

Australian Food and Grocery Council SUBMISSION

21 OCTOBER 2011

TO:

SENATE STANDING COMMITTEES ON RURAL AFFAIRS
AND TRANSPORT

IN RESPONSE TO:

INQUIRY INTO THE QUARANTINE AMENDMENT
(DISALLOWING PERMITS) BILL 2011.



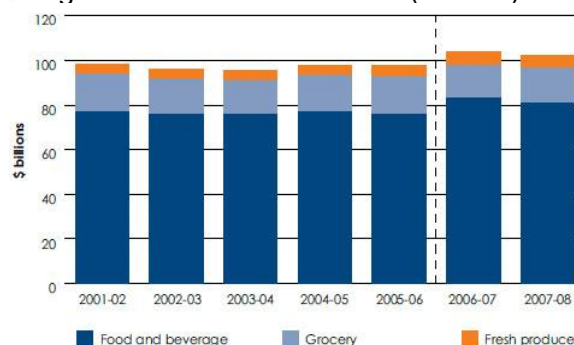
1. PREFACE

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 8159.0¹

Manufacturing of food, beverages and groceries in the fast moving consumer goods sector¹ 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 billion². 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 Australia³. 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.

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

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

³ About Australia: www.dfat.gov.au

2. SUMMARY

The Australian Food and Grocery Council (AFGC) welcomes the opportunity to make a submission to the Senate Standing Committees on Rural Affairs and Transport inquiry into the Quarantine Amendment (Disallowing Permits) Bill 2011.

AFGC recognises the community concerns around the importation of agricultural and biological materials and supports the need for a robust risk assessment process to ensure that Australian agricultural and horticultural production is not compromised by the inadvertent introduction of foreign diseases. However, the AFGC also recognises that some of these concerns stem from the economic disadvantage that Australian producers are placed in competing with imported product.

In our view, the Bill will not achieve its proposed objective of “protecting Australia’s agricultural sector from disease by further scrutiny of import risk analyses and quarantine determinations”⁴.

Australia relies on global trade for both imported and exported products, and is party to the World Trade Organisation (WTO). Australian agricultural exports benefit significantly by being party to the global trading systems and Australia has obligations to uphold the requirements for fair and reasonable access to markets.

The WTO agreement on Sanitary and Phytosanitary Measures allows Australian to enforce animal and plant health measures provided they are scientifically justifiable or based on international standards. The measures must also be applied only to the extent necessary to protect human, animal or plant life, health or safety and must not be arbitrarily introduced as a technical barrier to trade.

In undertaking a review or a risk assessment of Biosecurity concerns, there is ample opportunity for all stakeholders to make submissions and provide evidence of potential risks to their industry should imported product be permitted entry to Australia.

The AFGC is concerned that the proposed Bill will be seen by Australia’s trading partners as a blatant attempt at political interference with the processes of risk assessment and administration of quarantine requirements. That the Bill proposes to make the issuing of permits a disallowable instrument overrides the sound scientific evidence and determination of Biosecurity Australia and the Director of Quarantine and also places Australia in jeopardy of compromising existing World Trade Organisation requirements.

AFGC requests the Senate Standing Committees on Rural Affairs and Transport to recommend the Bill not be passed on the grounds that it:

- **undermines Australia’s trading obligations under the World Trade Organisation;**
- **compromises the scientific evidenced based framework of the risk assessment process established through Biosecurity Australia; and**
- **is not appropriate for the Parliament of the day to circumvent the administration of Biosecurity and quarantine risk assessments undertaken by the Director of Quarantine.**

⁴ (Senator Xenophon, second reading speech, 25 August 2011).

3. RISK ASSESSMENT

Australia's quarantine policy is based on the assessment and management of pest and disease risk to human, animal and plant health and the environment. The Australian Quarantine and Inspection Service (AQIS) manages the risk associated with imported products in various ways, and based on the scientific advice provided by Biosecurity Australia

Biosecurity Australia is the unit within the Biosecurity Services Group, in the Department of Agriculture, Fisheries and Forestry, responsible for recommendations for the development of Australia's biosecurity policy.

Biosecurity Australia undertakes science-based risk assessments and provides quarantine policy advice to protect Australia's animal and plant health status and natural environment. It also provides technical advice to enhance Australia's access to international markets and participate in international organisations that set biosecurity standards.

Biosecurity Australia develops and reviews quarantine policies. The process to develop a new quarantine policy, where no policy exists, is called an import risk analysis (IRA). Biosecurity Australia's expert scientific staff provide technical advice and support in the development of international quarantine standards and help to develop quarantine expertise in our region.

As a World Trade Organization (WTO) member, Australia is obliged under the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) to consider all import requests from other countries concerning agricultural products, just as other member countries are obliged to consider our requests.

