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House of Representatives Standing Committee
on Indigenous Affairs
PO Box 6021
Parliament House
Canberra ACT 2600

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To the Committee,

Attached please find the Yothu Yindi Foundation's submission regarding food pricing and food security in remote Indigenous communities.

We expect our findings will assist you with making improvements to the state of living conditions in Indigenous remote communities.

Yours sincerely,

Denise Bowden
Chief Executive Officer
Director of Garma
Yothu Yindi Foundation



SUBMISSION TO THE INQUIRY INTO FOOD PRICING AND FOOD SECURITY IN REMOTE INDIGENOUS COMMUNITIES

Introduction

This submission draws on the considerable experience and understanding of the operations of the Northern Territory’s remote community stores. The Yothu Yindi Foundation has well over 30 years’ worth of experience in very remote Indigenous communities. We will present typical trading patterns and provide comparative pricing of remote stores to a Coles store in Darwin. We will then examine the reasons for the pricing differences in order to provide the Inquiry with an informed basis for its deliberations.

Typical Trading Patterns of as Remote Community Store

Typical trading results of a remote community store expressed as percentages of its sales are:

Sales	100%
Less:	
Cost of goods sold including freight of 4 to 10% depending on location	67%
Gross profit	33%
Less expenses:	
Payroll (12 – 17%)	15%
Premises costs	5%
Electricity & gas	1%
Motor vehicles, plant & equipment	2%
Administration, bookkeeping, insurances & other costs	7%
Net profit	3%

Note: The effect of inflation increases the nominal value of a given quantity of inventory on hand. This is estimated at 0.2% of sales (CPI 2.5%, stockturn ratio 8 pa), and reduces the real value of the Net Profit by that amount.

Purchasing

Remote community stores are inherently small businesses in nature, with few turning over more than \$10m per annum. Even collectively they lack the purchasing power of major companies such as Coles and Woolworths, and consequently cannot negotiate the price discounts possible with whole-of-factory-run orders to manufacturers. Remote stores necessarily buy from regional wholesalers such as TAH and Independent Grocers in Darwin, and Smimac and Independent Grocers in Alice Springs. Orders are in broken down quantities (numbers of cartons rather than full pallets or containers delivered direct from manufacturer to store). This places remote stores at a huge disadvantage logistically.

Governance

The majority of community stores are owned by the relevant community, but private ownership also occurs. In some cases the Land Council charges rent on behalf of the traditional owners, particularly to the privately-owned stores. Inevitably this cost is passed on to customers - the members of the local community.

Many of the locally owned stores are managed by the Arnhem Land Progress Aboriginal Corporation (ALPA) or Outback Stores. These organisations provide external oversight and bookkeeping and apply operational control procedures such as regular stocktakes, monitoring of daily trading and cash-ups, limiting purchases to approved suppliers, stock rotation, and so on.

This is a trade-off between reducing the risk of undetected trading losses, and the additional cost of the extra layer of management. Not surprisingly, some communities elect to reduce costs (and prices) by placing their trust in local store managers.

Comparative pricing

For the purposes of this submission we obtained identity concealed copies of a number of invoices from customers of seven remote community stores around the Northern Territory. We then obtained prices of identical goods at the Coles store at Casuarina Village, Darwin.

We also obtained corresponding wholesale prices from TAH Northern Trading (TAH) in Darwin, which is a competitive regional wholesaler 51% owned by an Indigenous Corporation. Neither TAH nor its majority shareholder received Government assistance in relation to the acquisition.

Comparative prices were obtained for 75 lines (see Reference 1), with the remote store price being the average for that item included in the selection of invoices obtained. For the 75 items in total, the community store price was 69.6% higher than the Coles Casuarina Village, Darwin price.

This correlates closely with the Commonwealth Grants Commission (CGC) index of relative costs for schools in regional cities, remote areas, and very remote areas (Commonwealth Grants Commission 2015 Review), which is:

	Index
Major cities (Sydney, Melbourne etc)	100
Major regional cities (Newcastle, Gold Coast etc)	106
Regional centres (includes Darwin)	121
Remote areas (includes Alice Springs, Katherine and Tennant Creek)	166
Very remote areas (includes the rest of the Northern Territory)	191

For the purposes of this submission we are interested in the major cities (Sydney etc – index 100), Darwin (index 121) and very remote areas (“the bush” – index 191). These indices

suggest that costs in “the bush” are 58% higher than in Darwin and 91% higher than in the major cities.

The actual food comparison prices set out below are in fact worse than the general CGC cost indices. This is not surprising because the vastly greater economic power and logistic efficiencies of Coles which outweighs the NT Education Department (relevant indices below are refer specifically to schools in the Northern Territory) and distorts the comparative figures even more.

