

Australian Food and Grocery Council

# SUBMISSION

**SEPTEMBER 2011**

**TO:**

**DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY**

**IN RESPONSE TO:**

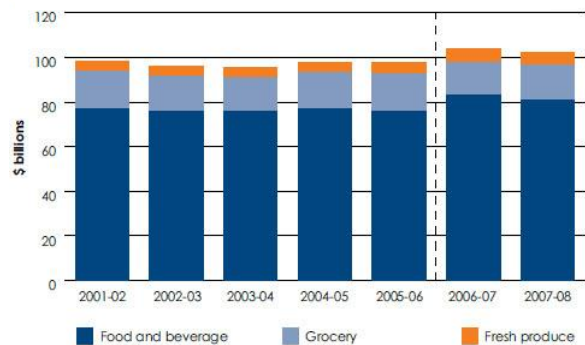
***NATIONAL FOOD PLAN ISSUES PAPER***



The Australian Food and Grocery Council (AFGC) is the leading national organisation representing Australia's food, drink and grocery manufacturing industry. Membership of AFGC comprises more than 150 companies, subsidiaries and associates which constitutes in the order of 80 per cent of the gross dollar value of the processed food, beverage and grocery products sectors. (A full list of members is included in Appendix A).

AFGC's aim is for the Australian food, beverage and grocery manufacturing industry to be world-class, sustainable, socially-responsible and competing profitably domestically and overseas. With an annual turnover of \$102 billion (Figure 1), Australia's food and grocery manufacturing industry makes a substantial contribution to the Australian economy and is vital to the nation's future prosperity.

Figure 1. Industries turnover (\$2007-8)



Source: ABS, catalogue number 8221.0 and 8159.0<sup>6</sup>

Manufacturing of food, beverages and groceries in the fast moving consumer goods sector<sup>1</sup> is Australia's largest and most important manufacturing industry, four times larger than the automotive parts sector – the food and grocery manufacturing industry is a vital contributor to the wealth and health of our nation. Representing 28 per cent of total manufacturing turnover, the sector is comparable in size to the Australian mining sector and is more than four times larger than the automotive sector. The industry's products are in more than 24 million meals, consumed by 22 million Australians every day, every week and every year. The food and grocery manufacturing sector employs more than 288,000 people representing about 3 per cent of all employed people in Australia paying around \$13 billion a year in salaries and wages.

The growing and sustainable industry is made up of 38,000 businesses and accounts for \$44 billion of the nation's international trade. The industry's total sales and service income in 2007-08 was \$102 billion and value-added increased to nearly \$27 billion<sup>2</sup>. The industry spends about \$3.8 billion a year on capital investment and over \$500 million a year on research and development. Many food manufacturing plants are located outside the metropolitan regions. The industry makes a large contribution to rural and regional Australia economies, with almost half of the total persons employed being in rural and regional Australia<sup>3</sup>.

It is essential for the economic and social development of Australia, and particularly rural and regional Australia, that the magnitude, significance and contribution of this industry is recognised and factored into the Government's economic, industrial and trade policies.

<sup>1</sup> Fast moving consumer goods includes all products bought almost daily by Australians through retail outlets including food, beverages, toiletries, cosmetics, household cleaning items etc..

<sup>2</sup> AFGC and KMPG. *State of the Industry 2010*. Essential information: facts and figures. Australian Food and Grocery Council. Oct 2010.

<sup>3</sup> About Australia: [www.dfat.gov.au](http://www.dfat.gov.au)

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## EXECUTIVE SUMMARY

The Australian Food and Grocery Council (AFGC) welcomes the opportunity to make this submission in response to the *National Food Plan Issues Paper*.

Australia produces an abundance of wholesome nutritious foods enjoyed by local consumers and many more overseas. There are, however, increasing concerns regarding the impact of food production on the environment, the rising levels of diet-related diseases and the capacity of local agriculture and food manufacturing to adequately meet the food needs of Australians into the future.

The *National Food Plan* is a unique opportunity to establish a coordinated policy framework guaranteeing a safe, nutritious, sustainable and affordable food supply derived largely from Australian foods and ingredients processed in Australia rather than being overly reliant upon imported foods.

**Delivery of the *National Food Plan* requires strong political commitment from the Government coupled with mechanisms to coordinate policy development and implementation across portfolios.** AFGC considers a Parliamentary Secretary for the *National Food Plan* supported by resources in the Department of Prime Minister and Cabinet will ensure the *National Food Plan* is delivered in a coherent and coordinated manner across all Government departments.

AFGC supports the main areas which the *National Food Plan* should address being food security, consumer health, sustainability. AFGC stresses, however, that an **internationally competitive domestic food manufacturing industry supported by a robust and responsive policy and regulatory framework is critical to ensure the food supply is secure, that it does meet the nutrition and health needs of consumers, and it is sustainable for the longer term.**

### ***A competitive food industry***

Currently the international competitiveness of the food manufacturing sector is under pressure due to:

- **margins being eroded** by increasing rising input costs – raw materials, energy, transport;
- **exchange rate effects** – with a high Australian dollar imported foods are becoming more competitive and exports less competitive putting downward pressure on prices in the domestic market and providing less revenue from export markets;
- **retail sector concentration** - retailers are pressuring their suppliers as they engage in aggressive price competition to win market share. Private label is taking a greater share of sales and retailers are limiting the range of branded food products resulting in product delisting. This environment is particularly difficult for Australian SMEs;
- **regulatory compliance costs** - State and Territory, and Commonwealth regulations including food standards, environmental regulations, planning regulations, occupational health and safety and workplace relations impose a high regulatory burden on industry . The lack of uniformity across jurisdictions in particular creates unnecessary compliance costs.

The decline in international competitiveness is confirmed by the continuing rise in imported foods, and the decrease in exports of foods. AFGC considers that under the *National Food Plan* specific Government actions to assist the competitiveness of the food manufacturing sector include:

- **introducing a co-regulatory Code of Practice for Supermarket Trading Relationships overseen by a Supermarket Ombudsman.** The Code of Practice would provide guidance on acceptable approaches for negotiating trading terms. The Ombudsman would adjudicate complaints arising from trading practices not consistent with the Code of Practice;
- **continuing reform of the food regulatory system** including uniform adoption of the Model Food Act and changing the voting arrangements of the Australia New Zealand Food Regulation Ministerial Council to proportionately reflect the size of the food manufacturing sector in jurisdictions. Moreover, AFGC considers it critically important that the preeminent role of Food Standards Australia New Zealand (FSANZ) be confirmed in the *National Food Plan* to mitigate the current moves by jurisdictions to circumvent the FSANZ processes for national uniform standard setting.
- **removing infrastructure bottle necks.** Infrastructure policy should address inconsistencies which exist across the regulatory requirements of jurisdictions which continue to impede the efficient transport of food products;
- **encouraging innovation** through support for a food manufacturing sector research and development (R&D) grants program which is designed specifically to support R&D aligned to nutrition and health and environmental objectives; and
- **securing multi-lateral and bi-lateral trade agreements** aimed at freeing up trade in food products, and particularly removal of tariffs imposed by countries overseas which continue to limit the export opportunities of Australian food manufacturers.

The *National Food Plan*, in addressing these areas, will re-establish and confirm the business case for food manufacturing in Australia, create more wealth particularly in rural and regional Australia and deepen and widen the economy increasing its resilience and productivity. As such it will contribute to the broader Government policy imperative of managing the current imbalances in the economy which is manifesting as an overall decline in some sectors of the economy, including manufacturing.

### **Sustainability**

The three pillars of sustainability are

- 1) **economic viability in the long term** - profits are needed for investment in more efficient business practices and processes;
- 2) **environmental protection** – to protect the natural environment and agriculture; and
- 3) **social equity and inclusion** – alignment with community social and cultural values.

AFGC considers that long term sustainability of the established food production systems (i.e. agriculture and fisheries) should have priority in the *National Food Plan*. It is important however that policies pursued by Government, particularly if they require action by industry, are effective and efficient in incorporating the three distinct but directly related pillars of sustainability. This can be assured if methodologies are developed which objectively:

- 1) **assess the environmental benefit** of actions such as reducing green house gas emissions;

- 2) **compare the benefits/costs** between issues such as green house gas emissions and water use; and
- 3) **relate the value to other options** to reduce environmental impact and improve resource efficiency.

The *National Food Plan* should incorporate a framework of relevant metrics to respond to sustainability issues and identify the most effective actions to move the agricultural and food manufacturing sectors to a more sustainable footing.

### **Food Security**

Although a relatively small producer of food, Australia through its food exports can contribute to global food security by helping to match the demand for commodities with supply, thereby alleviating upward price pressures and price volatility.

Domestic food security for most Australians means a continuing food supply that provides extensive choice in products (dairy, cereal, meat, fruit, fish etc.) year round, supports Australia's diverse cultural mix, derives from a range of production systems (e.g. conventional, organic etc.), has a health focus with nutrients content optimised (i.e. low saturated fat, low salt, etc ); and is safe, convenient and affordable. To assure this Australia will continue to be reliant on global trade in key ingredients, food additives and processing aids supplying domestic food manufacturers producing the particular products Australians need.

Food security is not the norm for some disadvantaged Australians. AFGC considers that by providing tax treatment incentives to food companies donating to Foodbank the current processes and mechanisms can be built upon providing more support to Australians who need it.

### **Nutrition and Health**

The continuing rise of diet-related chronic preventable diseases in Australia provides the imperative for the *National Food Plan* to address the food, nutrition and health issues. Indeed the Government is well advanced through the *Food and Health Dialogue* partnership with industry and other stakeholders in addressing aspects of this problem. AFGC also is currently refining plans for a major industry lead initiative in preventive health initiative focussing on reformulation of foods, better labelling and community programs.

AFGC considers the *National Food Plan* should extend beyond obesity and associated health problems, to consider dietary intakes of calcium, iron, iodine, folic acid, zinc, magnesium, omega-3 fatty acids and dietary fibre which are below optimal levels for many Australians. In this way it will complement the ongoing actions of Government and industry.

AFGC looks forward to providing further input into the *National Food Plan* as it develops through ongoing consultation processes.

## RECOMMENDATIONS

AFGC recommends that:

1. The vision for a *National Food Plan* aspire to deliver a policy framework and programs which guarantee the capacity of the Australian food manufacturing industry to provide a food supply that is:
  - Derived largely from Australian foods and ingredients, processed in Australia rather than being overly reliant on imported food products;
  - Rich and varied and able to meet all the needs of all Australian consumers, and many more overseas; and
  - Efficient and profitably produced by industry contributing to the wealth of the nation and the resilience of its economy with the minimum of environmental impact.
2. Governance arrangements of the *National Food Plan* comprise:
  - A Parliamentary Secretary responsible for delivery the *National Food Plan* within the commonwealth government supported by officers within the Department of Prime Minister and Cabinet;
  - A *National Food Plan* coordination group of senior departmental officers coordinating the *National Food Plan* across relevant government portfolios; and
  - A food sector advisory group of industry and other major stakeholders providing advice on the *National Food Plan*.
3. The *National Food Plan* and the *Food Processing Industry Strategy* be developed in concert to provide coordination, coherence and complementarity of policy settings across both activities.
4. The *National Food Plan* be considered an important element of the wider government policy agenda of widening and deepening the Australian economy.
5. The *National Food Plan* incorporate a commitment to ensure a consistent and coordinated approach to transport and infrastructure policy recognising the importance of efficient movement of goods around Australia in contributing to productivity growth.
6. The *National Food Plan* incorporate a strong commitment from governments to the principles of good regulatory practice as an indispensable, fundamental policy to which all government departments and agencies will adhere.
7. Under the *National Food Plan* the Commonwealth, with the States and Territories, work together to review, amend, and implement the Model Food Act as soon as practicable.

8. Further reform of the voting arrangements of the Australia New Zealand Food Regulation Ministerial Council to more equitably reflect the size of jurisdictions and their respective food manufacturing sectors.
9. The *National Food Plan* strengthen the commitment to a national food regulatory system with FSANZ recognised and promoted as the leading regulatory agency and the Food Standards Code the primary tool for regulating food as a consumed product – its composition, labelling and production processes.
10. The *National Food Plan* include development and implementation of a framework of methodologies specifically for the agriculture and food manufacturing sector for use in assessing and comparing the sustainability of industry activities and initiatives to improve them.
11. The *National Food Plan* include a policy framework for integrating the dual food supply objectives of providing sufficient levels of key nutrients to Australians as well as recognising the sustainability impacts.
12. The government continue to pursue multi-lateral and bilateral trade agreements as key elements of the *National Food Plan* recognising the key role international trade plays in contributing to both domestic and global food security.
13. the *National Food Plan* incorporate a risk analysis and management framework to protect long term a diverse food supply which meets the needs all Australians.
14. The *National Food Plan* consider providing a tax incentive for products and services manufactured and commissioned specifically for Foodbank as a practical measure to address the lack of food security among some disadvantaged groups of Australians.
15. The research work currently undertaken by CSIRO and the Australian defence forces on the supply of foods to remote regions be explored for wider application in civilian use, and particularly to support remote indigenous communities.
16. The government compensates companies which incur disproportionate costs in assisting with the provision of food and grocery supplies during national emergencies.
17. the *National Food Plan* recognises the challenge of maintaining the safety and integrity of food supplies against the backdrop of a global supply chain for food products and food ingredients becoming more extended and more complex encouraging adoption of the AFGC Product Information Form, or a derivative, as a global traceability tool for food products and ingredients.



18. Nutrition and health issues addressed by the *National Food Plan* be:
- Comprehensive in scope by examining policy options for addressing nutrient deficiencies of concern in the Australian population (i.e. calcium, iodine etc.); and
  - Aligned to, and not overlap with, other major government nutrition and health initiatives, and particularly the work of the Preventive Health Agency.
19. The *National Food Plan* include a comprehensive food, nutrition and health monitoring and surveillance program to inform food and health policy development and monitor programs following their implementation
20. The government, when developing policies and programs under the *National Food Plan* addressing industry productivity and competitiveness reflect the two broad areas in which it can act viz:
- Policy settings which can directly influence industry margins and profitability such as reducing regulatory compliance costs, and ensure risk and rewards are equitable along the supply chain, and
  - Specific programs to encourage innovation through research and development incentives and tertiary education support.
21. Under the *National Food Plan* the Government should establish a co-regulatory Code of Practice for Supermarket Trading Relationships and an Office of the Supermarket Ombudsman charged with overseeing the Code and ensuring and fairness in trading term negotiations along the supply chain and providing a mechanism to resolve disputes regarding trading practices.
22. That under the *National Food Plan*, and particularly as part of the *National Food Processing Strategy* a competitive grants program be established to support innovation which aligns specifically with objectives of the *National Food Plan* targeting better nutrition and health for Australians, emerging food safety issues, and sustainable industrial practices.
23. The *National Food Plan* be used to progress and promote a Brand Australia initiative to support the overseas marketing of Australia food commodities, food ingredients and ready to eat food products.
24. That under the auspices of the *National Food Plan* a comprehensive audit of competitiveness the food manufacturing in Australia and the factors which influence it be conducted.

