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House of Representatives Standing Committee on Agriculture
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Submission to the Inquiry into Food Security in Australia

Members of the National Food Supply Chain Alliance welcome the chance to provide input to this Inquiry, and thank the Committee for its focus on this important issue.

Australia is fortunate to be one of the world's most food secure nations, producing enough food to feed around 77 million people.ⁱ However, the events of recent years – from extreme weather, to the COVID-19 pandemic, and global conflicts and trade tensions – have exposed the fragility of Australia's food supply chains.

These events have been felt by everyday Australians who have experienced bare supermarket shelves and reduced product choice, as well as significant price volatility. These price impacts have been most pronounced in fresh produce, with fruit and vegetable prices soaring 19% in the year to August 2022.ⁱⁱ

The impact of these price and supply shocks on Australian households has been profound. Foodbank's *Hunger Report* released in October 2022 found that 21% of Australian households were facing severe food insecurity – meaning they had run out of food due to financial limitations or even experienced entire days without eating.ⁱⁱⁱ

Of course, Australia is not alone in facing these challenges. Globally, the number of people facing acute hunger has more than doubled – from 135 million in 2019 to 354 million today.^{iv} As a leading global exporter of safe and sustainable produce, Australia has an important role to play in contributing to global food security – particularly in our region.

It is therefore a rational step to take stock of the long-term pressures facing Australia's food supply chains and consider pathways to ease future disruptions and volatility.

About the Food Supply Chain Alliance

The National Food Supply Chain Alliance (the Alliance) represents all facets of Australia's food supply chain from farmers, cold storage and transport companies, processors, grocers and butchers, independent supermarkets, convenience stores, wholesale suppliers and distributors to food retailers including cafes, restaurants, hotels, and clubs.

In total, the Alliance is made up of nine national food industry associations which represent over 165,000 food businesses with a combined revenue of \$200 billion and who employ almost 1 million workers. They represent farmers, suppliers, distributors and retailers.

The Alliance was formed in 2022 to represent the interests of the small to medium, independent/family-owned enterprises which make up a significant share of the food supply chain, to ensure issues relating to Australia's food supply chain were appropriately prioritised by governments.

Challenges facing Australia's food supply chain

The operating environment for businesses along Australia's food supply chain is currently extremely challenging. The Alliance would like to draw the Committee's attention to the following impediments which currently limit our ability to meet food security challenges.

- **Extreme weather events** - in the past 4 years, much of Australia has experienced devastating drought, bushfire and flooding events. The Insurance Council of Australia 'Extreme Weather Report' released in October noted there have been 11 catastrophic weather events since Black Summer of 2019. A recent survey of farmers in NSW found two in three were experiencing flooding for the second year running.^v These events have significantly reduced farm production, and also caused significant damage to infrastructure – severing local and arterial supply lines needed to move produce to customers. Notable examples of this include the inundation of the rail link to Darwin in late 2021, and the recent train derailment between Adelaide in Melbourne in November 2022. The Intergovernmental Panel on Climate Change (IPCC) has warned that extreme weather events – like floods, heatwaves, fires and droughts – will become more frequent and more severe in Australia due to climate change.^{vi} The CSIRO said there is both a need and an opportunity to take 'preparedness' to the next level as we face increasing climate variability and hazard exposure, and drive a truly national response.^{vii}
- **Costs of doing business** – businesses along the length of Australia's food supply chains are facing a significant increase in their input costs. In the last 12 months many businesses are reporting total average increases of around 25% while operating on margins of just 2%. Farmers have seen fertiliser prices double, and prices for key herbicides increase by 500% in the space of 24 months. Every player in the supply chain is faced with the increasing cost of energy – with wholesale electricity prices more than doubling since 2021, and further increases forecast for 2023.^{viii} This is particularly acute for energy-intensive food processing and manufacturing businesses, and those in food cold storage, distribution and logistics. Food suppliers and distributors, who have large trucking fleets have been impacted enormously by the rising price of diesel fuel.
- **Freight and supply disruptions** – Australia relies on imports for several critical inputs that underpin our food supply chain. These inputs include: machinery and equipment used on-farm, and in logistics and processing facilities; ingredients, crop protection products (which are sourced from incredibly concentrated global supply chains – largely based in China); fuel; and fertilisers. Pandemic-induced disruption to global shipping saw the cost of shipping containers surge 500%, while here in Australia frequent industrial disputes and unfair market practices have continued to see delays and costs mount at Australian ports.^{ix} These disruptions have led to reduced output given the seasonal and time sensitive nature of these inputs, particularly for on-farm production.
- **Labour supply** – Australia's food supply chain has faced significant historical challenges attracting and retaining sufficient labour, with these issues pre-dating the COVID-19 pandemic. The workforce crisis in the food supply chain has been worsened by the pandemic, as the drop-off in global passenger movements has severed access to visiting workers from overseas. The Alliance currently estimates that vacancies exceeding 172,000 currently exist across the supply chain. As a result, farms, processing facilities, retail and food service businesses are currently operating at reduced capacity, leaving billions in potential revenue untapped.
- **Market concentration** – Australia's food supply chain is unique in the level of extreme concentration that exists in various markets. This has led many, including this Alliance, to call for changes to Australia's competition policy settings to make it easier for small to medium enterprises to compete and innovate without being subjected to unfair market practices.

