



# Digitising the Fresh Fruit and Vegetable Supply Chain

*Submission by Alfred E Chave to the Review of the Food and Grocery Code of Conduct*



## Digitising the Fruit and Vegetable Supply Chain

The Hon Dr Emerson

I am pleased to make a submission to the Review of the Food and Grocery Code of Conduct on behalf of Alfred E Chave Pty Ltd, a fresh fruit and vegetable wholesaler operating from the Brisbane Markets Limited at Rocklea.

For over 100 years we have been a national leader in the fresh fruit and vegetable wholesaling business and are still going strong. Alfred E Chave Pty Ltd is a family-owned and operated business specialising in marketing and distributing high-quality Australian fresh produce.

The business has been owned and operated by the Joseph family since 1975, now with third and fourth-generation family members continuing a proud family tradition. The guiding philosophy at Alfred E Chave has always been respect, responsibility, and trust.

We have a shared view of success and many long-standing relationships with growers, customers, and associated supply partners. It provides all our partners the confidence to continue to improve and grow their businesses.

**Anthony Joseph**  
**Managing Director**  
**Alfred E Chave**

# Executive Summary



The Review of the Food and Grocery Code (the Code) is timely given the mounting cost-of-living pressures on consumers.

The Review is also an opportunity to strengthen the Code to better regulate the conduct of participants in the fresh fruit and vegetable supply chain.

The opportunity to regulate trade between growers, wholesalers and retailers in a way that provides some transparency and clarity in commercial transactions in the supply chain will benefit the sector and consumers significantly.

Alfred E Chave believes this review provides an opportunity to improve transparency, empower growers with information ensuring they are not at a disadvantage, and to maximise competition for their products.

The relationships between participants in the supply chain will also improve the productivity and efficiency of the market and deliver economic and social benefits to participants.

Alfred E Chave believes we have the solution needed to deliver greater transparency and accountability in the supply chain. The lack of transparency and the reluctance to fully embrace digital technology prevents the effective management of supply and demand in the fresh produce industry.



This limits industry's ability to operate economically and realise both above-and-below-the-line costs that will deliver improved returns for growers while controlling cost increases through efficiency for the consumer. Our business, by contrast, has seen the benefits of moving our operations to an online trading platform, with over 30% reduction in our operational overhead costs, which has kept our business relevant and allowed us to deliver better returns to our growers.

The online trading platform, *Phoenicia*, was developed in 2017, and we have been operating it very successfully since.

Alfred E Chave has achieved:

- A 106% increase in sales in 2018 from \$25.5M to \$52.6M in 2023;
- A 33% decrease in overheads in 2018 of 17.56% down to 11.69% in 2023;
- An increase in profit as a percentage of turnover in 2018 of 1.02% to 3.39% in 2023.

An example of the tangible costs savings for the business include \$171,808 savings for operational staff, \$26,520 savings in warehouse management, \$150,000 savings by reducing waste, and \$32,000 savings in administration costs of performing repetitive data entry and stock control tasks under the old supply chain model. These efficiencies mean we are able to provide better returns for growers while still maintaining downward cost pressure for consumers.

The disconnect between the supplier and the level of market demand is overcome when suppliers are able to see in real-time the sales process as it occurs. This is in contrast with the archaic model still used by the majority of businesses in the supply chain, that has remained largely unchanged for more than 60 years.



We acknowledge that much of the focus of the Food and Grocery Code review is to ensure better practices in the sector that may arise from an imbalance in bargaining power between supermarkets and their suppliers. We also acknowledge the Code is there to promote transparency and certainty in commercial transactions in the supply chain. However, many of the constraints built into the current supply chain; ie, a lack of trust, an opaque and non-transparent sales process, undermine the Code, and leaves participants in the dark to work in a system that removes any chance for transparency for the supplier, the wholesaler and the retailer.

**This submission aims to improve the fresh produce supply chain for the benefit of all involved. Alfred E Chave believes that more clarity and honesty in the supply chain will deliver the economic benefits that will result in a fair price for growers, buyers and retailers. The digital transformation of the fresh produce supply chain will support the long-term, sustainable production of fruit and vegetables in Australia.**

The current obscure and often adversarial approach between participants perpetuates the cycle of distrust in the commercial transaction process. Most growers (suppliers) do not know the price achieved for their produce and how much it was on-sold for until well after the sale occurs, and still there is no genuine transparency of this amount.

Our platform, by contrast, is available to the grower (supplier), the wholesaler and the buyer where all three parties can see the sales process in real time. This provides an open and transparent buying and selling process where the grower can see, in real time, what price they are getting for their product. Additionally, the buyer can see how the wholesaler has set their price based on what they have paid to the grower.