## 1. INTRODUCTION

The Australian Food and Grocery Council (AFGC) welcomes the opportunity to make this submission in response to the *National Food Plan Issues Paper* released by the Department of Agriculture Fisheries and Forestry (DAFF).

This submission is in two parts:

1. general comments reflecting AFGC's long held view regarding the imperatives for government to develop a comprehensive national food and grocery agenda – i.e. a *National Food Plan*; and
2. responses to the overarching questions identified in the Issues Paper.

AFGC views on additional matters raised in the Issues Paper will be addressed in the general comments section.

AFGC recognises that the current consultation is the beginning of the policy development process and stands ready to further engage with the government as the *National Food Plan* develops.

## 2. GENERAL COMMENTS

### 2.1. A VISION FOR THE NATIONAL FOOD PLAN

Australia produces an abundance of wholesome nutritious foods enjoyed by local consumers and many more overseas. There are, however, increasing concerns regarding the impact of food production on the environment, the rising levels of diet-related diseases and the capacity of local agriculture and food manufacturing to adequately meet the food needs of Australians into the future.

**The *National Food Plan* is an exciting, once in a generation opportunity, to establish a broad reaching, comprehensive framework of policies and programs focused on food – how it is produced, how its processed, how it is distributed, and how it is consumed, and importantly how it contributes to the wellbeing of Australians as individuals, as a community and as a nation.**

AFGC considers that the vision for the agriculture and food manufacturing sectors should encompass the following two considerations:

1. that all [relevant] needs of Australian consumers are met through the foods available to them; and
2. that the industries providing those foods are as efficient and profitable as possible.

The first point goes to the important roles of the food supply in supporting the health of consumers and their social and recreational needs, the second goes to the value of the food producing industries being as profitable as possible, employing Australians, and generating wealth for the nation with minimal environmental impact.

It is the leadership role of Government to frame the vision in its entirety. The AFGC has, however, captured its vision for the food and grocery sector (Figure 2).

**Figure 2. A Vision for the Food and Grocery Manufacturing Sector**

Vision	Platform	Key elements
A growing, profitable and sustainable industry...	Robust Australian food & grocery manufacturing industry	<ul style="list-style-type: none"> <li>World class operating environment</li> <li>Lean and efficient supply chain</li> <li>A secure food source for Australia</li> <li>Consumer-driven innovation</li> <li>Preferred supplier to the world (growing export market)</li> </ul>
... Economically, socially and environmentally providing a secure source of safe food and groceries to Australians	Clean, green, healthy & safe products	<ul style="list-style-type: none"> <li>Greener industry and supply chain</li> <li>Reduced waste for a cleaner environment</li> <li>Improved health for the nation</li> <li>Guaranteed product safety and security</li> </ul>
An industry that partners in educating and empowering consumers...	Informed & empowered consumers	<ul style="list-style-type: none"> <li>Nutrition savvy consumers</li> <li>Clear and open food and product information</li> <li>Consistent, well-researched advice on healthy-eating and lifestyle</li> </ul>
... Within a best practice policy and regulatory framework that demands the highest food and grocery standards	Minimal regulatory burden on industry	<ul style="list-style-type: none"> <li>Agreed decision-making framework</li> <li>Comprehensive policy framework</li> <li>World renowned regulatory framework</li> <li>Full industry compliance</li> </ul>

The framework in Figure 2 reflects the multi-faceted nature which a *National Food Plan* necessarily must possess. It recognises the importance of food to the wellbeing of Australians, and food producing industries to the wellbeing of Australia. More importantly it brings the two together. It is critical that the *National Food Plan* reflect the fundamental maxim that the wellbeing of Australian consumers and the wellbeing of the food producing industries are intricately linked.

**Specifically the *National Food Plan* should guarantee that the Australian food manufacturing industry has the capacity to provide food supply meeting the requirements of Australians, and derived largely from Australian foods and ingredients processed in Australia rather than being overly reliant upon imported food products.**

### Recommendation

AFGC recommends the vision for a *National Food Plan* aspire to deliver a policy framework and programs which guarantee the capacity of the Australian food manufacturing industry to provide a food supply that is:

- derived largely from Australian foods and ingredients, processed in Australia rather than being overly reliant on imported food products;
- rich and varied and able to meet all the needs of all Australian consumers, and many more overseas; and
- efficient and profitably produced by industry contributing to the wealth of the nation and the resilience of its economy with the minimum of environmental impact.

## 2.2. DELIVERING A NATIONAL FOOD PLAN

**Implementation of a *National Food Plan* will require a dedicated function within Government.**

With agriculture and the food manufacturing industries at its centre, the *National Food Plan* will have an impact upon other industries and sectors (i.e. health industries, tertiary education sector etc.) during development or implementation. It will necessarily require a high level of cross-portfolio coordination within the Commonwealth Government as well as engagement with States and Territories on specific issues.

AFGC considers the Government mechanisms for the development and implementation *National Food Plan* should comprise:

1. **a Parliamentary Secretary** within and supported by the Department of Prime Minister and Cabinet (DPMC). The role of the Parliamentary Secretary would be to deliver the Government's policy objectives described in the *National Food Plan* and report back to Government;
2. ***National Food Plan* officers** within the Department of Prime Minister and Cabinet responsible for coordinating and liaising with other departments to implement the *National Food Plan*. The officers should review other major Government policy initiatives seeking opportunities for closer alignment with the *National Food Plan* (where appropriate) and providing alerts if conflict with the *National Food Plan* becomes apparent.

**Most importantly by reviewing Policy and/or Regulatory Impact Statements** they will ensure the integrity of the *National Food Plan* is not inadvertently and unnecessarily compromised by other major policy developments by Government.

Staff resources could be seconded from other departments to facilitate communication between Government departments when cross-portfolio implementation is required.

3. **a *National Food Plan* Coordination Group of senior departmental officers**, chaired by the Parliamentary Secretary, responsible for aligning the activities of their departments with the *National Food Plan* objectives, implementing specific programs relevant to their departments, including through making available and assigning the necessary resources; and
4. **a *Food Sector Advisory Group*** providing advice to Government on the development and implementation of the *National Food Plan*.

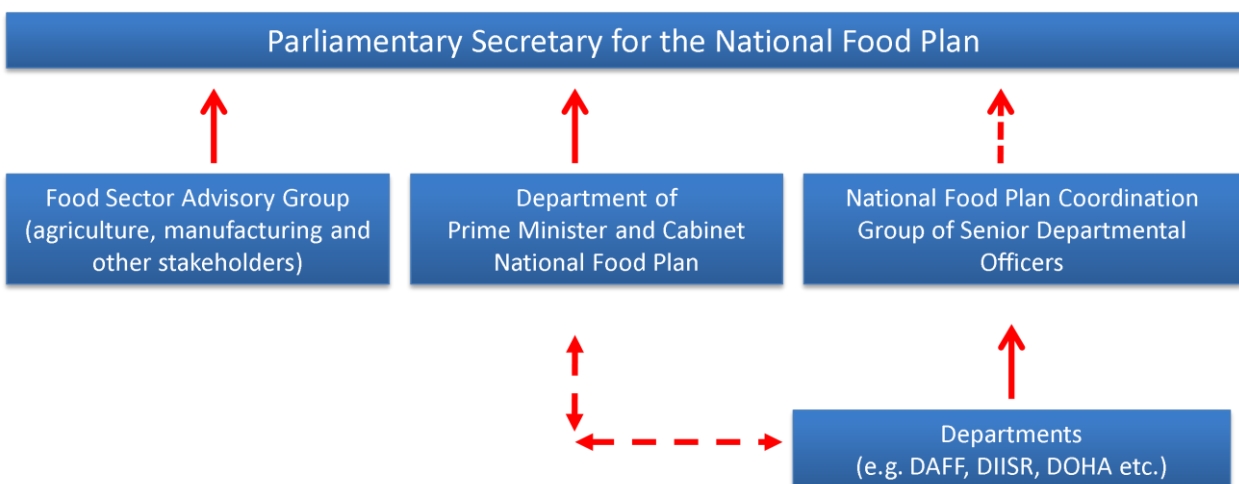
The rationale for placing primary responsibility with a Parliamentary Secretary is to provide the *National Food Plan* with the dedicated political support it will need to drive it through the political process. Placing bureaucratic support with DPMC will provide the necessary process support and raise the *National Food Plan* above potential competing priorities within the Departments (i.e. DOHA, DAFF, DIISR etc.) which may have responsibility for implementation of programs under the *National Food Plan*.

**Recommendation**

**AFGC recommends that governance arrangements of the *National Food Plan* comprise:**

- **a Parliamentary Secretary responsible for delivery the *National Food Plan* within the Commonwealth Government supported by officers within the Department of Prime Minister and Cabinet;**
- **a *National Food Plan* Coordination Group of senior departmental officers coordinating the *National Food Plan* across relevant Government portfolios; and**
- **a *Food Sector Advisory group* of industry and other major stakeholders providing advice on the *National Food Plan*.**

**Figure 3. Proposed arrangements for delivering the *National Food Plan*.**



AFGC also notes the government has an additional, substantial policy initiative relevant to the food manufacturing industry – the *Food Processing Industry Strategy*<sup>4</sup>. AFGC considers it critically important that development of the *National Food Plan* and the *Food Processing Industry Strategy* are coordinated. In essence, the latter should form a major part of the former so that the two together are coherent and complementary.

#### Recommendation

**AFGC recommends that the *National Food Plan* and the *Food Processing Industry Strategy* be developed in concert to provide coordination, coherence and complementarity of policy settings across both activities.**

### 2.3. DRIVERS FOR A NATIONAL FOOD PLAN

**Food is central to the health and well-being of all Australians.** And indeed, until very recently the vast majority of Australians have enjoyed an ever increasing range of foods which have become more accessible, more affordable, safer, and more nutritious over the last 50 years. There are, however, increasing concerns regarding:

- the security of the food supply, particularly at the global level and ability to feed the world's growing population;
- the sustainability of the food supply and particularly the impact of different food production and manufacturing systems and waste products (e.g. CO<sub>2</sub>, packaging) on the environment;
- the safety of the food supply and the ability to preserve its integrity with ever increasing levels of international trade in foods and food ingredients and the potential for food borne hazards to readily cross national boundaries; and
- the composition of the food supply, and particularly in the context of the nexus between diet and health and the increasing evidence that substantial changes to the composition of foods, and greater effort on encouraging better dietary choices may be required to address the increasing levels of diet-related chronic preventable diseases.

This is against the backdrop of increasing uncertainty regarding:

- the real impacts of climate change on the productive capacity of food producing systems (i.e. agriculture and fisheries) systems and the ability to adapt those systems to global warming;
- potential and real shortages of inputs (energy, fertiliser, water, land and labour) critical to global food production keeping pace with population growth; and

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<sup>4</sup> [http://minister.innovation.gov.au/Carr/MediaReleases/Pages/FOOD\\_PROCESSING\\_INDUSTRY\\_STRATEGY\\_GROUP\\_ESTABLISHED.aspx](http://minister.innovation.gov.au/Carr/MediaReleases/Pages/FOOD_PROCESSING_INDUSTRY_STRATEGY_GROUP_ESTABLISHED.aspx)

- geopolitical disruption to international markets resulting from government interventions attempting to control both price and supply of major commodities which may become prone to high price volatility due to supply only just matching, or falling short, of demand.

The net result is increasing concerns that food prices have reached a low point and will now start to rise, with concomitant concerns regarding food security not only for millions in the developing world, and but also for some less well-off in the developed countries, including Australia. In contrast to concerns regarding possible shortages of food stuffs, overconsumption, particularly of risk-associated nutrients (e.g. saturated fat and sodium) is of increasing concern to governments. In Australia levels of adult obesity continue to rise, with diet-related chronic preventable diseases also trending upwards.

**The security, sustainability, safety, and composition of the food supply against a backdrop of uncertainty are primary drivers for Government to develop a *National Food Plan***

**An additional important driver for a *National Food Plan* is the major contribution food production and food processing sectors make to the national economy.** Agriculture and food manufacturing are major employers value-adding to the domestic economy and as well as earning substantial amounts of foreign exchange. They both play an important role in rural Australia – for example, almost half of the food manufacturing workforce is in rural and regional areas.

**More importantly, however, is the central role food production and manufacturing has in addressing issues of food security, sustainability, food safety and preventive health** – a role which relies critically on the industries remaining profitable and competitive in global markets. Simply put, the industries cannot invest and reinvest in new innovative new production systems, processes and products if they are not profitable. **More fundamentally the return on investment in these industries must be competitive to attract capital to invest and reinvest.**

## **2.4. A COMPETITIVE AND ROBUST FOOD MANUFACTURING SECTOR**

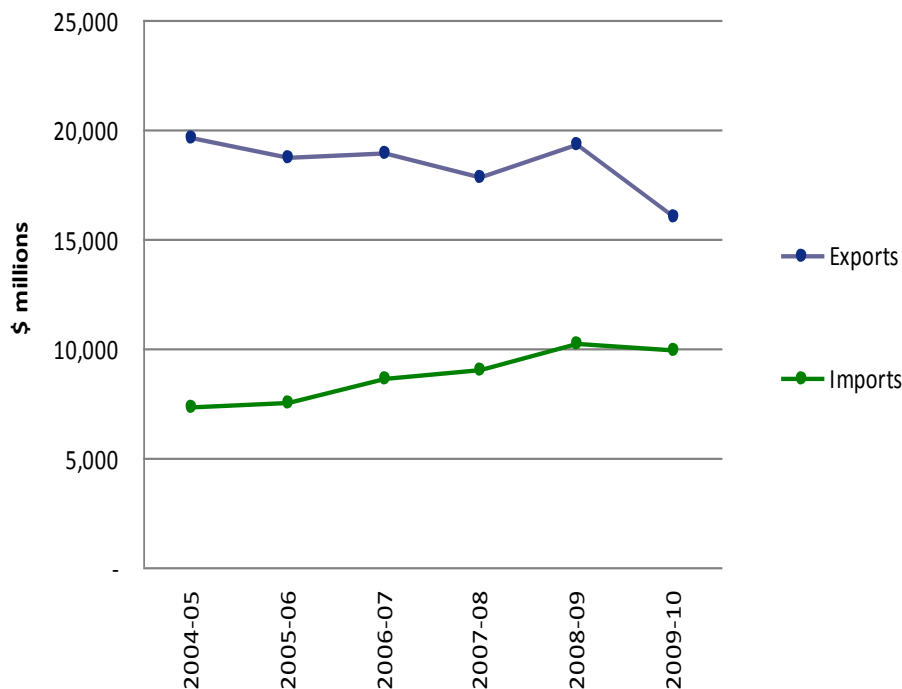
**AFGC considers that first and foremost a primary objective of the *National Food Plan* should be to have an internationally competitive domestic food manufacturing industry** – it is the *sine qua non* of all other matters which a *National Food Plan* might seek to address.

