices control under the Prices Regulation Act, 1948. To obtain retail price increases the Bread Manufacturers Association makes submission to the N.S.W. Prices Commissioner on the basis of increased industry costs.

Developments

Recent technological innovations in Sydney bread manufacture have been:

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[28] Personal communication from the Bread Research Institute of Australia, North Ryde, Sydney.

(1) The increasing importance of sliced, wrapped bread, (sliced bread increased from 20 per cent of production in 1945 to 90 per cent in 1974).

(2) The development of a high protein milk enriched bread.

(3) The rapid adoption of mechanical bread production.

The bread industry in New South Wales is currently the subject of a comprehensive Government enquiry examining pricing, production and distribution, and the effectiveness of existing legislation with regard to these matters.

Specifically this enquiry is examining:

(1) The present system of making, baking, delivering, and selling bread in New South Wales.

(2) The need for and the effect of the controls imposed upon the times of making, baking and delivery of bread by virtue of the relevant provisions of the Bread Act, 1969, and the Industrial Arbitration Act, 1940, as amended.

(3) The need for and the effect of the controls imposed upon the maximum prices at which bread may be sold by virtue of the relevant provisions of the Prices Regulation Act, 1948, as amended.

(4) Sales promotional methods employed, such as hot-bread shops, discriminatory discounts to resellers, and return of unsold bread.

(5) The special problems of bread manufacture in country areas and the effects of price zone differentials and incursions by bread manufacturers from outside areas, including from interstate.

(6) The present system of licensing of bread manufacturers and operatives in the industry.

2.10 MARKETING OF GROCERIES

The larger grocery stores in Australia have diversified their activities to include all of the foodstuffs already dealt with in this section (Section 2 - Marketing of Individual Foodstuffs) as well as the traditional, mainly non-perishable, grocery lines. So it seems appropriate to discuss here the structure and organisation of wholesaling and retailing in the grocery sector.

There have been dramatic changes in the grocery industry in Australia in the past twenty years as a result of changing consumer demand patterns, technological innovations, and changes in industry organisation, ownership, and control.

Traditionally the Australian grocery retailing unit was small in size, independently operated, and dependent on specialist wholesale suppliers. Although some group buying activities were operating earlier, the major development of co-operative buying units took place during the 1950's.

During the 1960's, the supermarket concept was established in Sydney with the diversification of the larger variety chain stores and department stores into food retailing and the expansion of the food retailing chains.

Associated with the expansion of the food retailing chains was the development of central warehousing facilities, and the integration by retailers and manufacturers into traditional wholesaling functions with a consequent decline in specialist grocery wholesalers.

Growth in the grocery manufacturing sector has been by expansion, acquisition, and diversification. There has been a decrease in the number of companies operating in this sector and a marked increase in ownership and control by multinational companies.

Statistics on Grocery Retailing

The lack of regular and up-to-date official statistics of wholesaling and retailing activity in Sydney was a handicap to this study. [29]

A survey conducted by a private market research organisation provides some information on grocery retailing in Sydney for 1972.[30] This survey of 2199 grocery stores showed that 10.5 per cent of stores had an annual turnover exceeding $0.5 million and accounted for 57 per cent of grocery sales. Seventy per cent of stores had an annual turnover of less than $100,000 and these accounted for 16 per cent of grocery sales.

The same survey looked at ownership in relationship to turnover. It showed that 29.1 per cent of grocery stores were classified as supermarket chain stores (that is, they were in a group of four or more stores operating under common ownership) and these accounted for 80 per cent of grocery sales. Thirty-eight per cent of grocery stores were independent operators and these accounted for 7.7 per cent of turnover.

It has been estimated that the four largest grocery retailing groups in New South Wales account for 65 per cent of grocery sales in this State. [31]

Developments in Grocery Retailing

Greater use is being made by supermarket chains of private labelling which they see as: a means of establishing

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[29] The Australian Bureau of Statistics conducts economic censuses on an irregular basis. The last, which included censuses of wholesale and retail trade, were for the year ended 30 June, 1969. The results are reported in Year Book of Australia No.59, 1973, Australian Bureau of Statistics, Canberra, p.1030, and in greater detail in other A.B.S. publications such as Economic Censuses, 1968-69: Retail Establishments and Selected Service Establishments - Final Bulletins.

