

SUBMISSION

**TO: Select Committee on Australia's Food
Processing Sector**

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INTRODUCTION:

I, as owner of South Australian Horticultural Services have been involved in the South Australian and Australian horticulture sector for over 34 years having held a number of senior executive and management positions.

I completed a Bachelor of Science Degree in 1976 and commenced work with the South Australian Nursery Industry in 1977, initially as a Research Officer and then as General Manager of the state association. During the period 1989 to 1993, I worked in amenity horticulture and training with the Nursery, Irrigation and Horticulture Technology Education Centre. From June 1993 to December 2009 I worked as General Manager of the Apple and Pear Growers Association of South Australia Inc and SA Crate Pty Ltd. From September 2002 to December 2010 I was the Chief Executive Officer/Executive Officer at Cherry Growers of Australia,

I have extensive experience in leading horticulture industry organizations through change and have worked in areas as diverse as general administration, agri-politics, advocacy, corporate governance, market access, natural resources and environment, training, communications and public relations.

I have been involved in diverse roles at Local, State and Federal government agency and industry levels in both policy development and implementation in areas of market access, biosecurity, natural resource management, government charges, training, planning and development.

As a result I believe I have the knowledge to comment on the terms of reference in relation to the Food Processing inquiry.

AUSTRALIAN FOOD PROCESSING:

I have reviewed the Select Committee on Australia's Food Processing Sector Terms of Reference and would make the following comments:-

The competitiveness and future viability of Australia's food processing sector in global markets:

"If our planet is to feed a projected population of 9 billion by 2050, political will and judgement is needed to manage a confluence of factors that are impacting production," the United Kingdom's former Chief Scientist has said. Now director of Smith School of Enterprise and the Environment at Oxford University, Sir David King was delivering the annual City Food Lecture in London.

The opportunity for Australia to be a leader in food production and food processing is immeasurable but is real. At a time when Australia could be a true leader in food production it appears that we are going backwards at a 'rapid rate of knots'.

In all facets of production and processing the Australian food sector is becoming less competitive and the future is very grim.

Australian food producers have been highly innovative and productive even in the difficult times but as the level of government involvement has increased with poor

policies, regulations and legislation the innovation and productivity has been 'sucked' from the industry and individual growers.

I do not believe any Australian Government (federal, state or local) has a food production policy/plan/program that is innovative and realistic to achieve the goals required for strong food production. Without strong and viable food production there will be no strong and viable food processing industry.

One has only to look at the decline in the larger food processing companies – SPC and Ardmona (Coca Cola Amatil), Golden Circle, Heinz – to see that there is something wrong in the food processing sector.

When companies like Dick Smith cannot make an Australian brand food processing industry work then again you have to believe there is something wrong.

Many small and medium food processors are growing and surviving often because they are specialists working in a niche market. They are successful because of their size and innovation but often they are very much localised in their marketing and sales. Their ability to have a major influence at a national and international level is again restricted because of the policies and legislation put in place that stifles growth.

The regulatory environment for Australia's food processing and manufacturing companies including but not limited to:

In simple terms the regulatory environment is stifling, choking and ultimately killing the Australian food production, food processing and manufacturing industries within Australia.

Taxation:

Australia is a country that is over governed with the three major levels of government – federal, state, local. As a result Australian industry and consumers are over taxed to fund these three levels of government.

Currently there would be very few governments, at any of the three levels that are operating with a surplus. If any private business was to operate in this manner they would be put into liquidation.

The first action is for all governments to achieve a breakeven budget and operate within that budget. Continually adding new taxes to fund new initiatives will not assist industry survive and expand. Whenever there is a shortfall all governments turn to a new tax OR new levy OR new fee for service strategies.

The new Carbon Tax is a prime example of a new tax that is giving the current Australian Government a 'pool of funds' to give tax relief to the voters but actually achieving little or nothing in relation to carbon emission reduction. A bad tax based on a bad policy.