Historically, the food manufacturing sector has been highly successful with a sustained period of growth of exports of manufactured foods through the 1990s and into the beginning of this century. More recently, however, there has been a substantial decline in exports. At the same time imports of manufactured foods has grown significantly. The net effect has been a decrease in the trade surplus of some \$6 billion p.a. of manufactured foods in from 2004-5 to 2009-10 (Figure 6). This is strong empirical evidence that the international competitiveness of the food manufacturing sector has eroded substantially in recent years.

AFGC considers there are number of factors which have contributed to the erosion of the competitiveness of the food manufacturing sector in Australia. Some relate to international factors, others reflect the changing dynamics of domestic business environment.

All, however, have the effect of diminishing profits, eroding returns on investment and undermining the business case for food manufacturing in Australia.

Figure 4. Imports and exports of substantially transformed food products<sup>2</sup>.



#### 2.4.1. Pressure on margins

Constant downward pressure on margins is reducing the profitability of food companies restricting their ability to attract capital to reinvest in innovation, business development and new plant and equipment. This applies both to Australian companies, and multi-nationals looking at investment opportunities in Australia. The pressure on margins is coming from:

- **rising input costs** – the costs of raw materials (commodities and ingredients), energy, transport, and labour are all trending upwards; and
- **exchange rate effects** – with a high Australian dollar imported foods are becoming more competitive and exports less competitive putting downward pressure on prices in the domestic market and providing less revenue from export markets.

The Government has little direct influence on these factors. The Government should, however, be cognisant of their effects on the business environment and factor them into its policy and regulatory settings. AFGC considers it beyond the scope of this submission to discuss the Government's macro monetary and fiscal policies. AFGC is concerned, however, that the current economic environment in Australia with the "two speed economy" driven by the boom in the mining sector is creating economic pressures in other sectors of the economy, including the food manufacturing sector, which threaten their long term viability. **It is incumbent upon Government to consider this issue and develop**



**policies which are designed to maintain a diverse and resilient economy with long term durability thus providing a basis for wealth creation for current and future generations of Australians.** The *National Food Plan* should be a central element of the Government's policy response to this issue.

#### Recommendation

**AFGC recommends that the *National Food Plan* be considered an important element of the wider Government policy agenda of widening and deepening the Australian economy.**

Pressure on the margins, and therefore the profitability of food manufacturers is also coming from factors which are well within the Government's control including:

- **regulatory compliance costs** – food manufacturers are faced with a slowly increasing regulatory burden. Compliance cost with government regulations at State and Territory, and Commonwealth level are high. These include food standards and regulations, environmental regulations, planning regulations, occupational health and safety and workplace relations requirements. The lack of uniformity across the Commonwealth, State and Territory jurisdictions is a problem in itself, as are the tortuous processes for changing regulations once they are in place. The importance of reducing this regulatory burden has been recognised by Government and action has been taken through the Council of Australian Government's (COAG) regulatory reform agenda under the *National Partnership to Deliver a Seamless National Economy*<sup>5</sup>. AFGC considers there remains considerable scope for further regulatory reform in the food industry. This issue is dealt with in more detail in Section 2.5.
- **retail sector concentration** - retailers are putting more pressure on their suppliers (both manufacturers and fresh food suppliers). Both major retailers in Australia are engaged in aggressive price competition which, whilst arguably benefiting the consumer, is punishing food producers and manufacturers who are absorbing most of the cost. Private label is taking a greater share of sales with retailers able to contract manufacturer anywhere in the world rather than being tied to manufacturing assets in Australia. Retailers are also limiting the range of branded food products offered, resulting in product de-listing. This environment is particularly difficult for Australian SMEs. This issue is dealt with in more detail in Section 2.9

#### 2.4.2. Impediments to Growth and Profitability

##### *Business certainty*

The current uncertain times are derived, to some extent, from the unprecedented events in financial markets and the lack of consensus regarding their implications in the longer term. This is unsettling consumers resulting in reduced spending and therefore revenue in the retail sector. It is also unsettling for business considering investment options.

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<sup>5</sup> <http://www.coagreformcouncil.gov.au/agenda/index.cfm>

**Against this backdrop, certainty in Government regarding their policies and programs is crucial.** The ongoing debates on climate change and water scarcity are having a negative effect on business investment. Uncertainty surrounding carbon pricing and its effects on trade exposed industries, such as food manufacturing, are particularly unsettling. Similar comments apply to water availability and the potential impact of Government policies in areas such as food labelling which in the longer term may need to reflect water usage by agricultural and manufacturing systems.

### ***Innovation***

Less R&D activity takes place in the Australian food manufacturing sector now compared to a decade ago due to a number of factors including:

- the consolidation of the industry through mergers and acquisitions and decisions by Australian arms of multi-nationals to source technical innovations off-shore;
- reduction in support for food science and nutrition research in research providers such as CSIRO, State departments and the Universities; and
- reduction and elimination of specific support schemes by Government (i.e. the Food Innovation Grants Scheme) and erosion of the value of general schemes (i.e. R&D tax concession).

AFGC is not seeking a food industry specific R&D assistance package; rather under the *National Food Plan* AFGC is looking towards an innovation strategy led by Government in which the AFGC and other industry members can partner. A more strategic approach to R&D is discussed in Section 2.9.

### ***Skilled Workforce***

As with other parts of the economy there is shortage of skilled workers within the food manufacturing sector. With 50% of manufacturing in rural and regional areas it is difficult attracting workers against the high levels of wages in other sectors such as mining.

AFGC has recognised that a technically skilled workforce is crucial to innovation and productivity growth. As a result the AFGC has partnered with the University of Queensland (UQ) to fund a new *Australia Food and Grocery Council Professorial Appointment in Food Science and Technology*. This partnership will commence in January 2012.

This initiative promises greater support for innovation in the food industry – particularly in Queensland. The success of the program relies heavily on food companies engaging with the AFGC and UQ to participate in scholarship programs. AFGC considers there is scope for activities under the *National Food Plan* to include a specific initiative encouraging greater industry uptake of scholarship programs. This is discussed in Section 2.9.

### ***Infrastructure Bottlenecks***

The Transport and logistics industry is an important industry for Australia generating approximately 14.5% of the nations GDP. A great proportion of the freight movements in Australia carries food

products often moving across large distances from production in rural and regional centres to the major population areas on the east coast. Accordingly, it represents a significant cost to the food sector business when bottlenecks and inconsistencies in the movement of freight occur.

It is estimated that by 2020 the freight task across Australia will double, with local demand increasing by as much as 60% and increasing three fold by 2050. It is therefore imperative that there be ongoing improvements in infrastructure to handle the increasing task in an efficient and effective manner.

COAG has recently supported national regulators for heavy vehicles, rail safety and maritime safety putting in place a national law for each of the modes, administered by a single regulator. This is critical to boosting productivity, increasing efficiency and improving safety in freight transport and logistics industry, estimated to be worth \$30 billion to the national economy.

The *National Food Plan* should recognise the importance of the requirements to transport food across large distances in a manner that ensures it arrives in a condition that is safe and affordable for Australians. To do this freight and infrastructure policy development across the nation should be coordinated and implemented in a way that ensures there is minimal inconsistency across jurisdictions. In addition where bottlenecks occur it is critical that there are effective measures to ensure they can be resolved and removed in an efficient way. Such actions could include support for rail infrastructure between major distribution hubs and measures including where necessary regulation that supports and optimises the use of high productivity vehicles. These actions, if implemented will contribute to productivity across the agriculture and food manufacturing sectors, as well as boosting the productivity across the wider economy.

#### Recommendation

**AFGC recommends that the *National Food Plan* incorporate a commitment to ensure a consistent and coordinated approach to transport and infrastructure policy recognising the importance of efficient movement of goods around Australia in contributing to productivity growth.**

## 2.5. FOOD REGULATORY POLICY

### 2.5.1. Committing to Best Regulatory Practice

**Australia's food regulatory system is almost in disarray.** The long established policy principles of nationally consistent food regulation being developed through the processes of Food Standards Australia New Zealand (FSANZ) are now being circumvented. Consequently, food regulations are being promulgated:

- 1) without adequate industry consultation, or indeed wider stakeholder consultation;
- 2) without clear public benefit objectives being identified and evidence of effectiveness being presented; and
- 3) without the preparation of Regulatory Impact Statements justifying the regulatory impost.

Examples of such regulations include:

- 1) the gazettal in New South Wales of Food Amendment Bill 2010 requiring the display of nutritional information on menu boards and food displays; and
- 2) Food Standards Amendment (*Truth in Labelling Palm Oil*) Bill 2011.

**The latter is one of a number of Bills currently before the Parliament seeking to amend the FSANZ Act such that FSANZ's formal processes of standards development would no longer operate.**

AFGC considers this to be an extremely retrograde step. It is counter to agreements made between the Commonwealth, States and Territories and New Zealand regarding the way consistent [bi]-national food regulations would be developed. It is counter to the COAG's agreed regulatory policy<sup>6</sup>. And it is counter to the current business regulation reform agenda of the Government under the *National Partnership to Deliver a Seamless National Economy*<sup>7</sup> initiative. **Promulgation of regulation without demonstrated value is wasteful. It imposes additional unnecessary costs on industry and government.**

**A central element of a *National Food Plan* must be a cast iron commitment from Government and its agencies to the well established principles of good regulatory practice.**

#### Recommendation

**AFGC recommends that the *National Food Plan* incorporate a strong commitment from Governments to the principles of good regulatory practice as an indispensable fundamental policy to which all government departments and agencies will adhere.**

#### 2.5.2. Ongoing Regulatory Reform

Food regulation reform has been on the Governments policy agenda for some time under the *National Partnership to Deliver a Seamless National Economy*. A number of reforms have been made including:

1. amending the voting arrangements of the Australia New Zealand Food Regulation Ministerial Council (ANZFRMC);
2. establishing a central interpretive advice function within FSANZ; and
3. conducting the comprehensive review of food labelling policy and law (Blewett Review).

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<sup>6</sup> COAG's *Principles and Guidelines for National Standard Setting and Regulatory Action by Ministerial Councils and Standard-Setting Bodies*. Commonwealth of Australia. 2004.

<sup>7</sup> <http://www.coagreformcouncil.gov.au/agenda/index.cfm>

### ***Model Food Act***

AFGC considers there is further scope for regulatory reform and streamlining food regulatory arrangements in Australia. Specifically, the States and Territories have yet to adopt the Model Food Act and amend their food regulatory arrangements accordingly. AFGC considers this should be an immediate priority of the *National Food Plan*. It will result in a reduced overall compliance costs on the food manufacturing sector leading to greater productivity across the sector. It is, however, sometime since the Model Food Act was developed. AFGC considers it appropriate to review the current Model Food Act and amend it if necessary. Subsequently the Government should work with counterparts in the States and Territories to adopt the Model Food Act as soon as possible. **That the Model Food Act has not yet been adopted is a poor reflection on progress towards a national food regulatory system.**

#### **Recommendation**

**AFGC recommends that under the *National Food Plan* the Commonwealth, with the States and Territories, work together to review, amend, and implement the Model Food Act as soon as practicable.**

### ***Ministerial Council Reform***

Current voting arrangements of the ANZFRMC assign one vote to the Commonwealth, one to New Zealand, and one to each of the States and Territories. This arrangement effectively disenfranchises New Zealand and the States with sizable food industries – particularly Victoria and New South Wales. These states are underrepresented on the ANZFRMC based on two criteria viz:

- per capital representation the most populous jurisdictions have no more influence on ANZFRMC than the smallest jurisdiction – i.e. the ACT; and
- the size of the industry being regulated. About a third of Australia's food manufacturing sector is in Victoria, with almost none in the ACT.

The net effect is that New Zealand, Victoria and NSW have to wear the burden of regulatory costs on their industries, on some occasions by the majority vote of jurisdictions with little or no food industry. Whilst New Zealand can and does opt out of some food standards, Victoria and NSW do not have that flexibility. Against this backdrop of inequity stemming from the disconnect between the imposition of regulation and the jurisdictions required to suffer the costs, there is a strong case for reform of the voting arrangements of the Ministerial Council

#### **Recommendation**

**AFGC recommends that further reform of the voting arrangements of the Australia New Zealand Food Regulation Ministerial Council to more equitably reflect the size of jurisdictions and their respective food manufacturing sectors.**

### *FSANZ as the national regulator*

**AFGC is concerned that Food Standards Australia New Zealand (FSANZ) is not receiving the support the leading national food regulatory should be afforded**, from a range of stakeholders. More specifically, AFGC has been surprised at the level of criticism, directed at FSANZ by stakeholders. This includes criticism from within other government departments, including in State and Territory jurisdictions.

AFGC considers this criticism is a result of a number of factors, viz:

1. some stakeholders simply do not understand the food regulatory system and the constraints FSANZ operates under. This leads to them feeling that FSANZ is unresponsive to their concerns;;
2. some stakeholders do not agree with the outcomes of FSANZ's processes considering FSANZ's science-based approaches are inappropriately applied to some issues and given too much weight – public health advocates are often critical of the risk analysis procedures used by FSANZ; and
3. some see the FSANZ regulatory system as constraining their own opportunities to pursue particularly regulatory agendas, and therefore seek ways to circumvent FSANZ processes. States and Territories have moved down this path.

