



Submission to
**The Select Committee on Australia's
Food Processing Sector**

June 2011

About Growcom

Growcom is the peak representative body for the fruit and vegetable growing industry in Queensland, providing a range of advocacy, research and industry development services. We are the only organisation in Australia to deliver services across the entire horticulture industry to businesses and organisations of all commodities, sizes and regions, as well as to associated industries in the supply chain. We are constantly in contact with growers and other horticultural business operators. As a result, we are well aware of the outlook, expectations and practical needs of our industry.

The organisation was established in 1923 as a statutory body to represent and provide services to the fruit and vegetable growing industry. As a voluntary organisation since 2003, Growcom now has grower members throughout the state and works alongside other industry organisations, local producer associations and corporate members. To provide services and networks to growers, Growcom has about thirty staff located in Brisbane, Bundaberg, Townsville, Toowoomba and Tully. We are a member of a number of state and national industry organisations and use these networks to promote our members' interests and to work on issues of common interest.

The processing sector is heavily reliant on the horticulture industry for primary inputs and as such some of our key concerns coalesce with the processing sector. Our submission will focus on those areas of food production which have an impact up the supply chain to the processing sector. While it may be a short term solution to import raw ingredients, this has significant implications for certainty and quality of supply in the long-term.

Terms of Reference

(1) That a select committee, to be known as the Select Committee on Australia's Food Processing Sector be established to inquire into, and report by 30 June 2012 on the following matters:

(a) the competitiveness and future viability of Australia's food processing sector in global markets;

Growcom is not in a position to comment on the competitiveness of the Australian food processing sector in global markets except to say high input costs for farmers have ramifications up the supply chain.

The agricultural subsidies of the European Union and United States make it hard for Australian produce to compete, even when our cost of production is lower. The Australian sector is also not able to achieve the economy of scales that other countries can with their larger populations.

(b) the regulatory environment for Australia's food processing and manufacturing companies including but not limited to:

(i) taxation,

(ii) research and development,

The shrinking of research and development investment in real terms has significant consequences for agricultural production. For a viable processing industry, investment in primary agricultural research and value adding options needs to increase.

In its recent report *Food security issues for the Australian horticulture industry*, Growcom found a general consensus that rural R&D funding needs to return in Australia to 1970s levels of 5% of the gross value of fruit and vegetable to achieve increased productivity. The current level is around 3%.

A vibrant food growing sector provides the best underpinning for a viable food processing industry. The two sectors should be encouraged to collaborate more in the research and development area.

(iii) food labelling,

There is increasing consumer demand for clarity in labelling. Growcom recommends that there should be a legislative change to labelling which should restrict the use of the word “Australian”, “Made in Australia”, and other variants to products where *each significant ingredient has been grown in Australia, and that all or virtually all of the processes involved in the production of the good have occurred in Australia*, as per the current Australian Grown definition.

Currently a food product containing a large percentage of imported ingredients can be labelled “Made in Australia”, “Australian Made” or “Manufactured in Australia” so long as the product is substantially “transformed” in Australia. It must have undergone a fundamental change in form, appearance or nature, such that the product existing after the change is new and different from the product beforehand – with at least 50% of production costs incurred here. With the high cost of wages, our current high dollar, and the high cost other inputs in Australia compared with many countries from which we import, transformation need only be as simple as canning or wrapping a product to achieve 50% of production costs being incurred in Australia. This is then highly misleading to the consumer, who could purchase frozen vegetables or tinned fruit believing the produce was farmed in Australia, because the tin says “Made in Australia” or “Australian made.”

It is in the long term interest of the food processing sector to support clarity in labelling and ensure that consumers have the opportunity to establish the country of origin of their food. By supporting local growers and providing clear labels, processors can take advantage of the building momentum around locally grown product and can support their suppliers. Whilst at the moment raw materials are able to be sourced overseas, should predictions relating to food shortages come to fruition internationally, then these sources may dry up and the local industry may have disappeared as well.

The ‘Australian Grown’ definition is the most appropriate definition to be used to identify an Australian product.

(iv) cross-jurisdictional regulations,

(v) bio-security, and

(vi) export arrangements;

(c) 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;

(d) the effectiveness of anti-dumping rules;

The standard of proof required makes dumping very difficult to prove.

(e) the costs of production inputs including raw materials, labour, energy and water;

Growcom represents fruit and vegetable growers, who are at the bottom of the supply chain. Therefore any cost inputs at our level affect the whole supply chain. The relatively high minimum wage rates affect both the cost of picking and packing fruit & vegetable inputs and the cost of employing people to undertake the processing work. High levels of regulation and compliance from three separate levels of government also affect input costs at the farm and processing level. Horticulture producers are intensive users of water, energy and fertiliser. These input costs are increasing and while it is difficult to pass these costs on to the processing sector, there is obviously some knock-on effect.

For example, input costs and in particular wage rates in Australia are comparatively high, which has led to Golden Circle/Heinz moving its beetroot tinning operations to New Zealand. New Zealand appears to be the destination for many food processors looking for lower production costs. Australia needs to look at mechanisms for keeping farmers' input costs down which will in turn have benefit for the processing sector.

(f) the effect of international anti-free trade measures;

While Australia's tariff barriers are negligible, few of our major trading partners reciprocate. High tariffs and subsidies in Europe and America make it unviable for many processors to sell on the international market, and find them undercut on price in the domestic market by imports whose production has been subsidised.

(g) the access to efficient and quality infrastructure, investment capital and skilled labour and skills training;

A concerted effort needs to be made to improve transport infrastructure – both road and rail – in the interests of producers and processors.

Transport infrastructure is of a poor quality in much of Australia. The main freight route in Queensland – the Bruce Highway – is often cut by even the most minor localised flooding.

A number of range crossings on major Queensland highways were built in the 19th or early 20th century and are regularly closed from accidents, rain or

rockfalls. During the floods of early 2011, all three such crossings between the Darling Downs and Brisbane were closed, making deliveries of food in either

An inland railway connecting Melbourne, Brisbane and Sydney via central NSW, which is regularly discussed, would be of benefit to all involved in the food processing chain.

(h) any other related matter.