All medium and large businesses are forced to pay a 'payroll tax'. This tax is nothing more than a disincentive for business to employ more people. Such a tax like this was to disappear with the introduction of the Goods and Services Tax. A bad tax based on bad policy.

While the base cost a labour might be considered acceptable the add on costs through superannuation, workcover, maternity/paternity leave, long service leave, penalty rates – all forms of taxation – are continually driving the cost of employing people up. Australia is considered to have one of the highest costs of employment making it extremely hard to operate in a competitive global market.

In addition to the high taxation impost there is the cost of managing the paperwork and/or government 'red tape'. ALL governments have consistently promised to reduce the 'red tape' associated with business operations but ALL governments have failed to achieve any reduction. If anything the costs continue to spiral out of control.

Most businesses would have at least one dedicated member/employee to deal exclusively with the paper work associated with taxation and employment.

Research and development:

While the current models for Research and Development funding are used by individual producers and the industry organisation there is still a high degree of uncertainty with these programs.

Decisions on the future of Research and Development in Australia are being driven by economists and balancing treasury budgets and not by productivity gains that are made from both practical and transformational research.

While the current Australian Government has indicated that they are maintaining the current R&D models they have not given a firm response to the Productivity Commission final report on Research and Development Corporations.

This lack of surety in the process makes it very hard for industries to make long term decisions on funding and programs.

For instance, if the voluntary contribution model within horticulture is lost in the future substantial research and development will stop. This will have a major affect on both individual growers and the industry in general.

The most recent activity by the federal and state governments to review research, development and extension through the PISC process has done little to build confidence in the Australian R, D and E process.

The National Horticulture Research, Development and Extension Framework has been used by governments to reduce investment rather than increase capacity in personal and programs.

Industry will continue to move to build capacity within their own structure(s) as a means of compensating for the loss of government investment in R, D and E.

At a time when there is a need to secure food production not only for Australia but for an ever increasing international population governments should be increasing investment in R, D and E rather than the current winding back.

Food labelling:

While the labelling of fresh fruit is well defined within the retail sector - country of origin at the point of sale – it does not appear to be 'policed' by the relevant authorities. This means that the consumer, at times, is still being misled.

In relation to processed food the labelling requirements and legislation is at best confusing to growers, processes and the consumers. The labelling should be all about the percentage of the base product being Australian and/or from overseas. That is 100 % Australian product or 50% Australian and 50% from China as examples.

Wording like "packaged in Australia from imported ingredients' is totally unacceptable.

It is obvious that the food labelling laws are still being manipulated by the big multinational food processors and retailers to the detriment of sound, simple and cost effective labelling that should be implemented through strong government policies.

If the recent media about Chinese product being sourced by New Zealand, packed in New Zealand and sold as product of New Zealand is accurate then it highlights the failings in both Australian and International food labelling laws.

Cross-jurisdictional regulations:

Cross-jurisdictional regulations create an unworkable environment for growers and only add further cost to doing business.

Three tiers of government do not assist and in fact are a hindrance to doing business.

Planning regulations in Australia and across Australia are poorly coordinated adding costs to the process.

In the past the different Minimum Residue Limits (MRL's) between the APVMA and Food Standards have created a major issue.

Variations across State jurisdictions in chemical registration and application have made it difficult for growers who own businesses in different states.

The Murray Darling Basin program is a prime example of cross-jurisdictional system that is failing all within the community. The end result will be a very much divided community and a strong possibility of a major loss of horticultural production to the detriment of Australia.

Every aspect of doing business within food production and food processing is being adversely affected by cross-jurisdictional regulations to the detriment of the growers and the communities that they are a part of.

Less government bureaucracy and interference in food production and food processing would be a desirable outcome from this inquiry.

Biosecurity:

Biosecurity has continued to fail the growers.

The structure of the biosecurity organisation(s) continue to change and government has failed to implement a structure that really assists the export of fruit to international markets. Having the same organisation deal with market access to international markets and market entry into Australia is creating problems for industry.