AFGC considers such high levels of criticism damaging the FSANZ. This undermines consumer confidence in the regulatory system and ultimately the consumer confidence in the food supply.

**AFGC considers FSANZ to be reasonably effective and reasonably efficient.** There is always room for improvement but on most issues AFGC agrees with the FSANZ outcomes – indeed when science is the primary determinant of regulatory outcomes it would be surprising if AFGC did not agree. On some issues where the science is less a of a driver of outcomes AFGC has disagreed with FSANZ – for example during the current development of the draft *Nutrition, Health and Related Claims* standard.

AFGC considers it critically important that with a national food regulatory system the national agency should be the lead agency commanding appropriate authority. In this regard **AFGC considers the *National Food Plan* should include a commitment to a strong national food regulatory system with FSANZ as the central and coordinating element, and the Food Standards Code the primary tool for regulating food as a consumed product – its composition, labelling and production processes.**

#### Recommendation

**AFGC recommends the *National Food Plan* strengthen the commitment to a national food regulatory system with FSANZ recognised and promoted as the leading regulatory agency and the Food Standards Code the primary tool for regulating food as a consumed product – its composition, labelling and production processes.**

### 2.5.3. Regulating to promote public health

A major role of food regulation is to protect the consumer from food borne hazards to health and to provide them with information about the product to assist with appropriate consumption. The rising rates of diet-related chronic preventable diseases have led to suggestions that food regulation be used to try to address the issue through restrictions on food formulation, food labelling and food marketing.

AFGC considers there are some fundamental differences between food safety issues, and diet -related health problems which makes the latter ill suited to be addressed by regulation. The differences are highlighted in the Figure 5. Food safety issues stem from food borne hazards are clearly identifiable and measurable and have well described detrimental effects on health at defined levels. Therefore a firm basis for determining whether a food is or is not safe can be established, and prescribed in regulation. This is not the case for risk-associated nutrients. Not only have safe, or unsafe levels, of these nutrients in foods not been described, it is considered scientific nonsense to do so. It is the levels of nutrients in diets which are associated with health risk, and moreover the level of risk is moderated by non-food factors such as physical activity.

**Figure 5. Comparison between the distinguishing characteristics of food safety and preventive health**

Food Safety	Preventive Health
Most in population are affected (not all)	Many in population are unaffected
Acute health problems (mainly)	Chronic health problems
Single agents of harm (chemical, physical, microbial)	Multi-factorial aetiology (genotype, nutrition, physical activity, smoking etc.)
Few interactions between agents and environment factors	Strong interaction between agents, environment, behaviour (e.g. lifestyle)
Consumption can be linked directly to health outcomes	Consumption is often difficult to link to health outcomes.
Strong evidence base at <b>food</b> level	Strong evidence base at <b>diet</b> level
Unsafe levels can be defined in <b>foods</b>	Difficult to define unsafe levels in foods, but can in <b>diets</b>
<b>Food</b> Based – which can be regulated	<b>Diet</b> based – more difficult to regulate

Diets, by definition, are determined by the consumer. Influencing consumer behaviour becomes paramount in securing better population level health outcomes and food regulation *per se* is poorly suited to securing consumer behavioural change.

Indeed it is a fundamental maxim of public health that interventions reaching a majority of the population rather than reaching all of the population are preferable – this is the law of diminishing returns where incremental costs to reach each and every individual increases greatly. Public health interventions in partnership with industry such as the Food and Health Dialogue are consistent with this maxim. **Food regulation, on the other hand, reaches all foods and therefore all individuals. This alone casts doubts on its efficiency as a public health measure used for preventive health purposes.**

## 2.6. SUSTAINABILITY

It is generally accepted that the three pillars of sustainability are

- 4) **economic viability in the long term** - industry must be profitable to generate the funds required for investment in more efficient business practices and processes;
- 5) **environmental protection** – to protect the broader natural environment and grow the productive capacity of food producing systems which depends critically on its health; and
- 6) **social equity and inclusion** – alignment of production and business systems with community social and cultural values is central to their long term success in providing for the needs of consumers.

With such broad scope sustainability should clearly be a cornerstone of the *National Food Plan* as it permeates through all issues including nutrition and health, industry competitiveness, food security, and regulatory policies – this submission addresses those issues in other sections. This section will deal directly with environmental protection.

**AFGC considers that long term protection of the environment and embedded food production systems (i.e. agriculture and fisheries) should have priority in the *National Food Plan* and be listed as a major objective.**

As with other sections of the economy the agriculture and food manufacturing sectors are coming under increasing pressure to reduce their environmental footprint. Indeed these industries are investing considerable sums in making more efficient use of energy, water, and other inputs whilst at the same time reducing the release of waste and other materials into the environment.

Concerns are around green house gas emissions from agriculture practices in particular are placing pressure on the agriculture industries to modify farming practices to reduce green house gas emissions and increase carbon sequestration on farm.



At the same time food companies are seeking ways to reduce water use and better manage the use of packaging material and its disposal. AFGC strongly supports these activities as being important for the sustainability of the industries in the longer terms. Indeed many of the measures taken by food companies also make *prime facia* economic sense.

**AFGC is concerned, however, that whilst these activities are supportable in their objective, their real impact in terms of providing higher levels of environmental protection is uncertain, particularly if viewed through the lens of cost effectiveness and efficiency.** Given that businesses have finite resources for investing in making changes providing greater levels of environmental protection, and those investments necessarily compete with other business investment options – such as product innovation, staff training, market and business development - it is important that each dollar spent is providing real benefit. Australian food and agricultural industries require better means of firstly measuring environmental costs and benefits of any particularly action, and secondly a framework for assessing for comparative purposes measures which might be taken to mitigate different environmental concerns. Specifically, methodologies are required which provide an agreed approach for objectively:

- assessing the environmental benefit of actions industry might take to reduce its environmental footprint – such as reducing green house gas emissions or reducing water use;
- comparing the environmental benefits/costs between issues such as green house gas emissions and water use; and
- relating the value back to other business investment options to reduce environmental impact and improve resource efficiency.

AFGC considers, therefore that a focus of the *National Food Plan* should incorporate the core issues of sustainability for the sector (economic, social and environmental) specifically, developing a framework of relevant metrics to assist in measuring sustainability. This framework would help underpin decision making not only in public policy across the relevant government departments responsible for issues like water, waste and energy and including state jurisdictions but also in companies addressing sustainability and environmental issues. This would allow the most effective actions to be identified and implemented to assist the agricultural and food manufacturing sectors to move to a more sustainable footing.

#### Recommendation

**AFGC recommends that the *National Food Plan* include development and implementation of a framework of methodologies specifically for the agriculture and food manufacturing sector for use in assessing and comparing the sustainability of industry activities and initiatives to improve them.**

With the development of a rigorous, objective framework for assessing policy and industry sector specific initiatives, the *National Food Plan* will be well placed to incorporate the issues of water, waste, energy and social issues at the high level and initiate specific but coordinated activity on each. These initiatives should facilitate a cooperative and collaborative approach between different industry sectors

coordinated by Government within the *National Food Plan* to deliver an effective mix of policy and programs. **The policy and programs should be focussed on improvements to the operating environment that increases the capacity to produce and provide food for the domestic and international market – but from a food system in Australia which is continuously improving its environmental credentials based on agreed standards and methodologies.**

A range of public and private standards are already being developed to measure certain aspects of environmental sustainability, and the AFGC is part of a preliminary forum of food manufacturers, retailers and other members of the supply chain that are discussing common approaches and standards on sustainability. **The *National Food Plan* can play a key role in coordinating these activities as well as setting national minimum standards for sustainable production to encourage adoption of practices and new technologies to cope with environmental stresses and adapt to climate change.**

### 2.6.1. The link between Sustainability and Health

A sustainable diet has many attributes – health, nutrition, access, affordability, environmental footprint, which themselves are linked to production methods, sourcing of supplies (for example fish, palm oil), transport, water use, animal welfare and support for food growers in developing countries (for example Fairtrade or Rainforest Alliance). Community awareness and debate on sustainable diets has become more informed and mainstream encompassing various complexities and trade-offs between food choices. This challenges the sector and also consumers as different production methods have different environmental, social and economic impacts. Current approaches to measuring the sustainability impact of food products tend to focus on single issues, such as carbon or water. Presenting the full picture is a much greater challenge, but should be better understood to assist in the sometimes conflicting information on diets, sourcing arrangements and supply chain requirements for a sustainable food supply.

Data on what constitutes a sustainable diet is still developing, but there is a growing level of uncertainty around the tradeoffs that the consumer may be forced to make between affordability (i.e. price), environmental and nutritional requirements. The issue of seafood consumption is a topical example to demonstrate the point. Nutritionists recommend fish be included in diets for health reasons (i.e. provision of omega-3 oils). There are, however, concerns that some fish stocks are being, or have already been, over-fished to the extent that they are no longer sustainable or viable as a source. The conflicting demands of increased seafood consumption for health reasons may not match up with the pressures of maintaining a viable and sustainable seafood supply base. Similarly red meat is a recommended inclusion in most healthy diets, but carbon dioxide emissions from ruminant livestock contribute to green house gases. AFGC is of the view it to be the role of the *National Food Plan* to consider, and provide guidance through its policies to the potential conflict between to nutritional and environmental goals of Australia's food production and manufacturing sector. AFGC considers this can most sensibly be addressed by developing metrics which appropriately describe the environmental impact of food production and manufacture. This can then be integrated with nutrient requirement data

to provide reliable assessments of the environmental impact of nutrient provision to meet dietary requirements at the population, sub-group and individual level.

### Recommendation

**AFGC recommends that the National Food Plan include a policy framework for integrating the dual food supply objectives of providing sufficient levels of key nutrients to Australians as well as recognising the sustainability impacts.**

## 2.7. FOOD SECURITY

### 2.7.1. Domestic Food Security

The Food and Agriculture Organisation defines **food security** as :

*“Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life<sup>8</sup>”.*

**Food security, should not, however, be confused with food self-sufficiency.** Australia has self sufficiency in protein and energy. Indeed Australia is a large net exporter of both in the form of commodities (meat, milk powder, grain and oilseeds) as well as processed food products.

When considering food security in the context of public policy in the short to medium term (i.e. next 20 years) AFGC has the view that it means securing a food supply for Australian’s in a form very similar to the current food supply. Specifically, most Australians will have diets based on meat, dairy, cereals, fruits, vegetables and fish, as is the case now. Indeed if this is not the case then food security will not have been achieved as access to all these foods is critical for not only for good health, but also to meet the cultural and social food preferences of all Australians.

Further assumptions are that the food supply in Australia will:

- provide an extensive choice in food products, including premium products, year round i.e. most foods will not be subject to seasonal availability;
- support the our diverse cultural mix in Australia with a range of cuisines readily available to most of the population;
- be derived from a range of production systems including conventional and organic farming systems; and

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<sup>8</sup> The State of Food Insecurity in the Worlds. FAO. 2010

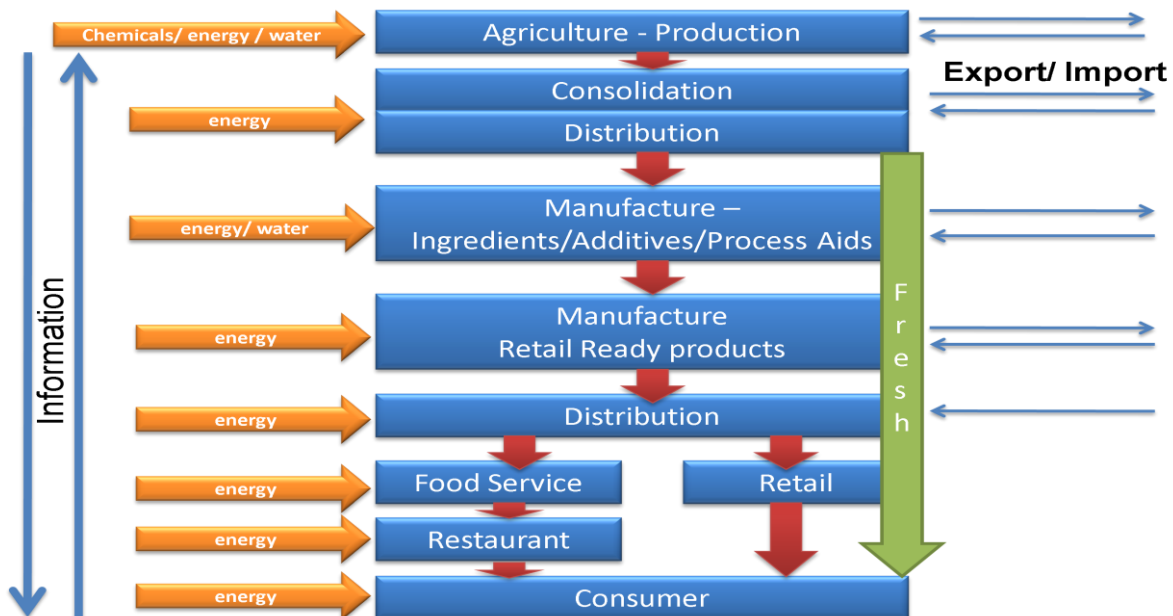
- continue to have a health focus providing product variants which have been developed to optimise health outcomes for individuals and the population as a whole i.e. low fat, low salt, high fibre products and more sophisticated products with special nutrient balancing and bundling will be available.

**In short food security in Australia will be realised if foods are readily available, affordable, nutritious, safe, convenient and of high quality– as they are now.**

As is the case today, however, Australia will be reliant on global trade for the very diverse food supply which Australians currently, and in future will enjoy. Key ingredients, food additives and processing aids, many of which are derived from overseas are critical to the manufacture of the wide range of foods on supermarket shelves. These include:

- key foods and ingredients which are not grown in Australia in sufficient quantities (or at all) to meet demand such as coffee, chocolate, herbs and spices; and
- specialist food additives and processing aids which are critical to food quality and preservation technologies such as vitamins and minerals, antioxidants, colours, emulsifiers, food acids and gelling agents; and
- specialist foods important to the preparation and enjoyment of international cuisines (e.g curry pastes).