Most of the items in the price comparison sample are GST-free. For the other items subject to GST we have provided GST-exclusive figures so as to allow direct comparisons of like-with-like, and then added in the GST to show the final price effects on the consumers who alone of the parties in this comparison cannot claim Input Tax Credits.

The comparative total figures for the 75 items are:

	No. of items	Coles	TAH	Remote stores
		\$	\$	\$
GST free	48	182.49	185.16	302.95
GST taxable @ GST exclusive price	27	94.67	93.66	166.42
GST on taxable items		9.47	9.36	16.64
Selling price		286.63	288.18	486.01

If we take the TAH (wholesale) price, apply a typical freight cost of, say, 8% of purchase price (5.3% of sale price), and then apply the mark-up necessary to achieve a gross margin of 33.33%, we can derive the expected selling price in the remote stores.

Purchase price (TAH excl GST)	278.82
Freight @ 8% of purchases	22.31
Sub-total	301.31
Mark-up for 33.33% GP (=50%)	<u>150.65</u>
	451.96
GST on applicable items	<u>15.17</u>
Expected selling price	<u>467.13</u>

The actual averaged selling price for the 75 items is \$486.01, which is \$18.88 (4%) more than the expected price indicated here. This fades into insignificance when compared to the 69.6% difference between the remote stores and Coles Casuarina Village, Darwin, and in any event could be due to various benign factors.

Average personal Income

As part of this analysis of comparative prices we will now consider average personal incomes in remote communities to identify the dominant cause(s) of food insecurity.

Many people in remote communities depend on Newstart or Age Pensions as their sole or principal source of income.

The key amounts are:

Newstart

Single no children	\$565.70/fortnight
Plus remote area allowance	\$ 18.20/fortnight
Total	\$583.90/fortnight

Age Pension

Single	\$860.60/fortnight
Plus pension supplement	\$ 69.60/fortnight
Plus energy supplement	\$ 14.10/fortnight
Plus remote area allowance	\$ 18.20/fortnight
Total	\$962.50/fortnight

Note: Rental assistance is not applicable as housing in NT remote communities is public housing.

Given that the basket of goods used above can be expected to cost \$180.50 more than the same basket of goods in Darwin, and that Darwin can be expected to be 21% more expensive than Sydney or Melbourne (CGC indices), the expected cost differential between Sydney and “the bush” is \$230.25 (\$467.13 less 236.88, the latter being the Darwin price \$286.63 divided by 1.21). The differential is 97% of the calculated cost of the basket of goods in Sydney (the bush \$467.13, Sydney \$236.88).

Put bluntly, the purchasing power of the Newstart and Age Pension respectively is \$296.40/fortnight and \$488.60/fortnight when it is expressed in major capital city terms. Just as less than \$150 or \$250 per week is simply unsustainable for living expenses in major cities, Newstart and the Age Pension are unsustainable in the bush.

The primary barrier to a healthy lifestyle in remote communities is financial. Well run stores still have the diseconomies of scale, limited purchasing power, inefficient logistics, high in-store costs per \$ of sales, high freight costs, and low income customers that characterise remote stores. These factors will not change; the higher costs are permanently embedded. Trying to overlay a major company to alleviate these factors will not succeed because the causative circumstances will remain. It should be noted that TAH have agreements to sell Coles and Woolworths products, so their purchasing power is already incorporated into store operations.

Preventative management strategies and appointments (ALPA, Outback Stores) increase prices in the short term due to the extra costs involved.

Clearly, overcoming the destitution inherent in expecting people to survive on incomes equivalent to barely more than half of what is required, can only be achieved in two ways:

- Increasing personal incomes; or
- Reducing the cost of goods.

The first approach would require a realistic remote area allowance or some corresponding input of funds.

Adjusting the Income Tax Zone rebate would be completely ineffective because no tax is payable at the Newstart and Age Pension levels of income.

Associated with this approach is the housing crisis in the NT. A typical remote community 3-bedroom house is very likely to have between 15 and 20 occupants. In the financial situation above, securing one's food is simply not possible.

Food security & communications reliance

In December of 2019, the Arnhem Land community of Galiwinku was cut from the communications grid during two major blackouts on the island <https://www.abc.net.au/news/2020-01-31/elcho-island-nt-telstra-phone-outage-residents-without-food/11909352>. In May of 2020 a petition from the West Arnhem community of Jabiru was lodged echoing a similar situation. On both occasions, the combined population of approximately 3400 residents were left unable to access eftpos machines, basics cards, ATM machines or upgrading power to residents houses. This left these communities vulnerable without access to fuel, food, medical, and police. Given today's reliance on a digital online world, remote Indigenous communities require assistance to upgrade their community's technology to ensure the disconnect does not continue to put their lives at risk. The challenges faced by remote Indigenous communities means that they are reliant on transmission hardware, and various equipment to restore affected services to consistent and stable operations. On some occasions in the Top End of the Northern Territory these reoccurring issues have been attributed to high humidity levels causing equipment corrosion. This Inquiry should investigate the history of such faults in remote communities with a possible measure to minimise service disruption in the future.

