



SUNRAY STRAWBERRIES

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Re: MIS Issues affecting the Strawberry Industry

- What is the level of domestic production of the commodity?
 1. Australia produces 1% of the world market and 10% of domestic production is exported.
 2. Australian domestic production 2007/2008 was 400,000 tonnes.
- What is the level of domestic consumption of the commodity?
 1. 90%
- What are the preferences of domestic consumers for the commodity? What factors are important to consumers when purchasing this product (for example price or quality factors)?

Strawberries are seen as a luxury item rather than a staple food and are more likely to be consumed at restaurants, celebrations and as an occasional treat. Growth in the market historically has been more due to population growth and disposable income improvement than from increased market penetration. In keeping with this quality is the key to maintaining and improving the market rather than price.

- What effect has the entry of MIS had on the market? Do these effects occur on the supply or demand side of the market? What has been the effect on prices and quantities of the commodity? Have prices fallen due to oversupply?

MIS company has appeared to be happy to "buy" market share by selling their strawberries well under market price and at prices that are highly unlikely to be profitable for them. Given that any long time strawberry farmer is well aware of his costs to produce and deliver a punnet of strawberries. Spreadsheet see below

<u>IGA Special</u>	<u>Week July 7 - 12</u>				<u>2008</u>
	Regular Market Prices attained through this Period				
<u>Adelaide</u>	<u>Melbourne</u>	<u>Sydney</u>	<u>Brisbane</u>	<u>Newcastle</u>	<u>Perth</u>
\$24.00	\$25.24	21 - 18.38	\$20.55	\$21.60	\$24.60
\$23.00	\$25.24	\$18.38	\$20.55	\$21.60	
\$23.00	\$23.50	21 - 18.38	\$21.12	\$21.60	
\$24.23	\$26.00	\$24.50	\$23.23	\$27.00	
\$24.00	\$28.26	\$24.50			

Given that IGA were requiring Sunray to provide at \$19.20 per tray to meet what IGA had been offered by the MIS.

Return to Oz-Fresh from IGA	\$19.20	less 5% = (IGA rebate)	\$18.24
Grower Return	\$18.24	less 20% (commission if Rewards Project for Driscoll varieties)	\$14.59

All prices have been converted back to 12 punnet cartons as this is what we pack.

We believe that this is clear cut predatory pricing practices. Our farm has supplied IGA Warehouse since its inception and this year our offer at that time was at \$25.92 (less the IGA 5% rebate \$24.62)

These predatory pricing practices will push strawberry farmers out of the business and will lead to these Horticultural MIS schemes gaining the type of market control we see with the large supermarket chains and fuel distributors.

Not only will the consumer lose out (as quality makes way for quantity and commercial expediency) but the market itself will be more vulnerable to cheaper imports as there will be less differentiation between the import and the local production. (Where quality is no longer so relevant price or profit will be the main factor as to what is supplied to the consumer)

- What other factors, if any, are affecting the market price?
 1. As already mentioned Quality
 2. Media coverage
 3. Consumer confidence
- How are non-MIS producers affected by the entry of MIS into the market?
 1. They are unable to compete on the basis that they must make a profit on their strawberries to maintain an income and fund their next crop. MIS with an investor revenue stream are not so constrained.
- Are there any other factors affecting the market? How are these factors affecting the market?

The weather is another critical factor affecting the market. Storm events are often relatively localized and the nature of separate small to medium farms inherently reduces the risk to the national production.

Pest and Disease also are risk factors that are less likely to affect the national production where that production is being carried out by separate small to medium farms.