**Figure 6. Australia’s Food Supply Chain**



### 2.7.2. Global Food Security

Australia also has a role in global food security. Although not a major food producer by global standards, against a backdrop of tight alignment between supply and demand Australia's contribution to global food supplies rests not so much in magnitude of its production but its contribution in keeping supply up to demand in global markets to mitigate the potentially very high volatility of food commodity prices and disruption which would result if supply falls even marginally below demand.

**AFGC considers therefore, that food security, in both the global context and food security in Australia, is critically dependent upon maintaining and optimising international trade in food commodities, food ingredients and food products. Multi-lateral and bilateral trade agreements provide an important framework for moving towards freer trade movements.**

#### Recommendation

**AFGC recommends that the Government continue to pursue multi-lateral and bilateral trade agreements as key elements of the *National Food Plan* recognising the key role international trade plays in contributing to both domestic and global food security.**

Food security for Australians, however, is ultimately secured by ensuring:

- agriculture and fisheries production in Australia is profitable, diverse, resilient and sustainable in the long term, able to support, at a minimum, Australia's population and ideally many more people overseas; and
- domestic food manufacture and distribution industries remain capable of providing the foods Australians require, for healthy diets and lifestyles.

And indeed, domestic and international food security are intricately linked by the price of food commodities. Simply, if global demand outstrips supply food commodity prices will rise. Domestic food prices will also rise as domestic food commodity prices are linked to international market prices.

AFGC considers risks to Australia's food supply fall into three categories:

1. **production risks** – major disruptions of commodity supply due to one-off production failures, or demand outstripping supply for extended periods. Both may result in shortfalls in affordable supply;
2. **supply chain risks** – resulting from disruption of the supply chain due to systems failure or inappropriate government interventions overseas; and
3. **product risks** – compromising of food product quality and/or safety through real or perceived hazards associated with a food, or food ingredient.

A *National Food Plan* should incorporate a framework to manage these risks.

**Recommendation**

**AFGC recommends the *National Food Plan* incorporate a risk analysis and management framework to protect the long term supply of a diverse food supply which meets the needs all Australians.**

**2.7.3. Food Security for the Disadvantaged.**

AFGC is very aware that food security for sub groups of the population is a significant, ongoing public policy challenge. In some cases it is simply a function of poverty but other factors can also come into play such as the absolute cost of food and the difficulty in providing choice. This is the case for some of Australia's indigenous populations, particularly in remote parts of Australia. AFGC has no expertise in this area but supports the *National Food Plan* having regard to the food security needs of disadvantaged parts of the population and building on existing mechanisms to provide an appropriate food supply to those parts of the community which require it.

Foodbank Australia<sup>9</sup> provides large amounts of food donated by food companies. Some is surplus stock, some is manufactured specifically for the purpose of donating to Foodbank. Other companies donate to Foodbank by providing logistical support through the supply chain and their distribution centres. **Foodbank represents a practical mechanism for delivering food supplies to Australia's needy.** It has been growing every year since its commencement demonstrating the continuing need for its services.

AFGC considers the *National Food Plan* should include supporting Foodbank in its scope. More specifically donation to Foodbank can be made more attractive to food manufacturers and other companies if donations of product and services provided to Foodbank attracted a preferential tax treatment based the value (cost) of the product or service provided. Such tax treatment may be limited to products and services manufactured and commissioned specifically for Foodbank

The advantage for industry of this approach is that it would provide and incentive for companies to consider providing greater support for Foodbank. The advantage of Government is that it would leverage its own dollars spent in addressing the issue of poverty. An additional advantage is that it makes use of the existing infrastructure of Foodbank and industry capabilities and competencies. It would not require additional bureaucracy support except at a minimal level to monitor compliance with the tax credit provisions.

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<sup>9</sup> <http://www.Foodbank.com.au/>

**Recommendation**

**AFGC recommends the *National Food Plan* consider providing a tax incentive for products and services manufactured and commissioned specifically for Foodbank as a practical measure to address the lack of food security among some disadvantaged groups of Australians.**

AFGC considers that in addition to harnessing the existing Foodbank arrangements the National Food Plan should incorporate a technical research program aimed at developing better food delivery to remote Australian communities. In the absence of reliable refrigeration and a cold chain different, more advanced food preservation techniques are required to deliver wholesome, quality food to some parts of Australia. AFGC considers the current work being undertaken by CSIRO with the Australian Defence Forces on the supply of food to remote locations may be of relevance to helping to supply foods to remote indigenous communities.

**Recommendation**

**AFGC recommends the research work currently undertaken by CSIRO and the Australian Defence Forces on the supply of foods to remote regions be explored for wider application in civilian use, and particularly to support remote indigenous communities.**

#### 2.7.4. Food Security during National Emergencies

The recent large flooding in Queensland demonstrated that Australia was not adequately prepared for a national disaster which damaged large sections of the transport infrastructure. Whilst the food manufacturing and supply chain industries responded rapidly and effectively to the emergency, some stocks of stable food items reached very low levels in some areas. AFGC considers the National Food Plan should incorporate disaster management plans to ensure any future disruption to the food supply is adequately managed. It is almost certain that the private sector will be called upon as key part of any national response (as occurred recently in Queensland) but Government needs to recognise that this may lead to considerable expense for individual companies. Companies which do incur disproportionate costs in assisting Government in the provision of emergency food and grocery supplies should receive compensation.

**Recommendation**

**AFGC recommends the Government compensates companies which incur disproportionate costs in assisting with the provision of food and grocery supplies during national emergencies.**

## 2.8. FOOD AND HEALTH

### 2.8.1. Food Safety

Australia has a demonstrably safe food supply according to recently reported world rankings of food safety<sup>10</sup>. The issues considered in the rankings included levels of food borne pathogens, use of risk management plans and traceability and recall programs. Australia was ranked No.2 in the world confirming that food production and manufacturing in Australia is world’s best practice.

**Figure 7. Food safety rankings of countries<sup>10</sup>**

		2010 Rankings		2008 Rankings	
Rank	Country	Grade	Rank	Grade	
1	Denmark	Superior	Superior	3	
2	Australia	Superior	Superior	4	
3	UK	Superior	Superior	1	
4	Canada	Superior	Superior	5	
5	US	Superior	Average	7	
6	Japan	Superior	Superior	2	
7	Finland	Average	Average	6	
8	Holland	Average	Average	12	

Notwithstanding this excellent record, rising levels of international trade in food products and ingredients present new challenges to industry to maintain the integrity of their products through complex supply chains. Governments and regulators are also challenged to ensure the policy and regulatory frameworks operate efficiently and effectively at protecting public safety, as well as guiding the industry to appropriate standards of operation required to protect consumers from hazards arising from international trade. The recent melamine incident highlighted the potential of hazards to cross international borders, notwithstanding the fact that no Australian products were implicated in the incident and no Australian consumers were harmed. One of learnings from the melamine incident was that despite substantial advance in traceability of foods and food components along the supply chain when it came to imported ingredients full traceability back to source was problematic for some companies.

<sup>10</sup> World ranking 2010 food safety performance. Johnson-Shoyama Graduate School of Public Policy 2010.



Of additional concern to the food industry is the consumers “push” for less processing, more “natural” products. There has been a dramatic increase in the number of food safety incidences associated with horticultural products in the USA and Europe. This illustrates the problems faced when “kill” steps are not available to the industry. With similar trends toward minimal processing in Australia a heightened vigilance in food safety is required. One of Australia’s points of difference in emerging markets like China will be the safety and quality of Australian food.

Over the last five years AFGC has been developing a Product Information Form (PIF)<sup>11</sup> which provides an industry agreed, standardised means of recording extensive information about food products and food ingredients as they move along the supply chain. Adoption of a similar approach for foods and ingredients internationally would improve traceability of globally traded goods.

#### Recommendation

**AFGC recommends the *National Food Plan* recognises the challenge of maintaining the safety and integrity of food supplies against the backdrop of a global supply chain for food products and food ingredients becoming more extended and more complex encouraging adoption of the AFGC Product Information Form, or a derivative, as a global traceability tool for food products and ingredients.**

#### 2.8.2. Nutrition and Health

Although Australia’s food is very safe the rising levels of diet-related chronic, preventable diseases in Australia might be interpreted as indicating it is not as nutritious as it should be. This is a concern for Government with the levels of obesity and concomitant diseases such as diabetes, heart disease and hypertension threatening unsustainable costs to the health budgets in future. The feature of these diseases is their multi-aetiological nature coupled to common risk-factors some of which are genetic whilst other are linked to lifestyle – including diet.

**Indeed, the diet/health nexus is a critical issue for the food industry, the AFGC and its members. The food manufacturing sector recognises the role it has to play in working in partnership with Government and public health sector in slowing and ultimately reversing the current trend of rising rates of diet related illness in Australia.**

The food industry is, however, faced with a paradox - there has never been a wider choice of nutritious foods on the market in Australia than there is now – and many are low in fat, reduced salt, high in fibre etc. And there has never been a greater understanding of the link between foods, nutrition, diet and health. Nevertheless many consumers are still unable to select the diets they need to maintain, or to achieve, optimal health outcomes.

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<sup>11</sup> <http://www.afgc.org.au/tools-guides-/product-info-form.html>

Of course, this reflects the paradigm that these health problems are not simply diet-related, but are lifestyle related with many factors playing a role. **An integrated preventative health program that incorporates food industry as a partner is required. There are programs such as the *Food and Health Dialogue* underway reflecting the value of this approach<sup>12</sup>. Different sectors of the food industry are working together to reformulate food products to reduce the levels of risk associated nutrients such as salt and saturated fat.**

Coupled with food product reformulation further opportunities exist to refine of healthy eating messages from variety and balance through to specific dietary guidelines for at-risk population sub-groups. The combination of new foods and appropriate marketing will strengthen the ability of the food industry to be part of the preventive health agenda.

**AFGC is currently refining plans for a major industry lead initiative in preventive health initiative.** This will include:

- reformulation of food products to reduce levels of risk-associated nutrients and boost the levels of nutrients where there are concerns regarding the sufficiency of population intakes;
- better labelling of food products to help catch the attention of consumers at point of purchase and motivate them to consider their food choices based on nutrition and health;
- refinement of communicating with consumers aligning food marketing and promotion with Government and non-government healthy eating messaging; and
- incorporating “whole of lifestyle” health advice into practical community level programs which reinforce healthy eating and physical exercise as the foundation stones of long healthy lives.

AFGC will be looking to partnerships with government, non-government organisations and other industries to help leverage and boost the reach and effectiveness of the initiative.

AFGC is very aware of the urgency for government to address the obesity issue. The impact of obesity and related chronic diseases on health budgets is of great concern. And of course, the poorer quality of life associated with overweight and obesity is unacceptable. It is critical, however, that the scope of the *National Food Plan* when considering relationships between food, nutrition and health extends beyond obesity. Poor health outcomes associated with nutrient deficiencies remain a concern with dietary intakes of calcium, iron, iodine, folic acid, zinc, magnesium, omega-3 fatty acids and dietary fibre below optimal levels for many Australians. Similarly, some sections of the population simply do not eat enough with their health being compromised from energy, macronutrient and micronutrient deficiencies. The *National Food Plan* must therefore address the broader aspects of nutrition and health, beyond the obesity issue. Indeed with creation of the new Preventive Health Agency the obesity already has the strong attention of Government. AFGC considers the *National Food Plan* should

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<sup>12</sup> <http://www.health.gov.au/internet/main/publishing.nsf/Content/food-health-dialogue>

recognise this and be structured to complement activities of the Preventive Health Agency, rather than overlap with them.

#### Recommendation

AFGC recommends that nutrition and health issues addressed by the *National Food Plan* be:

- **comprehensive in scope by examining policy options for addressing nutrient deficiencies of concern in the Australian population (i.e. calcium, iodine etc.); and**
- **aligned to, and not overlap with, other major government nutrition and health initiatives, and particularly the work of the Preventive Health Agency.**

### 2.8.3. Food and Nutrition Monitoring

Key to the *National Food Plan* is the development of a food and nutrition monitoring system to ensure that the policy initiatives are well founded and allow progress to be tracked against policy objectives. Key elements of a food and nutrition monitoring system include:

- **food supply** - assessing the availability, affordability and composition of Australian foods;
- **food purchasing and acquisition** – tracking expenditure on food, types of food purchases, price and quantities bought; food security;
- **food and physical activity behaviours** - food and nutrient intakes; physical activity; and
- **nutritional status** - direct and indirect measures such as weight, sodium excretion and fitness levels.

While data from each component of the monitoring framework are useful for a variety of purposes, the data as a whole help to provide a complete picture of the food and nutrition situation.

**Figure 8. Framework for a national food and nutrition monitoring system<sup>13</sup>**



There are gaps in the data currently collected in Australia and as a result a comprehensive monitoring of the food supply and nutrition status of the population is incomplete. **The data shortfalls will**

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<sup>13</sup> Masters, G, Coles-Rutishauser, I, Webb, K, Marks, G & Pearse, J 2006, National food and nutrition monitoring and surveillance system: a framework and a business case. Nexus.

**necessarily hinder the development of good nutrition and health policy.** AFGC considers the *National Food Plan* should include comprehensive data collection comprising:

- reinstating the Apparent Consumption of Foodstuffs series which had previously been prepared by the Australia Bureau of Statistics;
- establishing a National Food Composition Database – such a database which will include “brand level” data is being explored by the Department of Health and Ageing (DOHA) in partnership with the AFGC under the Food and Health Dialogue. If successful it will link in to the nutritional database used by FSANZ in dietary modelling;
- determining food purchasing and acquisition patterns at community and individual level to help develop policy responses to shortfalls in food availability or equity;
- continuing the Household Expenditure Survey, which provides data on the contribution of food to overall household expenditure and how this may change over time.
- measuring food and nutrient intake and physical activity levels of the population, and its sub-groups, through periodic (ideally every five years) National Nutrition Surveys. Biochemical data (e.g. blood analysis) should also be collected to provide detailed information on the nutrient status of the population and to guide policy development.