[30] This survey was conducted by A.C. Nielsen Pty. Ltd., Sydney, the results of which are available in a report entitled Sample Census of Grocery Outlets, 30th June, 1972, A.C. Nielsen Pty. Ltd., Sydney. Many of the privately conducted surveys are carried out on behalf of clients and the results are not always readily available publicly. The survey did not include stores with an annual turnover less than $16,000, estimated to account for 5 per cent of total grocery sales. Grocery sales excluded milk and dairy produce, fresh fruit and vegetables, fish and meat, bread, soft drinks, alcoholic beverages, cigarettes and tobacco.

[31] Information from a report prepared for clients by Market Services Pty. Ltd., Melbourne.

brand loyalty; an alternative to seeking trade discounts from manufacturers; and an extension of pre-retailing activity aimed at consolidating the chains' ability to compete on a price basis.

Supermarkets are continuing to diversify their retailing activities to include non-food items, such as pharmaceuticals, pet foods and alcoholic beverages.

Competition is encouraging the continuing adoption and upgrading of technical improvements. For example, physical distribution methods are being given some attention by both central warehouse operators and retailers. Also the automation of supermarket checkouts is being considered.

3 MAJOR DEVELOPMENTS AND PROBLEMS IN SYDNEY FOOD MARKETING

3.1 Major Developments

Changes in the structure and organisation of the food retailing sector have been the most obvious development in Sydney food marketing during the last decade. This has been most apparent in the rapid growth of the supermarket and the associated decline in the number of the small independent grocery stores and speciality food retailers.

Parallel with the expansion of the supermarket chains has been the development of central warehousing facilities. The integration by retailers and processors into traditional wholesaling functions has resulted in a decline in specialist grocery wholesalers.

Another development has been that of increasing concentration (the reduction in the number of firms operating) in the retailing and processing sectors of the food industry.

Vertical integration has increased, to varying degrees. Rice and dairy produce are sectors where vertical integration by producers in the fields of commodity processing and marketing has developed. Vertical integration within the bread industry has occurred more recently, with close ties between flour milling and bread manufacturing firms. In the field of animal production, vertical integration is well established in the poultry industry. Integration into pig and lot fed beef production by processors has commenced on a small scale, with the expansion being very sensitive to domestic and export prices, particularly in the case of lot fed beef.

Changes in the pattern of demand have also had an impact on developments in Sydney food marketing. The types of foodstuffs and services demanded by consumers have been affected by changes in social structures, attitudes and life styles, and the general level of affluence. A notable example of this has been the increased demand for foodstuffs prepared "out of the home". The increased availability of "fast food" lines and the development of retailing outlets for these products is one of the major current trends in Sydney food consumption.

3.2 Economic Efficiency of Resource Use

Many of the recent developments in production and marketing of Sydney's food supplies stem from competitive economic pressures generated by the adoption of technological and organisational innovations. By improving the efficiency of resource use, these innovations impart competitive advantages which compel their widespread adoption, and the process is self-generating.[32]

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[32] Efficiency in Australian rural production and the self-generating nature of technological innovations is discussed in Harris, S., and others. Rural Policy in Australia. Report to the Prime Minister by a Working Group, May 1974. Australian Government Publishing Service, Canberra, 1974 Chapter V.

The effect of pressures for economic efficiency of resource use has been most notable in efforts to increase the productivity of labour. Mechanisation has been applied to all sectors - production, processing, wholesaling, and retailing. The development of the self-service basis of selling in stores is an example of the successful adoption of a labour-saving device by retailers - in this case the transfer of labour input to the customer. More recent efforts to increase labour efficiency include the computerisation of warehouse inventory control and the consideration being given to automation of the supermarket check-out.

3.3 The Ownership and Control of Capital

Control over capital investment and the efficiency of financial management has had an important impact on the restructuring of companies involved in Sydney's food marketing and distribution. Increased concentration has occurred in food processing, wholesaling, and retailing by means of company merger and take-over.

The scope for future restructuring is now mainly in the areas of vertical integration and product diversification. Already, the larger companies are placing more emphasis on diversifying their interests in the many areas of food processing, rather than continuing the former pattern of increasing market shares through company merger and take-over. In some areas including meat, and some fruit and vegetables, it is anticipated that further backward integration into production will occur - by outright ownership of productive resources and by provision of grower contracts.

3.4 Location

Rising land and building costs in the inner city area and changes in the distribution of Sydney's population have resulted in some rationalization in the location of food processing, marketing and distribution activities.[33]

Expansion in Sydney's population has moved the population "centre" of the city further inland from the coast. Traditionally, many of the food processing, warehousing, and distribution activities were undertaken in the inner city area, but the relocation of these activities to the newer urban areas is now being effected. The relocation of the Sydney Fruit and Vegetable Markets, from their present site in the central business area to a site 16 km away, scheduled to take place this year, is an example of this trend.

