



THE COMMERCIAL  
ACADEMY

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# The Australian Food and Grocery Code of Conduct

## **PART 3**

Other Conduct -  
Price Increases



# PRICE INCREASES CLAUSE OVERVIEW

- This clause applies when a retailer or wholesaler has a grocery supply agreement with a supplier for the supply of groceries.
- If the supplier informs the retailer or wholesaler of a price increase for the supplied groceries, specific procedures are triggered.
- If the price increase relates to fresh fruit and vegetables with a regular negotiation mechanism, and negotiations are not concluded within 5 business days, additional steps come into play.

# RETAILER/WHOLESALE RESPONSE OPTIONS

Within 30 days of receiving the price increase notification, the retailer or wholesaler must respond in writing with one of three options:

- Accept the price increase as proposed by the supplier.
- Accept the price increase but not the amount specified and propose an alternative increase.
- Reject the price increase entirely.

# NEGOTIATIONS FOR PRICE INCREASE

If the retailer or wholesaler rejects the price increase or proposes an alternative, the supplier has the right to request negotiations.

Both parties must engage in negotiations in good faith and make reasonable efforts to conclude their position without undue delay.



# **PROTECTION OF COMMERCIALLY SENSITIVE INFORMATION**

The retailer or wholesaler must not demand that the supplier disclose commercially sensitive information related to the price increase or the negotiation process.

Protecting sensitive information ensures confidentiality and fair negotiations.

# REPORTING TO CODE ARBITER

- The retailer or wholesaler must provide specific information to the Code Arbiter regarding price increases during the financial year.
- This includes the number of notifications, the timeliness of responses, the number of negotiations entered, and the duration of negotiations.
- Transparency in reporting contributes to fair business practices and accountability.



**Preparing for a successful price increase negotiation with a retailer or wholesaler involves careful planning and communication. Here are some key steps a supplier can take to increase their chances of success:**



## **Justify the Increase:**

- Before notifying the retailer or wholesaler about the price increase, ensure that you have a strong justification for it. This could be due to increased production costs, inflation, changes in market conditions, or improvements in product quality. Having a clear and well-documented reason will strengthen your position during negotiations.

## **Notify in Writing:**

- Provide written notice of the price increase to the retailer or wholesaler. Be clear and concise in explaining the reasons behind the increase and the new pricing details. Make sure the notification complies with the timeframe mentioned in the agreement to trigger the negotiation process.



## Supporting Data:

- Back up your price increase with relevant data and evidence. Provide any cost breakdowns, market trends, or industry benchmarks that demonstrate the necessity of the adjustment. Having concrete data will help the retailer or wholesaler understand the basis for the increase.

## Be Open to Discussion:

- If the retailer or wholesaler responds with concerns or counteroffers, be open to discussing their points. Demonstrate flexibility and willingness to find common ground while still maintaining the viability of your business. Show that you value the business relationship and are interested in finding a mutually beneficial solution.



## **Engage in Good Faith:**

- During negotiations, act in good faith and maintain a professional approach. Avoid using aggressive tactics or threats, as this can harm the business relationship. Instead, focus on finding a solution that addresses both parties' interests.

## **Highlight Benefits:**

- Emphasise the value your products bring to the retailer's or wholesaler's customers. Highlight any unique selling points, product differentiators, or positive customer feedback that can contribute to the success of the products on their shelves.



## **Timely Follow-up:**

- Respect the agreed-upon timeframe for negotiations and follow up promptly. Avoid unnecessary delays, as this may lead to frustration on the retailer's or wholesaler's side. Keep communication lines open and ensure you are available for any additional information they might request.

## **Confidentiality:**

- Protect commercially sensitive information during negotiations. Avoid disclosing proprietary details that could put your business at a disadvantage. Focus on the price increase justification rather than revealing confidential internal data.

## **Document the Process:**

- Keep detailed records of the negotiation process, including all correspondence, offers, counteroffers, and agreements. Having a well-documented history can be beneficial for future reference and to resolve any potential disputes.

## **Understand Contractual Obligations:**

- Familiarise yourself with the terms and conditions of the grocery supply agreement, especially regarding price increases. Ensure that you adhere to the specified notification periods and other requirements stipulated in the agreement.



# CONCLUSION

Compliance with the Australian Food and Grocery Code of Conduct is critical for suppliers and retailers in the food and grocery industry to ensure fair and transparent trading relationships.

**For more information on the Code and its requirements, visit the Australian Government's official website:**

<https://www.legislation.gov.au/Details/F2021C00201>







# DISCLAIMER

Based on content from the Federal Register  
of Legislation at 5th March 2021. For the  
latest information on Australian Government  
law please go to:

**<https://www.legislation.gov.au>**

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