#### Recommendation

**AFGC recommends that the *National Food Plan* include a comprehensive food, nutrition and health monitoring and surveillance program to inform food and health policy development and monitor programs following their implementation.**

## 2.9. PROFITABILITY, PRODUCTIVITY, COMPETITIVENESS

Development of the *National Food Plan* is occurring against the backdrop of unprecedented challenges for the Australia economy. The mining boom, the high exchange rate, the need for structural reform of the economy to address climate change and other environmental issues, requirements for major infrastructure modernisation including in road, rail, ports and telecommunications, the softness in some major international economies and the uncertainty of the continued growth in some Asian economies create an urgent need for Government to blend broad policy initiatives with sector specific programs to build a diverse and resilient Australian economy.

It is beyond the scope of this submission to address macro-economic policy issues. The Government should be aware however, that the food producing industries make up a significant portion of the Australian economy, and will continue to do so for the foreseeable future. Broader economic policies need to developed taking into account specific impacts on the food industry. **The corollary is that the *National Food Plan* and broader economic policies of the Government should be aligned.**

AFGC shares the Government's oft stated concern regarding declining levels of productivity in the Australian economy generally, and more specifically in the manufacturing sector. Productivity is, of course, key to business maintaining competitiveness and profitability. However, the converse is true – profitability, or at least long profitability is required to maintain productivity and competitiveness in the longer term. **That is, only businesses which are profitable can invest in productivity improvements and maintain competitiveness.**

The profitability and competitiveness of the food manufacturing sector is subject to factors which can be addressed by a *National Food Plan* and other factors which cannot. Specific factors which the Government can influence to improve food industry profitability and therefore competitiveness include:

- 1) **reducing business regulatory compliance costs.** This has already been discussed in section 2; and
- 2) **ensuring asymmetry of market power in the supply chain is not** abused to the extent that the long term viabilities of food companies are sacrificed in the pursuit of short term advantage, even if consumers experience a transitory benefit through lower prices. This is addressed in section 2.

Governments can also directly assist industry sectors to improve productivity by providing:

- 1) **incentives for company level investment in innovation**, research and development; and
- 2) **support for skills training in the tertiary education** sector in both the university and vocational education sector

These are addressed more fully below (section 2)

#### Recommendation

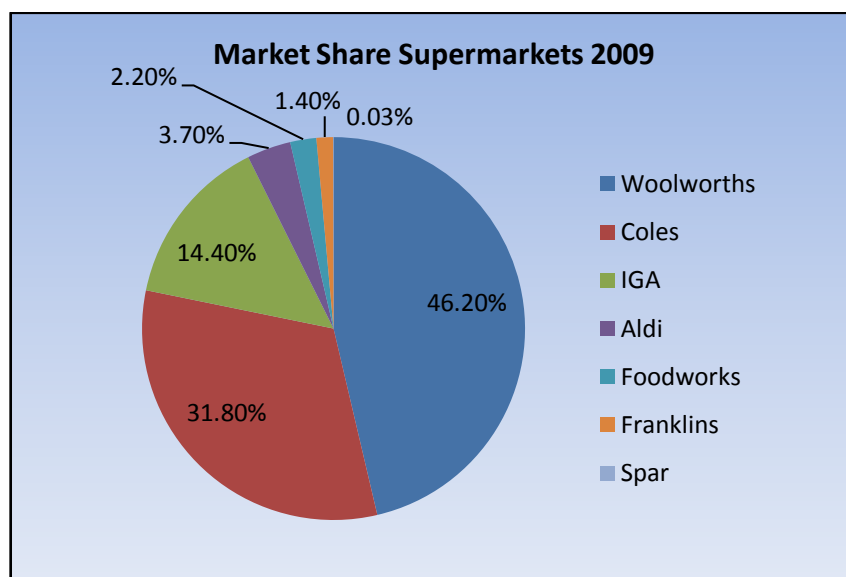
**AFGC recommends that the Government, when developing policies and programs under the *National Food Plan* addressing industry productivity and competitiveness reflect the two broad areas in which it can act viz:**

- 1) **policy settings which can directly influence industry margins and profitability such as reducing regulatory compliance costs, and ensure risk and rewards are equitable along the supply chain, and**
- 2) **specific programs to encourage innovation through research and development incentives and tertiary education support.**

### 2.9.1. Retail market competitiveness / Supermarket Ombudsman

The grocery industry is the key channel for food distribution and consumption, it is the biggest retail sector and makes up 39.6% of total retail turnover in 2008-2009<sup>14</sup> and provides a stable growth pattern. The grocery sector can be categorised into the following key channels, supermarkets; specialist grocery retailers, and convenience and petrol station forecourts. The market share rankings in the supermarket sector are consistent with Woolworths, Coles and IGA the order of the major participants.<sup>15</sup>

**Figure 9. Market Share of Supermarkets 2009**



The Australian food and grocery retail industry is one of the most concentrated markets in the world. The two major supermarket chains, Coles Group and Woolworths Ltd have almost 80% of packaged food and grocery sales, compared to the United States where Wal-Mart and Kroger account for 20% market share and in the United Kingdom where the top five chains account for 80%.

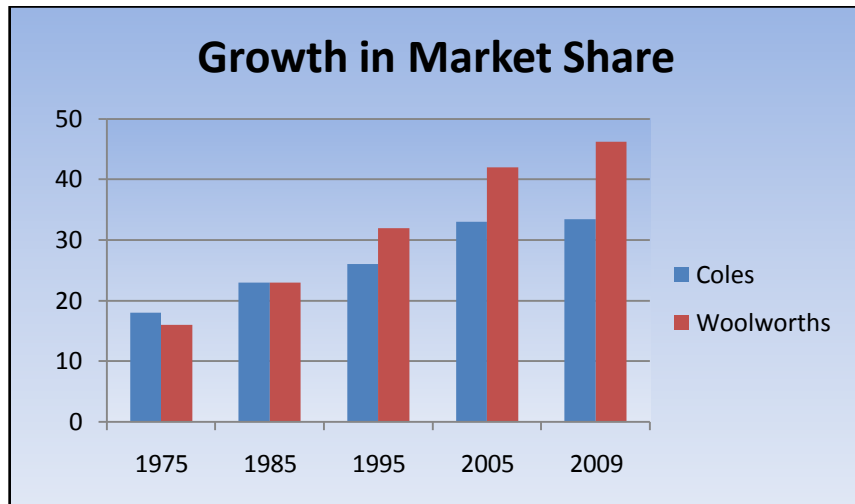
In the last decade the Australian market has witnessed a period of consolidation market share growth from the major retail chains.<sup>16</sup> Growth of Woolworths and Coles market share has increased from 35% in 1975 to 80% in 2006. The consolidation has led to a continued debate on the impacts that such an industry structure may have on the broader industry and the consumer.

<sup>14</sup> ABS Catalogue 8501.0 Retail Trade

<sup>15</sup> Euromonitor retailing in Australia 2009

<sup>16</sup> Retail World, AC Nielsen

**Figure 10. Growth in Market Share of Australia’s two major supermarkets.**



Australian retailers are some of the largest globally.<sup>17</sup>

**Figure 11. Retail Sales of the major international and national supermarkets**

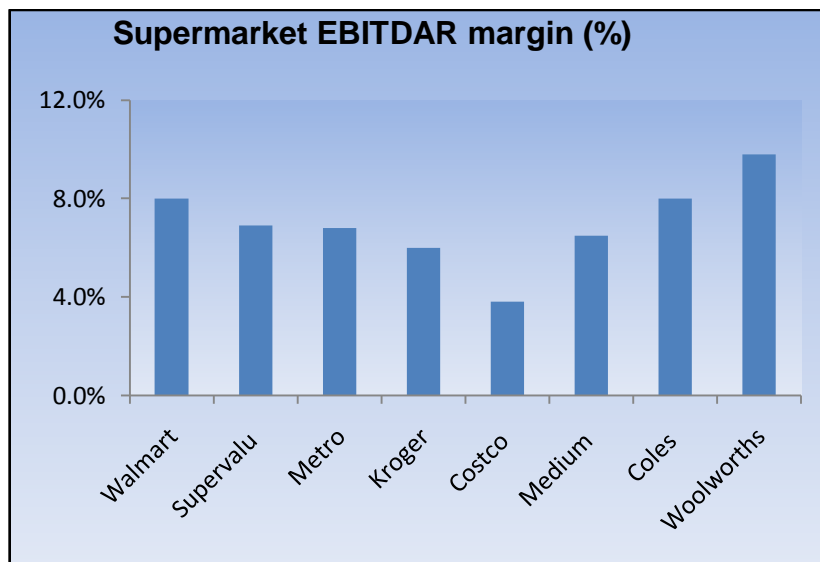
Company	Country	Rank	2008 Retail Sales (US\$m)
Wal-Mart	US	1	401,244
Carrefour	France	2	127,957
Metro	Germany	3	99,004
Tesco	UK	4	96,210
Schwarz U. Treuhand	Germany	5	79,924
The Kroger Co.	US	6	76,000
The Home Depot, Inc.	US	7	71,288
Costco Corporation	US	8	70,977
Aldi GmbH & Co.	Germany	9	66,063
Target Corp.	US	10	62,884
Woolworths	Australia	26	36,002
Wesfarmers (Coles)	Australia	28	32,716

Woolworths and Coles generate stronger profit margins than their US peers.<sup>18</sup>

<sup>17</sup> Global Powers of Retailing 2010, Deloitte

<sup>18</sup> Citi Issue 17: What’s in store

Figure 12. Profit margin on international and national supermarkets.



Objective analysis of the supermarket sector suggests that the heavy retail concentration is distorting market power along the supply chain to the extent that both of the major supermarkets in Australia are able to generate profits above those secured by similar business operating in less concentrated, more competitive markets overseas. Indeed anecdotal evidence provided by the AFGC members suggests that the trading terms sought by the supermarkets in Australia are more demanding than overseas supermarkets.

Of particular concern to the AFGC is the publicly stated policies of both the major supermarket chains to pursue a business model which comprises:

1. growth in private label to 40% of total sales – which is up from the current 10-25% levels depending on category; and
2. restricting other products to a brand leader and one other.

**These policies, if fully realised will force many smaller manufacturers to seek other channels to market for their products, but many of them will be unsuccessful in maintaining market share and presence resulting in closure of their businesses.**

Some companies may secure a temporary respite by agreeing to toll manufacture private label products for the supermarkets. AFGC considers that this shift in the market power even further towards the retailers. Once the toll manufacturing business is established with a particular company, the retailers are in a strong bargaining position for seeking further pricing concessions under threat of moving to alternative private label suppliers.

**This point underscores the fundamental threat to food manufacturing which private label represents. Retailers can theoretically source private label product from anywhere in the world, and they do.** They are not tied to manufacturing assets in Australia. Thus they can switch rapidly from



a manufacturer in Australia to one overseas able to provide the same product to the same specifications. Only the country-of-origin label statement need change, leaving most consumers none the wiser to the products being sourced overseas.

The combination of market concentration, substantial growth in private label and restricting brands on shelf provide supermarket retailers with unprecedented power and opportunity to force lower prices from their suppliers – i.e. food manufacturers. This in turn squeezes margins. Margin squeeze necessarily means profits are diminished and the returns on investment are eroded. **The ultimate result is that the business case for companies to invest and re-invest in manufacturing in Australia is severely compromised.** This leads to poor productivity, loss of competitiveness and business closures or relocation offshore.

AFGC recognises the difficulty for Government to address this issue, particularly against a backdrop where anti-competitive behaviour or unfair trading is difficult to identify. **Notwithstanding this, there is precedent for Government to establish regulatory an co-regulatory mechanisms to oversee markets where there is evidence of potential market power abuse** (for example, the Horticultural Code of Conduct)<sup>19</sup>

**AFGC considers there is a strong case to introduce a co-regulatory Code of Practice for Supermarket Trading Relationships overseen by a Supermarket Ombudsman.** The Code of Practice would provide guidance on acceptable negotiating approaches of trading terms. The Ombudsman would be an umpire to assist resolving concerns and help create a level playing field in the highly-concentrated retail and supermarket industry. The Ombudsman would promote fairness along the supply chain and provide recourse for those participants in the food and grocery sector who lack market power, particularly small business, small-to-medium food manufacturers and consumers.

#### Recommendation

**AFGC recommends that under the *National Food Plan* the Government should establish a co-regulatory Code of Practice for Supermarket Trading Relationships and Office of the Supermarket Ombudsman charged with ensuring and fairness in trading term negotiations along the supply chain and providing a mechanism to resolve disputes regarding trading practices.**

The Ombudsman should also be supported by retailers as it will provide a mechanism for them to address ongoing concerns regarding asymmetry in market power and concerns stemming from concentration in the retail sector.

#### 2.9.2. Innovation, Research and Development

**It is well established that industry productivity growth and competitiveness in international markets and ultimately wealth creation are critically dependent on better processes and better**

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<sup>19</sup> <http://www.accc.gov.au/content/index.phtml/tag/horticulturecode/>

**products.** Better products differentiated in the market to attract consumers; better processes to ensure they are presented at the right price.

The Australian food manufacturing has a record of innovation and success both on the domestic market and internationally. Notwithstanding this levels of innovation within the food manufacturing sector have dropped reflecting a number of factors listed previously (see Section 2) These range from levels of government support through to industry restructure.

AFGC considers that with the advent of the *National Food Plan* an opportunity presents to radically overhaul organisation and delivery on innovation support by Government. More importantly it is **an opportunity for Government to set a strategic agenda for food industry innovation aligned to both community requirements of the food supply (public good) and growing a profitable food manufacturing sector in Australia (private good).**

AFGC considers, however, that a truly integrated innovation strategy is required encompassing:

1. research providers such as CSIRO and State Departments providing research or technical support to the food producing sectors;
2. the tertiary sector and specifically Universities with department conducting research and teaching agriculture, food science and technology and related subjects such as nutrition; and
3. industry research laboratories as much as they still exist.

**The primary objective of the innovation strategy should be to build innovative capacity and capabilities across the private and public sector, particularly in food science, technology and engineering disciplines. A greater capacity to innovate, coupled with incentives to innovate will provide the platform for productivity growth across the food manufacturing sector.**

AFGC has already identified that this is a critical issue. Consequently it has agreed to partner with the University of Queensland (UQ) in supporting a Professorial Appointment in Food Science and Technology along with an industry student scholarship and placement program. The partnership will commence in January 2012. AGFC considers a key part of the *National Food Plan* should be to consider how Government can encourage and leverage the opportunities presented by partnerships such as the AFGC / UQ initiative.