There has also been relocation of some food processing and warehousing facilities to rural centres some distance from Sydney. This has been encouraged, to some extent, by government financial assistance to "decentralization".

Another result of population growth and urban expansion at the western rural-urban inter-face of Sydney is that there has been a substantial decline in the supply of

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33 Location decisions made by entrepreneurs are subject to the approval of local government authorities who accept responsibility for ensuring that there will be adequate facilities for the proposed development, and that certain standards of safety and sanitation will be met. The City is also zoned for various categories of development for town planning purposes, which takes into account requirements for commercial, industrial, and housing development, and also possible effects on the quality of the environment.

fruit and vegetables from the limited rural areas adjacent to the City. The bulk of fruit and vegetable supplies are now produced 300 km and more from Sydney.

3.5 Transport

Inadequacies in Sydney's road and rail facilities are becoming increasingly evident. The rail system is in need of upgrading and modernisation, with the result that greater demands are being made on road transportation.

The road system which was not designed for the present volume of traffic is being over-taxed, with heavy traffic congestion particularly on the major road routes through the city.

These problems have accentuated the increases in physical distribution costs in freighting agricultural commodities from producing areas to the city, as well as costs of transporting foodstuffs from warehouse to retail store. This has let to some modifications in the location of processing activities. Some claims are made that increasing road and rail freight costs for livestock have contributed to the trend towards slaughtering of livestock at country abattoirs, with subsequent movement of carcases to the city wholesale markets and retail meat outlets.

The New South Wales Government is currently giving attention to plans for upgrading the State's transportation system. A start has already been made on the construction of freeways on the major Sydney-Melbourne and Sydney-Brisbane road routes to replace the existing two lane highways. However, the completion of these will take some years and will require further massive expenditure.

3.6 Product Packaging, Preservation, and Grading

A number of problems currently affecting Sydney's food marketing systems are related to difficulties associated with product packaging.

Preservation of perishable products is a problem common to manufacturers, wholesalers, retailers, and consumers alike. Although technological advances have improved the available preservation techniques, the main solution to the problem appears to depend upon a rapid turnover rate of perishable products at each stage of the food marketing system.

Frozen foods have gained increasing consumer acceptance, but there is still a need for stringent health supervision to ensure that the product remains frozen from the time of manufacture until it reaches the consumer.

The introduction of grading systems for some fresh food products and pre-packaged fruit and vegetables and meat would provide additional purchasing information to consumers. The activities of the supermarkets in particular would be enhanced by the availability of pre-packing with an appropriate grading system.

A major current problem in the food industry is the increased costs of packaging materials. Disposal of packaging materials also presents a serious pollution problem in Sydney. Attempts to recycle cans, paper, bottles, and plastics have, to date, only been partially successful.

3.7 Statistical Records and Research

The availability of accurate, up-to-date official statistical data in the area of food retailing and wholesaling is limited. The Australian Bureau of Statistics collects and conducts economic censuses on an irregular basis. This includes statistical information relating to types and numbers of wholesale and retail establishments and annual turnover figures for various categories of food items. This information, if collected on a more regular and up-to-date basis would be very useful for research and planning purposes. Private market research organisations produce a considerable amount of data on business activities, but these usually arise from surveys conducted on behalf of clients and the results are not always readily available publicly.

There is a lack of published results of economic research into the changing structure and performance of the various sectors of the food industry. In the preparation of this report for instance, it has proved difficult to obtain quantitative evidence for many of the apparent trends and developments in food marketing.

3.8 Planning for Future Development

Although the city location and construction of individual commercial establishments concerned with food marketing is subject to approval by local government authorities, there is no overall planning for the provision and siting of such establishments in terms of their adequacy to meet the projected needs of future city population. Development of these facilities, with some exceptions, such as the Sydney Fruit and Vegetable Markets and the State's abattoir facilities, are left to the automatic selection process of competitive free enterprise.

There is considerable scope for one or more of the New South Wales government authorities to devote research facilities to forward planning for optimal provision of food marketing facilities for Sydney's expected future population, in order to provide more reliable information for private entrepreneurs in their decision making.

3.9 Producer and Consumer Protection

Accusations are made from time to time that wholesalers form buying cartels in order to keep prices to producers lower than they might otherwise be, and that producers may receive, at times, an inequitable 'share' of the retail price paid by the consumer.

