

From: Platform Zero [REDACTED]
Sent: Wednesday, April 10, 2024 3:55 PM
To: Grocery Code Review <GroceryCodeReview@TREASURY.GOV.AU>
Subject: How the supermarkets operate behind closed doors: current supplier

To Dr. Emerson,

I was privileged enough to chat at the [COSBOA](#) summit down in Sydney last week to chat about the imbalance of power between major food retailers and suppliers. I was lucky enough to speak in front of Mick Keogh, David Salisbury from the ACCC and Federal Ministers and lucky enough the Prime Minister and Opposition Leader Peter Dutton were there to give them a small indication of industry insights within major food retailers and their supply chain. Below I have briefed on my position and what I am trying to achieve with [Platform Zero](#) and where my industry knowledge lies.

I founded [Platform Zero](#) to provide major food retailers with a solution to divert the millions of tonnes of rejected products they generate annually towards new opportunities. As the pioneering B2B platform of its kind, we specialise in handling high volumes of stock on a daily basis.

Supermarkets reject vast quantities of products annually because they typically have only one outlet—their retail shelves—for selling goods. If a product fails to meet specifications or if there's an over-ordering situation, it gets rejected due to limited selling options. Platform Zero addresses this challenge by offering retailers access to over 55,000 potential outlets, allowing them to move, sell, divert, and donate products on a large scale every day.

My motivation for developing this solution stems from being part of a family legacy spanning three generations and over seven decades in the fruit and vegetable industry. With experience covering the entire ecosystem of the fruit and vegetable supply chain to logistics in Australia—ranging from farming and wholesaling to exporting and retailing—we have witnessed firsthand the inefficiencies and waste in the industry. For instance, I have seen significant volumes of perfectly good A-grade produce rejected by supermarkets weekly (estimated over 100,000 tonnes) due to their market power and lack of consequences for such actions. The imbalance of power between supermarkets and suppliers becomes evident when rejected products have no repercussions for the retailers. Platform Zero aims to change this dynamic by introducing accountability and consequences into the system. By empowering supermarkets with alternative avenues to handle excess stock responsibly, we strive to create a more sustainable and equitable supply chain ecosystem.

Supermarkets have 5 waste points

Farm - DC - logistics - at retail store - after placed on retail floor (highlighted is where the major waste is occurring) Insights into major food retailers operations

- Supermarkets don't own the product until they 'accept' it. They accept the product at the very last moment when they can place it on their retail floor. Supermarkets delay acceptance until this moment because taking ownership and reporting start only upon acceptance.
- Supermarkets only report what they 'accept' because that's when they take ownership of the product.
- More A-Grade produce goes to waste than 'ugly' produce. It is estimated that over 100,000 tonnes of A-grade produce go to waste per week. This rejected A-grade produce leads to non-payment for farmers and wholesalers, and the food ends up in landfills. The primary reason for this waste is supermarkets' tendency to over-order due to slow sales, aiming to keep their fruit and vegetable sections consistently full to attract consumers.
- When retail floors are full but products arrive at the Distribution Center (DC) or retail shops, major retailers find excuses to reject the product. For instance, they may reject orders if transportation is delayed by even 10 minutes, shifting the responsibility and costs to logistics. While logistics take ownership, they are not allowed to resell the produce and must pay for disposal. Despite attempting to recoup losses by selling in the wholesaler market, supermarkets monitor and may take legal action against them for selling "their" products.
- Even if farmers meet supermarkets' high aesthetic specifications, supermarkets can reject their products without valid reasons, leaving farmers unpaid.
- Failure to fulfil supermarket orders due to manufacturing issues or crop loss can result in supermarkets suing farmers for income loss. This situation arises frequently, where farmers meet specifications for weeks but face rejections without cause, leading to financial losses and inability to resell stock.

- Supermarkets and suppliers enter contracts with fixed prices that remain unaffected by economic inflation for up to 10 years. Supermarkets inflate prices, demand continual supply through automatic ordering systems, leading to rejected produce due to slow sales, non-payment to farmers, and unreported waste generation by supermarkets.
- Suppliers must pay a weekly fee for each retail store stocking their product to cover supermarket workers' stocking costs.
- When a product goes on sale, it's the supplier going on sale not supermarkets, but supermarkets dictate when the sale occurs and for how long.
- Supermarkets pay suppliers 60-90 days from the month-end and automatically deduct 3% from the invoice. For instance, if supermarkets order stock on January 5th, payment starts from February 29th only for accepted products.

As someone deeply entrenched in this industry, I firmly believe that the most effective solution to address these issues and rebalance power dynamics lies in holding supermarkets accountable by making them assume ownership of products from the moment they place the order. We need to Federally legislate that a third party does supermarkets reporting from the moment they place their order from suppliers. This approach ensures that they take responsibility for any consequences arising from their decision not to accept the product. While it's understandable that buyers shouldn't bear responsibility for product defects originating from farms, they should bear responsibility for all other aspects of the product.

By taking ownership of products from the outset, we can access genuine data and insights into Australia's agricultural landscape. This includes gaining a comprehensive understanding of waste volumes, resource utilisation, material inputs, and the ultimate destination of products that don't make it to supermarket shelves.

At Platform Zero, we go beyond merely collecting critical data at the source; we track it throughout the entire farm-to-plate ecosystem. Our comprehensive approach extends to offering supermarkets a solution to redirect the high daily volumes of produce that cannot be accommodated on their shelves towards new avenues of utilisation. By implementing our solution, we achieve several key objectives:

- **Generating and Harnessing Untapped Data:** We unlock and gather crucial data that was previously inaccessible.
- **Balancing Power Dynamics:** Our solution works towards equalising the power dynamic between suppliers and buyers.
- **Ensuring Fair Compensation:** Farmers and suppliers receive proper compensation, facilitated by the multitude of opportunities our Platform Zero solution provides compared to the limited options traditionally available.
- **Addressing Food Waste and Climate Change:** We actively combat food waste and contribute to climate change mitigation efforts through our streamlined processes.
- **Combating Food Insecurity:** Our initiatives contribute to alleviating food insecurity by optimising resource utilisation and distribution.
- **Mitigating Price Escalation:** By efficiently managing the supply chain, we play a role in stabilising and potentially reducing food prices.

A major retailer approached me knowing that I was developing an innovative solution to manage high volumes of stock upstream for supermarkets—an area where they lacked a solution globally. They were drawn to my project due to my deep-rooted connections and extensive industry experience, recognising our unparalleled insights into the industry landscape.

During the initial phases of developing my solution, this retailer engaged with me, leveraging our discussions for valuable industry insights and understanding of how the technology would function. This collaboration continued for two years until abruptly ending without warning. Three months later, they launched an in-house solution that closely mirrored my company's intellectual property and operations. Astonishingly, they then accused me of copying their approach. Their abrupt shift in behaviour stemmed from their desire to maintain control and prevent third-party revelations about industry practices behind closed doors. Before my panel talk at the [COSBOA](#) summit in Sydney last week, that major food retailer had a meeting with me from the CEO's office to "repair the relationship" with me and asked me to not discuss industry insights. This just shows the control that they are desperately trying to hang onto.

I look forward to hearing from you and please if you have any questions please shoot them through. I'd love to answer them. If you have any recommendations with whom I can speak with to start my journey to legislate that a third party must do supermarkets reporting please let me know as that is the only way I see moving forward.

Kindest regards,