Decisions to permit or reject an import application can (rightly) be made only on sound scientific based evidence. Biosecurity Australia also works with international agencies that set standards for animal and plant health. These are:

- The World Organisation for Animal Health (OIE), which informs member countries of animal disease outbreaks throughout the world, and studies new ways of controlling animal diseases and sets international standards; and
- The International Plant Protection Convention (IPPC) which provides a framework for international cooperation, sets international standards and exchanges information on plant health.

The decision to issue a Quarantine permit to import some products is subject to certain quarantine conditions stipulated as a result of the Biosecurity Australia risk assessment. Some products from certain countries may be assessed as posing significant risk and are not allowed entry into Australia. Other products are only allowed into Australia upon the granting of an Import Permit from AQIS.

Under the Quarantine Act, an application can be made to the Director of Quarantine to issue a permit for the importation of a thing of a class of things. In considering the application the Director of Quarantine will take into account advice from Biosecurity Australia as to the risk posed by the thing to be imported.

The Australian parliament has put in place a comprehensive system for implementing the appropriate level of protection for imports and exports of goods. AFGC is of the view, that this Bill would take Parliament beyond the setting of the system and require the Parliament to engage in the administrative and operational implementation of policy. This is clearly beyond the role of Parliament.

4. THE BILL WILL ADD ANOTHER COSTLY REGULATORY BURDEN TO BUSINESS

The Bill introduces further costly administrative processes and delays and compromises the legitimate importation of products into Australia that have been approved by Biosecurity Australia's risk assessment process. This adds to the further uncertainty and business risks faced by food manufacturers, and further increases the complexity of running businesses in Australia. Australian businesses will be forced to incur significant costs and delays in establishing and maintaining supply contracts and risk losing their retail space to market if a shortfall in locally sourced ingredients requires a manufacturer to source imported ingredients.

The AFGC is concerned that the proposed Bill will be seen by Australia's trading partners as a blatant attempt at political interference with the processes of risk assessment and administration of quarantine requirements.

The Bill is inherently flawed in that it proposes to make the issuing of permits a disallowable instrument by the fact that it completely undermines the sound scientific evidence based system of Biosecurity Australia and the Director of Quarantine. It also places Australia in jeopardy of being not complying with World Trade Organisation requirements.

While there are legitimate concerns of farmers and growers about their ability to compete against cheap imports, particularly with a high Australian dollar and the threat of even higher input costs with rising power, electricity, water and wages, the proposed Bill is not the answer to this problem.

The scientific credibility of the risk assessments as a basis for decision making for both imports and particularly exports is a critical issue for the food and grocery sector. It is vital that the strict scientific protocol is used as a basis for assessing the risk and making individual permit conditions. Deviations from this will undermine the credibility of AQIS as the regulator locally and also internationally, bringing (even more) disarray to the current time consuming and business costly process of navigating the Australian import/export requirements for food. The Bill introduces a significant level of uncertainty for business unnecessarily. If the provisions and arrangements provided by Bio-security Australia are able to be made disallowable instruments by Parliament the risk for business is exacerbated in what is an extremely competitive global market place.

Any positive outcome of such action in having the Parliament review the decisions of the Director of Quarantine is negligible at best and a costly waste of time and resources at worst.

5. CONCLUDING STATEMENT

The food and grocery industry clearly recognises the community concerns around safety of imported foods. AFGC strongly supports the need for a robust, evidence-based, scientifically rigorous approach to Biosecurity risk assessment and that where there is a demonstrated need to protect human, animal or plant life, health or safety that imported products may be excluded. However, this must also be balanced against the need to support trade and provide fair and reasonable access to markets and provide a level of certainty for business.

The passing of this Bill would be an extremely poor outcome for all concerned – including industry, government and the consumer. Ultimately it will do little to protect farmers and horticulturists from cheaper imports and it risks further damaging the Australian food manufacturing sector on whom these producers rely to sell the large proportion of their produce.

AFGC is of the view the Bill is unsound in principle, contrary to Australia's WTO obligations, practically unworkable, unnecessary, will cause significant and unnecessary delays to the issuing of permits and hence to trade and weaken the institutional framework for Biosecurity.

We would therefore request the Committee to recommend that the Bill not be passed.