We believe this approach is consistent with the purpose of the Food and Grocery Code of Conduct;

- to build and sustain trust and cooperation throughout the chain;
- to ensure transparency and certainty in commercial transactions; and
- to minimise disputes arising from a lack of certainty in respect of commercial terms agreed between parties.

We urge the Government to strive for greater transparency and accountability in the industry, by:

- **amending the Food and Grocery Code of Conduct from a voluntary prescribed code to a mandatory code under the Competition and Consumer Act 2010;**
- **commissioning a pilot program to improve market transparency across the fresh fruit and vegetable supply chain for a digital web-based trading platform that provides access to trusted, verifiable real-time data to all participants in the supply chain;**

- **providing every opportunity for consumers struggling with costs of living pressures to buy fresh fruit and vegetable at a fair price, by creating a real-time price to assist farmers to better understand market prices across primary industries.**

This is an opportunity for the government to work with the sector to shine a light on the fruit and vegetable supply chain and bring in some much-needed openness to a system that has remained largely unchanged for more than 60 years.

## Background

Brisbane's first Central Market began in 1868 in a Brisbane Municipal Council-built shed on the riverfront at Market, Charlotte and Eagle Streets. After years of poor patronage, it closed in 1881. Four years later the Council opened the purpose-built Municipal Market in Roma Street, tucked beside the rail line and handy to the wharf area in the heart of the city. However, by 1906, a group of unhappy Roma Street traders had created a rival market in Turbot Street, known as the Brisbane Fruit and Produce Exchange Ltd.

Over the years, the two markets operated in competition, and their proximity created a city market precinct. As the city grew, so did its congestion. This led to the State Government moving the Central Market to Rocklea in 1964, where the Brisbane Markets are located today.

Then, in 2002, prompted by industry, the Queensland Government agreed to sell the Brisbane Markets by an open tender process to Landacq Limited. At the time, Landacq was chaired by my father Mr Tony Joseph AM, who then went on to chair Brisbane Markets Limited successfully to his retirement in 2021. Today, the site has grown to 77 hectares with over 40 buildings and 150 businesses working on site. Each year, over 700 million kilograms of fresh produce valued at over \$1.2 billion pass through the gates.

Our commitment to the industry as a business and a family over the last 49 years is at the core of our values. This was recognised in the 2021 Australia Day Honors List when my father, Mr Tony Joseph AM, was awarded an AM in the General Division of the Order of Australia for significant service to the fruit and vegetable industry. Brisbane Markets site has expanded over the years, but many of the activities of the old and unviable conventional produce wholesale business model among supply chain actors remain unchanged.

The next logical step is to support the digital transformation of one of our most critical supply chains to ensure the long-term sustainability of our fresh food in Australia by introducing a digital trading platform that can be accessed by all stakeholders in the supply chain.



# The Supply Chain

The current fresh produce supply chain is characterised by opaqueness, inefficiency in information flow, and a lack of real-time data access for participants, especially growers. This results in a system that, while efficient in the physical handling and distribution of perishable commodities, suffers significantly in terms of transparency and technological integration.

All supply chain participants from farmers to consumers, are part of a vast, decentralised network reliant on each other, but the absence of immediate data-sharing means that growers often remain uninformed about the actual sale prices of their produce until 7-14 days after sale.

This delay is not conducive to building trust and cooperation between participants. The delay also undermines the potential for informed decision-making and operational efficiency, highlighting a critical failing in a system that otherwise demonstrates remarkable precision in the production and distribution of fresh fruits and vegetables.

The challenge lies in bridging this gap with appropriate technology solutions to enable a digital transformation of the fresh produce supply chain, whilst also supporting the supply chain's unique, fast-moving, and decentralised nature.

## A Digital Online Solution

The previous Federal Government funded industry associations to provide an online web-based marketplace that would enable a more a transparent supply chain function, but this appears to have fallen by the wayside. However, the technology and transparency the previous government was seeking has already been developed.

In 2017, deeply understanding the shortcomings of our dated business model, we made the bold decision to design and develop a digital trading platform, *Phoenicia*, with a view to the future and to harness the power of technology to transform our business models in ways that once seemed impossible.

***“I can say with confidence that our decision to innovate and develop pioneering technology has significantly revolutionised our business. For AEC, this has occurred at a pivotal moment as industry counterparts seek viable strategies for sustainable growth and transformation.”***

*Tony Joseph, Chairman*

Moving the operations of our fresh produce supply chain to a completely digital platform accessible online by all our suppliers and buyers, has enabled real-time data access, streamlined operations and reduced labour-intensive duplication.



**The Phoenicia platform has facilitated the identification of latent waste, allowing for more informed decision-making and operational adjustments that have resulted in cost savings of greater than 30 percent in our business.**

By providing participants with immediate insights into market demand, pricing, and supply chain dynamics, businesses can optimise production and distribution, leading to lowered operational costs and enhanced overall efficiency. This shift to a digital platform returns value to all involved and fosters a more sustainable, trusting and responsive supply chain ecosystem.

