

Submission to the House of Representatives Standing Committee on Industry, Science and Resources Inquiry into Food and Beverage Manufacturing in Australia

A Timely Inquiry for a Critical Industry

Concept Beverages, a Perth-based beverage manufacturer employing 18 Australians, welcomes the House of Representatives Standing Committee's inquiry into food and beverage manufacturing at this critical juncture.

The escalating Cost of Living is driving rapid shifts in consumer preferences and necessitating a reconfiguration of supply chains and manufacturing practices. This presents a distinct opportunity to fortify the domestic food and beverage industry, strategically positioned to process Australia's agricultural outputs and deliver premium products to consumers.

The Inquiry needs to address issues faced not only by consumers but by industry through increased competition from multi nationals diverting profits away from the country, by offshore manufacturers providing cheap alternatives and supermarkets who continually strive to increase their margins at the expense of local manufacturing and made in Australia product.

The Key issues to be addressed:

1. Multinational Expansion at the expense of Small Business
2. Impact of Offshore Manufacturers
3. Supermarket and Margin Pressures

The Looming Threat of Offshoring

The enduring trend of manufacturing offshoring is a significant concern that cannot be overlooked, especially within the food and beverage sector. This industry is particularly susceptible, risking substantial loss in value addition to our agricultural produce, as well as a multitude of jobs and the expertise essential for a robust domestic industry.

Supermarkets and suppliers are looking to maximise profits by manufacturing offshore and especially in Asia. The Food and Beverage segment has seen significant increase in suppliers turning to Vietnam and Thailand. These countries are able to produce product at a lower cost through lower tax rates, reduced running costs aka electricity and Government funding with low-cost loans and trade facilities.

Concept Beverages: A Case for Investment

Concept Beverages is a prime example of the potential within Australian food and beverage manufacturing. We are an innovative and export-oriented company, but our ability to grow and compete globally hinges on a more supportive environment.

Concept Beverages is at the forefront of product innovation, particularly in the development of functional beverages. Our efforts in creating better-for-you beverages are gaining recognition from our international retail customers seeking innovative beverage solutions.

Competitive Disadvantages and Patchy Support

Our overseas competitors enjoy substantial advantages, such as access to loans at significantly lower interest rates (e.g., 1% in the US). Additionally, the recent removal of the 150% industry tax write-off for new assets significantly dampens our ability to invest in innovation and expansion. While some government grants and support programs exist, they are often patchy and require a burdensome application process, distracting us from our core business activities.

Urgent Need for Incentives and Leveling the Playing Field

Concept Beverages urges the Committee to consider targeted incentives and measures to level the playing field for smaller, competitive local manufacturers like ourselves. These efforts should address:

* Retailer Incentives: Encourage retailers to stock Australian-made products through tax breaks, grants, or marketing support programs.

* **Export Market Support:** Facilitate entry into export markets by mitigating trade restrictions and logistical hurdles, potentially through programs like Export Financing and Insurance Corporation (EFIC).

* **Investment in Local R&D:** Increase support for local industry R&D through grants specifically designed for smaller manufacturers, fostering innovation in sustainable packaging and healthy products.

Aligning with Consumer Trends and Global Opportunities

By implementing these recommendations, the Committee can empower Australian food and beverage manufacturers to capitalise on evolving consumer preferences and capture a greater share of the global market. This will not only safeguard local jobs and expertise but also ensure that Australia remains a leading producer of high-quality food and beverage products.

Retailer Incentives and Competitive Benefits

A critical issue is the dominance of large retailers and their buying power. We propose a system that incentivises retailers to stock Australian-made products, similar to tax breaks in the US for minority-owned businesses. This could take the form of tax deductions, grants, or marketing support programs rewarding retailers for prioritising local products.

Export Market Support and Competitive Advantage

Concept Beverages is export-ready, but challenges like trade restrictions and logistical hurdles hinder our ability to compete globally. We recommend government support in navigating these challenges, such as trade missions or programs like Export Financing and Insurance Corporation (EFIC) that can mitigate financial risks associated with exporting.

Investment in Local Industry R&D and Employment

Increased support for local R&D through grants and programs specifically designed for smaller manufacturers is crucial. This fosters innovation in areas like sustainable packaging and healthy product development, creating local jobs and strengthening the domestic knowledge base.

Concept Beverages' Priorities

Concept Beverages' priorities align with the Committee's focus areas:

- * Innovation: We are committed to developing functional and sustainable beverage options.
- * Sustainability: We are transitioning to eco-friendly packaging solutions like aluminium bottles and exploring collaborations on circular economy initiatives.
- * Export Growth: We are eager to leverage EFIC support to break into export markets.

A Timely Inquiry

This inquiry is particularly timely given the revelations from the Supermarkets Inquiry regarding predatory pricing by major supermarkets. A government strategy for industry development is essential. This strategy should encompass export promotion, ensuring fair access to shelf space, and supporting R&D to maintain Australia's competitiveness in food and beverage manufacturing, create jobs, and maximize value from our agricultural produce.

Concept Beverages is a prime example of an innovative and export-oriented local manufacturer. By implementing the recommendations outlined above, the Committee can help us, and countless other businesses thrive, solidifying Australia's position as a global leader in the food and beverage sector.