As noted previously, AFGC is aware of the development of the Food Processing Industry Strategy. AFGC considers innovation in the food manufacturing sector sensibly sits under this Government initiative, albeit in a coordinated fashion with the *National Food Plan*. This aspect of the *National Food Plan* should be developed primarily under the *Food Processing Industry Strategy*. AFGC will provide greater input on the matter of innovation during the consultation process for this initiative.

Whilst the AFGC consider the R&D Tax Concession a useful mechanism for companies to offset some of their innovation costs, the very low take-up rate among companies, including food companies, suggests it is not providing a broad and effective incentive to innovate.

AFGC considers that under the *National Food Plan* and the *Food Processing Industry Strategy* there is opportunity for the introduction of an industry specific R&D incentive program of grants. AFGC considers there is a legitimate case for such support as long as the program:

- 1) aligns with the objectives of the National Food Plan – i.e. it would lead to innovation in better products and processes targeted towards better nutrition and health of consumers, emerging food safety issues and lower environmental impacts; and
- 2) maintains the technical capabilities of Australia’s research providers (i.e. CSIRO and Universities) in key scientific disciplines such as food science and technology. Such capability will be critical to assist Government and industry respond to the ongoing challenges of securing a safe, nutritious, sustainable and affordable food supply for Australians.

#### Recommendation

**AFGC recommends that under the *National Food Plan*, and particularly as part of the *National Food Processing Strategy* a competitive grants program be established to support innovation which aligns specifically with objectives of the *National Food Plan* targeting better nutrition and health for Australians, emerging food safety issues, and sustainable industrial practices.**

### 2.9.3. International competitiveness

AFGC is of the view that the food companies in the trade-related sector are failing to see major benefits of Bilateral and Regional Trade Agreements (BRTAs). The unilateral reforms of the 1980s and 1990s have led to Australia being one of the most open economies in the world. While this openness has benefited the economy through specialisation and increased competitiveness, Australian business is now facing increasing pressure from global competition both at home and in overseas markets. Nowhere is this more apparent than in the food sector. Food beverage imports have increased by approximately 50 per cent in the last five years rising from \$6.8 billion in 2004-05 to \$10.3 billion in 2009-10<sup>20</sup>.

According to the Mortimer Review<sup>21</sup> “the growth of export volumes has been markedly slower in this decade than in the previous two decades. Australia has lost global market share in manufactures, services, agriculture and resource exports. After rising rapidly in the 1980s and 1990s, the share of export in our GDP has declined”.

In order to provide greater benefit to Australian industry, BRTA and wider trade liberalisation reform is necessary. BRTAs are one part of the process of trade liberalisation and need to be understood in this context. A combined approach to trade liberalisation will all deliver benefits (from unilateral to

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<sup>20</sup> 2010 State of the Industry Report, AFGC (Fig. 6.12).

<sup>21</sup> Mortimer, D., 2008, *Winning in World Markets Meeting the competitive challenge of the new global economy - Review of Export Policies and Programs*, Commonwealth of Australia

multilateral). Ideally these should be delivered under a single strategic framework within the *National Food Plan*.

Greater coordination is currently required between industry and the relevant government departments including Department of Foreign Affairs and Trade, Austrade, and other Federal and State trade related departments.

A number of themes have become apparent within the food sector including:

- food manufacturing companies find it difficult to be engaged in the BRTA process as much as they would like, or as much as is necessary to develop a comprehensive agenda truly reflecting business needs and desired outcomes;
- there is a view from some AFGC members that BRTAs are marginally beneficial to business;
- actual market access issues do not appear to have significantly improved as a result of BRTAs;
- the current BRTA process is not transparent and for the BRTA agenda to have more benefit to business, both business and industry groups need to have greater input or need to be included directly in negotiations;
- significant behind-the-border issues, arguably as important as tariff reductions, have not been adequately addressed in the BRTA process either prior to or following the signing of FTAs; and
- greater practical information is required by business from government.

The *National Food Plan* should advocate and encourage global free trade and open markets, and recognise the importance of trade to a strong Australian economy. Indeed, free trade and open markets form the foundation to food security (see above) as well as supporting a vibrant food manufacturing sectors. The *National Food Plan* provides and opportunity to re-invigorate Australia's trade liberalisation efforts at the "country to country level". This can be supported by a framework of partnerships between business and government to deliver optimal results and greater business opportunities.

AFGC supports the Brand Australia initiative being further developed and promoted based on three platforms of:

- wholesome and nutritious foods;
- a world class food regulatory system ensuring its safety; and
- produced with minimal environmental impact.

With company brands providing the primary consumer value proposition, Brand Australia can provide the additional value of provenance with the right promotional support in overseas markets. It is appropriate that the *National Food Plan* provide the vehicle for this initiative.

**Recommendation**

**AFGC recommends the *National Food Plan* be used to progress and promote a Brand Australia initiative to support the overseas marketing of Australia food commodities, food ingredients and ready to eat food products.**

**2.9.4. Industry competitiveness audit**

The rising level of processed food imports, and the decreasing level of processed food exports is strong empirical evidence that the competitiveness of the Australian food industry is in decline. This has significant ramifications in the longer term such as a declining contribution to national productivity and wealth and less direct control by Government on an industry which, through its products, is integrally linked with the health of the community at a population, and individual, level. Australia must not only produce food – it must value-add to it!

The *National Food Plan* should incorporate a process to review and provide data on competitiveness of Australian agri-food industry and its cost structures in an attempt to benchmark activity against major competitor countries to identify opportunities for specific and targeted industry and government action to improve the competitiveness of the sector. In essence, **data needs to be gathered and analysed providing a clear picture of the strength or other wise of the business case for food manufacturing to continue in Australia.**

**Recommendation**

**AFGC recommends that under the auspices of the *National Food Plan* a comprehensive audit of competitiveness the food manufacturing in Australia and the factors which influence it be conducted.**

### 3. RESPONSE TO OVERARCHING QUESTIONS

#### 1. What is the most important thing you think a *National Food Plan* should try to achieve?

The single most important thing that the *National Food Plan* must deliver is clear framework for interagency collaboration between government, industry and communities on the priority issues facing the sector. This framework should establish a high level forum/authority within government that recognises the issues facing the food industry and can work across jurisdictions and issues to put in place appropriate mechanisms to respond.

Australia needs profitable and resilient food and grocery production and manufacturing industries to:

- provide a wide range of safe, nutritious and affordable products for consumers against an uncertain future of food production being able to keep up with demand globally;
- value-add to food and fibre crops and livestock, create wealth regionally and across the whole economy, and provide 288,000 jobs in the sector and more in primary production;
- to give the necessary levels of certainty to food and grocery manufacturers in Australia required for financial investment in new products, new processes and expanding manufacturing; and
- ensure consumers continue to have choice in supermarkets and access to the brands they trust.

**AFGC has presented a possible governance model in this submission in section 2.**

#### 2. What do you think the vision and objectives for a *National Food Plan* should be?

The Objective of a *National Food Plan* should be to recognise and prioritise the food manufacturing sector and provide a high level whole of government framework that ensures collaboration and coordination on priority issues and facilitates the development of a competitive Australian food & grocery manufacturing industry.

The *National Food Plan* should set the framework against which government agencies, industry and communities will address issues such as health, nutrition, sustainability, supply chain, innovation and investment and a flexible and responsive regulatory and policy system. It should build on previous achievements and commitments and respond to the key issues of nutrition, health, sustainability and supply chain.

The vision for the National Food Pan should be to have a growing, profitable, sustainable and globally competitive food industry that supports the health and well being of consumers and the communities in which they live.

The *National Food Plan* will also set the framework and the vision for State and Territory strategic plans for the food industry and against which performance benchmarking can be established in

reducing regulatory burden while ensuring the safety and integrity of the food supply and enhancing Australia's food export reputation.

### **3. What do you see as the major risks to Australia's food supply in the coming years and decades? How could they be avoided or managed more effectively?**

AFGC does not consider Australia's food supply to be at risk to the extent that Australia would not be able to meet the nutrient requirements of its population at some time in the foreseeable future. Notwithstanding this, it is possible that there may be shortages of affordable supply of some foods, including major food items. Australia has just witnessed bananas reaching prices of \$15/kg as a result of hurricane damage to banana plantations in Queensland. Similar price spikes may result from overseas disruption of food commodity production. Alternatively price spikes may be caused by speculation and direct government intervention.

AFGC considers the factors which may drive shortages in supply include:

- accelerating deterioration of the productive capacity of agriculture systems driven by climate change or other environmental factors (e.g. water shortages, land degradation);
- accelerating demand for food crops for fuel use;
- input shortages undermining production yields;
- human, animal or plant pandemics disrupting supply chains and/or food production; and
- geo-political disruption.

Governments have a role in monitoring and developing strategies for addressing all of these issues. Direct policy intervention complemented by ensuring free markets operate will provide the dual outcomes of:

- a strategic overlay focused on the long term interests of the nation e.g. support research and development to improve productivity ensure an appropriate balance between food needs and energy needs of the nation; and
- efficient allocation of resources to most effectively meet the needs of the nation..

### **4. What does food security mean to you? How would this be achieved? How would we know if/when we are food secure?**

AFGC considers the FAO definition of food security to be a useful starting point. It recognises food security is not simply about making sure people have enough eat but that food is able to fulfil its broader social, cultural and recreational roles.

The definition also recognises the different levels of food security – i.e. global food security, regional food security and so on, down the level of food security for small sub-groups of the population and indeed individuals. This gradation is important as ultimately it must be reflected in the range and nature

of government policy responses. Thus global food security will be delivered by global policy initiatives including – for example – continuing progress towards relaxing trade barriers to the free flow of agricultural commodities and process food products. The food security of small subgroups of the population should be one of the objectives of domestic social policies.

AFGC considers it critically important that food security does not become synonymous with self-sufficiency as they are quite different at all levels of policy consideration.

AFGC specifically consider food security, at least in the medium term i.e. for the next two to three decades should have the objective of ensuring the food supply for Australians is not greatly different from the currently (see section 2). It may be a little different in the balance of nutrients reflecting health objectives but in the main it will be derived from a wide range of animal and vegetable sources as it is today.

Global food security will be recognisable by the following criteria

- 1) agreement and implementation at the international level on policy settings addressing food security which are
  - a. globally aligned and harmonised; and
  - b. based on allowing markets to operate freely to ensure the free flow of food commodities and information around them.
- 2) global stocks of food commodities consistently tracking ahead of demand with a moderate buffer to:
  - a. give comfort to individual country governments that food security is being effectively managed thereby removing any imperative for direct market intervention to shore up domestic supplies; and
  - b. mitigate speculative activity which can lead to volatile food commodities and put pressure on governments to intervene in the market place;
- 3) stabilisation of food commodity prices for extended periods at levels which keeps basic foods affordable to the vast majority of the global population.

Local food security for Australians will be recognisable when access to food is no longer considered to be a limiting factor in the nutritional health of population sub-groups.

## **5. What are the most important benefits that Australian consumers get or should get from our food supply? Why?**

The most important benefits Australian consumers should receive from the food supply is safe, nutritious, affordable food that has minimal impact on the environment and is produced in a way that strengthens the Australian economy.



## Safe

Ensuring the safety of our food supply is an important benefit to Australia consumers as unsafe food can cause acute illness or lifelong diseases. Current regulatory mechanisms, based on risk analysis principles, ensure Australian food standards are based on the best available scientific data and evidence and are consistent with international agreements established under the World Trade Organization.

In relation to food safety, future efforts to assure the safety of food will potentially gain a new focus in two main areas:

- **Ingredient traceability.** The melamine incident highlighted the need for better traceability particularly with the increasing global sourcing of ingredients.
- **Emerging pathogens.** The push for less processing, more “natural” products has resulted in food safety incidences associated with horticultural products (in the USA). This illustrates the problems faced when “kill” steps are not available to the industry. With similar trends toward minimal processing in Australia a heightened vigilance in food safety is required. One of Australia’s points of difference in emerging markets like China, will be the safety and quality of Australian food.

The Australian Government will need to continue to work across sectors to ensure the safety of foods and reduce the potential impacts of illness and disease caused by unsafe food.

With increasing rates of obesity and NCDs, many of which are caused by risk factors related to poor diet and physical inactivity, a critical component of a *National Food Plan* is ensuring a strong and coordinated position with respect to diet and nutrition. Good nutrition contributes to the health and wellbeing of a population and reduces the impacts on health care systems.

Given the ageing population within Australia and the complexities associated with overweight and obesity it is critical that the Australia Government has a robust nutritional component within the overarching framework that addresses both the quality and quantity of food consumed.

As a start point the Australian Government should ensure there is an ongoing commitment to food and nutrition monitoring at the population level (as outlined above). Data generated through food surveillance activities and national nutrition surveys is critical to ensuring work undertaken to improve diet and nutrition is based on sound evidence of current consumption patterns and nutrient intake.

Additionally, the Australian Government, together with the food industry and health stakeholders, needs to enable and encourage consumers to eat a balance diet which meets nutritional needs. This is accomplished by improving consumer’s knowledge and skills in relation to what is an adequate diet.

The Australian Government should also continue to develop partnerships that work across all levels of the food supply chain to create action plans and set targets for reducing consumption of risk-associated nutrients (saturated fat, trans-fatty acids, sugar and sodium), increasing consumption of

fruits, vegetables, and whole grain foods, and improving consumer awareness and education to improve health outcomes from healthy diet choices.

### **Affordable**

Consumers need to have access to affordable nutritious foods which meet nutrient requirements for optimal health and well being. As previously noted, there has never been a wider choice of nutritious foods on the market in Australia than there is now – with many low in fat, reduced salt, high in fibre food available. However it is noted that low income consumers are more likely to select foods which provide a higher level of energy density per dollar spent. It is also noted that a significant impact on the selection of foods is education. An important benefit of the food supply needs to be that all consumers have access to affordable nutritious foods which meet their daily requirements; a component of food security.

The Australian Government, in consultation with industry and public health groups, need to build knowledge and skills relating to good nutrition so consumer can make more informed decisions. This should be focussed on low income consumers in order to better enable and encourage these consumers to consume foods which provide adequate nutritional value to meet nutrient needs.

### **Sustainable**

The Australian food manufacturing and farming sector has for some time made improvements to productivity and sustainability, using natural resources responsibly. Production in Australia, while subject to a range of environmental limitations such as drought and floods, is increasingly responsive to demands from the market and consumers in terms of sustainability and minimising the environmental impact. This has occurred while businesses strive to remain profitable.