There should be two distinctly different bodies and people dealing with the two different market requirements.

The recent debacle with apples from New Zealand highlights that Australian Biosecurity has become an embarrassment. Biosecurity Australia failed to utilise the WTO rulings and SPS Agreements to protect Australia's Appropriate Level of Protection (ALOP). More importantly they have set a new base for product entry into Australia, that being 'Standard Orchard Practice' as a quarantine measure. We can only hope that Biosecurity Australia demands this as an equivalent measure for Australian produce going to New Zealand and other countries.

The Australian Government and Biosecurity Australia have failed to be strong negotiators in relation to protocols and as a result industry has been and continues to be left with unworkable protocols making export impossible or highly cost prohibitive.

Export arrangements:

Export for Australian Fruit and Vegetables is extremely difficult.

Tough export protocols, high cost of quarantine inspections and the current high dollar make export near impossible.

As indicated above many of the export protocols that exist and/or are being developed for Australian Fruit and/or Vegetables are either unworkable or costly resulting in no or a low level of export.

The decision to remove the 40% AQIS Export rebate is a negative action by the Australian Government. Cost recovery is also a disincentive because the 'real costs of the service' are not being charged instead it is 'full cost recovery' that builds in a high level of variable costs that are not relevant to the service.

In reality the current and past Australian Governments have not had an export ethos that supports the needs of those producers looking to export. Australian horticulture could become a major export of produce if they had a truly effective and supportive government program.

The impact of Australia's competition regime and the food retail sector, on the food processing sector, including the effectiveness of the Competition and Consumer Act 2010;

The Competition and Consumer Act 2010 continues to fail small and medium businesses in all aspects of business. In addition the Australian Competition and

Consumer Commission (ACCC) has consistently failed small to medium businesses.

The Horticulture Code has been an abysmal failure and only added costs to the process of 'doing business'.

The reviews of the trading of the major supermarket chains have also been abysmal failures and continue to fail to highlight the predatory nature in which the retail sector undertake business with fruit and vegetable producers.

In reality there is nothing positive for food producers within the competition regime within Australia.

The effectiveness of anti-dumping rules:

The food industry believes the anti-dumping rules are an abysmal failure. When were they last used? What was the result?

We cannot remember when they were last used in the fruit and vegetable industry.

Again it appears that Australian Government's do not want to use the rules in case it might upset the government to government relations.

Australia is seen by international countries as a place with a strong economy and a high standard of living. The reality is that Australia only has a population of 23 million.

More importantly when a fruit/vegetable commodity has an excess above an average crop the commodity quickly 'crashes' and the return to grower often reaches a level well below the cost of production. By adding the same product, from an overseas country, at the time of high local production only exacerbates the problem.

Often the exporting country also has a high production and is only exporting the product to move it from their over supplied market. Seems that this is a form of 'dumping' that is not covered by the anti-dumping rules.

The costs of production inputs including raw materials, labour, energy and water:

The reality is that the costs of production continue to increase at a rate that cannot be sustained by small and medium businesses and as a result making the Australian products more expensive than overseas produced fruit.

While the Goods and Services Tax was introduced to give Australia a broad taxation base this was done on the expectation of business that other State taxes would be eliminated.

This has not occurred and as a result most Australian producers are still paying insidious taxes like Stamp Duty, Land Tax and Payroll Tax. This increases ALL input costs of production

The effect of international anti-free trade measures:

The international free trade measures are a failure.

The World Trade Organisation is a 'lame duck' that is doing more damage to trade and pest and disease management around the world than it is worth. All the trade negotiations like the Doha round have achieved nothing.

As a result countries are turning to one-on-one free trade agreements to maintain trade.

Australia has failed to utilise its position in world trade to achieve real gains particularly for Australian horticulture. So often in any free trade agreements Australian Horticulture has been 'traded away' for another sector like mining, finance, education. Australian Horticulture still faces tariff levels within trade agreements that work against Australian producers looking to export.