**Phoenicia is hosted on Microsoft Azure and ready to scale. Alfred E Chave can make this platform available for immediate use to the industry nationwide.**

In addition to greater economic returns, the benefits of the digital sales platform for suppliers means they receive the sales information immediately in real-time. This transformation has been particularly impactful for businesses engaged in growing and distributing fresh produce.

**The case studies of two suppliers, involved in stone fruit and bean and corn production, highlight the profound effects of digital adoption.**

They experienced improved communication, elimination of pricing ambiguities, and enhanced market intelligence. Real-time data access allowed these suppliers to make informed decisions rapidly, optimise logistics, and anticipate market trends, thereby achieving better returns and operational efficiencies.

This shift towards digital transparency and immediacy underscores the value of our investment in streamlining supply chain operations and enhancing connectivity.



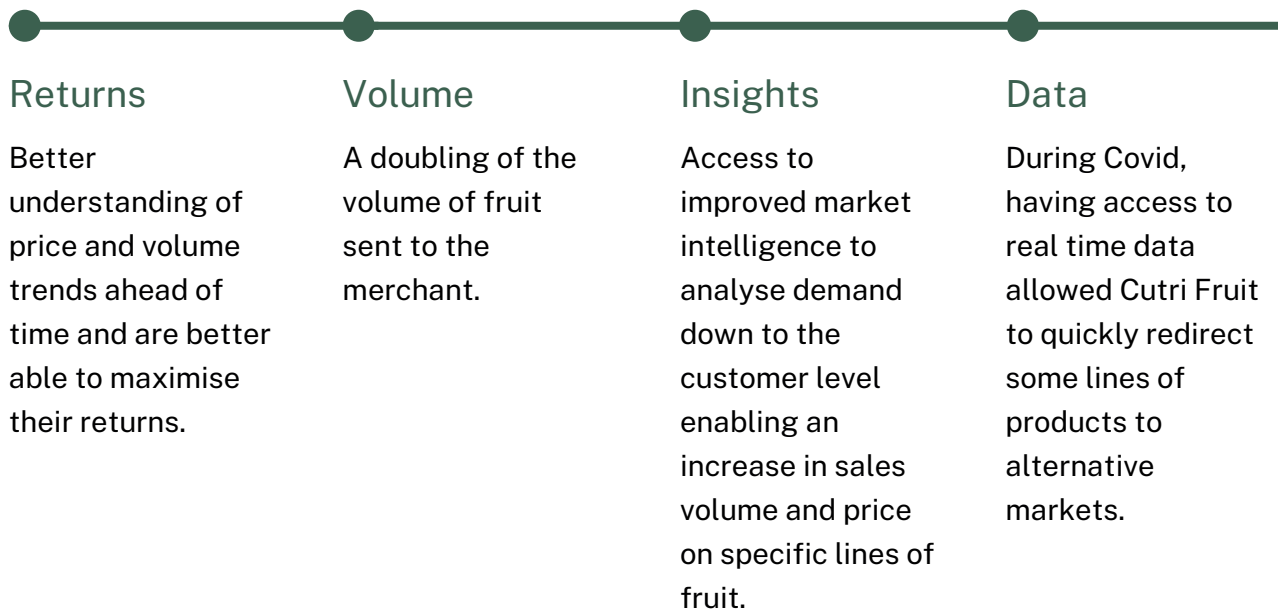
## Case Study 1 - Cutri Fruit

Cutri Fruit is one of the largest stone fruit growers in Australia and commenced working on our digital platform in 2018. Before the move to the digital platform, Cutri Fruit were indicative of how the majority of the supply chain operates and continues to do so. They would receive sales information on a daily basis followed by the actual sales results 7-14 days later. Cutri Fruit would then have to correlate actual sales results with notes taken on a phone call, up to two weeks earlier.

A feature of this opaque supply chain is that merchants (in this case the wholesaler) offers a broad price range for their produce (for example by saying the price is between \$20 and \$24). For a grower, that's a significant difference. They would then call around other merchants to see if they can get a higher price, again recording the offer on paper, before deciding on who to sell to. Their entire decision-making process is driven by speculative market information from multiple sources at any given time.

The move to a digital sales platform has resulted in price certainty in real time, built trust in their relationship with the merchant and has provided the confidence to optimise and streamline daily freight and logistics arrangements for their fresh produce.