- **Biosecurity** – Australia has an enviable reputation as being free of many pests and diseases endemic in other parts of the world. This is made possible due to our geography, coupled with our world class biosecurity system which has done a commendable job at defending Australia from pest and disease incursions. The threat environment Australia is now facing however is unprecedented, with Varroa Mite arriving on our shores this year, and catastrophic Foot and Mouth Disease (FMD) and Lumpy Skin Disease working their way through neighbouring countries in our region. A significant biosecurity incident remains one of the primary risks to Australia's food security, with an outbreak of FMD alone estimated to incur an economic cost of \$80 billion over 10 years.*

A Food Security Plan for Australia

Despite countless reports and research in recent decades, Australia has so far failed to produce a nationally co-ordinated, cross-portfolio assessment of risks to Australia's food supply chain along with measures to mitigate those risks.

The need for such an assessment continues to grow as the rate and severity of disruptive events has increased in recent years, with that trend forecast to continue.

There are many existing and emerging threats that could hamper Australia's ability to meet its own food security needs as well as its ability to contribute to global food security. Many of these (outlined above) are already inhibiting Australia's food production. Many more still, including future risks and vulnerabilities, could be identified through comprehensive supply chain risk mapping.

All these potential disruptors have never been brought together under 'one' co-ordinated national strategy. In order to prepare and plan for disruptions, we believe government and industry must work together to fully understand the complexities of our food system and how specific events might impact the various links in the food supply chain.

From both a government and industry perspective, research has shown many social and economic benefits from a more efficient, more sustainable and self-sufficient national supply chain.^{xi} It will provide more stability to food related businesses, boost innovation and technology, enhance the nation's food processing capacity, create jobs and most importantly, protect Australia's most vulnerable communities who feel the effects of food insecurity most acutely.

Recommendation

That Australia urgently establish a National Food Security Plan to reduce the impact of disruptors on the nation's food industry as well as trying to help reduce the impact on the Australian consumer. We envisage the development of the Plan be undertaken between the Australian Government and the Food Industry with input, from state and territory governments and relevant NGOs. This must be a truly 'whole of government' initiative – working across all relevant portfolios. The Alliance envisages the establishment of an Industry Advisory Group from the Food and Grocery Sector Forum (Information sharing network under Home Affairs). It will identify all relevant industry stakeholders to help mitigate current and emerging risks to Australia's food system. It will play a major role in the design and implementation of the Plan.

Conclusion

The Alliance once again thanks the Committee for its focus on what we believe is a pressing public policy issue for Australia.

The Alliance and its members look forward to supporting the Committee as it concludes its inquiry, and would welcome the opportunity to discuss the issues and recommendations raised in this submission in further detail.

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ⁱ Australian Farm Institute, 2011 <https://www.farminstitute.org.au/australia-exports-enough-food-for-61536975-people-give-or-take-a-few/>

ⁱⁱ Australian Bureau of Statistics, 2022 <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/monthly-consumer-price-index-indicator/latest-release>

ⁱⁱⁱ Foodbank Hunger Report, 2022 <https://reports.foodbank.org.au/foodbank-hunger-report-2022/>

^{iv} World Food Programme, 2022 <https://www.wfp.org/global-hunger-crisis>

^v NSW Farmers Member Survey, 2022 https://www.nswfarmers.org.au/NSWFA/Posts/Media_Releases/mr.181.22.aspx

^{vi} Sixth Assessment Report, Intergovernmental Panel on Climate Change, 2021 <https://www.ipcc.ch/report/ar6/wg1/>

^{vii} Report on Climate and Disaster Resilience, CSIRO, 2020 <https://www.csiro.au/en/research/natural-disasters/bushfires/report-climate-resilience>

^{viii} Statement on Monetary Policy, Reserve Bank of Australia, August 2022 <https://www.rba.gov.au/publications/smp/2022/aug/box-a-recent-developments-in-energy-prices.html>

^{ix} Drewry World Container Index, 2022 <https://www.drewry.co.uk/supply-chain-advisors/supply-chain-expertise/world-container-index-assessed-by-drewry>

^x Australian Bureau of Agriculture and Resource Economics and Sciences, 2022 <https://www.agriculture.gov.au/abares/research-topics/biosecurity/biosecurity-economics/fmd-update-of-2013-estimate>

^{xi} Exploring the growth potential of Australia's food manufacturing sector, Page Research Centre, 2021 <https://www.page.org.au/wp-content/uploads/2021/01/AIFST-RDS-2021-Exploring-the-growth-potential-of-Australias-food-manufacturing-sector-V2.pdf>