Although there is no special reason to believe that collusive buying practices generally operate, there are sufficient suggestions of low prices being paid to producers[34]

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[34] For example, N.S.W. fishermen are currently concerned about the low price being paid to them for their fish, relative to the retail selling price. Buyers at the Sydney Fish Markets have been accused of collusion to depress prices paid to fishermen (from a report on page 1 of the February 7, 1975, issue of the national newspaper The Australian). It was reported that the price being offered to fishermen was only \$0.10/kg compared with the retail selling price of \$1.30/kg.

(footnote cont'd on next page)

to at least warrant the availability of machinery to investigate possible malpractices and to suggest to producers ways in which they can effect improvements in the marketing of their products.[35]

Another price-setting situation which can cause concern to producers is where contractual arrangements for production are made between large processing companies and individual small producers. The producers in this situation may feel that they have little bargaining power in influencing the prices offered to them by the processors.

Broiler growers in New South Wales considered that they were in a position of disadvantage until a recent agreement was reached whereby broiler growing fees are to be negotiated between the New South Wales Broiler Growers Association (representing the broiler growers) and the Australian Poultry Industries Association (representing the processors). The two parties also agree to accept the decision of an independent arbiter in the negotiations.

Some reference has already been made to government legislation which is designed to protect the interests of consumers. The degree of concentration of companies in food processing, wholesaling, and retailing, would seem to make it advisable for continuing vigilance by consumer organisations and Government to ensure that consumer interests continue to be recognised. These interests include pricing, food quality, accurate labelling and statements of ingredients, and protection against misleading advertising.

The new Trade Practices legislation discussed earlier will play an important part in ensuring the protection of the interests of consumers.

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34 (Cont'd)
Official price data for the period concerned indicates that the newspaper-reported prices exaggerated the position to some extent in that the quoted price paid to fishermen was a minimum price paid for uncleaned fish, whereas the retail price was for filleted fish. Also the official record of the minimum price paid to fishermen was $0.16/kg (with range of $0.16 - $0.23/kg). The low price also reflected the large supply of fish on the market.

35 The forms of machinery available in New South Wales for enquiries into industries include: committees comprising Parliamentarians especially appointed by the New South Wales Parliament; public enquiries conducted by persons appointed by the New South Wales Government; and special enquiries which might be conducted by government departments at the request of the Government.

The meat industry in New South Wales, for example, was the subject of an enquiry in 1972 by a Select Parliamentary Committee of the New South Wales Legislative Assembly.

APPENDIX

N.S.W. DEPARTMENT OF AGRICULTURE

MARKET INTELLIGENCE SERVICE *

The Division of Marketing and Economics of the N.S.W. Department of Agriculture reports on trading operations at Sydney markets as required under the Marketing of Primary Products Act, 1927.

Markets officers record wholesale prices at the following markets: The City Markets for fruit, vegetables and cut flowers; Alexandria Railway Goods Yard for grain, forage, and hard vegetables; Perry Park for hard vegetables; and Homebush Saleyards for sheep, cattle, pigs, and calves.

In addition wholesale prices of fish, poultry, meat, eggs, honey, bran, pollard, wheat, dairy produce, stockfeeds, and grain are secured from various sources.

Retail prices for meat, fish, fruit and vegetables are collected from over 50 shops, supermarkets, barrows, and stores throughout the city.

The data collected covers the prices for the various kinds of grades and quality of produce, and information on quantities sold.

Radio and TV reports

ABC Radio provides the primary medium for the dissemination of these market reports. The first broadcast is around noon each weekday in "Country Hour", and is later repeated on all country regional stations.

In addition the markets officers prepare tape recorded comments for broadcast by the ABC in "Country Hour" and also the TV programme "Landline".

Commercial television and broadcasting stations also utilise the market reports.

The Division informs news media in country centres by telegram and teleprinter.

Publication

The information prepared for broadcasting, together with more detailed prices data, is published in Daily Wholesale Price Quotations, a small booklet available from about

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* This Appendix is condensed from an article by Mr. P.B. Booker, Supervisory Markets Officer of the Division of Marketing and Economics, to be published in the August 1975 issue of the Agricultural Gazette of N.S.W. Permission to use this material is gratefully acknowledged.

1 p.m. each day. This is issued to newspapers, farmer organisations, government departments and institutions, and to a number of other organisations and individuals.

The Division also prepares Weekly Marketing Notes which summarises trading operations at the various markets including trends, prices, and items of special interest.

Production and Marketing Reports are prepared annually. These give wholesale and retail prices, and production summaries for recent years and include other items of interest.

The Division also publishes Monthly Average Prices, Stock Feed Prices, and Cool Storage Records.