Benefits to Cutri Fruit include:



## Case Study 2 - Rosengal Queensland

*“The benefits of having access to my sales information have been profound for our business. I can see what stock is sold before it gets to market and for how much. Conversely, I can monitor the velocity of sales and if sales slow, and there is considerable stock on hand, I have the ability to alter my harvest allowing me to react and control what I might harvest in the coming days. My ability to make informed decisions in real-time essentially gives me greater control over my returns.”*

---

## Improved Transparency

Improved transparency in the supply chain will help close the knowledge gap between growers, wholesalers, retailers and the consumer. However, it is important to acknowledge that the fresh fruit and vegetable supply chain is regulated by the Horticulture Code of Conduct, a mandatory Code subject to the regulations in the Competition and Consumer Act 2010.

The purpose of the Code is to regulate trade in horticulture produce between growers and traders to ensure transparency and clarity of transactions and to deal with each other lawfully and in good faith.

The Australian Competition and Consumer Commission (ACCC) regulates the Horticulture Code and where there are disputes and instances where a trader has not complied with the Code, penalties can be imposed.

For example, in 2023 fresh fruit and vegetable supplier GetFresh Merchants Pty Ltd (GetFresh) paid penalties totalling \$43,150 after the ACCC issued it with three infringement notices for alleged contraventions of the Horticulture Code of Conduct. The ACCC alleges that GetFresh failed to have horticulture produce agreements in place while trading with growers, and failed to publish its terms of trade, as required by the Horticulture Code.

GetFresh was the fourth fruit and vegetable trader to have paid a penalty in 2023 for breaches of the Code. Green Endeavour and Bache Bros each paid a penalty of \$13,750 for allegedly failing to make their terms of trade publicly available. Nutrano paid penalties totalling \$24,850 for allegedly having non-compliant horticulture produce agreements and failing to specify the price it received for produce in grower statements.

These remedies are currently not available under the Food and Grocery Code. We believe there is an opportunity for government to work with the fruit and vegetable sector to transition their supply chain sales process to an online digital trading platform, which will address many of the objects of the Food and Grocery Code.

These are:

- **To ensure transparency and certainty in commercial transactions;**
- **To build and sustain trust throughout the supply chain; and**
- **To promote and support good faith in commercial dealings between retailers, wholesalers and suppliers.**

At the same time, the Government amends the Code to a mandatory code under the Competition and Consumer Act 2010. This will signal to companies that the government is working to reduce the power imbalance between supply chain participants, whilst encouraging a shift to a modern fit for purpose digitised transparent commercial transaction process between participants.

## Recommendations

The opportunity to amend the Food and Grocery Code will provide significant benefits for all participants in the fresh fruit and vegetable supply chain, including consumers who are struggling with high cost of living pressures.

Shining a light on the current commercial transaction process in the fresh fruit and vegetable supply chain, with the aim of improving transparency and trust, will bring about significant benefits to everyone in the chain, as well as consumers.

Alfred E Chave believes the following changes will result in transformational benefits for stakeholders, as we have experienced since shifting our supply chain to a digital online platform, bringing major economic and social benefits to our customers and ultimately consumers.

Recognising that the market forces of supply and demand can change daily, we have worked to improve the processes in our business that we do have control over, and this has resulted in significant benefits to our business.

Alfred E Chave supports the recommendation 4.14, the *Inquiry into price gouging and unfair pricing practices*[1] chaired by Professor Allan Fels AO and commissioned by the Australian Council of Trade Unions (ACTU), to the creation of a price register to assist farmers to better understand market prices across primary industries.



Alfred E Chave makes the following recommendations for Government on how to make the Food and Grocery Code of Conduct more effective:

### RECOMMENDATION 1

- **The Government to amend the Food and Grocery Code of Conduct from a voluntary prescribed code to a mandatory code under the Competition and Consumer Act 2010.**

### RECOMMENDATION 2

- **The Government to commissions a pilot program to improve market transparency across the fresh fruit and vegetable supply chain for a digital web-based trading platform that provides access to trusted, verifiable real-time data to all participants in the supply chain;**

By facilitating the transformation of the fresh fruit and vegetable supply chain from the current old paper-based sales transaction process that is opaque and lacks trust between participants, to a modern digital trading platform, this will enable an open and transparent sales process that ultimately drives efficiency provides significant economic benefits to users and Australian consumers.

### RECOMMENDATION 3

- **Provide every opportunity for consumers struggling with costs of living pressures to buy fresh fruit and vegetable at a fair price, by creating a real-time price to assist farmers to better understand market prices across primary industries.**

Just as the financial stock markets underwent a digital transformation, the fresh fruit and vegetable supply chain can also benefit from digitisation. While some may say it is impossible, there are so many examples of the successful digital transformation in many other industries and supply chains.

As industry experts, it is our responsibility to deliver this much-needed transformation to improve transparency, efficiency, and trust in the supply chain. By embracing digital technology, we can revolutionise the way the fresh fruit and vegetable supply chain operates, benefiting all participants and ultimately, consumers.