There are many examples where Australian free trade agreements have failed the Australian Horticulture Industry.

Other countries, particularly the new entrants to the WTO and major countries like the USA use the WTO regulations and SPS Agreement to far greater effect than Australia. Each day these countries are putting in new measures that are 'trade restrictive' but nobody does anything about it. Australia does nothing other than the odd Import Risk Analysis or Food Safety change.

One only has to look at the daily SPS notification bulletins prepared and distributed by DAFF to look at how other countries are using the WTO to implement trade restrictive policies and procedures.

The access to efficient and quality infrastructure, investment capital and skilled labour and skills training:

The infrastructure to move product from the many growing regions to the major consumer centres is expensive and far from efficient. The cost of transport is excessive with high cost of fuel, ever increasing road regulations and poor quality roads.

The removal of much of the internal rail systems has made this use of rail transport impossible.

Investment capital is becoming harder to access with banks becoming less likely to invest in horticultural industries. The failure of managing investment schemes caused banks and other financial institutions to reassess their investment in horticulture.

Skilled labour is hard to find and retain. This is often because of the small profit margins in business making it difficult to offer employment packages that are of a comparable level to other sectors like mining.

While the Pacific Worker Scheme has merit in assisting with a labour force at appropriate times the scheme has been poorly managed. Leaving the concept to be managed by government bureaucracy has turned many growers away from using the scheme. A more simplified scheme managed through industry would have achieved far better results in a shorter time frame.

Any other related matter.

Fair Work Legislation

The Fair Work legislation continues to create an obstacle to increased employment within the sector. The establishment of a small number of large industry sector industrial awards has resulted in the loss of employment flexibility for individual growers. Groups that have been affected include backpackers, grey nomads, people with limited skills and young students.

Aspects like the minimum three hours employment has particularly affected young students looking for work after school hours.

In addition aspects like penalty rates and overtime rates make employing people outside of normal Monday to Friday hours unviable and this affects both business and the employees. Productivity gains have been lost as a result of the current Fair Work Act.

CONCLUSION:

I believe that there is very little that is positive in the food production and food processing sector at this point in time because of the real lack of vision flowing from ALL governments in Australia.

Notwithstanding that I believe the following could be the vision for the future.

What would we like the horticulture industry to look like in 2040? The following points should be identified as key components of a food production/ processing vision.

- The importance and value of horticulture as a key sector within the broader agrifood industry is well-recognised at the political level, with high-ranking Ministers in State and Federal Cabinet.
- Profitable businesses are enjoying strong returns on investment, and trading successfully into an open domestic market that is not dominated by any one channel, with fair and effective competition in retailing, as well as a wide range of international markets.
- Industry leadership is strong and well-structured, with broadly based representation reflecting a healthy mix of skills, industries and regions, a strong, unified voice for the whole industry, business acumen, open and effective communication across industry sectors and regions, and a growth-oriented action plan.
- Expanded food production is led by industry investment, including a controlled and appropriate level of foreign investment. Businesses have access to capital and technology to grow and improve productivity, and production systems

deploy technology effectively and sustainably. Government supports industry investment with co-investment.

- Businesses are linked to each other and ultimately to consumers through efficient, market-led value chains informed by up to date market intelligence.
- The industry has access to affordable skilled labour, secure and affordable land, water and energy resources, and competitive infrastructure.
- Employment in horticulture is seen as an attractive career option, and the industry is characterised by well-informed, highly skilled owners and workers, including many with tertiary training.
- Well-resourced biosecurity programs meet industry needs, customer and community expectations.
- Research, development and innovation programs meet industry needs, with effective technology transfer.
- Government consults in a coordinated manner consistently, proactively and effectively with industry. Government policy actively fosters horticulture by ensuring the ongoing availability of resources, through infrastructure planning and investment, through market access, through workforce training, through co-investment in health and environmental programs, and in other ways.