Locally Produced Food

If local production of food is to be effective in reducing costs then it would need to be grown with unpaid labour such as in home gardens.

Seeds and seedlings could be provided, but adequate fencing would be needed to protect the plants from birds, animals, and garden pests. Feral cattle, horses, camels, buffaloes and donkeys are problems as well as native animals. Similarly, poultry and other food sources

such as orchards could be considered and permaculture principles applied but the same problems would need to be overcome. This includes water supply and storage abilities.

Subsistence measures along these lines could potentially have the perverse effect of reducing store turnover, but most probably the available funds would continue to be fully spent and maintain store viability.

It is well understood the hunter-gatherer traditional lifestyle is established practice in remote communities. Much less well known is the effect of marine pollution on sea-life. The huge quantities of plastic pollution seriously reduce the fish stocks and impede the efforts of locals to catch or trap fish and thus sustain a healthy diet. The following link to a report of the effects on one of our Arnhem Land beaches demonstrates the magnitude of the problem. The tonnage washing up on traditional owned coastlines far outweighs the manpower to tackle its impact on the flora and fauna
<https://www.seashepherd.org.au/untrashing-djulpan/>

Nevertheless, our local people still catch and consume fish and other marine life because they have no choice – the alternative is to go hungry.

Other activities adopted by some remote communities to feed their people include fresh meat supply from cattle herds, and utilising a fishing licence to catch larger quantities of fish, but not all communities have access to cattle or fishing grounds.

All communities in the Northern Territory had “market gardens” and other locally produced food in the times when government or missions managed remote communities. Often there was little enthusiasm for these activities, perhaps because the work allocation between men and women did not reflect traditional responsibilities (men – protein, women - plants and carbohydrates). However, permaculture plans for various communities were prepared by the Batchelor Institute of Indigenous Tertiary Education some years ago but never implemented.

Culling of feral animals would have side-benefits, but care would be necessary to avoid parasitic infections and other ailments carried by some feral animals. Perhaps Rangers could be trained and equipped for animal culling, but dependence on this as a food source would mitigate against measures to eradicate feral pests.

Proper planning and expert advice would be required.

Ensuring Adequate Food Supply

As the first news of COVID-19 reached remotely, Indigenous communities were thrust into self-quarantine measures to prevent the pandemic entering regions with vulnerable populations, some suffering diabetes, heart disease and other health problems. Reaction to the pandemic meant stocks on supermarket shelves were reduced severely, limiting access to staple diet supplies. While we witnessed our main cities and major town supermarkets struggle to keep up supply in an ever diminished state due to the uncertainty of the

pandemic, in some situations in remote Indigenous communities stock was depleted to such extent that continuity of supply was fragile due to freighting services struggling to meet market panic. As a knee jerk reaction, in some remote supermarket's prices inflated inexplicably due to supplies being in more demand. <https://www.9news.com.au/national/nt-land-council-warns-on-food-security/223bc875-482f-4b11-97e9-81924416dc78>.

We commend both Australian and Northern Territory Governments for working with Land Councils and major food chains in implementing food relief packages into our remote Indigenous communities. <https://www.miragenews.com/relief-on-way-for-remote-indigenous-communities/>. The future will require emergency implementation plans to cope with the situation of COVID-19 spreading into our remote Indigenous communities. There is a current lack of public awareness campaign to ensure our residents in remote parts of Australia are aware of what strategies are in place to manage the pandemic in the future, as this includes food relief supplies.

Weather conditions

Both the wet season and heat extremities faced by Northern Territorians in our Indigenous communities are often taken for granted, however this submission includes these factors and considers weather patterns are challenging forces when providing food securities in our remote regions. Some examples of the challenges we find in the front lines on the ground:

- Vast distance to travel from outstations and homelands
- Unseal dirt roads and wear and tear on vehicles
- Regular grading and service to unsealed roads often unpredictable
- Irregular communications coverage during wet season storms
- Inconsistent air flight patterns during wet season peak
- Cyclonic conditions
- Flooding to rivers and creeks
- Affect to health, such as soil-borne human diseases, such as Melioidosis
- Other various medical implications such as Bronchiectasis (Aboriginal children have one of the highest reported rates worldwide. It is common among adult Aboriginal and Torres Strait Islander people).

Conclusion

The cause of food insecurity in remote communities is multifaceted:

- There exists primarily insufficient income in remote Indigenous communities to maintain a healthy lifestyle.
- The issues of communications to regional and remote Indigenous communities will continue to pose a threat to peoples lives unless improvements and upgrades are made to prevent further risks.
- The threat of marine debris pollution to our flora and fauna affects a traditional hunter-gatherer lifestyle and we will continue to see this unless immediate action is taken to redress the tonnage of waste washing up on Australian beaches.