Australian Food and Grocery Council

SUBMISSION

AFGC MEMBERS LIST AS AT 30 JUNE 2011

Arnott's Biscuits Limited
Asia-Pacific Blending Corporation P/L
Barilla Australia Pty Ltd
Beak & Johnston Pty Ltd
Beechworth Honey Pty Ltd
Beerenberg Pty Ltd
Bickfords Australia
Birch and Waite Foods Pty Ltd
BOC Gases Australia Limited
Bronte Industries Pty Ltd
Bulla Dairy Foods
Bundaberg Brewed Drinks Pty Ltd
Bundaberg Sugar Limited
Byford Flour Mills T/a Millers Foods
Campbell's Soup Australia
Cantarella Bros Pty Ltd
Cerebos (Australia) Limited
Cheetham Salt Ltd
Christie Tea Pty Ltd
Church & Dwight (Australia) Pty Ltd
Clorox Australia Pty Ltd
Coca-Cola Amatil (Aust) Limited
Coca-Cola South Pacific Pty Ltd
Colgate-Palmolive Pty Ltd
Coopers Brewery Limited
Danisco Australia Pty Ltd
Devro Pty Ltd
DSM Food Specialties Australia Pty Ltd
Earlee Products
Eagle Boys Pizza
FPM Cereal Milling Systems Pty Ltd
Ferrero Australia
Fibrisol Services Australia Pty Ltd
Fonterra Brands (Australia) Pty Ltd
Food Spectrum Group
Foster's Group Limited
Fruco Beverages (Australia)
General Mills Australia Pty Ltd
George Weston Foods Limited
GlaxoSmithKline Consumer Healthcare
Go Natural
Goodman Fielder Limited
Gourmet Food Holdings
H J Heinz Company Australia Limited
Harvest FreshCuts Pty Ltd
Healthy Snacks
Hela Schwarz
Hoyt Food Manufacturing Industries P/L
Hungry Jack's Australia
Jalna Dairy Foods
JBS Australia Pty Limited
Johnson & Johnson Pacific Pty Ltd
Kellogg (Australia) Pty Ltd
Kerry Ingredients Australia Pty Ltd
Kimberly-Clark Australia Pty Ltd
Kraft Foods Asia Pacific

Laucke Flour Mills
Lion Nathan National Foods Limited
Madura Tea Estates
Manildra Harwood Sugars
Mars Australia
McCain Foods (Aust) Pty Ltd
McCormick Foods Aust. Pty Ltd
McDonald's Australia
Merisant Manufacturing Aust. Pty Ltd
Nerada Tea Pty Ltd
Nestlé Australia Limited
Nutricia Australia Pty Ltd
Ocean Spray International Inc
Only Organic 2003 Pty Ltd
Parmalat Australia Limited
Patties Foods Pty Ltd
Pfizer Consumer Healthcare
Procter & Gamble Australia Pty Ltd
Queen Fine Foods Pty Ltd
QSR Holdings
Reckitt Benckiser (Aust) Pty Ltd
Safcol Canning Pty Ltd
Sanitarium Health and Wellbeing
Sara Lee Australia
SCA Hygiene Australasia
Schweppes Australia
Sensient Technologies
Simplot Australia Pty Ltd
Spicemasters of Australia Pty Ltd
Stuart Alexander & Co Pty Ltd
Subway
Sugar Australia Pty Ltd
SunRice
Tasmanian Flour Mills Pty Ltd
Tate & Lyle ANZ
The Smith's Snackfood Co.
The Wrigley Company
Tixana Pty Ltd
Unilever Australasia
Vital Health Foods (Australia) Pty Ltd
Ward McKenzie Pty Ltd
Wyeth Australia Pty Ltd
Yakult Australia Pty Ltd
Yum Restaurants International

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Accenture
Australian Pork Limited
ACI Operations Pty Ltd
Amcors Fibre Packaging
*ASMI
AT Kearney
BRI Australia Pty Ltd
*Baking Association Australia
CAS Systems of Australia
CHEP Asia-Pacific
CSIRO Food and Nutritional Sciences
CoreProcess (Australia) Pty Ltd
*CropLife

CROSSMARK Asia Pacific
Dairy Australia
Food Liaison Pty Ltd
FoodLegal
*Foodservice Suppliers Ass. Aust.
*Food industry Association QLD
*Food industry Association WA
Foodbank Australia Limited
*Go Grains Health & Nutrition Ltd
Grant Thornton
GS1
Harris Smith
IBM Business Cons Svcs
innovations & solutions
KN3W Ideas Pty Ltd
KPMG
Leadership Solutions
Legal Finesse
Linfox Australia Pty Ltd
Logan Office of Economic Dev.
Meat and Livestock Australia Limited
Monsanto Australia Limited
New Zealand Trade and Enterprise
RQA Asia Pacific
StayinFront Group Australia
Strikeforce Alliance
Swire Cold Storage
Swisslog Australia Pty Ltd
Tetra Pak Marketing Pty Ltd
The Food Group Australia
The Nielsen Company
Touchstone Cons. Australia Pty Ltd
Valesco Consulting FZE
Visy Pak
Wiley & Co Pty Ltd

PSF Members

Amcors Packaging Australia
Bundaberg Brewed Drinks Pty Ltd
Schweppes Australia Pty Ltd
Coca-Cola Amatil (Aust) Limited
Foster's Group Limited
Lion Nathan Limited
Owens Illinois
Visy Pak

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