Given the importance of the food manufacturing sectors productive relationship with the environment the Australian food manufacturing sector recognises the importance of going beyond compliance in terms of environmental impact and actively managing the impact the sector has on the environment and improving the resource base required for future production.

## **6. What two or three actions:**

### **a. by the government sector would most benefit food consumers?**

AFGC has made numerous recommendation in this submission proposing tangible actions which Government might make as it constructs the *National Food Plan*. All were predicated on AFGC deep seated view that the interests of Australian food manufacturers and food consumers are intricately linked. With this as starting point the AFGC considers government can most benefit consumers simply by committing to a policy framework aimed at supporting a profitable and resilient food manufacturing sector in Australia.

### **b. by the non-government sector would most benefit food consumers?**

Echoing the point above AFGC considers it important that non-government organisations recognised the importance of the food manufacturing sector in Australia and value in working with it to promote the interests of consumers.

**7. What do you see as the major opportunities for Australia's food industry in the coming years and decades? How could they be realised?**

The Australia food industry is well placed, given the right domestic business conditions, to grow substantially through growing export markets. Taking advantage of the abundant production of quality foods in Australia the manufacturing sector and add value to primary products through manufacturing a wide range of quality food ingredients and food products. These have the potential to be differentiated on the basis not only of their Australia provenance, but also regional provenance within Australia.

**8. What two or three actions:**

**a. by the government sector would most benefit businesses that make, distribute and sell food?**

AFGC considers the three single areas most requiring government attention which would benefit food manufacturers in Australia are:

- reduce business regulatory compliance costs. This means streamlining (remove, simplify) current regulations and fully justify new regulations;
- ensure access to customer along supply chains is not compromised by unfair trading practices as a result of market power asymmetry, including through formal complaint and resolve mechanisms; and
- support for innovation (research, development) and workforce up-skilling.

**b. by the non-government sectors would most benefit businesses that make, distribute and sell food?**

AFGC considers it would benefit business considerably if the non-government sector agreed that business must make a profit in order to invest in making changes to products and business processes, including the changes which the non-government sector advocates.

**9. What specific food policy and regulatory functions within or between governments:**

**a. overlap?**

**Sustainability policy** – emissions reduction programs and policies, water and waste policy is fragmented and results in increases in costs on business operating nationally. There are a range of energy, waste and water programs and policies at Commonwealth and state level that are

uncoordinated and inconsistent and potentially duplicate requirements which imposes un-necessary burden on the food manufacturing sector. In addition there are a range of issues that require a broad cross government perspective due to their complexity and sustainability and healthy diets is a good example where support for one may negatively impact on the other. This requires serious consideration and a considered response.

## Food Regulation

A significant area of overlap lies with the Food Standards Code and the Consumer and Competition law in the area of product claims and representation and the application of 'false, misleading and deceptive' claims. Difficulties exist where the ACCC applies case law from outside of application to the food industry and interprets the requirements for the use of the term "free", in particular in relation to the term "gluten-free". In this case the Food Standards Code specified that gluten-free means contains no detectable gluten, yet this is non-compliant with international standards under Codex or with the EU, USA and Canada.

The problem is that increasingly sophisticated technologies drive down the level of sensitivity and infinitesimally small quantities of substances can be detected at levels which have no meaningful physiological impact. In this example, it would be preferable to establish the principles under which certain terms are applied for "consumer values" for claims that food are "free" of components to mean that the levels are so low as to have no effect, rather than not detected.

The Consumer and Competition Law also overlaps with the State and Territory Food Acts over the provisions for mandatory recalls, and introduces additional burdens on industry through notification of incidents where produce is associated with death, serious injury or illness.

### b. are at cross-purposes?

The introduction of certain prohibitive regulations aimed at Preventative health measure are of particular concern of being at cross purposes to the production of safe, nutrition, affordable foods. In particular, proposals that introduce multiple traffic light labelling based and a proposal to prohibit the marketing and promotion of foods to children are at cross purposes to the objective of ensure the production of safe, affordable, available foods.

This raises the broader question concerning food law, consumer protection and national public health objectives; that is, what role should food regulation play in directing the activities food producers and processors meeting national health objectives? This is an issue that a *National Food Plan* will need to address to provide context to the development and support for the food industry and food regulation is unlikely to be the most efficacious way of reaching these national objectives.

### c. have gaps?

While there is an exhaustive list of legislation, there are some gaps that result from changing trading conditions, such as parallel imports and the lack of protection for domestic food manufacturers and

importers responsible branded products; or the introduction of new technologies, whether digital information access and issues that surround rights to access and protection of the information, or the development of new production technologies such as nanomaterials and their impact on packaging, recycling, environment and occupational health and safety.

**10. Which regulation or regulatory regime poses the greatest burden on the food industry along the food supply chain (production, processing/manufacturing, transport and logistics, wholesale, retail)? What could be done to reduce this burden?**

The regulatory burden on the food industry is considerable and impact on all aspects of a business: food labelling, formulation, safety and production standards; consumer protection; trade practices; environmental protection; carbon pollution and waste management; trade measurement; road transport; management of dangerous substances; employee requirements covering occupational health and safety, wages, superannuation, unfair dismissal; to name just a few. Many of these are not unique to the food industry, but some of these have a disproportionately large impact on the food industry compared to other sectors.

Regulation of the food sector (from paddock to plate) occurs across multiple agencies and governments and the single greatest concern for the industry is a lack of national consistency in regulatory requirements, interpretation and enforcement.

While some of these regulatory agencies exist solely as Commonwealth responsibilities, many remain under the constitutional responsibility of the States and Territories with varying degrees of difference that results in an increased cost and reduced efficiency for industry. Which of these is more important than the others?

In the absence of a coordinated national policy framework across government is the single greatest problem for the industry, the net result is that the food and grocery manufacturing sector is poorly served by the policy and regulatory systems which govern it. While the industry is supportive of the need for regulations that ensure the safety of the food supply and working with jurisdictions to implement a bi-national food standard, it is of concern that the adoption of the model Food Act has been a spectacular failure and worryingly that jurisdictions are increasingly moving away from national consistency in pursuing politically expedient solutions to preventative health issues.

Nor is the regulatory burden and cost on industry simply the result of differences in legislation, but is equally a cost where there are differences in enforcement strategies and priorities. Regulators generally work from the position that enforcement requires regulators / enforcement agencies need to exercise a policy of escalating sanctions leading ultimately to Court imposed penalties and sanctions. However, the principles of effective regulation acknowledge the role that industry has to play at the opposite end of the spectrum in developing industry codes and implement industry self-regulation. Little, if any, effort is made by governments to actually support and develop this strategy in partnership with industry.

It is important that the *National Food Plan* reflect the need for:

- a continuing regulatory reform agenda for the food industry, including an assessment of compliance costs for industry and government in meeting current regulatory requirements
- an evaluation of the effectiveness of regulatory reform measure
- ensuring national consistency with the overall objective of the *National Food Plan* when developing new regulatory measures

At present, the Implementation Sub-Committee (ISC), a sub-committee of the Food Regulation Standing Committee, seeks to develop and oversee a consistent approach to the implementation and enforcement of the Food Standards Code and food law through the use of guidelines and policies to be applied by food law enforcement agencies. The objectives of these guidelines are to minimise cost to industry and meet the broader objective of minimum effective regulation. The AFGC supports this process, but is concerned about the lack of transparency, lack of accountability to stakeholders and lack of stakeholder engagement in the development of implementation strategies.

The other major impact on industry is the difficulty and time required to introduce changes to the Food Standards Code. Recent improvements to the FSANZ processes for paid applications and the development of the a detailed applicants handbook appear to have had some benefit.

For food manufacturers, timeliness in having any necessary amendments made to the Food Code is crucial in allowing them to innovate and bring these innovations to the market ahead of their competitors. The flexibility and efficiency of the regulatory environment is a critical factor in providing a stimulus for retaining industry funding in R&D in Australia.

## 11. What two or three actions:

- a. by the government sector would most benefit communities that are highly dependent on food production, processing, distribution or sale?**

Manufacturing facilities are often located in regional Australia to take advantage of raw material availability, which can provide the company with a cost advantage. However, this advantage cannot be guaranteed as transportation of perishable goods becomes more sophisticated and rapid. The food and grocery manufacturing industry is a major contributor to the wealth of rural Australia, where almost half of its employees are located. Companies operating in centres in regional Australia are often the major employer in the local region, and local economies depend on them. They provide not only fulltime employment, but also seasonal employment, which can be a critical supplementary income for farming families.

### **Tax or business incentives for companies to locate in regional areas**

Offering food related training and higher education courses in regional locations would enhance the reputation of these areas as hubs of food innovation.

Increasing Government research and development (R&D) and providing incentives for business. R&D leads to technical improvements and provides the foundation for productivity growth in this technology-based sector. The new R&D tax credit reduces the eligibility of R&D activities currently undertaken by food companies which will force some companies to pay more for R&D, and so take on a greater level of risk, and thereby potentially reducing the level of expenditure available for R&D.

**Membership as at 31 JULY 2011**

Arnott's Biscuits Limited	Kraft Foods Asia Pacific	*Baking Association Australia
Asia-Pacific Blending Corporation P/L	Laucke Flour Mills	CAS Systems of Australia
Barilla Australia Pty Ltd	Lion Nathan National Foods Limited	CHEP Asia-Pacific
Beak & Johnston Pty Ltd	Madura Tea Estates	CSIRO Food and Nutritional Sciences
Beechworth Honey Pty Ltd	Manildra Harwood Sugars	CoreProcess (Australia) Pty Ltd
Beerenberg Pty Ltd	Mars Australia	*CropLife
Bickfords Australia	McCain Foods (Aust) Pty Ltd	CROSSMARK Asia Pacific
Birch and Waite Foods Pty Ltd	McCormick Foods Aust. Pty Ltd	Dairy Australia
BOC Gases Australia Limited	McDonald's Australia	Food Liaison Pty Ltd
Bronte Industries Pty Ltd	Merisant Manufacturing Aust. Pty Ltd	FoodLegal
Bulla Dairy Foods	Nerada Tea Pty Ltd	*Foodservice Suppliers Ass. Aust.
Bundaberg Brewed Drinks Pty Ltd	Nestlé Australia Limited	*Food industry Association QLD
Bundaberg Sugar Limited	Nutricia Australia Pty Ltd	*Food industry Association WA
Byford Flour Mills T/a Millers Foods	Ocean Spray International Inc	*Food Q
Campbell's Soup Australia	Only Organic 2003 Pty Ltd	Foodbank Australia Limited
Cantarella Bros Pty Ltd	Parmalat Australia Limited	*Go Grains Health & Nutrition Ltd
Cerebos (Australia) Limited	Patties Foods Pty Ltd	Grant Thornton
Cheetham Salt Ltd	Pfizer Consumer Healthcare	GS1
Christie Tea Pty Ltd	Procter & Gamble Australia Pty Ltd	Harris Smith
Church & Dwight (Australia) Pty Ltd	Queen Fine Foods Pty Ltd	IBM Business Cons Svcs
Clorox Australia Pty Ltd	QSR Holdings	innovations & solutions
Coca-Cola Amatil (Aust) Limited	Reckitt Benckiser (Aust) Pty Ltd	KN3W Ideas Pty Ltd
Coca-Cola South Pacific Pty Ltd	Safcol Canning Pty Ltd	KPMG
Colgate-Palmolive Pty Ltd	Sanitarium Health and Wellbeing	Leadership Solutions
Coopers Brewery Limited	Sara Lee Australia	Legal Finesse
Danisco Australia Pty Ltd	SCA Hygiene Australasia	Linfox Australia Pty Ltd
Devro Pty Ltd	Schweppes Australia	Logan Office of Economic Dev.
DSM Food Specialties Australia Pty Ltd	Sensient Technologies	Meat and Livestock Australia Limited
Earlee Products	Simplot Australia Pty Ltd	Monsanto Australia Limited
Eagle Boys Pizza	Spicemasters of Australia Pty Ltd	New Zealand Trade and Enterprise
FPM Cereal Milling Systems Pty Ltd	Stuart Alexander & Co Pty Ltd	*PLMA Australia / New Zealand
Ferrero Australia	Subway	Red Rock Consulting
Fibrisol Services Australia Pty Ltd	Sugar Australia Pty Ltd	RQA Asia Pacific
Fonterra Brands (Australia) Pty Ltd	SunRice	StayinFront Group Australia
Food Spectrum Group	Tasmanian Flour Mills Pty Ltd	Strikeforce Alliance
Foster's Group Limited	Tate & Lyle ANZ	Swire Cold Storage
Frucor Beverages (Australia)	The Smith's Snackfood Co.	Swisslog Australia Pty Ltd
General Mills Australia Pty Ltd	The Wrigley Company	Tetra Pak Marketing Pty Ltd
George Weston Foods Limited	Tixana Pty Ltd	The Food Group Australia
GlaxoSmithKline Consumer Healthcare	Unilever Australasia	The Nielsen Company
Go Natural	Vital Health Foods (Australia) Pty Ltd	Touchstone Cons. Australia Pty Ltd
Goodman Fielder Limited	Ward McKenzie Pty Ltd	Valesco Consulting FZE
Gourmet Food Holdings	Wyeth Australia Pty Ltd	Visy Pak
H J Heinz Company Australia Limited	Yakult Australia Pty Ltd	Wiley & Co Pty Ltd
Harvest FreshCuts Pty Ltd	Yum Restaurants International	
Healthy Snacks		
Hela Schwarz	<b>Associate &amp; *Affiliate Members</b>	
Hoyt Food Manufacturing Industries P/L	Accenture	<b>PSF Members</b>
Hungry Jack's Australia	Australian Pork Limited	Amcor Packaging Australia
Jalna Dairy Foods	ACI Operations Pty Ltd	Bundaberg Brewed Drinks Pty Ltd
JBS Australia Pty Limited	Amcor Fibre Packaging	Schweppes Australia Pty Ltd
Johnson & Johnson Pacific Pty Ltd	*ASMI	Coca-Cola Amatil (Aust) Limited
Kellogg (Australia) Pty Ltd	AT Kearney	Lion Nathan Limited
Kerry Ingredients Australia Pty Ltd	BRI Australia Pty Ltd	Owens Illinois
Kimberly-Clark Australia Pty Ltd	Baker & McKenzie	Visy Pak



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