Until and unless these issues are thoroughly addressed, the challenges of poverty will remain.

Reference 1: Basket of Goods with Retail Prices

Product	Coles	The bush
	\$	\$
Akuna water 10L	3.68	10.90
Allens killer python 192g *	3.15	5.00
Allens minties 150g *	3.15	5.00
Anchor baking powder 125g	2.63	4.50
Arnotts scotch finger biscuits 250g*	3.15	4.40
Arnotts YoYo biscuits 250g*	2.00	4.56
Arnotts family assorted biscuits 500g*	4.50	8.60
Arnotts Monte Carlo 250g*	3.15	4.50
Arnotts delta cream 250g*	3.15	5.05
Arnotts Shapes BBQ 175g*	2.50	4.10
Birdseye Country Harvest peas & corn 500g	2.60	4.00
Birdseye Country Harvest peas, corn & capsicum 500g	2.60	3.49
Bushells teabags round 200s	5.51	8.55
Butter extra soft Devondale 375g	4.85	6.00
Capilano honey squeeze 375g	7.56	8.90
Coca Cola No Sugar 1.25L*	2.20	4.50
Coles milk powder 1 kg	5.70	13.00
Coles white sugar 2kg	1.80	4.50
Colgate toothpaste 110g*	8.40	9.00
Coon tasty cheddar 250g	4.80	7.30
CSR raw sugar 1 kg	2.12	4.60
Diet Coke 1.25L*	2.20	3.59
Eggs cage 600g	3.89	8.10
Fanta 1.25L*	1.70	6.00
Fray Bentos steak & kidney pie 425g*	7.89	10.90
Golden Circle cordial 2L*	3.00	7.58
Golden Circle fruit drink 1L*	1.50	3.19
Hamper corned beef 200g	4.94	5.52
Hamper corned beef 340g	6.83	10.00
Handee paper towels ultra 2pk*	5.25	6.50
Handy Andy green 750ml*	3.75	7.50
Heinz baked beans 300g	2.10	3.50
Heinz baby food pear/banana/apple 120g	1.00	2.10
Heinz baby food banana custard pouch 120g	1.50	2.90
Heinz spaghetti 200g	1.73	1.99
Holbrooks Worcestershire sauce 250ml	3.47	5.00
Huggies baby wipes 80s*	5.50	12.00
Kelloggs Coco pops 375g	4.00	11.00
Kelloggs Nutrigrain 200g	5.20	7.70
Product	Coles	The bush

Cont....	\$	\$
Koala jasmine rice 1kg	2.95	3.60
Leggos sauce Napolitana 500g	4.73	3.49
Meadowlea margarine 500g	3.55	6.40
McCains pizza 500g*	5.50	11.00
Mi Goreng fried noodles 5pk	2.75	5.20
Milk full cream UHT Devondale 1L	1.45	3.20
Mt Franklin still water 600ml	1.00	1.00
Nescafe blend 43 50g	5.00	6.50
Nutella hazelnut spread 400g	5.25	9.00
Nutella hazelnut spread 220g	3.89	4.60
Oil Canola Crisco 750ml	3.99	6.60
Palmolive conditioner 350ml*	6.50	8.62
Palmolive shampoo 350ml*	6.50	8.62
Pantene shampoo 350ml*	5.50	11.00
Pasito Kirks 1.25L*	1.45	5.00
Pauls iced coffee 600ml*	3.40	5.80
Peters ice cream vanilla 2L*	5.00	8.70
S26 baby formula 900g	21.00	35.10
San Remo macaroni 500g	1.95	3.30
San Remo spaghetti 500g	1.95	4.00
Sanitarium WeetBix 1.12kg	5.00	9.70
Sanitarium WeetBix 375g	2.90	4.20
Sanitarium WeetBix 575g	3.00	6.45
Saxa pepper white fine 50g	3.83	4.50
Saxa salt iodised 125g	2.10	2.70
Saxa salt table 750g	3.10	4.60
Smiths crisps original 170g*	2.50	6.50
Spaghetti Heinz 300g	2.10	3.60
Spam ham lite 200g	3.68	5.67
SPC baked beans 220g	1.10	2.10
Sprite 1.25L*	1.70	5.85
Suimin cup 70g	1.00	1.89
Teabags Bushells 100s	4.50	8.50
Teabags Lipton 100s	3.50	7.50
Uncle Toby traditional oats 500g	4.46	7.00
Vegemite 220g	<u>4.20</u>	<u>9.00</u>
Total	<u>\$286.63</u>	<u>\$486.01</u>

Note: * denotes items subject to GST